

Patient Safety Technologies, Inc
Form POS AM
May 08, 2012

As filed with the Securities and Exchange Commission on May 8, 2012

No. 333-174085

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

POST-EFFECTIVE
AMENDMENT NO. 1
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PATIENT SAFETY TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	3842 (Primary Standard Industrial Classification Code Number)	13-3419202 (I.R.S. Employer Identification Number)
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2 Venture Plaza, Suite 350
Irvine, California 92618
(949) 387-2277
(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)

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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box.

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

EXPLANATORY NOTE

This Post-Effective Amendment No. 1 amends the Registration Statement on Form S-1 (No. 333-174085) of Patient Safety Technologies, Inc., previously filed with the Securities and Exchange Commission and declared effective on August 12, 2011. This Post-Effective Amendment No. 1 is being filed to update certain information in the prospectus, including as a result of the registrant filing its Annual Report on Form 10-K for the year ended December 31, 2011.

The registration fee for the shares included in this Post-Effective Amendment No. 1 was paid in connection with their original registration, and therefore no additional registration fee is being paid in connection herewith.

The information in this prospectus is not complete and may be changed. The selling stockholders may not sell these securities under this prospectus until the registration statement of which it is a part and filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MAY 8, 2012

PROSPECTUS

23,970,172 Shares of Common Stock

This prospectus relates to the offering by the selling stockholders of Patient Safety Technologies, Inc. of up to 23,970,172 shares of common stock, par value \$0.33 per share. All of the shares of common stock offered by this prospectus are being sold by the selling stockholders. These shares include 13,602,639 issued and outstanding shares of common stock, 8,492,533 shares of common stock issuable upon conversion of our issued and outstanding Series B Convertible Preferred Stock, or Series B Preferred Stock, and 1,875,000 shares of common stock underlying unexercised warrants to purchase common stock.

Our filing of the registration statement, of which this prospectus is a part, is intended to satisfy our obligations to the selling stockholders to register for resale these shares of common stock. The selling stockholders have advised us that they will sell the shares of common stock from time to time in the open market, on the OTC Bulletin Board, or any other stock exchange, market or trading facility on which our shares are traded, in privately negotiated transactions or a combination of these methods, at market prices prevailing at the time of sale or at prices related to the prevailing market prices or at negotiated prices.

The selling stockholders may sell the common shares to or through underwriters, brokers or dealers or directly to purchasers. Underwriters, brokers or dealers may receive discounts, commissions or concessions from the selling stockholders, purchasers in connection with sales of the common shares, or both. Additional information relating to the distribution of the common shares by the selling stockholders can be found in this prospectus under the heading "Plan of Distribution." If underwriters or dealers are involved in the sale of any securities offered by this prospectus, their names, and any applicable purchase price, fee, commission or discount arrangement between or among them, will be set forth, or will be calculable from the information set forth, in a supplement to this prospectus.

We will not receive any proceeds from the sale of common stock by the selling stockholders. We will receive proceeds from the selling stockholders from any exercise of their warrants made on a cash basis.

Our common stock is quoted on the OTC Bulletin Board under the symbol "PSTX." On May 2, 2012, the closing price of our common stock was \$1.70 per share.

Investing in our common stock involves a high degree of risk. Before making any investment in our common stock, you should read and carefully consider the risks described in this prospectus under "Risk Factors" beginning on page 5 of this prospectus.

You should rely only on the information contained in this prospectus or any prospectus supplement or amendment thereto. We have not authorized anyone to provide you with different information.

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

This prospectus is dated _____, 2012

TABLE OF CONTENTS

	Page
<u>CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	ii
<u>ABOUT THIS PROSPECTUS</u>	iii
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	iii
<u>PROSPECTUS SUMMARY</u>	1
<u>RISK FACTORS</u>	5
<u>SELLING STOCKHOLDERS</u>	19
<u>DETERMINATION OF OFFERING PRICE</u>	23
<u>PLAN OF DISTRIBUTION</u>	23
<u>USE OF PROCEEDS</u>	25
<u>MARKET PRICE OF AND DIVIDENDS ON COMMON STOCK AND RELATED MATTERS</u>	25
<u>BUSINESS</u>	28
<u>MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	38
<u>DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</u>	49
<u>EXECUTIVE COMPENSATION</u>	51
<u>DIRECTOR COMPENSATION</u>	54
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	56
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	59
<u>DESCRIPTION OF CAPITAL STOCK</u>	62
<u>LEGAL MATTERS</u>	65
<u>EXPERTS</u>	65
<u>FINANCIAL STATEMENTS</u>	F-1

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act. Our forward-looking statements relate to future events or our future performance and include, but are not limited to, statements concerning our business strategy, future commercial revenues, market growth, capital requirements, new product introductions, expansion plans and the adequacy of our funding. Other statements contained in this prospectus that are not historical facts are also forward-looking statements. You can sometimes identify forward-looking statements by our use of forward-looking words like “may,” “will,” “could,” “should,” “expects,” “intends,” “anticipates,” “believes,” “estimates,” “seeks,” “predicts,” “potential,” or “continue” or the negative of these terms and other similar expressions and terminology.

We caution investors that any forward-looking statements presented in this prospectus, or that we may make orally or in writing from time to time, are based on the beliefs of, assumptions made by, and information currently available to, us. Although we believe that the plans, objectives, expectations and intentions reflected in or suggested by our forward-looking statements are reasonable, those statements are based only on the current beliefs and assumptions of our management and on information currently available to us and, therefore, they involve uncertainties and risks as to what may happen in the future. Accordingly, we cannot guarantee that our plans, objectives, expectations or intentions will be achieved. Our actual results, performance (financial or operating) or achievements could differ from those expressed in or implied by any forward-looking statement in this prospectus as a result of many known and unknown factors, many of which are beyond our ability to predict or control, and those differences may be material. Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include the following:

- our ability to successfully implement hospitals under contract but not yet implemented;
- the early stage of adoption of our Safety-Sponge® System and the need to expand adoption of our Safety-Sponge® System;
- the impact on our future revenue and cash flow from the Forward Order (described herein) and ordering patterns of our exclusive distributor, Cardinal Health;
- our need for additional financing to support our business;
- our reliance on third-party manufacturers, some of whom are sole-source suppliers, and on our exclusive distributor;
- any inability to successfully protect our intellectual property portfolio; and
- the impact on our revenues and financial position from managing our growth, including the initial costs typically associated with hospital implementations.

For further discussion of these and other factors see the sections in this prospectus entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors.” This prospectus and all other written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in or referred to in this section.

Our forward-looking statements speak only as of the date they are made and should not be relied upon as representing our plans, objectives, expectations and intentions as of any subsequent date. Although we may elect to update or revise forward-looking statements at some time in the future, we specifically disclaim any obligation to do so, even if our plans, objectives, expectations or intentions change.

ii

ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus. We have not authorized any person to provide you with different or inconsistent information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither we nor the selling stockholders are making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of their respective dates. The Company's business, financial condition, results of operations and prospects may have changed since such dates.

Unless otherwise indicated or unless the context requires otherwise, all references in this prospectus to the "Company," "the registrant," "we," "us," and "our" mean Patient Safety Technologies, Inc., a Delaware corporation, together with our consolidated subsidiary, SurgiCount Medical Inc., a California corporation, unless the context otherwise requires.

Unless otherwise indicated, all statements presented in this prospectus regarding the medical patient safety market, the market for our products, our market share, the cumulative number of Safety-Sponges® used and number of procedures in which the Safety-Sponge® System have been used are internal estimates only.

Safety-Sponge®, SurgiCounter™ and SurgiCount360™ (formerly called Citadel™), among others, are registered or unregistered trademarks of Patient Safety Technologies, Inc. (including its subsidiary).

WHERE YOU CAN FIND MORE INFORMATION

We file annual reports, quarterly reports, current reports, proxy statements and other information with the Securities and Exchange Commission, or SEC. You may read or obtain a copy of these reports at the SEC, public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, on official business days during the hours of 10:00 am to 3:00 pm. You may obtain information on the operation of the public reference room and its copy charges by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains registration statements, reports, proxy information statements and other information regarding registrants that file electronically with the SEC. The address of the website is www.sec.gov.

We have filed with the SEC a Registration Statement on Form S-1 under the Securities Act with respect to the shares of common stock being offered by this prospectus. This prospectus is part of that registration statement. This prospectus does not contain all of the information set forth in the registration statement or the exhibits to the registration statement. For further information with respect to us and the shares offered by the selling stockholders pursuant to this prospectus, you should refer to the registration statement and its exhibits. Statements contained in this prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete, and you should refer to the copy of that contract, agreement or other document filed as an exhibit to the registration statement. You may read or obtain a copy of the registration statement at the SEC's public reference room and website referred to above.

PROSPECTUS SUMMARY

This summary highlights information contained throughout this prospectus and is qualified in its entirety to the more detailed information and financial statements included elsewhere in this prospectus. This summary does not contain all of the information that should be considered before investing in our common stock. Investors should read the entire prospectus carefully, including the more detailed information regarding our business, the risks of purchasing our common stock discussed in this prospectus under “Risk Factors” beginning on page 5 of this prospectus and our financial statements and the accompanying notes beginning on page F-1 of this prospectus.

Our Company

Patient Safety Technologies, Inc., focuses on the development, marketing and sale of products designed to improve patient outcomes and reduce costs in the healthcare industry. We conduct our business through our wholly owned subsidiary, SurgiCount Medical, Inc. Our proprietary Safety-Sponge® System is a patented solution designed to eliminate one of the most common errors in surgery, retained surgical sponges, and the human and economic costs associated with this surgical mistake. The Safety-Sponge® System is comprised of a line of uniquely identified surgical sponges and towels and a turnkey hardware and software offering integrated to form a comprehensive accounting and documentation system. Over an estimated 75 million of our Safety-Sponges® have been successfully used in more than 3.6 million surgical procedures.

We sell our Safety-Sponge® System to hospitals through our direct sales force and by leveraging the sales and marketing capabilities of our distribution partners. Our proprietary line of surgical sponges and towels are manufactured for us by our exclusive manufacturer, A Plus International Inc., or A Plus, a leading, China-based manufacturer of disposable medical and surgical supplies. Our sponge and towel products are distributed through Cardinal Health, Inc., or Cardinal Health, who provides us sales, marketing and logistics support and the fulfillment of our products to our end-user hospitals by both delivering our products directly to our end-user hospitals and where appropriate through alternative distributors. As of December 31, 2011, we had approximately 98 facilities using the Safety-Sponge® System and we currently have approximately 146, all of which are located in the U.S. Additionally, as of December 31, 2011 we had an additional 139 facilities with signed agreements and scheduled implementation, and we currently have approximately 117. Although not necessarily proportionally related to future revenue, growth in the number of hospitals using our products is a good indicator of our underlying business. Once implemented, the vast majority of our end-user hospitals use the Safety-Sponge® System across all of their relevant surgical and OB/GYN procedures.

We generated revenues of \$9.5 million and \$14.8 million during the fiscal years ended December 31, 2011 and 2010, respectively. Our 2011 revenues of \$9.5 million include approximately \$1.1 million of revenues from the fulfillment of a \$10.0 million stocking order in accordance with the terms of our exclusive distributor arrangement with Cardinal Health (the “Forward Order”). Also during 2011 we generated approximately \$8.4 million of revenue, separate from the Forward Order, from the delivery of products to Cardinal Health to meet customer demand from end-user hospitals. Our 2010 revenues of \$14.8 million included approximately \$8.9 million of revenues from the fulfillment of the Forward Order. Under certain circumstances the Forward Order may negatively impact our future revenues and cash flows. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations— Factors Affecting Future Results—Cardinal Health Supply Agreement”.

The U.S. patient safety market is a multi-billion dollar industry that includes a wide range of medical devices, technologies and equipment. We estimate there are approximately 32 million surgical procedures performed annually in the U.S. in which our products can be used and that our average revenue per procedure opportunity is currently approximately \$12 to \$15 dollars, implying an immediate market opportunity in the U.S. for us of more than \$450 million annually. In addition, we estimate that the total applicable procedures for our products outside the U.S. to be

approximately two times those done domestically, bringing the worldwide market opportunity for us to be over \$1.3 billion annually.

We believe that the U.S. healthcare industry is increasingly receptive to products like our Safety-Sponge® System that can enable providers to increase their standards of patient care and lower their costs. We believe drivers of this demand include growing evidence as to the clinical efficacy and cost effectiveness of products like ours, an increased focus by both federal and state level regulatory agencies to hold hospitals more accountable for preventable errors, increasing legal costs associated with these events and the underlying desire by providers to provide improved outcomes for their patients and protect their staff from the ramifications of these event.

Patient Safety Technologies, Inc. is a Delaware corporation that currently conducts its operations through a single, wholly-owned subsidiary, SurgiCount Medical, Inc., a California corporation. Today our sole focus is providing hospitals with products focused on improving patient outcomes and reducing healthcare costs. We were incorporated on March 31, 1987 and from July 1987 through March 2005, operated as an investment company registered pursuant to the Investment Company Act of 1940, as amended. In February 2005, we began operations in our current field, the medical patient safety market, through the acquisition of SurgiCount Medical, Inc., the developer of our proprietary Safety-Sponge® System, and in April 2005 changed our name from Franklin Capital Corporation to Patient Safety Technologies, Inc. to more appropriately reflect the focus of our operations.

Our principal executive offices are located at 2 Venture Plaza, Suite 350, Irvine, California 92618. The telephone number at our principal executive offices is (949) 387-2277. Our website address is www.surgicountmedical.com. Information contained on our website is not deemed part of this prospectus.

The Offering

This prospectus relates to the resale from time to time by the selling stockholders identified in this prospectus of up to 23,970,172 shares of our common stock. These shares include 13,602,639 issued and outstanding shares of common stock, 8,492,533 shares of common stock issuable upon conversion of our issued and outstanding Series B Preferred Stock and 1,875,000 shares of common stock underlying unexercised warrants to purchase common stock (see “–Background”). No shares are being offered for sale by us.

Common stock outstanding prior to offering	34,023,255 (1)
Common stock equivalents outstanding prior to offering	42,953,522(2)
Common stock offered by the selling stockholders	23,970,172 (3)
Common stock to be outstanding after the offering	44,390,788 (4)
Use of Proceeds	We will not receive any proceeds from the sale of the 23,970,172 shares of common stock offered by the selling stockholders under this prospectus.
	However, we will receive up to \$5,006,250 in the aggregate from the selling stockholders if they exercise in full, on a cash basis, all of their unexercised warrants to purchase 1,875,000 shares of common stock.
OTC Bulletin Board symbol	“PSTX”

(1) As of March 31, 2012.

(2) As of March 31, 2012. Based on 34,023,255 outstanding shares of our common stock and 8,930,267 shares of common stock issuable upon conversion of our outstanding shares of Series B Preferred Stock (based on dividing the \$100 per share stated value of the Series B Preferred Stock by the current conversion price of \$0.75 per share). The Series B Preferred Stock is convertible by the holder into shares of our common stock so long as the number of shares of our common stock “beneficially owned” (as defined in Rule 13d-3(d)(i) under the Securities Exchange Act of 1934, as amended) by the holder, its affiliates and any persons acting as a group with such holder or its affiliates, following such conversion, does not exceed 4.9% of our outstanding common stock (after giving effect to such conversion) (the “Beneficial Ownership Limitation”). Holders of our Series B Preferred Stock may, upon not less than 61 days’ prior notice, increase or decrease the Beneficial Ownership Limitation provided that such Beneficial Ownership Limitation in no event exceeds 9.9% of the shares of common stock outstanding immediately after giving effect to such conversion.

- (3) Includes 13,602,639 issued and outstanding shares of common stock, 8,492,533 shares of common stock issuable upon conversion of our Series B Preferred Stock (based on dividing the \$100 per share stated value of the Series B Preferred Stock by the current conversion price of \$0.75 per share) and 1,875,000 shares of common stock underlying unexercised warrants to purchase common stock at weighted average exercise price of \$2.67.
- (4) Based on the number of shares of common stock outstanding as of March 31, 2012. Assumes (i) the full exercise of the unexercised warrants held by the selling stockholders as of March 31, 2012 to acquire 1,875,000 shares of common stock and that no other outstanding warrants and options are exercised and (ii) the conversion of shares of Series B Preferred Stock convertible into 8,492,533 shares of common stock held by the selling stockholders based on dividing the \$100 per share stated value of the Series B Preferred Stock by the current conversion price of \$0.75 per share.

Background

In connection with a private placement transaction that closed on March 29, 2011 and March 30, 2011, or the March 2011 Private Placement, we entered into an amended and restated registration rights agreement, or the 2011 Registration Rights Agreement, with certain stockholders. Pursuant to the 2011 Registration Rights Agreement, we agreed to file within 45 days of the closing date of the March 2011 Private Placement, a registration statement to register the shares of our common stock acquired in the March 2011 Private Placement, shares of common stock convertible under Series B Preferred Stock acquired in a private placement transaction that closed on June 24, 2010, or the June 2010 Private Placement, shares issued under a consulting agreement to Mr. Kenneth Traub in February 2011, and any other shares of our common stock held by the stockholders party to the 2011 Registration Rights Agreement as of March 28, 2011. In addition to the foregoing mandatory registration, we also granted demand and “piggyback” registration rights.

In the March 2011 Private Placement, we raised \$7.1 million through the issuance of 9.489 million shares of our common stock, par value \$0.33 per shares, at a selling price of \$0.75 per share. The shares of common stock sold in the March 2011 Private Placement shares were issued in reliance upon the exemption from the registration requirements of the Securities Act pursuant to Rule 506 of Regulation D thereof. The offer, sale and issuance of the common stock in the March 2011 Private Placement was made without general solicitation or advertising and the shares were offered and issued only to “accredited investors” as such term is defined in Rule 501 of Regulation D under the Act.

In February 2011, in connection with a consulting agreement with Kenneth Traub, we issued Mr. Traub 75,000 restricted shares of our common stock. These shares are restricted under Rule 144 of the Securities Act and were issued in reliance upon Section 4(2) of the Securities Act.

In connection with a private placement that initially closed on June 24, 2010, or the June 2010 Private Placement, we raised \$6.1 million through the issuance of 60,500 shares of our Series B Preferred Stock, par value \$1.00 per share and a \$100 stated value per share (of which 500 shares of our Series B Preferred Stock were issued on December 6, 2010). As of the date of this prospectus, those 60,500 shares of our Series B Preferred Stock, plus an additional 3,194 shares of Series B Preferred Stock subsequently issued as “pay in kind dividends,” are convertible into 8,492,533 shares of our common stock. The shares of Series B Preferred Stock sold in the June 2010 Private Placement were issued in reliance upon the exemption from the registration requirements of the Securities Act pursuant to Rule 506 of Regulation D thereof. The offer, sale and issuance of the Series B Preferred Stock in the June 2010 Private Placement was made without general solicitation or advertising and were offered and issued only to “accredited

investors” as such term is defined in Rule 501 of Regulation D under the Act.

On November 19, 2009, in connection with the execution of our new supply and distribution agreement with Cardinal Health (see “Business—Customers and Distribution—Cardinal Health – Exclusive U.S. Distributor”), we issued to Cardinal Health warrants to purchase 1,250,000 shares of our common stock at \$2 per share and 625,000 shares of our common stock at \$4 per share pursuant to a Warrant Purchase Agreement dated effective November 19, 2009. The warrants have a term of five-years, but are subject to early expiration in certain circumstances. The warrants issued to Cardinal Health were issued in reliance upon the exemption from the registration requirements of the Securities Act pursuant to Section 4(2) and the rules and regulations promulgated thereunder, including Regulation D. The offer, sale and issuance of the common stock was made without general solicitation or advertising. The warrants were offered and issued only to an “accredited investor” as such term is defined in Rule 501 of Regulation D under the Act.

On July 29, 2009, we issued an aggregate 5.4 million shares of our common stock in the first closing of two private placements, or the July 2009 Private Placements, to accredited investors who were holders of warrants to purchase shares of our common stock. Warrant holders could tender their warrants for shares of our common stock pursuant to the Exchange Agreement dated as of July 29, 2009 (the "Exchange Agreement") or acquire additional shares of our common stock at a price per share of \$0.86 pursuant to the purchase agreement dated as of July 29, 2009 in exchange for their warrants for shares of our common stock and cash. Holders not making a cash investment tendered warrants to purchase an aggregate 1.6 million shares of our common stock in exchange for an aggregate 597 thousand shares of our common stock pursuant to the Exchange Agreement. Holders who elected to make a cash investment tendered warrants to purchase an aggregate 4.8 million shares of our common stock and an aggregate \$1.5 million in cash, and received an aggregate 4.8 million shares of our common stock pursuant to the purchase agreement.

On September 18, 2009, we issued an aggregate 587 thousand shares of our common stock in the second and final closing of the July 2009 Private Placements to accredited investors who were holders of warrants to purchase shares of our common stock. Warrant holders could tender their warrants for shares of our common stock pursuant to the Exchange Agreement or acquire additional shares of our common stock at a price per share of \$0.86 pursuant to the purchase agreement in exchange for their warrants to purchase our common stock and cash. Holders not making a cash investment tendered warrants to purchase an aggregate 59 thousand shares of our common stock in exchange for an aggregate 20 thousand shares of our common stock pursuant to the Exchange Agreement. Holders who elected to make a cash investment tendered warrants to purchase an aggregate 567 thousand shares of our common stock and an aggregate \$195 thousand in cash, and received an aggregate 567 thousand shares of our common stock pursuant to the purchase agreement.

The shares issued in the July 2009 Private Placements were issued in reliance on Section 4(2) of the Securities Act.

During August 1, 2008 we entered into subscription agreements with several accredited investors in a private placement transaction, or the August 2008 Private Placement, and issued and sold on multiple closing dates an aggregate of 2.0 million shares of our common stock at \$1.25 per share and warrants to purchase an additional 1.3 million shares of our common stock. The warrants are exercisable for a period of five years at an exercise price equal to \$1.40. These securities issued in the August 2008 Private Placement were issued in reliance upon the exemption from the registration requirements of the Securities Act pursuant to Section 4(2) and the rules and regulations promulgated thereunder, including Regulation D. The offer, sale and issuance of the securities were made without general solicitation or advertising. The securities were offered and issued only to an "accredited investor" as such term is defined in Rule 501 of Regulation D under the Act.

On May 27, 2008 and June 19, 2008, we entered into subscription agreements with several accredited investors in a private placement, or the May 2008 Private Placement, and issued and sold to an aggregate of 2.1 million shares of our per share common stock at \$1.25 and warrants to purchase an additional 1.3 million shares of our common stock. The warrants are exercisable for a period of five years at an exercise price equal to \$1.40. These securities issued in the May 2008 Private Placement were issued in reliance upon the exemption from the registration requirements of the Securities Act pursuant to Section 4(2) and the rules and regulations promulgated thereunder, including Regulation D. The offer, sale and issuance of the securities were made without general solicitation or advertising. The securities were offered and issued only to an "accredited investor" as such term is defined in Rule 501 of Regulation D under the Act.

On January 29, 2007, we entered into a subscription agreement with A Plus, or the January 2007 Private Placement, pursuant to which we sold 800,000 shares of our common stock at \$1.25 per share and issued warrants to purchase an additional 300,000 shares of our common stock. The warrants are exercisable for a period of five years at an exercise price equal to \$2.00 per share. These securities issued in the January 2007 Private Placement were issued in reliance upon the exemption from the registration requirements of the Securities Act pursuant to Section 4(2) and the rules and

regulations promulgated thereunder, including Regulation D. The offer, sale and issuance of the securities were made without general solicitation or advertising. The securities were offered and issued only to an “accredited investor” as such term is defined in Rule 501 of Regulation D under the Act.

On October 17, 2007, we entered into a securities purchase agreement with Francis Capital Management, LLC, or Francis Capital, or the October 2007 Private Placement, pursuant to which we sold an aggregate of 1,272,000 shares of our common stock and issued warrants to purchase an additional 763,000 shares of its common stock. The warrants are exercisable for a period of five years at an exercise price equal to \$1.40 per share. We received gross proceeds of \$1,500,000 in cash and the extinguishment of \$90,000 in existing debt owed by us to Francis Capital. These securities issued in the October 2007 Private Placement were issued in reliance upon the exemption from the registration requirements of the Securities Act pursuant to Section 4(2) and the rules and regulations promulgated thereunder, including Regulation D. The offer, sale and issuance of the securities was made without general solicitation or advertising. The securities were offered and issued only to an “accredited investor” as such term is defined in Rule 501 of Regulation D under the Act.

Plan of Distribution

This offering is not being underwritten. The selling stockholders will sell their shares of our common stock at prevailing market prices or privately negotiated prices. The selling stockholders themselves directly, or through their agents, or through their brokers or dealers, may sell their shares from time to time, in (i) privately negotiated transactions, (ii) in one or more transactions, including block transactions in accordance with the applicable rules of the OTC Bulletin Board or any other stock exchange, market or trading facility on which our shares are traded or (iii) otherwise in accordance with the section of this prospectus entitled “Plan of Distribution.” To the extent required, the specific shares to be sold, the names of the selling stockholders, the respective purchase prices and public offering prices, the names of any agent, broker or dealer and any applicable commission or discounts with respect to a particular offer will be described in an accompanying prospectus supplement. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 may be sold under Rule 144 rather than pursuant to this prospectus.

For additional information on the methods of sale, you should refer to the section of this prospectus entitled “Plan of Distribution,” beginning on page 23.

RISK FACTORS

Investing in our common stock involves a high degree of risk. Potential investors should consider carefully the risks and uncertainties described below together with all other information contained in this prospectus before making investment decisions with respect to our common stock. If any of the following risks actually occur, our business, financial condition, results of operations and our future growth prospects would be materially and adversely affected. Under these circumstances, the trading price and value of our common stock could decline resulting in a loss of all or part of your investment. The risks and uncertainties described in this prospectus are not the only ones facing our Company. Additional risks and uncertainties of which we are not presently aware, or that we currently consider immaterial, may also affect our business operations.

This prospectus contains forward-looking statements. Forward-looking statements relate to future events or our future financial performance. We generally identify forward-looking statements by terminology such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “continue” or the negative of these terms or other similar words. These statements are only predictions. The outcome of the events described in these forward-looking statements is subject to known and unknown risks, uncertainties and other factors that may cause our customers’ or our industry’s actual results, levels of activity, performance or achievements expressed or implied by these forward-looking statements, to differ. “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business,” as well as other sections in this prospectus, discuss the important factors that could contribute to these differences.

The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement was made or to prevent a merger or acquisition at a premium price.

Provisions of our second amended and restated certificate of incorporation, amended and restated bylaws and our stockholder rights plan, as well as provisions of the General Corporation Law of the State of Delaware, could discourage, delay or prevent unsolicited proposals to merge with or acquire us, even though such proposals may be at a premium price or otherwise beneficial to you. These provisions include our board's authorization to issue shares of preferred stock, on terms the board determines in its discretion, without stockholder approval, and the following provisions of Delaware law that restrict many business combinations.

We are subject to the provisions of Section 203 of the General Corporation Law of the State of Delaware, which could prevent us from engaging in a business combination with a 15% or greater stockholder for a period of three years from the date it acquired such status unless appropriate board or stockholder approvals are obtained.

Our board of directors has adopted a stockholder rights plan, pursuant to which one preferred stock purchase right has been issued for each share of our common stock authorized and outstanding. Until the occurrence of certain prescribed events, the rights are not exercisable and are transferable along with, and only with, each share of our common stock and are evidenced by the common stock certificates. One preferred stock purchase right will also be issued with each share of our common stock we issue in the future until the rights plan expires or is terminated or we redeem or exchange the rights for other property in accordance with the terms of the rights plan or at such time, if any, as the rights separate from each share of our common stock and become exercisable. Each share of Series A Junior Participating Preferred Stock will be entitled to receive, when, as and if declared by our board of directors out of funds legally available for the purpose, dividends payable in cash in an amount per share (rounded to the nearest cent) equal to 100 times the aggregate per share amount of all dividends or other distributions, including non-cash dividends (payable in kind), declared on our common stock other than a dividend payable in shares of common stock or a subdivision of the outstanding shares of common stock. The rights plan prohibits the issuance of additional rights after the rights separate from our common stock. The rights plan is intended to protect our stockholders in the event of an unfair or coercive offer to acquire us. However, the existence of the rights plan may discourage, delay or prevent a merger or acquisition of us that is not supported by our board of directors.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus (including the information incorporated by reference herein) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements include statements concerning, among other things, uses and applications of our products and transfers of shares of our common stock by the selling stockholder and its successors, pledges, donees, transferees and assignees. When used in this prospectus, the words estimates, expects, anticipates, projects, plans, intends, believes, should, could, may and variations of similar expressions are intended to identify forward-looking statements. All forward-looking statements are based upon our current expectations and various assumptions.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this prospectus and the documents incorporated by reference herein, including those risks described above. We caution you that these factors, as well as the risk factors included and incorporated by reference in this prospectus, may not be exhaustive. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. We operate in a continually changing business environment, and new risk factors emerge from time to time. We cannot accurately predict such future risk factors, nor can we assess the impact, if any, of such possible future risk factors on our businesses or the extent to which any factor or combination of factors may cause actual results to differ materially from those expressed or implied by any forward-looking statements. You are

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advised to review any further disclosures we make on related subjects in reports we file with the SEC. All forward-looking statements are based on expectations, assumptions and other facts and circumstances as of the respective dates of the documents in which those forward-looking statements appear and are expressly qualified in their entirety by the cautionary statements included in this prospectus and the documents incorporated by reference herein. We undertake no obligation to publicly update or revise forward-looking statements, which may be made to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

Table of Contents

USE OF PROCEEDS

The selling stockholder will receive all of the proceeds from the sale of the shares of our common stock offered by this prospectus, and we will not receive any of such proceeds.

DESCRIPTION OF COMMON STOCK

Our authorized capital stock consists of 415,000,000 shares of common stock, \$0.001 par value. As of July 30, 2010, there were 245,479,636 shares of our common stock outstanding.

This section summarizes the general terms of shares of our common stock. The summaries in this section do not describe every aspect of the common stock. When evaluating the common stock, you should also refer to our second amended and restated certificate of incorporation, our amended and restated bylaws and the General Corporation Law of the State of Delaware, or DGCL.

Terms of the Common Stock

The holders of our common stock are entitled to receive ratably, from funds legally available for the payment thereof, dividends when and as declared by resolution of our board of directors, subject to any preferential dividend rights granted to the holders of any outstanding series of preferred stock. We currently intend to retain any earnings if and when we become profitable for use in our business and, therefore, we do not anticipate paying any cash dividends in the foreseeable future. We have never declared or paid any cash dividends on our capital stock. In the future, the decision to pay any cash dividends will depend upon our results of operations, financial condition and capital expenditure plans, as well as such other factors as our board of directors, in its sole discretion, may consider relevant. In the event of our liquidation or dissolution, holders of our common stock are entitled to share equally in all assets remaining after payment of liabilities and the liquidation preference of any outstanding series of preferred stock. The holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders. Cumulative voting for directors is not permitted, which means the holder or holders of more than one-half of the shares voting for the election of directors can elect all of the directors then being elected. Our board of directors is not divided into classes. Our second amended and restated certificate of incorporation and amended and restated bylaws contain no provisions that would require greater than a majority of stockholders to approve mergers, consolidations, sales of a substantial amount of assets, or other similar transactions. Our common stockholders do not have preemptive rights to purchase shares of our common stock. The issued and outstanding shares of our common stock are not subject to any redemption provisions and are not convertible into any other shares of our capital stock. All outstanding shares of our common stock are, and any shares of common stock issued will be, upon payment therefor, fully paid and nonassessable, which means that holders of our common stock will have paid their purchase price in full and we may not require them to pay additional funds. The rights, preferences and privileges of holders of our common stock are subject to those of the holders of any Preferred Stock that we may issue in the future.

Anti-Takeover Considerations and Special Provisions of Delaware Law, our Second Amended and Restated Certificate of Incorporation and our Amended and Restated Bylaws

Stockholder Rights Plan

On July 7, 2005, we entered into a rights agreement with BNY Mellon Investor Services LLC, as rights agent. In connection with the rights agreement, our board of directors authorized and declared a dividend distribution of one Preferred Stock purchase right for each share of our common stock authorized and outstanding at the close of business on July 18, 2005. Each right entitles the registered holder to purchase from us a unit consisting of one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value \$0.001 per share, at a purchase price of \$10.00 per unit, subject to adjustment. The description and terms of the rights are set forth in the rights agreement. The rights are attached to all common stock certificates. Subject to certain exceptions specified in the rights agreement, the rights will separate from the common stock and will be exercisable upon the earlier of (i) 10 days following a public announcement that a person or group of affiliated or associated persons (the Acquiring Person) has acquired, or obtained the right to acquire, beneficial ownership of 20% or more of the outstanding shares of common stock, other than as a result of repurchases of stock by the Company or certain inadvertent actions by institutional or certain other stockholders, or (ii) 10 days (or such later date as our board of directors shall determine) following the commencement of a tender offer or exchange offer (other than certain permitted offers described in the rights agreement) that would result in a person or group beneficially owning 20% or more of the outstanding shares of our common stock.

Table of Contents

In the event the we receive a qualifying offer (that has not been terminated prior thereto and which continues to be a qualifying offer), stockholders representing at least 10% of the shares of common stock then outstanding may request that the board of directors call a special meeting of stockholders to vote to exempt the qualifying offer from the operation of the rights agreement not earlier than 90, nor later than 120, business days following the commencement of such offer. The board of directors must then call and hold such a meeting to vote on exempting such offer from the terms of the rights agreement within the 90th business day following receipt of the stockholder demand for the meeting; provided that such period may be extended if, prior to the vote, we enter into an agreement (that is conditioned on the approval by the holders of not less than a majority of the outstanding shares of common stock) with respect to a merger, recapitalization, share exchange or a similar transaction involving the Company or the direct or indirect acquisition of more than 50% of our consolidated total assets, until the time of the meeting at which the stockholders will be asked to vote on such agreement. If no Acquiring Person has emerged, the offer continues to be a qualifying offer and stockholders representing at least a majority of the shares of common stock represented at the meeting at which a quorum is present vote in favor of redeeming the rights, then such qualifying offer shall be deemed exempt from the rights agreement on the date that the vote results are certified. If no Acquiring Person has emerged and no special meeting is held by the date required, the rights will be redeemed, without the need for action by the board of directors, at the close of business on the tenth business day following that date.

The rights expire on July 18, 2015, unless such date is extended or the rights are earlier redeemed or exchanged by us (including by virtue of the sunset provision). Pursuant to the sunset provision, the rights agreement will expire on the 30th day after the 2011 annual meeting of stockholders unless continuation of the rights agreement is approved by the stockholders at that meeting.

The rights are intended to protect our stockholders in the event of an unfair or coercive offer to acquire the Company. The rights, however, should not affect any prospective offeror willing to make an offer at a fair price and otherwise in the best interests of the Company and its stockholders, as determined by the board of directors. The rights should also not interfere with any merger or other business combination approved by the board of directors.

Delaware Anti-Takeover Law

We are subject to the provisions of Section 203 of the DGCL, which regulates corporate takeovers. This section prevents Delaware corporations, under certain circumstances, from engaging in a business combination with:

- a stockholder who owns 15% or more of our outstanding voting stock (otherwise known as an interested stockholder);
- an affiliate of an interested stockholder; or
- an associate of an interested stockholder,

for three years following the date that the stockholder became an interested stockholder.

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Section 203 of the DGCL defines "business combination" to include:

- any merger or consolidation involving the corporation and the interested stockholder or any other corporation, partnership, unincorporated association or other entity if the merger or consolidation is caused by the interested stockholder;

- any sale, lease, exchange, mortgage, pledge, transfer or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;

Table of Contents

- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

However, the above provisions of Section 203 do not apply if:

- our board of directors approves the transaction that made the stockholder an interested stockholder, prior to the date of that transaction;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, that stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding shares owned by persons who are directors and also officers; or
- on or subsequent to the date of the transaction, the business combination is approved by our board of directors and authorized at a meeting of our stockholders by an affirmative vote of at least two-thirds of the outstanding voting stock not owned by the interested stockholder.

This statute could prohibit or delay mergers or other change in control attempts, and thus may discourage attempts to acquire us.

Second Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws

A number of provisions of our second amended and restated certificate of incorporation and our amended and restated bylaws concern matters of corporate governance and the rights of our stockholders. Provisions that grant our board of directors the ability to issue shares of preferred stock and to set the voting rights, preferences and other terms thereof may discourage takeover attempts that are not first approved by our board of directors, including takeovers that may be considered by some stockholders to be in their best interests, such as those attempts that might result in a premium over the market price for the shares held by stockholders. Certain provisions could delay or impede the removal of incumbent directors even if such removal would be beneficial to our stockholders. These provisions also could discourage or make more difficult a merger, tender offer or proxy contest, even if they could be favorable to the interests of stockholders, and could potentially depress the market price of our common stock. Our board of directors believes that these provisions are appropriate to protect our interests and the interests of our

stockholders.

Meetings of and Actions by Stockholders. Our amended and restated bylaws provide that annual meetings of our stockholders may take place at the time and place designated by our board of directors. A special meeting of our stockholders may be called at any time by the chairman of the board of directors, or by a majority of the directors or by a committee of the board of directors that has been granted the power to call such meetings. Stockholders may take action only at a regular or special meeting of stockholders and not by written consent without a meeting.

Cumulative Voting. Our amended and restated bylaws expressly deny stockholders the right to cumulative voting in the election of directors.

Advance Notice Requirements for Stockholder Proposals and Director Nominations. Our amended and restated bylaws provide that stockholders seeking to bring business before an annual meeting of stockholders or to nominate candidates for election as directors at an annual meeting of stockholders must provide timely notice in writing. To be timely, a stockholder's notice must be delivered to our principal executive offices not less than 120 days prior to the first anniversary of the date our proxy statement was released to security holders in connection with the preceding year's annual meeting. If no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than 30 days from the date contemplated at the time of the previous year's proxy

Table of Contents

statement, notice by the stockholder in order to be timely must be received by us no later than the close of business on the tenth day following the day on which notice of the date of the meeting was mailed or public announcement of the date the meeting was made, whichever comes first. Our amended and restated bylaws also specify requirements as to the form and content of a stockholder's notice. These provisions may preclude stockholders from bringing matters before an annual meeting of stockholders or from making nominations for directors at an annual meeting of stockholders.

Filling of Board Vacancies. Our second amended and restated certificate of incorporation and our amended and restated bylaws provide that vacancies in the board of directors may be filled until the next annual meeting of stockholders by a majority of the directors remaining in office, even though that number may be less than a quorum of the board of directors, or by a sole remaining director.

Amendment of the Certificate of Incorporation. Our second amended and restated certificate of incorporation may be amended, altered, changed or repealed in the manner prescribed by the DGCL. However, no amendment, alteration, change or repeal may be made with respect to Article V (amendment of the bylaws by the stockholders), Article VI (number of directors), Article VII (term of office of directors after an increase or decrease in the number of directors), Article IX (action by stockholders), Article X (calling of special meetings of the stockholders) or Article XI (amending the second amended and restated certificate of incorporation) without the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the outstanding voting stock of the corporation, voting together as a single class.

Amendment of the Bylaws. Our amended and restated bylaws may be rescinded, altered, amended or repealed, and new bylaws may be made (i) by the board of directors, by vote of a majority of the number of directors then in office as directors, acting at any meeting of the board of directors, or (ii) by the stockholders, by the affirmative vote of the holders of sixty-six and two-thirds percent (66-2/3%) of the outstanding voting stock of the corporation, voting together as a single class, at any annual or special meeting of stockholders, provided that notice of such proposed amendment, modification, repeal or adoption is given in the notice of the annual or special meeting. The bylaws can only be amended if such amendment would not conflict with the certificate of incorporation. Any bylaw made or altered by the requisite number of stockholders may be altered or repealed by the board of directors or by the requisite number of stockholders.

Limitations on Liability and Indemnification of Officers and Directors

We have adopted provisions in our second amended and restated certificate of incorporation and amended and restated bylaws which require us, to the fullest extent permitted by the DGCL, to indemnify all of our directors and officers against any liability and to advance indemnification expenses on behalf of all of our directors and officers. In addition, our amended and restated bylaws provide that we may, at the discretion of the board of directors, indemnify any person who is a party to any threatened, pending or completed action, suit or proceeding or threatened to be made such a party by reason of the fact that such person is or was an employee or agent of ours or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. To the full extent permitted by law, the indemnification provided under the amended and restated bylaws shall include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, and, in the manner provided by law, any such expenses may be paid by us in advance of the final disposition of such action, suit or proceeding. The indemnification provided under the amended and restated bylaws shall not be deemed to limit our right to indemnify any other person for any such expenses to the full extent permitted by law, nor shall it be deemed exclusive of any other rights to which any person seeking indemnification from us may be entitled under any agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

The second amended and restated certificate of incorporation further requires us to limit, to the fullest extent permitted by the DGCL, the liability for monetary damages of our directors for actions or inactions taken by them as directors. Our second amended and restated certificate

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of incorporation and amended and restated bylaws also empower us, to the fullest extent permitted by the DGCL, to purchase and maintain insurance on behalf of any such person against any liability which may be asserted.

Table of Contents

The limitation of liability and indemnification provisions in our second amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against directors for breaches of their fiduciary duty. They may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though an action of this kind, if successful, might otherwise benefit us and our stockholders. Furthermore, a stockholder's investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. However, we believe that these indemnification provisions are necessary to attract and retain qualified directors and officers.

Transfer Agent and Registrar

BNY Mellon Investor Services LLC is the transfer agent and registrar for our common stock.

Table of Contents**SELLING STOCKHOLDER**

All of the shares of common stock offered by the selling stockholder in this prospectus were originally issued by us to the selling stockholder in connection with our acquisition of certain assets of the selling stockholder under the terms of an Asset Purchase Agreement, dated February 1, 2010. As part of the acquisition, we agreed to register for resale by the selling stockholder the shares of common stock that we issued in the acquisition. In connection with this transaction, we also entered into the following agreements with the selling stockholder: (i) an original equipment manufacturer purchase agreement, pursuant to which we agreed to purchase a certain number of WHG-125kW waste heat recovery generators from the selling stockholder over a three-year period and the selling stockholder granted us the exclusive rights to sell such generators for microturbine applications; and (ii) an exclusive manufacture and supply agreement, pursuant to which the selling stockholder agreed to manufacture and deliver to us a certain number of TA100 turbines during a 14-month period. We do not have a material relationship with the selling stockholder, other than in accordance with the terms of these agreements. We issued 1,550,387 shares of our common stock, effective as of February 1, 2010, pursuant to the terms of the Asset Purchase Agreement.

The table below sets forth information with respect to the selling stockholder and the shares of our common stock beneficially owned by the selling stockholder as of August 19, 2010 that may from time to time be offered or sold pursuant to this prospectus. The percentage of shares owned after the offering are based on the 245,479,636 shares of our common stock outstanding as of July 30, 2010. The information regarding shares beneficially owned after the offering assumes the sale of all shares offered by the selling stockholder and that the selling stockholder does not acquire any additional shares. Information in the table below with respect to beneficial ownership has been furnished by the selling stockholder, and we have not sought to verify such information.

Information concerning the selling stockholder may change from time to time and any changed information will be set forth in supplements to this prospectus, if and when necessary. The selling stockholder may offer all, some or none of their shares of common stock. We cannot advise you as to whether the selling stockholder will in fact sell any or all of such shares of common stock. In addition, the selling stockholder listed in the table below may have sold, transferred or otherwise disposed of, or may sell, transfer or otherwise dispose of, at any time and from time to time, shares of our common stock in transactions exempt from the registration requirements of the Securities Act after the date on which they provided the information set forth on the table below. The address of the selling stockholder is 2901 S.E. Monroe Street, Stuart, Florida 34997.

Name of Selling Stockholder	Shares Beneficially Owned Before the Offering		Number of Shares Being Offered	Shares Beneficially Owned After the Offering	
	Number	Percent		Number	Percent
Calnetix Power Solutions, Inc.	3,131,313	1.28%	3,131,313		

Table of Contents

PLAN OF DISTRIBUTION

The selling stockholder and its successors may from time to time sell, transfer or otherwise dispose of any or all of their shares of common stock directly to purchasers or through broker-dealers or agents. The common stock may be sold in one or more transactions at fixed prices, prevailing market prices at the time of sale, prices related to the prevailing market prices, varying prices determined at the time of sale or negotiated prices. The selling stockholder may use any one or more of the following methods when disposing of the shares or interests therein:

- on any national securities exchange or quotation service on which our common stock may be listed or quoted at the time of sale, including the Nasdaq Global Market;

- in the over-the-counter market;

- in transactions otherwise than on such exchanges or services or in the over-the-counter market; or

- through the writing of options.

These transactions may include block transactions or crosses. Crosses are transactions in which the same broker acts as agent on both sides of the trade. Under the terms of the Asset Purchase Agreement between the selling stockholder and us, dated February 1, 2010, the selling stockholder agreed not to sell on any trading day within 180 days after closing more than that number of shares of our common stock equal to 10% of the average trading volume of our common stock over a ten-day period.

The selling stockholder may also sell shares under Rule 144 under the Securities Act, if available, rather than under this prospectus.

Broker-dealers engaged by the selling stockholder may arrange for other broker-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholder (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated.

To the extent required, the shares to be sold, the respective purchase prices and public offering prices, the names of any agents, broker-dealer or underwriter, any applicable commissions or discounts with respect to a particular offer will be set forth in an accompanying prospectus supplement or, if appropriate, a post-effective amendment to the registration statement that includes this prospectus.

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Selling stockholders and any broker-dealers or agents that are involved in selling the shares may be deemed to be underwriters within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act.

In order to comply with the securities laws of some states, if applicable, the shares must be sold in those states only through registered or licensed brokers or dealers. In addition, some states may restrict the selling stockholder from selling shares unless the shares have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

The anti-manipulation rules of Regulation M under the Exchange Act may apply to sales of shares in the market and to the activities of the selling stockholder and its affiliates. The foregoing may affect the marketability of the common stock. In addition, we will make copies of this prospectus (as it may be supplemented or amended from time to time) available to the selling stockholder for the purpose of satisfying the prospectus delivery requirements of the Securities Act.

We have agreed with the selling stockholder to keep the registration statement of which this prospectus is a part effective until January 1, 2011.

We cannot assure you that the selling stockholder will sell all or any of the common stock offered under the registration statement.

Table of Contents

LEGAL MATTERS

Certain legal matters with respect to the validity of the securities being offered hereby will be passed upon for us by Waller Lansden Dortch & Davis, LLP.

EXPERTS

The consolidated financial statements and the related financial statement schedule as of March 31, 2010 and 2009 and the three years then ended, incorporated in this prospectus by reference from the Company's Annual Report on Form 10-K, and the effectiveness of the Company's internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference (which reports on the financial statements and the financial statement schedule (1) express an unqualified opinion and include an explanatory paragraph regarding the adoption of the guidance originally issued in Emerging Issues Task Force No. 07-05, Determining Whether an Instrument (or Embedded Feature) is Indexed on an Entity's Own Stock, (codified in FASB ASC Topic 815 Derivatives and Hedging), effective April 1, 2009) and (2) express an unqualified opinion on the effectiveness of internal control over financial reporting), and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-3 under the Securities Act of 1933, as amended, or the Securities Act, with respect to the securities offered hereby. This prospectus does not contain all of the information set forth in the registration statement and its exhibits. Statements made by us in this prospectus as to the contents of any contract, agreement or other document referred to in this prospectus are not necessarily complete. For a more complete description of these contracts, agreements or other documents, you should carefully read the exhibits to the registration statement and the documents that we reference under the caption Incorporation of Certain Documents by Reference.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at the SEC's web site at www.sec.gov.

We make available free of charge through our web site, which you can find at www.capstoneturbine.com, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

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We are incorporating by reference information we file with the SEC, which means:

- incorporated documents are considered part of this prospectus;
- we can disclose important information to you by referring you to those documents; and
- information that we file later with the SEC automatically will update and supersede information contained in this prospectus.

We are incorporating by reference the following documents, which we have previously filed with the SEC:

- (a) our Annual Report on Form 10-K for the fiscal year ended March 31, 2010;
- (b) our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2010;

Table of Contents

(c) our Current Reports on Form 8-K, filed with the SEC on June 15, 2010, July 1, 2010 and August 4, 2010 (except to the extent any parts of such reports were deemed furnished and not filed in accordance with SEC rules);

(d) the description of our Common Stock contained in our Registration Statement on Form 8-A, filed with the SEC on June 22, 2000, including any subsequent amendment or report filed for the purpose of amending such description and the description of our Preferred Stock purchase rights contained in our Registration Statement on Form 8-A, filed with the SEC on July 8, 2005, including any subsequent amendment or report filed for the purpose of amending such description; and

(e) any future filings with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act until all offerings of any securities registered hereby are completed; provided that this prospectus will not incorporate any information we may furnish to the SEC under Item 2.02 or Item 7.01 of Form 8-K.

Any statement contained in this prospectus or any prospectus supplement or in a document incorporated or deemed to be incorporated by reference into this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or any other subsequently filed document that is deemed to be incorporated by reference into this prospectus modifies or supersedes the statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You can obtain copies of the documents incorporated by reference in this prospectus but not delivered with this prospectus without charge through our website (www.capstoneturbine.com) as soon as reasonably practicable after we electronically file the material with, or furnish it to, the SEC, or by requesting them in writing or by telephone at the following address:

Capstone Turbine Corporation

21211 Nordhoff Street

Chatsworth, California 91311

Attention: Chief Financial Officer

(818) 734-5300