

PLURISTEM LIFE SYSTEMS INC
Form SB-2
May 08, 2006
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM SB-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

PLURISTEM LIFE SYSTEMS, INC.
(Name of small business issuer in its charter)

Nevada
State or jurisdiction of
incorporation or organization

2836
(Primary Standard Industrial
Classification Code Number)

98-0351734
(I.R.S. Employer
Identification No.)

MATAM Advanced Technology Park Building No. 20, Haifa, Israel 31905
Telephone: 011-972-4-850-1080
(Address and telephone number of principal executive offices)

Zami Aberman Chief Executive Officer
c/o The Nevada Agency and Trust Company
Suite 880 Bank of America Plaza
50 West Liberty Street, Reno, Nevada 89501 Telephone: 775.322.0626
(Name, address and telephone number of agent for service)

Copy of communications to:

Clark Wilson LLP

Bernard Pinsky, Esq.
Suite 800 - 885 West Georgia Street
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Approximate date of proposed sale to the public: From time to time after the effective date of this registration statement.

If any 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.

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

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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. []

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered ⁽¹⁾	Proposed maximum offering price per share ⁽⁸⁾	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock to be offered for resale by a selling security holder upon exercise of a convertible debenture	108,057,276 ⁽²⁾	\$0.08	\$8,644,550	\$924.97
Common Stock to be offered for resale by selling security holders upon exercise of share purchase warrants	47,393,364 ⁽³⁾	\$0.08	\$3,791,469	\$405.69
Common Stock to be offered for resale by selling security holders upon exercise of share purchase warrants	10,426,539 ⁽⁴⁾	\$0.08	\$834,123	\$89.25
Common Stock to be offered for resale by a selling security holder upon exercise of share purchase warrants	1,000,000 ⁽⁵⁾	\$0.08	\$80,000	\$8.56
Common Stock to be offered for resale by certain selling security holders	10,000,000 ⁽⁶⁾	\$0.08	\$800,000	\$85.60
Common Stock to be offered for resale by selling security holders	10,502,379 ⁽⁷⁾	\$0.08	\$840,190	\$89.90
Total Registration Fee				\$1,604

(1) Pursuant to Rule 416 under the Securities Act, as amended, this registration statement also covers such indeterminate number of additional shares of common stock as may be issuable to our selling security holders to prevent dilution resulting from stock splits, stock dividends or similar transactions.

(2) Represents 200% of the shares of our common stock that are issuable to certain selling security holders upon conversion of a Senior Secured Convertible Debenture issued by our company to those selling security holders on April 3, 2006.

(3) Represents the 47,393,364 shares of our common stock that are issuable to certain selling security holders upon exercise of common share purchase warrants issued to the security holders pursuant to a Securities Purchase Agreement between our company and the security holders dated April 3, 2006.

(4) Represents the 10,426,539 shares of our common stock that are issuable to a certain selling security holder upon exercise of common share purchase warrants, taking into account our good faith estimate of possible adjustments to the number of those warrants, that were issued to that selling security holder as consideration for acting as finder in connection with the transactions contemplated by the April 3, 2006 Securities Purchase Agreement.

(5) Represents the 1,000,000 shares of our common stock that are issuable to a certain security holder upon exercise of common share purchase warrants issued to the security holders pursuant to a consulting agreement between the security holder and our company dated February 28, 2006.

(6) Represents the 10,000,000 of our common shares that are issuable to certain service providers pursuant to an investor relations agreement, dated April 28, 2006, upon the service providers reaching certain milestones as agreed to by the Company.

(7) Represents our current good faith estimate of additional shares that we might be required to issue to the selling stockholders (a) upon adjustments to the conversion price of the convertible debenture and/or to the number of shares issuable upon exercise of the unexercised warrants and (b) as liquidated damages pursuant to a registration rights agreement between the selling security holders and our company dated April 3, 2006.

(8) Exercise price calculated in accordance with Rule 457(c) of the Securities Act. Estimated for the sole purpose of calculating the registration fee. We have based the fee calculation on the average of the last reported bid and ask price for our common stock on the National Association of Securities Dealers OTC Bulletin Board on April 27, 2006.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON THE 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 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON THE DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

- 4 -

PROSPECTUS

Subject to Completion

_____, 2006

PLURISTEM LIFE SYSTEMS, INC.

A NEVADA CORPORATION

187,379,558 SHARES OF COMMON STOCK OF PLURISTEM LIFE SYSTEMS, INC.

This prospectus relates to the resale by certain selling security holders of Pluristem Life Systems, Inc. of up to 187,379,558 shares of our common stock. The selling security holders may offer to sell the shares of common stock being offered in this prospectus at fixed prices, at prevailing market prices at the time of sale, at varying prices or at negotiated prices.

We will not receive any proceeds from the resale of shares of our common stock by the selling security holders. We may, however, receive proceeds upon exercise of the share purchase warrants and these proceeds will be used for general working capital purposes. We will pay for expenses of this offering.

The selling security holders may be deemed to be underwriters, as such term is defined in the Securities Act.

Our common stock is traded on the National Association of Securities Dealers OTC Bulletin Board under the symbol PLRS. On April 27, 2006, the closing bid price of our common stock was \$0.08 on the OTC Bulletin Board.

Our business is subject to many risks and an investment in our common stock will also involve a high degree of risk. You should invest in our common stock only if you can afford to lose your entire investment. You should carefully consider the various Risk Factors described beginning on page 9 before investing in our common stock.

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.

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

The date of this prospectus is _____, 2006.

The following table of contents has been designed to help you find important information contained in this prospectus. We encourage you to read the entire prospectus.

TABLE OF CONTENTS

	6
<u>RISK FACTORS</u>	8
<u>RISKS RELATED TO OUR BUSINESS AND COMPANY</u>	8
<u>FORWARD-LOOKING STATEMENTS</u>	14
<u>SECURITIES AND EXCHANGE COMMISSION'S PUBLIC REFERENCE</u>	14
<u>THE OFFERING</u>	15
<u>USE OF PROCEEDS</u>	15
<u>SELLING SECURITY HOLDERS</u>	16
<u>PLAN OF DISTRIBUTION</u>	18
<u>APRIL 3, 2006 PRIVATE PLACEMENT OF SENIOR SECURED CONVERTIBLE DEBENTURES AND WARRANTS</u>	18
<u>LEGAL PROCEEDINGS</u>	18
<u>DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS</u>	18
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	18
<u>DESCRIPTION OF SECURITIES</u>	18
<u>DISCLOSURE OF COMMISSION POSITION OF INDEMNIFICATION FOR SECURITIES ACT LIABILITIES</u>	18
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	18
<u>DESCRIPTION OF BUSINESS</u>	18
<u>PLAN OF OPERATION</u>	18
<u>APPLICATION OF CRITICAL ACCOUNTING POLICIES</u>	18
<u>DESCRIPTION OF PROPERTY</u>	18
<u>MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS</u>	18
<u>DIVIDEND POLICY</u>	18
<u>EXECUTIVE COMPENSATION</u>	18
<u>REPORTS TO SECURITY HOLDERS</u>	18
<u>FINANCIAL STATEMENTS</u>	18
<u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	18
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	18
<u>PART II - INFORMATION NOT REQUIRED IN PROSPECTUS</u>	18

As used in this prospectus, the terms we, us, our, and Pluristem mean Pluristem Life Systems, Inc., unless otherwise indicated.

All dollar amounts refer to US dollars unless otherwise indicated.

PROSPECTUS SUMMARY

THIS IS ONLY A SUMMARY AND DOES NOT CONTAIN ALL OF THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ THE ENTIRE PROSPECTUS, ESPECIALLY RISK FACTORS AND OUR FINANCIAL STATEMENTS AND THE RELATED NOTES INCLUDED IN THIS PROSPECTUS, BEFORE DECIDING TO INVEST IN SHARES OF OUR COMMON STOCK.

Our Business

We are engaged in the business of the development of the stem cell production technology and the commercialisation of cell therapy products. Stem cells are unspecialized cells that renew themselves for long periods through cell division. Scientists have developed sufficient fundamental understanding to use stem cells for bone marrow transplants and other methods of cell therapy. However, generally there are not sufficient stem cells available to carry out transplants and other operations on adults. Our technology grows stem cells for potential use in combating fatal disease. We acquired our exclusive technology under a License Agreement with the Weizmann Institute of Science and the Technion-Israel Institute of Technology. We intend to improve this technology platform and develop it into a functional stem cell production system that use to develop cell therapy products for sale on the medical marketplace. We have decided to name this system the PluriX bioreactor system.

Currently, we are in the research and developmental stage of our PluriX bioreactor system and potential cell therapy products and have not begun the process of seeking regulatory approval for marketing our products in any jurisdiction.

Our principal executive office is at MATAM Advanced Technology Park, Building No. 20, Haifa, Israel. Our telephone number is 011-972-4-850-1080.

We were incorporated in the State of Nevada under the name A.I. Software, Inc. on May 11, 2001. We were not successful in implementing our initial business plan of developing an artificial intelligence software called Randomix. In March and April of 2003, our board of directors decided to pursue initiatives in the biotechnology industry as an extension of our business. In May of 2003, we acquired our exclusive technology under a License Agreement with the Weizmann Institute of Science and the Technion-Israel Institute of Technology. On June 10, 2003, we acquired all of the issued and outstanding shares of a research and development company called Pluristem, Ltd. so we would have the capacity to conduct further research and development of our exclusive technology. On June 25, 2003, we changed our name to Pluristem Life Systems, Inc.

Number of Shares Being Offered

This prospectus relates to the resale by certain selling security holders of Pluristem Life Systems, Inc. of up to 187,379,558 shares of our common stock.

The selling security holders may sell the shares of common stock in the public market or through privately negotiated transactions or otherwise. The selling security holders may sell these shares of common stock through ordinary brokerage transactions, directly to market makers or through any other means described in the section entitled Plan of Distribution.

Number of Shares Outstanding

There were 63,743,483 shares of our common stock issued and outstanding as at April 27, 2006.

Use of Proceeds

We will not receive any of the proceeds from the sale of the shares of our common stock being offered for sale by the selling security holders. We may, however, receive proceeds upon exercise of the share purchase warrants and these proceeds will be used for general working capital purposes. We will incur all costs associated with this registration statement and prospectus.

Summary of Financial Data

The summarized financial data presented below is derived from and should be read in conjunction with our audited consolidated financial statements for the years ended June 30, 2005 and June 30, 2004, and our unaudited consolidated financial statements for the nine-month period ended March 31, 2006, (in each case including the notes to those financial statements) which are included elsewhere in this prospectus along with the section entitled "Plan of Operation" beginning on page 51 of this prospectus.

	For the 9-month period ended March 31, 2006 (unaudited)	For the 9-month period ended March 31, 2005 (unaudited)
Revenue	Nil	Nil
Net Loss for the Period	\$1,489,748	\$2,131,003
Net loss Per Share- basic and diluted	\$0.02	\$0.06
	As at March 31, 2006 (unaudited)	As at March 31, 2005 (unaudited)
Working Capital (Deficiency)	\$(21,360)	\$2,128,867
Total Assets	\$1,023,766	\$3,213,013
Total Share Capital	\$6,500,664	\$5,888,315
Accumulated deficit	\$(6,139,104)	\$4,682,251
Total Stockholders' Equity (Deficiency)	\$361,560	\$1,206,064
	For the year ended June 30, 2005	For the year ended June 30, 2004
Revenue	Nil	Nil
Net Loss for the Period	\$2,098,108	\$2,010,350
Net loss Per Share - basic and diluted	\$0.05	\$0.083
	As at June 30, 2005	As at June 30, 2004
Working Capital (Deficiency)	\$1,647,529	\$349,496
Total Assets	\$2,620,040	\$1,377,198
Total Share Capital	\$6,452,482	\$2,908,258
Accumulated deficit	\$ (4,649,356)	\$ (2,551,248)
Total Stockholders' Equity	\$1,803,126	\$357,010

RISK FACTORS

An investment in our common stock involves a number of very significant risks. You should carefully consider the following risks and uncertainties in addition to other information in this prospectus in evaluating our company and our business before purchasing shares of common stock. Our business, operating results and financial condition could be seriously harmed due to any of the following risks. The risks described below are not the only ones facing our company. Additional risks not presently known to us may also impair our business operations. You could lose all or part of your investment due to any of these risks.

RISKS RELATED TO OUR BUSINESS AND COMPANY

We have not earned any revenues since our incorporation and only have a limited operating history in our current business of developing and commercializing stem cell production technology, which raise doubt about our ability to continue as a going concern.

Our company has a limited operating history in our current business of developing and commercializing stem cell production technology and must be considered in the development stage. We were incorporated on May 11, 2001 with a business plan to develop an artificial intelligence software called Randomix. We were not successful in implementing our original business plan in regard to our Randomix software and as a result we decided in April of 2003 to pursue initiatives in the biotechnology industry as an extension to our business. In May of 2003 we entered into a license agreement with the Weizmann Institute of Science and the Technion-Israel Institute of Technology to acquire an exclusive license for a stem cell production technology. In June of 2003, we acquired our wholly-owned subsidiary, Pluristem, Ltd., based in Israel to conduct further research and development of the exclusive stem cell production technology licensed to us.

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 our stem cell production technology and commercialise our cell therapy products. Our primary source of funds has been the sale of our common stock. We cannot assure 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, and we have a going concern note as described in an explanatory paragraph to our consolidated financial statements for the year ended June 30, 2005.

Our likelihood of profit depends on our ability to develop and commercialise products based on our stem cell production technology, which is currently in the development stage. If we are unable to complete the development and commercialisation of our stem cell products successfully, our likelihood of profit will be limited severely.

We are engaged in the business of developing and commercializing products based on a technology and proposed device called the PluriX Bioreactor system. The proposed function of our PluriX Bioreactor system is to allow researchers and physicians to expand hematopoietic stem cells outside of the human body without differentiation so they may be used in bone marrow transplants and other methods of cell therapy. Our PluriX Bioreactor system and our products are in the development stage and we have not begun the regulatory approval process. We have not realized a profit from our operations to date and there is little likelihood that we will realize any profits in the short or medium term. Any profitability in the future from our business will be dependent upon successful commercialisation of our potential cell therapy products, which will require significant additional research and development as well as substantial clinical trials.

If we encounter problems or delays in the research and development of our PluriX Bioreactor system and our potential cell therapy products, we may not be able to raise sufficient capital to finance our operation during the period required to resolve the problems or delays.

Our PluriX Bioreactor system and our cell therapy products are currently in the development stage and we anticipate that we will continue to incur operating expenses without significant revenues until we have successfully completed all necessary research and clinical trials. We, and any of our potential collaborators, may encounter problems and delays relating to research and development, regulatory approval and intellectual property rights of

our technology. Our research and development programs may not be successful, and our cell culture technology may not facilitate the production of cells outside the human body with the expected result. Our PluriX Bioreactor system and our potential cell therapy products may not prove to be safe and efficacious in clinical trials. If any of these events occur, we may not have adequate resources to continue operations for the period required to resolve the issue delaying commercialisation and we may not be able to raise capital to finance our continued operation during the period required for resolution of that issue. Accordingly, we may be forced to discontinue or suspend our operations.

We need to raise additional financing to support the research and development of our PluriX Bioreactor system and our products in the future but we cannot be sure we will be able to obtain additional financing on terms favourable to us when needed. If we are unable to obtain additional financing to meet our needs, our operations may be adversely affected or terminated.

We raised proceeds of approximately \$3,000,000 through issuing a senior convertible debenture on April 3, 2006 to support the development and commercialisation of our PluriX Bioreactor system and our potential cell therapy products. The funds from the are expected to fund operations until early Spring of 2007. Our ability to continue to develop the PluriX Bioreactor system and commercialise our potential cell therapy products is dependent upon our ability to raise significant additional financing when needed. If we are unable to obtain such financing, we will not be able to fully develop our technology and commercialise our cell therapy products.. Our future capital requirements will depend upon many factors, including:

- continued scientific progress in our research and development programs;
- costs and timing of conducting clinical trials and seeking regulatory approvals and patent prosecutions;
- competing technological and market developments;
- our ability to establish additional collaborative relationships; and
- the effect of commercialisation activities and facility expansions if and as required.

We have limited financial resources and to date, no cash flow from operations and we are dependent for funds on our ability to sell our common stock, primarily on a private placement basis. There can be no assurance that we will be able to obtain financing on that basis in light of factors such as the market demand for our securities, the state of financial markets generally and other relevant factors. Any sale of our common stock in the future will result in dilution to existing stockholders. Furthermore, there is no assurance that we will not incur debt in the future, that we will have sufficient funds to repay our future indebtedness or that we will not default on our future debts, jeopardizing our business viability. Finally, we may not be able to borrow or raise additional capital in the future to meet our needs or to otherwise provide the capital necessary to conduct the development of our PluriX Bioreactor system and commercialisation of our potential cell therapy products, which might result in the loss of some or all of your investment in our common stock.

If we fail to obtain and maintain required regulatory approvals for our PluriX Bioreactor system and our potential cell therapy products, our ability to commercialise our potential cell therapy products will be limited severely.

Once our PluriX Bioreactor system and our potential cell therapy products are fully developed, we intend to market our potential cell therapy products primarily in the United States, Europe and Japan. We must obtain the approval of the Food and Drug Administration of our technology and potential cell therapy products before commercialisation of our potential cell therapy products may commence in the United States and similar agencies in Europe. We may also be required to obtain additional approvals from foreign regulatory authorities to commence our marketing activities in those jurisdictions. If we cannot demonstrate the safety, reliability and efficacy of our PluriX Bioreactor system, or of the cells produced in the PluriX Bioreactor system, including long-term sustained cell engraftment, or if one or more patients die or suffer severe complications in future clinical trials, the Food and Drug Administration or other regulatory authorities could delay or withhold regulatory approval of our technology and our potential products.

Furthermore, even if we obtain regulatory approval for our PluriX Bioreactor system and our potential cell therapy products, that approval may be subject to limitations on the indicated uses for which they may be marketed. Even after granting regulatory approval, the Food and Drug Administration, other regulatory agencies, and governments in other countries will continue to review and inspect marketed products, manufacturers and manufacturing facilities. Later discovery of previously unknown problems with a product, manufacturer or facility may result in restrictions on the product or manufacturer, including a withdrawal of the product from the market. Further, governmental regulatory agencies may establish additional regulations which could prevent or delay regulatory approval of our technology and our potential cell therapy products.

Even if we obtain regulatory approvals to commercialise our cell therapy products, we may encounter a lack of commercial acceptance of our cell therapy products, which would impair the profitability of our business.

Our research and development efforts are primarily directed toward obtaining regulatory approval for our PluriX Bioreactor system and our potential cell therapy products. We intend that our potential products be used as an alternative or improvement to the cells currently harvested and used in bone marrow transplants. Current methods of stem cell collection and use have been widely practiced for a number of years, and our technology and products may not be accepted by the marketplace as readily as these or other competing processes and methodologies. Additionally, our PluriX Bioreactor system and products may not be employed in all potential applications being investigated, and any reduction in applications would limit the market acceptance of our technology and our potential revenues. As a result, even if we obtain all required regulatory approvals, we cannot be certain that our PluriX Bioreactor system and our potential cell therapy products will be adopted at a level that would allow us to operate profitably.

If we do not keep pace with our competitors and with technological and market changes, our technology and products may become obsolete and our business may suffer.

The market for our products is very competitive, is subject to rapid technological changes and varies for different individual products. We believe that there are potentially many competitive approaches being pursued in competition to our products, including some by private companies from which information is difficult to obtain.

Many of our competitors have significantly greater resources, more product candidates and have developed product candidates and processes that directly compete with our products. Our competitors may have developed, or could in the future develop, new products that compete with our products or even render our products obsolete. Our technology is designed to expand hematopoietic stem cells outside of the human body without differentiation so they may be used in bone marrow transplants and other methods of cell therapy. Even if we are able to demonstrate improved or equivalent results, researchers and practitioners may not use our products and we will suffer a competitive disadvantage. Finally, to the extent that others develop new products that address the targeted application for our products, our business will suffer.

We depend to a significant extent on certain key personnel, the loss of any of whom may materially and adversely affect our company.

Our success depends on a significant extent to the continued services of certain highly qualified scientific and management personnel, including our Chief Executive Officer, Zami Aberman, our Vice President of Development, Ora Burger, and our Chief Financial Officer, Yossi Keret. We face competition for qualified personnel from numerous industry sources, and there can be no assurance that we will be able to attract and retain qualified personnel on acceptable terms. The loss of service of any of our key personnel could have a material adverse effect on our operations or financial condition. In the event of the loss of services of such personnel, no assurance can be given that we will be able to obtain the services of adequate replacement personnel. We do not maintain key person insurance on the lives of any of our officers or employees.

Our success depends in large part on our ability to develop and protect our PluriX Bioreactor system technology and our cell therapy products. If our patents and proprietary right agreements do not provide sufficient protection for our PluriX Bioreactor system technology and our cell therapy products, our business and competitive position will suffer.

We rely on an exclusive, world-wide license relating to the production of human cells granted to us by the Weizmann Institute of Science and Technion-Israel Institute of Technology for certain of our patent rights. If we materially breach such agreement or otherwise fail to materially comply with such agreement, or if such agreement expires or is otherwise terminated by us, we may lose our rights under the patents held by the Weizmann Institute of Science and Technion-Israel Institute of Technology. At the latest, the license will terminate when the patents underlying the license expire. The underlying patents will expire in approximately 2020. Also, the scope of the patents licensed to us may not be sufficiently broad to offer meaningful protection. In addition, the patents licensed to us could be successfully challenged, invalidated or circumvented so that our patent rights would not create an effective competitive barrier. We also intend to seek patent protection for any of our potential cell therapy products once we have completed their development. Significantly, we do not as yet have patents in the United States or Europe or any other major market, although patents have been applied for.

We also rely on trade secrets and unpatentable know-how that we seek to protect, in part, by confidentiality agreements with our employees, consultants, suppliers and licensees. These agreements may be breached, and we might not have adequate remedies for any breach. If this were to occur, our business and competitive position would suffer.

We may be subject to intellectual property litigation such as patent infringement claims, which could adversely affect our business.

Our success will also depend in part on our ability to develop our technology and commercially viable products without infringing the proprietary rights of others. Although we have not been subject to any filed infringement claims, other patents could exist or could be filed which would prohibit or limit our ability to develop our PluriX Bioreactor system and market our potential cell therapy products in the future. In the event of an intellectual property dispute, we may be forced to litigate. Intellectual property litigation would divert management's attention from developing our technology and marketing our potential cell therapy products and would force us to incur substantial costs regardless of whether we are successful. An adverse outcome could subject us to significant liabilities to third parties, and force us to curtail or cease the development and commercialisation of our PluriX Bioreactor system.

Potential product liability claims could adversely affect our future earnings and financial condition.

We face an inherent business risk of exposure to product liability claims in the event that the use of our products results in adverse affects. As a result, we may incur significant product liability exposure. We may not be able to maintain adequate levels of insurance at reasonable cost and/or reasonable terms. Excessive insurance costs or uninsured claims would add to our future operating expenses and adversely affect our financial condition.

Our principal research and development facilities are located in Israel and the unstable military and political conditions of Israel may cause interruption or suspension of our business operations without warning.

Our principal research and development facilities are located in Israel. As a result, we are directly influenced by the political, economic and military conditions affecting Israel. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors and, since September 2000, involving the Palestinian population, and a state of hostility, varying in degree and intensity, has led to security and economic problems for Israel and companies based in Israel. Acts of random terrorism periodically occur which could affect our operations or personnel.

In addition, Israeli-based companies and companies doing business with Israel, have been the subject of an economic boycott by members of the Arab League and certain other predominantly Muslim countries since Israel's establishment. Although Israel has entered into various agreements with certain Arab countries and the Palestinian

Authority, and various declarations have been signed in connection with efforts to resolve some of the economic and political problems in the Middle East, we cannot predict whether or in what manner these problems will be resolved. Also, since the end of September 2000, there has been a marked increase in the level of terrorism in Israel, which has significantly damaged both the Israeli economy and levels of foreign and local investment.

Furthermore, certain of our officers and employees may be obligated to perform annual reserve duty in the Israel Defense Forces and are subject to being called up for active military duty at any time. All Israeli male citizens who have served in the army are subject to an obligation to perform reserve duty until they are between 45 and 54 years old, depending upon the nature of their military service.

Because some of our officers and directors are located in non-U.S. jurisdictions, you may have no effective recourse against the management for misconduct and may not be able to enforce judgement and civil liabilities against our officers, directors, experts and agents.

Most of our directors and officers are nationals and/or residents of countries other than the United States, and all or a substantial portion of their assets are located outside the United States. As a result, it may be difficult for you to enforce within the United States any judgments obtained against our officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any U.S. state.

Because we do not intend to pay any dividends on our common stock, investors seeking dividend income or liquidity should not purchase shares of our common stock.

We have not declared or paid any dividends on our common stock since our inception, and we do not anticipate paying any such dividends for the foreseeable future. Investors seeking dividend income or liquidity should not invest in our common stock.

There may be significant dilution of your shares of our common stock. First, the entire amount of money owed under the senior secured convertible debentures may be converted into shares of our common stock. Second, the warrants may be exercised for shares of our common stock. Next, the debenture and warrants may be convertible into even more shares than currently estimated depending on adjustments to the conversion price of the debenture and warrants. Then, if this registration statement is not declared effective by a certain date, we will likely have to pay investors additional shares as liquidated damages under a registration rights agreement. If additional common shares are issued as a result of any or all of these possibilities, there likely will be significant dilution of your shares of our common stock.

The issuance of shares of our common stock being registered in the registration statement of which this prospectus forms a part, upon conversion, as principal repayments on or as interest payments on the senior secured convertible debentures, upon the exercise of common share purchase warrants or upon the payment of shares as liquidated damages for the failure to have the registration statement declared effective by the SEC by a certain date will result in dilution to your interests as a stockholder of our common stock. This is so because the holders of the senior secured convertible debentures and the holders of the warrants whose underlying shares are being offered in this prospectus may sell all of the resulting shares into the public market.

The principal amount of the senior secured convertible debentures, \$3,000,000, plus 7% interest, may be converted, at the option of the holders, into shares of our common stock at a price that will be equal to the lower of 75% of the volume weighted average price of our stock for the twenty trading days prior to the conversion date or a price at which we sell our stock in any financing transaction before three-quarters (in the aggregate) of the principal of all of the senior convertible debentures are converted or fully paid.

The senior secured convertible debentures mature on April 3, 2008. Interest accrues on the debentures at the rate of 7% per annum, payable semi-annually on June 30 and December 31 of each year and on conversion and at the maturity date. Interest is payable, at the option of our company, either (1) in cash, or (2) in shares of our common stock at the then applicable conversion price. Since the conversion price is tied to the stock price, we cannot calculate exactly how many shares the holders will receive if all of the principle and interest due under the senior secured convertible debentures is converted to shares of our common stock. If, for example, we use the closing

price of our shares on April 28, 2006, the date of the closing of the senior secured convertible debentures, and the debenture plus interest is converted into shares, then the holders could receive approximately 54,028,436 shares of our common stock upon conversion of the debentures. If all of the shares underlying warrants being offered in this prospectus are issued resulting from the exercise of warrants, then an additional 57,872,036 shares will be issued.

The senior secured convertible debentures provide for various events of default that would entitle the holders to require us to immediately repay the outstanding principal amount, plus accrued and unpaid interest, in cash. If an event of default occurs, we may be unable to immediately repay the amount owed, and any repayment may leave us with little or no working capital in our business.

We will be considered in default of the senior secured convertible debentures if any of the following events, among others, occurs:

We default on the payment of principal or interest of the senior secured convertible debentures for a specified period of time;

Any of the representations or warranties made by us in the documents related to the senior secured convertible debenture transaction are false or misleading in any material respect at the time made;

We fail to authorize or to cause our transfer agent to issue shares of Common Stock upon exercise by the security holder of its conversion rights in accordance with the terms of the senior secured convertible debentures;

We fail to perform or observe, in any material respect, any other covenant of term of the senior secured convertible debentures or other transaction agreements and fail to cure such default within a specified period of time after receiving notice of such failure; or,

Our common stock is suspended from trading on, or delisted from, its principal trading market in excess of fifteen (15) consecutive trading days.

If an event of default occurs, the holders of the senior secured convertible debentures can elect to require us to pay any and all of the outstanding principal amount, plus all other accrued and unpaid amounts.

Some of the events of default include matters over which we may have some, little or no control. If a default occurs and we cannot pay the amounts payable under any of the convertible notes in cash (including any interest on such amounts and any applicable late fees under the convertible notes), the holders of the notes may protect and enforce their rights or remedies either by suit in equity or by action at law, or both, whether for the specific performance of any covenant, agreement or other provision contained in the documents related to the senior secured convertible debentures, or to enforce the payment of the outstanding amount or any other legal or equitable right or remedy. This would have an adverse effect on our continuing operations.

All of our assets are secured and consequently if we default on the senior secured convertible debentures, our continued operation will be adversely affected.

We are financing our operations primarily through the issuance of the equity and debt securities, including the senior secured convertible debentures. The senior secured convertible debentures issued on April 3, 2006 have been secured primarily by all of our assets. If we default on any of the senior secured convertible debentures, the holders would be entitled to seize all of our assets and take control of our business, which would have a material adverse effect on our business. Please refer to section entitled "April 3, 2006 Private Placement of Senior Secured Convertible Debentures and Warrants" on page 26 for a description of the security we granted to the holders of these convertible notes.

Our stock is considered a penny stock and certain securities rules may hamper the tradability of our shares in the market.

Shares of our common stock are subject to rules adopted by the Securities and Exchange Commission that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stock is defined to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our common stock are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and accredited investors. The term accredited investor refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities.

Please read this prospectus carefully. You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different information. You should not assume that the information provided by the prospectus is accurate as of any date other than the date on the front of this prospectus.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements which relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as may, should, expects, plans, anticipates, believes, estimates, predicts, continue or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled Risk Factors beginning on page 9, that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results. The safe harbor for forward-looking statements provided in the Private Securities Litigation Reform Act of 1995 does not apply to the offering made in this prospectus.

SECURITIES AND EXCHANGE COMMISSION'S PUBLIC REFERENCE

Any member of the public may read and copy any materials filed by us with the Securities and Exchange Commission at the SEC's Public Reference Room at 100 F Street NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet website (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

THE OFFERING

This prospectus relates to the resale by certain selling security holders of Pluristem Life Systems, Inc. of up to 187,379,558 shares of our common stock in connection with the resale of: