UROPLASTY INC
Form 424B5
July 21, 2010

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

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-167274

Subject to Completion, Dated July 21, 2010

PROSPECTUS SUPPLEMENT
(To Prospectus dated June 24, 2010)

Shares
Common Stock
$ per share

Uroplasty, Inc. is offering shares of common stock.

Our common stock is traded on the NASDAQ Capital Market under the symbol UPI. On July 20, 2010, the last reported sale price of our common stock on the NASDAQ Capital Market was $3.84 per share.

Investing in our common stock involves a high degree of risk.
See Risk Factors beginning on page S-5 of this prospectus supplement.

	Per Share	Total
Price to the public	$	$
Underwriting discount and commissions	$	$
Proceeds, before expenses, to us	$	$

We have granted an over-allotment option to the underwriters. Under this option, the underwriters may elect to purchase a maximum of additional shares from us within 30 days following the date of this prospectus supplement to cover over-allotments.

The underwriters are offering the shares as described in Underwriting. Delivery of the shares will be on or about , 2010.

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

Sole Book-Running Manager
Oppenheimer & Co.
Co-Manager
JMP Securities

The date of this prospectus supplement is , 2010

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Urgent® PC and Macroplastique® are trademarks we own or license.

For purposes of this prospectus supplement and the accompanying prospectus, references to Uroplasty, we, us, our and our company are to Uroplasty, Inc. and not to our consolidated subsidiaries, unless otherwise indicated or the context otherwise requires.

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About This Prospectus Supplement

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of shares of our common stock. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. This prospectus supplement and the information incorporated by reference in this prospectus supplement also add to, update and change information contained in, or incorporated by reference into, the accompanying prospectus. If information in this prospectus supplement or the information incorporated by reference in this prospectus supplement is inconsistent with the accompanying prospectus or the information incorporated by reference therein, then this prospectus supplement or the information incorporated by reference in this prospectus supplement will apply and will supersede the information in the accompanying prospectus.

The accompanying prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, using a shelf registration statement. Under the shelf registration process, from time to time, we may offer and sell any of the securities described in the accompanying prospectus separately or together with other securities described therein.

You should read this prospectus supplement along with the accompanying prospectus carefully before you invest. Both documents contain important information you should consider when making your investment decision. You should also read and consider the information in the documents to which we have referred you under Where You Can Find More Information on page S-21 of this prospectus supplement and on page 10 of the accompanying prospectus.

You should rely only on the information contained in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. You should not assume that the information in this prospectus supplement, the accompanying prospectus and any document incorporated by reference is accurate as of any date other than the date on its front cover. Neither we nor anyone acting on our behalf is making an offer to sell these shares of common stock in any jurisdiction where the offer or sale is not permitted.

Cautionary Statement Regarding Forward-Looking Statements

This prospectus supplement and the accompanying prospectus supplement, the documents they incorporate by reference and any related free writing prospectuses issued by us may contain forward-looking statements about our financial condition, results of operations, plans, objectives, future performance and business. Statements preceded by, followed by or that include words such as may, will, expect, anticipate, continue, estimate, project, belie expressions are intended to identify some of the forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are included, along with this statement, for purposes of complying with the safe harbor provisions of that Act. The realization of matters expressed in forward-looking statements involve risks and uncertainties. Our actual results may differ materially from those contemplated by the forward-looking statements due to, among other factors, the risks and uncertainties described in or incorporated by reference into this prospectus supplement, including under Risk Factors, and the accompanying prospectus. Any forward-looking statement contained in this prospectus supplement and the accompanying prospectus and the documents they incorporate by reference speaks only as of the date on which the statement was made, and we undertake no obligation to update publicly or revise any forward-looking statements for any reason, whether as a result of new information, future events or otherwise. New risks emerge from time to time, and we cannot predict all of the risks that may impact our business or the extent to which any particular risk, or combination of risks, may cause actual results to differ materially from those contained in any forward-looking statement.

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Prospectus Supplement Summary

The following summary highlights basic information about Uroplasty and this offering. Because it is a summary, it does not contain all of the information that may be important to you. You should review this entire prospectus supplement and the accompanying prospectus carefully, including the risks of investing in our common stock discussed in the Risk Factors section, our consolidated financial statements and notes thereto and the documents incorporated by reference, before making an investment decision.

Our Business

We are a leading provider of innovative, proprietary products for the treatment of voiding dysfunctions. Our primary focus is on two products, the Urgent® PC system for the treatment of symptoms of overactive bladder and Macroplastique® for the treatment of stress urinary incontinence.

We believe that our Urgent PC system is the only FDA cleared, minimally invasive, office-based neurostimulation therapy for the treatment of urge incontinence, urinary urgency and urinary frequency: symptoms associated with overactive bladder. Although pharmaceuticals and implantables are currently the most common treatments of overactive bladder, we believe that the side effects presented by pharmaceuticals and the morbidity associated with implantable devices discourage many patients from using these traditional treatment options for overactive bladder. Our Urgent PC system provides an alternative for these patients by offering office-based treatments without many of these side effects. We began marketing Urgent PC in the United States in our fiscal 2007.

We also offer Macroplastique, a minimally invasive, implantable soft tissue urethral bulking agent for the treatment of adult female stress urinary incontinence that results primarily from intrinsic sphincter deficiency. When Macroplastique is injected into tissue around the urethra, it stabilizes and bulks tissues, providing the surrounding muscles with increased capability to control the release of urine from the bladder. We have sold Macroplastique for urological indications in over 40 countries outside the United States since 1991. In October 2006, we received from the FDA pre-market approval for the use of Macroplastique to treat adult female stress urinary incontinence. We began marketing Macroplastique in the United States in 2007.

Outside of the United States, the Urgent PC is also approved for treatment of fecal incontinence, and our soft tissue bulking agent is also approved for treatment of fecal incontinence, male stress incontinence, and vesicoureteral reflux.

Our Markets

Overactive Bladder. For individuals with overactive bladder symptoms, signals to indicate a full bladder are sent early and frequently, triggers to allow the bladder to relax for filling are ineffective, and nervous system control of the urethral sphincter, to keep the bladder closed until an appropriate time, is inadequate. For individuals with normal bladder function, urinary voiding occurs approximately eight times per day, while individuals with an overactive bladder may seek to void over 20 times per day and frequently during the night. While the severity of these symptoms varies, overactive bladder can be debilitating and require altered lifestyles for the estimated 33 million adult Americans that are affected.

The most common treatment for overactive bladder is drug therapy using an anticholinergic agent. Although the market for these drugs is large and they are effective for many patients, because of side effects such as dry mouth, vision problems or constipation, studies indicate that over 55% of patients who undergo pharmacotherapy for overactive bladder stop using the drugs within the first three months. For many of these patients, the only readily available alternative to pharmacotherapy has been direct sacral nerve stimulation through devices that deliver continuous mild electrical pulses to the sacral nerve plexus. These devices, which are surgically implanted in the buttocks and connected to an implanted lead attached to the spinal cord, require surgical intervention at significant cost.

Female Urinary Stress Incontinence. Individuals with urinary incontinence experience involuntary loss of urine from ordinary physical activities, such as coughing, sneezing, laughing, straining or lifting (stress incontinence), from neurologic problems that cause the bladder to contract and empty with little or no warning (urge incontinence), from an under-active bladder or an obstruction in the bladder or urethra that causes over-distension of the bladder (overflow

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incontinence), or from a combination of these causes. In 1996, the Agency for Health Care Policy and Research, a division of the Public Health Service, U.S. Department of Health and Human Services, estimated that urinary incontinence affected about 13 million people in the United States, the vast majority of whom are women. Currently the most common treatment to correct female stress incontinence is through surgery to insert a sling that provides a hammock-type support for the urethra to prevent its downward movement and the associated leakage of urine. Female stress incontinence is also treated less invasively with an injectable urethral bulking agent, that surrounds the tissues around the urethra, such as our Macroplastique product.

Our Competitive Advantage

Minimally invasive. Our Urgent PC system treats the symptoms of overactive bladder without surgery. Unlike sacral nerve stimulation products that require surgical implantation, the Urgent PC uses an external stimulator with a small needle temporarily placed above the ankle to deliver electrical pulses to the posterior tibial nerve. Patients feel only a needle prick, a muscle reflex and a tingling sensation. Patients have none of the post-surgical pain or potential complications accompanying implanted devices.

Our Macroplastique product treats female stress incontinence without the need for invasive surgery. Unlike surgical intervention to implant slings, the Macroplastique product is placed by the urologist into the urethral tissue using a small visualizing instrument (cystoscope). This procedure can be completed in less than half an hour.

Minimal side effects. Unlike anticholinergic drugs, which often create intolerable side effects, such as dry mouth, vision problems or constipation, the side effects associated with Urgent PC treatments are typically minor and transient. Further, both our Macroplastique product and our Urgent PC system avoid the morbidity often associated with surgical intervention.

Office based products. In the United States, treatment for overactive bladder using the Urgent PC system is generally performed in a physician s office, and treatment of female stress incontinence using Macroplastique, is generally performed in a physician s office or outpatient surgical center, without the costs and delays associated with hospital-based treatments.

Our Strategy

Our goal is to become the leading provider of minimally invasive, office- and outpatient surgical-based solutions for patients who suffer from voiding dysfunctions. The key elements of our strategy are to:

Educate physicians and third-party insurance carriers about the benefits of Urgent PC. We believe education of physicians and third-party insurance carriers regarding the benefits of the Urgent PC system is critical to the successful adoption of this system, and to reimbursement for treatments by third-part carriers.

Regain revenue growth for Urgent PC through expanded reimbursement coverage. We sponsored and received favorable results from OrBIT and SUmiT clinical studies, the results of which have recently been published in *The Journal of Urology*®. These study results were also submitted with our application for a unique, listed CPT code for Urgent PC percutaneous tibial nerve treatments to the American Medical Association (AMA) at their CPT Editorial Panel meeting in February 2010. The AMA has advised us that they will assign for this treatment a unique, listed CPT code, to be published in the fall of 2010 that would go into effect in January 2011. We believe the availability of a unique, listed CPT code will encourage broader use of our Urgent PC system.

Expand market coverage in the United States. We believe our future sales growth will come predominately from the U.S. market. In order to grow our business in the United States, we will need to significantly expand our field direct sales and support organization, and, as needed, our marketing organization.

Educate physicians about the superior performance of Macroplastique. Although Macroplastique has been used in 40 countries outside of the United States. for over two decades, it is not yet well known in the U.S. because it was only introduced for sale in 2007. We believe Macroplastique is superior to other commercially available bulking agents because, with its unique composition, shape and size, it does not degrade, is not rigid and is not absorbed into surrounding tissues.

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Build patient awareness of office- and outpatient surgical-based solutions. Patients often weigh the quality of life benefits of electing to undergo a surgical procedure against the invasiveness of the procedure. We intend to continue to expand our marketing efforts to build patient awareness of these treatment alternatives and encourage patients to see physicians.

Focus on office- and outpatient surgical-based solutions for physicians. We believe our company is uniquely positioned to provide a broad product offering of office- and outpatient surgical-based solutions for physicians. By expanding our United States presence, we intend to develop long-standing relationships with leading physicians treating overactive bladder and incontinence symptoms.

Develop, license or acquire new products. We believe our office- and outpatient surgical-based solutions are an important competitive advantage because they allow us to address the various preferences of doctors and patients, as well as the quality of life issues presented by voiding dysfunctions. An important part of our growth strategy is to broaden our product line further to meet customer needs by developing, licensing and acquiring new products, as well as seeking FDA clearance for other indications for our current products, such as approval for our Urgent PC for treatment of fecal incontinence.

Executive Offices

Uroplasty was incorporated in Minnesota in 1992. Our headquarters are located at 5420 Feltl Road, Minnetonka, Minnesota 55343. Our telephone number is (952) 426-6140. We maintain a web site at http://*www.uroplasty.com*. Information contained on our web site is not part of, and is not incorporated by reference into, this prospectus supplement or the accompanying prospectus.

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The Offering

Common stock offered by us	shares
Over-allotment option	shares
Common stock to be outstanding immediately after this offering	shares
Use of proceeds	We estimate that the net proceeds to us from this offering, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately $ million. We intend to use the net proceeds from this offering to fund the commercialization of our Urgent PC system, to finance additional clinical studies that expand the applications of our products and for general corporate purposes, including working capital. See Use of Proceeds for additional information.
NASDAQ Capital Market symbol	UPI
Risk factors	Investing in our common stock involves substantial risks. You should carefully consider all of the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus before you decide to invest in our common stock. In particular, we urge you to carefully consider the factors set forth under Risk Factors beginning on page S-5 of this prospectus supplement.

The number of shares of common stock to be outstanding after this offering is based on 15,887,440 shares outstanding as of June 30, 2010, and excludes:

- an aggregate of 2,121,025 shares of our common stock issuable upon the exercise of outstanding options as of June 30, 2010, with a weighted average exercise price of $3.21 per share;
- an additional 1,329,075 shares of our common stock reserved for future grants under our equity compensation plans as of June 30, 2010; and
- the shares of common stock that may be purchased by the underwriters to cover over-allotments, if any.

Unless otherwise stated in this prospectus supplement, we have assumed throughout this prospectus supplement that the over-allotment option granted to the underwriters will not be exercised.

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Risk Factors

An investment in our common stock involves a high degree of risk. Before making an investment decision, you should carefully read and consider the risks and uncertainties described below as well as the risk factors incorporated by reference into this prospectus supplement and the accompanying prospectus. You should also refer to other information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus, including our financial statements and the related notes incorporated by reference herein. Additional risks and uncertainties not known to us at this time or that we currently deem immaterial may also materially and adversely affect our business and operations.

Risks Related to our Business and Industry

We continue to incur losses and may never reach profitability.

We have incurred net losses in each of the last five fiscal years and had an accumulated deficit of approximately $26.6 million at March 31, 2010. To achieve profitability, we must generate substantially more revenue than we have in prior years. Our ability to achieve significant revenue growth will depend, in large part, on our ability achieve widespread market acceptance and third party reimbursement for our two principal products and successfully expand our business in the U.S. We may never achieve substantial market acceptance, realize significant revenue from the sale of our products or be profitable.

We are dependent on the availability of third-party reimbursement for our revenues.

Our success depends, to a significant extent, on the availability of reimbursement for the cost of our products from third-party payers, such as government health authorities, private health insurance plans and managed care organizations. There is not a uniform policy for reimbursement in the United States or foreign countries. Within the United States, reimbursement coverage is often payer-specific, affecting the consistency and speed of reimbursement payments our customers receive and the inclination of physicians to use our products. Changes in the extent or type of coverage or a reduction in reimbursement rates can cause a decline in purchases of our products, which can materially adversely affect their marketability.

As a relatively new therapy, percutaneous tibial nerve stimulation using the Urgent PC system has historically not been assigned a reimbursement code unique to the technology. During our first fiscal quarter of 2009, the American Medical Association advised the medical community that the previously recommended unique, listed CPT code for reimbursement for Urgent PC treatments should be replaced with an unlisted code. As a result, some third-party insurance carriers delayed or denied reimbursement, causing a significant drop in revenue from this product. In response, we sponsored and received favorable results from clinical trials designed to demonstrate the efficacy of the Urgent PC system, and based on these results, requested that the AMA assign a unique, listed CPT code for procedures using the system. We have been advised that the AMA accepted our request, and will assign a unique CPT Code for percutaneous tibial nerve stimulation when those codes are published. Nevertheless, publication will not occur until Fall 2010, and the code will not be effective until January 2011. Because the code has not yet been assigned, no reimbursements are currently available using the code, the rate of suggested reimbursement has not yet been established, and no private or governmental agency has agreed that they will provide reimbursement on the basis of the code. We cannot be assured that third-party payers will provide or continue to provide coverage and reimbursement, or reimburse providers at rates sufficient to cover their costs and expenses.

We cannot predict how quickly or how broadly the market will accept our products.

In addition to availability of third-party reimbursement, market acceptance of our products will depend on our ability to demonstrate the safety, clinical efficacy, perceived benefits, cost-effectiveness and third party reimbursement of our products compared to products or treatment options of our competitors, and to train physicians in the proper application of our products. We cannot assure you that we will be successful in educating the marketplace about the benefits of our products. Even if customers accept our products, this acceptance may not translate into sales if our competitors have developed similar products that our customers prefer.

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If we are not able to attract, retain and motivate our sales force and expand our distribution channels, our sales and revenues will suffer.

In the U.S., we have a sales organization consisting of direct sales and independent sales representatives, and a marketing organization to market our products directly and support our distributor organizations. We expect to expand our sales and marketing organization, as needed to support our growth. We have and will continue to incur significant expense to support this organization. We cannot be certain that our sales organization will be able to generate renewed sales of Urgent PC at levels that justify its expense, or even if it can, that we will be able to recruit, train, motivate or retain qualified sales and marketing personnel or independent sales representatives. Outside of the United States, United Kingdom and the Netherlands, we sell our products through a network of independent distributors. Our ability to increase product sales in foreign markets will largely depend on our ability to develop and maintain relationships with our distributors and on their ability to successfully market and sell our products. We may not be able to retain distributors who are willing to commit the necessary resources to market and sell our products to the level of our expectations. Failure to maintain or expand our distribution channels or to recruit, retain and motivate qualified personnel could have a material adverse effect on our product sales and revenues.

The size and resources of our competitors may render it difficult for us to successfully compete in the marketplace.

Our products compete against similar medical devices and other treatment methods, including drugs, for treating voiding dysfunctions. Many of our competitors, which include some of the largest medical products and pharmaceutical companies in the world, have significantly greater financial, research and development, manufacturing and marketing resources than us. Some of these competitors are currently developing products that likely will compete with Urgent PC and Macroplastique and others could develop or acquire products that are safer, more effective, less invasive, less expensive or more readily accepted than our products. Their products could make our technology and products obsolete or noncompetitive. Our competitors could also devote greater resources to the marketing and sale of their products and adopt more aggressive pricing policies than we can.

We are primarily dependent on sales of two product lines and our business would suffer if sales of either of these product lines decline.

Currently, we are dependent on sales of our Urgent PC system and Macroplastique products. In fiscal 2010, the Urgent PC system accounted for approximately 40% of our net sales and Macroplastique accounted for approximately 47%, of our net sales and the decline in our Urgent PC sales has significantly negatively impacted our business. In fiscal 2009, these products accounted for 51% and 36%, respectively, of our total net sales. If demand for our two product lines decline, our revenues and business prospects may continue to suffer.

We could be subject to fines and penalties, or be required to temporarily or permanently cease offering products, if we fail to comply with the extensive regulations applicable to the sale and manufacture of medical products.

The development, testing, production and marketing of our products are subject to extensive regulation and review by numerous governmental authorities both in the United States and abroad. U.S. and foreign regulations applicable to medical devices are wide-ranging and govern, among other things, the testing, marketing and pre-market review of new medical devices, and the manufacturing practices, reporting, advertising, exporting, labeling and record keeping procedures. We are required to obtain regulatory approval or clearance before we can market our products in the United States and certain foreign countries. The regulatory process requires significant time, effort and expenditures to bring our products to market, and we cannot assure you that the regulatory authority we currently possess to market our products will remain available, or that we will be able to obtain authority to sell new or existing products in new markets. Further the manufacture and manufacturing facilities of medical products are subject to periodic reviews and inspection by the FDA and foreign regulatory authorities. Our failure to comply with regulatory requirements could result in governmental agencies:

- imposing fines and penalties on us;
- preventing us from manufacturing or selling our products;
- bringing civil or criminal charges against us;

delaying the introduction of our new products into the market;

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enforcing operating restrictions;

recalling or seizing our products; or

withdrawing or denying approvals or clearances for our products.

Even if we receive regulatory approval or clearance of a product, the approval or clearance could limit the uses for which we may label and promote the product, which may limit the market for our products.

We may be subject to changing federal regulation that increases the cost of doing business or imposes requirements with which we cannot comply.

Medical product law and regulation in the United States, and the severity with which they are enforced, are subject to change and periodic fluctuation based upon both political movement and high profile events and cases. Recently the United States Congress adopted, and President Obama signed into law, the Patient Protection and Affordable Care Act: health care reform legislation that, among other things, is intended to expand access to and control costs of health care. Although this new law is designed primarily to deal with third-party payers, changes in the manner such payers do business could impact reimbursement for medical products, such as ours, in ways we cannot predict. Further, the Food and Drug Administration has recently significantly increased the scrutiny applied to 510(k) submissions, and it may also focus more scrutiny on other regulation within its purview. Both the FDA and the United States Congress are influenced by high profile events, injuries and cases that generate publicity and public attention, and new legislation is often generated as a result of those events. There can be no assurance that new products we introduce will not be delayed by the current level of scrutiny applied to applications at the FDA or that new laws and regulations will not be adopted that impact the cost of production and marketing of our existing products.

Our distributors may not obtain regulatory approvals in a timely basis, or at all.

We often rely on our distributors outside the United States to obtain regulatory approval to market our products in particular countries. To the extent we do so, we are dependent on persons outside of our direct control to make regulatory submissions and secure approvals, and we do or will not have direct access to health care agencies in those markets to ensure timely regulatory approvals or prompt resolution of regulatory or compliance matters. If our distributors fail to obtain the required approvals or do not do so in a timely manner, our sales from our international operations and our results of operations may be adversely affected.

We might not have the resources to successfully market our products.

The marketing of our products requires a significant amount of time and expense in order to identify the physicians who would use our products, and to train a sales force that is large enough to interact with the targeted physicians. We might not have the resources necessary to market our products successfully.

If third parties claim that our products infringe their intellectual property rights, we could suffer significant expense and might be required to redesign or discontinue selling the affected product.

Companies operating in our industry routinely seek patent protection for their product designs. Many of our principal competitors have large patent portfolios and use intellectual property litigation enforce their patent rights and to gain competitive advantage. Whether a product infringes a patent involves complex legal and factual issues, the determination of which is often uncertain. Our efforts to identify and avoid infringing the intellectual property rights of third parties may not always be successful. A claim that we have infringed patent or other intellectual property rights, even if without merit, could:

be expensive and time consuming to defend;

result in us being required to pay significant damages to third parties;

cause us to cease making or selling products that incorporate the challenged intellectual property;

require us to redesign, reengineer or rebrand our products, if feasible;

require us to enter into royalty or licensing agreements in order to obtain the right to use a third party s intellectual property, which agreements may not be available on terms acceptable to us or at all;

divert the attention of our management; or

result in our customers or potential customers deferring or limiting their purchases or use of the affected products until resolution of the litigation.

If we are unable to adequately protect our intellectual property rights, we might not be able to compete effectively.

Our success depends in part upon our ability to protect the proprietary rights to the technologies used in our products. We rely on patent protection, as well as contractual agreements containing covenants of confidentiality, against competition and other arrangements, to protect our proprietary technology. These legal means afford only limited protection and may not adequately protect our rights or permit us to gain or maintain a competitive advantage. Our patents might not be broad enough to prevent competitors from introducing similar products into the market. Further, we might not have the resources to successfully defend our patents if challenged or to enforce them against a large competitor. Patent protection in foreign countries may be different from patent protection under U.S. laws and may not be favorable to us.

We also rely on unpatented proprietary technology. We cannot assure you that we can meaningfully protect all of our rights in our unpatented proprietary technology or that others will not independently develop substantially equivalent products or processes or otherwise gain access to our unpatented proprietary technology. We attempt to protect our trade secrets and other unpatented proprietary technology through the use of confidentiality and noncompetition agreements with our current key employees and with other parties to whom we have divulged trade secrets. However, these agreements may not provide meaningful protection for our proprietary information in the event of unauthorized use or disclosure or other breaches of the agreements or in the event competitors discover or independently develop similar proprietary information.

Efforts on our part to enforce any of our proprietary rights could be time-consuming and expensive, which could adversely affect our business and prospects and divert our management s attention.

Product liability claims could adversely affect our business and results of operations.

The manufacture and sale of medical devices exposes us to significant risk of product liability claims. Any defects or risks that we have not yet identified with our products may give rise to product liability claims. Our existing $10 million of worldwide product liability insurance coverage may be inadequate to protect us from liabilities we may incur. Further, we cannot assure you that this coverage will remain available or that we will be able to maintain alternative product liability insurance at acceptable rates. We could incur significant losses if a product liability claim or series of claims were brought against us for uninsured liabilities or in excess of our insurance coverage and it were ultimately determined that we are liable. Additionally, we could experience a material design or manufacturing failure in our products, a quality system failure, other safety issues or heightened regulatory scrutiny that would warrant a recall of some of our products. A recall of any of our products likely would be costly, would be uninsured and could also result in increased product liability claims. Further, while we train our physician customers in the proper use of our products, we cannot be certain that they will implement our instructions accurately. If our products are used incorrectly by our customers, injury may result and this could give rise to product liability claims against us.

We could be forced to cease manufacturing a product for a period of time if the contractors upon which we rely fail to timely provide us with materials.

We currently purchase several key materials used in our products from single source suppliers, including the finished products for our Urgent PC system. If one of these suppliers delayed or curtailed shipments to us, our ability to manufacture and deliver product would be impaired, our sales would decline or be curtailed for that product, and we would be forced to quickly locate an alternative source of supply. We cannot be sure that acceptable alternative arrangements could be made on a timely basis. Further, our reliance on such suppliers and the cost and difficulty we would encounter in qualifying an alternative subjects us to increased risk of price increase by single source suppliers. Additionally, the qualification of materials and processes as a result of a supplier change could be deemed unacceptable to regulatory authorities and cause delays and increased costs due to additional test requirements. A

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interruption in the supply of materials, for any reason, could delay the manufacture and sale of our products, which would limit our ability to generate revenues.

If we are not able to maintain sufficient quality controls, regulatory approvals of our products by the European Union, Canada, the FDA or other relevant authorities could be delayed or denied and our sales and revenues will suffer.

The FDA, European Union, Canada or other related authorities could stop or delay production of our products if our manufacturing facilities do not comply with applicable manufacturing requirements. The FDA s Quality System Regulations impose extensive testing, control, documentation and other quality assurance requirements. Canada and the European Union also impose requirements on quality systems of manufacturers, who are inspected and certified on a periodic basis and may be subject to additional unannounced inspections. Further, our suppliers are subject to some of these regulatory requirements. Our failure, or the failure of our suppliers, to comply with these requirements could temporarily or permanently prevent us from manufacturing and marketing our products.

If we are unable to acquire or license other products, our business and future growth prospects could suffer.

As part of our growth strategy, we intend to acquire or license additional products and technologies for development and commercialization. The success of this strategy depends upon our ability to identify, select and acquire the right products and technologies. Products and technologies that we license or acquire may require additional development prior to sale, including clinical testing and approval by the FDA and other regulatory bodies, and we may encounter difficulty or delays in completing the development or receiving the necessary approvals. We may find that the product or technology cannot be manufactured economically or commercialized successfully. We may not be able to acquire or license the right to products on terms that we find acceptable, or at all. Even if we complete future acquisitions, our business, financial condition and the results of operations could be negatively affected because:

- we may be unable to integrate the acquired business or products successfully and realize anticipated economic, operational and other benefits in a timely manner; and
- the acquisition may disrupt our ongoing business, distract our management and divert our resources.

Our business strategy relies on assumptions about the market for our products, which, if incorrect, would adversely affect our business prospects and profitability.

We are focused on the market for minimally invasive therapies used to treat voiding dysfunctions. We believe that the aging of the general population will continue and that these trends will increase the need for our products. However, the projected demand for our products could materially differ from actual demand if our assumptions regarding these trends and acceptance of our products by the medical community prove to be incorrect or do not materialize. Actual demand for our products could also be affected if drug therapies gain more widespread acceptance as a viable alternative treatment, which in each case would adversely affect our business prospects and profitability.

Recent deterioration in the economy and credit markets may adversely affect our results of operations and our plans for expansion.

Although our ability to finance expansion of our business, including acquisitions, is dependent upon our operating and financial performance, it is also dependent upon the general availability of credit and prevailing market conditions. As widely reported, the global credit markets and financial services industry have been experiencing a period of dramatic upheaval that has diminished liquidity and credit availability. Further, the general decline in consumer confidence and economic growth, coupled with increases in unemployment rates and uncertainty about economic stability, may impact the willingness of medical consumers to incur unreimbursed medical expense or the higher deductibles that increasingly are required for reimbursed medical expense. This decreasing confidence may cause some consumers to delay medical care and, eventually, the use of our products. We cannot assure you that this economic downturn has ended or that there will not be further deterioration in the global economy, financial markets and consumer confidence. Although the ultimate outcome of these events cannot be predicted, a prolonged economic downturn could have a material adverse effect on the level of our sales and our ability to borrow money in the credit markets to finance expansion.

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Negative publicity regarding the use of silicone material in medical devices could harm our business and result in a material decrease in revenues.

Macroplastique is comprised of medical grade, heat-vulcanized polydimethylsiloxane, which results in a solid, flexible silicone elastomer. In the early 1990 s, the United States silicone gel breast implant industry became the subject of significant litigation surrounding the effects of the use of semi-liquid silicone gel in breast implants, leading to the bankruptcy of several companies, including our former parent, Bioplasty, Inc. We use only medical grade solid silicone material in our tissue bulking products and do not use semi-liquid silicone gel, as was used in breast implants. Negative publicity regarding the use of silicone materials in our products or in other medical devices could have a significant adverse affect on the overall acceptance of our products.

We derive a significant portion of our sales from outside of the United States and are subject to the risks of international operations.

We derived approximately 49% of our sales in fiscal 2010 from customers and operations in international markets and expect such sales to continue to represent a significant portion of our revenues. The sale and shipping of our products and services across international borders, as well as the purchase of components and products from international sources, subject us to a number of risks, including:

- the imposition of additional U.S. and foreign governmental controls or regulations;
- the imposition of costly and lengthy new export licensing requirements;
- local political and economic instability;
- fluctuations in the value of the U.S. dollar relative to foreign currencies;
- difficulties in recruiting and maintaining distributors and staff in remote locations, including sales people;
- changes in duties and tariffs, license obligations and other non-tariff barriers to trade;
- the imposition of new trade restrictions;
- the imposition of restrictions on the activities of foreign agents, representatives and distributors;
- foreign taxation compliance and penalties;
- pricing pressure that we may experience internationally;
- laws and business practices favoring local companies;
- longer payment cycles;
- difficulties in enforcing agreements and collecting receivables through certain foreign legal systems; and
- difficulties in enforcing or defending intellectual property rights.

We cannot assure you that one or more of these factors will not harm our business.

If we lose the services of our chief executive officer or other key personnel, we may not be able to manage our operations and meet our strategic objectives.

Our success depends, in large part, on the continued service of our senior management. We have no key person insurance with respect to any of our senior managers, and any loss or interruption of their services could significantly reduce our ability to effectively manage our operations and implement our strategy.

We will be exposed to risks relating to evaluations of controls required by Section 404 of the Sarbanes-Oxley Act.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act and related regulations implemented by the SEC, are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. Although our management has been required to evaluate the adequacy of our internal controls over financial reporting, absent further

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legislative actions, our independent auditors will be required to opine as to the adequacy of such internal controls for the first time for our fiscal 2011. While we anticipate being able to fully implement the requirements by the March 31, 2011 deadline, such requirements will likely increase audit costs, and if our auditors are unable to opine, our filings could be delayed and cause us to incur other costs. If we are not able to implement the requirements in a timely manner or with adequate compliance, we may be subject to sanctions or investigation by regulatory authorities, including the SEC. This type of action could adversely affect confidence in our company and our ability to access capital markets and could cause our stock price to decline.

Risks Related to the Offering

Purchasers in this offering will experience immediate dilution.

The offering price of the common stock in this offering will be substantially higher than the net tangible book value per share of our outstanding common stock. If you purchase shares of our common stock in this offering, you will incur immediate and substantial dilution in the amount of $ per share. The exercise of outstanding options into common stock may result in further dilution to your investment in our common stock. See the section entitled Dilution beginning on page S-13 of this prospectus supplement for additional information.

Our stock is thinly traded and you may find it difficult to sell your investment in our stock at quoted prices.

There is only a limited trading market for our common stock, which is now quoted on the NASDAQ Capital Market. Transactions in our common stock may lack the volume, liquidity and orderliness necessary to maintain a liquid and active trading market and relatively small purchases or sales orders may have significant swings on trading prices.

Our stock price may fluctuate and be volatile.

The market price of our common stock may be subject to significant fluctuations due to the following factors, among others:

- variations in our quarterly financial results;
- developments regarding regulatory clearances or approvals of our products;
- market acceptance of our products;
- the success of our efforts to acquire or license additional products;
- announcements of new products or technologies by us or our competitors;
- developments regarding our patents and proprietary rights or those of our competitors;
- developments in U.S. or international reimbursement systems;
- changes in accounting standards, policies, guidance or interpretations;
- sales of substantial amounts of our stock by existing shareholders; and
- general economic conditions, including the current economic downturn.

The stock market in recent years has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of affected companies. These broad market fluctuations may cause the price of our common stock to fall abruptly or remain significantly depressed.

Future sales of our common stock in the public market could lower our share price.

The market price of our common stock could decline due to sales by our existing shareholders of a large number of shares of our common stock or the perception that these sales could occur. These sales could also make it more difficult for us to raise capital through the sale of common stock at a time and price we deem appropriate.

We have a significant number of equity instruments outstanding subject to conversion to our common stock. As of March 31, 2010, we had 2,037,500 shares of our common stock subject to outstanding options.

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Our corporate documents and Minnesota law contain provisions that could discourage, delay or prevent a change in control of our company.

Provisions in our articles of incorporation may discourage, delay or prevent a merger or acquisition, even if our shareholders consider the terms favorable. Our articles of incorporation provide for a staggered board of directors, requiring our directors to serve for three-year terms, with approximately one third of the directors standing for reelection each year. A staggered board could make it more difficult for a third party to obtain control of our board of directors through a proxy contest, which may be a necessary step in an acquisition of us that is not favored by our board of directors.

We are also subject to the anti-takeover provisions of Section 302A.673 of the Minnesota Business Corporation Act. Under these provisions, if anyone becomes an interested shareholder in a transaction not approved by a committee consisting of disinterested members of our board of directors, we may not enter into a business combination with that person for four years, which could discourage a third party from making a takeover offer and could delay or prevent a change of control. For purposes of Section 302A.673, interested shareholder generally means someone owning 10% or more of our outstanding voting stock or an affiliate of ours that owned 10% or more of our outstanding voting stock during the past four years, subject to certain exceptions.

We have broad discretion to use a portion of the net proceeds from this offering; our investment of these proceeds may not yield a favorable return.

Our management will have considerable discretion in the application of the net proceeds from this offering, and we may spend or invest the net proceeds in ways with which our shareholders may not agree and that do not necessarily improve our operating results or enhance the value of our common stock. Accordingly, you will need to rely on our judgment with respect to the use of the net proceeds, and you will not have the opportunity as part of your investment decision to assess whether they are being used or invested appropriately. Pending the final application of the net proceeds of this offering, we intend to invest the net proceeds of this offering in interest-bearing and investment-grade securities. These investments may not yield a favorable return.

We do not intend to declare dividends on our stock in the foreseeable future.

We have never declared or paid cash dividends on our common stock. We currently intend to retain all future earnings, if any, for the operation and expansion of our business and, therefore, do not anticipate declaring or paying cash dividends on our common stock in the foreseeable future. Any payment of cash dividends on our common stock will be at the discretion of our board of directors and will depend upon our results of operations, earnings, capital requirements, financial condition, future prospects, contractual restrictions and other factors deemed relevant by our board of directors. Therefore, you should not expect to receive dividend income from shares of our common stock.

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Use Of Proceeds

We estimate that the net proceeds to us from our sale of shares of common stock in this offering, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately $ million. If the underwriters over-allotment option is exercised in full, we estimate that we will receive net proceeds of approximately $ million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds from the sale of the common stock offered by us in this offering to fund the commercialization of our Urgent PC system, to fund additional clinical trials to expand the applications for our products and for general corporate purposes, including working capital.

The amounts and timing of our use of proceeds will vary depending on a number of factors, including the amount of cash generated or used by our operations, and the rate of growth, if any, of our business. As a result, our management will have broad discretion in the allocation of the net proceeds of this offering for any purpose, and investors will be relying on the judgment of our management with regard to the use of these net proceeds.

Pending the final application of the net proceeds of this offering, we intend to invest the net proceeds of this offering in interest-bearing and investment-grade securities.

Dilution

Our adjusted net tangible book value as of March 31, 2010, was approximately $8.9 million, or approximately $0.56 per outstanding share of common stock. Net tangible book value is total assets, minus the sum of intangible assets and total liabilities, which totaled approximately $6.7 million at March 31, 2010 before adjustment. For purposes of computing our adjusted net tangible book value, we have added approximately $2.2 million of proceeds that we received in May and June 2010 from exercise of warrants to purchase 886,000 shares of common stock. Net tangible book value per share is net tangible book value divided by the total number of shares outstanding. For purposes of computing our adjusted net tangible book value per share, we have added to the shares outstanding at March 31, 2010 the 886,000 additional shares we issued in May and June 2010 upon exercise of warrants.

After giving further effect to adjustments relating to the offering, our pro forma adjusted net tangible book value on March 31, 2010 would have been $ or $ per share. The further adjustments made to determine pro forma adjusted net tangible book value per share are the following:

An increase in total assets to reflect the net proceeds of the offering as described under Use of Proceeds.

The addition of the number of shares offered by this prospectus supplement to the number of shares outstanding.

The following table illustrates the pro forma increase in adjusted net tangible book value of $ per share and the dilution (the difference between the offering price per share and net tangible book value per share) to new investors:

Public offering price per share		$
Adjusted net tangible book value per share as of March 31, 2010	$ 0.56	
Increase per share attributable to the offering	$	
Adjusted net tangible book value per share as of March 31, 2010, after giving effect to the offering		$
Dilution per share to new investors in the offering		$

The foregoing table is based on 14,946,540 shares outstanding as of March 31, 2010, plus 886,000 shares of common stock that we issued in May and June 2010 upon exercise of warrants, but assumes no exercise of stock options outstanding as of March 31, 2010. As of March 31, 2010, there were options outstanding to purchase an aggregate of 2,037,500 shares of our common stock, with a weighted average exercise price of $3.14 per share.

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Capitalization

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

- on an actual basis, but as adjusted for the issuance of 886,000 shares of common stock in May and June 2010 upon exercise of warrants; and
- as further adjusted to give effect to our sale of shares of common stock at the public offering price of $ per share, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us (assuming no exercise of the underwriters option to purchase an additional shares).

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

	As of March 31, 2010	
	Actual[1]	As Adjusted
	(in thousands, except share data)	
Short-term debt, including current portion of long-term debt	$ --	$ --
Long-term debt	$ --	$ --
Shareholders equity:		
Common stock, $.01 par value, 40,000,000 shares authorized, 15,832,540 shares issued and outstanding, actual[1]; shares issued and outstanding, as adjusted	158	
Additional paid-in capital	38,372	
Accumulated deficit	(26,617)	
Accumulated other comprehensive income (loss)	(496)	
Total shareholders equity	$ 11,417	
Total capitalization	$ 11,417	$

(1) As adjusted for the issuance of 886,000 shares of common stock in May and June 2010 upon exercise of warrants.

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Price Range Of Common Stock

The following table shows the high and low closing sales prices for our common stock as reported on the NASDAQ Capital Market for the periods indicated that are on or after July 12, 2010, and as reported on the NYSE Amex stock exchange for the periods indicated that are prior to July 12, 2010. Our common stock has traded on the NASDAQ Capital Market under the symbol UPI since July 12, 2010, and was traded under the same symbol on the NYSE Amex stock exchange for the periods indicated that are prior to July 12, 2010.

	High	Low
Fiscal Year Ended March 31, 2009		
First Quarter	$ 3.82	$ 3.00
Second Quarter	3.30	2.25
Third Quarter	2.27	0.80
Fourth Quarter	1.15	0.36
Fiscal Year Ended March 31, 2010		
First Quarter	$ 1.07	$ 0.66
Second Quarter	1.26	0.61
Third Quarter	2.03	1.03
Fourth Quarter	2.25	1.44
Fiscal Year Ending March 31, 2011		
First Quarter	$ 6.49	$ 2.23
Second Quarter (through July 21, 2010)	4.68	3.75

As of June 30, 2010, we had approximately 440 holders of record of our common stock. Registered ownership includes nominees who may hold securities on behalf of multiple beneficial owners.

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Underwriting

We have entered into an underwriting agreement with the underwriters named below. Oppenheimer & Co. Inc. is acting as representative of the underwriters.

The underwriting agreement provides for the purchase of a specific number of shares of common stock by each of the underwriters. The underwriters obligations are several, which means that each underwriter is required to purchase a specific number of shares, but is not responsible for the commitment of any other underwriter to purchase shares. Subject to the terms and conditions of the underwriting agreement, each underwriter has severally agreed to purchase the number of shares of common stock set forth opposite its name below:

Underwriter	Number of Shares
Oppenheimer & Co. Inc.	
JMP Securities LLC	
Total:	

The underwriters have agreed to purchase all of the shares offered by this prospectus supplement (other than those covered by the over-allotment option described below), if any are purchased.

The shares should be ready for delivery on or about , 2010 against payment in immediately available funds. The underwriters are offering the shares subject to various conditions and may reject all or part of any order.

The representative has advised us that the underwriters propose to offer the shares directly to the public at the public offering price that appears on the cover page of this prospectus supplement. In addition, the underwriters may offer some of the shares to other securities dealers at such price less a concession of $ per share. The underwriters may allow, and such dealers may reallow, a concession not in excess of $ per share to other dealers. After the shares are released for sale to the public, the representative may change the offering price and other selling terms at various times.

We have granted the underwriters an over-allotment option. This option, which is exercisable for up to 30 days after the date of this prospectus supplement, permits the underwriters to purchase a maximum of an additional shares from us to cover over-allotments. If any shares are purchased with this over-allotment option, the underwriters will purchase shares in approximately the same proportion as shown in the table above. If the underwriters exercise all or part of this option, they will purchase shares covered by the option at the public offering price that appears on the cover page of this prospectus supplement, less the underwriting discount. If this option is exercised in full, the total price to the public will be approximately $ and the total proceeds to us will be approximately $.

The following table provides information regarding the amount of the discount to be paid to the underwriters by us:

	Without Exercise of Over-Allotment Option	With Full Exercise of Over-Allotment Option
Per Share	$	$
Total	$	$

We estimate that our total expenses of the offering, excluding the underwriting discount, will be approximately $, which includes
$ that we have agreed to reimburse the underwriters for the fees incurred by them in connection with the offering.

In compliance with the guidelines of the Financial Industry Regulatory Authority, or FINRA, the maximum consideration or discount to be received by any FINRA member or independent broker dealer may not exceed 8.0% of the aggregate amount of the securities offered pursuant to this prospectus supplement and the accompanying

prospectus.

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We have agreed to indemnify the underwriters against certain