

DERMA SCIENCES, INC.
Form SC 13D/A
March 02, 2012

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

SCHEDULE 13D
(Rule 13d-101)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO § 240.13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO
§ 240.13d-2(a)

(Amendment No. 1)1

Derma Sciences, Inc.

(Name of Issuer)

Common Stock, par value \$0.01 per share
(Title of Class of Securities)

249827502
(CUSIP Number)

STEVEN WOLOSKY, ESQ.
OLSHAN GRUNDMAN FROME ROSENZWEIG & WOLOSKY LLP
Park Avenue Tower
65 East 55th Street
New York, New York 10022
(212) 451-2300

(Name, Address and Telephone Number of Person

Authorized to Receive Notices and Communications)

March 2, 2012

(Date of Event Which Requires Filing of This Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§ 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box x.

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See § 240.13d-7 for other parties to whom copies are to be sent.

1 The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be “filed” for the purpose of Section 18 of the Securities Exchange Act of 1934 (“Act”) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP NO. 249827502

1 NAME OF REPORTING PERSON

Raging Capital Fund, LP

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

DELAWARE

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER
		- 0 -
	8	SHARED VOTING POWER
		587,530 (1)
	9	SOLE DISPOSITIVE POWER
		- 0 -
	10	SHARED DISPOSITIVE POWER
		587,530 (1)

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

587,530 (1)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

5.5%

14 TYPE OF REPORTING PERSON

PN

(1) Includes 115,108 shares of Common Stock issuable upon the exercise of warrants.

CUSIP NO. 249827502

1 NAME OF REPORTING PERSON

Raging Capital Fund (QP), LP

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

DELAWARE

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER
		- 0 -
	8	SHARED VOTING POWER
		1,226,858 (1)
	9	SOLE DISPOSITIVE POWER
		- 0 -
	10	SHARED DISPOSITIVE POWER
		1,226,858 (1)

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,226,858 (1)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

11.1%

14 TYPE OF REPORTING PERSON

PN

(1) Includes 466,723 shares of Common Stock issuable upon the exercise of warrants.

CUSIP NO. 249827502

1 NAME OF REPORTING PERSON

Raging Capital Management, LLC

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS

AF

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

DELAWARE

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER
		- 0 -
	8	SHARED VOTING POWER
		1,814,388 (1)
	9	SOLE DISPOSITIVE POWER
		- 0 -
	10	SHARED DISPOSITIVE POWER
		1,814,388 (1)

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,814,388 (1)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

16.3%

14 TYPE OF REPORTING PERSON

OO

(1) Includes 581,831 shares of Common Stock issuable upon the exercise of warrants.

CUSIP NO. 249827502

1 NAME OF REPORTING PERSON

William C. Martin

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS

PF, AF

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

USA

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER
	8	1,500 SHARED VOTING POWER
	9	1,814,388 (1) SOLE DISPOSITIVE POWER
	10	1,500 SHARED DISPOSITIVE POWER
		1,814,388 (1)

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,815,888 (1)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

16.3%

14 TYPE OF REPORTING PERSON

IN

(1) Includes 581,831 shares of Common Stock issuable upon the exercise of warrants.

CUSIP NO. 249827502

1 NAME OF REPORTING PERSON

Paul M. Gilbert

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) (b)

3 SEC USE ONLY

4 SOURCE OF FUNDS

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

USA

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER
	8	- 0 - SHARED VOTING POWER
	9	- 0 - SOLE DISPOSITIVE POWER
	10	- 0 - SHARED DISPOSITIVE POWER
		- 0 -

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

- 0 -

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

0%

14 TYPE OF REPORTING PERSON

IN

CUSIP NO. 249827502

The following constitutes Amendment No. 1 to the Schedule 13D filed by the undersigned (“Amendment No. 1”). This Amendment No. 1 amends the Schedule 13D as specifically set forth herein.

Item 2. Identity and Background.

Item 2 is hereby amended and restated to read as follows:

(a) This statement is filed by:

- (i) Raging Capital Fund, LP, a Delaware limited partnership (“Raging Capital Fund”);
- (ii) Raging Capital Fund (QP), LP, a Delaware limited partnership (“Raging Capital Fund QP” and together with Raging Capital Fund, the “Raging Funds”);
- (iii) Raging Capital Management, LLC, a Delaware limited liability company (“Raging Capital”), who serves as the general partner of each of the Raging Funds;
- (iv) William C. Martin (“Mr. Martin”), who serves as the managing member of Raging Capital and is a nominee for election to the Board of Directors of the Issuer (the “Board”); and
- (v) Paul M. Gilbert (“Mr. Gilbert”), a nominee for election to the Board.

Each of the foregoing is referred to as a “Reporting Person” and collectively as the “Reporting Persons.” Each of the Reporting Persons is party to that certain Joint Filing and Solicitation Agreement, as further described in Item 6. Accordingly, the Reporting Persons are hereby filing a joint Schedule 13D.

(b) The address of the principal office of each of the Reporting Persons, other than Mr. Gilbert, is Ten Princeton Avenue, Rocky Hill, New Jersey 08553. Mr. Gilbert’s principal business address is c/o MedAvante, Inc., 100 American Metro Blvd, Hamilton, New Jersey 08619.

(c) The principal business of each of the Raging Funds is investing in securities. The principal business of Raging Capital is serving as the general partner of each of the Raging Funds. The principal occupation of Mr. Martin is serving as the managing member of Raging Capital. The principal occupation of Mr. Gilbert is serving as the Chief Executive Officer of MedAvante, Inc., a technology-enabled global healthcare services organization.

(d) No Reporting Person has, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

(e) No Reporting Person has, during the last five years, been party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

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(f) The Raging Funds and Raging Capital are organized under the laws of the State of Delaware. Messrs. Gilbert and Martin are each citizens of the United States of America.

Item 3. Source and Amount of Funds or Other Consideration.

Item 3 is hereby amended and restated to read as follows:

The aggregate purchase price of the 1,232,557 Shares owned directly by the Raging Funds and the warrants to purchase 581,831 Shares owned directly by the Raging Funds is approximately \$10,207,021, including brokerage commissions. Such securities were acquired with the working capital of the Raging Funds.

The aggregate purchase price of the 1,500 Shares owned directly by Mr. Martin is approximately \$14,525, excluding brokerage commissions. Such securities were acquired with Mr. Martin's personal funds.

The Raging Funds effect purchases of securities primarily through margin accounts maintained for them with prime brokers, which may extend margin credit to them as and when required to open or carry positions in the margin accounts, subject to applicable federal margin regulations, stock exchange rules and the prime brokers' credit policies. In such instances, the positions held in the margin accounts are pledged as collateral security for the repayment of debit balances in the accounts.

Item 4. Purpose of Transaction.

Item 4 is hereby amended to add the following:

On March 2, 2012, Raging Capital Fund delivered a letter to the Issuer nominating Paul M. Gilbert and William C. Martin (together, the "Nominees"), as set forth therein, for election to the Board at the Issuer's 2012 annual meeting of stockholders (including any other meeting of stockholders held in lieu thereof, and any adjournments, postponements, reschedulings or continuations thereof, the "Annual Meeting"). Raging Capital may enter into discussions with the Issuer regarding, among other things, the size and composition of the Board.

Item 5. Interest in Securities of the Issuer.

Item 5(a) is hereby amended and restated to read as follows:

(a) The aggregate percentage of Shares reported owned by each person named herein is based upon 10,577,632 Shares outstanding as of November 9, 2011, which is the total number of Shares outstanding as reported in the Issuer's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 14, 2011.

As of the close of business on March 1, 2012, Raging Capital Fund beneficially owned 587,530 Shares, including 115,108 Shares issuable upon the exercise of warrants, constituting approximately 5.5% of the Shares outstanding. The warrants owned by Raging Capital Fund consist of 70,766 Series O Warrants with an exercise price of \$5.50 per Share and 44,342 Series R Warrants with an exercise price of \$9.90 per Share. By virtue of their relationships with Raging Capital Fund discussed in further detail in Item 2, each of Raging Capital and Mr. Martin may be deemed to beneficially own the Shares beneficially owned by Raging Capital Fund.

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As of the close of business on March 1, 2012, Raging Capital Fund QP beneficially owned 1,226,858 Shares, including 466,723 Shares issuable upon the exercise of warrants, constituting approximately 11.1% of the Shares outstanding. The warrants owned by Raging Capital Fund QP consist of 57,900 Series O Warrants with an exercise price of \$5.50 per Share, 82,930 Series R Warrants with an exercise price of \$9.90 per Share, 200,893 Series J Warrants with an exercise price of \$6.16 per Share and 125,000 Series K Warrants with an exercise price of \$9.60 per Share. By virtue of their relationships with Raging Capital Fund QP discussed in further detail in Item 2, each of Raging Capital and Mr. Martin may be deemed to beneficially own the Shares beneficially owned by Raging Capital Fund QP.

As of the close of business on March 1, 2012, Mr. Martin directly owned 1,500 Shares, constituting less than 1% of the Shares outstanding.

As of the close of business on March 1, 2012, Mr. Gilbert did not directly own any Shares.

Each of the Reporting Persons, as a member of a “group” with the other Reporting Persons for purposes of Rule 13d-5(b)(1) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), may be deemed to beneficially own the Shares owned by the other Reporting Persons. The filing of this Schedule 13D shall not be deemed an admission that the Reporting Persons are, for purposes of Section 13(d) of the Exchange Act, the beneficial owners of any Shares he or it does not directly own. Each of the Reporting Persons specifically disclaims beneficial ownership of the Shares reported herein that he or it does not directly own.

The Series O Warrants and Series R Warrants owned by the Raging Funds contain “blocker” provisions which could restrict the Raging Funds’ ability to exercise all or a portion of the warrants to the extent that the issuance of Shares upon exercise of such warrants would result in the Raging Funds and their affiliates beneficially owning in the aggregate such percentage of the outstanding Shares in excess of specified limits (9.99% of the outstanding Shares in the case of the Series O Warrants and 9.98% of the outstanding Shares in the case of the Series R Warrants).

Item 5(c) is hereby amended to add the following:

(c) Schedule A annexed hereto lists all transactions in securities of the Issuer during the past sixty days by the Reporting Persons. All of such transactions were effected in the open market, except as otherwise indicated on Schedule A.

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

Item 6 is hereby amended to add the following:

On March 2, 2012, the Reporting Persons entered into a Joint Filing and Solicitation Agreement pursuant to which, among other things, (i) they agreed to the joint filing on behalf of each of them of statements on Schedule 13D, and any amendments thereto, with respect to the securities of the Issuer, (ii) they agreed to solicit proxies or written consents for the election of the Nominees to the Board at the Annual Meeting (the “Solicitation”), and (iii) the Raging Funds agreed to pay directly all pre-approved expenses incurred in connection with the Solicitation. A copy of the Joint Filing and Solicitation Agreement is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

On March 2, 2012, Raging Capital Fund entered into an Indemnification Agreement with Paul M. Gilbert pursuant to which it agreed to indemnify Mr. Gilbert from and against claims arising from the Solicitation and any related matters. A copy of the Indemnification Agreement is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

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Other than as described herein, there are no contracts, arrangements, understandings or relationships among the Reporting Persons, or between the Reporting Persons and any other person, with respect to the securities of the Issuer.

Item 7. Material to be Filed as Exhibits.

Item 7 is hereby amended to add the following exhibits:

99.1 Joint Filing and Solicitation Agreement by and among Raging Capital Fund, LP, Raging Capital Fund (QP), LP, Raging Capital Management, LLC, William C. Martin and Paul M. Gilbert, dated March 2, 2012.

99.2 Indemnification Agreement by and between Raging Capital Fund, LP and Paul M. Gilbert, dated March 2, 2012.

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SIGNATURES

After reasonable inquiry and to the best of his knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: March 2, 2012

Raging Capital Fund, LP

By: Raging Capital Management, LLC
General Partner

By: /s/ William C. Martin
Name: William C. Martin
Title: Managing Member

Raging Capital Fund (QP), LP

By: Raging Capital Management, LLC
General Partner

By: /s/ William C. Martin
Name: William C. Martin
Title: Managing Member

Raging Capital Management, LLC

By: /s/ William C. Martin
Name: William C. Martin
Title: Managing Member

/s/ William C. Martin
William C. Martin

/s/ Paul M. Gilbert
Paul M. Gilbert

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SCHEDULE A

Transactions in the Securities of the Issuer During the Past 60 Days

Class of Security	Securities Purchased	Price Per Security (\$)	Date of Purchase
RAGING CAPITAL FUND (QP), LP			
Common Stock	7,830	7.0178	01/04/12
Common Stock	19,879	7.1490	01/06/12
Series J Warrants ¹	200,893	3.1000	02/29/12
Series K Warrants ²	125,000	1.0500	02/29/12

1 Each Series J Warrant is exercisable into one Share at an exercise price of \$6.16 per Share. Such warrants were acquired in a private transaction.

2 Each Series K Warrant is exercisable into one Share at an exercise price of \$9.60 per Share. Such warrants were acquired in a private transaction.