

Andover Medical, Inc.
Form S-1
March 18, 2008

As filed with the Securities and Exchange Commission on March 18, 2008

Registration Number 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

ANDOVER MEDICAL, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

3842
(Primary Standard Industrial
Classification Code Number)

51-0459931
(I.R.S. Employer
Identification No.)

510 Turnpike Street, Ste. 204

North Andover, MA 01845

(978) 557-1001

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Edwin A. Reilly

Chief Executive Officer

Andover Medical, Inc.

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510 Turnpike Street, Ste. 204

North Andover, MA 01845

(978) 557-1001

(Name, address including zip code, and telephone number, including area code, of agent for service)

Copies of all communications to agent for service should be sent to:

Elliot H. Lutzker, Esq.
Phillips Nizer LLP

666 Fifth Avenue

New York, NY 10103-0084

Telephone: (212) 977-9700

Facsimile: (212) 262-5152

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

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

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

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

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

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

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Large accelerated filer Accelerated filer
 Non-accelerated filer Smaller reporting company
 (Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to Be registered(1)	Proposed maximum offering	Proposed maximum	Amount of registration fee
Common stock, par value \$.001 per share, issuable upon conversion of Series A Preferred Stock (3)	4,621,639	\$ 0.45 (2)	\$ 2,081,088	\$ 81.79 (4)
Common stock, par value \$.001 per share, issuable upon conversion of Series B Preferred Stock	6,285,400	\$ 0.45 (2)	\$ 2,828,430	\$ 111.16
Common stock, par value \$.001 per share, issuable upon exercise of Class A Warrants (5)	8,501,445	\$ 0.45 (2)	\$ 3,825,650	\$ 150.35 (6)
Common stock, par value \$.001 per share, issuable upon exercise of Class B Warrants(7)	10,679,272	\$ 0.45 (2)	\$ 4,805,672	\$ 188.86 (8)
Common stock, par value \$.001 per share, issuable upon exercise of Class C Warrants	6,285,400	\$ 0.45 (2)	\$ 2,828,430	\$ 111.16
Common stock, par value \$.001 per share, issuable upon exercise of Class D Warrants	6,285,400	\$ 0.45 (2)	\$ 2,828,430	\$ 111.16
Common stock, par value \$.001 per share, issuable upon payment of Series A Preferred Stock dividends(9)	1,316,160 (3)	\$ 0.45 (2)	\$ 592,272	\$ 23.28
Common stock, par value \$.001 per share, issuable upon payment of Series B Preferred Stock dividends(9)	754,286 (3)	\$ 0.45 (2)	\$ 339,429	\$ 13.34
Common stock, par value \$.001 per share, issuable upon payment of penalties for the delay in the effective date of the Registrant's Form SB-2 Registration Statement(10)	813,714 (4)	\$ 0.45 (2)	\$ 366,171	\$ 14.39
Common stock, par value \$.001 per share, issued pursuant to a settlement with Otto Bock Healthcare L.P.(11)	5,300,353 (5)	\$ 0.45 (2)	\$ 2,385,159	\$ 93.74
Common stock, par value \$.001 per share, issuable upon full exercise of unit purchase options issued to Meyers Associates LP (some of which were assigned to certain employees and designees) in connection with the Registrant's offering of Series A Preferred Stock(12)	6,696,093 (13)	\$ 0.45 (2)	\$ 3,013,242	\$ 118.42 (14)

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Common stock, par value \$.001 per share issuable upon payment of dividends on full exercise of unit purchase options	267,857	(2)	\$	0.45	(2)	\$	120,536	\$	4.74
Common stock, par value \$.001 per share held by the 6 former stockholders of Ortho-Medical Products, Inc.(15)	3,300,000		\$	0.45	(2)	\$	1,485,000	\$	58.36
Common stock, par value \$.001 per share held by the 3 former stockholders of Rainier Surgical Incorporated(16)	1,472,995		\$	0.45	(2)	\$	662,848	\$	26.05
Common stock, par value \$.001 per share issuable upon payment of penalties if this registration statement's effectiveness is delayed(17)	12,570,800		\$	0.45	(2)	\$	5,656,860	\$	222.31
Total	75,150,814		\$	0.45	(2)	\$	33,819,217	\$	1,329.11
									(4)(6) (8)(14)

(1) Pursuant to Rule 416 under the Securities Act of 1933, these shares include an indeterminate number of shares of common stock issuable as a result of stock splits, stock dividends, recapitalizations or similar events.

(2) Estimated solely for the purposes of calculating the registration fee pursuant to Securities Act Rule 457(c), based on the last closing sales price of the Registrant's common stock of \$0.45 on March 17, 2008, on the Over-the-Counter Bulletin Board (OTCBB).

(3) These shares are issuable to investors in our December 2006 private equity offering (2006 Offering) of which 1,764,639 shares were registered on April 26, 2007 upon the initial filing of Registration Statement No. 333-142387 and 2,857,000 shares issuable to an institutional investor are being registered for the first time.

(4) Of this amount, \$54.17 was paid on April 26, 2007. See Note (3) above.

(5) Of this amount 5,644,445 shares were registered on April 26, 2007 and 2,857,000 shares issuable to an institutional investor are being registered for the first time.

(6) Of this amount, \$173.28 was paid on April 26, 2007. See Note (3) above.

(7) Of this amount, 7,822,272 shares were registered on April 26, 2007 and 2,857,000 shares issuable to an institutional investor are being registered for the first time.

- (8) Of this amount, \$240.14 was paid on April 26, 2007. See Note (3) above.
- (9) Dividends paid in shares of common stock at the annual rate of 6% on \$3,839,000 and \$2,200,000 principal amount of Series A and Series B Preferred Stock, respectively, have been registered for the next two years. The amount of dividends paid in shares of common stock to each of the selling stockholders listed in the Selling Stockholders table in this Registration Statement is calculated by multiplying the principal amount of Series A Preferred Stock held by such selling stockholder by 12% (assumes the dividends are paid for a two-year period) and dividing by the assumed conversion rate of \$.35 per share. Any amount of fractional shares of common stock to be received by each selling stockholder upon payment of dividends has been rounded up to the nearest whole number. Note, however, that the exact number of dividend shares cannot be determined until the date the dividend is declared.
- (10) Represents \$574,816 in accrued non-cash penalties for the delayed effective date of the Registrant's registration statement on Form SB-2 (No. 333-142387) previously filed with the SEC in connection with the Company's offering of Series A Preferred Stock and declared effective on December 19, 2007.
- (11) On December 28, 2007, the Company entered into a Global Settlement Agreement and Release (the Global Settlement) with Otto Bock Healthcare L.P., a Minnesota limited partnership (Otto Bock). Upon the execution of the Global Settlement, an aggregate of 5,300,353 shares were issued to Otto Bock.
- (12) Includes 6,963,953 shares issuable upon full exercise of unit purchase options issued to Meyers Associates LP in connection with the Company's offering of Series A Preferred Stock of which 5.86 Units (2,511,303 underlying shares) were assigned to employees and other designees by Meyers Associates LP who are named herein as Selling Stockholders.
- (13) Of this amount, an aggregate of 4,853,806 shares were registered on April 26, 2007, and 1,842,207 shares are registered hereby.
- (14) Of this amount, an aggregate of \$52.14 was paid in April 26, 2007. See Note (3) above.
- (15) On May 4, 2007, the Registrant completed the acquisition of Ortho-Medical Products, Inc. and issued these shares to the former stockholders of OMI. See the Registrant's Report on Form 8-K for May 4, 2007.
- (16) On May 11, 2007, the Registrant completed the acquisition of Rainier Surgical Incorporated (Rainier) and issued these shares to the former shareholders of Rainier. See the Registrant's Report on Form 8-K for May 11, 2007.

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(17) In the event this Registration Statement is not declared effective on a timely basis the number of shares issuable upon exercise of Class C and Class D Warrants shall be doubled.

(18) Of this amount \$809.38 was paid on April 26, 2007 upon the filing of Registration Statement No. 333-142387 and \$519.73 is being paid upon the filing of this Registration Statement.

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

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

SUBJECT TO COMPLETION DATED MARCH 18, 2008

PROSPECTUS

ANDOVER MEDICAL, INC.

75,150,814 Shares of Common Stock

This prospectus relates to the public offering of up to 75,150,814 shares of our common stock consisting of (i) 10,907,039 and 31,751,516 shares issuable upon conversion and exercise of preferred stock and warrants, respectively, sold to accredited investors in private equity offerings of our Series A and Series B Preferred Stock (each individually referred to as the Series A Offering and the Series B Offering, and collectively referred to as the Equity Offerings); (ii) 813,714 penalty shares in accrued non-cash penalties for the delayed effective date of the registration statement on Form SB-2 (No. 333-142387) and up to an additional 12,570,800 shares of Common Stock in potential non-cash penalties for the delayed effectiveness of this Registration Statement in connection with our Series A Offering; (iii) 1,316,160, 754,286 and 267,857 shares issuable in payment of dividends for the next two years on Series A Preferred Stock Series B Preferred Stock and these shares of Preferred Stock issuable upon exercise of the placement agent's unit purchase options, respectively; (iv) 6,696,093 shares issuable upon full exercise of unit purchase options issued to Meyers Associates LP in connection with the Company's Series A Offering of which 5.86 units (2,511,303 underlying shares) were assigned to employees and other designees by Meyers Associates LP; (v) 5,300,353 shares issued pursuant to a settlement agreement with Otto Bock Healthcare L.P.; (vi) an aggregate of 3,300,000 shares issued to the former stockholders of Ortho Medical Products, Inc., and (vii) an aggregate of 1,472,995 shares issued to the former stockholder of Rainier Surgical Incorporated. The shares will be offered from time to time for the account of the stockholders identified in the Selling Stockholders section of this prospectus.

The shares may be offered in transactions conducted on the Over-The-Counter Bulletin Board (OTCBB), which is maintained by the NASD, in privately negotiated transactions or through a combination of such methods. The shares may be sold at prices relating to the prevailing market prices, at privately negotiated prices or at other prices, which may change from time to time and from offer to offer.

Our common stock is currently traded on the OTCBB, under the symbol ADOV. On March 17, 2008, the closing price of our common stock, as reported by the OTCBB, was \$0.45 per share.

The shares being offered pursuant to this prospectus involve a high degree of risk. Persons should not invest unless they can afford to lose their entire investment. You should carefully read the Risk Factors section commencing on page 9 for information that should be considered in determining whether to purchase any of the shares.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is _____, 2008.

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You should rely only on the information contained or incorporated by reference in this prospectus and in any accompanying prospectus supplement. No one has been authorized to provide you with different information. The shares are not being offered in any jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of such documents.

We are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act). As such, we file annual, quarterly and special reports and other documents with the SEC. These reports, proxy statements and other documents may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, NE, Washington, DC 20549. You may also obtain copies of such material by mail from the public reference facilities of the SEC s Washington, DC offices, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information on their public reference facilities. In addition, the SEC maintains a web site that contains reports, proxy and information statements and other information regarding companies, including us, that file electronically with the SEC. The address of the SEC s web site is <http://www.sec.gov>.

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INTRODUCTORY COMMENTS

Use of Names

Throughout this prospectus, the terms we, us, our, registrant, Company and AMI refer to Andover Medical, Inc.

SUMMARY INFORMATION

Business Background

AMI is a publicly traded company (OTCBB:ADOV) that was formed to engage in the business of distributing procedure specific durable medical equipment (DME) and services segments of the orthopedic and podiatric physician care markets in the United States. DME is a specific type of medical equipment prescribed by physicians for home use that provides therapeutic benefits or helps patients perform tasks they would otherwise not be able to accomplish. The Company intends to establish a nationwide distribution network and plans to offer physicians the largest selection of competitively priced brand-name DME treatment products.

Orthopedics and podiatry are among the fastest growing segments in healthcare that utilize DME products and services. The graying of the population and the increase in the active physical lifestyle of seniors, among other factors, play key roles in this growth. These DME products are most significantly used by baby boomers and seniors age 65 and over. According to the U.S. Department of Health and Human Services this senior demographic, which is expanding rapidly both in size and in its need for services, has been increasing from approximately 35 million people in 2000, to an estimated 40.2 million by 2010, and eventually to an estimated 71 million people by 2030, representing approximately 20 percent of the U.S. population.

Business Strategy

The business strategy of AMI revolves around acquiring local DME companies with sales of between \$1 million and \$10 million per annum in the markets of orthopedics and podiatry. We will then consolidate them and build a single source provider of DME. On May 4, 2007, AMI completed the acquisition of Ortho-Medical Products, Inc., a New York based full-service company specializing in procedure specific orthopedic DME, respiratory equipment, and orthotics and prosthetics. On May 11, 2007, AMI completed the acquisition of Rainier Surgical Incorporated, headquartered in Auburn, Washington, which specializes in the sale, service, distribution and marketing of orthopedic DME.

On March 4, 2008, AMI announced that its Board of Directors is in discussions with three (3) other health care companies to merge. The merged companies would have revenues in excess of four (4) times the current revenues of Andover. Although negotiations for two previously announced proposed acquisitions have been terminated, the Company has secured a signed funding commitment for \$10.5 million, which fund has advised Andover of its ongoing commitment to support its business plan and future acquisition strategy including the potential merger with these (3) health care companies.

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There can be no assurance that the Company will be successful in its efforts to complete the proposed merger or that the above referenced funding commitment will continue to remain available.

Successful growth of AMI is predicated on its ability to acquire these already existing companies in a roll-up and take advantage of the Company's larger scale to:

- a) add on new acquisitions;
- b) secure purchasing efficiencies;
- c) contract for innovative new products; and