Andover Medical, Inc.
Form S-1/A
July 25, 2008

As filed with the Securities and Exchange Commission on July 25, 2008

Registration Number 333-149794

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT No 4

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

ANDOVER MEDICAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	**3842**	**51-0459931**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(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.

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: x

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. o

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. o

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. o

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):

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

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 B Preferred Stock(2)	1,428,500	$ 0.45	(2)	$ 642,825	$ 25.26	
Common stock, par value $.001 per share held by the 6 former stockholders of Ortho-Medical Products, Inc.(4)	3,300,000	$ 0.45	(3)	$ 1,485,000	$ 58.36	
Common stock, par value $.001 per share held by the 3 former stockholders of Rainier Surgical Incorporated(5)	1,472,995	$ 0.45	(3)	$ 662,848	$ 26.05	
Total	6,201,495	$ 0.45	(3)	$ 5,175,832	$ 109.67	(6)

(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) These shares are issuable to Vicis Capital Master Fund (Vicis), an institutional investor in our September 2007 private equity offering (Series B Offering).

(3) 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).

(4) 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.

(5) 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.

(6) This amount was paid on March 18, 2008 upon the filing of this Registration Statement No. 333-149794.

Pursuant to Rule 429(a), under the Act this registration statement also serves as a post-effective amendment to the Company s Registration Statement of Form SB-2 (No. 333-142387), which relates to an aggregate of 24,913,225 shares of common stock which were registered thereunder. Pursuant to Rule 429(a) under the Act, upon the effective date of this registration statement the prospectus contained in the prior registration statement shall be combined with the one in this registration statement under which an additional 6,201,495 shares were registered or an aggregate of 31,114,720 shares.

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 JULY 25, 2008

PROSPECTUS

ANDOVER MEDICAL, INC.

31,114,720 Shares of Common Stock

This prospectus relates to the public offering of up to 31,114,720 shares of our common stock consisting of (i) 12,842,644 and 12,890,851 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) 608,230 shares issuable in payment of dividends for two years on Series A Preferred Stock (iii) an aggregate of 3,300,000 shares issued to the former stockholders of Ortho Medical Products, Inc., and (iv) 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 FINRA, 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 July 24, 2008, the closing price of our common stock, as reported by the OTCBB, was $0.18 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.

Pursuant to Rule 429 under the Securities Act of 1933, as amended (the Securities Act), this Prospectus will be a combined prospectus with one dated December 19, 2007, which relates to an aggregate of 24,913,225 shares of common stock registered under Registration Statement No. 333-142105. Pursuant to Rule 429(b), this registration statement will act as a post-effective amendment to the earlier one upon the effective date of this registration statement.

The date of this Prospectus is_____________, 2008.

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.

Proposed Reorganization

On July 25, 2008, AMI entered into a definitive Asset Purchase Agreement and Plan of Reorganization (the APA) with Medical Solutions Management Inc., a Nevada corporation (MSMT) and Certified Diabetic Services, Inc., a Delaware corporation (CDIP), pursuant to which MSMT, a company that markets and sells orthopedic and podiatric durable medical equipment in the United States will acquire substantially all of the asset of AMI and CDIP, including the subsidiaries of Andover and CDIP. CDIP provides diabetes medical supplies, testing, products, education and information. Andover and CDIP are collectively referred to herein as the Target Companies.

The APA provides for MSMT to acquire the following subsidiaries of the Target Companies: (i) Certified Diabetic Supplies, Inc., (ii) CDS Health Management, Inc., (iii) CDS Medical Supplies, Inc., (iv) Certified Pharmacies of America, Inc., (v) Diabetic Plus, Inc., and Andover s two operating subsidiaries, (vi) Ortho-Medical Products, Inc. and (vii) Rainier Surgical Incorporated. Upon completion of the reorganization, AMI and CDIP will be deemed to be shell companies.

The APA provides that in exchange for substantially all of the assets of the Target Companies, including all of the capital stock of the above referenced subsidiaries, the Target Companies shareholders shall receive shares of MSMT s common stock and preferred stock, as described below. As a result, the percentage of beneficial ownership of MSMT common stock owned by each of the parties shall be as follows: (i) CDIP shareholders will own forty-five (45%) percent of the outstanding MSMT common stock, (ii) existing MSMT shareholders will own twenty (20%) percent of the outstanding MSMT common stock, and (iii) Andover shareholders will own thirty-five (35%) percent of the outstanding MSMT common stock (calculated on an as-converted basis, i.e., inclusive of common stock, preferred stock and convertible debentures, but exclusive of options and warrants which will be assumed by MSMT). An additional eight (8%) percent of the issued and outstanding shares of common stock of MSMT (calculated on the date of the closing of the transactions under the APA (the Closing Date) in the same manner as set forth in the prior sentence) shall be placed in escrow to be issued to the former common and preferred shareholders of AMI and CDIP following the Closing Date based upon the respective performances of Andover and CDIP in achieving revenue and earnings targets during calendar year 2008.

With respect to management and governance, the APA provides that the composition of MSMT s Board of Directors shall be increased to nine members, the majority of whom shall be deemed independent in order to help facilitate a proposed listing on a stock exchange. The new Board shall serve until December 31, 2009, or until their successors are duly qualified, seated and elected; or until their earlier resignation or removal.

The closing of the proposed transactions is conditioned upon and subject to respective Board of Director and shareholder approval, the effectiveness of a registration statement covering the shares of MSMT common stock and preferred stock to be issued to the shareholders of the Target Companies as well as shares of MSMT common stock issued upon the exercise of new warrants issued by MSMT to the former warrant holders of the Target Companies, all third party consents and waivers are obtained, no material adverse change has occurred with respect to any of the three parties to the APA, and other customary closing conditions. The discussion in the balance of this prospectus, except where noted does not give effect to the proposed reorganization.

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.

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

d) implement management and operational efficiencies.

AMI believes the distribution channel for these healthcare segments is currently fragmented and inefficient, and that operating as a local independent distributor is difficult today for various reasons, including the following:

a) small independent operations have a difficult time trying to gain access to innovative (high margin) products for distribution;

b) negotiations for products to reduce the cost of goods sold is very limited; therefore, margin enhancement is difficult;

c) back office expenses are spread over a very limited revenue base; and

d) little opportunity exists for a viable exit strategy.

AMI intends to offer extensive product offerings, including postoperative pain management products, orthopedic devices, a full range of soft goods and functional knee braces, and disposables. The Company s products and services are expected to offer solutions to create overall practice management efficiencies for health care providers.

AMI has identified companies that target certain procedures such as post surgical care for Anterior Cruciate Ligament (ACL) Surgery, and knee/hip replacement. These companies offer a comprehensive array of products to aid in the recovery for a particular procedure. This provides the physician with a single source solution to his/her postoperative needs.

AMI intends to establish a unified nationwide distribution network by acquiring and consolidating in a roll-up, healthcare companies that offer physicians both a convenient and administratively efficient way to offer patients a large selection of competitively priced, brand-name, DMEs and treatment products. AMI intends to provide an attractive option for the physician customer base. These products, delivered at point of service outlets such as physicians offices, clinics/hospitals, nursing facilities, patients homes, and retail outlets, are often prescribed by physicians and physical therapists and qualify for third party reimbursement from insurance companies, Medicare, Medicaid, etc.

Our medical products and services consolidation model mirrors trends already taking place in many industries. Currently there are several public companies that have concentrated on consolidating different segments of the DME market:

- Respiratory care Lincare, Apria;

• Orthotics and Prosthetics (O&P) Hanger Orthopedic Group; and

• Manufacturing of bracing and orthopedic soft goods DJ Orthopedics, OSSUR, Orthofix.

One of the services AMI currently provides for physicians is the *stock and bill* method of inventory control and payment, eliminating the need to have patients referred to a separate orthopedics and prosthetics facility to purchase DME products prescribed by the physician. Under such an arrangement, AMI handles inventory control and billing, while the physicians practices derive the benefits of having products available on site with little administrative involvement. In addition, AMI will offer products directly to the physicians and patients.

Please see the Risk Factors section commencing on page 9 for more information concerning the risks of investing in our company.

Summary Financial Information

The summary financial information set forth below is derived from the more detailed audited and unaudited financial statements of the Company appearing elsewhere in this prospectus. This information should be read in conjunction with such financial statements, including the notes to such financial statements.

Statement of Operations Data:

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007	Year Ended December 31, 2007 Audited	Year Ended December 31, 2006 Audited
Net Revenue	$ 2,200,967	$ 0	$ 6,199,539	$ 0
Costs of revenue	1,241,890	0	2,588,993	0
Gross profit	959,077	0	3,610,546	0
General and administrative expenses (including stock-based compensation expense of $110,016, $679,652 $1,217,404 and $220,680, respectively)	1,672,516	995,923	6,436,184	608,903
Operating loss	(713,439)	(995,923)	(2,825,638)	(608,903)
Interest expense	(44,113)	(47,448)	(169,301)	(115,395)
Extraordinary expense	0	0	(2,000,000)	0
Other income (expense)	2,279	0	(576,128)	0
Interest income	2,528	32,723	82,292	849
Loss before income tax expense	(752,745)	(1,010,648)	(5,488,775)	(723,449)
Provision for income taxes	7,761	9,117	46,664	6,233
Net loss	$ (760,506)	$ (1,019,765)	$ (5,535,439)	$ (729,682)
Preferred dividend	(148,997)	0	(4,437,825)	(2,389,148)
Net loss available to common shareholders	$ (909,503)	$ (1,019,765)	$ (9,973,264)	(3,118,830)
Net loss per share:				
Basic and diluted	$ (.02)	$ (.04)	$ (.20)	$ (.03)
Basic and diluted available to common shareholders	$ (.03)	$ (.04)	$ (.36)	(.15)
Weighted average number of common shares outstanding:				
Basic and diluted	35,249,230	24,556,000	27,876,253	20,857,884

	March 31, 2008	At December 31, 2007 Audited	Restated December 31, 2006 Audited
ASSETS			
Current assets:			
Cash and cash equivalents	**$ 2,169,788**	$ 560,375	$ 2,377,572
Accounts receivable, net of allowance for doubtful accounts of $1,286,255, $1,230,842, $1,230,842, and $1,230,842	**2,524,528**	2,367,813	0
Inventories	**779,711**	938,287	0
Prepaid expenses and other current assets	**101,626**	123,215	133,974
Total current assets	5,575,653	3,989,690	2,511,546
Property, plant and equipment:			
Property and equipment, gross	1,554,225	1,549,779	62,122
Less accumulated depreciation	857,656	800,958	6,053

Total property, plant and equipment, net	696,569	748,821	56,069
Goodwill	4,032,089	4,032,089	0
Intangible Assets, net of accumulated amortization of $393,573, $393,573, $317,633 and $317,633	1,715,286	1,791,225	0
Deposits and other assets	111,318	133,019	8,893

		March 31, 2008		At December 31, 2007 Audited		Restated December 31, 2006 Audited
Total other assets	**$**	**5,858,693**	$	5,956,333		8,893
Total assets	**$**	**12,130,915**	$	10,694,844	$	2,576,508
LIABILITIES AND SHAREHOLDERS EQUITY						
Current liabilities:						
Accounts payable and accrued expenses	**$**	**1,878,861**	$	1,765,079	$	165,339
Bank line of credit		**1,576,078**		1,604,758		
Current portion of long-term debt		**159,794**		145,393		0
Notes Payable, net of $132,822 discount		**0-**				27,178
Total current liabilities		3,614,733		3,515,230		192,517