

Andover Medical, Inc.
Form 8-K
April 08, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **March 28, 2008**

ANDOVER MEDICAL, INC.

(Exact name of registrant as
specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

333-142387
(Commission File Number)

51-0459931
(IRS Employer Identification No.)

510 Turnpike Street, Ste. 204
N. Andover, MA
(Address of principal
executive offices)

01845
(Zip Code)

Registrant's telephone number, including area code: **(978) 557-1001**

N/A

(Former name or former address, if changed
since last report.)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

 - o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

 - o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17CFR 240.14d-2(b))

 - o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17CFR 240.13e-4(c))
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Item 3.02. Unregistered Sales of Equity Securities.

On March 28, 2008 (the Closing Date), Andover Medical, Inc. (the Company) completed the sale of an aggregate of 2,000 Units at a price of \$1,000 per Unit to one existing institutional investor, for a total offering price of \$2,000,000 (the Offering). Each Unit consists of one share of Series D Convertible Preferred Stock of the Company (Series D Preferred Stock), convertible at the holder's option into 2,857 shares of common stock, \$.001 par value at \$0.35 per share, or an aggregate of 5,714,000 shares of Common Stock (the Underlying Common Stock). The Series D Preferred Stock entitles the holders to cash dividends of 8% per annum on the face value of \$1,000 per share. The holders of a majority of the Series D Preferred Stock shall be entitled to nominate and elect a majority of the Company's Board of Directors until 50% of the Series D Preferred Stock has been converted into common stock. The Series D Preferred Stock ranks on parity with the outstanding Series A and B Preferred Stock and the Series C Preferred Stock is to be deauthorized.

The Conversion Price of the Series D Preferred Stock, as well as the exercise price of the Class E Warrants, described below, are subject to full ratchet anti-dilution protection, subject to certain exemptions including the issuance of shares or options to the Company's management not to exceed 10% of the shares of Common Stock outstanding on a partially diluted basis including shares underlying then outstanding Preferred Stock.

For every share of Underlying Common Stock issuable, the Company issued to the holders of Series D Preferred Stock one Class C Common Stock Purchase Warrant (E Warrant) to purchase three (3) shares of Common Stock, or an aggregate of 17,142,858 shares exercisable for a period of ten (10) years expiring March 28, 2018 at a price of \$0.35 per share. The holders of Preferred Stock have the option on March 28, 2010, to either convert its shares into Common Stock or redeem each share at face value plus all accrued and unpaid dividends. The holders of the Series D Preferred Stock entered into a Security Agreement with the Company and have a lien on all of the Company's properties and assets.

The Company used approximately \$1,600,000 of the proceeds of the offering to retire bank debt under its credit agreement with TD BankNorth, N.A. and the balance for working capital. The Company terminated all borrowing facilities with TD BankNorth, N.A.

No underwriting discounts or commissions were paid by the Company in connection with the Offering.

The Company claimed exemption from registration under the Securities Act of 1933, as amended (the Securities Act) pursuant to Sections 4(2) and 4(6) of the Securities Act and Rule 506 of Regulation D promulgated thereunder in reliance upon the investor's subscription agreement.

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All of the Common Stock underlying the Series D Preferred Stock and the E Warrants will be included in a registration statement filed with the Securities and Exchange Commission within 60 days following the Closing Date of the Offering, subject to the Company's compliance with Rule 415 under the Securities Act.

The securities sold in the Offering have not been registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. This Current Report is not being used for the purpose of conditioning the market in the United States for any of the securities offered or sold.

Item 9.01. Financial Statements and Exhibits.

3.1 Certificate of Designation of Series D Preferred Stock

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: April 8, 2008

ANDOVER MEDICAL, INC.

By: /s/ Edwin A. Reilly
Name: Edwin A. Reilly
Title: Chief Executive Officer