

Andover Medical, Inc.
Form 10-12G
June 18, 2013

United States
Securities and Exchange Commission
Washington, DC 20549

Form 10

General Form for Registration of Securities
Pursuant to Section 12(b) or 12(g) of
the Securities Exchange Act of 1934

HOT MAMA'S FOODS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

51-0459931

(I.R.S. Employer Identification No.)

134 Avocado Street, Springfield, MA 01104
(Address of principal executive offices) (Zip Code)

413-737-6572

(Registrant's telephone number, including area code)

Securities to be registered pursuant to Section 12(b) of the Act:

Title of each class to be so registered	Name of each exchange on which each class is to be registered
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NONE

NONE

Securities to be registered pursuant to Section 12(g) of the Act:

Common Stock, \$.001 par value

(Title of Class)

(Title of Class)

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 Accelerated filer

Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Item 1. Business

General Information:

Hot Mama's Foods, Inc. (the "Company") is a corporation organized under the laws of the State of Delaware on September 9, 2005. Our primary location is 134 Avocado St., Springfield, Massachusetts, 01104. Our Midwest branch location is at 2500 Lunt Avenue, Elk Grove Village, Illinois, 60007. Our Web site is located at www.hotmamasfoods.com.

History

Hot Mama's Foods was formed as a sole-proprietorship in Amherst, Massachusetts, in 1984 as a maker of a variety of fresh salsa recipes, distributed directly to small local retailers by its owner-operator. In 1991 the company was purchased from its founder by Matthew Morse and maintained as a sole-proprietorship until its incorporation on January 29, 1999 as a C corporation under the name Lansal, Inc. ("Lansal") under the laws of the Commonwealth of Massachusetts. On April 4, 2013, Lansal executed a Merger Agreement with Andover Medical, Inc., a corporation organized under the laws of the State of Delaware on September 9, 2005 under the name Snow & Sail Sports, Inc. ("Snow & Sail"). On September 1, 2006, Snow & Sail changed its name to Andover Medical, Inc. and will change its name to Hot Mama's Foods, Inc. upon the completion of the merger between Lansal and the Company (the "Merger") is expected to be completed in or about July 2013. All share and per share data in the registration statement, except where noted give retroactive effect to the proposed 1-for-39 reverse split of Andover's common stock to occur upon completion of the Merger.

Company Overview

Our principal manufactured products are fresh, refrigerated or perishable prepared foods, including the general product categories of: salsa; hummus, pesto, dips, spreads, sauces, deli salads; and varieties of the same or similar products. Our broad product attributes can – as specified by our customer or the target market – include designations of "All-Natural" as generally accepted within the food industry; Kosher, as certified by certifying bodies including Orthodox Union; USDA Certified Organic as certified by regional certifying agents sanctioned under the USDA NOP (U.S. Department of Agriculture National Organic Program); USDA-regulated processes under USDA establishment number M34230 including meat, poultry, and other processes that fall under USDA's Food Safety Inspection Service jurisdiction. Our Company can offer, subject to independent verification, designations such as Non-GMO; Gluten-free; and other health claims subject to the FDA's (U.S. Food and Drug Administration) regulations on such claims. Our services include product research and development, testing, and documentation of custom or proprietary formulas and processes necessary for the introduction of new or customized products either at the request of our

customers or as part of the sales process with prospective customers.

Products are distributed primarily by common carrier in Less-Than-Truckload (LTL) quantities directly to the customer's designated delivery point, freight consolidator, or distribution center. Our own brand items are distributed on our own truck or common carrier (LTL) to the retailer or distributor, or on trucks arranged or provided by the retailer or distributor. In-house sales staff and outside brokers are used to facilitate new and existing relationships with customers and distribution channels. Our principal geographic market is North America, and Hawaii. The primary market segments include:

1. Private Label: products manufactured by us and packaged under the label of a retailer grocery outlet. Our target customer in this segment is any grocery retailer with a multi-store regional or national presence.
Contract manufacturing, Branded: Also referred to as "Co-packing". This segment includes any manufacturing done under a retail brand other than our own. A defining feature of this segment is the brand-holder is the party selling the branded item(s) to the grocery retail channel.
2. Contract Manufacturing, Restaurant Chain: This segment includes our manufacturing of components for sole use by a restaurant chain or brand, such as spreads with are used in the preparation of meals in a retail food service setting.
Ingredients and Components: This segment includes our manufacturing of components, ingredients, or sub-assemblies that become part of a product made by other manufacturers. The end product is then offered at wholesale, and sold at retail through commissary or retail food-service customers of the subsequent manufacturer.
3. An example of this would be a spread, sold without any branding to another manufacturer, and then assembled into a packaged sandwich distributed through a convenience store (C-store) or commissary, such as might be found within the location of a major retailer such as a national bookstore chain or furniture store that features cafeteria-style service or similar retail food service.
Hot Mama's Foods Brand: This segment includes all products sold under a Hot Mama's Foods label through any retail, wholesale club, foodservice distributor or outlet store. The defining feature is the presence of our brand on the packaging, where we are the wholesaler to a distributor or retailer and are primarily financially responsible for any marketing or other associated costs of sales.
- 4.
- 5.

Suppliers

We purchase our materials and ingredients from a variety of suppliers and brokers. They, in turn, are manufacturing our materials from raw materials obtained from other suppliers, or are distributing the agricultural products of various domestic and foreign growers or producers. We have no direct relationship with those suppliers, growers or producers. Our primary raw materials include the plastic containers used to package the products, chick peas, tahini, tomatoes, lemon juice and blended olive oils. All primary and secondary materials are available from multiple sources and in sufficient supply to meet our needs for the foreseeable future. Our raw produce is susceptible to price fluctuations driven by weather and seasonality, and certain products such as lemon juice and sesame are imported. Chick peas are purchased Individually Quick Frozen (IQF) from a supplier in Canada. Our strategic goals include identifying alternate sources and methods of preparation.

Trademarks

Hot Mama's Foods held a registered trademark on Lazy Chef, a dormant brand name of pesto products produced by Hot Mama's Foods, which expired in 2011. We will apply for trademarks whenever it is deemed important to our business operations.

Seasonality

Typically salsa, hummus and dip categories are broadly affected by the occurrence of "eating holidays" and increased entertaining that occurs in the summer months. Our operations do not shut down for extended periods of time or engage in large seasonal layoffs or staff reductions due to seasonal factors. Our business cycle typically has a mild peak in June and July, and a second mild peak precedes the Thanksgiving and Christmas holidays.

Working Capital Practices

The perishable nature of the majority of our products results in many having a short shelf life at market. Certain products are dated with as little as 7 to 10 days from delivery in the all-natural category to as much as 60 days from delivery for refrigerated conventional, or preserved, products. In order to meet variable customer demand and supply fresh product to our primary customers, we maintain an inventory of raw materials and finished goods of a combined value of up to \$1,400,000 at any given time, or approximately one-third of our total Balance Sheet assets. Of that total, up to \$250,000 in finished goods may be on hand at any given time. We do not accept returns, except in rare cases where the product has been maintained at proper temperature throughout the cold chain, and with enough shelf life to allow for its subsequent sale. Our terms with customers extend between net 10 Days and net 30 Days, with certain customers allowed discount terms of 1%10, Net 30. Certain customers are given an allowance for spoils by contract which is deducted from the payment at a fixed percentage.

Customers

In total, 14 customers comprised 99% of our total sales in 2012 and 83% of total sales were derived from 5 customers. For contractual reasons we are enjoined from publicly releasing the names of our private label customers, and so we designate our primary customers as Customer 1, Customer 2, etc., with the respective number designation indicating the ranking of that customer in our total sales. In 2012, Customer 1 was 53%, down from 63% in 2011, and 78% in 2010. Customer 2 was 30% of gross sales in 2012 and 16% in 2011. Our strategic goal of reducing the single-customer influence has resulted in a 16 percentage point decrease in 2012 sales by Customer 1, while at the same time increasing in dollar volume. This has been achieved by addition of new customers.

Figures 1 and 2 below illustrate the dollar sales and percentage of total sales of Customer 1.

Backlog Orders

We do not have any backlog of orders due to the perishable nature of our products and the rapid turnover of finished inventory.

Regulatory and Government

Our business is subject to the oversight of several regulatory agencies, including from time-to-time: FDA, USDA; and state or local Boards of Health with jurisdiction over wholesale food manufacturing. We meet or exceed all requirements as mandated by statute or regulation. In addition our operations are routinely inspected by various certifying agencies as referenced above, including Kosher, USDA Organic, GFSI (Global Food Safety Initiative) via the SQF (Safe Quality Food) platform, and other agencies, third-party process auditors, and customers' Quality Assurance or other agents as is usual and customary in our industry. We do not have any contracts with any government agency. We do not have any contracts which are subject to renegotiation of profits or termination at the election of the government.

Competition

Aside from smaller regional or micro-enterprise participants in any segment, our major competitors in our two primary segments are listed below. All other segments of our sales comprise less than 10% of our total business at the time of the filing of this Form 10 and have numerous entrants of varying size and visibility, and no attempt is made here to identify them in detail.

Hummus: 67.7% of our total sales in 2012. This is our dominant segment and the majority of the hummus products we produce are for grocery retailers as a private label brand. Our primary competitor in the private label hummus segment is Cedars Mediterranean Foods, Inc. In addition to our private label customers we have several co-pack customers whose brands also compete with private label brands. This competition exists without conflict of interest to our company or customers. It should be noted that our co-pack customer's competitors in this category are branded products, including Sabra (PepsiCo) as the dominant brands, as well as Tribe Mediterranean.

Salsa: 12.5% of our total sales in 2012. Our private label grocery customers in this segment largely drive our sales. Our competitors in private label tend to be small, regional manufacturers and are not highly visible. In both the branded and private label segments some of the primary manufacturers include Garden Fresh, Santa Barbara (Sabra/PepsiCo), and La Mexicana.

In general, the grocery private label segment is insulated from the strategies employed by large branded companies such as Sabra (PepsiCo). Consumers of private label goods are becoming increasingly loyal to the retailers that offer them, and perceive value in the house-branded products more so than in decades past. Changing consumer perspectives becoming more favorable to store brand value propositions has spurred growth in all consumer product categories which benefits our position in our categories.

Research and Development

We did not spend any material amount of funds on company-sponsored research and development, nor did we have any customer-sponsored research and development during the last three fiscal years.

Environmental

Federal, state, or local provisions regulating the discharge of materials into the environment had no material impact on our business.

Employees

As of June 13, 2013, we employed 137 people all of whom are considered full-time. None of our employees are covered by a collective bargaining agreement.

Item 1A. Risk Factors - The Company is a smaller reporting company not required to provide this information.

Item 2. Financial Information

Item 301. Selected Financial Data. The Company is a smaller reporting company not required to provide this information.

Item 305. Quantitative and Qualitative Disclosures About Market Risk. The Company is a smaller reporting company not required to provide this information.

Item 303. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Registration Statement on Form 10 and other reports filed by Hot Mama's, Inc. (the "Company") from time to time with the U.S. Securities and Exchange Commission (the "SEC") contain or may contain forward-looking statements and information that are based upon beliefs of, and information currently available to, the Company's management as well as estimates and assumptions made by Company's management. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. When used in the filings, the words "anticipate," "believe," "estimate," "expect," "future," "intend," "plan," or the negative of these terms and similar expressions as they relate to the Company or the Company's management identify forward-looking statements. Such statements reflect the current view of the Company with respect to future events and are subject to risks, uncertainties, assumptions, and other factors, including risks relating to the Company's industry, the Company's operations and results of operations, and any businesses that the Company may acquire. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended, or planned.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance, or achievements. Except as required by applicable law, including the securities laws of the United States, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. Our financial statements would be affected to the extent there are material differences between these estimates and actual results. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management’s judgment in its application. There are also areas in which management’s judgment in selecting any available alternative would not produce a materially different result. The following discussion should be read in conjunction with our consolidated financial statements and notes thereto appearing elsewhere in this Registration Statement.

Overview

We develop, manufacture, sell, and distribute perishable prepared foods including: salsa, hummus, pesto, dips, spreads, deli salads, and similar product categories. Our products are manufactured conventionally (with preservatives), all-natural (without any artificial ingredients or substances), certified organic, Kosher, or with other designations as indicated by our customers. Our products appear in the market under our “Hot Mama’s Foods” brand, under the label of a wholesale brand customer (Contract or Copack), or under private label (the label of a retailer, or store brand). We market our products to regional and national retail grocery chains, distributors to the retail grocery industry, brand-holders requiring contract manufacturing services, restaurant chains, and secondary processors making assemblies using our products as components or ingredients. Our products are sold in the United States including Hawaii, and in Canada and Mexico.

We have experienced rapid growth in recent years. Since 2008, revenue has increased 101%. In 2012 revenue increased 35.8% to \$28.9 million as compared to \$21.3 million in 2011. Our growth has been driven by increased market penetration, additional product offerings, and in part by promotional and marketing efforts increasing awareness of the hummus category in particular. For the years ended December 31, 2012 and 2011, the Company had significant concentration of sales to two customers, which represent approximately 53% and 30%, respectively, for the year ended December 31, 2012 as compared to 63% and 16%, respectively, for the year ended December 31, 2011. We signed a 10-year lease for our new facility in Wheeling, IL, and we are initiating an expansion and upgrade program for our owned facility in Springfield, MA. These changes have been implemented to support our expected growth and to support a wider range of capabilities and increased capacity. Our plans will require new equipment and infrastructure investment, including the implementation of a new integrated Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), and Business Intelligence (BI) system to accommodate the expected growth in our business (see Liquidity and Capital Resources below).

Our primary sources of liquidity are cash flows from operations, short term working capital financing from \$1.5M lines of credit, including a \$250K line of credit for equipment, and various long-term debt financing activities. We plan to continue to increase revenues with focused sales efforts, existing account development, and additional product offerings. We will continue improvements in manufacturing equipment training, and processes, business systems, and overhead reduction to strengthen our gross profit and EBIDTA. We will also seek, when necessary, equity and debt financing in order to sustain our growth. Our cash flow projections presently indicate that we will have sufficient liquidity to fund our ongoing operations for the next twelve months. However, in order to expand capacity and capability to enable us to capitalize on new opportunities, additional capital will be required. That is one of the principal reasons why we chose to become a publicly traded company. However, there can be no assurance that we will be able to increase revenue or obtain additional capital.

Results of Operations 2012 as compared to 2011

Net Revenues

Net revenues increased \$7,628 (35.8%) to \$28,931 for the year ended December 31, 2012 as compared to \$21,303 for the year ended December 31, 2011. The Hummus product line represents the major portion of sales, accounting for approximately 68% and 58%, respectively, for the years ended December 31, 2012 and 2011. This increase in revenues is primarily due to the higher volume as a result of effective marketing campaigns, and product quality as compared to competition. Two customers accounted for 83% of 2012 revenues as compared to 79% of 2011 revenues. As product lines grow and our marketing campaigns continue to be successful, we hope to increase our customer base. Revenues are based upon firm purchase orders received from our customers. There are no contractual commitments by any customer.

Gross Profit

Gross profit increased \$1,730 (53%) to \$4,971 for the year ended December 31, 2012 as compared to \$3,241 for the year ended December 31, 2011. The increase in gross profit is mostly attributed to the increase in revenues as well as through process improvements, cost reductions and periodic price increases to customers. There has been no significant increase in the cost of raw materials to impact gross profit. Gross profit as a percentage of sales was 17.2% for the year ended December 31, 2012 as compared to 15.2% for the year ended December 31, 2011.

Selling, General and Administrative Expenses

Total selling, general and administrative expenses increased \$593 (16.0%) to \$4,284 for the year ended December 31, 2012 as compared to \$3,691 for the year ended December 31, 2011. This increase is primarily attributed to increased sales and marketing efforts.

Income (Loss) from Operations

As a result of the above, the Company recorded income from operations in the amount \$687 for the year ended December 31, 2012 as compared to a loss from operations of \$450 for the year ended December 31, 2011.

Other Income (Expense)

Other expense was \$137 for the year ended December 31, 2012 as compared to \$112 for the year ended December 31, 2011. This increase is attributed to no other income in 2012 as compared to \$38 in 2011.

Provision (Benefit) for Income Taxes

For the year ended December 31, 2012 the Company recorded a provision for income taxes in the amount of \$231 as compared to an income tax benefit of \$235 for the year ended December 31, 2011. These amounts represent the effective federal and state rate on the Company's income (loss) before taxes.

Net Income (Loss)

As a result of the above, net income was \$352 for the year ended December 31, 2012 as compared to a loss of \$393 for the year ended December 31, 2011.

Liquidity and Capital Resources

At December 31, 2012 the Company had working capital of \$223 as compared to \$491 at December 31, 2011. This resulted primarily from the increase in the Company's line of credit and the current classification of a note payable to a related party to current liabilities.

During the year ended December 31, 2012, we had an increase in cash of \$328,000. The principal sources and uses of funds were as follows:

Cash provided by operating activities: For the year ended December 31, 2012 the Company generated \$411 of cash from operating activities as compared to \$269 for the year ended December 31, 2011. This increase is primarily attributed to the increase in income from operations partially offset by a decrease in accounts payable.

Cash used in investing activities: Net cash used in investing activities was \$989 for the year ended December 31, 2012 as compared to \$721 for the year ended December 31, 2011 due primarily to an increase in the purchase of equipment.

Cash provided by financing activities: Net cash provided by financing activities was \$906 for the year ended December 31, 2012 as compared to \$444 for the year ended December 31, 2011. This increase is attributed mostly to an increase in proceeds from the line of credit.

The Company had a revolving line of credit in the amount of \$650, with monthly interest payments at a rate of prime plus 1% (4.25% at December 31, 2012). The balance on the line of credit was \$10 and \$230 at December 31, 2012 and 2011, respectively. This line was cancelled in December 2012, and the balance was paid in January 2013 and replaced by a new credit line (see below).

In December 2012, the Company negotiated a revolving line of credit with a bank in the amount of \$1,300, which requires monthly interest payments at a rate of prime plus 0.5% (3.75% at December 31, 2012), but at no time shall the interest rate be less than 4.0%. The availability of loans is subject to certain restrictions based upon accounts receivable. Each calendar year the Company must reduce the unpaid balance due to zero, and must maintain such balance for 30 days. All unpaid principal and interest under this line is immediately payable upon demand (whether or not scheduled payments have been timely made) and Company will be in default if not paid immediately once demand is made. The lender maintains the sole and exclusive discretion as to whether to continue with this line of credit. All unpaid principal and interest shall be immediately due and payable upon demand. The balance on the line of credit was \$779 at December 31, 2012. At December 31, 2012 \$521 was available on the line of credit.

In December 2012, The Company also signed an additional line of credit for equipment in the amount of \$250,000. All advances are at the sole discretion of the bank. These advances may be used only for eligible equipment and may not exceed 80% of the equipment value. Interest commences at the date of advance and is payable monthly. Advances are payable (including interest) over 60 months at a rate of prime plus 1%, but at no time shall the interest rate be less than 4.0%. There were no outstanding balances on this line at December 31, 2012.

The Company also has an available credit card line of credit in the amount of \$50,000, subject to variable credit card interest rates and repayment terms. There were no outstanding balances on this credit card line at December 31, 2012 and 2011, respectively.

The lines of credit are secured by substantially all of the Company's assets, BML Holdings LLC and mortgages on property owned by the shareholder as well as being guaranteed by the stockholder.

Our primary sources of liquidity are cash flows from operations, short term working capital financing from a \$1.5M line of credit, and various long-term debt financing activities. We plan to continue to increase revenues with focused sales efforts, existing account development, and additional product offerings. We will continue improvements in manufacturing equipment, training, and processes, business systems, and overhead reduction to strengthen our gross profit and EBIDTA. We will also seek, when necessary, equity and debt financing in order to sustain our growth. Our cash flow projections presently indicate that we will have sufficient liquidity to fund our ongoing operations for the next twelve months. However, in order to expand capacity and capability to enable us to capitalize on new opportunities, additional capital will be required. There can be no assurances that we will be able to increase revenue or obtain additional capital.

Our capital requirements are large at this time to support our growth. In the foreseeable future, we will continue to have large capital needs to finance the expansion of facilities and capacity. The Company's Springfield, MA facility is currently SQF ("Safe Quality Food") compliant and Wheeling, IL facility is being updated to also comply. We are confident that we will be able to secure the necessary funding, when necessary, to fund our operations and plans for at least the next twelve months. However, there can be no assurance that the funding will be available when required.

Impact of Inflation

Inflation has not had a material effect on our results of operations. We expect the market for raw materials to fluctuate periodically as is typical for our primary materials: fresh produce and plastics.

Seasonality

Our products are sold on a year-round basis with limited and non-material exceptions for a small number of seasonal items offered by our customers only in the summer months. In addition, we experience seasonal sales increases in May and June, and again in November and December coinciding with the start of Summer and the Thanksgiving and Winter holidays.

Critical Accounting Policies

In preparing the financial statements and accounting for the underlying transactions and balances, the Company applies its accounting policies as disclosed in Note 2 of our Notes to the Consolidated Financial Statements. The Company's accounting policies that require a higher degree of judgment and complexity used in the preparation of financial statements include:

Revenue Recognition - The Company recognizes revenue when the product's title and risk of loss transfers to the Company based upon shipping terms. The policy meets the four following criteria (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred; (iii) the seller's price to the buyer is fixed and determinable and (iv) collectability is reasonably assured. The Company's sales policy is to require customers to provide orders with the agreed upon selling prices and shipping terms. The Company evaluates the credit risk of each customer and establishes an allowance of doubtful accounts for any credit risk. Sales returns and allowances are estimated upon shipment and based upon historical experience is nil.

Accounts Receivable - The Company performs ongoing credit evaluations of its customers and adjusts credit limits based on customer payment and current credit worthiness, as determined by review of their current credit information. The Company continuously monitors credit limits for and payments from its customers and maintains provision for estimated credit losses based on its historical experience and any specific customer issues that have been identified. While such credit losses have historically been within the Company's expectation and the provision established, the Company cannot guarantee that this will continue. An allowance for doubtful accounts was not deemed necessary at December 31, 2012 and 2011.

Off Balance Sheet Arrangements

The Company is not party to any off-balance sheet arrangements that may affect its financial position or results of operations.

New Accounting Pronouncements:

No recently issued accounting pronouncements had or are expected to have a material impact on the Company's consolidated financial statements.

Item 3. Properties

Springfield, Massachusetts

On January 1, 2012, the Company entered into a Commercial Lease with BML Holdings, LLC ("BML"), a Massachusetts limited liability company for its facility at 134 Avocado Street, Springfield, Massachusetts. The landlord is an entity owned by Matthew Morse, the Company's CEO and the Company is considered the primary beneficiary of BML. The lease is for a free standing industrial facility containing approximately 23,760 square feet. The lease is for three years subject to a four (4) year extension. The initial monthly rent is \$9,000 or the Landlord's debt service for the mortgage for the facility, whichever is greater. The Company is responsible for all real estate taxes, utilities, and repairs. The Company and BML have a Cross Collateralization/Cross-Default/Cross-Guaranty Agreement with their lenders. BML has entered into a Collateral Assignment of Leases and Rents with their lenders. These agreements would become operative at the lenders' option upon occurrence of a "Default" or an "Event of Default" as defined in the loan documents. The Company's CEO has guaranteed the Company and BML notes and mortgages and has assigned a \$750,000 life insurance policy to the lender.

Wheeling, Illinois

On November 13, 2012, the Company entered into an Industrial Lease with 120 Palatine, LLC an unaffiliated Illinois landlord. The lease is for approximately 68,000 square feet of space at the Company's facility at 120 West Palatine, Wheeling, Illinois. The lease expires July 31, 2016, with an option to renew for an additional five years. The minimum annual base rent commences at \$353,600 increasing to \$422,549 by the tenth year. The Company will also pay, on a monthly basis, its share of the estimated operating expenses, real estate taxes, insurance costs and other

building charges, not to exceed \$130,000 for the first year of the lease. The Company has given the landlord a \$150,000 stand-by letter of credit. Matthew Morse, CEO, personally guaranteed the lease effective as of November 13, 2012.

Item 4. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information as of June 14, 2013 regarding the beneficial ownership of our common stock giving retroactive effect to the pending Merger between Lansal, Inc. and Andover Medical, Inc. (the “Merger”), by (i) each person or entity who, to our knowledge, owns more than 5% of our common stock; (ii) our executive officers named in the Executive Compensation table below; (iii) each director; and, (iv) all of our executive officers and directors as a group. Unless otherwise indicated in the footnotes to the following table, each person named in the table has sole voting and investment power and that person’s address is Lansal, Inc., 134 Avocado Street, Springfield, MA 01104. Shares of common stock subject to options, warrants, or other rights currently exercisable or exercisable within 60 days of the date of this registration statement, are deemed to be beneficially owned and outstanding for computing the share ownership and percentage of the stockholder holding the options, warrants or other rights, but are not deemed outstanding for computing the percentage of any other stockholder.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage Beneficially Owned(1)	
Matthew Morse	18,456,083	85.5	%
Joseph D. Ward	196,341	1	%
Robert Seguso	107,880	*	
All officers and directors as a group (3 persons)	18,652,424	86.5	%

* Less than 1% of issued and outstanding shares of Common Stock.

(1) Based on 21,575,968 shares of our common stock outstanding on June 7, 2013 giving retroactive effect to the Merger. Does not include shares of our common stock issuable upon exercise of outstanding options and warrants or conversion of Preferred Stock. Messrs. Morse and Ward are entitled to receive their respective percentages of 85.5% and 1% of all shares of Common Stock issued to existing Andover shareholders upon conversion of Series A Preferred Stock.

Item 5. Director and Executive Officers

Set forth below is certain information regarding our executive officers and directors. Each of the directors listed below was elected to our board of directors to serve until our next annual meeting of stockholders or until his (her) successor is elected and qualified. All directors hold office for one-year terms until the election and qualification of their successors. The following table sets forth information regarding the members of our board of directors and our executive officers:

Name	Age	Position with the Company
Matthew Morse	55	Chairman of the Board, Chief Executive Officer, Treasurer, and Director
Joseph D. Ward	39	President and Chief Operating Officer
Robert Seguso	48	Director

Matthew Morse will serve as Chairman of the Board, Chief Executive Officer and a Director of the Company upon the Merger with Lansal, Inc., a Massachusetts corporation. He held the same positions with the privately held Lansal, Inc. since December 31, 1999. Prior to the appointment of Joseph D. Ward as President on January 7, 2013, Mr. Morse also served as President and Chief Operating Officer. Mr. Morse received his MBA from the University of Massachusetts in 2003 and his B.S., from the University of Massachusetts in 1985.

Joseph D. Ward will serve as President and Chief Operating Officer of the Company upon the Merger. He held the same positions with the privately held Lansal, Inc. since January 7, 2013. Prior thereto, from 2009, he was Vice President and General Manager of Spring Glen Fresh Foods, Inc., a \$40 million subsidiary of Hanover Foods Corporation, Hanover, PA, one of the largest privately held food processors in the U.S. While there, he returned the company to profitability within 12 months after it was in the seventh year of declining sales and third year of negative profitability. From 2006 to 2009, Mr. Ward was Vice President of Sales and Marketing and Managing Director of Retail Operations for Pine Valley Foods, Inc., West Monroe, LA. His responsibility involved the creation of retail and food service divisions of the largest manufacturer of perishable food products to the \$4.5 billion product fundraising industry. Mr. Ward received his MBA in Marketing & International Business from the University of Miami with high honors and his B.S. in Economics from University of Scranton.

Robert Seguso has been President and sole Director of Andover Medical, Inc. July 2011. He will resign an officer of the Company upon completion of the Merger. Mr. Seguso played professional tennis from 1982 to 1994. After his retirement he began investing in Florida real estate. As part of these investments he developed a tennis and sports complex in Boca Raton, Florida, and was a part-owner of Seguso, Bassett Tennis Academy, which became Everett, Bassett, Seguso Tennis Academy in 1995. Mr. Seguso sold his interest in this business outright in 1998. Mr. Seguso also built 40 apartments next to the sports complex and sold them in 2002. He has been involved in investing in several development stage companies. Mr. Seguso's business experience within the past five years includes serving as an advisor to several early-stage companies, namely Nanosensors, Inc., Media Morph, and Andover Medical, Inc. Between 2000 and 2005, Mr. Seguso provided tennis coaching clinic services on a freelance basis and within the last two years formed SB Sports, Inc., a company under which he provides tennis coaching services, and handles all business and managerial aspects involved therewith. Mr. Seguso remains active as an investor in capital markets and private businesses.

Item 6. Executive Compensation

The table below sets forth, for the last two fiscal years, the compensation earned by (i) each individual who served as our principal executive officer or principal financial officer, and (ii) our most highly compensated executive officers, other than those listed in clause (i) above, who was serving as executive officers at the end of the last fiscal year (together, the “Named Executive Officers”). No other executive officer had annual compensation in excess of \$100,000 during the last fiscal year.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Option Awards (\$)	All Other Compensation (\$)	Total (\$)
Matthew Morse, Chief Executive Officer	2012	261,874	?	-0-	-0-	\$261,874
	2011	203,477	?	-0-	-0-	\$203,477
			-			

Outstanding Equity Awards at Fiscal Year-End

There were no outstanding unexercised options, unvested stock, and/or equity incentive plan awards issued to our named executive officers as of December 31, 2012.

Employment Agreements**Matthew Morse, Chairman and Chief Executive Officer**

The Company will enter into a three-year employment agreement with Matthew Morse upon the Closing of the Merger. The agreement provides for Mr. Morse to be Chairman of the Board and Chief Executive Officer. Mr. Morse has oversight of all direct sales efforts, marketing and new business development, all in support of the customs and business of the Company and developing customers for the business of the Company. Mr. Morse receives a base salary of \$319,000 per annum, subject to adjustment based on his performance, at the sole discretion of the Board. The Agreement is automatically renewable for additional renewal terms of one year each, unless terminated by either party on at least six months’ notice prior to the end of the then current term.

The agreement is terminable by the Company for Cause (as defined) or Disability (as defined); or without Cause upon two weeks’ prior written notice. Morse may terminate at any time without Cause upon four weeks’ prior written notice

to the Company. If Morse is terminated by the Company without Cause, he will receive one (1) year's severance pay.

Mr. Morse agreed to a non-competition provision for one year from the date of termination of employment by the Company and he will not solicit any customers of the Company for such period.

Joseph D. Ward, President and Chief Operating Officer

On May 22, 2013, the Company entered into an Employment Agreement with Joseph D. Ward to serve as President and Chief Operating Officer. The Agreement is for five (5) years and is automatically renewable for five (5) year terms unless terminated by either party on at least six (6) months prior notice. Mr. Ward's base salary is \$200,000 per annum, with seven (7%) percent annual increases. Commencing January 1, 2013 Mr. Ward is entitled to a quarterly bonus based on the financial performance of the Company commencing the second quarter of calendar year 2013. Mr. Ward was awarded 1% of the issued and outstanding common stock of the Company upon the completion of the Merger with Lansal. He was also granted stock options to purchase 1% of the issued and outstanding shares of common stock for each year of the Contract, subject to the Company reaching an 8% EBITDA annually. Each option shall be subject to a one year vesting period and the total number of stock options is limited to 5% during the term of the agreement. Mr. Ward will be reimbursed for his expenses and will receive a monthly automobile allowance.

In the event Mr. Ward's contract is terminated without Cause (as defined) he will be entitled to severance payments increasing from 3 months' salary and continued health care benefits (up to six months) to 12 months after January 7, 2020. Mr. Ward's agreement provides for a one-year non-competition and non-solicitation period following termination of his employment with the Company.

Item 7. Certain Relationships and Related Transactions and Direct Independence

Except as set forth herein, we have had no transactions with any officer, director or 10% or greater shareholder within the last three years.

Matthew Morse made loans to the Company which aggregated \$496,000 as of December 31, 2011. An additional \$35,000 was loaned to the Company during 2012 and the outstanding balance of \$531,000 was forgiven effective December 31, 2012 and treated as additional contributed capital.

Matthew Morse and BML Holdings, LLC, an entity controlled by Mr. Morse have guaranteed an aggregate of \$3,713,500 principal amount of loans made to the Company as of May 15, 2013, as follows:

1. \$1,300,000 dated December 28, 2012, and subject to annual review to United Bank, at 0.5% per annum (3.75% at December 31, 2012) over Lender's prime rate, but not less than 4% per annum.
2. \$250,000 due December 28, 2017 (five year term) to United Bank at 1.0% per annum over Lender's price rate, but not less than 4%.
3. \$40,000 due December 28, 2013 (one year term) to United Bank at 4.0% per annum.
4. \$450,000 due December 28, 2019 (seven year term) to United Bank at 4.5% per annum.
5. \$662,500 due December 28, 2022 (ten year term) to United Bank at 5.25% per annum.
6. \$464,000 due May 1, 2023 (ten year term) to U.S. Small Business Administration (CDC: Granite State Economic Development Corporation) with interest at 3.347% per annum.
7. \$547,000 due February 1, 2033 to U.S. Small Business Administration (CDC: Granite State Economic Development Corporation) with interest at 4.452% per annum.

See “Item 2 - “Management Discussions and Analysis of Financial Condition and Result of Operations” for a detailed description of certain of the above loans.

The Company’s headquarters facility in Springfield, Massachusetts, is rented from an entity of which Matthew Morse is the sole owner. See Section 3 “Properties” for information concerning the lease between the Company and BML Holdings, LLC

See Item 6 - “Executive Compensation” for the terms of employment contracts entered into between the Company and each of Matthew Morse, Chief Executive Officer and Joseph D. Ward, Chief Operating Officer.

Item 8. Legal Proceedings

From time to time, the Company may become involved in litigation relating to claims arising out of its operations in the normal course of business. Except as described below, no legal proceedings, government actions, administrative actions, investigations or claims are currently pending against us or involve the Company which, in the opinion of the management of the Company, could reasonably be expected to have a material adverse effect on its business or financial condition.

There are no proceedings in which any of the directors, officers or affiliates of the Company, or any registered or beneficial stockholder, is an adverse party or has a material interest adverse to that of the Company.

Item 9. Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters

Since we suspended our reporting obligations under the Securities Exchange Act of 1934 in March 2009 our Common Stock has been quoted on the OTC Markets under the symbol ADOV Markets. Prior thereto, it was quoted under the symbol ADOV.OB. As of June 14, 2013, there were 70 holders of record of our common stock and we believe in excess of 300 beneficial owners.

The following table sets forth the high and low bid prices for our common stock for the periods indicated, as reported by the OTC Markets. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions. These prices do not give retroactive effective to the proposed 1 for 39 reverse split effective upon the Merger.

Period	High	Low
Year		
Ending		
December		
31, 2013		
January 1,		
2013		
through	\$0.004	\$0.001
March 31,		
2013		

Year
Ended
December
31, 2012

October 1, 2012 through December 31, 2012	\$0.0055	\$0.0045
July 1, 2012 through September 30, 2012	\$0.015	\$0.005
April 1, 2012 through June 30, 2012	\$0.019	\$0.008
January 1, 2012 through March 31, 2012	\$0.019	\$0.01