CA, INC.
Form 4
May 17, 2017

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Sayed Ayman

(Last) (First) (Middle)

520 MADISON AVENUE

(Street)

NEW YORK, NY 10022

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
CA, INC. [CA]

3. Date of Earliest Transaction (Month/Day/Year)
05/15/2017

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Pres., Chief Products Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, $.10 par value	05/15/2017		A		15,083 (1)	A	$ 0	140,555	D	
Common Stock, $0.10 par value	05/15/2017		F		1,620	D	$ 31.69	138,935	D	
Common Stock, $0.10 par value	05/16/2017		S		674 (2)	D	$ 31.7	138,261	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Employee Stock Option (right to buy)	$ 31.69	05/15/2017		A		99,551		(3)	05/15/2027	Common Stock, $.10 par value	99,551

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Sayed Ayman 520 MADISON AVENUE NEW YORK, NY 10022			Pres., Chief Products Officer	

Signatures

/s/ Ayman Sayed by Kristen W. Prohl as attorney-in-fact	05/17/2017
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Represents restricted stock which, subject to earlier forfeiture, vests over three years as follows: 34% on May 15, 2018, 33% on May 15, 2019 and 33% on May 15, 2020.

(2) The transactions reported on this Form 4 were effected pursuant to a Rule 10b5-1 trading plan.

(3) The option becomes exercisable over three years as follows: 34% on May 15, 2018, 33% on May 15, 2019 and 33% on May 15, 2020.

Remarks:
Exhibit List Exhibit 24 - Power of Attorney

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. --- State: Current - - - Deferred - - - -------------- ------------- ------------------ - - - -------------- ------------- ------------------ Total $ - $ - $ - ============== ============= ================== As of December 31, 2004, the Company has a net operating loss carryforward of approximately $8,150,000 to offset future taxable income. Subject to current regulations, components of this carryforward began to expire at the end of Calendar 2003. The amount and availability of the net operating loss carryforwards may be subject to limitations set forth by the Internal Revenue Code. Factors such as the number of shares ultimately issued within a three year look-back period; whether there is a deemed more than 50 percent change in 23 American Ammunition, Inc. and Subsidiaries Notes to Consolidated Financial Statements - Continued September 30, 2005 and 2004 Note P - Income Taxes - Continued control; the applicable long-term tax exempt bond rate; continuity of historical business; and subsequent income of the Company all enter into the annual computation of allowable annual utilization of the carryforwards. The Company's income tax expense (benefit) for the nine months ended September 30, 2005 and 2004, respectively, differed from the statutory federal rate of 34 percent as follows: Nine months Nine months ended ended September 30, September 30, 2005 2004 ------------- ------------- Statutory rate applied to loss before income taxes $ (1,062,000)$ (799,000) Increase (decrease) in income taxes resulting from: State income taxes - - Imputed interest on derivative liability from warrants and convertible notes 14,700 - Other, including reserve for deferred tax asset 1,062,000 799,000 ------------- ------------- Income tax expense $ - $ - ============= ============= Temporary differences, consisting primarily of the net operating loss carryforward and statutory differences in the depreciable lives for property and equipment, between the financial statement carrying amounts and tax bases of assets and liabilities give rise to deferred tax assets and liabilities as of December 31, 2004 and 2003, respectively: Year ended Year ended December 31, December 31, 2004 2003 ------------ ------------ Deferred tax assets - long-term Net operating loss carryforwards $ 2,669,000 $ 2,900,000 Deferred tax liabilities - long-term Statutory depreciation differences (690,000) (250,000) ------------ ------------ 1,979,000 2,650,000 Less valuation allowance (1,979,000) (2,650,000) ------------ ------------ Net Deferred Tax Asset $ - $ - ============ ============ During the years ended December 31, 2004 and 2003, respectively, the valuation allowance increased (decreased) by approximately $(671,000)and $656,000. Note Q - Subsequent Events On October 7, 2005, the Company issued an aggregate 667,100 shares of restricted, unregistered common stock in exchange for the conversion of 9,170 shares of Series B Convertible Preferred Stock in accordance with the terms and conditions afforded the Preferred shareholders. 24 ITEM 2 - Management's Discussion and Analysis or Plan of Operation Caution Regarding Forward-Looking Information Certain statements contained in this Quarterly Report including, without limitation, statements containing the words "believes", "anticipates", "expects" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: international, national and local general economic and market conditions: demographic changes; the ability of the Company to sustain, manage or forecast its growth; the ability of the Company to successfully make and integrate acquisitions; raw material costs and availability; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; and other factors referenced in this and previous filings. Given these uncertainties, readers of this Quarterly Report and investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments. Restatement issues The September 30, 2005 financial statements have been restated to account for the derivative liability that was incurred in connection with the common stock conversion features and the warrants issued with certain notes payable (see Notes I and J to the accompanying consolidated

financial statements). The Company accounts for debt with embedded conversion features and warrant issues in accordance with EITF 98-5: "Accounting for convertible securities with beneficial conversion features or contingency adjustable conversion" and EITF No. 00-27: "Application of issue No 98-5 to certain convertible instruments". Conversion features determined to be beneficial to the holder are valued at fair value and recorded to additional paid in capital. The Company determines the fair value to be ascribed to the detachable warrants issued with the convertible debentures utilizing the Black-Scholes method. Any discount derived from determining the fair value to the debenture conversion features and warrants is amortized to financing cost over the life of the debenture. The unamortized discount, if any, upon the conversion of the debentures is expensed to financing cost on a pro rata basis. Debt issues with the variable conversion features are considered to be embedded derivatives and are accountable in accordance with FASB 133; "Accounting for Derivative Instruments and Hedging Activities". The fair value of the embedded derivative is recorded to derivative liability. This liability is required to be marked each reporting period. The resulting discount on the debt is amortized to interest expense over the life of the related debt. 25 Overview We were incorporated on February 1, 2000 in the State of California as FirsTelevision.com. We subsequently changed our corporate name to FBI Fresh Burgers International which unsuccessfully marketed a business plan concept of a national "fast food" restaurant chain. American Ammunition, Inc. is a holding company with two operating subsidiaries: F&F Equipment, Inc. and Industrial Plating Enterprise Co. F&F Equipment, Inc. was incorporated on October 4, 1983 under the laws of the State of Florida. The company was formed to engage principally in the "import, export, retail & wholesale of firearms equipment, ammunition & other devices and for the purpose of transacting any and/or all lawful business." F&F conducts its business operations under the assumed name of "American Ammunition." In June 2002, American Ammunition, Inc. formed a wholly owned subsidiary, Industrial Plating Enterprise Co., which started production on June 14, 2002. Industrial Plating is a fully licensed and approved electrochemical metallization facility with significant capacity for processing our line of projectiles as well as other products and services while employing environmentally sound water conservation and proven waste treatment techniques. During the third quarter of 2003, the Company's operations experienced the negative impact of a lower than anticipated or budgeted purchases by Elliot Brothers, a significant customer. However, during this same time period, the Company has entered into a strategic alliance with Israel Military Industries (IMI), an entity owned by the State of Israel, for the cross-production and sale of various small arms ammunition. This alliance is anticipated to greatly expand the Company's catalog of products and assist in utilizing existing production capacity. While this relationship has not generated the initially anticipated volumes, management remains positive on this relationship. In prior periods, the Company executed a private labeling agreement with Century International Arms, Inc. (Century). Under this agreement, the Company was to produce its standard catalog of small arms ammunition plus one specialty small arms cartridge to Century's specifications for packaging in Century's designated labeling. This agreement required no modifications to the Company's production line and did not require the addition of supplemental personnel or equipment. The Company made an initial shipment under this agreement to Century during December 2003. Virtually immediately, the Company began to experience problems with Century regarding Century's compliance with their performance criteria under this agreement. During the first quarter of 2004, Century defaulted on certain agreed-upon payment schedules on merchandise sold during December 2003. In repayment of the outstanding trade debt, the Company accepted unscheduled product returns as payment of the trade debt. As a result of these issues, the Company recognized a charge to operations of approximately $28,000 on its business activity with Century. The returned merchandise was repackaged and is resalable by the Company to other customers. As of June 30, 2004, the Company has cancelled this agreement, and is contemplating litigation against Century for breach of contractual obligations under this agreement. Additionally, the Company has been awarded three (3) separate contracts from various departments of the U. S. Government. Each contract is for an initial term of one year (commencing between April 24, 2003 and September 30, 2003) with four (4) successive individual one-year extension options. The contracts, which remain in force as of September 30, 2004 and subsequent thereto) are summarized as follows: Contract 1: U. S. Department of State. Minimum annual volume of approximately 100,000 rounds of military grade small arms ammunition. Maximum annual volume of approximately 5,000,000 rounds. Maximum volume 26 may be increased at the discretion of the Contracting Officer and respective utilization requirements. The Company has received firm orders for 2,265,000 rounds of ammunition under this contract and has approximately 1,265,000 rounds ready for shipment. The ammunition under this contract will be subject to the strategic alliance with Israel Military Industries (IMI). The Company has applied for and received an engineering change to allow for the substitution of Company manufactured items in substitution for the components originally to be supplied by IMI. Contract 2: U. S. Department of Energy. This contract covers seven (7) separate products in the Company's standard catalog of products. The U. S. Department of Energy is obligated to purchase an aggregate of 4,549,000 rounds of ammunition under this contract. Contract 3: U. S. Department of Homeland Security. This contract covers four (4) separate products being introduced to the Company's catalog through the strategic alliance with IMI and requires no modifications to the Company's production facilities or additions to the labor force. The minimum annual volume is 1,000 rounds of each product and a maximum annual volume of 9,600,000 rounds of two (2) products and 36,000,000 of the remaining two (2) products. The Company has shipped all first article samples, as defined in the contract, and has received favorable feedback on a 20,000 round shipment during the first quarter of 2004. Full scale shipments are anticipated to commence during the second quarter of 2004. The Company has applied for and received an engineering change to allow for the substitution of Company manufactured items in substitution for the components originally to be supplied by IMI. The Company remains in negotiation for the issuance of purchase orders against these contracts and continues to prepare bids on other contracts from these and other U. S. Governmental agencies. During the first quarter of 2004, the Company commenced a direct solicitation program for its "dealer direct" sales program. As this endeavor has received a very positive initial response from the qualified retail resellers of the Company's product, the announcement of this program had a significantly detrimental impact on the Company's relationship with wholesale distributors and, accordingly, had a significant negative impact on first quarter 2004 sales. The Company continues to experience increases in customer demand, order size and reorder quantities in this program by smaller "single store" owner/operators of retail outlets selling the Company's products. It is anticipated that the overall Calendar 2004 sales volume through the "dealer direct" program may well equal or exceed the sales volumes generated by wholesale distributors in prior years. Results of Operations Nine months ended September 30, 2005 compared with the nine months ended September 30, 2004 During the nine months ended September 30, 2005, we experienced aggregate net revenues of approximately $2,233,336, as compared to approximately $1,712,280 during the comparable period ended September 30, 2004. The second quarter of 2005 profiles comparably to the same quarter of 2004 with net sales of approximately $378,000 versus $862,000. During the third quarter of 2005, management elected to suspend production for a period of time to facilitate the qualification of the production facility for contracting proposals with various U. S. Military channels and/or to provide qualified subcontract production to other prime contractors on U. S. Military contracts. This situation caused a significant decline in production and, accordingly, sales during the third quarter of 2005. Management is of the opinion that these actions will be fruitful in future periods. 27 During the first quarter of 2004, the Company commenced a direct solicitation program for its "dealer direct" sales program. As this endeavor has received a very positive initial response from the qualified retail resellers of the Company's product, the announcement of this program had a significantly detrimental impact on the Company's relationship with wholesale distributors and, accordingly, had a significant negative impact on first quarter 2004 sales. The Company continues to experience high demand for small arms ammunition from both the retail channel market and domestic and foreign governments. The Company has identified certain production issues which has inhibited the full realization of existing product demands and has begun to take the necessary steps to add specific machinery to counteract these issues. Through September 30, 2005, and subsequent thereto, we continue to experience negative trends off of our standard production costs for material and labor due to difficulties in training new employees, adding new products to our catalog and lower than expected orders due to uncontrollable delays in ordering by various U. S. Governmental entities. Further, as previously discussed, management invested considerable time and resources into qualifying the production facility for U. S. Department of Defense orders and/or being a participant with other prime manufacturers of small-arms ammunition for U. S. Military contracts. This effort involved shutting down production for a period of time; however, management is of the opinion that future U. S. Military contracts will be obtained as a result of this effort. Management remains of the opinion that the production labor force is stable and able to maintain a constant standard of quality for future periods. We continue to experience considerable variable costs in the area of material consumption and direct labor. For the nine month periods ended September 30, 2005 and 2004, we generated a negative gross profit of approximately $(1,787,000), or (80.02%), and approximately $(723,000), or (42.21%). Based on orders received and products shipped during the first six months of 2005 and our ongoing conversations with various customers, management continues to believe that the Company should be able to generate a positive gross profit in future periods based on our estimated backlog going into the 4th quarter of approximately $3,000,000. We experienced nominal research and development expenses of approximately $2,600 and $8,300, respectively, during the respective nine month periods ended September 30, 2005 and 2004, principally related to refinements in and the expansion of our product line. During the first nine months of 2005 and 2004, we expended approximately $162,000 and $368,000, respectively, in advertising and marketing expenses, principally in developing and promoting our retail dealer direct program. We anticipate to continue our marketing efforts in this area in future periods; however, the volume and frequency of our expenditures may fluctuate as management allocates available capital to these efforts. Other general and administrative expenses increased by approximately $64,000 from approximately $846,000 for the nine months ended September 30, 2005 as compared to approximately $910,000 for the nine months ended September 30, 2004. These increases are not identifiable by one specific area; however, relate to general corporate expenses, office and administrative wages and salaries and other related office overhead. Included in our results of operations for the first nine months of 2005 and 2004 are certain non-cash expenditure charges to operations of approximately $198,000 and $356,000 for compensation expense related to common stock issuances at less than "fair value". The calculation of these charges result from our issuing common stock for either cash or services at valuations below the closing quoted market price of our common stock and either the cash received or the value of the services provided to us by third parties. 28 We recognized a net loss of approximately $(3,167,000) and $(2,349,000) for the respective nine month periods ended September 30, 2005 and 2004, respectively, or approximately $(0.04) and $(0.03) per share in each respective period. Nine months ended September 30, 2004 compared with the nine months ended September 30, 2003. During the nine and three months ended September 30, 2004, we experienced net revenues of approximately $1,712,000 and $862,000, respectively, as compared to approximately $1,216,000 and $317,000 for the same respective periods of 2003. During the first quarter of 2004, the Company commenced a direct solicitation program for its "dealer direct" sales program. As this endeavor has received a very positive initial response from the qualified retail resellers of the Company's product, the announcement of this program had a significantly detrimental impact on the Company's relationship with wholesale distributors and, accordingly, had a significant negative impact on first quarter 2004 sales. The Company continues to experience significant increases in customer demand, order size and reorder quantities in this program by smaller "single store" owner/operators of retail outlets selling the Company's products. During November 2004, the Company qualified its 1,000th dealer under this program for direct sales and it is anticipated that the overall Calendar 2004 sales volume through the "dealer direct" program may well equal or exceed the sales volumes generated by wholesale distributors in prior years. We experienced costs of goods sold of approximately $2,435,000 for the nine months ended September 30, 2004 as compared to approximately $2,209,000 for the nine months ended September 30, 2003. Included in these amounts are approximately $524,000 and $495,000, respectively, for depreciation expense on manufacturing equipment and leasehold improvements on our production facility. Management is of the opinion that the production labor force is stable and able to maintain a constant standard of quality for future periods. We experience variable costs in the area of material consumption and direct labor. These depreciation levels are anticipated to remain fairly constant as compared to the first quarter of 2004. Management has placed on order, and placed initial deposits on, new manufacturing equipment to automate the product packaging process and to add new quality assurance equipment on the production line. These commitments aggregate approximately $450,000, of which the majority has been expended through September 30, 2004. Management, at this time, does not anticipate any further significant capital equipment acquisitions. Further, the addition of the Industrial Plating Enterprise Co. equipment during 2003 allows us to produce certain components which were previously outsourced to unrelated third parties. For the nine month periods ended September 30, 2004 and 2003, respectively, we have generated a negative gross profit of approximately $(723,000), or (42.21%), and approximately $(993,000), or (81.66%). As previously reported, our research during the second quarter of 2004 has revealed that the various governmental agencies which have issued purchase contracts to us either purchased large quantities during the last 60 days of the Federal Government's year ended September 30, 2003 or are experiencing transitional purchasing problems or issues surrounding the reorganization of various agencies into the Department of Homeland Security, with the related 29 issues of Congressional appropriations for funding the necessary expenditures of these reorganized agencies. The actions of the third quarter proved this research to be correct and we received several purchase order releases on our contract with the Department of Homeland Security. The timing of Congressional approval of the related appropriation bills to fund the various executive branch departments of the United States of America continues to impact the timing and release of purchase orders under our contracts as previously discussed. We continue to anticipate that with the fulfillment of the government contracts discussed above, continually expanding retail consumer demand for our product line, lower production costs being experienced from internally generated plating activities and adequate liquidity, we will be able to generate a positive gross profit in future periods. Further, based on production cost information developed during the 4th quarter of 2002 and further refined during 2003, management has developed a new model for the pricing of its products to its customers. It is anticipated that this model will allow management to better manage expense levels, control labor costs and maximize revenue opportunities. We had minimal costs allocated to research and development expenses during either of the quarters ended September 30, 2004 and 2003. Through the nine months ending September 30, 2004, we expended approximately $368,000 in advertising and marketing expenses, principally in developing and promoting our retail dealer direct program. We anticipate to continue our marketing efforts in this area in future periods; however, the volume and frequency of our expenditures may fluctuate as management allocates available capital to these efforts. Other general and administrative expenses increased by approximately $57,000 from approximately $789,000 for the nine months ended September 30, 2003 as compared to approximately $846,000 for the nine months ended September 30, 2004. These increases are not identifiable by one specific area; however, relate to general corporate expenses, office and administrative wages and salaries and other related office overhead. Included in our results of operations for the first nine months of 2004 are certain non-cash expenditure charges to operations of approximately $356,000 for compensation expense related to common stock issuances at less than "fair value". The calculation of these charges result from our issuing common stock for either cash or services at valuations below the closing quoted market price of our common stock (as discounted, as applicable) and either the cash received or the value of the services provided to us by third parties. During Calendar 2003, we experienced a charge of approximately $94,000 for the amortization of the Beneficial Conversion Feature Discount on our Preferred Stock. This charge results from the difference between the closing quoted market price on our common stock and the equivalent converted price of our Mandatory Convertible Preferred Stock which was sold and converted during 2003. We recognized a net loss of approximately $(2,350,000) and $(2,662,000) for the respective three month periods ended September 30, 2004 and 2003, respectively, or $(0.03) and $(0.04) per share. Liquidity And Capital Resources As of September 30, 2005, December 31, 2004 and September 30, 2004, respectively, we had working capital of approximately $(265,000), $872,000 and $960,000. Our working capital position continues to fluctuate based on our sales volume, collections on our trade accounts receivable and cash received from the contractually mandatory exercise of our outstanding warrant related to our convertible debenture. Further, we anticipate that we have sufficient inventory levels to support our retail dealer direct program and our existing and anticipated U. S. Government contracts. 30 We have used cash in operating activities of approximately $(1,663,000) and $(728,000) during the nine month periods ended September 30, 2005 and 2004, respectively. We anticipate that our liquidity position will continue to improve as management is of the opinion that, with the current changes to our production capacity, the Company will be in a position to better support all existing orders and accept existing inquiries which have previously been denied due to the lack of production capacity and liquidity. During the nine months ended September 30, 2005 and 2004, respectively, we added approximately $111,000 and $436,000 in new equipment. Based on communicated future demand for our products, we have instituted a program to expand our production capacity through the addition of additional equipment from the open market. The equipment ultimately to be added is fully dependent upon the Company's cash position, the availability of either new equity or debt capital and the ultimate realization of communicated future product sales demand. Management is of the opinion that sufficient demand will be present, as supported by new product development and increased product marketing efforts, to justify this expansion. However, we may not be able to obtain additional funding or, that such funding, if available, will be obtained on terms favorable to or affordable by us. Convertible Debenture The Company entered into a Securities Purchase Agreement with La Jolla Cove Investors, Inc. ("La Jolla") on October 4, 2002 for the sale of (I) $250,000 in convertible debentures and (ii) warrants to buy 30,000,000 shares of our common stock. On March 13, 2003 and May 6, 2003, La Jolla advanced an aggregate of $350,000 to our company which such funding was allocated towards the principal balance of our convertible debentures. As of September 30, 2005, the outstanding balance on the convertible debenture is approximately $241,365 and we have approximately 2,413,650 warrants outstanding. The debentures bear interest at 8%, mature on June 30, 2007, and are convertible into our common stock, at the selling stockholder's option. The convertible debentures are convertible into the number of our shares of common stock equal to the principal amount of the debentures being converted multiplied by 11, less the product of the conversion price multiplied by 10 times the dollar amount of the debenture. The conversion price for the convertible debentures is the lesser of (I) $1.00 or (ii) seventy six percent of the average of the five lowest volume weighted average prices during the twenty (20) trading days prior to the conversion. Accordingly, there is in fact no limit on the number of shares into which the debenture may be converted. However, in the event that our market price is less than $.30, we will have the option to prepay the debenture at 125% rather than have the debenture converted. In addition, the selling stockholder is obligated to exercise the warrant concurrently with the submission of a conversion notice by the selling stockholder. As of June 30, 2005, the warrant is exercisable into 2,413,650 shares of common stock at an exercise price of $1.00 per share. In December 2004, we entered into an addendum to the convertible debenture and warrant whereby the Company agreed to the following: * the discount multiplier was reduced from eighty percent to seventy six percent; * within five business days after this registration statement being declared effective, La Jolla is required to submit a debenture conversion in the amount of $10,000 and every ten business days thereafter La Jolla shall submit three additional debenture conversion in the amount of $10,000 each; 31 * within five business days after this registration statement being declared effective, La Jolla shall wire $400,000 to us as a prepayment towards the exercise of its warrant; and * immediately following the sale of all shares held by La Jolla in connection with the debenture conversions in the aggregate amount of $40,000, La Jolla shall wire $275,000 to us as a prepayment towards the exercise of its warrant and shall submit a debenture conversion in the amount of $6,250 on the first business day of each month until the debenture is no longer outstanding. LaJolla has contractually agreed to restrict its ability to convert or exercise its warrants and receive shares of our common stock such that the number of shares of common stock held by them and their affiliates after such conversion or exercise does exceed 4.9% of the then issued and outstanding shares of common stock. Due to the contractually agreed mandatory conversion of this Debenture, the Company has reflected this transaction in its balance sheet as a "mezzanine" level debt obligation on its balance sheet, between "Total Liabilities" and "Stockholders' Equity". Upon the respective mandatory conversion, the Company will relieve the respective portion of the Debenture and the any related accrued, but unpaid interest, and credit this amount to the respective "common stock" and "additional paid-in capital" accounts in the stockholder's equity section for the par value and excess amount over the par value of the respective shares issued. As the warrant is non-detachable from the Debenture and requires simultaneous exercise upon conversion of the Debenture, no value was assigned to the issued warrant. Upon exercise of the warrant, the Company will record the issuance of the underlying shares as a new issuance of common stock on the date of each respective exercise. On various dates through December 31, 2003, the Debenture Holder elected to convert an aggregate $208,635, through 24 separate transactions, in outstanding Debenture principal into restricted, unregistered common stock. This election caused the Company to issue 4,561,753 shares of restricted, unregistered common stock to the Debenture Holder. Additionally, pursuant to the contract terms, the Debenture Holder concurrently exercised a portion of the outstanding Warrant to purchase 2,086,350 shares of the Company's restricted, unregistered common stock for gross proceeds of $2,086,350. On various dates between January 1, 2004 and December 31, 2004, the Debenture Holder elected to convert an aggregate $150,000, through 6 separate transactions, in outstanding Debenture principal into registered common stock. This election caused the Company to issue 4,900,000 shares of common stock to the Debenture Holder. Additionally, pursuant to the contract terms, the Debenture Holder concurrently exercised a portion of the outstanding Warrant to purchase 1,500,000 shares of the Company's common stock for gross proceeds of $1,500,000. As of December 31, 2004, an aggregate of 1,000,000 shares of the Company's common stock have been issued by the Company and are being held in escrow by the Company's counsel pending receipt of the final $150,000 from the Debenture Holder. Between January 1, 2005 and September 30, 2005, the Debenture Holder elected to convert an aggregate $25,000, through a separate transactions, in outstanding Debenture principal into registered common stock. This election caused the Company to issue 750,000 shares of common stock to the Debenture Holder. Additionally, pursuant to the contract terms, the Debenture Holder concurrently exercised a portion of the outstanding Warrant to purchase 250,000 shares of the Company's common stock for gross proceeds of $250,000. 32 On May 6, 2005 and June 21, 2005, the Company authorized the issuance of an aggregate 14,000,000 shares into the A designated escrow account for the purpose of facilitating future conversions of the outstanding Debenture into common stock in conjunction with the exercise of the outstanding Warrants. Subsequent to June 30, 2005, the Debenture Holder, in 4 separate transactions, was issued an aggregate 5,824,758 shares for the conversion of an aggregate $40,000 in Convertible Debenture and the exercise of 400,000 Warrants at an aggregate price of $400,000. ITEM 3 - Controls and Procedures (a) Evaluation of Disclosure Controls and Procedures Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), for the quarter ended September 30, 2005. As of the end of the period covered by this report, management, including the chief executive officer and chief financial officer evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based upon and as of the date of that evaluation, our CEO and CFO concluded that the disclosure controls and procedures were effective (b) Changes in Internal Controls There were no significant changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls over financial reporting that occurred during the quarter ended September 30, 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. (c) Findings In light of the restatements to the financial statements disclosed above, caused, in part, by a failure in the Company's internal control over financing reporting due to the limitations in the Company's accounting resources to identify and react in a timely manner to non-routine, complex and/or transactions originated by other parties on the Company's behalf, as well as gaining an adequate understanding of the disclosure requirements relating to these types of transactions, we feel that the existing controls and procedures were and remain effective. Because of said controls, which resulted in the review, discovery and disclosure by amendment of filings to adequately disclose required information, management also concludes that by requiring supplemental reviews of financing transactions that its existing controls and procedures will be more effective. PART II - OTHER INFORMATION ITEM 1 - Legal Proceedings The Company may become involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse impact either individually or in the aggregate on consolidated results of operations, financial position or cash flows of the Company. 33 ITEM 2 - Recent Sales of Unregistered Securities and Use of Proceeds In July 2005, the Company issued 166,666 shares of restricted, unregistered common stock as additional compensation to Paul Goebel, the Company's Director of Dealer Direct Sales. This transaction was valued at approximately $17,333, which approximated the closing price of the Company's common stock on the transaction date. The Company relied upon Section 4(2) of the Securities Act of 1933, as amended, for an exemption from registration of these shares and no underwriter was used in this transaction. In August 2005, the Company issued 250,000 shares of restricted, unregistered common stock for the payment of loan origination costs in connection with a $500,000 Line of Credit facility. This transaction was valued at approximately $24,000, which approximated the closing price of the Company's common stock on the transaction date. The Company relied upon Section 4(2) of the Securities Act of 1933, as amended, for an exemption from registration of these shares and no underwriter was used in this transaction. In August and September 2005, the Company issued 84,053, 105,400 and 113,212 shares of restricted, unregistered common stock in payment of approximately $9,170 in accrued dividends due at March 31, 2005, June 30, 2005, and September 30, 2005, respectively, on the Company's outstanding Series B Cumulative Preferred Stock. The Company relied upon Section 4(2) of the Securities Act of 1933, as amended, for an exemption from registration of these shares and no underwriter was used in this transaction. ITEM 3 - Defaults on Senior Securities None ITEM 4 - Submission of Matters to a Vote of Security Holders None ITEM 5 - Other Information None ITEM 6 - Exhibits and Reports on Form 8-K (a) The exhibits required to be filed herewith by Item 601 of Regulation S-B, as described in the following index of exhibits are incorporated herein. Exhibit Descriptions --------- ---------------------- 31.1 Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002. 32.1 Certification pursuant to Section 906 of Sarbanes-Oxley Act of 2002. (b) Reports on Form 8-K None 34 SIGNATURES In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. American Ammunition, Inc. Dated: bctober 19, 2007 /s/ Andres F. Fernandez ------------------ -- Andres F. Fernandez President, Chief Executive Officer Chief Financial Officer and Director 35