

AROTECH CORP
Form 8-K
September 29, 2006

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**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 September
(Date of earliest 28, 2006
event reported):

**AROTECH
CORPORATION**
(Exact name of registrant as
specified in its charter)

Delaware **0-23336** **95-4302784**
(State or other (Commission (IRS
jurisdiction of File Number) Employer
of Identification
incorporation) No.)

1229 Oak Valley Drive, Ann Arbor, Michigan **48108**
(Address of Principal (Zip Code)
Executive Offices)

**Registrant's telephone (800)
number, including area code: 281-0356**

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

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:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 control number.

Item 3.02 Unregistered Sales of Equity Securities.

Pursuant to the terms of our Senior Secured Convertible Notes due March 31, 2008 (the "Notes"), we are obligated to repay the principal amount of the Notes over the term of the Notes, with the principal amount being amortized in twelve payments payable at our option in cash and/or by requiring the conversion of a portion of the Notes into shares of our common stock, provided certain conditions are met.

In this connection, we elected on August 28, 2006 to make the three scheduled payments of \$1,458,333.34 each, or a total of \$4,375,000, two of which payments were originally due on May 31, 2006 and July 31, 2006, respectively, and which were deferred to September 30, 2006 pursuant to Deferral Agreements dated August 30, 2006 and Conversion Agreements dated April 7, 2006, respectively, and the third of which will fall due in accordance with the terms of the Notes on September 30, 2006, by requiring the conversion of a portion of the Notes into shares of our common stock.

Pursuant to the terms of the Notes, the price used to determine the number of shares to be issued upon such conversion was calculated using an 8% discount to the average trading price of our common stock during 17 of the 20 consecutive trading days ending two days before the installment payment date. This calculation resulted in a volume weighted average price of \$2.2470, which after application of the 8% discount resulted in a discounted price of \$2.0672 per share (a total of 2,116,389 shares of our common stock after rounding).

The Notes further provide that within two trading days after we send notice of an election to convert a portion of the Notes into shares of our common stock, we must issue to the holders of our Notes a number of shares of our common stock equal to the quotient of (x) the amount of the Note being paid in stock, divided by (y) the conversion price of \$14.00 per share, rounded up to the nearest whole share of common stock. Accordingly, on August 30, 2006, we issued an aggregate of 312,503 shares of our common stock to the holders of the Notes.

The remaining shares issuable upon such conversion were required to be issued by the installment payment date of September 30, 2006. Accordingly, on September 28, 2006 and September 29, 2006, we issued an aggregate of 1,803,886 additional shares of our common stock to the holders of the Notes. Subsequent to this issuance, we had 10,585,346 shares of common stock issued and outstanding.

We issued the above securities in reliance on the exemption from registration provided by Section 4(2) of the Securities Act as transactions by an issuer not involving a public offering. The issuance of these securities was without the use of an underwriter.

SIGNATURES

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.

AROTECH CORPORATION

(Registrant)

By: /s/ Robert S. Ehrlich
Name: Robert S. Ehrlich
Title: Chairman and CEO

Dated: September 29, 2006

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