



IN THE SUPERIOR COURT OF THE STATE OF DELAWARE

RUAG AMMOTEC USA, INC. and)
RUAG AMMOTEC AG,)
Plaintiffs,) C.A. NO.: N18C-11-043 AML CCLD
v.) TRIAL BY JURY OF 12
CITIZENS AMMUNITION, LLC,) DEMANDED
Defendant.)

AMENDED PRAECIPE

To: Prothonotary
Superior Court
Leonard L. Williams Justice Center
500 North King Street
Wilmington, DE 19801

SHERIFF'S HAND
KENT COUNTY, DEL.
2018 NOV 19 AM 8:06

Please issue the foregoing summons to the Sheriff of Kent County,
instructing him to serve the Amended Complaint and related documents on

Defendant Citizens Ammunition, LLC at the following address: Cogency Global
Inc., 850 New Burton Road, Suite 201, Dover, DE 19904.

YOUNG CONAWAY STARGATT
& TAYLOR, LLP

FILED
NCC PROTHONOTARY
B
2018 NOV -9 3:48

/s/ Timothy Jay Houseal

Timothy Jay Houseal (No. 2880)
Jennifer M. Kinkus (No. 4289)
William E. Gamgort (No. 5011)
1000 North King Street
Wilmington, DE 19801

Telephone: (302) 571-6682
Facsimile: (302) 576-3300
Email: thouseal@ycst.com;
jkinkus@ycst.com;
wgamgort@ycst.com
Attorneys for Plaintiff

Dated: November 8, 2018



IN THE SUPERIOR COURT FOR THE STATE OF DELAWARE

RUAG AMMOTEC USA, INC. and
RUAG AMMOTEC AG,

Plaintiffs,

v.

CITIZENS AMMUNITION, LLC,

Defendant.

C.A. NO.: N18C-11-043 AML CCLD

TRIAL BY JURY OF 12

DEMANDED

THE STATE OF DELAWARE
TO THE SHERIFF OF KENT COUNTY:
YOU ARE COMMANDED:

To summon the above named defendant, Citizens Ammunition, LLC, c/o Cogency Global Inc. 850 New Burton Road, Suite 201, Dover, DE 19904, so that, within 20 days after service hereof upon defendant, exclusive of the day of service, defendant shall serve upon Timothy Jay Houseal, Esquire, plaintiff's attorney, whose address is Young, Conaway, Stargatt & Taylor, LLP, Rodney Square, 1000 North King Street, Wilmington, DE 19801, an answer to the Complaint (and, if an affidavit of demand has been filed, an affidavit of defense).

To serve upon defendant a copy hereof and of the Amended Complaint (and of the affidavit of demand if any has been filed by plaintiff).

Dated: 11-15-18.

Susan A. Hearn

Prothonotary

Per Deputy



TO THE ABOVE NAMED DEFENDANT:

In case of your failure, within 20 days after service hereof upon you, exclusive of the day of service, to serve on plaintiff's attorney named above an answer to the complaint (and, if an affidavit of demand has been filed, an affidavit of defense), judgment by default will be rendered against you for the relief demanded in the complaint (or in the affidavit of demand, if any).

Susan A. Hearn

Prothonotary

Per Deputy



2018 NOV 19 AM 10:00
SHERIFF'S HAND
KENT COUNTY, DEL.

SUPERIOR COURT
CIVIL CASE INFORMATION STATEMENT (CIS)

EFiled: Nov 05 2018 06:07PM

Transaction ID 62632511

Case No. N18C-11-043 AML



COUNTY: **N** K S

CIVIL ACTION NUMBER: _____

Caption:

RUAG AMMOTEC USA, INC. and RUAG
AMMOTEC AG,

Plaintiffs,

v.

Citizens Ammunition, LLC,

Defendant.

Civil Case Code: CCLD

Civil Case Type: Complex Commercial Litigation Division
(SEE REVERSE SIDE FOR CODE AND TYPE)

MANDATORY NON-BINDING ARBITRATION (MNA) _____

Name and Status of Party filing document:

RUAG AMMOTEC USA, Inc. and RUAG AMMOTEC AG
Plaintiff

Document Type: (E.G.; COMPLAINT; ANSWER WITH COUNTERCLAIM)

Complaint

JURY DEMAND: YES X NO _____

ATTORNEY NAME(S):

TIMOTHY JAY HOUSEAL (#2880)

WILLIAM E. GAMGORT (#5011)

JENNIFER M. KINKUS (#4289)

FIRM NAME:

YOUNG CONAWAY STARGATT & TAYLOR, LLP

ADDRESS:

RODNEY SQUARE, 1000 N. KING STREET

WILMINGTON, DE 19801

TELEPHONE NUMBER:

(302) 571-6682

FAX NUMBER:

(302) 576-3300

E-MAIL ADDRESS:

thouseal@ycst.com; wgamgort@ycst.com;

jkinkus@ycst.com

IDENTIFY ANY RELATED CASES NOW PENDING IN THE SUPERIOR COURT OR ANY
RELATED CASES THAT HAVE BEEN CLOSED IN THIS COURT WITHIN THE LAST
TWO YEARS BY CAPTION AND CIVIL ACTION NUMBER INCLUDING JUDGE'S
INITIALS:

EXPLAIN THE RELATIONSHIP(S):

OTHER UNUSUAL ISSUES THAT AFFECT CASE MANAGEMENT:

(IF ADDITIONAL SPACE IS NEEDED, PLEASE ATTACH PAGE)

THE PROTHONOTARY WILL NOT PROCESS THE COMPLAINT, ANSWER, OR FIRST RESPONSIVE PLEADING IN THIS MATTER FOR SERVICE UNTIL THE CASE INFORMATION STATEMENT (CIS) IS FILED. THE FAILURE TO FILE THE CIS AND HAVE THE PLEADING PROCESSED FOR SERVICE MAY RESULT IN THE DISMISSAL OF THE COMPLAINT OR MAY RESULT IN THE ANSWER OR FIRST RESPONSIVE PLEADING BEING STRICKEN.



IN THE SUPERIOR COURT FOR THE STATE OF DELAWARE

RUAG AMMOTEC USA, INC. and)
RUAG AMMOTEC AG,)
) C.A. NO.: N18C-11-043 AML CCLD
Plaintiffs,)
) TRIAL BY JURY OF 12 DEMANDED
v.)
)
CITIZENS AMMUNITION, LLC,)
)
Defendant.)

AMENDED COMPLAINT¹

RUAG AMMOTEC USA, INC., (“RUAG USA”) and RUAG AMMOTEC AG (“RUAG AG”) (collectively “RUAG” or “Plaintiffs”) file this Complaint and Jury Demand against defendant CITIZENS AMMUNITION, LLC (“Citizens”), upon personal knowledge as to itself and its own actions, and on information and belief as to all other matters, as follows:

THE PARTIES

1. At all times material hereto, the Plaintiff, RUAG USA, was and is a Delaware Corporation with its principal place of business in Tampa, Florida.
2. At all times material hereto, the Plaintiff, RUAG AG, was and is a Swiss company with its principal place of business in Thun, Switzerland.
3. At all times material hereto, the Defendant Citizens was and is a

¹ Consistent with Superior Court Rule of Civ. P. 15, a redline reflecting the changes made to the initial Complaint is enclosed with the letter filed contemporaneously herewith.

Delaware limited liability corporation with its principal place of business in Las Vegas, Nevada. Defendant Citizens may be served through its Delaware registered agent, Cogency Global Inc., 850 New Burton Road, Suite 201, Dover, Delaware 19904.

JURISDICTION AND VENUE

4. This Court has subject matter jurisdiction over this action under Art. IV, §7 of the Delaware Constitution and 10 *Del. C.* §§ 541 and 6501, *et seq.*

5. This Court has personal jurisdiction over Citizens because Citizens is a limited liability corporation organized under the laws of the State of Delaware.

6. Assignment to the Complex Commercial Litigation Division of the Superior Court is appropriate because the amounts in controversy exceed ONE MILLION DOLLARS (\$1,000,000.00).

FACTUAL ALLEGATIONS

7. On or about March 17, 2015, RUAG and Citizens entered into a Supply Agreement (“Supply Agreement”) (the Supply Agreement is attached hereto and incorporated herein as Exhibit A), under which RUAG would supply Citizens with varied calibers of ammunition, according to an initial supply schedule attached as Exhibit B to the Supply Agreement (“Initial Supply Schedule”), including: .22LR auto; .22LR bolt; .22LR subsonic; 9mm (9x19); .40 S&W; .45 ACP; .223 REM; .308 Winchester; .338 Lapua; 12-gauge 2 ¾ smooth

slug; and 12-gauge 2 ¾ 00-Buck ammunition.

8. RUAG maintained all title, interest and ownership in the ammunition supplied by RUAG to Citizens under the Supply Agreement, including the ammunition in the Initial Supply Schedule, until such time that the ammunition was sold by Citizens and paid for by Citizens.

9. Pursuant to the Supply Agreement, Citizens was required to sell the ammunition in the Initial Supply Schedule under the “Prime” or “Primeclub” brand name and to pay RUAG a fixed price per round for the ammunition.

10. The Supply Agreement provided that, during the first two (2) years after initial shipment of the ammunition in the Initial Supply Schedule, Citizens was required to pay RUAG for all of the ammunition when such ammunition was sold or given away as samples by Citizens. After the two (2) year period, any remaining ammunition from the Initial Supply Schedule, and any additional ammunition ordered by Citizens, was to be paid for by Citizens within 30 days of Citizen’s receipt of the ammunition.

11. Citizens regularly sold the ammunition in the Initial Supply Schedule and issued payment to RUAG upon such sales. However, Citizens was unable to sell all of the ammunition in the Initial Supply Schedule by the two (2) year anniversary.

12. On or around August 9, 2017, RUAG and Citizens entered into an

Addendum to the Supply Agreement (“Addendum”) (the Addendum is attached hereto and incorporated herein as Exhibit B) which provided that Citizens would receive an extension until September 30, 2017 to pay RUAG for the balance of the ammunition in the Initial Supply Schedule. The precise remaining inventory balance was outlined in the Addendum.

13. In addition, the Addendum stated that Citizens’ failure to make payment in full to RUAG for the balance of the ammunition in the Initial Supply Schedule by September 30, 2017, would result in the relinquishment of Citizens’ rights to sell, transfer, or dispose of the ammunition, and such ammunition would have to be returned to RUAG at its discretion.

14. Citizens failed to meet the September 30, 2017 deadline for the payment of the remaining ammunition in the Initial Supply Schedule. The parties never reached any formal agreement related to the extension of the September 30th deadline.

15. In fact, Citizens fail to issue any payment for the sold Prime ammunition after approximately January of 2018.

16. Between March of 2018 and August of 2018, Citizens advised RUAG in writing of its sale of various ammunition from the Initial Supply Schedule. However, no corresponding payment was issued to RUAG by Citizens.

17. Based on the written sales information provided by Citizens, RUAG

issued numerous invoices to Citizens for payment for the Citizens-sold ammunition including the following:

- a. On March 30, 2018, Invoice No. 2147300 was issued to Citizens by RUAG for the unpaid balance of \$408,574.13 for over 728,000 rounds of ammunition sold by Citizens.
- b. On April 30, 2018, Invoice No. 2163900 was issued to Citizens by RUAG for the unpaid balance of \$112,819.13 for over 218,000 rounds of ammunition sold by Citizens.
- c. On May 31, 2018, Invoice No. 2178400 was issued to Citizens by RUAG for the unpaid balance of \$138,785.50 for over 153,000 rounds of ammunition sold by Citizens.
- d. On June 29, 2018, Invoice No. 2193700 was issued to Citizens by RUAG for the unpaid balance of \$31,047.38 for over 122,000 rounds of ammunition sold by Citizens.
- e. On August 7, 2018, Invoice No. 221400 was issued to Citizens by RUAG, demonstrating an unpaid balance of \$80,921.13 for over 71,000 rounds of ammunition sold by Citizens.

18. Citizens never submitted payment to RUAG for any of the invoices referenced in paragraph 17, which amounts to \$772,147.27.

19. Citizens never disputed any of the amounts owed or claimed any

issues or problems with the Prime ammunition supplied by RUAG.

20. On July 15, 2018, Citizens again informed RUAG that it could not afford to pay any overdue amounts owed to RUAG.

21. On July 19, 2018, RUAG served on Citizens a Notice of Default (the Notice of Default is attached hereto and incorporated herein as Exhibit C) relating to Citizens' failure to pay RUAG what was at that time in excess of \$744,000.00 in overdue payments. RUAG demanded the immediate payment of the outstanding amount and return any unsold ammunition.

22. On July 31, 2018, RUAG served on Citizens its Notice of Termination (the Notice of Termination is attached hereto and incorporated herein as Exhibit D) of the Supply Agreement and Addendum, advising Citizens that now over \$770,000.00 was overdue to RUAG.

23. RUAG subsequently obtained physical possession of all of the Prime ammunition being held by Citizens.

24. In total, Citizens presently owes RUAG in excess of \$772,147.27 for Citizens' sale of ammunition from the Initial Supply Schedule. Citizens has conceded the amount owed in writing but has refused to issue payment and has wrongly withheld payment in an effort to re-negotiate its deal with RUAG.

25. On or around August 21, 2018, in an effort to help Citizens raise capital to pay the admitted outstanding debt, RUAG accepted a Purchase Order

from Citizens for the production of 155,000 rounds of 6.5 4s SAUM ammunition and 200,000 rounds of 6 Creedmoor ammunition for the pre-payment of \$399,360.00.

26. On or around August 22, 2018, Citizens issued the \$399,360.00 pre-payment to RUAG and RUAG continues to produce the ammunition at issue.

COUNT I - BREACH OF CONTRACT

27. RUAG hereby repeats each and every allegation contained in paragraphs "1" through "26" as if same were more fully set forth herein at length and verbatim.

28. Citizens entered into a contractual agreement, the Supply Agreement and Addendum, with RUAG for the acquisition and payment of certain quantities of ammunition.

29. RUAG fully performed its obligations under the Supply Agreement and Addendum and provided Citizens with the ammunition referenced in Invoices No. 2147300, 2163900, 2178400, 2193700, and 221400.

30. However, as of the date of this Complaint, Citizens has breached both the Supply Agreement, the Addendum, and other contractual obligations by, amongst other things, failing to pay RUAG \$772,147.27 for the ammunition sold by Citizens under the Prime brand, failing to timely pay for all of the ammunition from the Initial Supply Schedule and/or continuing to sell ammunition from the

Initial Supply Schedule without payment to RUAG after having been notified of Citizens' default.

WHEREFORE, Plaintiffs demand:

- (a) Judgment in their favor in an amount in excess of \$772,147.27, together with interest, attorneys' fees and costs of suit; and
- (b) Judgment, under the Supply Agreement and Addendum, confirming RUAG's right to sell and/or otherwise transfer all remaining ammunition produced by it for Citizens in any way RUAG deems fit.

**COUNT II - BREACH OF IMPLIED COVENANT OF GOOD FAITH
AND FAIR DEALING**

31. RUAG hereby repeats each and every allegation contained in paragraphs "1" through "30" as if same were more fully set forth herein at length and verbatim.

32. Citizens entered into a contractual agreement, the Supply Agreement and Addendum, with RUAG for the purchase and payment of certain quantities of ammunition.

33. RUAG fully performed its obligations under the Supply Agreement and Addendum and provided Citizens with the ammunition referenced in Invoices No. 2147300, 2163900, 2178400, 2193700, and 221400.

34. However, as of the date of this Complaint, Citizens has breached both the Supply Agreement, the Addendum, and other contractual obligations by,

amongst other things, failing to pay RUAG \$772,147.27 for the ammunition sold by Citizens under the Prime brand, failing to timely pay for all of the ammunition from the Initial Supply Schedule and/or continuing to sell ammunition from the Initial Supply Schedule without payment to RUAG after having been notified of Citizens' default.

WHEREFORE, Plaintiffs demand:

- (a) Judgment in their favor in an amount in excess of \$772,147.27, together with interest, attorneys' fees and costs of suit; and
- (b) Judgment, under the Supply Agreement and Addendum, confirming RUAG's right to sell and/or otherwise transfer all remaining ammunition produced by it for Citizens in any way RUAG deems fit.

COUNT III - UNJUST ENRICHMENT

35. RUAG hereby repeats each and every allegation contained in paragraphs "1" through "34" as if same were more fully set forth herein at length and verbatim.

36. As a result of the conduct described above, Citizens has been, is and will continue to be, unjustly enriched at the expense of RUAG.

37. Specifically, to the extent that the Supply Agreement and Addendum are found not to exist, or is found to in any way be invalid or unenforceable, in whole or in part, and to the extent that the improper, wrongful and/or unlawful acts

by Citizens, including but not limited to, withholding money from RUAG; and failing to pay for ammunition ordered, delivered and sold, Citizens has been unjustly enriched by its actions and/or able to improperly retain money and valuable ammunition rightly belonging, and/or due, to RUAG at RUAG's expense.

WHEREFORE, Plaintiffs demand judgment in their favor requiring Defendant to disgorge this unjust enrichment in accordance with the laws of the State of Delaware, together with interest, attorneys' fees and costs of suit.

COUNT IV – DECLARATORY JUDGMENT

38. RUAG hereby repeats each and every allegation contained in paragraphs "1" through "37" as if same were more fully set forth herein at length and verbatim.

39. Under the Delaware Declaratory Judgment Act, 10 *Del. C.* § 6501, et seq., Delaware courts "have power to declare rights, status and other legal relations, whether or not further relief is or could be claimed." 10 *Del. C.* § 6501. The power of Delaware courts to grant declaratory relief is to "be liberally construed and administered." Id. § 6512.

40. As of the time of the filing of this Complaint, Citizens has failed to make any payments towards its \$772,147.27 obligation to RUAG under the Supply Agreement and Addendum.

41. On or around August 22, 2018, Citizens issued pre-payment to RUAG

by wire transfer in the amount of \$399,360.00 for future shipments of RUAG ammunition.

42. Citizens has repeatedly stated that it did not have the funds to pay towards its \$772,147.27 obligation to RUAG and/or refused to satisfy such obligation.

43. Under information and belief, Citizens cannot and will not satisfy any judgment against it obtained by RUAG, and as such, declaratory relief is necessary and warranted.

44. Accordingly, RUAG hereby seeks a declaration from the Court authorizing it to hold the \$399,360.00 and the corresponding ammunition in escrow until this matter is decided and/or resolved or the \$772,147.27 is otherwise paid from Citizens to RUAG.

WHEREFORE, Plaintiffs demand judgment in their favor declaring that the \$399,360.00 and the corresponding ammunition in escrow can be held until this matter is decided and/or resolved and/or the \$772,147.27 is otherwise paid from Citizens to RUAG, and any other relief deemed justified by the Court.

DEMAND FOR A JURY TRIAL

RUAG demands a trial by jury of twelve as to all issues so triable.

Respectfully submitted,

YOUNG CONAWAY STARGATT
& TAYLOR LLP

/s/ Timothy Jay Houseal

Timothy Jay Houseal (Supr. Ct. ID #2880)

William E. Gamgort (Supr. Ct. ID #5011)

Jennifer M. Kinkus (Supr. Ct. ID #4289)

Rodney Square

1000 North King Street

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(302) 571-6682

thouseal@ycst.com

*Attorneys for RUAG AMMOTEC USA,
Inc., and RUAG AMMOTEC AG,*

OF COUNSEL:

Ryan Erdreich

Xavier Nunez

Pisciotti Malsch

30 Columbia Turnpike, Suite 205

Florham Park, NJ 07932

Dated: November 8, 2018



EXHIBIT A

SUPPLY AGREEMENT

by and between

RUAG AMMOTEC AG
("RUAG AG")

and

RUAG AMMOTEC USA, INC.
("RUAG USA")

(collectively "RUAG")

and

CITIZENS AMMUNITION, LLC
("Citizens")

MARCH, THE 17TH 2015

PRODUCT SUPPLY AGREEMENT

THIS PRODUCT SUPPLY AGREEMENT ("**Agreement**") is made and entered into, effective as of April the 1st, 2015 (the "**Effective Date**"), by and between CITIZENS AMMUNITION LLC, (CITIZENS) a Delaware Limited Liability Corporation and RUAG Ammotec AG, a Swiss Limited Liability Company (individually "RUAG AG") and RUAG Ammotec USA, Inc., a Delaware Corporation (individually "RUAG USA") (collectively "RUAG"). CITIZENS and RUAG may be referred to as a "Party" or collectively as the "Parties".

RECITALS

WHEREAS, RUAG manufactures, sources, distributes and sells high-performance ammunition and desires to expand its product sales in the United States, and

WHEREAS, Citizens has been formed to source, distribute and sell RUAG products under the PRIME and/or PRIME powered by Swiss P brands in the United States through online direct ecommerce and other appropriate methods to consumers and law enforcement agencies, and

WHEREAS, The Parties have agreed to execute this Agreement in order to memorialize the terms and conditions on which RUAG shall supply ammunition to Citizens, and

WHEREAS, this Agreement replaces the binding MOU between the Parties of February 12, 2014, and

WHEREAS, CITIZENS Ammunition will do business under the trade name PRIME, PRIME Ammunition, PRIMECLUB, and/or other PRIME derivatives

WHEREAS, PRIMECLUB will, 6 months after Launch, endeavor to offer price and availability guarantees to its Membership base according to RUAG's ability to offer price and availability guarantees to CITIZENS. If CITIZENS is not convinced that RUAG can meet price and availability guarantees, the offering the guaranteed based services to CITIZENS Members will be at CITIZENS sole discretion.

WHEREAS, RUAG and CITIZENS agree to mutually support the collective business strategy as outlined in CITIZENS' PRIME Business Plan in order to develop and gain considerable US ammunition market share (5+%) under the PRIME brand, and

WHEREAS, RUAG and CITIZENS agree to a product marketing strategy with certain RUAG manufactured/loaded/sourced ammunition becoming the strategic branded product "PRIME" or where possible "PRIME powered by Swiss P" to support CITIZENS' PRIME Business Plan and

RUAG's

G. H. M.

WHEREAS, RUAG shall barring Force Majeure events as outlined in Section 26 herein, provide CITIZENS with a consistent and ongoing supply of high quality Products to sell in the U.S. market, and

WHEREAS, CITIZENS agrees to exclusively market and sell certain RUAG produced ammunition products to be packaged and sold as CITIZENS "PRIME" or where possible "PRIME *powered by Swiss P*" as outlined in the PRIME Business Plan, including a Membership Club model, product marketing, opinion leader powered social media outlets, direct to consumer sales, after RUAG confirmed potential dealer sales, public relations and other sales techniques including special events associated with ammunition sales and tactical/safety training offerings to its Club Member based community, and

WHEREAS, Citizens agrees to maintain automated connections to RUAG to provide RUAG accurate, real-time inventory (including sold and unsold Products transiting and stored in CITIZENS' Pick, Pack & Ship facility), accounting and payment information, and ←

WHEREAS, all CITIZENS branded ammunition shall be exclusively manufactured/loaded/sourced by RUAG with the PRIME headstamp and shall be sold as "PRIME" or where possible "PRIME *powered by Swiss P*", and ←

WHEREAS, CITIZENS shall receive consistent OEM pricing with a Most Favored Nations Clause (if in line with US anti-trust laws – as outlined in Exhibit A) and a price guarantee for the products supplied under this agreement, and

WHEREAS, RUAG recognizes the unique Club Model CITIZENS has built to meet its obligations under this Agreement and agrees that CITIZENS shall be RUAG's exclusive Club Model sales channel contractor in the U.S. if agreed Sales are met, and

WHEREAS, CITIZENS shall, after coordinating with RUAG, establish and report monthly (on a day to be mutually agreed upon by the parties) the Sales Forecast for the Products produced or sourced by RUAG to be marketed and sold under the PRIME Business Plan so as to support CITIZENS business strategy to gain market share and improve profit margins for RUAG through PRIME's direct to consumer model and/or through RUAG confirmed dealer model, and ←

WHEREAS, RUAG and CITIZENS will coordinate the Membership Guaranteed Minimum Ammunition Liability (MGAL) based Delivery Schedule(s) in order to ensure that CITIZENS does not incur more member order liability than RUAG can deliver by temporarily discontinuing, and

WHEREAS, RUAG agrees to include, in the Product Pricing charged to CITIZENS, the cost of the Products with positive manufacturing margin for RUAG, the Shipping costs and FET of the Products to CITIZENS Pick-n-Pack, and ←

WHEREAS, for the first two years of this Agreement starting after the Initial Product Shipment is accepted by CITIZENS; CITIZENS shall not incur a payment obligation to ←

[Handwritten signature]

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RUAG until such time that the Products are sold or given as free samples to CITIZENS' customers and/or members (however, CITIZENS shall also have no right or claim to ownership of any ammunition for which payment is not issued to RUAG). After this initial two year period CITIZENS will be required to pay for Products under RUAG's standard commercial 30 day payment terms after landing in the USA and the material will be stored directly by PRIME coming from Europe, and

WHEREAS, a 50% share of any net membership fees generated by the CITIZENS PRIME Freemium Club Member will be provided to RUAG within 30 days after receipt of the membership fee, and ←

WHEREAS, CITIZENS shall obtain adequate third-party financing to execute its PRIME Business Plan, and ←

WHEREAS, RUAG is the owner of the (distinctive) marks "SWISS P", "RUAG SWISS P The Snipers Choice", independent of the existence of corresponding trademark registrations, and CITIZENS is the owner of the trademark "PRIME". If CITIZENS fails to meet its Sales obligations, CITIZENS will grant a free of charge license to RUAG for produced PRIME branded products, so that RUAG may liquidate the PRIME branded inventory in the US or Europe. ←

AGREEMENTS

NOW, THEREFORE, in consideration of the mutual promises set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. **Definitions:** Capitalized terms used in this Agreement are defined in **EXHIBIT A** or the Section where they are first used.
2. **Products:** Consist of RUAG manufactured, produced, loaded, inventoried, catalogued or sourced ammunition, including PRIME branded packaged and head stamped Products, the pricing, financing, delivery and inventory of which to be coordinated with CITIZENS' forecasts addressing both its Membership base and the portion of the Spot Market which RUAG can address after Membership commitments are met.
3. **Effective Date:** 1st of April, 2015.
4. **Term, Termination & Renewal:**
 - a. The term of this Agreement shall be five (5) years beginning the Effective Date. CITIZENS and RUAG shall automatically renew this agreement for an additional five (5) year period provided CITIZENS successfully builds a sustained, profitable Internet and/or RUAG confirmed dealer based business for RUAG ammunition in the US that is: \$4MM up to the end of 2016, \$7MM 2017, \$10MM

[Handwritten signature]

[Handwritten signature]

2018, \$12MM 2019 and \$14MM 2020, calculated per year. CITIZENS and RUAG agree to negotiate in good faith for additional five (5) years extension based on previous period successful performance.

- b. In the event of termination, RUAG agrees to fulfill any product required to satisfy the pre-existing membership price/quantity guarantee tail created by the existing MGAL records as outlined in CITIZENS accounting records for up to 24 months after the Termination Date at RUAG's then-existing prices as of the Effective Date of said Termination. CITIZENS agrees to also stop incurring MGAL upon receiving notice of termination from RUAG as well as stopping using the brand or similar words as "SWISS P".
 - c. Without limiting any other rights or remedies which might be available at law or in equity, RUAG may at its discretion decide to terminate this Agreement at any time after giving notice to CITIZENS of an Event of Default, specifying the default(s) giving rise thereto; such Notice and Termination to be valid and enforceable unless CITIZENS remedies such Event of Default within twenty (30) Business Days of the delivery of such notice. Each of the following shall constitute an "Event of Default" hereunder: (i) CITIZENS failure to pay invoices; (ii) the suspension of CITIZENS business; (iii) CITIZENS failure to formally place finished Product on sale to the market place within six months of receiving the Initial Products; and (iv) CITIZENS' failure to rectify any material breach of this Agreement. If CITIZENS fails to pay their financial obligations to RUAG, RUAG may liquidate the PRIME branded inventory. ←
 - d. Either Party may terminate this Agreement on five (5) days advanced written notice to the other if the other (i) applies for or consents to the appointment of a receiver, trustee or liquidator, of its properties or assets, (ii) admits in writing its inability to pay its debts as they mature, (iii) makes a general assignment for the benefit of its creditors, (iv) is adjudicated a bankrupt or insolvent, or (v) files a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or in an answer which admits all material allegations of a Bankruptcy Petition filed against it.
 - e. Notwithstanding any termination of this Agreement, RUAG shall be entitled to, and CITIZENS shall pay, all balances due with respect to sales up to, and as of, the applicable Termination Date and subsequent invoices. Any confidentiality and intellectual property protection obligations in this Agreement also expressly survive the termination or expiration of this Agreement.
5. **ACCEPTANCE:** Products ordered by CITIZENS are subject to acceptance by CITIZENS and shall be deemed accepted if not rightfully rejected by CITIZENS in writing within ten (10) Business Days after receipt. However, if product is within specifications it may not be rejected by CITIZENS.

[Handwritten signature]

[Handwritten signature]

6. Trademark Licenses:

- a. Subject to the terms and conditions of this Agreement, RUAG grants to CITIZENS a nonexclusive, nontransferable, limited license to use and display the trademarks "Swiss P" (the "Mark") for use solely in branding marketing and promoting Products supplied by RUAG to CITIZENS under this Agreement. RUAG authorizes CITIZENS to provide creative, new concepts for the Mark for the U.S. market, which approval by RUAG is required, but shall not be unreasonably withheld for use by CITIZENS. RUAG shall have the right to use any new Mark design developed by CITIZENS and approved by RUAG for use in the U.S. for other world markets without any transfer of rights or ownership of any Marks or new Mark designs from RUAG to CITIZENS. Should RUAG decide to withdraw the Swiss P brand from the US market, RUAG reserves the right to withdraw the sub-brand support of PRIME.
 - b. Prior to using the Mark, CITIZENS will provide RUAG with a sample of the intended use of RUAG's Mark and either: (i) obtain RUAG's approval of such sample prior to its use; or (ii) receive no objection from RUAG to such sample within ten (10) Business Days following its submission.
 - c. CITIZENS' use of RUAG's Mark will inure to the benefit of RUAG and will conform at all times to recognized standards of proper trademark usage, including any specific standards provided by RUAG to CITIZENS. CITIZENS will, at RUAG's reasonable request and expense, cooperate with RUAG in taking steps to evidence, protect or perfect RUAG's rights in its Mark and agrees not to contest RUAG's ownership of such Mark or the validity of such Mark. CITIZENS agrees that: (i) except as set forth herein, CITIZENS has no rights, title or interest in or to RUAG's Mark; (ii) it will not intentionally engage, participate or otherwise become involved in or permit any activity that diminishes or tarnishes the image or reputation of the Mark; and (iii) it will not form any combination marks using such Mark other than those anticipated by this Agreement.
 - d. CITIZENS shall retain sole and exclusive ownership and use of its customer database, the PRIME name and/or all associated trademarks. CITIZENS grants to RUAG a nonexclusive, nontransferable, limited license to use and display the "PRIME" and any other related trademarks for the manufacturing and stamping of Products supplied by RUAG to CITIZENS under this Agreement.
7. **Club Model:** CITIZENS shall develop and implement a Club Model business model that includes an ammunition sales channel exclusively selling RUAG products and RUAG shall supply CITIZENS as its exclusive Club Model sales channel partner in the United States. CITIZENS agrees to provide RUAG with detailed demand forecasts for product requirements and purchase its entire requirement of ammunition exclusively from RUAG. If, however, after coordination with RUAG as required in the Recitals above, RUAG is unable to meet CITIZENS's entire forecasted demand or reasonable MGMAL demand by written notice of such demand, or if RUAG' decides to no longer produce,



supply or source (for which RUAG has the first right) the Product, CITIZENS shall be entitled to seek same from other resources without the use of the co-brand powered by Swiss P mark.

8. **Packaging:** CITIZENS and RUAG shall work together to ensure that the product, packaging, logo placement, copy, visuals and program elements are consistent with a high quality, professional organization complementary to RUAG. All packaging and copy using RUAG visuals or logos shall be provided to RUAG for review and approved by RUAG, such approval not to be unreasonably withheld. CITIZENS shall provide RUAG with electronic version of packaging design and copy for RUAG to produce CITIZENS "PRIME *powered by* Swiss P" packaging.
9. **Good Faith:** CITIZENS and RUAG agree to comply with the provisions of this Agreement in good faith at all times.
10. **Exclusivity:** Commencing on the Effective Date, and continuing to the Termination Date, and as long as the Sales commitments are met by CITIZENS or the Agreement is not otherwise terminated, CITIZENS shall exclusively market, sell and/or purchase, and RUAG shall continue to fill all Supply Orders made by CITIZENS as per the Sales Forecast agreed upon by the Parties for any products supplied by RUAG to Citizens under the PRIME brand. However, nothing contained in this Agreement shall prevent RUAG from selling its other brands of ammunition in any way or manner it deems fit other than where such selling would conflict with CITIZENS' exclusive rights herein. ←
11. **Supply:** RUAG agrees to manufacture package and load ammunition and supply ammunition in finished product packaging for the subject Products, (the design of which CITIZENS will, in agreement with RUAG, produce), and/or bulk packaging as periodically agreed to by RUAG and CITIZENS. RUAG shall provide ongoing working forecasts of Product production, Product shipping information, Product delivery scheduling and related matters. RUAG agrees to supply CITIZENS with Products as its exclusive Club Member business model partner in the United States.
12. **Marketing Materials:** RUAG and CITIZENS mutually agree to provide each other existing collateral materials, mechanicals, Product and media content, as well as diagram and video resources and logos, for the CITIZENS offering of RUAG Products as contemplated in this Agreement, and for appropriate use in the branding of Product packaging and media resources if already existing within RUAG.
13. **Criticality:** RUAG acknowledges that the Product is critical to the successful penetration and increase in RUAG's market-share of the U.S. ammunition marketplace, and as such, RUAG will notify CITIZENS immediately upon its belief that it may not or will not be able to fulfill any one or all of CITIZENS forecasted Supply Orders for Products.
14. **Initial Products:** CITIZENS has determined the RUAG specifically formulated products it would like to initially introduce to the U.S. market under the PRIME *powered by* Swiss P brand as outlined in Exhibit B.

15. **Initial Inventory:** CITIZENS has estimated the amounts of the Initial Products salable in the first 12 to 18 months of operations and has listed these amounts in Exhibit B.
16. **Additional Products:** Subject to mutual agreement of the Parties, and not to be unreasonably withheld by RUAG, should CITIZENS' PRIME Business Plan display reasonable signs of success, CITIZENS from time to time may request RUAG to manufacture certain Additional Products for CITIZENS at certain inventory levels. RUAG shall provide Quote for said Additional Products or a reasonable explanation as to why RUAG will not quote the Additional Product request from CITIZENS. Should CITIZENS accept RUAG's Quote a Supply Order will be issued by CITIZENS that provides an estimated Sales Forecast and a certain amount of Initial Inventory of the Additional Products. No Order will be binding upon RUAG until expressly accepted by RUAG. In such cases, the Parties shall agree upon any additional terms that will apply and in accordance with those terms.
17. **Pick, Pack & Ship Facility:** CITIZENS will maintain either a vendor based or directly operate a fulfillment facility in order to fulfill its Customer, Law Enforcement or Club Members' orders from such facility. Pending the execution of a formal contract, the sufficiency of which to be reviewed and agreed upon by RUAG. CITIZENS Pick, Pack & Ship warehouse facility shall be subject to regularly scheduled inventory inspections and verification processes by RUAG. Nevertheless, CITIZENS, and not RUAG, shall be solely responsible and/or liable for the selection, management and/or oversight of the operations of the Pick, Pack & Ship warehouse facility and personnel.
18. **Delivery & Ownership:** RUAG agrees to provide CITIZENS with product by delivery of same to CITIZENS designated Pick, Pack & Ship facility. RUAG shall retain title and ownership of Product supplied to CITIZENS until the time that such product is sold by CITIZENS and paid for by CITIZENS' customers or CITIZENS. CITIZENS shall pay RUAG for product within 7 Business Days after the Product is sold. Such payments shall be provided to RUAG via established electronic banking facilities. ←
19. **Right to Sell:** RUAG retains the right to sell any remaining Inventory of PRIME branded products should CITIZENS fail to establish a sell through volume that will provide an ongoing flow of new Supply Orders to replace sold Initial Inventory within 18 months of the launch (the first sale from the new Website on a per item basis starting from when they are initially delivered) of the PRIME powered by any RUAG branded products. RUAG shall not sell additional production runs of the Initial Products inventory and/or any new Additional Products under the PRIME brand unless expressly authorized by CITIZENS or unless CITIZENS fails to meet its volume obligations or the contract is otherwise terminated for cause pursuant to Section 4 above.
20. **Confidentiality; Non-Disclosure Agreement:** This agreement is governed by the Mutual Non-Disclosure Agreement executed by RUAG and CITIZENS representatives 2-19-13 and the elements of that document contained therein. That document binds

RUAG and CITIZENS as to its terms and is incorporated here by reference as though fully set forth herein.

21. **Modifications, Waivers:** This Agreement shall not be amended or modified, nor shall any waiver of any right hereunder be effective, unless set forth in a written document executed by duly authorized representatives of both parties. The waiver of any breach of any term covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of the same.
22. **Force Majeure:** Neither RUAG nor CITIZENS is liable or deemed to be in default for any delay, interruption, or failure in performance under this Agreement resulting from the following events: acts of God, acts of civil or military authority like export restrictions of Swiss authorities; acts of the public enemy; war; accidents, fires, explosions, power surges, earthquakes, floods, or unusually severe weather; strikes or labor disputes; delays in transportation or delivery outside the reasonable control of the affected party; epidemics; a valid lawsuit with a value larger than the value of RUAG Ammotec's U.S. business with CITIZENS, and any similar event beyond the affected party's reasonable control ("Force Majeure Event"), but only to the extent the work of the Party to be performed is affected by said Force Majeure Event.
23. **Government Approvals:** Each Party to this Agreement represents and warrants to the other Parties that: (a) such Party has the full corporate right, power and authority to enter into this Agreement and to perform all acts required of it hereunder; (b) the execution of this Agreement by such Party, and the performance by such Party of its obligations and duties hereunder, do not and will not violate any agreement to which such Party is a Party or by which it is otherwise bound; (c) when executed and delivered by such Party, this Agreement will constitute the legal, valid and binding obligation of such Party, enforceable against such Party in accordance with the terms and conditions of this Agreement; (d) it is not subject to any pending or threatened litigation or governmental action that could interfere with its performance of this Agreement; and (e) such Party, in the performance of this Agreement, will comply with and be bound by all applicable laws, rules and regulations of the U.S. Government, as well as all applicable state and territories. No Party has been induced to enter into this Agreement by any representations or promises not specifically stated herein.
24. **Mutual Representations and Warranties:** Each Party represents and warrants, solely to and for the benefit of the other, that: (a) it has the full right, power, authorization and authority to enter into this Agreement, grant the rights set forth herein and perform its obligations hereunder; (b) its performance of this Agreement, and the other Party's exercise of such other Party's rights under this Agreement, will not conflict with or result in a breach or violation of any of the terms or provisions or constitute a default under any other agreement by which it is bound; (c) there are no known claims or allegations that any part of this Agreement infringes on the intellectual property rights of any other party; and (d) when executed and delivered, this Agreement will constitute a legal, valid and binding obligation enforceable against it in accordance with its terms.

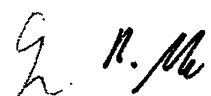
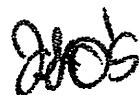
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25. **Intellectual Property Warranty:** RUAG and CITIZENS mutually warrant that sale or use of any Products provided hereunder in its intended application will not infringe the Intellectual Property Rights of any other Person. This warranty does not apply to claims based on: (a) the combination of a Product with other devices or software not supplied by RUAG if the Product by itself would not have infringed; (b) compliance with design Specifications supplied or requested by CITIZENS to the extent not otherwise part of RUAG's standard Products; (c) a particular use of Products if the Product are capable of substantial non-infringing uses; (d) modification of Products after delivery by RUAG; or (e) components of the Products that are supplied by CITIZENS. The parties exclusive remedy for breach of this warranty is the indemnification provided to CITIZENS under Section 31 herein.
26. **Products Warranty:** RUAG warrants to and for the sole benefit of CITIZENS that all Products will be free from defects in materials and workmanship and will perform in accordance with its applicable Specifications for a period of six months after delivery, or for such longer warranty period as may be expressly provided in the Quote against which such Product is ordered. RUAG expressly disclaims any warranty not expressly provided with its Products and, to the fullest extent allowed under applicable law. Disclaims all implied warranties including the implied warranty of merchantability or fitness for a particular purpose. CITIZENS shall not make or convey any promise, representation or warranty to any customer that is different or which goes beyond RUAG's standard warranty. CITIZENS' exclusive remedy for breach of any applicable warranty is to notify RUAG of the breach in writing during the applicable warranty period, whereupon RUAG, as its sole obligation and liability, will either repair or replace the nonconforming Product or, at RUAG's election, refund to CITIZENS the price paid for the nonconforming Products.
27. **Limitation of Liability:** In no event will either Party be liable to the other Party for any indirect, special, incidental or consequential damages (including lost profits or loss of goodwill), whether based on contract, tort (including negligence), or any other legal theory, arising out of or related to this Agreement. The limitations of liability in this Section will not apply to claims by either Party for gross negligence, willful conduct, misappropriation of its Confidential Information or infringement of its Intellectual Property Rights or to either Party's indemnification obligations under Sections 31 & 32 herein. The foregoing limitations of liability will apply even if an exclusive remedy hereunder fails its essential purpose.
28. **Notices:** All notices, elections, requests, demands, and other communications required or permitted under this Agreement shall be in writing, and shall be deemed to have been delivered and received (a) when personally delivered, or (b) on the third (3rd) Business Day after which sent by registered or certified mail, postage prepaid, return receipt requested, (c) on the date on which transmitted by facsimile or other electronic means generating a receipt evidencing a successful transmission (provided that, on that same date, a copy of such notice is sent by registered or certified mail, postage prepaid, return receipt requested), or (d) on the next Business Day after the Business Day on which deposited with a regulated public carrier (e.g., Federal Express) for overnight delivery,

freight prepaid, addressed to the Party for whom intended at the address or facsimile number set forth on the signature page hereof, or such other address or facsimile number.

29. **Severability:** If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity, or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired thereby, and the remainder of the provisions of this Agreement will remain in full force and effect.
30. **Governing Law:** This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware, without regard to the conflict of laws principals thereunder. Each party hereby consents to the jurisdiction of the courts of Delaware for all disputes arising under or in connection with this Agreement.
31. **Indemnification by RUAG.** Notwithstanding any other provisions of this Agreement, RUAG shall indemnify and hold harmless CITIZENS, and its officers, directors, employees, insurers, and agents, from and against all claims, demands, causes of action, damages and judgments, whether or not suit is actually commenced, which might be imposed upon or brought against them as a result of the manufacturing or design of Products attributable to RUAG or RUAG's material breach of this Agreement. Excluded from this provision are any costs, expenses, claims, demands, causes of action, damages and judgments which are the result of:
- A. Any warranty, express or implied, that is made by CITIZENS different from or in addition to those made in writing by a third party manufacturer which accompany the Products;
 - B. Bodily injury, property damage, or death arising out of:
 - (1) Any physical or chemical change in the form of the Products made by CITIZENS,
 - (2) Any mishandling of the Products by CITIZENS, including but not limited to, repacking or removal of the Products from its original packaging or canister, or
 - (3) Products which after distribution or sale by RUAG to CITIZENS have been labeled or relabeled in a manner not authorized by RUAG.
32. **Indemnification by CITIZENS.** CITIZENS shall indemnify and hold RUAG, and its affiliated companies, and their respective officers, directors, employees, insurers, and agents, harmless from all costs, expenses, claims, demands, causes of action, damages and judgments, whether or not suit is actually commenced, which might be imposed upon or brought against RUAG as a result of a third party claim: 1) arising from warranties or promises, written or verbal, made by CITIZENS different from or in addition to those made in writing by RUAG or which accompany the Products; 2) material breach of this Agreement by CITIZENS; 3) independent acts of negligence, breach of contract,



employer liability, misrepresentation or other tortious conduct on the part of CITIZENS or its agents, employees and representatives; and/or 4) as a result of, or arising from, the events detailed in sub-section 31(B) above.

33. **Insurance:** During the term of this Agreement and for two (2) years thereafter, each Party will maintain, at its own expense, commercial property, casualty, and general liability insurance in amounts customary for businesses operating in such Party's respective industry. Each Party will list the other as an "additional named insured" on such policies and will provide the other Party with adequate evidence of such coverage within thirty days (30) after the Effective Date and thereafter promptly upon the other Party's request. Each Party will provide the other Party with prompt written notice of any material changes in its insurance coverage.
34. **Shipment and Risk of Loss:** The shipment of Products ordered by CITIZENS shall be arranged by RUAG at its sole cost for the first 18 month from Launch. Products will be delivered DDP at CITIZENS Pick-n-Pack facility USA (Incoterms 2010) and the risk of loss of the Products shall pass to CITIZENS upon Acceptance at CITIZENS Pick-n-Pack facility. CITIZENS shall have sole responsibility for insurance thereafter. After 18 months from the Launch, Products for CITIZENS will be delivered DDP to the first Port USA.
35. **Import/Export License and ITAR:** To the extent applicable, each party agrees to comply with all applicable U.S. export and import laws and regulations, including the International Traffic in Arms Regulations (ITAR), governing the export of technical data for the provision of defense services if in any way related to this Agreement. Notwithstanding anything that may be to the contrary herein, the obligations of all parties to adhere to U.S. export and import laws and regulations shall survive the expiration or termination of this Agreement. Each party shall be responsible for obtaining all permits, licenses and approvals, if any, that may be necessary or required in connection herewith.
36. **Taxes.** CITIZENS shall be responsible for the collection and payment of any and all present, retroactive, or future sales, use or other tax applicable to its sales of the Products.
37. **Assignment:** Neither Party may assign this Agreement or any rights hereunder, whether by operation of law or otherwise, without the prior written consent of the other Party, whereby such consent will not be unreasonably withheld.
38. **Construction:** The parties acknowledge that each party has read and negotiated the language used in this Agreement. The parties agree that, because all parties participated in negotiating and drafting this Agreement, no rule of construction shall apply to this Agreement which construes ambiguous language in favor of or against any party by reason of that party's role in drafting this Agreement.
39. **Independent Contractor:** RUAG and CITIZENS shall be independent contractors for one another under this Agreement and shall assume all rights, obligations, and liabilities applicable to independent contractors. In no way shall RUAG or CITIZENS be

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considered a subsidiary, agent, joint venturer or employee of one another under this, or any other, Agreement unless expressly stated.


40. **Headings.** The headings in this Agreement are included for ease of reference only and shall not control or affect the meaning or construction of the provisions of this Agreement.
41. **Entire Agreement:** This Agreement and the in force Non-Disclosure Agreement previously executed between the Parties, constitute the entire agreement and understanding between RUAG and CITIZENS. This Agreement supersedes any and all prior understandings, commitments or agreements, oral or written and becomes operative and binding upon the signature below of the representatives of each company.
42. **Counterparts; Electronic Signatures:** This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument, binding on each signatory thereto. A copy of this Agreement that is executed by a party and transmitted by that party to the other party by facsimile or as an attachment (e.g., in ".tiff" or ".pdf" format) to an email shall be binding upon the signatory to the same extent as a copy hereof containing that party's original signature.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed in duplicate originals by their duly authorized representatives as of the day and year set forth above.

CITIZENS

RUAG Ammotec AG, RUAG Ammotec USA, INC.

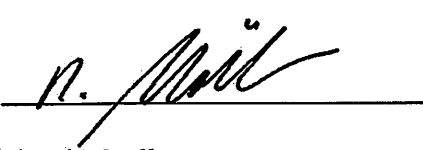
Signature: 

Signature: 

Name: James G. O'Shaughnessy
Title: CEO, Citizens Ammunition, LLC

Name: Cyril Kubelka
Title: CEO, RUAG Ammotec AG

RUAG Ammotec AG, RUAG Ammotec USA, INC.

Signature: 

Name: Reinhard Moeller
Title: General Manager, RUAG Ammotec USA, Inc.

EXHIBIT A

DEFINITIONS

"Additional Products" means such additions to the Initial Products that RUAG agrees to produce and sell to CITIZENS, and that CITIZENS agrees to purchase from RUAG, hereunder.

"Business Day" means each day other than a Saturday, Sunday, and any other day on which the banks in Los Angeles, California, are permitted or required to be closed.

"Specifications" means, with respect to the Products, the technical specifications provided by RUAG for said Products. Specifications do not include advertising or marketing materials.

"Freemium Club Member" means someone who has signed up to become a member of CITIZENS' club where membership is free of charge for some introductory period of time and then charged upon renewal.

"Club Model" means the business model CITIZENS will use to turn a product into a service in an effort to further de-commoditize the Products and to provide Member only based, community building events and offerings.

"Customer Order" means a CITIZENS customer, who is not a Club Member, who places an ecommerce based purchase on the PRIME Website.

"Customer" means someone who has purchased Products from CITIZENS' ecommerce site that is not a Club Member.

"Delivery Schedule" means when the Products that match the Sales Forecast or Quotes will be shipped from RUAG to CITIZENS Pick-n-Pack location.

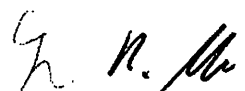
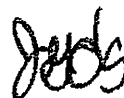
"Federal Excise Tax (FET)" Federal Excise Tax means the tax which has to be paid for Sales to the first customer in the US. FET is paid by RUAG as calculated in the prices in Exhibit B.

"Freemium Shootscription" means a quarterly subscription based on a home ammunition delivery service that guarantees that the price of the Products won't go up during the term of the Shootscription and it also guarantees the availability of the Products during the term of the Shootscription. The lowest level of the Shootscription may be offered to the Member free of charge for some introductory period of time and then charged upon renewal and/or upon upgrading to a higher level Shootscription.

"Initial Products" means the first series of Products delivered to CITIZENS listed in Exhibit B.

"Law Enforcement Order" means a Customer Order or Member Order placed by a sworn law enforcement officer or placed by a law enforcement agency.

"Member Order" means a CITIZENS Club Member who places an ecommerce based Shootscription on the PRIME Website.



"Membership Guaranteed Ammunition Liability (MGAL)" means the running total of the cumulative amounts of Products due to the members when totaling the quarterly amounts of their Shootscriptions. This is the portion of the Sales Forecast that must both be met by RUAG (barring Force Majeure events) and carefully coordinated between RUAG and CITIZENS in order to keep CITIZENS from providing more guarantees than RUAG can meet.

"Most Favored Nation Clause" is a contract provision in which a seller agrees to give the buyer the best terms it makes available to any other Club Model or final customer dealer price if volume and date of delivery is comparable within the same quarter of Sales as prices may change within a business year.

"Notice" is deemed provided upon successfully sending electronic mail to the appropriate party.

"Pick, Pack & Ship" means a warehouse facility provided by a 3rd party vendor or CITIZENS that provides the storage, inventory control, accounting, packaging and shipping of its customers' and members' orders from such facility.

"PRIME Business Plan" means the written business plan that has been produced by CITIZENS that outlines the specific strategies and necessary resources to make PRIME a profitable going concern.

"PRIME" means the brand name that CITIZENS will do business as.

"Products" means the ammunition products, including its packaging, specified on Exhibit B hereto and such other ammunition products that the Parties agree in writing that RUAG shall supply to Citizens under this Agreement.

"Product Pricing" means the amount RUAG charges CITIZENS (as listed in Exhibit B) for the Products and should include: the cost of the Products with positive manufacturing margin for RUAG, the Shipping costs of the Products to Citizens Pick-n-Pack facility.

"Quote" means the written response from RUAG to CITIZENS outlining the Product Pricing, Specifications, and Delivery Schedule for either additional Initial Products or Additional Products.

"Sales Forecast" means the combination of the Spot Market forecast and the MGAL forecast

"Segment of Internet Sales" means the portion of the US market that RUAG sells loaded ammunition to that then resells said loaded ammunition via the Internet. This does not include RUAG's business of providing basic, unassembled ammunition components to other manufactures or assemblers of loaded ammunition products.

"Spot Market" means the non-member, market fluctuating price for customers who don't join the PRIME Club based Shootscription service. Their pricing and availability is at the mercy of the market and the Delivery Schedule from RUAG is on a best efforts basis.

"Supply Order" means a written request from CITIZENS to RUAG accepting RUAG's Quote for various inventory levels of additional Initial products or Additional Products. Due to the strategic nature of the relationship between the Parties, Supply Orders issued by CITIZENS to RUAG are not considered purchase orders as RUAG retains ownership of the Products until sold by CITIZENS.

EXHIBIT B

INITIAL INVENTORY, PRICE LIST & DELIVERY SCHEDULE OF THE INITIAL PRODUCTS

Launch	Product	Bullet Type	Prices per thousand	Initial Volume	Comment
A	.22LR Auto	40 gr lead round nose	\$ 93.00	Best efforts to deliver until August 20th, 2015	
A	.22LR Bolt	40 gr lead round nose	\$ 85.00	Best efforts to deliver until August 20th, 2015	
A	.22LR Subsonic	40 gr HP	\$ 93.00	Best efforts to deliver until August 20th, 2015	
A	9mm (9x19)	124gr FMJ	\$ 215.00	Best efforts to deliver until August 20th, 2015	
A	9mm (9x19)	124 gr Hexagon	\$ 310.00	Best efforts to deliver until August 20th, 2015	
A	.40 S&W	180 gr FMJ	\$ 250.00	Best efforts to deliver until August 20th, 2015	
A	.45 ACP	230 gr FMJ	\$ 280.00	Best efforts to deliver until August 20th, 2015	
A	.45 ACP	230 gr JHP	\$ 430.00	Best efforts to deliver until August 20th, 2015	
A	.223 REM	55 gr FMJ	\$ 360.00	Best efforts to deliver until August 20th, 2015	
A	.223 REM	77 gr BTHP	\$ 625.00	Best efforts to deliver until August 20th, 2015	
A	.308 Win. Match Target	175 gr BTHP	\$ 1,500.00	Best efforts to deliver until August 20th, 2015	
A	.338 Lapua Mag.	300 gr BTHP	\$ 2,400.00	Best efforts to deliver until August 20th, 2015	
A	12 Gauge 2 3/4 Smooth Slug	For Smooth Barrel	\$ 950.00	Best efforts to deliver until August 20th, 2015	
A	12 Gauge 2 3/4 00-Buck	8 or 9 pellets	\$ 530.00	Best efforts to deliver until August 20th, 2015	
Total volume that is planned to deliver until August			10,750,000	Best efforts to deliver until August 20th, 2015	

Additional products planned for competitive prices but R&D work needed. Prices, volume and delivery dates have to be confirmed. Competitive Pricing is the target

B	9mm (9x19)	124gr JHP	250,000	R&D work needed - best efforts, volume & price not confirmed
B	.300 AAC Blk Supersonic	150 gr FMJ	500,000	R&D work needed - best efforts, volume & price not confirmed
B	.300 AAC Blk Subsonic	220 gr HPBT	500,000	R&D work needed - best efforts, volume & price not confirmed
B	.260 Rem	130 gr BTHP	250,000	R&D work needed - best efforts, volume & price not confirmed
B	6.5mm Creedmoor	130 gr BTHP	250,000	R&D work needed - best efforts, volume & price not confirmed

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EXHIBIT B

ADDENDUM TO

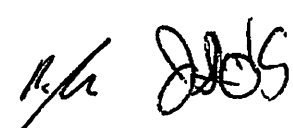
SUPPLY AGREEMENT BY AND BETWEEN RUAG AMMOTEC, AG, RUAG AMMOTEC USA, INC. AND CITIZENS AMMUNITION, LLC

This Addendum hereby alters and amends the Product Supply Agreement ("Supply Agreement"), originally made and entered into on March 17, 2015, by and between RUAG Ammotec AG, (individually "RUAG AG"), RUAG Ammotec USA, Inc., a (individually "RUAG USA") (collectively "RUAG") and Citizens Ammunition LLC, ("Citizens"), with an effective date of April 1, 2015, as follows:

AGREEMENTS

1. **CLARIFICATION AND CONFIRMATION OF CITIZENS' OBLIGATION TO PURCHASE PRIME INVENTORY AND/OR STOCK.** Within the "Recitals" to the Supply Agreement, RUAG and Citizens agreed that for the first two (2) years of the Supply Agreement, after the Initial Shipment of product by RUAG as defined in the Supply Agreement, Citizens would not incur any obligation to pay for the Product (also as defined in the Supply Agreement) until it was sold by Citizens. All such Product would continue to be owned by RUAG USA until payment was tendered by Citizens. It was further agreed by the parties that after this two (2) year period, Citizens would then have to pay for any current or future inventory of the Product under RUAG's net thirty (30) day terms.

In August of 2015 (11th Sweden, 13th Switzerland, 17th Germany), the Initial Shipment of the Product was made and since this time Citizens has been tendering payment for the Product as it was sold by Citizens. The parties hereby wish to clarify and confirm that, pursuant to the subject "Recital", the balance of the supply Agreement, and this Paragraph, Citizens shall attempt to either sell all existing inventory and/or raise additional capital in order to tender payment in full to RUAG USA on or before September 30, 2017 for all current inventory and/or stock of the Product. At such time, if Citizens is reasonably capable of making the purchase, title and ownership of the Product shall transfer from its current owner, RUAG USA, to Citizens. The inventory of Product as of April 4th 2017 was as follows:

Two handwritten signatures are present in the bottom right corner of the page. The first signature is a stylized, cursive mark that appears to be 'R. L.'. The second signature is more legible, appearing to be 'JOS'.

Stock Description 1	Stk Unit of Measure	Qty On Hand Costed
.300 BLK PRIME Target	BX	8.003
.223 Rem. PRIME HPBT 77 gr	BX	4.882
.338 Lap. Mag. PRIME HPBT	BX	8.750
.308 Win. PRIME HPBT 175gr	BX	19.535
.22 LR PRIME RIFLE 40gr	BX	(423)
.22 LR PRIME Subsonic HP 40gr	BX	2.664
.223 Rem. PRIME FMJ 55 gr	BX	10.739
9mm Luger PRIME HP SX 124gr	BX	1.461
.260 Rem. PRIME HPBT 130gr	BX	14.930
6.5MM CREEDMOOR PRIME HPBT 130	BX	38.813
12 gauge PRIME 2 5/8 Buck Shot	BX	2.721
12 gauge PRIME 2 5/8 COMP SLUG	BX	5.656
.40 S&W PRIME FMJ 180gr	BX	8.152
.45 Auto PRIME FMJ 230gr	BX	7.820
9mm Luger PRIME FMJ 124 gr	BX	10.421
.22 LR PRIME SEMI-AUTO 40gr	BX	69.617
.45 Auto PRIME HP 230 gr	BX	4.467
9mm Luger PRIME HEXAGON 124gr	BX	7.595

If Citizens is unable to raise sufficient capital and/or financially afford to tender the payment(s) addressed herein, it must provide a written sworn statement to this effect, and/or provide sufficient documentary proof, to RUAG USA of such financial inability.

2. **NET THIRTY (30) DAY TERMS FOR ALL NEW INVENTORY OF PRODUCT.** Consistent with Paragraph "1" above, commencing on October 1, 2017, Citizens shall have to tender payment in full for all new inventory of Product ordered by Citizens under the Supply Agreement on net thirty (30) day terms after such product is received as inventory by RUAG USA. Citizens shall provide written notice when such Product is received in inventory within three (3) business days of taking delivery of Product. As with the current inventory of Product, all new inventory of Product shall remain the property of RUAG USA until paid for in full by Citizens.
3. **UNENCUMBERED RIGHTS TO SELL OR TRANSFER BY RUAG IN EVENT OF NON-PAYMENT.** If Citizens is unable to tender payment for any remaining Product inventory by September 30, 2017, or any new Product inventory on net thirty (30) day terms, Citizens shall, unless otherwise agreed in writing by RUAG, forfeit all potential rights and claims to the Product, and RUAG shall have the full and unencumbered legal right to sell, transfer or dispose of the Product inventory as it deems fit. Citizens shall waive any and all potential rights to claim any intellectual property, goodwill or other infringement and/or violations with respect to any such sale, transfer or disposal by RUAG, including but not limited to, any claims related to RUAG's use of the PRIME name and/or all associated trademarks in connection with the sale, transfer or disposal of the Product under this Paragraph..

IN WITNESS WHEREOF, the parties hereto have caused this Addendum to Supply Agreement to be executed by their duly authorized representatives.

CITIZENS AMMUNITION LLC

By: [Signature]
Name: J. O'SHAUGHNESSY
Title: CEO
Date: 8-9-17

RUAG AMMOTEC AG

By: _____
Name: _____
Title: _____
Date: _____

RUAG AMMOTEC USA, INC.

By: R. [Signature]
Name: Reinhard Möller
Title: General Manager
Date: 9-7-17

EXHIBIT C

PISCIOTTI
MALSCH
COUNSELORS & LITIGATORS

NEW JERSEY OFFICE
30 COLUMBIA TOWNS
SUITE 205
FLORHAM PARK, NJ 07932
973-245-8100

NEW YORK OFFICE
445 HAMILTON AVE
SUITE 1102
WHITE PLAINS, NY 10601
914-287-7711

PMLEGALFIRM.COM

July 19, 2018

VIA EMAIL, U.S. MAIL
& CERTIFIED MAIL

Jim O'Shaughnessy, CEO
Citizens Ammunition LLC
d/b/a PRIME
500 N. Rainbow Road – Suite 300
Las Vegas, Nevada 89107

Re: Notice of Default to Citizens/PRIME
Our File No.: 980.06

Dear Mr. O'Shaughnessy:

This office represents the interests of RUAG Ammotec AG and RUAG Ammotec USA, Inc. (collectively "RUAG"), as well as the other RUAG entities. As you are aware, RUAG and Citizens Ammunition LLC ("Citizens," and/or "PRIME") entered into a Supply Agreement dated March 17, 2015, as amended by Addendum dated August 9, 2017 ("Agreement"). The Agreement allowed Citizens/PRIME to market and sell RUAG product under the "Prime" name. **At present, Citizens/PRIME is in default under the Agreement for its failure to pay RUAG in excess of \$744,000.00 for "Prime" ammunition.** Please consider this as RUAG's formal notice of default, demand for overdue payment(s) and demand for the immediate return of all unsold "Prime" inventory which is owned by RUAG.

Under to the terms of the Agreement, Citizens was responsible for issuing payments to RUAG for all sold "Prime" inventory. For the first two (2) years following shipment of RUAG's initial inventory, Citizens/PRIME was required to pay for the "Prime" inventory when sold. After this two (2) year period, which expired in August of 2017, Citizens was responsible to pay for all "Prime" inventory ordered under net 30-day payment terms.

On August 9, 2017, Citizens/PRIME executed an Addendum to the Agreement ("Addendum") under which RUAG permitted Citizens/PRIME to make the overdue payment for the initial inventory in full by September 30, 2017. The Addendum also required payment in full for all "Prime" inventory purchased by Citizens/PRIME on or after October 1, 2017 within 30 days of receipt of the inventory. Pursuant to the Agreement, and confirmed in the Addendum, title and ownership of all "Prime" inventory would remain with RUAG until Citizens tendered payment in full. As you know, no further addenda or terms have been fully agreed upon by Citizens/PRIME and RUAG since the execution of the Addendum.

Pursuant to section 4(c) of the Agreement, and section 3 of the Addendum, RUAG retained the right to terminate the Agreement and liquidate the "Prime" inventory in any way it desired if Citizens/PRIME breached the Agreement or otherwise failed to meet its payment obligations. Specifically, section 3 of the Addendum provides as follows:

Unencumbered rights to sell or transfer by RUAG in event of non-payment. If Citizens is unable to tender payment for any remaining Product inventory by September 30, 2017, or any new Product inventory on net thirty (30) day terms, Citizens shall, unless otherwise agreed in writing by RUAG, forfeit all potential rights and claims to the Product, and RUAG shall have the full and unencumbered legal right to sell, transfer or dispose of the Product inventory as it deems fit.

We have been advised by RUAG that payment for the "Prime" inventory has not been made by Citizens/PRIME since January 2018, and that Citizens'/PRIME's outstanding balance, per its latest reporting to RUAG, is at least \$744,000.00. As such, Citizens/PRIME is in default of its payment obligations under the Agreement and Addendum, which is a material breach of the Agreement. Citizens/PRIME has never disputed the amount owed to RUAG, and in fact, it conceded that such money is owed in its July 12, 2018 correspondence with RUAG. Thus, there is no justifiable and lawful excuse for the continued failure to issue payment.

Accordingly, RUAG demands that all unsold "Prime" inventory immediately be turned over to RUAG. It is our understanding that you have already agreed to this. In addition, RUAG demands payment in full of the balance owed within the next ten (10) days. If Citizens/PRIME is unable or unwilling to issue the outstanding payments, and/or some other agreement cannot be worked out within the ten (10) day period, RUAG will have no choice but to formally seek to protect its rights.

We look forward to your response. Please feel free to contact me with any questions.

Very truly yours,

PISCIOTTI MALSCH, P.C.

A handwritten signature in black ink, appearing to read "Ryan Erdreich", written in a cursive style.

Ryan L. Erdreich

EXHIBIT D

PISCIOTTI
MALSCH
COUNSELORS & LITIGATORS

NEW JERSEY OFFICE
30 COLUMBIA TPK.
SUITE 205
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WHITE PLAINS, NY 10601
914-287-7711

PMLEGALFIRM.COM

July 31, 2018

VIA EMAIL, U.S. MAIL
& CERTIFIED MAIL

Jim O'Shaughnessy, CEO
Citizens Ammunition LLC
d/b/a PRIME
500 N. Rainbow Road – Suite 300
Las Vegas, Nevada 89107

Re: Notice of Termination of Citizens/PRIME Supply Agreement
Our File No.: 980.06

Dear Mr. O'Shaughnessy:

As you know, this office represents the interests of RUAG Ammotec AG and RUAG Ammotec USA, Inc. (collectively "RUAG"). Please accept this as RUAG's formal written notice of termination of the March 17, 2015 Supply Agreement ("Agreement"), as amended by an August 9, 2017 Addendum ("Addendum").

On July 19, 2018, we, on behalf of RUAG, issued a written default notice ("Default Notice") to Citizens Ammunition LLC ("Citizens" and/or "PRIME") under the terms of the Agreement. The Default Notice addressed Citizens'/PRIME's failure to pay RUAG in excess of \$744,000.00 for "Prime" ammunition supplied by RUAG and sold by Citizens/PRIME under the Agreement. The Default Notice requested the payment of the full balance owed within ten (10) days, which resulted in a payment due date of July 29, 2018.

We have been advised that, to date, Citizens/PRIME has not issued all or any portion of the overdue payment at issue. We have also been advised that Citizens/PRIME has kept and/or sold additional \$87,737.83 in PRIME inventory, after a product count was performed by RUAG, and ignored the July 30, 2018 payment date for this inventory. **This brings the total overdue amount to \$771,315.35.¹ Citizens/PRIME has stated both in writing and during telephone calls with RUAG personnel that it does not presently have the funds to pay any of the overdue amount(s).** This includes July 5th and July 12th emails from you to RUAG. We have also been made aware of a recent request by Citizens/PRIME to sell certain "Prime" inventory at less than its costs due to RUAG, which strongly indicates that Citizens/PRIME did not intend to pay RUAG

¹ This total reflects a recent \$60,422.48 credit for a Spring 2018 excise tax and interest payment.

for such inventory.²


Section 4(d) of the Agreement permits RUAG to terminate the Agreement upon five (5) days advanced written notice after Citizens/PRIME “admits in writing its inability to pay its debts as they mature.” You have unequivocally stated to RUAG multiple times that Citizens/PRIME cannot pay the current debts owed to RUAG. Despite RUAG providing you with an additional ten (10) days, you have also made no effort to pay any of the debt owed. Accordingly, **RUAG hereby formally exercises its right to terminate the Agreement effective August 5, 2018.**

Nothing contained herein, including RUAG’s exercising of its right to terminate the Agreement, is intended to be, or should be construed as, a waiver of any other rights on behalf of RUAG. RUAG continues to demand all amounts due and owing by Citizens/PRIME. If payment is not immediately made for the full \$771,315.35 balance owed, RUAG will have no choice but to formally and legally protect its rights.

Please feel free to contact me with any questions.

Very truly yours,

PISCIOTTI MALSCH, P.C.



Ryan L. Erdreich

² RUAG has exercised its right under section 3 of the Addendum to take possession of the “Prime” inventory and sell, transfer or dispose of such inventory as it deems fit.