

**DRAFT**

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This Addendum hereby alters and amends the Product Supply Agreement (“Supply Agreement”), originally made and entered into on March 17, 2015, by and between RUAG Ammotec AG, (individually “RUAG AG”), RUAG Ammotec USA, Inc., a (individually “RUAG USA”)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

**WHEREAS**, on January 21, 2018 RUAG made it known to PRIME that it wishes to continue supporting PRIME in an effort to assist PRIME in continuing as a going concern so that PRIME will continue to purchase ammunition products from RUAG, and

**WHEREAS**, This addendum removes the sales volume amounts from Section 4(a) of the Supply Agreement, and

**WHEREAS**, RUAG agrees to loan PRIME the existing value of the remaining inventory of the current supply agreement of \$2,969,500.88\* as of December 21, 2017 which is listed below in Appendix A for a duration of approximately 3 years ending on February 1, 2021, and

**WHEREAS**, PRIME agrees to pay 2.5% annual interest on said loan in quarterly payments, calculated on the value of the remaining loan amount with the quarterly interest payments due no later than the last Thursday of each calendar quarter, and

**WHEREAS**, PRIME agrees to annual principal payments paid on or before the second Thursday of December of each year during the duration of the loan in increasing amounts as per the attached schedule in Appendix B, and

**WHEREAS**, PRIME will not face any prepayment penalties for any or all amounts paid to RUAG on the principal of the loan ahead of schedule and the interest and principal schedule in Appendix B may be recalculated from time to time based on any prepayments of principal, and

**WHEREAS**, PRIME may include the Research and Development costs of one new ammunition caliber into the loan amount in order to receive long-term exclusivity for the product, and

**WHEREAS**, If PRIME does not cover the cost of development of new PRIME products then RUAG can market the product under its existing brands within 2-3 years after PRIME introduces the product by listing it for sale on PRIME’s Website, and

**WHEREAS**, In lieu of default, if PRIME does not meet 100% of the annual principal payments and 100% of the quarterly interest payments in this agreement, immediately upon missing any payment by more than 5 business days, no more than 20% of PRIME’s ownership per year for a total possible amount of 60% over the term of this agreement, will be placed into an escrow controlled by RUAG, and

**WHEREAS**, PRIME will have the option (said option to expire on February 1, 2022) to pay any amount up to and including the full penalty amount equal to the escrowed percentage of PRIME's ownership plus 10% to release any and/or all of the escrowed amounts back to PRIME based on the formula outlined in Appendix C, and

**WHEREAS**, Dr. Ralph Nebe will take a seat on PRIME's Board of Directors, and

**WHEREAS**, the amount of funds that must be deposited upon the ordering of replacement inventory of existing and new products is determined upon the sales history of the products outlined in Appendix D, and

**WHEREAS**, PRIME agrees to continue to raise capital and the senior management of RUAG agree to meet with properly prequalified potential PRIME investors, at PRIME's cost and at a time, place or method convenient to RUAG's senior management, and

**WHEREAS**, PRIME's brand must remain owned by PRIME at all times.

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

**PRIME AMMUNITION LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**RUAG AMMOTEC AG**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**RUAG AMMOTEC USA, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

# APPENDIX A

## Remaining Inventory Of The Current Supply Agreement\*

Cost	Product	Rounds	Cost
\$1.400	308	300,760	\$421,064.00
\$2.400	.338 Lapua	130,800	\$313,920.00
\$0.360	.223/55 gr	392,650	\$141,354.00
\$0.625	.223/77 gr	42,200	\$26,375.00
\$0.093	.22 A (Semi-auto)	2,776,500	\$258,214.50
\$0.093	.22 S (Subsonic)	-	-
\$0.085	.22 B (Bolt)	-	-
\$1.200	260	231,940	\$278,328.00
\$0.800	6.5 Creedmoor	371,420	\$297,136.00
\$0.280	45 FMJ	319,400	\$89,432.00
\$0.430	45 HP	205,150	\$88,214.50
\$0.310	9 X (Hexagon)	346,800	\$107,508.00
\$0.215	9 FMJ	179,350	\$38,560.25
\$0.250	40	361,550	\$90,387.50
\$0.530	12 B (Buckshot)	54,300	\$28,779.00
\$0.950	12 S (Slug)	136,375	\$129,556.25
\$0.800	300BLK (HV)	250,560	\$200,448.00
\$0.863	300BLK	219,390	\$189,223.88
\$0.380	9mm JHP	450,000	\$171,000.00
		6,769,145	\$2,869,500.88

**\*Note that a \$100,000 fee for the development of 6mm Creedmoor has been added to arrive at \$2,969,500.88 loan amount.**

# APPENDIX B

## Principal & Interest Repayment Schedule

Interest Payment	1	29-Mar-18	\$18,559.38
Interest Payment	2	28-Jun-18	\$18,559.38
Interest Payment	3	27-Sep-18	\$18,559.38
Interest Payment	4	27-Dec-18	\$18,559.38
Principal Payment	1	13-Dec-18	\$600,000.00
Interest Payment	5	28-Mar-19	\$12,309.38
Interest Payment	6	27-Jun-19	\$12,309.38
Interest Payment	7	26-Sep-19	\$12,309.38
Interest Payment	8	26-Dec-19	\$12,309.38
Principal Payment	2	12-Dec-19	\$1,000,000.00
Interest Payment	9	26-Mar-20	\$3,750.00
Interest Payment	10	25-Jun-20	\$3,750.00
Interest Payment	11	24-Sep-20	\$3,750.00
Interest Payment	12	31-Dec-20	\$3,750.00
Principal Payment	3	1-Feb-21	\$1,369,500.88
			\$3,107,975.92

# APPENDIX C

## Escrow Penalty Formula

Twenty percent of the value of PRIME plus a penalty of an additional ten percent of PRIME's calculated value. Whereby the value of PRIME is the greater of inventory on hand (calculated at the cost PRIME must pay to RUAG) or 1.5 times the annualized amount of the penultimate quarterly sales figure.

For example, should PRIME miss its first interest payment on March 29, 2018 then the following payment would be necessary to release the 20% of PRIME from escrow:

Inventory on hand = \$2,900,000

2017 Q4 Sales = \$750,000

$\$750,000 \times 4 = \$3,000,000 \times 1.5 = \$4,500,000$

$\$4,500,000 \times 1.1 = \$4,950,000 \times .20 = \$990,000$

\$990,000 would be the amount PRIME would have to pay RUAG to release that tranche of 20% of PRIME from escrow. Should PRIME increase in value after missing an interest or principal payment the amount will not change to release the particular tranche escrowed. Should PRIME decrease in value after missing an interest or principal payment the amount will not change to release the particular escrowed tranche.

Should subsequent interest or principal payments be missed a new valuation will be calculated for the next tranche of 20%.

# APPENDIX D

## Down Payment Calculation For Replacement Products

- 0% down and 120 days to pay for products that have historically sold well and or sell well after being introduced as new products:
  - 6.5 Creedmoor
  - 9mm JHP
  - 9mm FMJ
  - .223 77gr
  - .223 55gr
  - Rimfire
  - Buckshot
- 50% down and 90 days to pay for products that have historically not sold well
- 25% down and 90 days to pay for new products