

Specifics discussed at dinner meeting on 1/21/18 for new addendum to existing contract and agreed upon via email in the days afterwards:

- In principle, both parties agree to move forward with a loan.
- RUAG Ammotec will convert the existing stock as of the 12/28/17 sales report (\$2,422,208) to a performing loan to PRIME at a 2.5% interest rate with regularly scheduled interest and principal payments for a duration ending on February 1, 2021.
- PRIME recommends quarterly interest payments made at the end of each calendar quarter calculated on the average inventory value taken on Thursday of each week of the quarter.
- Existing inventory value will be calculated at the agreed upon prices in the current supply agreement.
- PRIME recommends annual principal payments paid on or before the last business day of each year of the loan.
- PRIME may have the cost of one new caliber added to the loan amount, we discussed 6mm Creedmoor
- Adding the R&D cost to the loan will provide PRIME with long-term exclusivity on the product.
- If PRIME does not cover the cost of development then RUAG can market the caliber under its existing brands within 2-3 years.
- Each year must have both some principal repaid and interest paid with the amount of principle increasing every year– for instance: Year 1 \$800,000, Year 2 \$1,000,000, \$1,222,208
- We discussed 20% 20% 20% equity blocks to be escrowed to RUAG Ammotec each year if PRIME doesn't make 100% of our repayment goals
- No prepayment penalty for any or all amounts paid to RUAG Ammotec on the loan
- Dr. Ralph Nebe to take a seat on PRIME's board of directors
- All or nothing every year on principal payment
- PRIME can always pay a financial penalty to release any % we have had to place in escrow, even after the third year.
- ABC products – A products sell well, B products require heavy discounting and C products only have a very low liquidation value – PRIME does not think we have any C products
- PRIME's re-ordering of A products requires \$0 down and 120 days to pay
- A products are:
 - 6.5 Creedmoor
 - 9mm JHP
 - 9mm FMJ
 - .223 77gr
 - .223 55gr
 - Rimfire
 - Buckshot

General notes:

- This agreement will be an addendum to current contract
- PRIME will continue to raise capital
- PRIME is to provide a list of performance metrics upon which we will be measured and held accountable.
 - Profit – currently we don't have any profit
 - Sales growth
 - Transaction growth – Christoph mentioned that we need to be at 50,000 orders not 12,000
 - Margin
 - e-commerce conversion rate
 - Number of IG followers
 - Number of IG impressions
 - Number of IG likes
 - Number of IG reach
 - Email list size
 - Number of website visits
- Valuation to be suggested by Christoph a couple of days after he receives PRIME's financials
- Christoph and Ralph will meet with properly prequalified potential PRIME investors
- Christoph doesn't value PRIME's brand just escrowing PRIME's shares as a penalty for missing the debt principal payments
- This agreement won't be sent through RUAG M&A group – just their lawyers
- Need to determine a valuation mechanism for PRIME to pay any amount of financial penalty to release any % of equity that is escrowed due to default.
- Ralph was against \$0 down and 120 days to pay for A products and Christoph felt it was necessary to assist PRIME with cash flow
- RUAG Ammotec will review pricing on new orders and attempt to adjust pricing to meet current market conditions
- PRIME Brand must stay in ownership of Citizens Ammunition LLC.

Meeting notes & moving forward

1 message

Jim O'Shaughnessy [REDACTED]
To: Nebe Ralph RUAG [REDACTED]

Tue, Jan 23, 2018 at 6:31 AM

Hello Ralph,

Attached, please find my notes from our Sunday dinner meeting.

See you at breakfast.

--

Jim O'Shaughnessy, CEO

PRIME

500 Rainbow Road

Suite 300

Las Vegas, NV 89107

[REDACTED] - Office

[REDACTED] - Mobile

www.primeammo.com

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Moving forward with RUAG Ammotec.docx

104K

Revised meeting notes

1 message

Jim O'Shaughnessy [REDACTED]

Wed, Jan 24, 2018 at 6:58 AM

To: Nebe Ralph RUAG [REDACTED]

Good morning Ralph,

Please see the attached notes. They reflect the input from yesterday's breakfast meeting.

Best,

--

Jim O'Shaughnessy, CEO

PRIME

500 Rainbow Road

Suite 300

Las Vegas, NV 89107

[REDACTED] - Mobile

www.primeammo.com

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Moving forward with RUAG Ammotec II.docx

113K

Re: AW: Revised meeting notes

1 message

Jim O'Shaughnessy [REDACTED]

Fri, Jan 26, 2018 at 2:00 PM

To: "Nebe Dr. Ralph RUAG" [REDACTED]

Yes - I will have it to you no later than tomorrow morning.

Thanks!

Jim O

Sent from my iPhone

On Jan 26, 2018, at 1:27 PM, Nebe Dr. Ralph RUAG [REDACTED] wrote:

Can you update again regarding the topic "shares only as escrow".

This I will forward to Christoph then.

Von: Jim O'Shaughnessy [mailto:[REDACTED]]

Gesendet: Mittwoch, 24. Januar 2018 15:58

An: Nebe Dr. Ralph RUAG

Betreff: Revised meeting notes

Good morning Ralph,

Please see the attached notes. They reflect the input from yesterday's breakfast meeting.

Best,

--

Jim O'Shaughnessy, CEO

PRIME

500 Rainbow Road

Suite 300

Las Vegas, NV 89107

[REDACTED] - Office

[REDACTED] - Mobile

www.primeammo.com

Re: Next Steps PRIME

1 message

Jim O'Shaughnessy [REDACTED]

Sat, Feb 3, 2018 at 9:48 AM

To: "Nebe Dr. Ralph RUAG" [REDACTED]

Cc: Jim O'Shaughnessy [REDACTED], Vogel Matthias RUAG [REDACTED], Möller Reinhard
RUAG [REDACTED], Timothy Wilson RUAG [REDACTED]

Thank you

Sent from my iPhone

On Feb 3, 2018, at 8:36 AM, Nebe Dr. Ralph RUAG [REDACTED] wrote:

Dear Jim,

To give you an update our actual situation is the following ...

- Matthias will contact you to proceed with our discussion on SHOT Show with Christoph – he will finalize the details for commission stock / share escrow
- Reinhard will contact you regarding the re-order wishes from your side during SHOT Show – he will ask you for formal orders
- Wilson should finalize with Reinhard the terms & conditions

Regards,

Ralph

Dr. Ralph Nebe

Vice President Business Development / Trade & System Products

RUAG Ammotec GmbH
Kronacher Straße 63
90765 Fürth/Germany

Telefon: [REDACTED]

Telefax: [REDACTED]

E-Mail: [REDACTED]

Sitz der Gesellschaft: Fürth
HRB 9128 Amtsgericht Fürth
Aufsichtsratsvorsitzender:
Urs Breitmeier
Geschäftsführung:

Tomorrow's Phone Meeting

1 message

Jim O'Shaughnessy [REDACTED] Tue, Feb 6, 2018 at 3:13 PM
To: Vogel Matthias RUAG [REDACTED]
Cc: Nebe Ralph RUAG [REDACTED], Jim O'Shaughnessy [REDACTED]
Bcc: Sara O'Shaughnessy [REDACTED], "lynn@Lynn-obrien Lynn" [REDACTED], John Fillman [REDACTED]

Hello Matthias,

Ralph informs me that you have the notes from the January 21, 2018, meeting attended by Christoph, Ralph and myself and that you've been brought up to speed on what was discussed. I'm of course happy to cover any of this with you.

In preparation for tomorrow's call and to complete as much of the legwork as possible, I took the liberty of reducing the notes from the above mentioned meeting to create a **DRAFT** Addendum to the March 17, 2015 Supply Agreement. I have also attached a copy of said Supply Agreement for your convenience. Obviously, there will be some additional discussions around some of the points covered in the Addendum. However, I feel that this draft captures a great deal of both what was discussed and the spirit of the meeting.

Please note that I did make one material addition in the DRAFT Addendum that was not directly discussed in the meeting or subsequently agreed to in the discussions afterward. In an effort to remove concerns that PRIME's potential investors have had, I have removed the sales amounts from Section 4(a) of the Supply Agreement via this Addendum. This will greatly aid in the raising of investment funds for PRIME.

I look forward to our call - once again the number is [REDACTED] - not codes necessary.

Best,

--
Jim O'Shaughnessy, CEO
PRIME
500 Rainbow Road
Suite 300
Las Vegas, NV 89107
[REDACTED] - Office
[REDACTED] - Mobile
www.primeammo.com

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2 attachments

 **Fully Executed RUAG Supply Agreement.pdf**
7136K

 **Addendum to Citizens Supply Agreement 2_1_18.doc**
84K

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

Addendum to Citizens Supply Agreement 2_1_18_MV

1 message

Vogel Matthias RUAG [REDACTED]

Fri, Feb 16, 2018 at 11:32 AM

To: "Jim O'Shaughnessy" [REDACTED]

Dear Jim,

please find enclosed my modified draft. It is not finally discussed with legal and finance but it should give us the direction.

Please let me know your thoughts.

All the best

Matthias

 **Addendum to Citizens Supply Agreement 2_1_18_MV.doc**
86K

DRAFT
**ADDENDUM TO SUPPLY AGREEMENT BY AND BETWEEN RUAG
AMMOTEC, AG, RUAG AMMOTEC USA, INC. AND CITIZENS
AMMUNITION, LLC**

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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 until February 1, 2021, and

Deleted: of approximately 3 years ending on

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

Deleted: said loan

Deleted: loan

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, 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

Deleted: 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 prod(... [1]

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 to release any and/or all of the escrowed amounts back to PRIME based on a company evaluation of 10 Mio. USD, and

Deleted: plus 10%

Deleted: the formula outlined in Appendix C

WHEREAS, A RUAG Representative will take a seat on PRIME’s Board of Directors, and

Deleted: Dr. Ralph Nebe

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 as long as the RUAG share is below 50%.

Deleted: at all times

Deleted: - ... [2]

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

PRIME AMMUNITION LLC

RUAG AMMOTEC AG

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

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

RUAG AMMOTEC USA, INC.

By: _____
Name: _____
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- 0% down and 30 days to pay for products that have historically sold well and or sell well after being introduced as new products:
 - 6.5 Creedmoor

Deleted: APPENDIX C - ... [3]

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- 9mm JHP
- 9mm FMJ
- .223 77gr
- .223 55gr
- Rimfire
- Buckshot
- 50% down and 30 days to pay for products that have historically not sold well or new products
- Note: If RUAG finance PRIME via holding a stock of app. 3 Mio. USD normal payment terms are indicated
- Note: Exclusivity on new products will be negotiated case by case. Productmanagement will decide to charge a one-time fee and reduced per piece pricing or include the one time effort in the per piece pricing.

Deleted: 90

Deleted: <#>25% down and 90 days to pay for new products -

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

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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:

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\$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%.

Re: payment

1 message

Jim O'Shaughnessy [REDACTED]

Thu, Feb 22, 2018 at 6:45 AM

To: Pinson Jo-Ann RUAG [REDACTED]

Cc: geoff Lawonn [REDACTED], Jim O'Shaughnessy [REDACTED]

Hello Jo-Ann,

Sorry for the confusion.

As I've conveyed to Geoff, I'm going to include that amount in the inventory financing that I'm negotiating with Mr. Vogel as per my meeting with Mr. Eisenhardt and Dr. Nebe at SHOT Show. The inventory to be financed would be from December 21, 2017 - \$2,476,692.88. Mr. Vogel and I are in the final stages of this process and we expect to have the documentation finalized on or before the first week of March.

The good news is, that much of the cash flow from the sale of the remaining inventory will go to purchase new products from RUAG Ammotec at normal terms...

I hope this makes sense and if you have further questions I'm happy to jump on a call.

Thank you very much and I look forward to many more years of working with you and the team in Tampa.

--

Jim O'Shaughnessy, CEO

PRIME

500 Rainbow Road

Suite 300

Las Vegas, NV 89107

[REDACTED] - Office

[REDACTED] - Mobile

www.primeammo.com

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On Thu, Feb 22, 2018 at 6:25 AM, Pinson Jo-Ann RUAG [REDACTED] wrote:

Morning Jim,

Thanks for the recent payment. I am inquiring to see on when you are going to send a payment for invoice 2099500 for \$ 85,687.63, please let me know on this....

Thanks and have a good day ☺

JoAnn Pinson

AW: Welcome Back

1 message

Vogel Matthias RUAG [REDACTED]

Fri, Apr 6, 2018 at 2:01 AM

To: Jim O'Shaughnessy [REDACTED]

Thanks Jim,

I had a nice time on ski with my family. It was really relaxing and active as well.

I will evaluate your counterproposal over the weekend. We can fix a call next week.

The main changes compared with what you have discussed with Christoph and Ralph is, that we need to get things in line with our corporate rules and involve finance up front. Hope, you understand this point – it is always a difference if you nail it down to a written document and involve more disciplines than pre-discussing matters in a meeting...

Alternatively we also can continue like we did in the past until we have fixed the addendum.

Looking forward to talk to you next week. Let's fix it.

Best regards

Matthias

Von: Jim O'Shaughnessy [mailto:[REDACTED]]

Gesendet: Mittwoch, 4. April 2018 13:14

An: Vogel Matthias RUAG

Cc: Jim O'Shaughnessy

Betreff: Welcome Back

Hello Matthias,

I hope you had a good Easter and Spring vacation. I am in the middle of my family's Spring vacation. Your automated email message says you are back today, I'm sure you have many things on your plate so to speak.

I wanted to write to tell you that I feel there are only two major points that need to be addressed and then we can move forward in finishing the addendum.

1. The timing and percentage by which controlling interest passes to RUAG Ammotec in the event of a default.
2. % of money down upon ordering products that we know sell well.

If we can agree on the amount of penalty being less than 100% coming quickly after an initial default and the % of down payment on re-orders of proven successful products being zero or quite low then PRIME can move forward right away. These were both key points that I discussed with Christoph and Ralph. What you have sent to me is very different from what was discussed during our meeting. Please let me know if things have changed since my discussions with them at SHOT Show.

PRIME has wired significant funds to show good faith in our talks and that I feel we are very close to concluding them. We made sure to send both the highest calculated interest payment and all the FET payment (based on sales) by the scheduled date according to the draft addendum. We may have actually slightly overpaid, but that's fine - we can figure that out afterward.

Again, I hope you had a very nice break. I look forward to hearing from you soon.

Best,

--

Jim O'Shaughnessy, CEO

PRIME

500 Rainbow Road

Suite 300

Las Vegas, NV 89107

██████████ - Office

██████████ - Mobile

www.primeammo.com

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Re: Addendum to Citizens Supply Agreement 2_20_18_MV_v6

1 message

Jim O'Shaughnessy [REDACTED]

Tue, Apr 17, 2018 at 12:05 PM

To: Vogel Matthias RUAG [REDACTED]

Bcc: Nebe Ralph RUAG [REDACTED], Lance Cohen [REDACTED]

Dear Matthias,

I have removed the "DRAFT" from the document, changed nothing else and executed it.

See attached.

Thank you very much!

Best,

--

Jim O'Shaughnessy, CEO

PRIME

500 Rainbow Road

Suite 300

Las Vegas, NV 89107

[REDACTED] - Office

[REDACTED] - Mobile

www.primeammo.com

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On Tue, Apr 17, 2018 at 12:47 AM, Vogel Matthias RUAG [REDACTED] wrote:

Hi Jim,

Thanks for your fast feedback. We are getting closer...

Q1: Yes and no. The interest payment will be calculated on the inventory level at the end of each year. So in 2018 you pay 2.5% from 2,476,693 USD per quarter. If all run according to plan in 2019 you will pay 2.5% from 1,754,256 USD (2,476,693 USD minus 722,436 USD)...you will get quarterly invoices from RUAG USA.

The FET remittance cannot be deducted, because this is for us only a transit item.

Q2: good Question. It should underline that all is based on what is listed in Appendix A. I put this in brackets to make it clear.

**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 extend PRIME the existing value of the remaining inventory of the current supply agreement of \$2,476,692.88 as of December 21, 2017 (year-end-inventory) which is listed below in Appendix A for a duration until February 1, 2021, and

WHEREAS, PRIME agrees to pay 2.5% annual interest on the inventory in quarterly payments, calculated on the value of the remaining year-end-inventory amount every year due no later than the last Thursday of each calendar quarter, and

WHEREAS, RUAG agrees to grant PRIME extended payment terms on existing inventory goods (Appendix A) which are due December 15th each year. PRIME agrees to a minimum Sales goal of existing Inventory for

2018 of 722,436 USD
2019 of 850,000 USD
2020 of 904,256 USD

WHEREAS, RUAG has always the right to check the physical inventory in PRIME’s location. PRIME will report monthly (5 working days before end of month) the sales per product. Based on this RUAG will invoice this amount based on agreed prices. The main amount, up to each annual sales goal, is due at agreed payment terms, 11% (FET) is due immediately and must be remitted to RUAG within 5 business days. Amounts sold over the annual sales goal (less applicable FET) will roll into the next year.

WHEREAS, PRIME will not face any prepayment penalties for any or all amounts paid to RUAG on the inventory of the inventory financing ahead of schedule and the interest and inventory, and

WHEREAS, In lieu of default, if PRIME does not meet 100% of the annual payments and 100% of the quarterly interest payments or 100% of the monthly FET-payments in this agreement,

immediately upon missing any payment by more than 5 business days, 20% of PRIME's ownership will be placed into an escrow controlled by RUAG, and

WHEREAS, another 15% of PRIME's ownership (35% in total) will be placed into an escrow if PRIME missing any due payments for more than 35 business days, and

WHEREAS, another 16% of PRIME's ownership (51% in total) will be placed into an escrow if PRIME missing any due payments for more than 65 business days, 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 to release any and/or all of the escrowed amounts back to PRIME based on a company evaluation of 10 Mio. USD, and

WHEREAS, A RUAG Representative may 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 as long as the RUAG share is below 50%.

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

PRIME AMMUNITION LLC

RUAG AMMOTEC USA, INC.

By: 
Name: James G. O'Shaughnessy
Title: CEO
Date: April 17, 2018

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

APPENDIX A

Remaining Inventory of The Current Supply Agreement

Per Round	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)	-	\$0.00
\$0.090	.22 B (Bolt)	-	\$0.00
\$1.200	260	214,140	\$256,968.00
\$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
\$0.863	300BLK	219,390	\$189,223.88
\$0.380	9mm JHP	-	\$0.00
		6,050,785	\$2,476,692.88

APPENDIX D

Down Payment Calculation for Replacement And New Products

- 0% down and 30 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
 - Rime fire
 - Buckshot
- 50% down (due at start of production) and 30 days to pay for products that have historically not sold well or new products
- Exclusivity on new products will be negotiated on a case by case. Product management will decide to charge a one-time fee and reduced per-piece-pricing or include the one-time effort in the per-piece-pricing.

AW: Addendum to Citizens Supply Agreement 2_20_18_MV_v6

1 message

Vogel Matthias RUAG [REDACTED]

Wed, Apr 18, 2018 at 12:02 AM

To: Jim O'Shaughnessy [REDACTED]

Excellent Jim. There will be a final legal and finance check but the general principals should be fixed so far.

I will send you the final version for signing as soon as I have it.

Thanks for your cooperation.

Best regards

Matthias

Von: Jim O'Shaughnessy [mailto:[REDACTED]]

Gesendet: Dienstag, 17. April 2018 21:06

An: Vogel Matthias RUAG

Betreff: Re: Addendum to Citizens Supply Agreement 2_20_18_MV_v6

Dear Matthias,

I have removed the "DRAFT" from the document, changed nothing else and executed it.

See attached.

Thank you very much!

Best,

--

Jim O'Shaughnessy, CEO

PRIME

500 Rainbow Road

Suite 300

Contract

1 message

Vogel Matthias RUAG <[REDACTED]>
To: "Jim O'Shaughnessy ([REDACTED])" <[REDACTED]>

Tue, May 15, 2018 at 12:43 AM

Dear Jim,

hope you are doing well and had a good NRA Show. Sorry for delay in our contractual prozess.

Attached you find the legally approved version. They made some changes in the wording to make it more precise even for a third party to understand what was meant. Please check.

Our CFO has one point we should think about. He mention that we need to reduce the risk for RUAG in the case if – for example – PRIME sell all Products in 2018 and only have to pay 722 KUSD at year end. This we should take in consideration maybe with the supplement that PRIME have to pay directly for all sales exceeding 50% of minimum sales goal per year. EXAMPLE: PRIME sell in 2018 for 1200 KUSD (66% above minimum sales goal). Than PRIME have to pay 722 KUSD + (1200 KUSD – 1083 KUSD) = 839 KUSD.

Please think about this risk mitigation for RUAG and let me know if you are OK with this. I assume it is more a theoretical scenario but we need to cover this also.

Jim, I think we are really close and can finalize this contractual topic to concentrate on future business growth.

Thanks for your patience.

Best regards

Matthias

Matthias Vogel
Vice President Business Development

RUAG Ammotec GmbH
Kronacher Strasse 63
90765 Fuerth
Germany

Phone: [REDACTED]

Fax: [REDACTED]

E-mail: [REDACTED]

Sitz der Gesellschaft: Fürth

HRB 9128 Amtsgericht Fürth

Aufsichtsratsvorsitzender:

Urs Breitmeier

Geschäftsführung:

Christoph M. Eisenhardt, Vorsitzender

Christian Lutz, Niklaus Heimberg



Addendum to Citizens Supply Agreement_Final_MV.doc

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**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., (individually “RUAG USA”) (collectively “RUAG”) and Citizens Ammunition LLC, DBA PRIME Ammunition (“PRIME”), with an effective date of April 1, 2015, as follows:

In an effort to assist in the continued corporate viability of PRIME, and in consideration of PRIME continuing to purchase ammunition products from RUAG, this addendum removes the sales volume amounts from Section 4(a) of the Supply Agreement.

RUAG further agrees to extend the payment terms for PRIME on the existing value of the remaining inventory in the Supply Agreement of \$2,476,692.88 as of December 21, 2017 (year-end-inventory), which is listed below in Appendix A, for a duration until February 1, 2021. In exchange, PRIME agrees to pay 2.5% annual interest, in quarterly payments, on the value of the remaining year-end-inventory as it stands on January 1st of that year, due no later than the last Thursday of each calendar quarter for every quarter until the inventory is sold in full.

In addition to the interest above, as further consideration for the extended payments terms, PRIME agrees to a minimum sales amount of existing and/or remaining inventory (“Minimum Sales Amount”) as follows:

2018 – 722,436 USD
2019 – 850,000 USD
2020 – 904,256 USD

The Minimum Sale Amount, must be met and the amounts paid by PRIME to RUAG on or before December 15th of each year between 2018 and 2020.

RUAG shall have the right to inspect the physical inventory in PRIME’s location immediately upon written notice. PRIME will report monthly (5 working days before end of month) the sales per product. Based on this RUAG will invoice this amount based on the agreed prices as stated in Appendix A. The main amount, up to each annual Minimum Sales Amount and an additional 11% for federal excise tax (FET), must be remitted to RUAG within 5 business days of RUAG’s issuance of an invoice to PRIME. Amounts sold by PRIME over the annual Minimum Sales Amount (less applicable FET) may roll into the next year.

PRIME will not incur any prepayment penalties for any or all amounts paid to RUAG on the inventory of the inventory financing ahead of schedule and the interest and inventory, and

In lieu of a default, if PRIME does not meet 100% of the annual Minimum Sales Amount payments, or 100% of the quarterly interest payments, or 100% of the monthly FET-payments, as required in this Agreement, immediately upon missing any payment deadline by more than 5 business days, 20% of PRIME’s ownership will be placed into an escrow controlled by RUAG.

Another 15% of PRIME's ownership (35% in total) will be placed into an escrow if PRIME misses any of the referenced due deadline payments for more than 35 business days after due. Another 16% of PRIME's ownership (51% in total) will be placed into an escrow if PRIME misses any referenced due deadline payments for more than 65 business days after due. If and when 51% of PRIME's ownership is escrowed and/or controlled by RUAG, RUAG shall have full decision-making authority for PRIME, including but not limited to all PRIME business and or corporate decisions.

PRIME will have the option (said option to expire on February 1, 2022) to pay all amounts owed to RUAG and overdue, including the full penalty amount equal to the escrowed percentage of PRIME's ownership controlled and/or held by RUAG multiplied by \$10 million USD. As a means of example, if 20% of PRIME's ownership is placed in escrow, the penalty will be \$2 million (20% x \$10 mil) to release all of the escrowed amounts back to PRIME.

At RUAG's sole discretion, upon execution of the Addendum, a RUAG representative may take a seat on PRIME's Board of Directors. RUAG can exercise the right to appoint one of its representatives to PRIME's Board of Directors at any point during the term of the Supply Agreement (as it may be extended and/or amended).

The amount of funds that must be deposited by PRIME upon the ordering of RUAG replacement inventory of existing and new products is determined upon the sales history of the products outlined in Appendix B, and

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

PRIME's brand, including but not limited to all PRIME owned or controlled patents trademarks and other intellectual property (including _____trademark(s)), must remain owned by PRIME as long as the escrowed amount owned and/or controlled by RUAG share is less than 50%.

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

CITIZENS AMMUNITION LLC

RUAG AMMOTEC USA, INC.

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

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

APPENDIX A

Remaining Inventory of The Current Supply Agreement

Per Round	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)	-	\$0.00
\$0.090	.22 B (Bolt)	-	\$0.00
\$1.200	260	214,140	\$256,968.00
\$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
\$0.863	300BLK	219,390	\$189,223.88
\$0.380	9mm JHP	-	\$0.00
		6,050,785	\$2,476,692.88

APPENDIX B

Down Payment Calculation for Replacement And New Products

- 0% down and 30 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
 - Rime fire
 - Buckshot
- 50% down (due at start of production) and 30 days to pay for products that have historically not sold well or new products
- Exclusivity on new products will be negotiated on a case by case. Product management will decide to charge a one-time fee and reduced per-piece-pricing or include the one-time effort in the per-piece-pricing.



Jim O'Shaughnessy [REDACTED]

PRIME 1st Quarter Inventory, FET Payment & Interest Payment

1 message

Jim O'Shaughnessy [REDACTED] Fri, Mar 30, 2018 at 1:34 PM

To: geoff Lawonn [REDACTED]
Cc: Nebe Ralph RUAG [REDACTED], Vogel Matthias RUAG [REDACTED], Möller Reinhard
RUAG T [REDACTED]
Bcc: John Fillman [REDACTED]

Hello Geoff,

Sales since the end of last year (12/21/17 was the last inventory and payment for the year) through yesterday have been: \$408,574.13.

Here is the latest inventory as of yesterday:

Cost	Product	Total Boxes	Rounds	Sold	Boxes	Cost
\$1.400	308	12,127	242,540	58,220	2,911	\$81,508.00
\$2.400	.338 Lapua	6,105	122,100	8,700	435	\$20,880.00
\$0.360	.223/55 gr	6,949	347,450	45,200	904	\$16,272.00
\$0.625	.223/77 gr	243	12,150	30,050	601	\$18,781.25
\$0.093	.22 A (Semi-auto)	53,720	2,686,000	90,500	1,810	\$8,416.50
\$0.093	.22 S (Subsonic)	-	-	-	-	\$0.00
\$0.085	.22 B (Bolt)	-	-	-	-	\$0.00
\$1.200	260	9,488	189,760	24,380	1,219	\$29,256.00
\$0.800	6.5 Creedmoor	7,998	159,960	211,460	10,573	\$169,168.00
\$0.280	45 FMJ	5,744	287,200	32,200	644	\$9,016.00
\$0.430	45 HP	4,055	202,750	2,400	48	\$1,032.00
\$0.310	9 X (Hexagon)	6,740	337,000	9,800	196	\$3,038.00
\$0.215	9 FMJ	840	42,000	137,350	2,747	\$29,530.25
\$0.250	40	6,983	349,150	12,400	248	\$3,100.00
\$0.530	12 B (Buckshot)	1,981	49,525	4,775	191	\$2,530.75
\$0.950	12 S (Slug)	5,225	130,625	5,750	230	\$5,462.50
\$0.863	300BLK	6,904	207,120	12,270	409	\$10,582.88
\$0.380	9mm JHP	-	-	-	-	\$0.00
		135,102	5,365,330	685,455	23,166	\$408,574.13

The above-listed inventory does not include the .22lr Subsonic that we are buying under the go forward terms...this inventory report only includes RUAG Ammotec owned inventory that Matthias and I are calling the "Remaining Inventory" for purposes of the addendum.

Matthias and I are close to getting the addendum completed - he has been on vacation recently and I expect we'll get things buttoned up soon upon his return which according to his email message is the 4th of April. Therefore, I have remitted (via wire) the FET tax on the sale amount (11% of sales) and the quarterly interest payment due, on time, as if the addendum was completed. The calculations are based on the following as represented in the addendum Matthias and I are working on:

- $\$408,574.13 \times 11\% = \$44,943.15$
- $\$2,476,692.88 \times 2.5\% = \$61,917.32 / 4 = \$15,479.33$
- Payment = \$60,422.48

Depending on how the final changes to the addendum work out, PRIME is prepared to submit weekly, monthly or quarterly inventory reports along with FET payments, quarterly interest payments, annual inventory payments and of course, new orders.

I hope you and everyone at RUAG Ammotec all have a blessed Easter with your loved ones.

Thank you,

--

Jim O'Shaughnessy, CEO
PRIME
500 Rainbow Road
Suite 300
Las Vegas, NV 89107

[REDACTED] - Office

[REDACTED] - Mobile

www.primeammo.com

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Jim O'Shaughnessy [REDACTED]

Wire Request

1 message

Jim O'Shaughnessy [REDACTED]

Fri, Mar 30, 2018 at 12:17 PM

To: Wendy Rinke [REDACTED]

Cc: Jim O'Shaughnessy [REDACTED]

Hello Wendy,

I'm assuming you've already started your Easter vacation and that this will go to someone covering for you.

Would you please wire \$60,422.48 to RUAG Ammotec for the following"

\$44,943.15 in Federal Excise Tax

\$15,439.33 for inventory financing payments

Total: \$60,422.48

Thank you very much,

--

Jim O'Shaughnessy, CEO

PRIME

500 Rainbow Road

Suite 300

Las Vegas, NV 89107

[REDACTED] - Office

[REDACTED] - Mobile

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RE: Wire Request

1 message

Rinke, Wendy [REDACTED]
To: Jim O'Shaughnessy [REDACTED]

Fri, Mar 30, 2018 at 12:22 PM

Hi Jim! I am here all day and I will take care of this wire for you. I hope you have a great Easter weekend!!

Wendy Rinke

Commercial Banking Specialist

East Region Business Banking

[905 SE 3rd Street](#), LS-SE3

Lee's Summit, MO 64063

[REDACTED] | F [REDACTED]



From: Jim O'Shaughnessy [mailto:[REDACTED]]
Sent: Friday, March 30, 2018 2:18 PM
To: Rinke, Wendy [REDACTED]
Cc: Jim O'Shaughnessy [REDACTED]
Subject: Wire Request

EXTERNAL EMAIL-Exercise caution when opening attachments or clicking on links.
* * * *

Hello Wendy,

I'm assuming you've already started your Easter vacation and that this will go to someone covering for you.

Would you please wire \$60,422.48 to RUAG Ammotec for the following"

\$44,943.15 in Federal Excise Tax

\$15,439.33 for inventory financing payments

Total: \$60,422.48

Thank you very much,

--

Jim O'Shaughnessy, CEO

PRIME

500 Rainbow Road

Suite 300

Las Vegas, NV 89107

██████████ - Office

██████████ - Mobile

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TOTAL 2018 PAYMENTS FROM PRIME TO RUAG AMMOTEC

Date	Description	Debit
2/7/18	WIRE TRANSFER DEBIT WIRE FED #00236 CB SEQ 001524 RUAG AMMOTEC USA INC	\$21,563.85
3/30/18	WIRE TRANSFER DEBIT WIRE FED #00789 CB SEQ 004044 RUAG AMMOTEC USA INC	\$60,422.48
4/20/18	WIRE TRANSFER DEBIT WIRE FED #00703 CB SEQ 004031 RUAG AMMOTEC USA INC	\$57,600.00
8/6/18	WIRE TRANSFER DEBIT WIRE FED #00702 CB SEQ 003938 RUAG AMMOTEC USA INC	\$12,499.86
8/14/18	WIRE TRANSFER DEBIT WIRE FED #00320 CB SEQ 001843 RUAG AMMOTEC USA INC	\$237,460.62
8/21/18	WIRE TRANSFER DEBIT WIRE FED #00532 CB SEQ 003175 RUAG AMMOTEC USA INC	\$145,343.81
8/22/18	WIRE TRANSFER DEBIT WIRE FED #00446 CB SEQ 002423 RUAG AMMOTEC USA INC	\$399,960.00
8/23/18	WIRE TRANSFER DEBIT WIRE FED #00615 CB SEQ 003476 RUAG AMMOTEC USA INC	\$77,939.77
8/24/18	BUS DEBIT CARD PURCHASE RUAG AMMOTEC USA INC 813-321-1817 FL	\$5,694.92
8/28/18	WIRE TRANSFER DEBIT WIRE FED #00706 CB SEQ 004155 RUAG AMMOTEC USA INC	\$34,526.51
9/6/18	WIRE TRANSFER DEBIT WIRE FED #00448 CB SEQ 002368 RUAG AMMOTEC USA INC	\$11,453.77
9/11/18	WIRE TRANSFER DEBIT WIRE FED #00534 CB SEQ 002936 RUAG AMMOTEC USA INC	\$6,090.51
9/18/18	WIRE TRANSFER DEBIT WIRE FED #00441 CB SEQ 002352 RUAG AMMOTEC USA INC	\$22,422.05
9/26/18	WIRE TRANSFER DEBIT WIRE FED #00593 CB SEQ 003145 RUAG AMMOTEC USA INC	\$9,288.59
10/1/18	WIRE TRANSFER DEBIT WIRE FED #00801 CB SEQ 004333 RUAG AMMOTEC USA INC	\$8,509.50
10/9/18	WIRE TRANSFER DEBIT WIRE FED #00169 CB SEQ 001559 RUAG AMMOTEC USA INC	\$6,290.09
10/16/18	WIRE TRANSFER DEBIT WIRE FED #00703 CB SEQ 003909 RUAG AMMOTEC USA INC	\$3,517.29
10/19/18	WIRE TRANSFER DEBIT WIRE FED #00659 CB SEQ 003991 RUAG AMMOTEC USA INC	\$1,344.75
10/23/18	WIRE TRANSFER DEBIT WIRE FED #00095 CB SEQ 000852 RUAG AMMOTEC USA INC	\$5,435.10
10/31/18	WIRE TRANSFER DEBIT WIRE FED #00834 CB SEQ 004613 RUAG AMMOTEC USA INC	\$2,644.69
11/7/18	WIRE TRANSFER DEBIT WIRE FED #00152 CB SEQ 000934 RUAG AMMOTEC USA INC	\$2,754.63
		<u>\$1,132,762.79</u>

TOTAL 2018 PAYMENTS FROM PRIME TO RUAG AMMOTEC PER ADDENDUM

Date	No.	Description	Debit
8/6/18		WIRE TRANSFER DEBIT WIRE FED #00702 CB SEQ 003938 RUAG AMMOTEC USA INC	12,499.86
8/14/18		WIRE TRANSFER DEBIT WIRE FED #00320 CB SEQ 001843 RUAG AMMOTEC USA INC	237,460.62
8/21/18		WIRE TRANSFER DEBIT WIRE FED #00532 CB SEQ 003175 RUAG AMMOTEC USA INC	145,343.81
8/23/18		WIRE TRANSFER DEBIT WIRE FED #00615 CB SEQ 003476 RUAG AMMOTEC USA INC	77,939.77
8/24/18		BUS DEBIT CARD PURCHASE RUAG AMMOTEC USA INC 813-321-1817 FL	5,694.92
8/28/18		WIRE TRANSFER DEBIT WIRE FED #00706 CB SEQ 004155 RUAG AMMOTEC USA INC	34,526.51
9/6/18		WIRE TRANSFER DEBIT WIRE FED #00448 CB SEQ 002368 RUAG AMMOTEC USA INC	11,453.77
9/11/18		WIRE TRANSFER DEBIT WIRE FED #00534 CB SEQ 002936 RUAG AMMOTEC USA INC	6,090.51
9/18/18		WIRE TRANSFER DEBIT WIRE FED #00441 CB SEQ 002352 RUAG AMMOTEC USA INC	22,422.05
9/26/18		WIRE TRANSFER DEBIT WIRE FED #00593 CB SEQ 003145 RUAG AMMOTEC USA INC	9,288.59
10/1/18		WIRE TRANSFER DEBIT WIRE FED #00801 CB SEQ 004333 RUAG AMMOTEC USA INC	8,509.50
10/9/18		WIRE TRANSFER DEBIT WIRE FED #00169 CB SEQ 001559 RUAG AMMOTEC USA INC	6,290.09
10/16/18		WIRE TRANSFER DEBIT WIRE FED #00703 CB SEQ 003909 RUAG AMMOTEC USA INC	3,517.29
10/19/18		WIRE TRANSFER DEBIT WIRE FED #00659 CB SEQ 003991 RUAG AMMOTEC USA INC	1,344.75
10/23/18		WIRE TRANSFER DEBIT WIRE FED #00095 CB SEQ 000852 RUAG AMMOTEC USA INC	5,435.10
10/31/18		WIRE TRANSFER DEBIT WIRE FED #00834 CB SEQ 004613 RUAG AMMOTEC USA INC	2,644.69
11/7/18		WIRE TRANSFER DEBIT WIRE FED #00152 CB SEQ 000934 RUAG AMMOTEC USA INC	2,754.63
Total Amount Paid to RUAG Ammotec in 2018 as per the Addendum			593,216.46
Total Amount Due in 2018 as per the Addendum			722,436.00
Remaining Blance for 2018 as per the Addendum			129,219.54

AW: Audit

1 message

Kubelka Cyril RUAG [REDACTED]

Sat, Nov 7, 2015 at 1:04 PM

To: Jim O'Shaughnessy [REDACTED]

great

-----Ursprüngliche Nachricht-----

Von: Jim O'Shaughnessy [mailto:[REDACTED]]

Gesendet: Samstag, 7. November 2015 17:01

An: Kubelka Cyril RUAG [REDACTED]

Betreff: Audit

Kurtz said he was impressed with out warehouse, systems and operations and could find no areas for improvement.

Let's see if his written report says the same.

Jim O

Sent from my iPhone

Inventory Audit

1 message

Möller Reinhard RUAG [REDACTED]

Wed, Nov 8, 2017 at 7:02 AM

To: Jim O'Shaughnessy [REDACTED]

Cc: Lawonn Geoff RUAG [REDACTED]

Hello Jim

I want to inform you that our internal auditor Mr. Kurt Ziesche will visit your warehouse Nov 30th to count the inventory.

He is doing this in accordance with International Standards of Internal Auditing.

(see attached mail from him)

He will come together with me.

Regards,

Reinhard

Dear Reinhard,

As already discussed and agreed, we are in the process of preparing the audit for

- RUAG Ammotec USA Inc.

The engagement will take place from 28th November until 8th December 2017 and will cover the following audit areas:

- Supply Chain & Logistics with focus in the inventories at several locations in the US

Our audit will be conducted in accordance with International Standards of Internal Auditing and, accordingly, will include interviews with responsible personnel, reviews of documents, various test counts and other auditing procedures as we consider necessary to accomplish our audit objectives.

We appreciate your support and the cooperation of your staff, as we work together on this engagement. If you would like to discuss the audit, the areas that need special audit attention or some schedule issues, please don't hesitate to

contact me.

Further information about Internal Audit is available here: [Internal Audit @ RUAG](#)

Best regards,

Kurt Ziesche

Vice President Internal Audit

RUAG Corporate Services AG

[Stauffacherstrasse 65](#)

3000 Bern 22 · Schweiz

Von: Jim O'Shaughnessy [mailto:]
Gesendet: Wednesday, November 08, 2017 8:57 AM
An: Lawonn Geoff RUAG
Cc: Möller Reinhard RUAG; Nebe Dr. Ralph RUAG; Jim O'Shaughnessy
Betreff: Accounting

Hello Geoff,

My apologies for the delay, I've been on vacation with my daughter pheasant hunting in South Dakota and arrived home last night.

My records indicate that PRIME overpaid approximately \$20,000.00 (we need to audit this with you) on the airfreight payments in the summer/fall of 2016. As you'll recall, I mistakenly kept paying the increased rate on the airfreighted .22LR and 6.5 Creedmoor products well into the fall after the additional shipping costs for airfreight had been paid off by PRIME. I remember discussing this with you and agreeing that we'd address this overpayment during our next inventory true up as you had already closed your books for the period after I had discovered my overpayment. I realize that a fair amount of time has transpired since then. However, I did agree to carry this overpayment and to wait until our next inventory true-up to resolve it, which has turned out to be now.

After you've had a change to audit this amount, I suggest we either reduce the amount of inventory true-up payment from PRIME to RUAG Ammotec by the mutually agreed upon overpayment amount. Or, I suggest that RUAG Ammotec grant PRIME a credit on additional inventory orders moving forward.

Also, please know, in an effort to assist you with your upcoming audits, I'm more than happy to send payment now for what your records show as the current inventory difference as outlined in your 10/25/17 email to me (\$32,754.14) and then work towards adjusting the overpayment on the air freight as we work it out. It shouldn't take us much more than a couple of hours working together to audit the airfreight overpayment so I'm fine either way.

Which do you prefer?

Thank you,

--

Jim O'Shaughnessy, CEO

PRIME

500 Rainbow Road

Suite 300

Las Vegas, NV 89107

██████████ - Office

██████████ - Mobile

www.primeammo.com

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Accepted: Jim in Las Vegas for RUAG Audit - This is the big one @ Tue Nov 28 - Fri Dec 1, 2017 (Jim O'Shaughnessy)

1 message

John Fillman [REDACTED]
Reply-To: John Fillman [REDACTED]
To: [REDACTED]

Sat, Nov 25, 2017 at 6:24 PM

John Fillman has accepted this invitation.

Jim in Las Vegas for RUAG Audit - This is the big one

Last audit with RUAG Ammotec was to prepare for this audit with RUAG...the mothership. Also, Jim is to bring the Yamaha for John Fillman so he can take it and do content with it.

When Tue Nov 28 – Fri Dec 1, 2017

Where Las Vegas for RUAG Audit - This is the big one ([map](#))

Video call https://plus.google.com/hangouts/_/citizensammunition.com/jim-in-las

Calendar Jim O'Shaughnessy

Who

- Jim O'Shaughnessy - organizer

- [REDACTED]
- [REDACTED]

Invitation from [Google Calendar](#)

You are receiving this email at the account [REDACTED] because you are subscribed for invitation replies on calendar Jim O'Shaughnessy.

To stop receiving these emails, please log in to <https://www.google.com/calendar/> and change your notification settings for this calendar.

Forwarding this invitation could allow any recipient to modify your RSVP response. [Learn More](#).

 **invite.ics**
2K

Re: Sales

1 message

Jim O'Shaughnessy [REDACTED]

Mon, Dec 4, 2017 at 12:05 PM

To: Lawonn Geoff RUAG [REDACTED]

Thanks a ton Geoff...I really appreciate that.

I'll always make sure and pay on or before the due date on your invoices.

The audit went well with Kurtz...

Jim O

On Mon, Dec 4, 2017 at 12:03 PM, Lawonn Geoff RUAG [REDACTED] wrote:

The 7th is fine..whatever helps your position with the bank.

Geoff

From: Jim O'Shaughnessy [mailto:[REDACTED]]

Sent: Monday, December 04, 2017 2:59 PM

To: Lawonn Geoff RUAG

Subject: Re: Sales

Due date on the invoice said the 7th so I left it in the bank over the weekend :-)

You want me to send the wire today? Happy to do so...I'm always looking for ways to up my daily average balance... it's getting close to \$100K and that's a magic number for a lot of banks/lenders...

AMEX is offering me a BIG loan and the terms are directly tied to average daily balance...Don't know if I'm gonna take it...but I wanted you to know that I'm now more apt to wait a few days based before I wire based on the due dates on the invoices Charlie sends me...hope this makes sense. Had I been doing that all along, PRIME would have an average daily bank balance of well over \$100K and, I think we'd still be within the confines of our agreement with you.

Lemme know your thoughts on this Geoff as my main focus is keeping you happy - daily average balance is a clear second...

Thanks!!!

On Mon, Dec 4, 2017 at 11:48 AM, Lawonn Geoff RUAG [REDACTED] wrote:

Jim, we haven't received the wire yet for these sales.

Geoff

From: Jim O'Shaughnessy [mailto:[REDACTED]]

Sent: Wednesday, November 29, 2017 7:52 PM

To: Green Charles RUAG

Cc: Lawonn Geoff RUAG

Subject: Sales

Hello Charlie,

PRIME Invoice 02212018 Pre-Production Invoice

1 message

Lemke Paul RUAG [REDACTED]

Tue, Aug 21, 2018 at 2:42 PM

To: Jim O'Shaughnessy [REDACTED]

Cc: Lawonn Geoff RUAG [REDACTED], Toivo Paul-Erik RUAG [REDACTED]

Dear Jim –

As you may be aware, Ammotec will begin the manufacture of the 6 Creed and 6.5 SAUM 4s, per your specifications, on Thursday. Per our earlier communications, if PRIME would like these or other PRIME-headstamped cartridges, Ammotec will need to receive prepayment for the ammunition.

Please see the attached pre-production invoice. Funds must be received by Ammotec USA by noon, tomorrow, for this ammunition to be manufactured for PRIME. If funds are not received tomorrow, since ammunition production is planned and components on hand, Ammotec will opt to manufacture this ammunition and sell it under the Norma brand.

We appreciate your business and await your payment.

Best Regards,

Paul Lemke

General Manager

RUAG Ammotec USA, Inc.

5402 E. Diana Street

Tampa, FL 33610

Phone: [REDACTED]

Mobile: [REDACTED]

E-Mail: [REDACTED]

SV: Meeting on Wednesday

1 message

Toivo Paul-Erik RUAG [REDACTED]

Fri, May 18, 2018 at 6:15 AM

To: Jim O'Shaughnessy [REDACTED]

Cc: "Nebe Dr. Ralph RUAG" [REDACTED], Vogel Matthias RUAG [REDACTED]

Hi Jim

On Tuesday my laptop had to be totally re-booted....all in all missed to answer your mail in time - APOLOGIES for that!

Trust that you meeting with the investor went well and that there is a path forward towards securing long term financing for PRIME.

The dinner and our conversation in Dallas I enjoyed very much. I'm in line with Ralphs thoughts, we need to find a mutually profitable way to secure a future, long term cooperation. We should not keep on investing in a brand that we do not have "any" control over. Also the eventual cooperation overseas can only happen when we have formalised the future relationship in line with both parties responsibilities.

I'm a supporter of any compliant form of cooperation by which Ammotec ultimately gains control over the brand PRIME, or remains the main supplier to it. Only then can we keep the flow of resources from our side fully open and refrain from investing in any competing activities.

Summarising we are very willing to keep supporting the value growth of PRIME, but for obvious reasons we can't first support and then in the long run pay once again for the support we already have extended. I trust you see my point here.

In other M&A cases we have agreed on the value/price up front, and then worked together to add value to the venture. Obviously when an investor steps in with PRIME; there is an indication of what the venture is worth. Anyhow first action is to secure that we have a comprahensive cooperation agreement in place. Appears we are heading in this direction already. Next week I'll discuss with Ralph and Matthias this in more detail.

I very much look forward to keep the conversation going, target oriented towards a shared future.

Best regards, have a nice week-end

Paul-Erik

Från: Jim O'Shaughnessy [mailto:[REDACTED]]

Skickat: den 14 maj 2018 15:59

Till: Toivo Paul-Erik RUAG

Kopia: Nebe Dr. Ralph RUAG
Ämne: Meeting on Wednesday

Hyvää Huomenta Paul-Erik,

I enjoyed our dinner at the NRA Show and sent a high-level recap to Ralph a week ago. It looks as if I neglected to cc you on that email so I will forward it to you...pahoitteluni.

I know you have all been very busy with travel, etc. I have been engaging with RUAG Ammotec people as we discussed and look forward to working with team members such as Bozena, Hannes and Theirry - they have all had been a real pleasure to interact with!

I will meet with a potential investor in PRIME on Wednesday who is interested in making a cash investment of well over \$1MM USD on a \$10MM valuation and they will ask about PRIME's relationship with RUAG Ammotec. I'd like your guidance on how to properly answer this question given our dinner discussion. It is also very likely that the investor will ask to discuss their investment in PRIME with you.

Finally, if someone strongly suggests a book that is important to them, I almost always read it. I'm very pleased to be reading Thinking, Fast and Slow. It is excellent, thank you for your recommendation. I hope Ralph reads it so that he stays with the company, unlike all the other people you mentioned the book to that you made the point at dinner are no longer with the company! We can't afford to lose him!!! :-)

Looking forward to moving ahead with you and your team.

Best regards,

--

Jim O'Shaughnessy, CEO

PRIME

[500 N. Rainbow Road](#)

[Suite 300](#)

[Las Vegas, NV 89107](#)

 - Office

 - Mobile

www.primeammo.com

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Emails 5_7_18

Dear Ralph,

I wanted to provide a recap from our dinner in an effort to continue moving forward.

Topics discussed:

Loyalty

PE had some concern that PRIME may not always stick with RA. I assured him that I feel PRIME has been treated well by everyone at RA and, as long as that treatment continued, that I would rather have our brand become dormant or dissolve before we left the partnership. It is my desire to take a true, long-term approach to partnering with RA to build PRIME into a brand that we can both own, grow and share in its success. I believe, by being open and honest with each other, that we can find a way to make this happen. I trust both of you when you say that you feel the same way...this was the major accomplishment of our dinner meeting.

RUAG Ownership in PRIME

PE expressed interest in RA owning some of PRIME. However, we agreed that there are several interesting dynamics in play:

- We agreed that, RA works against its own best interests when it helps PRIME because as this increase the value of PRIME and therefore the cost of investment when/if RA invests in PRIME.
- And yet, because of this we also agreed that it made the most sense for RA to invest in PRIME sooner than later.
- JO made the point that CE had expressed to him at SHOT Show that he did not seek ownership in PRIME. RN explain that was at a point that CE had just joined RA and that CE may be more open to it now. PE made the point that CE is very much a delegator and empowers his teammates and that he would likely listen to PE and RN if they recommended investing in PRIME.
- PE acknowledged my concern of selling any percentage now as our value is low due to our young age and that I'm not interested in ceding control of PRIME at this stage.
- We all agreed that the natural owner of PRIME is a company that produces ammunition components.

Valuation of PRIME

I explained that PRIME's current, sophisticated, investors accepted a \$10MM valuation when they seeded PRIME with \$650K in cash over two years ago. We also agreed that determining a value for PRIME that we both accept will be, which is customary, the single biggest challenge we'll face should RA pursue an investment in PRIME.

I explained that things that make PRIME so valuable are:

- As a DTC company, PRIME knows a lot about our customers and can communicate/market directly to them...PRIME has many customers for life.
- PRIME can act as a buffer for RA to aggressively pursue a direct to consumer business without disrupting the relationships it currently has in the legacy ammunition distribution market.
- The quality of PRIME's products combined with our customer service focus creates very loyal customers – "are you happy with your purchase and would you purchase from us again?"
- PRIME address a small % of a large market – we think its 2.75% of 105MM gun owners.
- However, the lifetime value of 2.89MM serious shooters on a DTC basis would make for a very valuable company.

Working more closely together and at different levels within RUAG Ammotec

PRIME's current Financial Condition

I explained that all we really need investment for is to finance our inventory and to amplify our already strong signal in the market. I admitted regretting that we had not negotiated 4 years of inventory financing from RA. However, I expressed that I understand that RA is not a bank.

Military/Law Enforcement

We discussed the 4 divisions of RA:

- Swiss Military – newly formed
- Military/Law Enforcement
- Industrial
- Sporting/Hunting

PE explained how Mr. Mullins and Mr. Roethlisberger are both no longer with RA and I was not sure if RA has retained a leader for the Military/Law Enforcement division at this point in time.

JO then explained that PRIME, without soliciting the opportunity, is a finalist in the U.S. SOCOM 6.5 Creedmoor project. PRIME has many friends in the military and law enforcement and we'd would like to focus a lot more on these segments, even to the point that RA does not have to hire any employees in the U.S. to service these markets.

Potential Ways Forward

The following are my suggestions for the best way forward:

- RA licensing of PRIME's brand.
- RA licensing of PRIME's brand with PRIME providing sales, customer service and marketing services on behalf of RA for the PRIME branded products on a direct basis.
- RA licensing of PRIME's brand with PRIME providing sales, customer service and marketing services on behalf of RA for the PRIME branded products on a direct basis and formerly RA branded products on an indirect (BTB/Big Box) basis.
- Direct investment – non controlling interest.
- Direct investment – change of control with significant % left to incent PRIME
- Direct investment – 100% purchase of PRIME

RA licensing of PRIME's brand.

RA licensing of PRIME's brand with PRIME providing sales, customer service and marketing services on behalf of RA for the PRIME branded products on a direct basis.

RA licensing of PRIME's brand with PRIME providing sales, customer service and marketing services on behalf of RA for the PRIME branded products on a direct basis and formerly RA branded products on an indirect (BTB/Big Box) basis.

Direct investment – non controlling interest.

Direct investment – change of control with significant % left to incent PRIME

Direct investment – 100% purchase of PRIME

Here are some hypothetical examples:

MIL/LEO

RA licenses PRIME's brand and applies our brand to a revamped line of military and law enforcement focused products. PRIME would use the licensing fees to develop, sell, service and market to military and law enforcement customers on a direct basis. PRIME would apply many of its current marketing tactics to the MIL/LEO market to develop business such as providing sponsorship for various shooters and shooting events. We personally know the top influencers of the U.S. Military special forces units and have direct access to many different police forces.

Products that would have significant MIL/LEO applications would be:

- 300 Norma
- 338 Norma

- 338 Lapua Magnum
- 6.5 Creedmoor
- .260 Creedmoor
- .308 Winchester
- Your grenades
- Your various penetrator rounds

DTC/BTB

PRIME would provide business development, sales, customer development services for former RA branded products from the GECO, RWS, etc. lines that would be rebranded PRIME and moved through the traditional Big Box stores where, price and relationships are key. For instance, we would differentiate between “match” products that we’d continue to sell online and then work with RA to create “non-match” lower cost “plinking” rounds and we’d sell/market those to Bass Pro/Cabelas, Fleet Farm, Shields, Dicks, Academy, BIG 5, Wal-Mart, various buying groups that represent many small gunshops, etc.

Components could also be a VERY big business for the PRIME brand. We could work with you to introduce projectiles and cases initially and perhaps primers and powder in the future. If we were to brand the brass PRIME and work with your development team in order to correct issues high volume shooters are experiencing with your brass we could sell A LOT of brass and bullets. And, shipping becomes very inexpensive as PRIME could then use the U.S. Postal Service to ship as opposed to FedEx as brass and bullets are not HazMat.

PRIME branded brass that was “designed”/“New & Improved” for maximum “reloadability” would take a big bite out of Lapua’s marketshare in:

- PRIME 6 XC, Dasher, BR, 6x47, etc.
- PRIME 6.5 Creedmoor, SAUM, 6.5x47, etc.
- PRIME 300 Norma
- PRIME 338 Norma
- PRIME 338 Lapua Magnum

I think PRIME branded brass would quickly surpass the volume Mid South does and we’d get it into the top shooters hands ASAP. If the PRIME brass performed well we would own the entire reloading market in short order. We have access to the shooters who can tell your engineers what they want to see from a product development/improvement perspective and if you can make it at a reasonable cost we’ll sell a lot of it.

In terms of loaded ammunition, we’d keep the top performing rounds for direct online sales via our existing PRIME platform and give the “cheap” “PRIME lite” (internal terms only) products to the big/chain store entities that only care about low price and high volume. This way, the low cost/high volume products get to be associated with PRIME’s premium products so that when

people go into BPS and pick up a box of ammo and see PRIME 22 or PRIME 9mm and then google PRIME they see all the cool content / strong reputational & emotion based positives about our premium products and then this “closes the deal” and they put it in their shopping cart and take it to the cash register.

This would be MUCH different to my experience at Cabela’s in Green Bay Wisconsin three years ago when I asked the manager (who bragged that he had 30 years in the ammunition business and knew everything there was to know about ammunition) if I should buy GECO products from Cabela’s. He literally told me that GECO was former Eastern block, steel cash crappy ammo and that I should buy Winchester white box instead...I was shocked...

Finally, if you wanted us to manage it, we’d be more than happy to also manage the Norma brand in the U.S. as well...I have no idea what you want to do with it going forward and/or what resources you are willing to apply to it in order to grow its footprint but we’d be happy to discuss it.

Next Steps

There are 2 main impediments to moving forward:

1. Why should you make a brand you don’t own more successful and in doing so ultimately more expensive for you to invest in and/or purchase in the future?
2. My wife and I hesitant to sell a controlling interest in PRIME at this young stage of its life and RA is unlikely to offer enough money so that I’d be a fool to not sell it.

Given these realities I think the best next steps would be for you to let me know your thoughts as to how we address these two issues.

RA North America has a history of not having the right people in place to win in the US market. This is because it will be very, very difficult to recruit people to work for you who will be as driven and passionate as PRIME because they don’t have ownership. The vast majority of the people who have high levels of passion and drive do not go into the firearms/ammunition world unless they are owners.

A huge part of the American dream is that as Americans most of us believe that if we work hard/smart, are passionate, and are driven that we can build a business that we’ll be able to pass down to our children and allow us to do good things for others. This is a fundamental difference between our cultures and RA will not likely recognize its true potential in the U.S. market until it provides ownership to a team who mission it is to show the U.S. market to the true value of your wonderful products.

Emails 5_7_18

Dear Ralph,

I wanted to provide a bullet point based recap from our dinner in an effort to continue moving forward.

Topics discussed:

Loyalty

RUAG Ownership in PRIME

Valuation of PRIME

Working more closely together and at different levels within RUAG Ammotec

PRIME's current Financial Condition

Military/Law Enforcement

RUAGs Current Divisional Organization Structure

Potential Ways Forward

Next Steps

There are 2 main impediments to moving forward:

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Given these realities I think the best next steps would be for you to let me know your thoughts as to how we address these two issues.