

---

---

**SUPPLY AGREEMENT**

by and between

**RUAG AMMOTEC AG**  
("RUAG AG")

and

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

(collectively "RUAG")

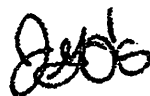
and

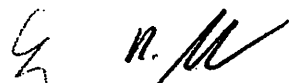
**CITIZENS AMMUNITION, LLC**  
("Citizens")

---

---

**MARCH , THE 17<sup>TH</sup> 2015**





## **PRODUCT SUPPLY AGREEMENT**

**THIS PRODUCT SUPPLY AGREEMENT ("Agreement")** is made and entered into, effective as of April the 1<sup>st</sup>, 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. N. 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

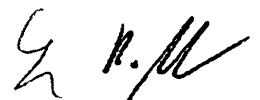
**WHEREAS**, RUAG recognizes the unique Club Model CITIZENS has built to meet its obligations under this Agreement and agrees that CITIZENS shall be RUAG's exclusive Club Model sales channel contractor in the U.S. if agreed Sales are met, and

**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 ←



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 ←

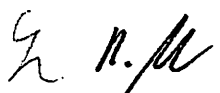
**WHEREAS**, CITIZENS shall obtain adequate third-party financing to execute its PRIME Business Plan, and ←

**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:** 1<sup>st</sup> 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



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]*

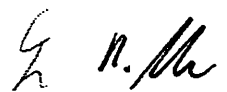
## 6. Trademark Licenses:

- 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 MGMA 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

*JYOB*

*G. N. M.*



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 form 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.

*Joel's*

*G. H. M.*

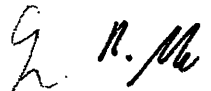
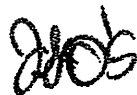
25. **Intellectual Property Warranty:** RUAG and CITIZENS mutually warrant that sale or use of any Products provided hereunder in its intended application will not infringe the Intellectual Property Rights of any other Person. This warranty does not apply to claims based on: (a) the combination of a 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,

*Handwritten signature*

*Handwritten initials: G. N. Ma*

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

*JWD*

*G. H. M*

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: 

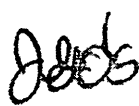
Name: James G. O'Shaughnessy  
Title: CEO, Citizens Ammunition, LLC


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.

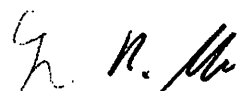
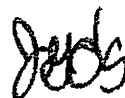
**"Federal Excise Tax (FET)"** Federal Excise Tax means the tax which has to be paid for Sales to the first customer in the US. FET is paid by RUAG as calculated in the prices in Exhibit B.

**"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 3<sup>rd</sup> 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 Priority	Product	Bullet Type	Prices per thousand DDP at Citizens Pick-n-Pack facility FET paid	Initial Volume - Citizens	Comment
A	.22LR Auto	40 gr lead round nose	\$ 93,00	4.000.000	Best efforts to deliver until August 20th, 2015 or later - not confirmed by production yet
A	.22LR Bolt	40 gr lead round nose	\$ 85,00	1.000.000	Best efforts to deliver until August 20th, 2015 or later - not confirmed by production yet
A	.22LR SubSonic	40 gr HP	\$ 93,00	1.000.000	Best efforts to deliver until August 20th, 2015 or later - not confirmed by production yet
A	9mm (9x19)	124gr FMJ	\$ 215,00	500.000	Best efforts to deliver until August 20th, 2015 or later - not confirmed by production yet
A	9mm (9x19)	124 gr Hexagon	\$ 310,00	500.000	Best efforts to deliver until August 20th, 2015 or later - not confirmed by production yet
A	.40 S&W	180 gr FMJ	\$ 250,00	500.000	Best efforts to deliver until August 20th, 2015 or later - not confirmed by production yet
A	.45 ACP	230 gr FMJ	\$ 280,00	500.000	Best efforts to deliver until August 20th, 2015 or later - not confirmed by production yet
A	.45 ACP	230 gr JHP	\$ 430,00	250.000	Best efforts to deliver until August 20th, 2015 or later - not confirmed by production yet
A	.223 REM	55 gr FMJ	\$ 360,00	1.000.000	Best efforts to deliver until August 20th, 2015 or later - not confirmed by production yet
A	.223 REM	77 gr BTHP	\$ 625,00	500.000	Best efforts to deliver until August 20th, 2015 or later - not confirmed by production yet
A	.308 Win. Match Target	175 gr BTHP	\$ 1.500,00	500.000	Best efforts to deliver until August 20th, 2015 or later - not confirmed by production yet
A	.338 Lapua Mag.	300 gr BTHP	\$ 2.400,00	200.000	Best efforts to deliver until August 20th, 2015 or later - not confirmed by production yet
A	12 Gauge 2 3/4 Smooth Slug	For Smooth Barrel	\$ 950,00	150.000	Best efforts to deliver until August 20th, 2015 or later - not confirmed by production yet
A	12 Gauge 2 3/4 00-Buck	8 or 9 pellets	\$ 530,00	150.000	Best efforts to deliver until August 20th, 2015 or later - not confirmed by production yet
<b>Total volume that is planned to deliver until August</b>				<b>10.750.000</b>	Best efforts to deliver until August 20th, 2015 or later - not confirmed by production yet

**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

*G* CK *R/M* RM *JGO'S* JGO'S

*G.R.L.*