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July 19, 2018

VIA EMAIL, U.S. MAIL
& CERTIFIED MAIL

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

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

Dear Mr. O'Shaughnessy:

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

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

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

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

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

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

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

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

Very truly yours,

PISCIOTTI MALSCH, P.C.



Ryan L. Erdreich