

July 31, 2018

VIA EMAIL, U.S. MAIL
& CERTIFIED MAIL

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

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

Dear Mr. O'Shaughnessy:

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

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

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

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

for such inventory.²


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

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

Please feel free to contact me with any questions.

Very truly yours,

PISCIOTTI MALSCH, P.C.



Ryan L. Erdreich

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