

COUNTERCLAIM

Defendant and Counterclaim Plaintiff, Citizens Ammunition, LLC (“Citizens”), by its undersigned counsel, Morton, Valihura & Zerbato, LLC, hereby states this Counterclaim against Plaintiffs and Counterclaim Defendants RUAG Ammotec, USA, Inc. (“RUAG USA”) and RUAG Ammotec AG (“RUAG AG”) (collectively, “RUAG”), and states as follows:

INTRODUCTION

RUAG has embarked upon a scheme to put Citizens out-of-business, and its lawsuit is but the final act to accomplish its goal.

There is a disturbing reason why RUAG has so aggressively pursued Citizens with its attempt to drive it out-of-business: The off-shore management insiders at RUAG choked off the supply chain of all ammunition they were obligated to provide to Citizens, its most successful United States distributor of ammunition. Why would they do so? Those managers are hoping to undertake a management-led buyout (the “LBO”) of RUAG’s United States’ based civilian ammunition business from the government of Switzerland. In order for the LBO to make sense, the off-shore management insiders at RUAG had to eliminate the stoutest competition they would

face in the market segment occupied by Citizens, which in fact is Citizens. Furthermore, by eliminating Citizens, the revenue generated through its transactions with Citizens would cease and the value of RUAG's U.S. ammunition division would in turn substantially sag allowing RUAG's management to execute the LBO "on the cheap" from its Swiss owners, while simultaneously leaving them free to capture, after the sale of that unit to themselves is completed, Citizens' market share and the financial benefit that comes with that market dominance in the United States.

The malevolent, fraudulent and wrongful actions of RUAG, and of those foreign-based managers who are controlling it, as detailed herein, have breached the contractual arrangement Citizens has with RUAG, have crippled Citizens' ability to compete in the marketplace, have tortuously interfered with its business relationships and have virtually destroyed Citizens' ability to continue with the development of its successful brand marketing and sales campaign.

Defendant and Counterclaim Plaintiff, Citizens, has been irreparably harmed, and its damages amount to millions of dollars. Citizens seeks recovery of the lost value of its business, damages to recover the immense harm done to it and punitive damages to punish the wrongful behavior of RUAG and its European-based managers who have been scheming to put Citizens out-of-business, and leaving for themselves Citizens' very successful market niche in the United States.

PARTIES

1. Defendant and Counterclaim Plaintiff Citizens is a Delaware limited liability company, with a principal place of business at 500 Rainbow Road, Suite 300, Las Vegas, NV 89107.

2. Plaintiff and Counterclaim Defendant RUAG USA is a Delaware domestic closed-corporation, owned and controlled by RUAG AG.

3. Plaintiff and Counterclaim Defendant RUAG AG is a division of RUAG Holding AG, a state-owned military, technology and industrial conglomerate controlled by the government of Switzerland.

BACKGROUND

4. RUAG is in the business of producing ammunition for sale to the public. Specifically, through its two business units, the Hunting & Sport and the Armed Forces & Law Enforcement units, RUAG produces small-caliber ammunition, and it sells such products to the Swiss Armed Forces, German Bundeswehr and other foreign armed forces, law enforcement organizations, hunters and sporting marksmen and other industrial partners.

5. In 2013, Citizens brought to RUAG a potential business opportunity in which Citizens would market RUAG's ammunition in the United States to particular segments of sports shooting and competitive shooting communities. Thereafter, Citizens, RUAG USA and RUAG AG (collectively, the "Parties") entered into a

Supply Agreement dated April 1, 2015 (the “Supply Agreement”) whereby Citizens, operating under the brand name PRIME, would source, market and sell to consumers in the United States ammunition manufactured and produced by RUAG.

6. Citizen’s PRIME brand became wildly successful, and Citizens became one of RUAG’s top purchasers of OEM ammunition in the United States. Through a combination of product placement, market insight and knowledge and brand marketing, PRIME, within the arena of high precision ammunition, outsold multiple competitors, including RUAG’s own high precision ammunition brand, sold under the brand name “Norma”

7. In recognition of the success of Citizen’s PRIME brand, and the successful relationship that the Parties had developed during the previous three years, the Parties, on January 21, 2018, entered into an agreement that was reduced to a binding agreement (the “Second Addendum”) that restructured the payment terms and obligations contained in all previous agreements, including the Supply Agreement. The Second Addendum, which was first entered into with a handshake between Citizens CEO Jim O’Shaughnessy and newly appointed RUAG Ammotec AG CEO Christoph Eisenhardt, was then memorialized reflecting the terms the parties had agreed upon to continue their mutually beneficial relationship. On February 22, 2018, Citizens confirmed via email to RUAG that it had been operating under the terms of the Second Addendum since its January 21, 2018 inception.

8. This new operative agreement converted the value of the then existing inventory of ammunition held by Citizens and supplied by RUAG into a performing loan with a term of three (3) years and quarterly interest payments of 2.5% of current inventory (the "Note"). At the time Citizens and RUAG entered into the Second Addendum, the existing inventory held by Citizens was valued by the parties at \$2,476,692.88. Further, the Second Addendum allowed for the loan principal on the Note to be paid by way of three (3) yearly balloon payments: 2018, in the amount of \$722,436, 2019 in the amount of \$850,000 and 2020 in the amount of \$904,256.

9. The benefits to both parties of this new agreement were enormous and quite obvious: Citizens continued to sell the inventory supplied by RUAG, and RUAG kept a great business partner in place to ensure that it had an ever-growing demand for its ammunition products in the United States.

10. The Parties clearly began operating under the Second Addendum as was evidenced by Citizens sending regular sales updates with payments to RUAG.

11. As of November 7, 2018, some ten months after the Second Addendum was entered into, and in reliance upon that Second Addendum, Citizens had made principal payments in the amount \$593,216.46. During that same period, and again pursuant to the terms contained in the Second Addendum, Citizens made a first quarter on time interest payments to RUAG in the amount \$15,479.33, and the first quarter Federal Excise Tax payments in the amount of \$44,943.14.

12. During this post-January 21, 2018 Second Addendum period where Citizens and RUAG mutually operated under the Second Addendum, RUAG never demanded payment nor did they provide notice of late payment to Citizens.

**RUAG HOLDING AG DECLARES ITS DESIRE TO BE RID OF ITS
CIVILIAN AMMUNITION SUPPLY BUSINESS**

13. Two significant events happened around the adoption of the Second Addendum. Just prior to the implementation of the Second Addendum, the long-time CEO at RUAG Ammotec AG, Cyril Kubelka, the executive who fostered and grew the business relationship with Citizens, departed, and a new CEO, Christoph Eisenhardt, was installed. (It was Eisenhardt who entered into the Second Addendum on behalf of RUAG with a handshake and an email based written agreement negotiated at subsequent meetings during the 2018 SHOT show). Furthermore, it became more and more evident that RUAG Holding AG, a wholly owned entity of the Swiss government, wished to avoid the optics of the Swiss government profiting from the sale of ammunition to the United States public, and RUAG Holding AG made known that it was looking to off load its civilian ammunition business. These two events galvanized the RUAG's offshore management insiders, now under new leadership, and they began focusing on self-preservation and financial opportunity. They embarked on a scheme to ensure both, at the expense of Citizens and RUAG's owners – the Swiss government.

14. At or about this time, the new managers at RUAG, understanding that RUAG's civilian ammunition business would be sold, began a scheme to eliminate Citizens from the very marketplace that Citizens identified, developed and grew. That effort began when RUAG, rather than honor the terms of the Second Addendum, sought to ignore it, then attempting to force Citizens into an agreement that Citizens could not afford, or honor. After Citizens refused to renegotiate the already in place Second Addendum, RUAG took the position that it was now relying on the prior Agreement, the Supply Agreement, and that it would not honor the Second Addendum. That action, RUAG knew and intended, would cause the immediate downfall of Citizens.

15. Thereafter, RUAG, in breach of the Second Addendum, demanded payment under the no longer operative "pay when sold" protocol set forth in the former Supply Agreement. When that demand by RUAG was deemed by Citizens as inconsistent with the Second Addendum, RUAG confiscated the remaining inventory held by Citizens. This act was inconsistent with, and in breach of, the terms of the Second Addendum.

16. With RUAG confiscating Citizens' remaining inventory, Citizens could not fulfill the requirements of its customers, including its PRIME Club members who had agreed to purchase, via subscription, predetermined monthly amounts of ammunition, nor did it have any way to ensure completing the payments for what it

owed RUAG for the balance of 2018 under the Second Addendum. In short, RUAG and its offshore insider dominated managers put Citizens right where they wanted: on the ropes and reeling. That scheme, as calculated by RUAG's management, created an immediate void in the very successful high precision ammunition marketplace created by Citizens that could be assumed by RUAG with its house-brand Norma ammunition once the LBO was final. Moreover, in the present, not only can these managers now report to their Swiss owners decreased sales and/or income due to locking out Citizens from selling RUAG produced product, but they can now show an alleged loss on their books, the amount that they are claiming is owed by Citizens and they claim has not been paid. This is a dual "benefit," which redounds only to those manager's benefit when the time comes for them to buy the business unit whose bottom line now reflects those self-manufactured "losses."

**RUAG'S SCHEME TO DEFRAUD CITIZENS TO
DRIVE IT OUT OF BUSINESS**

17. Although RUAG and its managers believed that they had successfully pushed Citizens out of the market in the United States, they could not be sure that Citizens would not return. For their scheme to pay off, those RUAG offshore managers had to ensure that, following their leveraged buyout, RUAG's own brand "Norma" would not have to compete with PRIME.

18. Thus, not satisfied in simply taking Citizens' product away, and leaving Citizens without any product to sell, RUAG and its managers sought to finish off its

nefarious plot to put Citizens out of business for good, and they did so by engaging in a scheme to defraud Citizens out of any financing it might have left to begin competing against RUAG in the future.

19. Knowing that Citizens would need to tap financing from third-parties to obtain ammunition to restart its business, RUAG created a ploy to turn off that financing spigot. First, RUAG would offer to supply Citizens its sure to be successful 6.5 4s SAUM and 6 Creedmoor ammunition, but only if the order was paid for in advance of manufacturing. Advanced payment would, as intended by RUAG and its managers, require Citizens to obtain immediate financing by third-parties. Next, as soon as Citizens' borrowed money was in the door, RUAG would refuse to deliver any product, and would assert ownership rights in the money paid. To complete this scheme, RUAG would intentionally not disclose that it did not intend to supply the product, but would nonetheless keep Citizens' money. These actions would have the result intended: Citizens would be left financially crippled, and with no way to compete now or in the future.

20. Consistent with that intent to defraud Citizens, RUAG did indeed offer to supply Citizens with that ammunition, ammunition that was designed by G.A. Precision for Citizens, on a pay in advance of delivery basis. With that trap set, an unwary Citizens set about finding financing, and after raising private capital, Citizens, by noon on August 22, 2018, ordered and paid \$399,360.00 for 155,000

rounds of 6.5 4s SAUM ammunition and 200,000 rounds of 6 Creedmoor ammunition. RUAG, of course, never disclosed, prior to payment, that it never intended to supply this product.

21. With the payment in hand, RUAG sprung its trap, kept the almost \$400,000.00 and refused to deliver the ammunition. RUAG did what it intended to do: defraud Citizens from the money paid specifically for the new ammunition. RUAG intentionally did not disclose to Citizens it would keep its funds for the debt it believed was owed to it by Citizens. It did so all the while knowing that it never intended to provide the ammunition. Its intent was now clear for all to see: It defrauded Citizens to squeeze the last dollar out of what it could gather to compete against RUAG, an act which it intended to drive the final stake through the heart of Citizens' business.

22. As of the filing of this Complaint: RUAG has been paid \$608,695.79 under the Second Addendum; RUAG confiscated all remaining inventory held by Citizens, leaving Citizens unable to supply its customers and PRIME Club Members; and after fraudulently inducing Citizens to prepay for 355,000 rounds of ammunition, RUAG now holds both the prepaid \$400,000 and the 355,000 rounds.

23. This brazen, systematic and intentional dismantling of Citizens by foreign-based managers hoping to drive down the cost of their business acquisition from the Swiss government is based in politics and greed. All the while, by

dismantling Citizens and crushing the contractual relationship it had with Citizens, not only was a formidable competitor to the managers' desire to acquire the market in the United States destroyed, but RUAG's managers, to the enormous loss of the Swiss government, had effectively and efficiently decreased RUAG's Hunting & Sport business unit's value by neutering and thereby losing the sales of its most successful product distributor in the United States and reporting their self-manufactured "losses."

24. RUAG strategically and purposefully breached its contract with Citizens, tortuously interfered with Citizens' prospective business opportunities and conspired to eliminate Citizens as a company and as a marketplace competitor. The damages suffered by Citizens are immense. The harm to Citizens is irreparable.

COUNT I
BREACH OF CONTRACT-
SECOND ADDENDUM

25. Citizens hereby repeats and realleges every allegation contained in paragraphs 1 through 24 as if same were more fully set forth herein.

26. Citizens entered into a binding agreement, the Second Addendum, with RUAG, and the Parties faithfully operated under the Second Addendum for close to five and one-half months.

27. Under the Second Addendum, Citizens made seventeen separate payments in 2018 towards satisfaction of the 2018 \$722,436 balloon payment. Those

payments, totaling \$593,216.46, were unconditionally accepted by RUAG. In compliance with the terms of the Second Addendum, Citizens made the required 2.5% interest payment to RUAG in the amount of \$15,479.33. The interest payment was unconditionally accepted by RUAG.

28. Without justification, RUAG subsequently confiscated the remaining ammunition inventory held by Citizens. This act was inconsistent with the terms of the Second Addendum, was not authorized by the Second Addendum and left Citizens with no possible way to perform under that Second Addendum.

29. RUAG's breach of the Second Addendum has left Citizens without any inventory to sell and as a result, has no means to generate current revenue. Citizens has been harmed by RUAG's breach of the Second Addendum.

WHEREFORE, Citizens demands judgment in its favor and against RUAG AG and RUAG USA in an amount in excess of **ONE MILLION DOLLARS**, together with interest, attorneys' fees and costs of suit.

COUNT II
DETRIMENTAL RELIANCE-
SECOND ADDENDUM

30. Citizens hereby repeats and realleges every allegation contained in paragraphs 1 through 29 as if same were more fully set forth herein.

31. Citizens entered into an agreement, the Second Addendum, with RUAG, and the Parties faithfully operated under the Second Addendum for close to five and one-half months.

32. Citizens, with the reasonable understanding that RUAG was bound by the terms of the Second Addendum, fully performed its obligations under the Second Addendum, and made seventeen separate payments in 2018 towards satisfaction of the 2018 \$722,436 balloon payment. Those payments, totaling \$593,216.46, were unconditionally accepted by RUAG. In compliance with the terms of the Second Addendum, Citizens made the required 2.5% interest payment to RUAG in the amount of \$15,479.33. The interest payment was unconditionally accepted by RUAG.

33. Citizens not only relied upon RUAG's representations regarding the terms of the Second Addendum, but Citizens also relied upon the fact that RUAG's acceptance of payments under the terms of the Second Addendum constituted evidence of a binding contractual relationship subjecting both parties to the terms of the Second Addendum.

34. Not only did Citizens rely upon RUAG's actions and representations, it acted upon them. Prior to RUAG confiscating inventory held by Citizens, Citizens maintained the payment terms of the Second Addendum all while building its brand and servicing its customer base. Citizens did so faithfully by making seventeen

payments towards the balloon payment and the interest owed under the Second Addendum all while supplying its loyal customers with PRIME ammunition.

35. Citizens justifiably relied, to its detriment, on the actions and representations of RUAG in carrying out the terms of the Second Addendum.

36. RUAG, by failing to recognize their actions and representations, irreparably harmed Citizens. Moreover, once the inventory held by Citizens was confiscated by RUAG, Citizens could no longer work to grow its brand and business. Citizens has been harmed by the actions and representations of RUAG.

WHEREFORE, Citizens demands judgment in its favor and against RUAG AG and RUAG USA in an amount in excess of **ONE MILLION DOLLARS**, together with interest, attorneys' fees and costs of suit.

COUNT III
BREACH OF IMPLIED COVENANT OF GOOD FAITH AND
FAIR DEALING - SECOND ADDENDUM

37. Citizens hereby repeats and realleges every allegation contained in paragraphs 1 through 36 as if same were more fully set forth herein.

38. Citizens entered into a binding agreement, the Second Addendum, with RUAG, and the Parties faithfully operated under the Second Addendum for close to five and one-half months.

39. Citizens fully performed its obligations under the Second Addendum, and made seventeen separate payments in 2018 towards satisfaction of the 2018

\$722,436 balloon payment. Those payments, totaling \$593,216.46, were unconditionally accepted by RUAG. In compliance with the terms of the Second Addendum, Citizens made the required 2.5% interest payment to RUAG in the amount of \$15,479.33. The interest payment was unconditionally accepted by RUAG.

40. Without justification, RUAG subsequently confiscated the remaining ammunition inventory held by Citizens. This act was inconsistent with the terms of the covenant of good faith and fair dealing implied in the Second Addendum, and left Citizens with no possible way to perform under that Second Addendum.

41. RUAG's actions were a breach of the covenant of good faith and fair dealing implied in the Second Addendum, and Citizens has been harmed by RUAG's breach of this implied covenant.

WHEREFORE, Citizens demands judgment in its favor and against RUAG AG and RUAG USA in an amount in excess of **ONE MILLION DOLLARS**, together with interest, attorneys' fees and costs of suit.

COUNT IV
BREACH OF CONTRACT -
AMMUNITION PURCHASE CONTRACT

42. Citizens hereby repeats and realleges every allegation contained in paragraphs 1 through 41 as if same were more fully set forth herein.

43. Citizens made an offer to RUAG to purchase 155,000 rounds of 6.5 4s SAUM ammunition and 200,000 rounds of 6 Creedmoor ammunition. RUAG accepted the offer, and Citizens paid \$399,360.00 for the 355,000 rounds.

44. RUAG has failed to provide Citizens with the already paid for ammunition. RUAG has not returned Citizens' money. RUAG has breached the ammunition purchase agreement between Citizens and RUAG.

45. RUAG's actions in breaching the ammunition purchase agreement were intentional and willful and were designed to perpetuate its wrongful scheme to put Citizens out-of-business permanently and to ultimately capture Citizen's market in the United States.

46. RUAG's intentional and willful breach of contract has irreparably harmed Citizens, and damaged it.

WHEREFORE, Citizens demands judgment in its favor and against RUAG AG and RUAG USA in excess of **ONE MILLION DOLLARS**, together with interest, attorneys' fees and costs of suit.

COUNT V
COMMON LAW FRAUD-
AMMUNITION PURCHASE AGREEMENT

47. Citizens hereby repeats and realleges every allegation contained in paragraphs 1 through 46 as if same were more fully set forth herein.

48. Citizens made an offer to RUAG to purchase 155,000 rounds of 6.5 4s SAUM ammunition and 200,000 rounds of 6 Creedmoor ammunition. RUAG accepted the offer and Citizens paid \$399,360.00 for the 355,000 rounds.

49. RUAG not only failed to provide the already paid for ammunition, but it is abundantly clear by its actions that RUAG never had any intention of honoring the agreement.

50. RUAG and its managers never had any intention of fulfilling that agreement because it was part of its nefarious scheme to put Citizens out of business for good by defrauding Citizens out of any financing it might have left to begin competing against RUAG in the future.

51. At the time of the agreement, RUAG failed to tell Citizens that it never intended to supply the ammunition and that it would keep Citizens' money. These actions had the result intended: Citizens has been left financially crippled, and with no way to compete now or in the future actions were intentional and willful and were designed to perpetuate its wrongful scheme to put Citizens out-of-business permanently and to ultimately capture Citizen's market in the United States.

52. RUAG's intentional, willful and fraudulent conduct has irreparably harmed Citizens, and damaged it.

WHEREFORE, Citizens demands judgment in its favor and against RUAG AG and RUAG USA in an amount in excess of **ONE MILLION DOLLARS**, together with interest, attorneys' fees and costs of suit.

COUNT VI
UNJUST ENRICHMENT-
AMMUNITION PURCHASE AGREEMENT

53. Citizens hereby repeats and realleges every allegation contained in paragraphs 1 through 52 as if same were more fully set forth herein

54. As a result of the aforesaid conduct, RUAG has been, is and will continue to be, unjustly enriched at the expense of Citizens.

55. RUAG has been unjustly enriched by retaining the \$399,360.00 and having no intention of providing the ammunition purchased by Citizens.

56. Citizens was impoverished by the loss of its \$399,360.00.

57. RUAG's wrongful and fraudulent inducement led to its enrichment and to Citizens' impoverishment.

58. RUAG was not justified in taking the fraudulent actions which led to Citizens' enriching RUAG.

59. There is no remedy at law which allows for Citizens to seek the return of the fraudulently obtained money which is unjustly enriching RUAG.

WHEREFORE, Citizens demands judgment in its favor and against RUAG AG and RUAG USA in an amount the amount of \$399,360.00, together with interest, attorneys' fees and costs of suit.

COUNT VII
CONVERSION

60. Citizens hereby repeats and realleges every allegation contained in paragraphs 1 through 59 as if same were more fully set forth herein.

61. Citizens made an offer to RUAG to purchase 155,000 rounds of 6.5 4s SAUM ammunition and 200,000 rounds of 6 Creedmoor ammunition. RUAG accepted the offer, and Citizens paid RUAG \$399,360.00 for the 355,000 rounds on August 22, 2018.

62. RUAG has completed the production of the 155,000 rounds of 6.5 4s SAUM ammunition and 200,000 rounds of 6 Creedmoor ammunition.

63. RUAG has packed and shipped the fully paid for 155,000 rounds of 6.5 4s SAUM ammunition and 200,000 rounds of 6 Creedmoor ammunition via overseas shipping.

64. The fully paid for 155,000 rounds of 6.5 4s SAUM ammunition and 200,000 rounds of 6 Creedmoor has arrived at its United States port of entry.

65. RUAG, instead of delivering the fully paid for 155,000 rounds of 6.5 4s SAUM ammunition and 200,000 rounds of 6 Creedmoor to Citizens, has offered

the ammunition that has been bought and paid for by Citizens to other United States ammunition distributors as though RUAG, and not Citizens, owned the ammunition.

66. RUAG has wrongfully and unjustifiably converted Citizens' property by its intentional act of exerting control over the ammunition bought and paid for by Citizens, and by attempting to sell such ammunition to third-parties. RUAG's intentional and willful conduct has irreparably harmed Citizens, and damaged it.

WHEREFORE, Citizens demands judgment in its favor and against RUAG AG and RUAG USA in excess of **ONE MILLION DOLLARS**, together with interest, attorneys' fees and costs of suit.

COUNT VIII
BREACH OF CONTRACT-
NONDISCLOSURE AGREEMENT

67. Citizens hereby repeats and realleges every allegation contained in paragraphs 1 through 66 as if same were more fully set forth herein.

68. RUAG and a predecessor to Citizens entered into a nondisclosure agreement (the "NDA") on February 19, 2013. That NDA was fully incorporated by reference into the Supply Agreement.

69. With the protection afforded by the NDA, Citizens, working with George Gardner, president of G.A. Precision, provided RUAG with proprietary specifications and formulations for an elite version of 6.5 Creedmoor ammunition to be manufactured by RUAG exclusively for Citizens under the PRIME label. RUAG

did not manufacture any 6.5 Creedmoor ammunition prior to Citizens' interactions with RUAG.

70. As anticipated, the proprietary PRIME 6.5 Creedmoor ammunition was wildly successful. This exact formulation, which G.A. Precision provided exclusively for Citizens' use, has now, in direct violation of the NDA, shown up in the retail marketplace under RUAG's Norma label at a price lower than PRIME's. This blatant violation of the NDA still continues today with RUAG openly selling Citizens' proprietary PRIME formulation for the 6.5 Creedmoor 130 grain target projectile under the Norma brand.

71. The harm caused to Citizens by RUAG's disregard for the basic contract protection afforded by an NDA is incalculable. RUAG essentially stole Citizens' formula for its product, relabeled that product and then undercut the owner of the formula in the retail market space to drive them out of the market.

WHEREFORE, Citizens demands judgment in its favor and against RUAG AG and RUAG USA in an amount in excess of **ONE MILLION DOLLARS**, together with interest, attorneys' fees and costs of suit.

COUNT IX
MISAPPROPRIATION OF TRADE SECRETS

72. Citizens hereby repeats and realleges every allegation contained in paragraphs 1 through 71 as if same were more fully set forth herein.

73. RUAG manufactured 6.5 Creedmoor ammunition exclusively for Citizens under the PRIME label.

74. The specifications for the 6.5 Creedmoor ammunition were provided to RUAG by Citizens.

75. The PRIME 6.5 Creedmoor is a high precision ammunition that, at that time, was the only available production ammunition of its kind capable of providing the accuracy of professionally hand-loaded rounds.

76. Citizens' formulation of the PRIME 6.5 Creedmoor is proprietary, and a trade secret which is not disclosed to third-parties. RUAG knew and understood that Citizens' formulation was its own, was a business and trade secret and was not to be used by RUAG for anything other than the manufacturing of ammunition for Citizens. At no time did Citizens license or sell to RUAG the technical specifications of the PRIME 6.5 Creedmoor as a precision ammunition, or give RUAG the right to use the formulation of the PRIME 6.5 Creedmoor for the benefit of RUAG.

77. Without Citizens' approval or knowledge, RUAG manufactured, stamped, packaged, and began selling the exact same formulation of PRIME 6.5 Creedmoor ammunition under RUAG's Norma label.

78. RUAG's new position in the market with its never before produced 6.5 Creedmoor ammunition was a double punch in the gut to Citizens because now the manufacturer was not only squeezing its distributor by not providing the PRIME 6.5

Creedmoor ammunition already bought and paid for by Citizens, but the manufacturer has now entered the marketplace with the exact same product developed, created and owned by its distributor, Citizens.

79. RUAG has misappropriated Citizens' proprietary formula for PRIME 6.5 Creedmoor ammunition to the substantial detriment of Citizens. Indeed, Citizens has been irreparably harmed by this intentional and unjustified misappropriation of Citizens' trade secrets.

WHEREFORE, Citizens demands judgment in its favor and against RUAG AG and RUAG USA in an amount in excess of **ONE MILLION DOLLARS**, together with interest, attorneys' fees and costs of suit.

COUNT X
TORTIOUS INTERFERENCE WITH
PROSPECTIVE BUSINESS RELATIONS

80. Citizens hereby repeats and realleges every allegation contained in paragraphs 1 through 79 as if same were more fully set forth herein.

81. Prior to the actions of RUAG and its foreign-based managers as described above, Citizens was a successful market leader which had developed and was developing marketplace dominance in particular segments of the sports shooting and competitive shooting communities. Its PRIME brand was a stellar performer, and Citizens was set to capitalize tremendously on its marketing and business success.

82. RUAG's unjustified and unconscionable breach of the Second Addendum and the subsequent fraud it perpetrated on Citizens now prevents Citizens from meeting the needs of its customers and has destroyed Citizens' ability to effectively capitalize on its market and business success.

83. As a result of wrongful and intentional interference with Citizens' business as set forth herein, Citizens has lost current customers, potential customers and the business that would have been developed by such customers.

84. Citizens has suffered damages, including the decrease in the value of its business, the loss of anticipated profits, the loss of goodwill and reputational harm as a result of RUAG's tortious interference with Citizens' prospective business relations.

WHEREFORE, Citizens demands judgment in its favor and against RUAG AG and RUAG USA in an amount in excess of **ONE MILLION DOLLARS**, together with interest, attorneys' fees and costs of suit.

COUNT XI
TORTIOUS INTERFERENCE WITH
CONTRACTUAL RELATIONS

85. Citizens hereby repeats and realleges every allegation contained in paragraphs 1 through 84 as if same were more fully set forth herein.

86. Citizens allowed RUAG to benefit from Citizens' exclusive concept called PRIME Club. The details of the PRIME Club were memorialized in the

Supply Agreement. This club was a subscription-based ammunition service where a customer would enter into an agreement with PRIME to purchase a set amount of ammunition on a monthly basis. Like many monthly club-type programs, the customer would provide a payment method to PRIME that would allow PRIME to automatically debit that payment method for the cost of the ammunition shipped.

87. This exciting concept in ammunition sales would guarantee RUAG a consistent demand for its ammunition and provide PRIME with consistent cash flow.

88. Unfortunately, when RUAG confiscated Citizens' inventory, Citizens could no longer supply its PRIME Club members with the ammunition that those members had contracted to receive, and in turn, the cash flow derived from the Club subscriptions disappeared. RUAG's actions were the direct cause of Citizens' breach of the agreement it had with the PRIME Club members.

WHEREFORE, Citizens demands judgment in its favor and against RUAG AG and RUAG USA in an amount in excess of **ONE MILLION DOLLARS**, together with interest, attorneys' fees and costs of suit.

COUNT XII
CIVIL CONSPIRACY

89. Citizens hereby repeats and realleges every allegation contained in paragraphs 1 through 88 as if same were more fully set forth herein.

90. Acting in concert with one another, RUAG USA and RUAG AG worked to perpetrate their wrongful scheme and fraudulent acts on Citizens.

91. RUAG's concerted actions were intentional and willful and were designed to perpetuate their wrongful scheme to put Citizens out-of-business and to ultimately capture Citizens' market in the United States.

92. As a result of RUAG's intentional and fraudulent actions, Citizens has suffered damages.

WHEREFORE, Citizens demands judgment in its favor and against RUAG AG and RUAG USA in an amount in excess of **ONE MILLION DOLLARS**, together with interest, attorneys' fees and costs of suit.

COUNT XIII
BAD FAITH

93. Citizens hereby repeats and realleges every allegation contained in paragraphs 1 through 92 as if same were more fully set forth herein.

94. RUAG and its European managers were determined to eliminate Citizens as a viable company and as a competitor in the United States.

95. Their efforts not only destroyed the value of Citizens, but RUAG and its foreign managers, who are strategically maneuvering to take RUAG's Hunting & Sport business unit private at the lowest price possible, stripped the value of that business unit from its owners, the Swiss government, by turning off the income stream from its most successful United States distributor and creating alleged losses on its books relating to Citizens.

96. By eliminating a successful competitor in the United States marketplace, in the manner described above, RUAG's self-interested offshore management will now be positioned to replace Citizens' market dominance following their leveraged buyout of RUAG's Hunting & Sport business unit.

97. The actions of RUAG and its managers were taken in bad faith, and were intentionally done to benefit themselves, to the irreparable detriment not only of Citizens but also of the Swiss government. Citizens has been damaged by this bad faith conduct.

WHEREFORE, Citizens demands judgment in its favor and against RUAG AG and RUAG USA in an amount in excess of ONE MILLION DOLLARS, together with interest, attorneys' fees and costs of suit.

COUNT XIV
PUNITIVE DAMAGES

98. Citizens hereby repeats and realleges every allegation contained in paragraphs 1 through 97 as if same were more fully set forth herein.

99. The wrongful and fraudulent acts by RUAG and its foreign-based managers as aforesaid were calculated, intentional and malicious, and are of the type which this Court will award punitive damages to compensate the injured party for the intentional and unjustified actions taken against them and, as a matter of public policy, to deter such actions in the future.

WHEREFORE, Citizens respectfully requests that the Court find that punitive damages are appropriate given the conduct of RUAG, and Citizens demands judgment in its favor and against RUAG AG and RUAG USA in an amount in excess of **ONE MILLION DOLLARS**, together with interest, attorneys' fees and costs of suit to compensate it for the intentional and wrongful actions aforesaid and to deter such actions in the future.

MORTON, VALIHURA & ZERBATO, LLC

/s/ Robert J. Valihura, Jr.

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Plaintiff, Citizens Ammunition, LLC

Dated: April 15, 2019