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11 **UNITED STATES DISTRICT COURT**
12 **FOR THE DISTRICT OF ARIZONA**

13 George Leboeuf, Derivatively on Behalf of
14 AMMO, Inc.,

15 Plaintiff,

16 v.

17 Fred W. Wagenhals; Jared R. Smith;
18 Robert D. Wiley; Russell William Wallace,
19 Jr.; Richard Childress; Jessica Lockett;
20 Steve F. Urvan; Christos Tsentas; Wayne
21 Walker; Randy Luth; Robert J.
22 Goodmanson; and Harry Markley,

23 Defendants,

24 and,

25 AMMO, Inc.,

26 Nominal Defendant.

Case No:

**VERIFIED SHAREHOLDER
DERIVATIVE COMPLAINT**

JURY TRIAL DEMANDED

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1 Plaintiff George LeBoeuf (“Plaintiff”), by and through his undersigned counsel,
2 derivatively on behalf of AMMO, Inc., (“AMMO” or the “Company”), submits this
3 Verified Shareholder Derivative Complaint (the “Complaint”). Plaintiff’s allegations are
4 based upon his personal knowledge as to himself and his own acts, and upon information
5 and belief, developed from the investigation and analysis by Plaintiff’s counsel, including
6 a review of publicly available information, including filings by the Company with the U.S.
7 Securities and Exchange Commission (“SEC”), press releases, news reports, analyst
8 reports, investor conference transcripts, publicly available filings in lawsuits, and matters
9 of public record.

10 **NATURE OF THE ACTION**

11 1. This is a shareholder derivative action brought in the right, and for the
12 benefit, of the Company against certain of its officers and directors seeking to remedy
13 Defendants’ violations of state and federal law that have occurred from August 19, 2020
14 through the present (the “Relevant Period”) and have caused substantial harm to the
15 Company.

16 **JURISDICTION**

17 2. This Court has jurisdiction over the subject matter of this action pursuant to
18 28 U.S.C. § 1331 as the claims asserted herein arise under Section 10(b) of the Securities
19 Exchange Act of 1934. This Court also has jurisdiction over Plaintiff’s state law claims
20 pursuant to 28 U.S.C. § 1367(a).

21 3. This Court has personal jurisdiction over each defendant named herein
22 because each defendant is either a corporation that conducts business in and maintains
23 operations in this District or is an individual who has sufficient minimum contacts with
24 this District to render the exercise of jurisdiction by the courts of this District permissible
25 under traditional notions of fair play and substantial justice.

26 4. Venue is proper in this Court pursuant to 28 U.S.C. § 1391(b) because: (i)
27 the Company maintains its principal place of business in this District; (ii) one or more of
28 the defendants either resides in or maintains executive offices in this District; (iii) a

1 substantial portion of the transactions and wrongs complained of herein, including
2 Defendants' primary participation in the wrongful acts detailed herein and aiding and
3 abetting and conspiracy in violation of fiduciary duties owed to the Company, occurred in
4 this District; and (iv) Defendants have received substantial compensation in this District
5 by doing business here and engaging in numerous activities that had an effect in this
6 District.

7 5. In connection with the acts, transactions, and conduct alleged herein, the
8 Individual Defendants directly and indirectly used the means and instrumentalities of
9 interstate commerce, including the United States mail, interstate telephone
10 communications, and the facilities of a national securities exchange.

11 THE PARTIES

12 Plaintiff

13 6. Plaintiff is, and was at relevant times, a shareholder of the Company. Plaintiff
14 will fairly and adequately represent the interests of the shareholders in enforcing the rights
15 of the corporation.

16 Nominal Defendant

17 7. *Nominal Defendant AMMO* is incorporated under the laws of Delaware
18 with its principal executive offices located in Scottsdale, Arizona. AMMO's common
19 stock trades on the NASDAQ exchange under the symbol "POWW."

20 Director Defendants

21 8. *Defendant Russell William Wallace, Jr.* ("Wallace") has been a director of
22 the Company at all relevant times since June 2017. He also serves as a member of the
23 Audit Committee.

24 9. *Defendant Richard Childress* ("Childress") has been a director of the
25 Company at all relevant times since January 2021. He also serves as a member of the Audit
26 Committee.

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1 10. **Defendant Jessica Lockett** (“Lockett”) has been a director of the Company
2 at all relevant times since December 2020. She also serves as the Chair of the Audit
3 Committee.

4 11. **Defendant Steve F. Urvan** (“Urvan”) has been a director of the Company at
5 all relevant times since April 2021. Defendant Urvan was employed by the Company from
6 April 2021 through January 5, 2023 as Chief Strategy Officer.

7 12. **Defendant Christos Tsentas** (“Tsentas”) has been a director of the Company
8 at all relevant times since November 2022.

9 13. **Defendant Wayne Walker** (“Walker”) has been a director of the Company
10 at all relevant times since November 2022.

11 14. **Defendant Randy Luth** (“Luth”) has been a director of the Company at all
12 relevant times since January 2023.

13 15. **Defendant Robert J. Goodmanson** (“Goodmanson”) served as a director and
14 President of the Company from October 2019 through to December 2022.

15 16. **Defendant Harry Markley** (“Markley”) served as a director from April 2018
16 through to July 2023.

17 17. The above-named defendants are collectively referred to herein as the
18 “Director Defendants.”¹

19 **Officer Defendants**

20 18. **Defendant Fred W. Wagenhals** (“Wagenhals”) was the Company’s Founder
21 and Chief Executive Officer (“CEO”) from 2016 until July 24, 2023. As a result of the
22 wrongdoing alleged herein, Defendant Wagenhals is a named defendant in the factually
23 related Securities Class Action (defined below).

24 19. **Defendant Jared R. Smith** (“Smith”) has been the Company’s Chief
25 Executive Officer (“CEO”) since July 24, 2023. As a result of the wrongdoing alleged
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27 _____
28 ¹ References to “Director Defendants” in the demand futility section of this
Complaint do not refer to Defendants Goodmanson and Markley.

1 herein, Defendant Smith is a named defendant in the factually related Securities Class
2 Action.

3 20. *Defendant Robert D. Wiley* (“Wiley”) was the Company’s Chief Financial
4 Officer (“CFO”) at all relevant times. As a result of the wrongdoing alleged herein,
5 Defendant Wiley is a named defendant in the factually related Securities Class Action.

6 21. The above-named defendants are collectively referred to herein as the
7 “Officer Defendants.”

8 22. The Director Defendants and Officer Defendants are collectively referred to
9 herein as the “Individual Defendants.”

10 **SUBSTANTIVE ALLEGATIONS**

11 **Background**

12 23. AMMO designs, produces, and markets ammunition and ammunition
13 component products for public consumers, manufacturers, and law enforcement and
14 military agencies.

15 **MATERIALLY FALSE AND MISLEADING STATEMENTS**

16 24. The Relevant Period begins on August 19, 2020.² On that day, AMMO
17 submitted its annual report for the fiscal year ended March 31, 2020, on a Form 10-K filed
18 with the SEC (the “2020 Annual Report”), which was signed by Defendants Wagenhals,
19 Goodmanson, Wallace, Luth, and Markley. The 2020 Annual Report relayed the
20 composition and compensation of the Company’s executive officers and directors, as well
21 as the valuation of the Company’s stock awards made to such individuals. Specifically, the
22 2020 Annual Report stated in relevant part:

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28 ² Unless otherwise stated, all emphasis in bold and italics hereinafter is added.

ITEM 11 EXECUTIVE COMPENSATION

Name and Principal Position	Period Ended	Salary (1)	Bonus (1)	Stock Awards (2)	Option Awards (2)	Nonequity incentive plan compensation	Nonqualified deferred compensation earnings	All other compensation (3)	Total
Fred W. Wagenhals President, Chief Executive Officer, and Director	3/31/2020	\$ 120,000	\$ 0	\$ 180,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 300,000
	3/31/2019	\$ 120,000	\$ 0	\$ 156,375	\$ 0	\$ 0	\$ 0	\$ 0	\$ 276,375
Steve Hilko (4) Chief Operating Officer	3/31/2020	\$ 120,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 120,000
	3/31/2019	\$ 120,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 120,000
Robert D. Wiley(5) Chief Financial Officer	3/31/2020	\$ 103,333	\$ 0	\$ 86,794	\$ 0	\$ 0	\$ 0	\$ 0	\$ 190,127
	3/31/2019	\$ 77,917	\$ 0	\$ 76,395	\$ 0	\$ 0	\$ 0	\$ 0	\$ 154,312

Director Compensation

Name and Principal Position	Fees Earned or Paid In Cash (1)	Stock Awards (2)	Option Awards (2)	Nonequity incentive plan compensation	Nonqualified deferred compensation earnings	All other compensation (3)	Total
Robert J. Goodmanson (4)	\$ 0	\$ 80,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 80,000
Russell William Wallace Jr.	\$ 0	\$ 80,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 80,000
Randy Luth	\$ 0	\$ 80,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 80,000
Harry Markley	\$ 0	\$ 80,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 80,000
Dan O'Connor (5)	\$ 0	\$ 90,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 90,000
Tom Jagemann (6)	\$ 0	\$ 90,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 90,000

	For the Year Ended	
	March 31, 2020	March 31, 2019
Net Sales	\$ 14,780,365	\$ 4,565,652
Cost of Products Sold	18,455,904	4,795,346
Gross Margin	(3,675,539)	(229,694)
Sales, General & Administrative Expenses	10,161,954	8,750,964
Loss from Operations	(13,837,493)	(8,980,658)
Other income (expense)		
Other income (expense)	(719,187)	(2,728,754)
Loss before provision for income taxes	\$ (14,556,680)	\$ (11,709,412)
Provision for income taxes		-
Net Loss	\$ (14,556,680)	\$ (11,709,412)

25. The 2020 Annual Report reported the Company's purported financial results, including the Company's financing activities, and the cost of certain payments related to such offerings. Specifically, the 2020 Annual Report stated in relevant part:

* * *

Financing Activities

We financed our operations primarily from the issuance of equity instruments. During the year ended March 31, 2020, net cash provided by financing activities was \$4,524,848. This was the net effect of \$2,465,540

1 generated from the sale of Common Stock, ***net of cash payments of \$285,981***
2 ***in conjunction with the Unit offerings.*** We issued \$2,500,000 in Convertible
3 Promissory Notes, ***net of \$329,000 of issuance costs.*** Additionally,
4 \$9,747,281 was generated from accounts receivable factoring, which was
5 offset by ***payments of \$7,741,302.*** There was \$819,731 of cash was
6 generated from the issuance of a related party note payable, These increases
7 to our financing activities were offset by ***payment of \$1,885,000 on the***
8 ***related party notes payable,*** \$466,421 toward our insurance premium note
9 payable and a \$300,000 payment of our Contingent Consideration Payable.

10 26. The 2020 Annual Report asserted the Company did not have any off-balance
11 sheet arrangements, stating in relevant part:

12 **Off-Balance Sheet Arrangements**

13 As of March 31, 2020, ***we did not have any off-balance sheet arrangements***
14 that have or are reasonably likely to have a current or future material effect
15 on our financial condition, net sales, expenses, results of operations, liquidity
16 capital expenditures, or capital resources

17 27. The 2020 Annual Report purported to disclose the extent of the Company's
18 related party transactions, reporting the following transactions and asserting "[o]ther than
19 the foregoing" "none of the directors or executive officers of the Company," "has any
20 material interest, direct or indirect, in any transaction that has occurred during the past
21 fiscal year." The 2020 Annual Report further stated that "[w]ith regard to any future related
22 party transaction" the Company "plan[s] to fully disclose any and all related party
23 transactions." Specifically, the 2020 Annual Report stated in relevant part:

24 **Related Party Transactions**

25 From October 2016 through December 2018, our executive offices were
26 located in Scottsdale, Arizona where we leased approximately 5,000 square
27 feet under a month-to-month triple net lease for \$3,800 per month. This space
28 housed our principal executive, administration, and marketing functions. Our
Chairman, President, and Chief Executive Officer owned the building in
which these offices are currently leased. For the year ended March 31, 2020
and 2019, the Company paid \$21,800 and \$53,013, respectively in rent for
these offices.

1 During the year ended March 31, 2020, we paid \$184,575 in service fees to
2 an independent contractor, \$6,500 in consulting fees to our Previous Chief
3 Financial Officer, and 60,000 shares in the aggregate to its Advisory
4 Committee members for service for a total value of \$113,000. Additionally,
5 at March 31, 2020, the Company had a receivable of approximately, \$14,700
6 from its previous Chief Financial Officer. During the year ended March 31,
7 2019, we paid approximately \$168,000 in consulting fees.

8 In connection with the acquisition of the casing division of Jagemann
9 Stamping Company, a promissory note was executed. The promissory note,
10 under which \$500,000 was paid on March 25, 2019 using funds raised for
11 the acquisition, had a remaining balance at March 31, 2019 of \$9,900,000.
12 On April 30, 2019, the original due date of the note was subsequently
13 extended to April 1, 2020. The note bears interest per annum at
14 approximately 4.6% payable in arrears monthly until October 1, 2019 when
15 the interest rate increases to 9% per annum payable monthly until principal
16 and accrued interest are paid in full. In May of 2019, the Company paid
17 \$1,500,000 on the balance of the note. As of March 31, 2020 and March 31,
18 2019, we accrued interest of \$352,157 and \$22,196, respectively, related to
19 the note.

20 In October of 2019, it was made apparent that certain equipment that was
21 agreed to be delivered free and clear by the Seller was not achievable as
22 Seller was not able to purchase equipment that Seller had leased.
23 Accordingly, the remaining value of the promissory note was reduced by
24 \$2,596,200. As a result of the change to the purchase price of the transaction,
25 the Company reduced Equipment for a net value of \$1,871,306, decreased
26 Other Intangible Assets by \$766,068, increased Accounts Receivable by
27 \$31,924, and recorded an increase to Deposits for \$9,250 worth of equipment
28 that the Company agreed to transfer back to Seller. Consequently,
accumulated amortization has decreased by \$159,530.

Additionally, the Company entered into a lease to gain possession of the
assets that were originally to be transferred. Subsequent to March 31, 2020,
the Company, Enlight and JSC entered into a Settlement Agreement pursuant
to which the parties mutually agreed to settle all disputes and mutually
release each other from liabilities related to the Amended APA occurring
prior to June 26, 2020. Pursuant to the Settlement Agreement, the Company
shall pay JSC \$1,269,977 and shall provide JSC with: (i) two new promissory
notes, a note of \$5,803,800 related to the Seller Note and note of \$2,635,797
for inventory and services, both with a maturity date of August 15, 2021, (ii)
general business security agreements granting JSC a security interest in all
personal property of the Company. Pursuant to the Notes, the Company is
obligated to make monthly payments totaling \$204,295 to JSC. In addition,
the Notes have a mandatory prepayment provision that comes into effect if

1 the Company conducts a publicly registered offering. Pursuant to such
2 provision, the Company: (a) upon the closing of an Offering of less than
3 \$10,000,000 would be obligated to pay the lesser of ninety percent (90%) of
4 the Offering proceeds or seventy (70%) of the then aggregate outstanding
5 balance of the Notes; and (b) upon the closing of an Offering of more than
6 \$10,000,000 would be obligated to pay one hundred percent (100%) of the
7 then aggregate outstanding balance of the Notes. The Company was granted
8 an option to repurchase up to 1,000,000 of the shares of the Company's
9 common stock issued to JSC under the Amended APA at a price of \$1.50 per
10 share through April 1, 2021 so long as there are no defaults under the
11 Settlement Agreement.

12 Through the Administrative and Management Services Agreement the
13 Company with Jagemann Stamping Company, the Company purchased
14 approximately \$1.9M in Inventory, incurred \$394,128 of rent expenses, and
15 incurred \$153,604 of expenses related to support costs such as engineering
16 and maintenance, among others, for the year ended March 31, 2020.

17 On May 3, 2019, the Company entered into a promissory note of \$375,000
18 with a shareholder of the Company. The original interest rate was the
19 applicable LIBOR Rate. The promissory note has since been amended and
20 the balance at March 31, 2020 was \$278,195. The note's original a maturity
21 date of August 3, 2019 was extended to September 18, 2020. The amended
22 note bears interest at 1.25% per month. The Company made \$315,000 in
23 principal payments in the year ended March 31, 2020. We have accrued
24 interest on the note of \$9,080. Subsequent to March 31, 2020, the related
25 party note and accrued interest was paid in full.

26 In December of 2019, the Company entered into a Promissory Note of
27 \$90,000 with Fred Wagenhals, the Company's Chief Executive Officer and
28 Chairman of the Board of Directors. The Note originally matured on June
12, 2020 and had an interest rate at the applicable LIBOR Rate. The
promissory note has since been amended and the balance at March 31, 2020
was \$156,536 and the amended maturity date is September 18, 2020. The
Company made \$70,000 in principal payments in the year ended March 31,
2020. The amended note bears interest at 1.25% per month. We have accrued
interest on the note of \$1,287. Subsequent to March 31, 2020, the related
party note and accrued interest was paid in full.

Other than the foregoing, none of the directors or executive officers of the
Company, nor any person who owned of record or was known to own
beneficially more than 5% of the Company's outstanding shares of its
Common Stock, nor any associate or affiliate of such persons or companies,
has any material interest, direct or indirect, in any transaction that has

1 occurred during the past fiscal year, or in any proposed transaction, which
2 has materially affected or will affect the Company.

3 With regard to any future related party transaction, we plan to fully disclose
4 any and all related party transactions in the following manner:

- 5 • Disclosing such transactions in reports where required;
- 6 • Disclosing in any and all filings with the SEC, where required;
- 7 • Obtaining disinterested directors consent; and
- 8 • Obtaining shareholder consent where required

9 28. On June 29, 2021, AMMO submitted its annual report for the fiscal year
10 ended March 31, 2021, on a Form 10-K filed with the SEC (the “2021 Annual Report”),
11 signed by Defendants Wagenhals, Wiley, Goodmanson, Wallace, Childress, Markley,
12 Lockett, and Urvan. The 2021 Annual Report reported the composition and compensation
13 of the Company’s executive officers and directors, as well as the valuation of the
14 Company’s stock awards made to such individuals. Specifically, the 2021 Annual Report
15 stated in relevant part:

16 ITEM 11 EXECUTIVE COMPENSATION

17 Name and Principal Position	18 Period Ended	19 Salary (1)	20 Bonus (1)	21 Stock Awards (2)	22 Option Awards (2)	23 Nonequity incentive plan compensation	24 Nonqualified deferred compensation earnings	25 All other compensation (3)	26 Total
17 Fred W. Wagenhals 18 President, Chief Executive Officer, 19 and Director	3/31/2021	\$ 240,000	\$ 96,004	\$ 157,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 493,504
	3/31/2020	\$ 120,000	\$ 0	\$ 180,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 300,000
20 Steve Hilko 21 Chief Operating Officer(4)	3/31/2021	\$ 163,542	\$ 0	\$ 58,333	\$ 0	\$ 0	\$ 0	\$ 0	\$ 221,875
	3/31/2020	\$ 120,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 120,000
22 Robert D. Wiley 23 Chief Financial Officer	3/31/2021	\$ 127,500	\$ 0	\$ 90,977	\$ 0	\$ 0	\$ 0	\$ 0	\$ 218,477
	3/31/2020	\$ 103,333	\$ 0	\$ 86,794	\$ 0	\$ 0	\$ 0	\$ 0	\$ 190,127

24 Director Compensation

25 Name and Principal Position	26 Fees Earned or Paid In Cash (1)	27 Stock Awards (2)	28 Option Awards (2)	Nonequity incentive plan compensation	Nonqualified deferred compensation earnings	All other compensation (3)	Total
Russell William Wallace Jr.	\$ 0	\$ 70,000	\$ -	\$ -	\$ -	\$ -	\$ 70,000
Harry Markley	\$ 0	\$ 70,000	\$ -	\$ -	\$ -	\$ -	\$ 70,000
Robert J. Goodmanson	\$ 90,400	\$ 70,000	\$ -	\$ -	\$ -	\$ -	\$ 160,400
Jessica M. Lockett (4)	\$ 12,000	\$ 17,500	\$ -	\$ -	\$ -	\$ -	\$ 29,500
Richard R. Childress (5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Randy E. Luth (6)	\$ 0	\$ 52,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 52,500

29. The 2021 Annual Report stated the Company's purported financial results, including the Company's financing activities, and the cost of certain payments related to such offerings. Specifically, the 2021 Annual Report stated in relevant part:

	<u>For the Year Ended</u>	
	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Net Sales	\$ 62,482,330	\$ 14,780,365
Cost of Products Sold	51,095,679	18,455,904
Gross Margin	11,386,651	(3,675,539)
Sales, General & Administrative Expenses	16,766,636	10,161,954
Loss from Operations	(5,379,985)	(13,837,493)
Other income (expense)		
Other income (expense)	(2,432,309)	(719,187)
Loss before provision for income taxes	\$ (7,812,294)	\$ (14,556,680)
Provision for income taxes	-	-
Net Loss	\$ (7,812,294)	\$ (14,556,680)

Financing Activities

We financed our operations primarily from the issuance of equity instruments. During the year ended March 31, 2021, net cash provided by financing activities was \$139,276,235. This was the net effect of \$138,612,619 generated from the sale of Common Stock, net of cash payments of \$13,895,069 in conjunction with Common Stock offerings. Additionally, \$40,309,292 was generated from accounts receivable factoring, which was *offset by payments of \$40,473,083*. There was \$3,500,000 of cash generated from the issuance of a related party note payable. These increases to our financing activities were *offset by payment of \$8,783,410* on the related party notes payable, \$514,746 toward our insurance premium note payable and a \$1,500,000 payment on the repurchase and cancellation of 1,000,000 shares of our Common Stock.

During the year ended March 31, 2020, net cash provided by financing activities was \$4,524,848. This was the net effect of \$2,465,540 generated from the sale of Common Stock, net of cash payments of \$285,981 in conjunction with the Unit offerings. We issued \$2,500,000 in Convertible Promissory Notes, net of \$329,000 of issuance costs. Additionally, \$9,747,281 was generated from accounts receivable factoring, which was *offset by payments of \$7,741,302*. There was \$819,731 of cash was generated from the issuance of a related party note payable. These increases to our financing activities were *offset by payment of \$1,885,000* on the related party notes payable, \$466,421 toward our insurance premium note payable and a \$300,000 payment of our Contingent Consideration Payable.

1 30. The 2021 Annual Report asserted the Company did not have any off-balance
2 sheet arrangements, stating in relevant part:

3 **Off-Balance Sheet Arrangements**
4

5 As of March 31, 2021, *we did not have any off-balance sheet arrangements*
6 that have or are reasonably likely to have a current or future material effect
7 on our financial condition, net sales, expenses, results of operations, liquidity
8 capital expenditures, or capital resources.

9 31. The 2021 Annual Report purported to disclose the extent of the Company's
10 related party transactions, reporting the following transactions and asserting "[o]ther than
11 the foregoing" "none of the directors or executive officers of the Company," "has any
12 material interest, direct or indirect, in any transaction that has occurred during the past
13 fiscal year." The 2021 Annual Report further stated that "[w]ith regard to any future related
14 party transaction" the Company "plan[s] to fully disclose any and all related party
15 transactions." Specifically, the 2021 Annual Report stated the following, in relevant part,
16 excluding the previously reported disclosures:

17 ***Related Party Transactions***

18 During the year ended March 31, 2021, we paid \$152,549 in service fees to
19 an independent contractor and 60,000 shares in the aggregate to its advisory
20 committee members for service for a total value of \$103,000.

21 * * *

22 In connection with the acquisition of the casing division of JSC, a promissory
23 note was executed. JSC owned at least five percent (5%) of our shares
24 outstanding from March 2019 through March 16, 2021. On April 30, 2019,
25 the note was subsequently extended to April 1, 2020. The note bears interest
26 per annum at approximately 4.6% payable in arrears monthly. On June 26,
27 2020, the Company extended the promissory note until August 15, 2021. As
28 of March 31, 2020, we accrued interest of \$352,157 related to the note. The
note had a balance of \$5,400,000 at March 31, 2020 and the note was paid in
full on November 5, 2020.

* * *

1 Through the Administrative and Management Services Agreement the
2 Company with JSC, the Company purchased approximately \$3.4 million in
3 inventory support services, and incurred \$405,171 of rent expenses for the
4 year ended March 31, 2021. For the year ended March 31, 2021, the
5 Company purchased approximately \$1.9 million in Inventory, incurred
6 \$394,128 of rent expenses, and incurred \$153,604 of expenses related to
7 support costs such as engineering and maintenance, among others.

8 On June 26, 2021, the Company and JSC entered into a Settlement
9 Agreement pursuant to which the parties mutually agreed to settle all disputes
10 and mutually release each other from liabilities related to the Amended APA
11 occurring prior to June 26, 2020.

12 * * *

13 On November 5, 2020, the Company paid \$6,000,000 to JSC allocated as
14 follows: (i) payment in full of Note A, representing the balance due from the
15 Company to JSC relating to the acquisition of Jagemann Munition
16 Components in March 2019 and (ii) \$592,982 remitted in partial payment of
17 Note B, resulting in the parties' execution of Amended Note B which has a
18 starting principal balance of \$1,687,664 ("Amended Note B"). The Amended
19 Note B principal balance carries a 9% per annum interest rate and is
20 amortized equally over the thirty six (36) month term. As a result of the
21 payment in full of Note A JSC shall release the accompanying security
22 interest in Company assets which secured Note A. Concurrently, upon entry
23 into Amended Note B, JSC and the Company entered into the First
24 Amendment to General Business Security Agreement to reflect a revised list
25 of collateral in which JSC has a security interest. The total interest expense
26 recognized on Note A \$216,160 for the year ended March 31, 2021. The total
27 interest expense recognized on the original Note B was \$62,876 for the year
28 ended March 31, 2021.

The Company's balance of Amended Note B was \$1,490,918 at March 31,
2021. The Company recognized \$60,100 in interest expense on Amended
Note B for the year ended March 31, 2021.

On January 22, 2021, the Company repurchased 1,000,000 shares of the
Common Stock issued to JSC at a price of \$1.50 per share pursuant to the
Amended APA and subsequently cancelled the total purchased shares.

On May 3, 2019, the Company entered into a promissory note of \$375,000
with a shareholder of the Company. The original interest rate was the
applicable LIBOR Rate. The promissory note was amended and the note's
original a maturity date of August 3, 2019 was extended to September 18,
2020. The amended note bears interest at 1.25% per month. The Company

1 made \$18,195 in principal payments during year ended March 2021 and the
2 Note was paid in full in July of 2020. We recognized \$10,327 of interest
expenses related to the note during the year ended March 31, 2021.

3 In December of 2019, the Company entered into a Promissory Note of
4 \$90,000 with Fred Wagenhals, the Company's Chief Executive Officer and
5 Chairman of the Board of Directors. The Note originally matured on June
6 12, 2020, and had an interest rate at the applicable LIBOR Rate. The
7 promissory note has since been amended and the amended maturity date is
8 September 18, 2020. The Company made \$25,000 in principal payments
during the year ended March 31, 2021, and the Note was paid in full in July
of 2020. The amended note bears interest at 1.25% per month. We recognized
\$5,350 of interest expense on the note for the year ended March 31, 2021.

9 On September 23, 2020, the Company and Enlight entered into a promissory
10 note (the "Forest Street Note") with Forest Street, LLC ("Lender"), an
11 Arizona limited liability company wholly owned by our current Chief
12 Executive Officer, Fred Wagenhals, for the principal sum of \$3.5 million,
which accrues interest at 12% per annum. The Note has a maturity date of
September 23, 2022.

13 Pursuant to the terms of the Forest Street Note, the Company and Enlight
14 (collectively, the borrower pursuant to the note) shall pay Lender; (i) on a
15 monthly basis, beginning October 23, 2020, all accrued interest (only), (ii)
16 on a quarterly basis, a monitoring fee of 1% of the principal amount and then
17 accrued interest; and (iii) on the maturity date, the remaining outstanding
18 principal balance of the Loan, together with all unpaid accrued interest
thereon.

19 On December 14, 2020, the Company entered into a Debt Conversion
20 Agreement with the Lender. Pursuant to the Agreement, the Company and
21 Forest Street agreed to convert \$2,100,000 of the Note's principal into
1,000,000 shares of the Common Stock. The share issuance occurred on
22 December 15, 2020. As a result of the Debt Conversion Agreement the
23 remaining balance of the Forest Street Note was \$1,400,000. On January 14,
24 2021, the Company paid the remaining \$1,400,000 in principal and accrued
25 interest of the Forest Street Note. The Company recognized \$137,666 in
26 interest expense related to the Forest Street Note for the year ended March
31, 2021.

27 * * *

28 With regard to any future related party transaction, we plan to fully disclose
any and all related party transactions in the following manner:

- Disclosing such transactions in reports where required;
- Disclosing in any and all filings with the SEC, where required;
- Obtaining disinterested director consent; and
- Obtaining shareholder consent where required.

32. On June 29, 2022, AMMO submitted its annual report for the fiscal year ended March 31, 2022, on a Form 10-K filed with the SEC (the “2022 Annual Report”), signed by Defendants Wagenhals, Wiley, Goodmanson, Wallace, Childress, Markley, Lockett, and Urvan. The 2022 Annual Report reported the composition and compensation of the Company’s executive officers and directors, as well as the valuation of the Company’s stock awards made to such individuals. Specifically, the 2022 Annual Report stated in relevant part:

ITEM 11 EXECUTIVE COMPENSATION

Name and Principal Position	Period Ended	Salary (1)	Bonus (1)	Stock Awards (2)	Option Awards (2)	Nonequity incentive plan compensation	Nonqualified deferred compensation earnings	All other compensation (3)	Total
Fred W. Wagenhals Chief Executive Officer, and Director	3/31/2022	\$298,750	\$572,463	\$481,250	\$ 0	\$ 0	\$ 0	\$ 0	\$1,352,463
	3/31/2021	\$240,000	\$ 96,004	\$157,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 493,504
Robert D. Wiley Chief Financial Officer	3/31/2022	\$217,083	\$ 0	\$350,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 567,083
	3/31/2021	\$127,500	\$ 0	\$ 90,977	\$ 0	\$ 0	\$ 0	\$ 0	\$ 218,477
Robert J. Goodmanson (4) President	3/31/2022	\$240,000	\$ 0	\$595,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 835,000
Steve Hilko Chief Operating Officer(5)	3/31/2021	\$163,542	\$ 0	\$ 58,333	\$ 0	\$ 0	\$ 0	\$ 0	\$ 221,875

Director Compensation

Name and Principal Position	Fees Earned or Paid In	Stock Awards	Option Awards	Nonequity incentive plan compensation	Nonqualified deferred compensation earnings	All other compensation	Total
	Cash (1)	(2)	(2)		(3)		
Russell William Wallace Jr.	\$ 0	\$140,000	\$ -	\$ -	\$ -	\$ -	\$140,000
Harry Markley	\$ 0	\$140,000	\$ -	\$ -	\$ -	\$ -	\$140,000
Jessica M. Lockett	\$ 48,000	\$140,000	\$ -	\$ -	\$ -	\$ -	\$188,000
Richard R. Childress	\$ -	\$140,000	\$ -	\$ -	\$ -	\$ -	\$140,000
Steve Urvan (4)	\$ -	\$105,000	\$ -	\$ -	\$ -	\$ -	\$105,000

33. The 2022 Annual Report reported the Company’s purported financial results, including the Company’s financing activities, and the cost of certain payments related to such offerings. Specifically, the 2022 Annual Report stated in relevant part:

	For the Year Ended	
	<u>March 31, 2022</u>	<u>March 31, 2021</u>
Net Sales	\$ 240,269,166	\$ 62,482,330
Cost of Revenues	151,505,657	51,095,679
Gross Margin	88,763,509	11,386,651
Sales, General & Administrative Expenses	51,614,147	16,766,636
Income (loss) from Operations	37,149,362	(5,379,985)
Other income (expense)		
Other income (expense)	(615,957)	(2,432,309)
Income (loss) before provision for income taxes	\$ 36,533,405	\$ (7,812,294)
Provision for income taxes	3,285,969	-
Net Income (Loss)	\$ 33,247,436	\$ (7,812,294)

Financing Activities:

During the year ended March 31, 2022, net cash used in financing activities was approximately \$28.2 million. This was the net effect of a \$50.0 million payment on debt assumed from Gemini, \$35.0 million of proceeds from the sale of our preferred stock net of approximately \$3.2 million of issuance costs, approximately \$2.5 million of preferred stock dividends paid, approximately \$2.2 million of insurance premium note payments, approximately \$0.9 million was generated from common stock issued for exercised warrants, the \$4.0 million repayment of a note payable, and an approximate \$0.3 million reduction in our Inventory Credit Facility. Additionally, approximately \$121.5 million was generated from accounts receivable factoring, which was offset by payments of approximately \$122.8 million.

34. The 2022 Annual Report asserted the Company did not have any off-balance sheet arrangements, stating in relevant part:

Off-Balance Sheet Arrangements

As of March 31, 2022, *we did not have any off-balance sheet arrangements* that have or are reasonably likely to have a current or future material effect on our financial condition, net sales, expenses, results of operations, liquidity capital expenditures, or capital resource

35. The 2022 Annual Report purported to disclose the extent of the Company's related party transactions, reporting the following transactions and asserting "[o]ther than the foregoing" "none of the directors or executive officers of the Company," "has any material interest, direct or indirect, in any transaction that has occurred during the past

1 fiscal year.” The 2022 Annual Report further stated that “[w]ith regard to any future related
2 party transaction” the Company “plan[s] to fully disclose any and all related party
3 transactions.” Specifically, the 2021 Annual Report stated the following, in relevant part,
4 excluding the previously reported disclosures:

5 **NOTE 17 – RELATED PARTY TRANSACTIONS**

6
7 During the year ended March 31, 2022, we paid \$229,083 in service fees to
8 an independent contractor and 60,000 shares in the aggregate to its advisory
9 committee members for service for a total value of \$173,000. Through our
10 acquisition of Gemini, a related party relationship was created through one
11 of our Members of the Board of Directors by ownership of an entity that
12 transacts with Gemini. We recognized \$1,042,277 in Marketplace Revenue
13 for the year ended March 31, 2022 that was attributable to that relationship.

14 * * *

15 In connection with the acquisition of the casing division of JSC, a promissory
16 note was executed. On April 30, 2019, the note was subsequently extended
17 to April 1, 2020. The note bears interest per annum at approximately 4.6%
18 payable in arrears monthly. On June 26, 2020, the Company extended the
19 promissory note until August 15, 2021. As of March 31, 2021, we accrued
20 interest of \$352,157 related to the note. The was paid in full on November 5,
21 2020. JSC owned at least five percent (5%) of our shares outstanding from
22 March 2019 through March 16, 2021.

23 * * *

24 Through the Administrative and Management Services Agreement the
25 Company with JSC, the Company purchased approximately incurred \$1.7
26 million in inventory support services, and \$408,852 of rent expenses for the
27 year ended March 31, 2022. For the year ended March 31, 2021, the
28 Company purchased approximately \$3.4 million in inventory support
services, and incurred \$405,171 of rent expenses for the year ended March
31, 2021.

* * *

The Company’s balance of Amended Note B was \$865,771 and \$1,490,918
at March 31, 2022 and 2021, respectively. The Company recognized
\$110,518 and \$60,100 in interest expense on Amended Note B for the years
ended March 31, 2022 and 2021, respectively.

1 On January 22, 2021, the Company repurchased 1,000,000 shares of the
2 Company's common stock issued to JSC at a price of \$1.50 per share
pursuant to the Amended APA.

3 On May 3, 2019, the Company entered into a promissory note of \$375,000
4 with a shareholder of the Company. The original interest rate was the
5 applicable LIBOR Rate. The promissory note was amended and the note's
6 original a maturity date of August 3, 2019 was extended to September 18,
7 2020. The amended note bears interest at 1.25% per month. The Company
8 made \$18,195 in principal payments during the nine months ended
December, 2020 and the Note was paid in full in July of 2020. We recognized
\$10,327 of interest expenses related to the note during the year ended March
31, 2021.

9
10 36. On June 14, 2023, AMMO submitted its annual report for the fiscal year
11 ended March 31, 2023, on a Form 10-K filed with the SEC (the "2023 Annual Report"),
12 signed by Defendants Wagenhals, Wiley, Wallace, Childress, Markley, Lockett, Walker,
13 Tstentas, and Luth. The 2023 Annual Report reported the Company's purported financial
14 results, including the Company's financing activities, and the cost of certain payments
15 related to such offerings. Specifically, the 2023 Annual Report stated in relevant part:

	For the Year Ended	
	March 31, 2023	March 31, 2022
Net Sales	\$ 191,439,801	\$ 240,269,166
Cost of Revenues	136,031,204	151,505,657
Gross Margin	55,408,597	88,763,509
Sales, General & Administrative Expenses	58,667,516	51,614,147
Income (loss) from Operations	(3,258,919)	37,149,362
Other income (expense)		
Other income (expense)	(606,881)	(615,957)
Income (loss) before provision for income taxes	\$ (3,865,800)	\$ 36,533,405
Provision for income taxes	730,238	3,285,969
Net Income (Loss)	\$ (4,596,038)	\$ 33,247,436

Financing Activities

24 During the year ended March 31, 2023, net cash used in financing activities
25 was approximately \$6.7 million. This was the result of approximately \$3.0
26 million of preferred stock dividends paid, \$2.1 million of insurance premium
27 note payments, \$0.7 million in payments of our related party note payable,
and an approximate \$0.8 million reduction in our Inventory Credit Facility.
28 These items were offset by \$1.0 million generated from our construction note
payable and \$0.1 million of proceeds from warrants exercised for common

1 stock. Additionally, approximately \$71.3 million was generated from
2 accounts receivable factoring, which was *offset by payments of*
3 *approximately \$72.3 million.*

4 During the year ended March 31, 2022, net cash used in financing activities
5 was approximately \$28.2 million. This was the net effect of a \$50.0 million
6 payment on debt assumed from Gemini, \$35.0 million of proceeds from the
7 sale of our preferred stock net of approximately \$3.2 million of issuance
8 costs, approximately \$2.5 million of preferred stock dividends paid,
9 approximately \$2.2 million of insurance premium note payments,
10 approximately \$0.9 million was generated from common stock issued for
11 exercised warrants, the \$4.0 million repayment of a note payable, and an
12 approximate \$0.3 million reduction in our Inventory Credit Facility.
13 Additionally, approximately \$121.5 million was generated from accounts
14 receivable factoring, which was offset by *payments of approximately \$122.8*
15 *million.*

16 37. The 2023 Annual Report asserted the Company did not have any off-balance
17 sheet arrangements, stating in relevant part:

18 **Off-Balance Sheet Arrangements**

19 As of March 31, 2023, *we did not have any off-balance sheet arrangements*
20 *that have or are reasonably likely to have a current or future material effect*
21 *on our financial condition, net sales, expenses, results of operations, liquidity*
22 *capital expenditures, or capital resources*

23 38. The 2023 Annual Report stated the following, in relevant part, regarding the
24 Company's purported related party transactions, excluding the previously reported
25 disclosures:

26 **NOTE 16 – RELATED PARTY TRANSACTIONS**

27 On November 3, 2022, AMMO, Inc. (the "Company") entered into a
28 Settlement Agreement (the "Settlement Agreement") with Steven F. Urvan
and Susan T. Lokey (collectively with each of their respective affiliates and
associates, the "Urvan Group").

Pursuant to the Settlement Agreement, the Urvan Group has agreed to
withdraw its notice of stockholder nomination of its seven director
candidates (the "Urvan Candidates") and its demand to inspect books and
records, pursuant to Section 220 of the General Corporation Law of the State
of Delaware, and the Company agreed to immediately increase the size of

1 the Board from seven to nine directors and appoint Christos Tsentas and
2 Wayne Walker (each, a “New Director” and the New Directors together with
3 Mr. Urvan, the “Urvan Group Directors”) to the Board to serve as directors
4 with terms expiring at the 2022 annual meeting of stockholders (the “2022
5 Annual Meeting”). The Company will include the Urvan Group Directors in
6 its director candidates slate for the 2022 Annual Meeting and any subsequent
7 annual meeting of stockholders of the Company occurring prior to the
8 Termination Date (as defined below). The Company has agreed to not
9 increase the size of the Board above nine directors prior to the Termination
10 Date unless the increase is approved by at least seven directors. Mr.
11 Wagenhals will continue to serve as a director and Chairman of the Board.

8 Unless otherwise mutually agreed to in writing by each party, the Settlement
9 Agreement will remain in effect until the date that is the earlier of (i) 30 days
10 prior to the earlier of (A) the deadline set forth in the notice requirements of
11 Federal “Universal Proxy Rules” promulgated under Rule 14a-19(a) and
12 Rule 14a-19(b) under the Securities Exchange Act of 1934, as amended (the
13 “UPR Deadline”) relating to the Company’s 2023 annual meeting of
14 stockholders (the “2023 Annual Meeting”) and (B) any deadline that may be
15 set forth in the Company’s Amended and Restated Certificate of
16 Incorporation (as amended from time to time, the “Certificate”) or Bylaws
17 (the “Bylaws”) following the execution of the Settlement Agreement relating
18 to the nomination of director candidates for election to the Board at the 2023
19 Annual Meeting, and (ii) 90 days prior to the first anniversary of the 2022
20 Annual Meeting (such date, the “Termination Date”). However, if the
21 Company notifies Mr. Urvan in writing at least 15 days prior to such
22 Termination Date that the Board irrevocably offers to re-nominate the Urvan
23 Group Directors for election at the 2023 Annual Meeting and Mr. Urvan
24 accepts such offer within 15 days of receipt of such notice, the Termination
25 Date will be automatically extended until the earlier of (i) 30 days prior to
26 the earlier of (A) the UPR Deadline relating to the Company’s 2024 annual
27 meeting of stockholders (the “2024 Annual Meeting”) and (B) any deadline
28 that may be set forth in the Certificate or the Bylaws following execution of
the Settlement Agreement relating to the nomination of director candidates
for election to the Board at the 2024 Annual Meeting, and (ii) 90 days prior
to the first anniversary of the 2023 Annual Meeting. Notwithstanding the
foregoing, the “Termination Date” shall not occur prior to 20 days after Mr.
Urvan’s departure from the Board.

25 Pursuant to the Settlement Agreement, the Company will suspend the
26 previously announced separation of Company into Action Outdoor Sports,
27 Inc. and Outdoor Online, Inc., pending the further evaluation of strategic
28 options by the Board. The Company paid approximately \$500,000 of the
Urvan Group’s costs, fees and expenses per the terms of the Settlement
Agreement. Additionally, the Company issued 125,000 shares of Common

1 Stock for a total value of \$437,500 to an employee and issued 110,000 shares
2 of Common Stock for a total value of \$385,000 to an independent contractor
3 as a result of termination without cause per the terms of the Settlement
4 Agreement.

5 The foregoing summary of the Settlement Agreement does not purport to be
6 complete and is subject to, and qualified in its entirety, by reference to the
7 full text of the Settlement Agreement, a copy of which was previously filed
8 as Exhibit 10.1 in the Form 8-K filed with the SEC on November 7, 2022,
9 and incorporated herein by reference.

10 During the year ended March 31, 2023, we paid \$551,916 in service fees to
11 two independent contractors of which \$223,333 were created as a result of
12 termination without cause as a result of our Proxy Settlement Agreement.
13 The two independent contractors 141,419 shares of our common stock for a
14 total value of \$494,967 in addition to the issuances described in the foregoing
15 paragraphs. We issued 45,000 shares in the aggregate to its advisory
16 committee members for service for a total value of \$129,750. Through our
17 acquisition of Gemini, a related party relationship was created through one
18 of our Members of the Board of Directors by ownership of entities that
19 transacts with Gemini. We recognized \$215,300 in Marketplace Revenue for
20 the year ended March 31, 2022 that was attributable to that relationship.
21 There was
22 \$182,344 included in our Accounts Receivable at March 31, 2023 as a result
23 of this relationship.

24 During the year ended March 31, 2022, we paid \$229,083 in service fees to
25 an independent contractor and 60,000 shares in the aggregate to its advisory
26 committee members for service for a total value of \$173,000. Through our
27 acquisition of Gemini, a related party relationship was created through one
28 of our Members of the Board of Directors by ownership of an entity that
transacts with Gemini. We recognized \$1,042,277 in Marketplace Revenue
for the year ended March 31, 2022 that was attributable to that relationship.
There was \$139,164 included in our Accounts Receivable at March 31, 2022
as a result of this relationship.

* * *

Through the Administrative and Management Services Agreement the
Company with JSC, the Company purchased approximately incurred \$2.0
million in inventory support services, and \$170,355 of rent expenses for the
year ended March 31, 2023. Through the Administrative and Management
Services Agreement the Company with JSC, the Company purchased
approximately incurred \$1.7 million in inventory support services, and
\$408,852 of rent expenses for the year ended March 31, 2022. For the year

1 ended March 31, 2021, the Company purchased approximately \$3.4 million
 2 in inventory support services, and incurred \$405,171 of rent expenses for the
 year ended March 31, 2021.

3 * * *

4 The Company's balance of Amended Note B was \$180,850 and \$865,771 at
 5 March 31, 2023 and 2022, respectively. The Company recognized \$48,665,
 6 \$110,518, and \$60,100 in interest expense on Amended Note B for the years
 ended March 31, 2023, 2022, and 2021, respectively.

7 39. On July 31, 2023, AMMO filed an amendment to its annual report for the
 8 fiscal year ended March 31, 2023, on a Form 10-K/A with the SEC (the "Amended 2023
 9 Annual Report"), signed by Defendants Smith and Wiley. The Amended 2023 Annual
 10 Report was filed to, *inter alia*, amend and restate disclosure of the Company's directors,
 11 executive officers and corporate governance, executive compensation, and certain
 12 relationships and related transactions. The Amended 2023 Annual Report reported the
 13 composition and compensation of the Company's executive officers and directors, as well
 14 as the valuation of the Company's stock awards made to such individuals. Specifically,
 15 the Amended 2023 Annual Report stated in relevant part:

16 ITEM 11 EXECUTIVE COMPENSATION

17 <u>Name and Principal Position</u>	<u>Year</u>	<u>Salary (1)</u>	<u>Bonus (1)</u>	<u>Stock Awards (2)</u>	<u>All other compensation (3)</u>	<u>Total</u>
18 Fred W. Wagenhals (4)						
19 Chief Executive Officer, and Director	2023	\$ 475,000	\$ 478,636	\$ 840,000	\$ 24,062	\$1,817,698
	2022	\$ 298,750	\$ 572,463	\$ 481,250	\$ 0	\$1,352,463
	2021	\$ 240,000	\$ 96,004	\$ 157,500	\$ 0	\$ 493,504
20 Robert D. Wiley						
21 Chief Financial Officer	2023	\$ 240,000	\$ 0	\$ 350,000	\$ 15,084	\$ 605,084
	2022	\$ 217,083	\$ 0	\$ 350,000	\$ 0	\$ 567,083
	2021	\$ 127,500	\$ 0	\$ 90,977	\$ 0	\$ 218,477
22 Jared R. Smith (5)						
23 President and Chief Operating Officer	2023	\$ 118,750	\$ 118,750	\$ 175,000	\$ 29,086	\$ 441,586
24 Robert J. Goodmanson (6)						
25 President	2023	\$ 180,000	\$ 0	\$ 446,250	\$ 84,973	711,223
	2022	\$ 240,000	\$ 0	\$ 595,000	\$ 0	\$ 835,000
26 Steve Hilko						
27 Chief Operating Officer (7)	2021	\$ 163,542	\$ 0	\$ 58,333	\$ 0	\$ 221,875

Director Compensation

Name	Fees Earned or Paid In Cash (1)	Stock Awards (2)	Option Awards	Nonequity incentive plan compensation	Change in Pension Value and Nonqualified deferred compensation earnings	All other compensation (3)	Total
Russell William Wallace Jr.	\$ 0	\$ 140,000	\$ -	\$ -	\$ -	\$ -	\$ 140,000
Harry Markley	\$ 0	\$ 140,000	\$ -	\$ -	\$ -	\$ -	\$ 140,000
Jessica M. Lockett	\$ 48,000	\$ 140,000	\$ -	\$ -	\$ -	\$ -	\$ 188,000
Richard R. Childress	\$ -	\$ 140,000	\$ -	\$ -	\$ -	\$ -	\$ 140,000
Steve Urvan (3)	\$ 183,692	\$ 140,000	\$ -	\$ -	\$ -	\$ 15,561	\$ 339,253
Wayne Walker (4)	\$ -	\$ 17,500	\$ -	\$ -	\$ -	\$ -	\$ 17,500
Christos Tsentas (4)	\$ -	\$ 17,500	\$ -	\$ -	\$ -	\$ -	\$ 17,500
Randy E. Luth (5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

40. The Amended 2023 Annual Report reported the following regarding certain related transactions which the Company engaged in, excluding those previously reported disclosures, stating in relevant part:

The following is a description of each transaction since April 1, 2022 and each currently proposed transaction in which:

- we have been or are to be a participant;
- the amount involved exceeds \$120,000; and
- any related person had or will have a direct or indirect material interest.

While the Company does not current have a written policy regarding approval of transactions between the Company and a related party, our Board of Directors, as matter of appropriate corporate governance, reviews and approves all such transactions, to the extent required by applicable rules and regulations. Generally, management would present to the Board of Directors for approval at the next regularly scheduled Board of Directors meeting any related party transactions proposed to be entered into by us. *The Board of Directors may approve the transaction if it is deemed to be in the best interests of our shareholders and the Company.*

* * *

During the year ended March 31, 2023, we paid \$551,916 in service fees to two independent contractors of which \$223,333 were created as a result of termination without cause as a result of our Proxy Settlement Agreement. The two independent contractors were issued 141,419 shares of our common stock for a total value of \$494,967. We issued 45,000 shares in the aggregate to our advisory committee members for service for a total value of \$129,750. Through our acquisition of Gemini, a related party relationship was created with Mr. Urvan by ownership of entities that transacts with Gemini. We

1 recognized \$215,300 in Marketplace Revenue for the year ended March 31,
2 2022 that was attributable to that relationship. There was \$182,344 included
3 in our Accounts Receivable at March 31, 2023 as a result of this relationship.

4 41. On June 13, 2024, AMMO submitted its annual report for the fiscal year
5 ended March 31, 2024, on a Form 10-K filed with the SEC (the “2024 Annual Report”),
6 signed by Defendants Smith, Wiley, Wagenhals, Wallace, Childress, Lockett, Urvan,
7 Walker, Tsentas, and Luth. The 2024 Annual Report reported the Company’s purported
8 financial results, including the Company’s financing activities, and the cost of certain
9 payments related to such offerings. Specifically, the 2024 Annual Report stated in relevant
10 part:

	For the Year Ended	
	March 31, 2024	March 31, 2023
Net Revenues	\$ 145,054,572	\$ 191,439,801
Cost of Revenues	102,431,803	136,031,204
Gross Margin	42,622,769	55,408,597
Sales, general & administrative expenses	61,199,966	58,667,516
Income (loss) from Operations	(18,577,197)	(3,258,919)
Other income (expense)		
Other income (expense)	(779,066)	(606,881)
Income (loss) before provision for income taxes	\$ (19,356,263)	\$ (3,865,800)
Provision for income taxes	(3,791,063)	730,238
Net Income (Loss)	\$ (15,565,200)	\$ (4,596,038)

17 *Financing Activities*

18 During the year ended March 31, 2024, net cash used in financing activities
19 was \$8.7 million, consisting of \$3.2 million of insurance premium note
20 payments, \$3.0 million of preferred stock dividends paid, \$2.2 million used
21 to repurchase shares of Common Stock pursuant to our repurchase plan, and
22 \$0.2 million in payments of our related party note payable. These items were
23 offset by \$0.1 million of proceeds from warrants exercised for common
24 stock. Additionally, \$37.3 million was generated from accounts receivable
25 factoring, which was offset by payments of \$37.3 million.

26 During the year ended March 31, 2023, net cash used in financing activities
27 was \$6.7 million, consisting of \$3.0 million of preferred stock dividends
28 paid, \$2.1 million of insurance premium note payments, an \$0.8 million
reduction in our Inventory Credit Facility, and \$0.7 million in payments of
our related party note payable. These items were offset by \$1.0 million
generated from our construction note payable and \$0.1 million of proceeds
from warrants exercised for common stock. Additionally, approximately

1 \$71.3 million was generated from accounts receivable factoring, which was
2 offset by payments of approximately \$72.3 million.

3 42. The 2024 Annual Report asserted the Company did not have any off-balance
4 sheet arrangements, stating in relevant part:

5 **Off-Balance Sheet Arrangements**

6 As of March 31, 2024, *we did not have any off-balance sheet arrangements*
7 that have or are reasonably likely to have a current or future material effect
8 on our financial condition, net sales, expenses, results of operations, liquidity
9 capital expenditures, or capital resources.

10 43. The 2024 Annual Report purported to disclose the Company's related party
11 transactions, excluding those previously reported disclosures, stating in relevant part:

12 **NOTE 17 – RELATED PARTY TRANSACTIONS**

13 During the year ended March 31, 2024, we paid \$410,173 in service fees to
14 two independent contractors consisting of a \$244,640 payment due upon
15 termination without cause. The two independent contractors were issued
16 168,581 shares of Common Stock for a total value of \$350,345, which
17 consisted of an issuance of 134,240 shares due upon termination without
18 cause. We issued 25,000 shares in the aggregate to our advisory committee
19 members for service for a total value of \$53,250. Through our acquisition of
20 Gemini, a related party relationship was created through one of our Members
21 of the Board of Directors by ownership of entities that transacts with Gemini.
22 There was \$201,646 included in our Accounts Receivable at March 31, 2024
23 as a result of this relationship. Additionally, we owed \$150,866 to Jagemann
24 Precision Tooling, a division of JSC, at March 31, 2024.

25 On July 24, 2023, Fred Wagenhals departed as CEO and the Board appointed
26 Mr. Wagenhals the Company's Executive Chairman. Mr. Wagenhals
27 remains a member of the Board. Mr. Wagenhals received the following
28 payments in connection with his transition from CEO to Executive
Chairman: (i) total cash payments of \$1,060,290; (ii) 300,000 shares of
Common Stock for a total value of \$624,000.

On July 26, 2023, we obtained a \$1.6 million letter of credit with Northern
Trust for collateral for a bond related to a judgement assessed to GunBroker.
On July 17, 2023, we generated a \$1.6 million certificate of deposit with
Northern Trust for security on the letter of credit. The term of the certificate
of deposit is twelve months and includes interest of approximately 5%. Per
the terms of the Merger Agreement, filed with the Commission on a Current

1 Report on Form 8-K on May 6, 2021 (the “Current Report”), the Seller is
2 required to pay or be liable for these losses (capitalized terms are defined the
3 Current Report).

4 In July of 2023, the Company filed suit in the Delaware Chancery Court
5 against Director and Shareholder Steve Urvan for claims arising out of the
6 Company’s acquisition of certain companies referenced as the GunBroker
7 family of companies. The claims arise based upon Mr. Urvan’s repeated
8 failure and refusal to honor contractual defense and indemnification
9 obligations arising under that certain Merger Agreement, along with alleged
10 misrepresentations.

11 * * *

12 During the year ended March 31, 2023, we paid \$551,916 in service fees to
13 two independent contractors of which \$223,333 were created as a result of
14 termination without cause as a result of our Proxy Settlement Agreement.
15 The two independent contractors were issued 141,419 shares of our common
16 stock for a total value of \$494,967 in addition to the issuances described in
17 the foregoing paragraphs. We issued 45,000 shares in the aggregate to its
18 advisory committee members for service for a total value of \$129,750.
19 Through our acquisition of Gemini, a related party relationship was created
20 through one of our Members of the Board of Directors by ownership of
21 entities that transacts with Gemini. We recognized \$215,300 in Marketplace
22 Revenue for the year ended March 31, 2022 that was attributable to that
23 relationship. There was \$182,344 included in our Accounts Receivable at
24 March 31, 2023 as a result of this relationship.

25 During the year ended March 31, 2022, we paid \$229,083 in service fees to
26 an independent contractor and we issued 60,000 shares in the aggregate to its
27 advisory committee members for service for a total value of \$173,000.
28 Through our acquisition of Gemini, a related party relationship was created
through one of our Members of the Board of Directors by ownership of an
entity that transacts with Gemini. We recognized \$1,042,277 in Marketplace
Revenue for the year ended March 31, 2022 that was attributable to that
relationship. There was \$139,164 included in our Accounts Receivable at
March 31, 2022 as a result of this relationship.

* * *

Through the Administrative and Management Services Agreement the
Company with JSC, the Company purchased approximately incurred \$2.0
million in inventory support services, and \$170,355 of rent expenses for the
year ended March 31, 2023. Through the Administrative and Management
Services Agreement the Company with JSC, the Company purchased

1 approximately \$1.7 million in inventory support services, and \$408,852 of
2 rent expenses for the year ended March 31, 2022.

3 * * *

4 The Company paid off the balance of Amended Note B during the year ended
5 March 31, 2024. The Company's balance of Amended Note B was \$180,850
6 and \$865,771 at March 31, 2023 and 2022, respectively. The Company
7 recognized \$1,788, \$48,665, \$110,518, and \$60,100 in interest expense on
8 Amended Note B for the years ended March 31, 2024, 2023, and 2022,
9 respectively.

10 44. On July 29, 2024, AMMO filed an amendment to its annual report for the
11 fiscal year ended March 31, 2024, on a Form 10-K/A with the SEC (the "Amended 2024
12 Annual Report"). The Amended 2024 Annual Report was filed to, *inter alia*, amend and
13 restate disclosure of the Company's directors, executive officers and corporate governance,
14 executive compensation, and certain relationships and related transactions. The Amended
15 2024 Annual Report reported the composition and compensation of the Company's
16 executive officers and directors, as well as the valuation of the Company's stock awards
17 made to such individuals. Specifically, the Amended 2024 Annual Report stated in
18 relevant part:

19 ITEM 11 EXECUTIVE COMPENSATION

20 Name and principal position	Year	Salary (\$)(1)	Bonus (\$)(1)	Stock awards (\$)(2)	Option awards (\$)(3)	All other compensation (4)	Total
21 Jared R. Smith (6) CEO, and Director	2024	\$ 492,215	\$ -	\$ 425,800	\$ 430,457	\$ 33,943	\$ 1,382,415
	2023	\$ 118,750	\$ 118,750	\$ 175,000	\$ -	\$ 29,086	\$ 441,586
22 Robert D. Wiley CFO	2024	\$ 310,833	\$ 129,000	\$ 225,000	\$ -	\$ 14,567	\$ 679,400
	2023	\$ 240,000	\$ -	\$ 350,000	\$ -	\$ 15,084	\$ 605,084
	2022	\$ 217,083	\$ -	\$ 350,000	\$ -	\$ -	\$ 567,083
24 Fred W. Wagenhals (5)(7) Chairman of the Board of Directors, Executive Chair	2024	\$ 423,270	\$ 85,438	\$ 1,129,650	\$ -	\$ 1,079,508	\$ 2,717,866
	2023	\$ 475,000	\$ 478,636	\$ 840,000	\$ -	\$ 24,062	\$ 1,817,698
	2022	\$ 298,750	\$ 572,463	\$ 481,250	\$ -	\$ -	\$ 1,352,463
25 Anthony Tate Vice President of Sales & Marketing	2024	\$ 246,566	\$ 62,000	\$ 206,250	\$ -	\$ -	\$ 514,816
26 Beth Cross Chief Operating Officer, GunBroker	2024	\$ 250,000	\$ 62,000	\$ 168,750	\$ -	\$ 25,979	\$ 506,729
27 Tod Wagenhals Executive Vice President, Secretary	2024	\$ 230,000	\$ -	\$ 203,000	\$ -	\$ 18,517	\$ 451,517

Director Compensation

Name and Principal Position	Fees earned or paid in cash \$(1)	Stock awards \$(2)(3)	Option awards (\$)	Total (\$)
Russell William Wallace Jr.	\$ -	\$ 90,000	\$ -	\$ 90,000
Jessica M. Lockett (5)	\$ 48,000	\$ 90,000	\$ -	\$ 138,000
Richard R. Childress	\$ -	\$ 90,000	\$ -	\$ 90,000
Steve Urvan	\$ -	\$ 90,000	\$ -	\$ 90,000
Wayne Walker	\$ -	\$ 101,351	\$ -	\$ 101,351
Christos Tsentas	\$ -	\$ 101,351	\$ -	\$ 101,351
Randy E. Luth	\$ -	\$ 109,875	\$ -	\$ 109,875
Harry S. Markley(4)	\$ -	\$ 26,725	\$ -	\$ 26,725

45. The Amended 2024 Annual Report reported the following regarding certain related transactions which the Company engaged in, in relevant part:

Related Party Transactions

Our Related Party Transactions Policy provides guidance for addressing actual or potential conflicts of interests, including those that may arise from transactions and relationships between us and our executive officers or directors. The Audit Committee and Board, as matter of appropriate corporate governance, reviews and approves all such transactions, to the extent required by applicable rules and regulations. Generally, management would present to the Board for approval at the next regularly scheduled Board meeting any related party transactions proposed to be entered into by us. The Audit Committee and Board may approve the transaction if it is deemed to be in the best interests of the Company

The following is a description of each transaction since April 1, 2023 and each currently proposed transaction in which:

- we have been or are to be a participant;
- the amount involved exceeds \$120,000; and
- any related person had or will have a direct or indirect material interest.

During the year ended March 31, 2024, we paid \$410,173 in service fees to two independent contractors, who provided services to the company, which included a \$244,640 payment due upon termination without cause to one of the independent contractors. The two independent contractors were issued 168,581 shares of Common Stock for a total value of \$350,345, which included an issuance of 134,240 shares due upon termination without cause for one of the independent contractors. We issued 25,000 shares in the

1 aggregate to our advisory committee members for service for a total value of
2 \$53,250.

3 Through our acquisition of Gemini Direct Investments, LLC (“Gemini”), a
4 related party relationship was created through one of our directors, Mr. Steve
5 Urvan, by his ownership of entities that provided services to Gemini. There
6 was \$201,646 included in our Accounts Receivable at March 31, 2024 from
7 entities owned by Mr. Urvan.

8 The Company paid off the balance of a promissory note to Jagemann
9 Stamping Company (“JSC”) during the year ended March 31, 2024. JSC
10 became a shareholder of the Company through the Company’s acquisition of
11 JSC’s brass casing division. The payment made to JSC during fiscal 2024
12 consisted of \$181,132 in principal and \$2,784 in interest on the note.
13 Additionally, we owed \$150,866 to Jagemann Precision Tooling, a division
14 of JSC, at March 31, 2024.

15 46. The above-referenced statements were materially false and/or misleading
16 and failed to disclose material adverse facts about the Company’s business, operations, and
17 prospects. Specifically, the Individual Defendants failed to disclose to investors: (i) that
18 the Company lacked adequate internal controls over financial reporting; (ii) that there was
19 a substantial likelihood the Company failed to accurately disclose all executive officers,
20 members of management, and potential related party transactions in fiscal years 2020
21 through 2023; (iii) that there was a substantial likelihood the Company failed to properly
22 characterize certain fees paid for investor relations and legal services as reductions of
23 proceeds from capital raises rather than period expenses in fiscal years 2021 and 2022; (iv)
24 there was a substantial likelihood the Company failed to appropriately value unrestricted
25 stock awards to officers, directors, employees and others in fiscal years 2020 through 2022;
26 and (v) that, as a result of the foregoing, the Individual Defendants’ positive statements
27 about the Company’s business, operations, and prospects were materially misleading
28 and/or lacked a reasonable basis.

THE TRUTH EMERGES

47. On September 24, 2024, after the market closed, AMMO announced that its
Chief Financial Officer had resigned “at the request of the Board.” Further, the Company
disclosed that it is conducting an independent investigation into its “internal control over

1 financial reporting for the fiscal years 2020 through 2023.” Specifically, on that date, the
2 Company filed a form 8-K with the SEC which stated, in relevant part:

3 ***Resignation of Mr. Rob Wiley as Chief Financial Officer***

4 On September 19, 2024, the Company received a notice of resignation from
5 its Chief Financial Officer, Rob Wiley, effective September 20, 2024. ***Mr.***
6 ***Wiley resigned upon request by the Board.*** Pursuant to a recommendation
7 by the Compensation Committee, the Board exercised its discretion to
8 approve a separation agreement (“Separation Agreement”) for Mr. Wiley.
9 Mr. Wiley signed the Separation Agreement on September 19, 2024.
10 Pursuant to the Separation Agreement, Mr. Wiley will be entitled to
11 separation compensation in the amount of \$406,250.00 paid in equal bi-
12 monthly installments over fifteen calendar months; fifty thousand shares of
13 common stock; a lump sum payment for accrued and unused vacation and
14 paid time off; family health benefits under the Company’s employer
15 sponsored plans until September 30, 2025; and unreimbursed expenses. Mr.
16 Wiley gave the Company a general liability release, and the Parties agreed to
17 several standard restrictive covenants. Additionally, the Separation
18 Agreement requires Mr. Wiley to provide cooperation and assistance to the
19 Company to facilitate the transfer of duties to his successor.

20 ***Independent Investigation***

21 ***A Special Committee of the Board of Directors has retained a law firm to***
22 ***conduct an independent investigation, focused on fiscal years 2020***
23 ***through 2023, including determining whether the Company and its***
24 ***management control persons at the time: (i) accurately disclosed all***
25 ***executive officers, members of management, and potential related party***
26 ***transactions in fiscal years 2020 through 2023; (ii) properly characterized***
27 ***certain fees paid for investor relations and legal services as reductions of***
28 ***proceeds from capital raises rather than period expenses in fiscal years***
2021 and 2022; and (iii) appropriately valued unrestricted stock awards to
officers, directors, employees and others in fiscal years 2020 through 2022.
The Company’s outside auditors have indicated that ***they are not prepared***
to rely on representations from the Company’s management team from the
period in question until such time that the aforementioned investigation and
all appropriate remediation, if necessary, is completed. This independent
investigation is in its early stages, and to ensure the fairness of that process,
the Company does not plan further comment pending completion of the
investigation.

48. On this news, the Company’s share price fell \$0.08, or 5.26%, to close at
\$1.44 per share on September 25, 2024, on unusually heavy trading volume.

DAMAGE TO THE COMPANY

Securities Class Action

49. On September 27, 2024, a securities class action complaint was filed in the United States District Court for the District of Arizona against the Company and Defendants Wagenhals, Smith, and Wiley. The complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”), and SEC Rule 10b-5, in the case captioned: *Larmay v. Ammo, Inc., et al.*, Case No. 2:24-cv-02619-JFM (D. Ariz.) (the “Securities Class Action”).

50. As a result of the wrongs complained of herein, the Individual Defendants have subjected the Company to the significant cost of defending itself and certain of the Company’s officers. The Company will continue to incur significant sums in relation to the Securities Class Action and any liability or settlement that results.

Share Repurchases

51. On February 8, 2022, the Company’s Board of Directors authorized a share repurchase program for up to \$30 million. On March 28, 2023, the Company announced that the Director Defendants authorized the extension of the repurchase program until February 2024. On February 8, 2024, the Company further announced that the Director Defendants authorized the extension of the repurchase program until February 2025

52. Pursuant to this share repurchase program, the Individual Defendants caused the Company to repurchase its own common stock at artificially inflated prices, as follows:

Month	Units	Share Price (\$)	Total Cost (\$)	Harm to the Company (\$) ³
December 2022	150,000	1.92	288,000	72,000
March 2023	118,328	1.93	228,373	57,981
April 2023	609,509	1.95	1,188,543	310,850

³ “Harm to the Company” refers to how much the Company overpaid for its own common stock by repurchasing it at artificially inflated prices and is calculated by subtracting what the Company should have paid for its stock (at \$1.44 per share, as it was when the truth was revealed) from the “Total Cost,” *i.e.*, what the Company actually paid for its common stock.

1	May 2023	129,322	1.95	252,178	65,954
2	August 2023	158,542	1.99	315,499	87,198
3	September 2023	39,256	2.00	78,512	21,983
4	November 2023	11,000	2.00	22,000	6,160
5	December 2023	134,483	2.02	271,656	78,000
6	June 2024	579,463	1.89	1,095,185	260,758
7	TOTAL	1,929,903	--	3,739,945	\$960,884

8 53. The Individual Defendants, while in positions of control and influence and
9 in possession of material non-public information, caused the Company to repurchase its
10 own common stock at artificially inflated prices, which caused the Company to overpay
11 for its own common stock by approximately \$960,884.

12 **Unjust Compensation**

13 54. At all relevant times, the Company paid lucrative compensation to each of
14 the Individual Defendants. The Company paid the Individual Defendants in connection
15 with their respective roles as officers and/or directors of the Company.

16 55. Accordingly, as part of their respective roles, the Individual Defendants were
17 required to, among other things, exercise due care and diligence in the management and
18 administration of the affairs of the Company, act ethically and in compliance with all laws
19 and regulations, maintain adequate internal controls, and conduct business in a fair and
20 transparent manner. Further, each of the Individual Defendants had additional duties and
21 responsibilities owed to the Company by virtue of their executive, directorial and/or
22 committee roles, as described *infra*, for which they were compensated for.

23 56. However, the Individual Defendants failed to carry out their duties
24 adequately or at all, causing harm to the Company, as alleged herein. Because the
25 Individual Defendants failed to carry out their respective duties, the compensation they
26 received during the Relevant Period was excessive and undeserved. As such, the Individual
27 Defendants were unjustly enriched to the detriment of the Company.

28 **Additional Damage to the Company**

57. In addition to the damages specified above, the Company will also suffer
further losses in relation to any internal investigations and amounts paid to lawyers,

1 accountants, and investigators in connection thereto.

2 58. The Company will also suffer losses in relation to the Individual Defendants’
3 failure to maintain adequate internal controls, including the expense involved with
4 implementing and maintaining improved internal controls.

5 59. The Company has also suffered, and will continue to suffer, a loss of
6 reputation as a direct and proximate result of the Individual Defendants’ misconduct which
7 will plague the Company’s share price going forward.

8 CORPORATE GOVERNANCE

9 60. At all relevant times, the Company had in place corporate governance
10 documents imposing duties and responsibilities on its directors and officers, and additional
11 duties on the Company’s committee members. Accordingly, each of the Individual
12 Defendants were required to comply with the corporate governance documents, as detailed
13 below.⁴

14 61. Despite the following corporate governance, the conduct of the Individual
15 Defendants complained of herein involves a knowing and culpable violation of their
16 obligations as directors and officers of the Company, the absence of good faith on their
17 part, and a reckless disregard for their duties to the Company and its investors that the
18 Individual Defendants were aware posed a risk of serious injury to the Company.

19 Code of Conduct

20 62. The Company has in place a Code of Conduct which “sets out basic
21 principles to guide the directors, officers, and employees of AMMO, Inc.” The Code of
22 Conduct states that:

23 All Company directors, officers, and employees should conduct themselves
24 accordingly and seek to avoid even the appearance of improper behavior in

25 _____
26 ⁴ Many of the corporate governance documents on the Company’s Investor
27 Relations website, including the Code of Conduct, Code of Ethics, and Audit
28 Committee Charter are “effective June 6, 2024.” Upon information and belief,
substantially similar corporate governance documents existed and were in effect
through the Relevant Period.

1 any way relating to the Company. As a public company, we have a
2 responsibility to ensure that our filings with the Securities and Exchange
3 Commission (“SEC”) and other public communications are timely and
4 accurate. Accordingly, we expect our directors, officers, and other employees
5 to take this responsibility seriously and act in accordance with the highest
6 standards of personal and professional integrity in all aspects of their work.
7 In appropriate circumstances, this Code should also be provided to and
8 followed by the Company’s agents and representatives, including
9 consultants.

63. From the outset, the Code of Conduct makes clear that:

This Code is intended to deter wrongdoing and to promote the following:

- 10 ● honest and ethical conduct, including the ethical handling of actual or
11 apparent conflicts of interest between personal and professional
12 relationships;
- 13 ● full, fair, accurate, timely, and understandable disclosure in reports
14 and documents AMMO files with, or submits to, the SEC and in other
15 communications made by the Company;
- 16 ● compliance with applicable governmental laws, rules, and
17 regulations;
- 18 ● the prompt internal reporting of violations of this Code to the
19 appropriate person or persons identified in this Code;
- 20 ● accountability for adherence to this Code; and
- 21 ● adherence to a high standard of business ethics.

22 64. In a section entitled “Compliance with Laws, Rules, and Regulations,” the
23 Code of Conduct states:

24 Obeying the law, both in letter and in spirit, is the foundation on which the
25 Company’s ethical standards are built. All directors, officers, and employees
26 should respect and obey all laws, rules, and regulations applicable to the
27 business and operations of the Company. Although directors, officers, and
28 employees are not expected to know all of the details of these laws, rules,
and regulations, it is important to know enough to determine when to seek
advice from managers, supervisors, officers, legal, or other appropriate
Company personnel.

1 65. In a section entitled “Conflicts of Interest,” the Code of Conduct states, in
2 relevant part:

3 A “conflict of interest” exists when an individual’s private interest interferes
4 in any way – or even appears to conflict - with the interests of the Company.
5 A conflict of interest situation can arise when a director, officer, or employee
6 takes actions or has interests that may make it difficult to perform his or her
7 work on behalf of the Company in an objective and effective manner.
8 Conflicts of interest may also arise when a director, officer, or employee, or
9 a member of his or her family receives improper personal benefits as a result
of his or her position with the Company. Loans to, or guarantees of
obligations of, employees and their family members may create conflicts of
interest.

10 Service to the Company should never be subordinated to personal gain or
11 advantage. Conflicts of interest, whenever possible, should be avoided.

12 * * *

13 Conflicts of interest are prohibited as a matter of Company policy.
14

15 66. In a section entitled “Record-Keeping,” the Code of Conduct states:

16 All of the Company’s books, records, accounts, and financial statements
17 must be maintained in reasonable detail, must appropriately reflect the
18 Company’s transactions, and must conform both to applicable legal
19 requirements and to the Company’s system of internal controls. Unrecorded
or “off the books” funds or assets should not be maintained unless permitted
by applicable law or regulation.

20 Business records and communications often become public, and the
21 Company and its officers and employees in their capacity with the Company
22 should avoid exaggeration, derogatory remarks, guesswork, or inappropriate
23 characterizations of people and companies that can be misunderstood. This
applies equally to e-mail, internal memos, and formal reports.

24 67. In a section entitled “Communications with the Public and the Media,” the
25 Code of Conduct states:

26 The Company’s communications with or disseminated to the investing public
27 must be honest and straightforward. Ethical behavior is a core value of the
28 Company. To ensure that the Company’s communications are always
accurate and consistent, a limited number of individuals within the Company

1 (including AMMO's Chief Executive Officer, Chief Financial Officer, and
2 Chief Operating Officer) are responsible for communication on the
3 Company's behalf. Only those individuals with authority to speak publicly
4 on the Company's behalf with respect to matters that could impact the trading
5 of AMMO stock may do so. If an employee does not have this authority and
6 is approached by a member of the public or the media, the employee should
7 refer them to the Chief Executive Officer, Chief Financial Officer, Chief
8 Operating Officer, or legal counsel of AMMO as quickly as possible.

68. Regarding "Corporate Disclosures," the Code of Conduct makes clear:

8 All directors, officers, and employees should support the Company's goal to
9 have full, fair, accurate, timely, and understandable disclosure in the periodic
10 reports required to be filed by AMMO with the SEC. Although most
11 employees hold positions that are far removed from AMMO's required
12 filings with the SEC, each director, officer, and employee should promptly
13 bring to the attention of the Chief Executive Officer, the Chief Financial
14 Officer, the Chief Operating Officer, the legal counsel, or the Audit
15 Committee of AMMO, as appropriate in the circumstances, any of the
16 following:

- 17 ● Any material information to which such individual may become
18 aware that affects the disclosures made by AMMO in its public filings
19 or would otherwise assist the Chief Executive Officer, the Chief
20 Financial Officer, the Chief Operating Officer, the legal counsel, and
21 the Audit Committee of AMMO in fulfilling their responsibilities with
22 respect to such public filings.
- 23 ● Any information the individual may have concerning (a) significant
24 deficiencies in the design or operation of internal controls that could
25 adversely affect the Company's ability to record, process, summarize,
26 and report financial data or (b) any fraud, whether or not material, that
27 involves management or other employees who have a significant role
28 in the Company's financial reporting, disclosures, or internal controls.
- Any information the individual may have concerning any violation of
this Code, including any actual or apparent conflicts of interest
between personal and professional relationships, involving any
management or other employees who have a significant role in the
Company's financial reporting, disclosures, or internal controls.
- Any information the individual may have concerning evidence of a
material violation of the securities or other laws, rules, or regulations

1 applicable to the Company and the operation of its business, by the
2 Company or any agent thereof, or of violation of this Code.

3 69. Finally, the Code of Conduct promotes the “Reporting [of] any Illegal or
4 Unethical Behavior,” stating in relevant part:

5 Directors and officers are encouraged to talk to the Chief Executive Officer,
6 the Chief Financial Officer, the Chief Operating Officer, or the legal counsel
7 of AMMO, and employees are encouraged to talk to managers, supervisors,
8 Human Resources, or other appropriate personnel, when in doubt about the
9 best course of action in a particular situation. Directors, officers, and
10 employees should report any observed illegal or unethical behavior and any
11 perceived violations of laws, rules, regulations, or this Code to the Chief
12 Executive Officer, the Chief Financial Officer, the Chief Operating Officer,
13 the legal counsel, or Human Relations Department of AMMO, as
14 appropriate. It is the policy of the Company not to allow retaliation for reports
15 of misconduct by others made in good faith. Directors, officers, and
16 employees are expected to cooperate in internal investigations of
17 misconduct.

18 The Company maintains a Whistleblower Policy, for (1) the receipt,
19 retention, and treatment of complaints received by the Company regarding
20 accounting, internal accounting controls, or auditing matters and (2) the
21 confidential, anonymous submission by the Company’s employees of
22 concerns regarding questionable accounting or auditing matters.

23 **Code of Ethics**

24 70. The Company maintains a Code of Ethics which is applicable to the CEO,
25 CFO, principal accounting officer, and all other senior financial officers.

26 71. The Code of Ethics, in addition to the Code of Conduct, imposes the
27 following additional duties and responsibilities on the CEO, CFO, principal accounting
28 officer, and all other senior financial officers:

1. The Chief Executive Officer and all Senior Financial Officers are
responsible for full, fair, accurate, timely, and understandable disclosure in
the periodic reports required to be filed by the Company with the SEC.
Accordingly, it is the responsibility of the Chief Executive Officer and each
Senior Financial Officer promptly to bring to the attention of the Disclosure
Committee, if applicable, and to the Audit Committee any material
information of which he or she may become aware that affects the disclosures

1 made by the Company in its public filings or otherwise assist the Disclosure
2 Committee, if applicable, and the Audit Committee in fulfilling their
responsibilities.

3 2. The Chief Executive Officer and each Senior Financial Officer shall
4 promptly bring to the attention of the Disclosure Committee, if applicable,
5 and the Audit Committee any information he or she may have concerning (a)
6 significant deficiencies in the design or operation of internal controls that
7 could adversely affect the Company's ability to record, process, summarize,
8 and report financial data or (b) any fraud, whether or not material, that
involves management or other employees who have a significant role in the
Company's financial reporting, disclosures, or internal controls.

9 3. The Chief Executive Officer and each Senior Financial Officer shall
10 promptly bring to the attention of the Audit Committee any information he
11 or she may have concerning any violation of this Code or the Company's
12 Code of Conduct, including any actual or apparent conflicts of interest
13 between personal and professional relationships, involving any management
or other employees who have a significant role in the Company's financial
reporting, disclosures, or internal controls.

14 4. The Chief Executive Officer and each Senior Financial Officer shall
15 promptly bring to the attention of the Disclosure Committee, if applicable,
16 and the Audit Committee any information he or she may have concerning
17 evidence of a material violation of the securities or other laws, rules, or
18 regulations applicable to the Company and the operation of its business, by
the Company or any agent thereof, or of violation of the Code of Conduct or
of these additional procedures.

19 5. The Board of Directors shall determine, or designate appropriate
20 persons to determine, appropriate actions to be taken in the event of
21 violations of the Code of Conduct or of these additional procedures by the
22 Chief Executive Officer and the Company's Senior Financial Officers. Such
23 actions shall be reasonably designed to deter wrong doing and to promote
24 accountability for adherence to the Code of Conduct and to these additional
25 procedures, and may include written notices to the individual involved that
26 the Board has determined that there has been a violation, censure by the
27 Board, demotion or re-assignment of the individual involved, suspension
28 with or without pay or benefits (as determined by the Board), and termination
of the individual's employment. In determining the appropriate action in a
particular case, the Board of Directors or such designee shall take into
account all relevant information, including the nature and severity of the
violation, whether the violation was a single occurrence or repeated
occurrences, whether the violation appears to have been intentional or
inadvertent, whether the individual in question had been advised prior to the

1 violation as to the proper course of action, and whether or not the individual
2 in question had committed other violations in the past.

3 **Audit Committee Charter**

4 72. The Company maintains an Audit Committee Charter which sets forth the
5 additional duties and responsibilities of the Audit Committee members. The Audit
6 Committee Charter states that the Audit Committee’s role is “to assist the Board in its
7 oversight of the accounting and financial reporting processes of the Company and the
8 Company’s compliance with legal and regulatory requirements.” To assist the Board in
9 fulfilling its responsibilities, the Audit Committee Charter states that the Audit Committee
10 shall:

- 11 1. Oversee the accounting and financial reporting processes of the
12 Company and audits of the financial statements of the Company.
- 13 2. To provide assistance to the Board with respect to its oversight of the
14 following:
- 15 a. The integrity of the Company’s financial statements;
 - 16 b. The Company’s compliance with legal and regulatory requirements;
 - 17 c. The Company’s processes relating to risk management, the conduct
18 and systems of internal control over financial reporting, and
19 disclosure controls and procedures;
 - 20 d. The independent auditor’s engagement, qualifications, compensation,
21 and independence;
 - 22 e. The performance of the Company’s internal audit function, if any, and
23 independent auditor.
- 24 3. To prepare the report that the Securities and Exchange Commission
25 (the “SEC”) rules require be included in the Company’s annual proxy
statement.

26 73. In a section entitled “Authority,” the Audit Committee Charter states, in
27 relevant part:

1 In discharging its role, the Committee is empowered to inquire into any
2 matter that it considers appropriate to carry out its responsibilities, with
3 access to all books, records, facilities and personnel of the Company, and,
4 subject to the direction of the Board, the Committee is authorized and
5 delegated the authority to act on behalf of the Board with respect to any
6 matter it determines to be necessary or appropriate to the accomplishment of
7 its purposes.

8 The Committee shall have authority to retain, direct and oversee the activities
9 of, and to terminate the engagement of, the Company's independent auditor
10 and any other accounting firm retained by the Committee to prepare or issue
11 any other audit report or to perform any other audit, review or attest services
12 and any legal counsel, accounting or other advisor or consultant hired to
13 assist the Committee, all of whom shall be accountable to the Committee.

14 74. In a section entitled "Duties and Responsibilities," the Audit Committee
15 Charter states, in relevant part:

16 The Committee shall carry out the duties and responsibilities set forth below.
17 These functions should serve as a guide with the understanding that the
18 Committee may determine to carry out additional functions and adopt
19 additional policies and procedures as may be appropriate in light of changing
20 business, legislative, regulatory, legal, or other conditions. The Committee
21 shall also carry out any other duties and responsibilities delegated to it by the
22 Board of Directors from time to time related to the purposes of the
23 Committee outlined in this Charter. The Committee may perform any
24 functions it deems appropriate under applicable law, rules, or regulations, the
25 Company's by-laws, and the resolutions or other directives of the Board,
26 including review of any certification required to be reviewed in accordance
27 with applicable law or regulations of the SEC.

28 In discharging its oversight role, the Committee is empowered to study or
investigate any matter of interest or concern that the Committee deems
appropriate. In this regard and as it otherwise deems appropriate, the
Committee shall have the authority, without seeking Board approval, to
engage and obtain advice and assistance from outside legal and other
advisors as it deems necessary to carry out its duties. The Committee also
shall have the authority to receive appropriate funding, as determined by the
Committee, in its capacity as a committee of the Board of Directors, from the
Company for the payment of compensation to any accounting firm engaged
for the purpose of preparing or issuing an audit report or performing other
audit, review, or attest services for the Company; to compensate any outside
legal or other advisors engaged by the Committee; and to pay the ordinary
administrative expenses of the Committee that are necessary or appropriate
in carrying out its duties.

1 The Committee shall be given full access to the Company’s internal audit
2 group, if any, Board of Directors, corporate executives, and independent
3 auditor as necessary to carry out these responsibilities. While acting within
4 the scope of its stated purpose, the Committee shall have all the authority of
the Board of Directors, except as otherwise limited by applicable law.

5 Notwithstanding the foregoing, the Committee is not responsible for
6 certifying the Company’s financial statements are complete and accurate and
7 in accordance with U.S Generally Accepted Accounting Principles (“U.S
8 GAAP”) or guaranteeing the independent auditor’s report. The fundamental
9 responsibility for the Company’s financial statements and disclosures rests
10 with management and the independent auditor. It also is the job of the Chief
Executive Officer and senior management, rather than that of the Committee,
to assess and manage the Company’s exposure to risk.

11 *Documents/Reports Review*

12 Discuss with management and the independent auditor, prior to public
13 dissemination, the Company’s annual audited financial statements and
14 quarterly financial statements, including the Company’s disclosures under
15 “Management’s Discussion and Analysis of Financial Condition and Results
16 of Operations” and discuss with the independent auditor the matters required
17 to be discussed by Statement of Auditing Standards No. 61 and such other
18 matters required pursuant to the requirements of the Public Company
19 Oversight Board (“PCAOB”).

20 Discuss with management and the independent auditor the Company’s
21 earnings press releases (paying particular attention to the use of any
22 “proforma” or “adjusted” non-GAAP information), as well as financial
23 information and earnings guidance provided and the type of presentations
24 made to analysts and rating agencies.

25 Discuss with management and the independent auditor the Company’s
26 major financial risk exposures, the guidelines and policies by which risk
27 assessment and management is undertaken, and the steps management has
28 taken to monitor and control risk exposure.

* * *

Financial Reporting Process

Review periodically the effect of regulatory and accounting initiatives, as
well as off-balance sheet structures, on the financial statements of the
Company.

1 [] Advise management, the internal audit department, and the independent
2 auditor that they are expected to provide the Committee a timely analysis of
any significant financial reporting issues and practices.

3 [] Obtain from the independent auditor assurance that the audit of the
4 Company's financial statements was conducted in a manner consistent with
5 Section 10A of the Securities Act, which sets forth procedures to be followed
in any audit of financial statements required under the Securities Act.

6 **DUTIES OF THE DIRECTOR DEFENDANTS**

7 75. As members of the Company's Board, the Director Defendants were held to
8 the highest standards of honesty and integrity and charged with overseeing the Company's
9 business practices and policies and assuring the integrity of its financial and business
10 records.

11 76. The conduct of the Director Defendants complained of herein involves a
12 knowing and culpable violation of their obligations as directors and officers of the
13 Company, the absence of good faith on their part, and a reckless disregard for their duties
14 to the Company and its investors that the Director Defendants were aware posed a risk of
15 serious injury to the Company

16 77. By reason of their positions as officers and/or directors of the Company, and
17 because of their ability to control the business and corporate affairs of the Company, the
18 Director Defendants owed the Company and its investors the fiduciary obligations of trust,
19 loyalty, and good faith. The obligations required the Director Defendants to use their
20 utmost abilities to control and manage the Company in an honest and lawful manner. The
21 Director Defendants were and are required to act in furtherance of the best interests of the
22 Company and its investors.

23 78. Each director of the Company owes to the Company and its investors the
24 fiduciary duty to exercise loyalty, good faith, and diligence in the administration of the
25 affairs of the Company and in the use and preservation of its property and assets. In
26 addition, as officers and/or directors of a publicly held company, the Director Defendants
27 had a duty to promptly disseminate accurate and truthful information with regard to the
28 Company's operations, finances, and financial condition, as well as present and future

1 business prospects, so that the market price of the Company's stock would be based on
2 truthful and accurate information.

3 79. To discharge their duties, the officers and directors of the Company were
4 required to exercise reasonable and prudent supervision over the management, policies,
5 practices, and controls of the affairs of the Company. By virtue of such duties, the officers
6 and directors of the Company were required to, among other things:

7 (a) ensure that the Company complied with its legal obligations and
8 requirements, including acting only within the scope of its legal authority and
9 disseminating truthful and accurate statements to the SEC and the investing public;

10 (b) conduct the affairs of the Company in an efficient, businesslike
11 manner so as to make it possible to provide the highest quality performance of its
12 business, to avoid wasting the Company's assets, and to maximize the value of the
13 Company's stock;

14 (c) properly and accurately guide investors and analysts as to the true
15 financial condition of the Company at any given time, including making accurate
16 statements about the Company's business prospects, and ensuring that the Company
17 maintained an adequate system of financial controls such that the Company's
18 financial reporting would be true and accurate at all times;

19 (d) remain informed as to how the Company conducted its operations,
20 and, upon receipt of notice or information of imprudent or unsound conditions or
21 practices, make reasonable inquiries in connection therewith, take steps to correct
22 such conditions or practices, and make such disclosures as necessary to comply with
23 federal and state securities laws;

24 (e) ensure that the Company was operated in a diligent, honest, and
25 prudent manner in compliance with all applicable federal, state and local laws, and
26 rules and regulations; and

27 (f) ensure that all decisions were the product of independent business
28 judgment and not the result of outside influences or entrenchment motives.

1 80. Each Director Defendant, by virtue of his position as a director and/or officer,
2 owed to the Company and to its shareholders the fiduciary duties of loyalty, good faith,
3 and the exercise of due care and diligence in the management and administration of the
4 affairs of the Company, as well as in the use and preservation of its property and assets.
5 The conduct of the Director Defendants complained of herein involves a knowing and
6 culpable violation of their obligations as directors and officers of the Company, the absence
7 of good faith on their part, and a reckless disregard for their duties to the Company and its
8 shareholders that the Director Defendants were aware, or should have been aware, posed a
9 risk of serious injury to the Company.

10 81. The Director Defendants breached their duties of loyalty and good faith by
11 causing the Company to issue false and misleading statements concerning the financial
12 condition of the Company. As a result, the Company has expended, and will continue to
13 expend, significant sums of money related to investigations and lawsuits and to structure
14 settlements to resolve them.

15 **DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS**

16 82. Plaintiff brings this action derivatively in the right and for the benefit of the
17 Company to redress injuries suffered and to be suffered as a direct and proximate result of
18 the Individual Defendants' breaches of fiduciary duties, gross mismanagement, and other
19 wrongful conduct as alleged herein.

20 83. Plaintiff will adequately and fairly represent the interests of the Company
21 and its shareholders in enforcing and prosecuting its rights and has retained counsel
22 competent and experienced in derivative litigation.

23 84. Plaintiff is a current owner of the Company's stock and has continuously
24 been an owner of Company's stock during all times relevant to the Director Defendants'
25 wrongful course of conduct alleged herein. Plaintiff understands his obligation to hold
26 stock throughout the duration of this action and is prepared to do so.

27 85. Because of the facts set forth herein, Plaintiff has not made a demand on the
28 Board to institute this action against the Individual Defendants. Such a demand would be

1 a futile and useless act because the Board is incapable of making an independent and
2 disinterested decision to institute and vigorously prosecute this action.

3 86. The Company's Board is currently comprised of nine (9) members including
4 Defendants Wagenhals, Smith, Childress, Lockett, Urvan, Tsentas, Walker, and Luth.
5 Thus, Plaintiff is required to show that a majority of the Director Defendants, *i.e.*, five (5),
6 cannot exercise independent objective judgment about whether to bring this action or
7 whether to vigorously prosecute this action.

8 87. Each of the Director Defendants face a likelihood of liability in this action
9 because they caused and/or permitted the Company to make false and misleading
10 statements and omissions concerning the information described herein. Because of their
11 advisory, managerial, and directorial positions within the Company, the Director
12 Defendants had knowledge of material, non-public information regarding the Company
13 and were directly involved in the operations of the Company at the highest levels.

14 88. The Director Defendants either knew or should have known of the false and
15 misleading statements that were issued on the Company's behalf and took no steps in a
16 good faith effort to prevent or remedy that situation.

17 89. The Director Defendants (or at the very least a majority of them) cannot
18 exercise independent objective judgment about whether to bring this action or whether to
19 vigorously prosecute this action. For the reasons that follow, and for reasons detailed
20 elsewhere in this complaint, Plaintiff has not made (and should be excused from making)
21 a pre-filing demand on the Board to initiate this action because making a demand would
22 be a futile and useless act.

23 90. Each of the Director Defendants, by virtue of their roles, were required to,
24 among other things: (i) ensure that the Company complied with its legal and regulatory
25 obligations and requirements; (ii) properly and accurately guide investors and analysts as
26 to the true financial condition of the Company at any given time; (iii) remain informed as
27 to how the Company conducted its operations, make reasonable inquiries, and take steps
28 to correct any improper conditions or practices; and (iv) ensure the Company was operated

1 in a diligent, honest, and prudent manner. Despite this, the Director Defendants failed to
2 fulfil these duties by permitting the false and misleading statements to be made and not
3 correcting those statements.

4 91. As trusted Company directors, the Director Defendants conducted little, if
5 any, oversight of the scheme to cause the Company to make false and misleading
6 statements, consciously disregarded their duties to monitor such controls over reporting
7 and engagement in the scheme, and consciously disregarded their duties to protect
8 corporate assets.

9 92. Each of the Director Defendants approved and/or permitted the wrongs
10 alleged herein to have occurred and participated in efforts to conceal or disguise those
11 wrongs from the Company's stockholders or recklessly and/or with gross negligence
12 disregarded the wrongs complained of herein and are therefore not disinterested parties.

13 93. Each of the Director Defendants reviewed, authorized, signed, and thus
14 personally made and/or otherwise permitted the false statements to be disseminated directly
15 to the public and made available and distributed to shareholders, authorized and/or
16 permitted the issuance of various false and misleading statements, and are principal
17 beneficiaries of the wrongdoing alleged herein, and thus, could not fairly and fully
18 prosecute such a suit even if they instituted it.

19 94. Additionally, each of the Director Defendants received payments, benefits,
20 stock options, and other emoluments by virtue of their membership on the Board and their
21 control of the Company.

22 95. Despite having knowledge of the history of their own misconduct and
23 mismanagement, the Director Defendants have failed to seek recovery for AMMO for any
24 of the misconduct alleged herein.

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**THE DIRECTOR DEFENDANTS ARE
NOT INDEPENDENT OR DISINTERESTED**

Defendant Wagenhals

96. Defendant Wagenhals is neither disinterested nor independent and is thus incapable of considering a demand to sue because he (as its Executive Chairman) is an employee of the Company who derives substantially all of his income from his employment with the Company, making him not independent. As such, Defendant Wagenhals cannot independently consider any demand to sue himself for breaching his fiduciary duties to the Company, because that would expose him to liability and threaten his livelihood.

97. As Executive Chairman, Defendant Wagenhals also fails the NASDAQ bright-line independence test as set forth in NASDAQ Listing Rule 5605(a)(2) and cannot, therefore, be considered independent, as admitted by the Company in its 2023 Proxy Statement. As such, Defendant Wagenhals could not objectively and disinterestedly consider a demand to sue the Individual Defendants and any demand upon Defendant Wagenhals is therefore futile.

98. Defendant Wagenhals also personally reviewed, signed, authorized, and/or made the false and misleading statements alleged herein during earnings calls, in SEC filings, press releases, and in other public forums. Thus, as a main perpetrator of the wrongdoing alleged herein, Defendant Wagenhals is irreconcilably conflicted, faces a substantial likelihood of liability, and cannot consider a demand to sue.

99. In addition, Defendant Wagenhals receives lucrative compensation in connection with his employment with the Company. Defendant Wagenhals is not independent from Defendants Wayne, Wallace, and Luth as they comprise the Compensation Committee and are responsible for evaluating and determining the compensation of the Executive Officers, including Defendant Wagenhals. The purpose of the Compensation Committee is to assist the Board in discharging its responsibilities related to the compensation provided by the Company to its CEO and Executive Officers. Because of his status as an inside director, and the concomitant substantial compensation

1 he receives, Defendant Wagenhals could not consider a demand adverse to the other
2 Director Defendants serving on the Compensation Committee who are responsible for his
3 financial future.

4 100. Because of Defendant Wagenhals's participation in the gross dereliction of
5 fiduciary duties, and breaches of the duties of due care, good faith, and loyalty, Defendant
6 Wagenhals is unable to comply with his fiduciary duties and prosecute this action.
7 Defendant Wagenhals is in a position of irreconcilable conflict of interest in terms of the
8 prosecution of this action and defending himself in the Securities Class Action.

9 **Defendant Smith**

10 101. Defendant Smith is neither disinterested nor independent and is thus
11 incapable of considering a demand to sue because he (as its CEO) is an employee of the
12 Company who derives substantially all of his income from his employment with the
13 Company, making him not independent. As such, Defendant Smith cannot independently
14 consider any demand to sue himself for breaching his fiduciary duties to the Company,
15 because that would expose him to liability and threaten his livelihood.

16 102. As CEO, Defendant Smith also fails the NASDAQ bright-line independence
17 test as set forth in NASDAQ Listing Rule 5605(a)(2) and cannot, therefore, be considered
18 independent, as admitted by the Company in its 2023 Proxy Statement. As such, Defendant
19 Smith could not objectively and disinterestedly consider a demand to sue the Individual
20 Defendants and any demand upon Defendant Smith is therefore futile.

21 103. Defendant Smith also personally reviewed, signed, authorized, and/or made
22 the false and misleading statements alleged herein during earnings calls, in SEC filings,
23 press releases, and in other public forums. Thus, as a main perpetrator of the wrongdoing
24 alleged herein, Defendant Smith is irreconcilably conflicted, faces a substantial likelihood
25 of liability, and cannot consider a demand to sue.

26 104. In addition, Defendant Smith receives lucrative compensation in connection
27 with his employment with the Company. Defendant Smith is not independent from
28 Defendants Wayne, Wallace, and Luth as they comprise the Compensation Committee and

1 are responsible for evaluating and determining the compensation of the CEO and Executive
2 Officers, including Defendant Smith. The purpose of the Compensation Committee is to
3 assist the Board in discharging its responsibilities related to the compensation provided by
4 the Company to its CEO and Executive Officers. Because of his status as an inside director,
5 and the concomitant substantial compensation he receives, Defendant Smith could not
6 consider a demand adverse to the other Director Defendants serving on the Compensation
7 Committee who are responsible for his financial future.

8 105. Because of Defendant Smith's participation in the gross dereliction of
9 fiduciary duties, and breaches of the duties of due care, good faith, and loyalty, Defendant
10 Smith is unable to comply with his fiduciary duties and prosecute this action. Defendant
11 Smith is in a position of irreconcilable conflict of interest in terms of the prosecution of
12 this action and defending himself in the Securities Class Action.

13 **Defendant Urvan**

14 106. Defendant Urvan is neither disinterested nor independent and is thus
15 incapable of considering a demand to sue because he, (as Chief Strategy Officer of
16 GunBroker.com) was an employee of the Company who derived substantially all of his
17 income from his employment with the Company, making him not independent, as admitted
18 by the Company in its 2023 Proxy Statement.

19 107. As the Company also notes in its 2023 Proxy Statement, "[t]hrough our
20 acquisition of Gemini, a related party relationship was created with Steve Urvan by
21 ownership of entities that transact with Gemini." Accordingly, Defendant Urvan is
22 irreconcilably conflicted and interested, thus demand is futile.

23 **Defendants Walker and Tsentas**

24 108. Defendants Walker and Tsentas are incapable of considering a demand to sue
25 because their nomination to the Company's Board was made as a direct result of a
26 settlement agreement between the Company and Defendant Urvan and are dubbed, along
27
28

1 with Defendant Urvan, the “Urvan Group Directors.”⁵ As such, Defendants Walker and
2 Tsentas are indebted to Defendant Urvan and could not consider a demand to sue the
3 Individual Defendants, including Defendant Urvan.

4 **Defendants Lockett, Wallace, Childress and Tsentas**

5 109. During the Relevant Period, Defendants Lockett, Wallace Childress and
6 Tsentas served as members of the Audit Committee. Pursuant to the Company’s Audit
7 Committee Charter, the members of the Audit Committee are responsible for, *inter alia*,
8 overseeing the accounting and financial reporting processes of the Company and the audits
9 of the financial statements of the Company, and otherwise meet their responsibilities as set
10 forth in the Audit Committee Charter as set forth herein

11 110. Defendants Lockett, Wallace Childress and Tsentas breached their fiduciary
12 duties of due care, loyalty, and good faith, because the Audit Committee, *inter alia*, allowed
13 or permitted false and misleading statements to be disseminated in the Company’s SEC
14 filings and other disclosures and, otherwise, failed to ensure that adequate internal controls
15 were in place regarding the serious accounting and business reporting issues and
16 deficiencies described above. Therefore, Defendants Lockett, Wallace Childress and
17 Tsentas face a substantial likelihood of liability for their breach of fiduciary duties and any
18 demand upon them is futile.

19 **Additional Reasons Demand is Futile**

20 111. The Director Defendants authorized the harmful share repurchase program
21 which the Individual Defendants took advantage of during the Relevant Period, causing
22 over \$980,000 worth of damage to the Company which has been unremedied. The Director
23 Defendants each face a likelihood of liability as a result of these harmful share repurchases
24 and cannot, therefore, consider a demand to sue.

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26
27 ⁵ See AMMO, Inc. Form 10-K, Exhibit 10.1 (Jun. 14, 2023), available at:
28 <https://www.sec.gov/Archives/edgar/data/1015383/000149315222030771/ex10-1.htm>

1 112. The Company has been and will continue to be exposed to significant losses
2 due to the wrongdoing complained of herein, yet the Director Defendants have not caused
3 the Company to take action to recover for the Company the damages it has suffered and
4 will continue to suffer thereby.

5 113. The Company, at all material times, had its Code of Conduct and related
6 corporate governance policies which required each of the Individual Defendants to
7 maintain the highest standards of honesty and integrity, particularly in relation to accurate
8 and truthful public disclosures. Yet, despite this Code of Conduct and other relevant
9 policies and committee charters, each of the Director Defendants failed to ensure that the
10 Company upheld high standards of integrity, misrepresented facts to the investing public,
11 and failed to report any concerns, or investigate any misconduct, let alone commence
12 litigation against the Individual Defendants.

13 114. In violation of the Code of Conduct, the Director Defendants conducted little,
14 if any, oversight of the Company's engagement in the Individual Defendants' scheme to
15 cause the Company to issue materially false and misleading statements to the public and to
16 facilitate and disguise the Defendants' violations of law, including breaches of fiduciary
17 duty, waste of corporate assets, and unjust enrichment. In violation of the Code of Conduct,
18 the Director Defendants failed to comply with laws and regulations, failed to maintain the
19 accuracy of company records, public reports, and communications, and failed to uphold
20 the responsibilities related thereto. Thus, the Director Defendants face a substantial
21 likelihood of liability and demand is futile as to them.

22 115. The Director Defendants received, and continue to receive, substantial
23 salaries, bonuses, payments, benefits, and other emoluments by virtue of their membership
24 on the Board. They have benefitted from the wrongs alleged herein and have engaged
25 therein to preserve their positions of control and the prerequisites thereof and are incapable
26 of exercising independent objective judgment in deciding whether to bring this action.

27 116. The Director Defendants' conduct described herein and summarized above
28 could not have been the product of legitimate business judgment as it was based on bad

1 faith and intentional, reckless, or disloyal misconduct. Thus, none of the Director
2 Defendants can claim exculpation from their violations of duty pursuant to the Company's
3 charter (to the extent such a provision exists). As a majority of the Director Defendants
4 face a substantial likelihood of liability, they are self-interested in the transactions
5 challenged herein and cannot be presumed to be capable of exercising independent and
6 disinterested judgment about whether to pursue this action on behalf of the shareholders of
7 the Company. Accordingly, demand is excused as being futile.

8 117. Publicly traded companies, such as AMMO, typically carry director and
9 officer liability insurance from which the Company could potentially recover some or all
10 of its losses. However, such insurance typically contains an "insured vs. insured"
11 disclaimer that will foreclose a recovery from the insurers if the Individual Defendants sue
12 each other to recover the Company's damages. If no such insurance is carried, then the
13 Director Defendants will not cause the Company to sue the Individual Defendants named
14 herein, since, if they did, they would face a large uninsured individual liability.
15 Accordingly, demand is futile in that event.

16 118. Accordingly, each of the Director Defendants, and at least a majority of them,
17 cannot reasonably consider a demand with the requisite disinterestedness and
18 independence. Indeed, any demand upon the Director Defendants is futile and, thus,
19 excused.

20 **CLAIMS FOR RELIEF**

21 **FIRST CAUSE OF ACTION**

22 **(Against the Individual Defendants for Breach of Fiduciary Duties)**

23 119. Plaintiff incorporates by reference and re-allege each and every allegation
24 contained above, as though fully set forth herein.

25 120. The Individual Defendants owe the Company fiduciary obligations. By
26 reason of their fiduciary relationships, the Individual Defendants owed and owe the
27 Company the highest obligation of good faith, fair dealing, loyalty, and due care.
28

1 221. The Individual Defendants violated and breached their fiduciary duties of
2 care, loyalty, reasonable inquiry, and good faith.

3 222. The Individual Defendants engaged in a sustained and systematic failure to
4 properly exercise their fiduciary duties. Among other things, the Individual Defendants
5 breached their fiduciary duties of loyalty and good faith by failing to disclose to investors:
6 (i) that the company lacked adequate internal controls over financial reporting; (ii) that
7 there was a substantial likelihood the Company failed to accurately disclose all executive
8 officers, members of management, and potential related party transactions in fiscal years
9 2020 through 2023; (iii) that there was a substantial likelihood the Company failed to
10 properly characterize certain fees paid for investor relations and legal services as reductions
11 of proceeds from capital raises rather than period expenses in fiscal years 2021 and 2022;
12 (iv) there was a substantial likelihood the Company failed to appropriately value
13 unrestricted stock awards to officers, directors, employees and others in fiscal years 2020
14 through 2022; and (v) that, as a result of the foregoing, the Individual Defendants' positive
15 statements about the Company's business, operations, and prospects were materially
16 misleading and/or lacked a reasonable basis. These actions could not have been a good
17 faith exercise of prudent business judgment to protect and promote the Company's
18 corporate interests.

19 223. As a direct and proximate result of the Individual Defendants' failure to
20 perform their fiduciary obligations, the Company has sustained significant damages. As a
21 result of the misconduct alleged herein, the Individual Defendants are liable to the
22 Company.

23 224. As a direct and proximate result of the Individual Defendants' breach of their
24 fiduciary duties, the Company has suffered damage, not only monetarily, but also to its
25 corporate image and goodwill. Such damage includes, among other things, costs associated
26 with defending securities lawsuits, severe damage to the share price of the Company,
27 resulting in an increased cost of capital, the waste of corporate assets, and reputational
28 harm.

1 **SECOND CAUSE OF ACTION**

2 **(Against the Individual Defendants for Gross Mismanagement)**

3 125. Plaintiff incorporates by reference and re-allege each allegation contained
4 above, as though fully set forth herein.

5 126. By their actions alleged herein, the Individual Defendants, either directly or
6 through aiding and abetting, abandoned and abdicated their responsibilities and fiduciary
7 duties with regard to prudently managing the assets and business of the Company in a
8 manner consistent with the operations of a publicly held corporation.

9 127. As a direct and proximate result of the Individual Defendants' gross
10 mismanagement and breaches of duty alleged herein, the Company has sustained
11 significant damages in excess of hundreds of millions of dollars.

12 128. Because of the misconduct and breaches of duty alleged herein, the
13 Individual Defendants are liable to the Company.

14 **THIRD CAUSE OF ACTION**

15 **(Against the Individual Defendants for Waste of Corporate Assets)**

16 129. Plaintiff incorporates by reference and realleges each and every allegation
17 contained above, as though fully set forth herein.

18 130. The wrongful conduct alleged regarding the issuance of false and misleading
19 statements was continuous, connected, and on-going throughout the Relevant Period. It
20 resulted in continuous, connected, and ongoing harm to the Company.

21 131. As a result of the misconduct described above, the Individual Defendants
22 wasted corporate assets by, *inter alia*: (i) paying excessive compensation and bonuses to
23 certain of its executive officers; (ii) awarding self-interested stock options to certain
24 officers and directors; (iii) incurring potentially millions of dollars of legal liability and/or
25 legal costs to defend the Officer Defendants' unlawful actions; and (iv) causing the
26 Company to repurchase its own common stock at artificially inflated prices.

27 132. As a result of the waste of corporate assets, the Individual Defendants are
28 liable to the Company.

1 **FOURTH CAUSE OF ACTION**

2 **(Against the Individual Defendants for Unjust Enrichment)**

3 133. Plaintiff incorporates by reference and realleges each and every allegation
4 set forth above, as though fully set forth herein.

5 134. By their wrongful acts, violations of law, and inaccurate and untruthful
6 information and/or omissions of material fact that they made and/or caused to be made, the
7 Individual Defendants were unjustly enriched at the expense of, and the detriment of, the
8 Company

9 135. The Individual Defendants either benefitted financially from the improper
10 conduct, or received bonuses, stock options, or similar compensation from the Company
11 that was tied to the performance of the Company or its stock price or received
12 compensation or other payments that were unjust in light of the Individual Defendants' bad
13 faith conduct.

14 136. Plaintiff, as a shareholder and representative of the Company seeks
15 restitution from Defendants and seek an order from this Court disgorging all profits,
16 including from insider transactions, the redemption of preferred stock, benefits, and other
17 compensation, including any performance-based or valuation-based compensation,
18 obtained by the Individual Defendants due to their wrongful conduct and breach of their
19 fiduciary and contractual duties.

20 **FIFTH CAUSE OF ACTION**

21 **(Against the Individual Defendants for Aiding and Abetting)**

22 137. Plaintiff incorporates by reference and realleges each and every allegation
23 set forth above, as though fully set forth herein.

24 138. The Director Defendants exploited, aided and abetted, and were knowing and
25 culpable participants to the breaches of fiduciary duty by the Officer Defendants. Likewise,
26 the Officer Defendants exploited, aided and abetted, and were knowing and culpable
27 participants to the breaches of fiduciary duty by the Director Defendants.

28

1 139. Specifically, the Director Defendants, in violation of the Company's
2 corporate governance, engaged in and/or permitted the Company to engage in the scheme
3 to issue materially false and misleading statements to the public, including in the
4 Company's SEC filings, and by facilitating and disguising the Officer Defendants'
5 violations of law as alleged herein, and failing to report the same.

6 140. The Officer Defendants, in violation of the Company's corporate
7 governance, engaged in and/or permitted the Officer Defendants' lack of oversight and
8 scheme to issue materially false and misleading statements to the Company's shareholders
9 to secure, *inter alia*, the re-election of certain Director Defendants, by facilitating and
10 disguising the Director Defendants' violations of law as alleged herein, and failing to report
11 the same.

12 141. As a result, the Director Defendants substantially assisted the Officer
13 Defendants, and the Officer Defendants substantially assisted the Director Defendants in
14 breaching their fiduciary duties and in committing the other wrongful and unlawful conduct
15 as alleged herein.

16 142. As a direct and proximate result of the aiding and abetting the breaches of
17 fiduciary duty alleged herein, the Company has sustained and will continue to sustain
18 significant damages.

19 143. As a result of the misconduct alleged herein, the Individual Defendants are
20 liable to the Company.

21 **SIXTH CAUSE OF ACTION**

22 **(Against the Individual Defendants for Violations of Section 10(b) of the**
23 **Securities Exchange Act of 1934 and Rule 10b-5 Promulgated Thereunder**)

24 144. Plaintiff incorporates by reference and realleges each and every allegation
25 contained above, as though fully set forth herein.

26 145. During the Relevant Period, the Individual Defendants disseminated and/or
27 approved public statements that failed to disclose that the above-referenced truthful facts
28 and as a result of the foregoing, the Individual Defendants' public statements were

1 materially false and misleading at all relevant times. Thus, the price of the Company's
2 shares was artificially inflated due to the deception of the Individual Defendants. Despite
3 this artificial inflation in the price of the Company's shares, the Individual Defendants
4 caused and/or allowed the Company to repurchase many millions of shares of Company
5 stock, thereby causing significant financial harm to the Company.

6 146. As alleged herein, the Individual Defendants acted with scienter in that they
7 knew that the public documents and statements issued or disseminated in the name of the
8 Company were materially false and misleading; knew that such statements or documents
9 would be issued or disseminated to the investing public; and knowingly and substantially
10 participated or acquiesced in the issuance or dissemination of such statements or
11 documents as primary violations of the federal securities laws. As set forth elsewhere
12 herein in detail, the Individual Defendants, by virtue of their receipt of information
13 reflecting the true facts regarding AMMO, their control over, and/or receipt and/or
14 modification of AMMO's allegedly materially misleading statements and/or their
15 associations with the Company which made them privy to confidential proprietary
16 information concerning AMMO, participated in the fraudulent scheme alleged herein.

17 147. The Individual Defendants knew and/or recklessly disregarded the false and
18 misleading nature of the information which they caused to be disseminated to the investing
19 public. The fraudulent scheme described herein could not have been perpetrated during the
20 Relevant Period without the knowledge and complicity or, at least, the reckless disregard
21 of the personnel at the highest levels of the Company, including the Individual Defendants.

22 148. The Individual Defendants were each members of AMMO's Board of
23 Directors and senior management team during the aforesaid time period. Based on their
24 roles at AMMO, each of the Individual Defendants would have been involved with, or
25 knowledgeable about, the wrongdoing alleged herein.

26 149. At a minimum, the Individual Defendants failed to review or check
27 information that they had a duty to monitor or ignored obvious signs that their statements
28 were materially false and misleading or contained material omissions. Given the nature

1 and extent of the problems at AMMO, the Individual Defendants knew and/or recklessly
2 disregarded the extent and scope of their statements during the Relevant Period.

3 150. Likewise, the Individual Defendants, by virtue of their high-level positions
4 with the Company, directly participated in the management of the Company, were directly
5 involved in the day-to-day operations of the Company at the highest levels and were privy
6 to confidential proprietary information concerning the Company and its business,
7 operations, financial statements, and financial condition, as alleged herein. The Individual
8 Defendants had the ultimate authority over and were involved in drafting, producing,
9 reviewing and/or disseminating the false and misleading statements and information
10 alleged herein, were aware, or recklessly disregarded, that the false and misleading
11 statements regarding the Company were being issued, and approved or ratified these
12 statements, in violation of the federal securities laws.

13 151. As such the Individual Defendants caused the Company to violate section
14 10(b) of the Exchange Act and SEC Rule 10b-5 in that they: (i) employed devices, schemes,
15 and artifices to defraud; and (ii) made untrue statements of material facts or omitted to
16 state material facts necessary in order to make the statements made, in light of the
17 circumstances under which they were made, not misleading.

18 152. As a result of the wrongful conduct as alleged herein, the Individual
19 Defendants have violated Section 10(b) of the Securities Exchange Act of 1934 and SEC
20 Rule 10b-5 promulgated thereunder and are thus liable for any harm caused to the
21 Company.

22 **REQUEST FOR RELIEF**

23 **WHEREFORE**, Plaintiff demands judgment as follows:

24 A. Determining that this action is a proper derivative action maintainable under
25 law, and that demand is excused;

26 B. Awarding, against all the Individual Defendants and in favor of the
27 Company, the damages sustained by the Company as a result of the Individual
28 Defendants' breaches of their fiduciary duties, gross mismanagement, unjust

1 enrichment, waste of corporate assets, aiding and abetting, and violations of Section
2 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder;

3 C. Directing the Company to take all necessary actions to reform and improve
4 its corporate governance and internal procedures, to comply with the Company's
5 existing governance obligations and all applicable laws and to protect the Company and
6 its investors from a recurrence of the damaging events described herein;

7 D. Awarding to Plaintiff the costs and disbursements of the action, including
8 reasonable attorneys' fees, accountants' and experts' fees, costs, and expenses; and

9 E. Granting such other and further relief as the Court deems just and proper.

10 **JURY DEMAND**

11 Plaintiff demands a trial by jury on all issues so triable.

12 Dated: October 29, 2024

13
14 **MARTIN & BONNETT, P.L.L.C.**

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