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12 **UNITED STATES DISTRICT COURT**
13 **DISTRICT OF ARIZONA**

14 April Ruebsamen, derivatively on behalf of
15 AMMO, Inc.,

16 Plaintiff,

17 vs.

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

24 Defendants,

25 and

26 AMMO, Inc.,

27 Nominal Defendant.

Case No.

**VERIFIED SHAREHOLDER
DERIVATIVE COMPLAINT**

JURY TRIAL DEMANDED

28 Plaintiff April Ruebsamen (“Plaintiff”), by Plaintiff’s undersigned attorneys, derivatively
and on behalf of Nominal Defendant Ammo, Inc. (“Ammo” or the “Company”), files this Verified

1 Shareholder Derivative Complaint against defendants Fred W. Wagenhals (“Wagenhals”), Jared
2 R. Smith (“Smith”), Robert D. Wiley (“Wiley”), Russell William Wallace, Jr. (“Wallace”),
3 Richard Childress (“Childress”), Jessica Lockett (“Lockett”), Steve F. Urvan (“Urvan”), Christos
4 Tsentas (“Tsentas”), Wayne Walker (“Walker”), Randy Luth (“Luth”), Robert J. Goodmanson
5 (“Goodmanson”), and Harry Markley (“Markley”) (collectively, the “Individual Defendants,” and
6 together with Ammo, the “Defendants”) for breaches of their fiduciary duties as directors and/or
7 officers of Ammo, unjust enrichment, gross mismanagement, abuse of control, waste of corporate
8 assets, violations of Sections 14(a), 10(b), and 20(a) of the Securities Exchange Act of 1934 (the
9 “Exchange Act”) and SEC Rule 10b-5 promulgated thereunder, and against Defendants
10 Wagenhals, Smith, and Wiley for contribution under Sections 10(b) and 21D of the Exchange
11 Act. As for Plaintiff’s complaint against the Defendants, Plaintiff alleges the following based upon
12 personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and belief as to all
13 other matters, based upon, *inter alia*, the investigation conducted by and through Plaintiff’s
14 attorneys, which included, among other things, a review of the Defendants’ public documents,
15 conference calls and announcements made by Defendants, United States Securities and Exchange
16 Commission (“SEC”) filings, wire and press releases published by and regarding Ammo, legal
17 filings, news reports, securities analysts’ reports and advisories about the Company, and
18 information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary
19 support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

20 **NATURE OF THE ACTION**

21 1. This is a shareholder derivative action that seeks to remedy wrongdoing committed
22 by Ammo’s directors and officers from August 19, 2020 through September 24, 2024, both dates
23 inclusive (the “Relevant Period”).

24 2. Ammo is a Delaware-incorporated company that represents itself to be “a
25 conglomerate of two premium positions in the shooting sports industry.”¹ In its SEC filings, the
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27 _____
28 ¹ [https://www.sec.gov/ix?doc=/Archives/edgar/data/1015383/000149315224023731/form10-
k.htm](https://www.sec.gov/ix?doc=/Archives/edgar/data/1015383/000149315224023731/form10-k.htm)

1 Company represents that it “started in ammunition manufacturing and broadened its portfolio with
2 the acquisition of GunBroker.com (“GunBroker”) in 2021.”² GunBroker is an e-commerce
3 marketplace (“Marketplace”) that purportedly “connects buyers and sellers with new/used
4 firearms and ancillary gear and componentry for the outdoor community” and “helps facilitate
5 this community with a state and federal compliant solution that connects buyers with sellers across
6 the United States (“U.S.”) with their local federally licensed firearm dealers.”³ Ammo represents
7 that “[t]he nature and operation of the Marketplace as an online auction and sales platform also
8 affords [Ammo] a view into the total domestic market for the purpose of understanding sales
9 trends at a granular level across all elements of the outdoor and sports shooting space.”⁴

10 3. The Company operates its business in two segments: (1) Ammunition, which
11 consists of Ammo’s manufacturing business and engages in the design, production and marketing
12 of ammunition, ammunition components, and related products; and (2) Marketplace, which
13 consists of the GunBroker e-commerce marketplace, purportedly designed to “support[] the lawful
14 sale of firearms, ammunition, and hunting/shooting accessories.”

15 4. Throughout the Relevant Period, the investing public was under a false impression
16 of the Company’s business, operations, financial success, and growth. Specifically, the Individual
17 Defendants willfully or recklessly made and/or caused the Company to make false and misleading
18 statements to the investing public which failed to disclose, *inter alia*, that: (i) the Company lacked
19 adequate internal controls over financial reporting; (ii) due to the foregoing, there was a substantial
20 likelihood that Ammo failed to accurately disclose all executive officers, members of
21 management, and potential related party transactions in fiscal years 2020 through 2023; (iii) due
22 to the foregoing, there was a substantial likelihood that Ammo failed to properly characterize
23 certain fees paid for investor relations and legal services as reductions of proceeds from capital
24 raises rather than period expenses in fiscal years 2021 and 2022; (iv) due to the foregoing, there
25 was a substantial likelihood the Company failed to appropriately value unrestricted stock awards

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27 ² *Id.*

28 ³ *Id.*

⁴ *Id.*

1 to officers, directors, employees and others in fiscal years 2020 through 2022; and (v) as a result
2 of the foregoing, the Individual Defendants' positive statements about the Company's business,
3 operations, and prospects were materially false and misleading and/or lacked a reasonable basis
4 at all relevant times.

5 5. The truth fully emerged on September 24, 2024 when, after the market closed, the
6 Company announced that Defendant Wiley had resigned as Ammo's CFO "at the request of the
7 Board." Ammo also revealed that it had retained a law firm to conduct an independent
8 investigation into whether the Company and its management control persons at the time: "(i)
9 accurately disclosed all executive officers, members of management, and potential related party
10 transactions in fiscal years 2020 through 2023; (ii) properly characterized certain fees paid for
11 investor relations and legal services as reductions of proceeds from capital raises rather than
12 period expenses in fiscal years 2021 and 2022; and (iii) appropriately valued unrestricted stock
13 awards to officers, directors, employees and others in fiscal years 2020 through 2022."

14 6. On this news, the Company's stock price fell \$0.08 per share, or 5.26%, from a
15 closing price of \$1.52 per share on September 24, 2024 to close at a price of \$1.44 per share on
16 September 25, 2024.

17 7. The Individual Defendants breached their fiduciary duties by failing to correct
18 and/or causing the Company to fail to correct these false and misleading statements and omissions
19 of material fact to the investing public.

20 8. Additionally, in breach of their fiduciary duties, the Individual Defendants willfully
21 or recklessly caused the Company to fail to maintain adequate internal controls.

22 9. Moreover, during the Relevant Period, three of the Individual Defendants breached
23 their fiduciary duties to Ammo by engaging in lucrative insider sales of Company common stock
24 at artificially inflated prices while in possession of material nonpublic information, obtaining
25 collective proceeds of over \$1.5 million.

26 10. Furthermore, during the Relevant Period, the Individual Defendants breached their
27 fiduciary duties by causing the Company to repurchase millions of shares of its own stock at prices
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1 that were artificially inflated due to the foregoing misrepresentations, causing the Company to
2 overpay for its own common stock by approximately \$960,884 in total.

3 11. In light of the Individual Defendants' misconduct—which has subjected the
4 Company, its Chief Executive Officer ("CEO"), its former CEO, and its Chief Financial Officer
5 ("CFO") to being named as defendants in a federal securities fraud class action lawsuit pending
6 in the United States District Court for the District of Arizona (the "Securities Class Action"), and
7 which has further subjected the Company to the need to undertake internal investigations, the need
8 to implement adequate internal controls, losses from the waste of corporate assets, and losses due
9 to the unjust enrichment of Individual Defendants who were improperly overcompensated by the
10 Company and/or who benefitted from the wrongdoing alleged herein—the Company will have to
11 expend many millions of dollars.

12 12. Moreover, in light of the breaches of fiduciary duty engaged in by the Individual
13 Defendants, most of whom are the Company's current directors, their collective engagement in
14 fraud, the substantial likelihood of the directors' liability in this derivative action and Defendant
15 Wagenhal's, Defendant Smith's, and Defendant Wiley's liability in the Securities Class Action,
16 their being beholden to each other, their longstanding business and personal relationships with
17 each other, their causing the Company to make the repurchases alleged herein, and their not being
18 disinterested and/or independent directors, a majority of Ammo's Board of Directors (the
19 "Board") cannot consider a demand to commence litigation against themselves and the other
20 Individual Defendants on behalf of the Company with the requisite level of disinterestedness and
21 independence.

22 JURISDICTION AND VENUE

23 13. This Court has subject matter jurisdiction pursuant to 28 U.S.C. § 1331 because
24 Plaintiff's claims raise a federal question under Section 14(a) of the Exchange Act, 15 U.S.C. §
25 78n(a)(1)), Rule 14a-9 of the Exchange Act, 17 C.F.R. § 240.14a-9, Sections 10(b) and 20(a) of
26 the Exchange Act (15. U.S.C. § 78j(b), 78t(a) and 78t-1), SEC Rule 10b-5 (17 C.F.R. §240.10b-
27 5) and Section 21D of the Exchange Act, 15 U.S.C. § 78u-4(f), and raise a federal question
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1 pertaining to the claims made in the Securities Class Action based on violations of the Exchange
2 Act.

3 14. This Court has supplemental jurisdiction over Plaintiff’s state law claims pursuant
4 to 28 U.S.C. § 1367(a).

5 15. This derivative action is not a collusive action to confer jurisdiction on a court of
6 the United States that it would not otherwise have.

7 16. Venue is proper in this District pursuant to 28 U.S.C. §§ 1391 and 1401 because a
8 substantial portion of the transactions and wrongs complained of herein occurred in this District,
9 one or more of the Defendants either resides or maintains executive offices in this District, and
10 the Defendants have received substantial compensation in this District by engaging in numerous
11 activities that had an effect in this District.

12 **PARTIES**

13 **Plaintiff**

14 17. Plaintiff is a current shareholder of Ammo. Plaintiff has continuously held Ammo
15 common stock since first purchasing the stock on November 30, 2020.

16 **Nominal Defendant Ammo**

17 18. Nominal Defendant Ammo is a Delaware corporation with its principal executive
18 offices located at 7681 E. Gray Rd., Scottsdale, AZ 85260. Ammo shares trade on the Nasdaq
19 Stock Market LLC (“NASDAQ”) under the ticker symbol “POWW.”

20 **Defendant Wagenhals**

21 19. Defendant Wagenhals has served as Executive Chairman of the Board since July
22 24, 2023 and as Chairman of the Board since December 2016. He also served as the Company’s
23 CEO from December 2016 until July 24, 2023 and as the Company’s President from December
24 2016 through March 2021.

25 20. During the Relevant Period, while the Company’s stock price was artificially
26 inflated and before the scheme was exposed, Defendant Wagenhals made the following sales of
27 Company stock:
28

Date	Number of Shares	Avg. Price/Share (\$)	Proceeds (\$)
2024-03-04	221,138	2.43	537,365
2024-02-29	5,699	2.40	13,677
2024-03-01	30,590	2.40	73,416
2024-02-16	11,343	2.50	28,357
2024-02-15	181,230	2.50	453,075

Thus, in total, before the fraud was exposed, he sold 450,000 shares of Company stock on inside information, for which he received approximately \$1,105,890 in proceeds. His insider sales, made with knowledge of material nonpublic information before the material misstatements and omissions were exposed, demonstrate his motive in facilitating and participating in the scheme.

21. For the fiscal year ended March 31, 2023 (“2023 Fiscal Year”), Defendant Wagenhals received \$1,817,698 in total compensation from the Company, which consisted of \$475,000 in salary, \$478,636 in bonus, \$840,000 in stock awards, and \$24,062 in all other compensation.

Defendant Smith

22. Defendant Smith has served as the Company’s CEO and President and as a Company director since July 2023 and previously served as the Company’s COO from December 2016 to July 2023.

23. For the 2023 Fiscal Year, Defendant Smith received \$441,586 in total compensation from the Company, which consisted of \$118,750 in salary, \$118,750 in bonus, \$175,000 in stock awards, and \$29,086 in all other compensation.

Defendant Wiley

24. Defendant Wiley served as the Company’s CFO from 2019 until he resigned on September 19, 2024 at the request of the Board.

25. For the 2023 Fiscal Year, Defendant Wiley received \$605,084 in total compensation from the Company, which consisted of \$240,000 in salary, \$350,000 in stock awards, and \$15,084 in all other compensation.

Defendant Wallace

1 26. Defendant Wallace has served as a Company director since June 2017. He also
2 serves as a member of the Audit Committee and the Compensation Committee.

3 27. For the 2023 Fiscal Year, Defendant Wallace received \$140,000 in total
4 compensation from the Company, which consisted entirely of stock awards.

5 **Defendant Childress**

6 28. Defendant Childress has served as a Company director since January 2021. He also
7 serves as a member of the Audit Committee.

8 29. For the 2023 Fiscal Year, Defendant Childress received \$140,000 in total
9 compensation from the Company, which consisted entirely of stock awards.

10 **Defendant Lockett**

11 30. Defendant Lockett has served as a Company director since December 2020. She
12 also serves as Chair of the Audit Committee and as a member of the Nominations and Corporate
13 Governance Committee.

14 31. For the 2023 Fiscal Year, Defendant Lockett received \$188,000 in total
15 compensation from the Company, which consisted of \$48,000 in fees earned or paid in cash and
16 \$140,000 in stock awards.

17 **Defendant Urvan**

18 32. Defendant Urvan has served as a Company director since April 2021.

19 33. For the 2023 Fiscal Year, Defendant Urvan received \$339,253 in total compensation
20 from the Company, which consisted of \$183,692 in fees earned or paid in cash, \$140,000 in stock
21 awards, and \$15,561 in all other compensation.

22 **Defendant Tsentas**

23 34. Defendant Tsentas has served as a Company director since November 2022. He also
24 serves as a member of the Audit Committee.

25 35. For the 2023 Fiscal Year, Defendant Tsentas received \$17,500 in total compensation
26 from the Company, which consisted entirely of stock awards.

27 **Defendant Walker**

1 36. Defendant Walker has served as a Company director since November 2022. He also
2 serves as a member of the Compensation Committee.

3 37. For the 2023 Fiscal Year, Defendant Walker received \$17,500 in total compensation
4 from the Company, which consisted entirely of stock awards.

5 **Defendant Luth**

6 38. Defendant Luth has served as a Company director since January 2023. He also
7 serves as a member of the Compensation Committee and the Nominations and Corporate
8 Governance Committee.

9 **Defendant Goodmanson**

10 39. Defendant Goodmanson served as the Company's President and as a Company
11 director from October 2019 through December 2022.

12 40. During the Relevant Period, while the Company's stock price was artificially
13 inflated and before the scheme was exposed, Defendant Goodmanson made the following sales
14 of Company stock:

Date	Number of Shares	Avg. Price/Share (\$)	Proceeds (\$)
2022-12-02	10,000	2.22	22,200
2021-09-15	10,000	6.33	63,300
2021-09-02	10,000	7.28	72,800

15 Thus, in total, before the fraud was exposed, he sold 30,000 shares of Company stock on inside
16 information, for which he received approximately \$158,300 in proceeds. His insider sales, made
17 with knowledge of material nonpublic information before the material misstatements and
18 omissions were exposed, demonstrate his motive in facilitating and participating in the scheme.

19 **Defendant Markley**

20 41. Defendant Markley served as a Company director from April 2018 through July
21 2023.
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1 42. For the 2023 Fiscal Year, Defendant Markley received \$140,000 in total
2 compensation from the Company, which consisted entirely of stock awards.

3 43. During the Relevant Period, while the Company's stock price was artificially
4 inflated and before the scheme was exposed, Defendant Markley made the following sales of
5 Company stock:
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Date	Number of Shares	Avg. Price/Share (\$)	Proceeds (\$)
2023-02-16	10,500	1.89	19,845
2022-08-19	25,000	4.37	109,250
2022-09-01	5,000	3.63	18,150
2022-08-19	25,000	4.37	109,250
2022-09-01	5,000	3.63	18,150

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12 Thus, in total, before the fraud was exposed, he sold 70,500 shares of Company stock on inside
13 information, for which he received approximately \$274,645 in proceeds. His insider sales, made
14 with knowledge of material nonpublic information before the material misstatements and
15 omissions were exposed, demonstrate his motive in facilitating and participating in the scheme.

16 **FIDUCIARY DUTIES OF THE INDIVIDUAL DEFENDANTS**

17 44. By reason of their positions as officers and/or directors of Ammo, and because of
18 their ability to control the business and corporate affairs of Ammo, the Individual Defendants
19 owed Ammo and its shareholders fiduciary obligations of trust, loyalty, good faith, and due care,
20 and were and are required to use their utmost ability to control and manage Ammo in a fair, just,
21 honest, and equitable manner. The Individual Defendants were and are required to act in
22 furtherance of the best interests of Ammo and its shareholders so as to benefit all shareholders
23 equally.

24 45. Each director and officer of the Company owes to Ammo and its shareholders the
25 fiduciary duty to exercise good faith and diligence in the administration of the Company and in
26 the use and preservation of its property and assets and the highest obligations of fair dealing.
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1 46. The Individual Defendants, because of their positions of control and authority as
2 directors and/or officers of Ammo, were able to and did, directly or indirectly, exercise control
3 over the wrongful acts complained of herein.

4 47. To discharge their duties, the officers and directors of Ammo were required to
5 exercise reasonable and prudent supervision over the management, policies, controls, and
6 operations of the Company.

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

15 49. As senior executive officers and directors of a publicly-traded company whose
16 common stock was registered with the SEC pursuant to the Exchange Act and traded on
17 NASDAQ, the Individual Defendants had a duty to prevent and not to effect the dissemination of
18 inaccurate and untruthful information with respect to the Company's financial condition,
19 performance, growth, operations, financial statements, business, products, management, earnings,
20 internal controls, and present and future business prospects, including the dissemination of false
21 information regarding the Company's business, prospects, and operations, and had a duty to cause
22 the Company to disclose in its regulatory filings with the SEC all those facts described in this
23 Complaint that it failed to disclose, so that the market price of the Company's common stock
24 would be based upon truthful and accurate information.

25 50. To discharge their duties, the officers and directors of Ammo were required to
26 exercise reasonable and prudent supervision over the management, policies, practices, and internal
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1 controls of the Company. By virtue of such duties, the officers and directors of Ammo were
2 required to, among other things:

3 (a) ensure that the Company was operated in a diligent, honest, and prudent
4 manner in accordance with the laws and regulations of Delaware, Arizona, and the United States,
5 and pursuant to Ammo’s own Code of Conduct (the “Code of Conduct”);

6 (b) conduct the affairs of the Company in an efficient, business-like manner so
7 as to make it possible to provide the highest quality performance of its business, to avoid wasting
8 the Company’s assets, and to maximize the value of the Company’s stock;

9 (c) remain informed as to how Ammo conducted its operations, and, upon
10 receipt of notice or information of imprudent or unsound conditions or practices, to make
11 reasonable inquiry in connection therewith, and to take steps to correct such conditions or
12 practices;

13 (d) establish and maintain systematic and accurate records and reports of the
14 business and internal affairs of Ammo and procedures for the reporting of the business and internal
15 affairs to the Board and to periodically investigate, or cause independent investigation to be made
16 of, said reports and records;

17 (e) maintain and implement an adequate and functioning system of internal
18 legal, financial, and management controls, such that Ammo’s operations would comply with all
19 applicable laws and Ammo’s financial statements and regulatory filings filed with the SEC and
20 disseminated to the public and the Company’s shareholders would be accurate;

21 (f) exercise reasonable control and supervision over the public statements made
22 by the Company’s officers and employees and any other reports or information that the Company
23 was required by law to disseminate;

24 (g) refrain from unduly benefiting themselves and other Company insiders at the
25 expense of the Company; and
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1 (h) examine and evaluate any reports of examinations, audits, or other financial
2 information concerning the financial affairs of the Company and make full and accurate disclosure
3 of all material facts concerning, *inter alia*, each of the subjects and duties set forth above.

4 51. Each of the Individual Defendants further owed to Ammo and the shareholders the
5 duty of loyalty requiring that each favor Ammo's interest and that of its shareholders over their
6 own while conducting the affairs of the Company and refrain from using their position, influence
7 or knowledge of the affairs of the Company to gain personal advantage.

8 52. At all times relevant hereto, the Individual Defendants were the agents of each other
9 and of Ammo and were at all times acting within the course and scope of such agency.

10 53. Because of their advisory, executive, managerial, and directorial positions with
11 Ammo, each of the Individual Defendants had access to adverse, non-public information about
12 the Company.

13 54. The Individual Defendants, because of their positions of control and authority, were
14 able to and did, directly or indirectly, exercise control over the wrongful acts complained of
15 herein, as well as the contents of the various public statements issued by Ammo.

16 **CONSPIRACY, AIDING AND ABETTING, AND CONCERTED ACTION**

17 55. In committing the wrongful acts alleged herein, the Individual Defendants have
18 pursued, or joined in the pursuit of, a common course of conduct, and have acted in concert with
19 and conspired with one another in furtherance of their wrongdoing. The Individual Defendants
20 caused the Company to conceal the true facts as alleged herein. The Individual Defendants further
21 aided and abetted and assisted each other in breaching their respective duties.

22 56. The purpose and effect of the conspiracy, common enterprise, and common course
23 of conduct was, among other things, to: (i) facilitate and disguise the Individual Defendants'
24 violations of law, including breaches of fiduciary duty, unjust enrichment, waste of corporate
25 assets, and violations of the Exchange Act; (ii) conceal adverse information concerning the
26 Company's operations, financial condition, legal compliance, future business prospects and
27 internal controls; and (iii) artificially inflate the Company's stock price.
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1 57. The Individual Defendants accomplished their conspiracy, common enterprise, and
2 common course of conduct by causing the Company purposefully or recklessly to conceal material
3 facts, fail to correct such misrepresentations, and violate applicable laws. In furtherance of this
4 plan, conspiracy, and course of conduct, the Individual Defendants collectively and individually
5 took the actions set forth herein. Because the actions described herein occurred under the authority
6 of the Board, each of the Individual Defendants who is a director of Ammo was a direct, necessary,
7 and substantial participant in the conspiracy, common enterprise, and common course of conduct
8 complained of herein.

9 58. Each of the Individual Defendants aided and abetted and rendered substantial
10 assistance in the wrongs complained of herein. In taking such actions to substantially assist the
11 commission of the wrongdoing complained of herein, each of the Individual Defendants acted
12 with actual or constructive knowledge of the primary wrongdoing, either took direct part in, or
13 substantially assisted in the accomplishment of that wrongdoing, and was or should have been
14 aware of his or her overall contribution to and furtherance of the wrongdoing.

15 59. At all times relevant hereto, each of the Individual Defendants was the agent of each
16 of the other Individual Defendants, and of Ammo, and was at all times acting within the course
17 and scope of such agency.

18 **THE INDIVIDUAL DEFENDANTS' MISCONDUCT**

19 **False and Misleading Statements**

20 *August 19, 2020 Form 10-K*

21 60. The Relevant Period began on August 19, 2020 when Ammo filed its annual report
22 on Form 10-K with the SEC for the fiscal year ended March 31, 2020 (the "2020 Fiscal Year"),
23 (the "2020 10-K"), which was signed by Defendants Wagenhals, Goodmanson, Wallace, Luth,
24 and Markley. The 2020 10-K discussed the composition and compensation of Ammo's executive
25 officers and directors, as well as the valuation of Ammo's stock awards made to such individuals.
26 In particular, the 2020 10-K stated the following, in relevant part:

27 **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	\$ 20,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,000
Kathy Hanrahan (7)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

61. The 2020 10-K contained information about Ammo's purported financial results, including its financing activities and the cost of certain payments related to such offerings. Specifically, the 2020 10-K stated the following, in relevant part:

	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)

* * *

Financing Activities

1 We financed our operations primarily from the issuance of equity instruments.
2 During the year ended March 31, 2020, net cash provided by financing activities
3 was \$4,524,848. This was the net effect of \$2,465,540 generated from the sale of
4 Common Stock, *net of cash payments of \$285,981 in conjunction with the Unit*
5 *offerings*. We issued \$2,500,000 in Convertible Promissory Notes, *net of \$329,000*
6 *of issuance costs*. Additionally, \$9,747,281 was generated from accounts receivable
7 factoring, which was offset by *payments of \$7,741,302*. There was \$819,731 of cash
8 was generated from the issuance of a related party note payable, These increases to
9 our financing activities were offset by *payment of \$1,885,000 on the related party*
10 *notes payable*, \$466,421 toward our insurance premium note payable and a
11 \$300,000 payment of our Contingent Consideration Payable.⁵

12 62. With respect to any off-balance sheet arrangements, the 2020 10-K represented that
13 the Company had none, stating:

14 **Off-Balance Sheet Arrangements**

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

19 63. With respect to Ammo's related party transactions, the 2020 10-K stated:

20 **Related Party Transactions**

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

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

⁵ All emphasis has been added unless otherwise noted herein.

1 In connection with the acquisition of the casing division of Jagemann Stamping
2 Company, a promissory note was executed. The promissory note, under which
3 \$500,000 was paid on March 25, 2019 using funds raised for the acquisition, had a
4 remaining balance at March 31, 2019 of \$9,900,000. On April 30, 2019, the original
5 due date of the note was subsequently extended to April 1, 2020. The note bears
6 interest per annum at approximately 4.6% payable in arrears monthly until October
7 1, 2019 when the interest rate increases to 9% per annum payable monthly until
principal and accrued interest are paid in full. In May of 2019, the Company paid
\$1,500,000 on the balance of the note. As of March 31, 2020 and March 31, 2019,
we accrued interest of \$352,157 and \$22,196, respectively, related to the note.

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

14 Additionally, the Company entered into a lease to gain possession of the assets that
15 were originally to be transferred. Subsequent to March 31, 2020, the Company,
16 Enlight and JSC entered into a Settlement Agreement pursuant to which the parties
17 mutually agreed to settle all disputes and mutually release each other from liabilities
18 related to the Amended APA occurring prior to June 26, 2020. Pursuant to the
19 Settlement Agreement, the Company shall pay JSC \$1,269,977 and shall provide
20 JSC with: (i) two new promissory notes, a note of \$5,803,800 related to the Seller
21 Note and note of \$2,635,797 for inventory and services, both with a maturity date
22 of August 15, 2021, (ii) general business security agreements granting JSC a
23 security interest in all personal property of the Company. Pursuant to the Notes, the
24 Company is obligated to make monthly payments totaling \$204,295 to JSC. In
25 addition, the Notes have a mandatory prepayment provision that comes into effect
26 if the Company conducts a publicly registered offering. Pursuant to such provision,
27 the Company: (a) upon the closing of an Offering of less than \$10,000,000 would
28 be obligated to pay the lesser of ninety percent (90%) of the Offering proceeds or
seventy (70%) of the then aggregate outstanding balance of the Notes; and (b) upon
the closing of an Offering of more than \$10,000,000 would be obligated to pay one
hundred percent (100%) of the then aggregate outstanding balance of the Notes. The
Company was granted an option to repurchase up to 1,000,000 of the shares of the
Company's common stock issued to JSC under the Amended APA at a price of
\$1.50 per share through April 1, 2021 so long as there are no defaults under the
Settlement Agreement.

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

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

14 In December of 2019, the Company entered into a Promissory Note of \$90,000 with
15 Fred Wagenhals, the Company's Chief Executive Officer and Chairman of the
16 Board of Directors. The Note originally matured on June 12, 2020 and had an
17 interest rate at the applicable LIBOR Rate. The promissory note has since been
18 amended and the balance at March 31, 2020 was \$156,536 and the amended
19 maturity date is September 18, 2020. The Company made \$70,000 in principal
20 payments in the year ended March 31, 2020. The amended note bears interest at
21 1.25% per month. We have accrued interest on the note of \$1,287. Subsequent to
22 March 31, 2020, the related party note and accrued interest was paid in full.

23 Other than the foregoing, none of the directors or executive officers of the Company,
24 nor any person who owned of record or was known to own beneficially more than
25 5% of the Company's outstanding shares of its Common Stock, nor any associate
26 or affiliate of such persons or companies, has any material interest, direct or indirect,
27 in any transaction that has occurred during the past fiscal year, or in any proposed
28 transaction, which has materially affected or will affect the Company.

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 directors consent; and
- Obtaining shareholder consent where required.

June 29, 2021 Form 10-K

64. On June 29, 2021, the Company submitted its annual report on Form 10-K with the SEC for the fiscal year ended March 31, 2021 (the “2021 10-K”), which was signed by Defendants Wagenhals, Wiley, Goodmanson, Wallace, Childress, Markley, Lockett, and Urvan and contained Sarbanes Oxley Act of 2002 (“SOX”) certifications signed by Defendants Wagenhals and Wiley attesting to its accuracy. The 2021 10-K discussed the composition and compensation of Ammo’s executive officers and directors, as well as the valuation of Ammo’s stock awards made to such individuals. In particular, the 2021 10-K stated the following, 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									
President, Chief Executive Officer, 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
Steve Hilko									
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
Robert D. Wiley									
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

* * *

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
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

65. The 2021 10-K reported Ammo's purported financial results, including its financing activities and the cost of certain payments related to such offerings. In particular, the 2021 10-K stated:

	<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
2 66. With respect to off-balance sheet arrangements, the 2021 10-K represented that, as
3 of March 31, 2021, Ammo “*did not have any off-balance sheet arrangements* that have or are
4 reasonably likely to have a current or future material effect” on the Company’s “financial
5 condition, net sales, expenses, results of operations, liquidity capital expenditures, or capital
6 resources.”

7 67. The 2021 10-K contained a discussion of Ammo’s related party transactions and
8 represented that “[o]ther than the foregoing” “none of the directors or executive officers of the
9 Company,” “has any material interest, direct or indirect, in any transaction that has occurred
10 during the past fiscal year.” In addition, the 2021 10-K stated that, “[w]ith regard to any future
11 related party transaction,” Ammo “plan[s] to fully disclose any and all related party transactions.”
12 The 2021 10-K also stated the following, in relevant part:

13 ***Related Party Transactions***

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

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

23 Through the Administrative and Management Services Agreement the Company
24 with JSC, the Company purchased approximately \$3.4 million in inventory support
25 services, and incurred \$405,171 of rent expenses for the year ended March 31, 2021.
26 For the year ended March 31, 2021, the Company purchased approximately \$1.9
27 million in Inventory, incurred \$394,128 of rent expenses, and incurred \$153,604 of
28 expenses related to support costs such as engineering and maintenance, among
others.

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

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

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

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

24 On May 3, 2019, the Company entered into a promissory note of \$375,000 with a
25 shareholder of the Company. The original interest rate was the applicable LIBOR
26 Rate. The promissory note was amended and the note's original a maturity date of
27 August 3, 2019 was extended to September 18, 2020. The amended note bears
28 interest at 1.25% per month. The Company made \$18,195 in principal payments
during year ended March 2021 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.

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

1 month. We recognized \$5,350 of interest expense on the note for the year ended
2 March 31, 2021.

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

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

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

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

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

June 29, 2022 Form 10-K

68. On June 29, 2022, the Company filed its annual report on Form 10-K with the SEC
for the fiscal year ended March 31, 2022 (the “2022 10-K”), which was signed by Defendants
Wagenhals, Wiley, Goodmanson, Wallace, Childress, Markley, Lockett, and Urvan and contained
SOX certifications signed by Defendants Wagenhals and Wiley attesting to its accuracy. The 2022
10-K discussed the composition and compensation of Ammo’s executive officers and directors,

as well as the valuation of Ammo's stock awards made to such individuals. In particular, the 2022 10-K stated the following, 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 Cash (1)	Stock Awards (2)	Option Awards (2)	Nonequity incentive plan compensation	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 (4)	\$ -	\$105,000	\$ -	\$ -	\$ -	\$ -	\$105,000

69. The 2022 10-K reported Ammo's purported financial results, including its financing activities and the cost of certain payments related to such offerings. In particular, the 2022 10-K stated:

	For the Year Ended	
	March 31, 2022	March 31, 2021
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.

70. With respect to off-balance sheet arrangements, the 2022 10-K represented that, as of March 31, 2022, Ammo “*did not have any off-balance sheet arrangements* that have or are reasonably likely to have a current or future material effect” on the Company’s “financial condition, net sales, expenses, results of operations, liquidity capital expenditures, or capital resources.”

71. The 2022 10-K contained a discussion of Ammo’s related party transactions and represented that “[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 fiscal year.” In addition, the 2022 10-K stated that, “[w]ith regard to any future related party transaction,” Ammo “plan[s] to fully disclose any and all related party transactions.” The 2022 10-K also stated the following, in relevant part:

NOTE 17 – RELATED PARTY TRANSACTIONS

During the year ended March 31, 2022, we paid \$229,083 in service fees to an independent contractor and 60,000 shares in the aggregate to its advisory committee members for service for a total value of \$173,000. 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.

* * *

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

* * *

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 ended March 31, 2021, the 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.

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

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 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.

2022 Proxy Statement

1 72. On November 22, 2022, Ammo filed a Schedule 14A with the SEC (the “2022
2 Proxy Statement”). Defendants Wagenhals, Wallace, Markley, Goodmanson, Lockett, Childress,
3 Urvan, Walker, and Tsentas solicited the 2022 Proxy Statement, filed pursuant to Section 14(a)
4 of the Exchange Act, which contained material misstatements and omissions.
5

6 73. The 2022 Proxy Statement solicited Company shareholders to, *inter alia*: (1) re-
7 elect Defendants Wagenhals, Wallace, Markley, Goodmanson, Lockett, Childress, Urvan,
8 Walker, and Tsentas to the Board; (2) ratify the appointment of Pannell Kerr Forster of Texas,
9 P.C. as the Company’s independent registered public accounting firm; (3) approve, on a non-
10 binding, advisory basis, the compensation of the Company’s named executive officers; and (4)
11 approve an amendment to the Ammo, Inc. 2017 Equity Incentive Plan (the “Plan”) to increase the
12 number of shares of common stock authorized for issuance under the Plan.
13

14 74. With respect to the “Board’s Role in Risk Oversight,” the 2022 Proxy Statement
15 stated:
16

17 Our Board, directly and through its committees, has oversight responsibility for
18 managing risk, and our management team is responsible for the Company’s day-to-
19 day enterprise risk management activities. To execute its responsibility for the day-
20 to-day management of the risks we face, our management team works together with
21 the leadership of the Company’s operating subsidiaries to identify, review, assess
22 and mitigate the material risks affecting our operations.

23 Our Board of Directors is actively engaged in our business strategy and its oversight
24 of risk management. Our Board regularly receives reports and input from senior
25 management and outside advisors on areas of our material risk, including our
26 operational, economic, financial, legal, regulatory and competitive risks, among
27 others, and regularly devotes time during its meetings to an assessment of
28 management’s risk appetite, its responses to those risks and the mitigation of those
risks. Our Board of Directors also reviews the various risks we identify in our filings
with the SEC and risks relating to various strategic and business developments, such
as acquisitions, debt and equity placements, and new service offerings.

1 Our Board committees assist our Board of Directors in fulfilling its oversight role
2 in certain areas of risk. Pursuant to its charter, the Audit Committee oversees the
3 financial and reporting processes of our company and the audit of the financial
4 statements of our company and provides assistance to our Board of Directors with
5 respect to the oversight and integrity of the financial statements of our company,
6 our company's compliance with legal and regulatory requirements, the independent
7 registered public accountant's qualification and independence, and the performance
8 of our independent registered public accountant. The Compensation Committee
9 considers the risk of our compensation policies and practices and endeavors to
10 ensure that it is not reasonably likely that our compensation plans and policies would
11 have a material adverse effect on our company. Our Nominations and Corporate
12 Governance Committee oversees governance related risk, such as board
13 independence, conflicts of interests, and management and succession planning.

14 75. With respect to the Code of Conduct, the 2022 Proxy Statement stated the following,
15 in relevant part:

16 Our nominees are expected to comply with our Code of Conduct, which prohibits
17 discrimination or harassment on the basis of race, color, religion, age, gender, sexual
18 orientation, gender identity and expression, national origin, disability, marital status,
19 citizenship status, veteran status, military status, or any other protected category
20 under applicable law.

21 All of our directors have held high-level positions in business or professional service
22 firms and have experience in dealing with complex issues. We believe that all of
23 our directors are individuals of high character and integrity, are able to work well
24 with others, and have committed to devote sufficient time to the business and affairs
25 of our company. In addition to these attributes, the description of each director's
26 background set forth above indicates the specific qualifications, skills, perspectives,
27 and experience necessary to conclude that each individual should continue to serve
28 as a director of our company.

In furtherance of its commitment to the principles of good corporate governance,
our Board of Directors has adopted charters for the Audit, Compensation, and
Nominations and Corporate Governance Committees describing the authority and
responsibilities delegated to each committee by our Board of Directors. Our Board
of Directors has also adopted Corporate Governance Guidelines, subject to periodic
review by the Board of Directors and the Nominations and Corporate Governance
Committee, a Code of Conduct, and a Code of Ethics for the CEO and Senior
Financial Officers. Together, these governance documents, policies, and guidelines,
in conjunction with our Certificate of Incorporation and Bylaws, form the
framework for the governance of our company.

1 We post on our website, at <https://investors.ammoinc.com/governance/governance->
2 [documents/default.aspx](https://investors.ammoinc.com/governance/governance-), the charters of our Audit, Compensation, and Nominations
3 and Corporate Governance Committees; our Corporate Governance Guidelines,
4 Code of Conduct, and Code of Ethics for the CEO and Senior Financial Officers,
5 and any amendments or waivers thereto; and any other corporate governance
6 materials specified by SEC regulations. These documents are also available in print
7 to any shareholder requesting a copy in writing from our Secretary at the address of
8 our executive offices.

9 76. Regarding the proposal to amend the Plan, the 2022 Proxy Statement stated the
10 following, in relevant part:

11 The Company is asking the shareholders to approve an amendment to the Ammo,
12 Inc. 2017 Equity Incentive Plan (the “Plan”), the material terms of which are more
13 fully described below. The Board of Directors approved the Amendment to the Plan
14 on November 22, 2022, subject to the shareholder approval solicited by this proxy
15 statement with such approval required by Nasdaq Listing Rule 5635(c).

16 In November 2017, the Board of Directors approved the Plan. Under the Plan,
17 485,000 shares of common stock were reserved and authorized to be issued. In
18 August 2020 the Board approved, and in October 2020 our shareholders approved,
19 an increase the total number of shares of our common stock available for issuance
20 under the Plan to 5,000,000 shares. ***The Board is now asking the shareholders to***
21 ***approve an increase the total number of shares of our common stock available***
22 ***for issuance under the Plan by one million (1,000,000) shares.*** If this proposal is
23 approved, the total number of shares that will be available for issuance under the
24 Plan will be six million (6,000,000) shares. ***The Board believes this increase will***
25 ***assist the Company and its affiliates in attracting, retaining and providing***
26 ***incentives to employees, directors, consultants and independent contractors who***
27 ***serve the Company and its affiliates by offering them the opportunity to acquire***
28 ***or increase their proprietary interest in the Company and to promote the***
identification of their interests with those of the shareholders of the Company.

29 All terms of the Plan shall remain the same with the exception of the amount of
30 shares reserved for issuance under the Plan which shall be increased by one million
31 (1,000,000) shares. If this proposal is approved, the total number of shares that will
32 be available for issuance under the Plan will be six million (6,000,000) shares.

33 *Description of the 2017 Plan*

34 The Plan permits the grant of Options, Restricted Stock, Restricted Stock Units
35 (“RSUs”) Performance Awards and Other Stock-Based Awards (each, an “Award”).
36 The following summary of the material features of the Plan is entirely qualified by

1 reference to the full text of the Plan, a copy of which is attached hereto as Annex 1.
2 Unless otherwise specified, capitalized terms used in this summary have the
3 meanings assigned to them in the Plan.

4 *Eligibility*

5 All Employees, Officers, Directors, consultants and independent contractors of the
6 Company and its Affiliates (“Eligible Persons”) are eligible to receive grants of
7 Awards under the Plan. As of September 30, 2022, the number of employees eligible
8 to participate in the Plan was 308, there was one consultant or independent
9 contractor eligible to participate in the Plan, and the number of non-employee
10 directors eligible to participate in the Plan was six.

11 *Administration*

12 Except with respect to Awards granted to Non-Employee Directors, the Plan is
13 administered by the Compensation Committee, and if no such committee exists then
14 the Board (the “Committee”). With respect to Awards granted to Non-Employee
15 Directors, the Board of Directors serves as the Committee, unless the Board of
16 Directors appoints another committee or person(s) for such purpose. The Committee
17 has plenary authority and discretion to determine the Eligible Persons to whom
18 Awards are granted (each a “Participant”) and the terms of all Awards under the
19 Plan. Subject to the provisions of the Plan, the Committee has authority to interpret
20 the Plan and agreements under the Plan and to make all other determinations relating
21 to the administration of the Plan.

22 77. Under the direction and watch of Defendants Wagenhals, Wallace, Markley,
23 Goodmanson, Lockett, Childress, Urvan, Walker, and Tsentas, the 2022 Proxy Statement failed
24 to disclose, *inter alia*, that: (i) the Company lacked adequate internal controls over financial
25 reporting; (ii) due to the foregoing, there was a substantial likelihood that Ammo failed to
26 accurately disclose all executive officers, members of management, and potential related party
27 transactions in fiscal years 2020 through 2023; (iii) due to the foregoing, there was a substantial
28 likelihood that Ammo failed to properly characterize certain fees paid for investor relations and
legal services as reductions of proceeds from capital raises rather than period expenses in fiscal
years 2021 and 2022; (iv) due to the foregoing, there was a substantial likelihood the Company
failed to appropriately value unrestricted stock awards to officers, directors, employees and others
in fiscal years 2020 through 2022; and (v) as a result of the foregoing, the Individual Defendants’

1 positive statements about the Company’s business, operations, and prospects were materially false
2 and misleading and/or lacked a reasonable basis at all relevant times.

3 78. The 2022 Proxy Statement also failed to disclose, *inter alia*, that: (1) although the
4 Company claimed its officers and directors adhered to the Code of Conduct, the Individual
5 Defendants violated these policies either without waivers or without such waivers being disclosed;
6 and (2) contrary to the 2022 Proxy Statement’s descriptions of the Board’s and its committees’
7 risk oversight functions, the Board and its committees were not adequately exercising these
8 functions and were causing or permitting the Company to issue false and misleading statements.

9 79. As a result of Defendants Wagenhals, Wallace, Markley, Goodmanson, Lockett,
10 Childress, Urvan, Walker, and Tsentas causing the 2022 Proxy Statement to be false and
11 misleading, Company shareholders voted, *inter alia*, to: (1) re-elect Defendants Wagenhals,
12 Wallace, Markley, Goodmanson, Lockett, Childress, Urvan, Walker, and Tsentas to the Board,
13 thereby allowing them to continue breaching their fiduciary duties to the Company; and (2)
14 approve the amendment to the Plan, thereby increasing the number of shares of Company common
15 stock available for issuance thereunder by 1,000,000 shares.

16 ***June 14, 2023 Form 10-K***

17 80. On June 14, 2023, the Company filed its annual report on Form 10-K with the SEC
18 for the fiscal year ended March 31, 2023 (the “2023 10-K”), which was signed by Defendants
19 Wagenhals, Wiley, Wallace, Childress, Markley, Lockett, Walker, Tsentas, and Luth and
20 contained SOX certifications signed by Defendants Wagenhals and Wiley attesting to its accuracy.
21 The 2023 10-K reported Ammo’s purported financial results, including its financing activities and
22 the cost of certain payments related to such offerings. In particular, the 2023 10-K stated:
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	<u>For the Year Ended</u>	
	<u>March 31, 2023</u>	<u>March 31, 2022</u>
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

During the year ended March 31, 2023, net cash used in financing activities was approximately \$6.7 million. This was the result of approximately \$3.0 million of preferred stock dividends paid, \$2.1 million of insurance premium 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. 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 \$71.3 million was generated from accounts receivable factoring, which was ***offset by payments of approximately \$72.3 million.***

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.***

81. With respect to off-balance sheet arrangements, the 2023 10-K represented that, as of March 31, 2023, Ammo “***did not have any off-balance sheet arrangements*** that have or are reasonably likely to have a current or future material effect” on the Company’s “financial

1 condition, net sales, expenses, results of operations, liquidity capital expenditures, or capital
2 resources.”

3
4 82. The 2023 10-K contained a discussion of Ammo’s related party transactions,
5 stating:

6 **NOTE 16– RELATED PARTY TRANSACTIONS**

7 On November 3, 2022, AMMO, Inc. (the “Company”) entered into a Settlement
8 Agreement (the “Settlement Agreement”) with Steven F. Urvan and Susan T. Lokey
9 (collectively with each of their respective affiliates and associates, the “Urvan
10 Group”).

11 Pursuant to the Settlement Agreement, the Urvan Group has agreed to withdraw its
12 notice of stockholder nomination of its seven director candidates (the “Urvan
13 Candidates”) and its demand to inspect books and records, pursuant to Section 220
14 of the General Corporation Law of the State of Delaware, and the Company agreed
15 to immediately increase the size of the Board from seven to nine directors and
16 appoint Christos Tsentas and Wayne Walker (each, a “New Director” and the New
17 Directors together with Mr. Urvan, the “Urvan Group Directors”) to the Board to
18 serve as directors with terms expiring at the 2022 annual meeting of stockholders
19 (the “2022 Annual Meeting”). The Company will include the Urvan Group
20 Directors in its director candidates slate for the 2022 Annual Meeting and any
21 subsequent annual meeting of stockholders of the Company occurring prior to the
22 Termination Date (as defined below). The Company has agreed to not increase the
23 size of the Board above nine directors prior to the Termination Date unless the
24 increase is approved by at least seven directors. Mr. Wagenhals will continue to
25 serve as a director and Chairman of the Board.

26 Unless otherwise mutually agreed to in writing by each party, the Settlement
27 Agreement will remain in effect until the date that is the earlier of (i) 30 days prior
28 to the earlier of (A) the deadline set forth in the notice requirements of Federal
“Universal Proxy Rules” promulgated under Rule 14a-19(a) and Rule 14a-19(b)
under the Securities Exchange Act of 1934, as amended (the “UPR Deadline”) relating to the Company’s 2023 annual meeting of stockholders (the “2023 Annual Meeting”) and (B) any deadline that may be set forth in the Company’s Amended and Restated Certificate of Incorporation (as amended from time to time, the “Certificate”) or Bylaws (the “Bylaws”) following the execution of the Settlement Agreement relating to the nomination of director candidates for election to the Board at the 2023 Annual Meeting, and (ii) 90 days prior to the first anniversary of the 2022 Annual Meeting (such date, the “Termination Date”). However, if the Company notifies Mr. Urvan in writing at least 15 days prior to such Termination

1 Date that the Board irrevocably offers to re-nominate the Urvan Group Directors for
2 election at the 2023 Annual Meeting and Mr. Urvan accepts such offer within 15
3 days of receipt of such notice, the Termination Date will be automatically extended
4 until the earlier of (i) 30 days prior to the earlier of (A) the UPR Deadline relating
5 to the Company's 2024 annual meeting of stockholders (the "2024 Annual
6 Meeting") and (B) any deadline that may be set forth in the Certificate or the Bylaws
7 following execution of the Settlement Agreement relating to the nomination of
8 director candidates for election to the Board at the 2024 Annual Meeting, and (ii)
9 90 days prior to the first anniversary of the 2023 Annual Meeting. Notwithstanding
10 the foregoing, the "Termination Date" shall not occur prior to 20 days after Mr.
11 Urvan's departure from the Board.

12 Pursuant to the Settlement Agreement, the Company will suspend the previously
13 announced separation of Company into Action Outdoor Sports, Inc. and Outdoor
14 Online, Inc., pending the further evaluation of strategic options by the Board. The
15 Company paid approximately \$500,000 of the Urvan Group's costs, fees and
16 expenses per the terms of the Settlement Agreement. Additionally, the Company
17 issued 125,000 shares of Common Stock for a total value of \$437,500 to an
18 employee and issued 110,000 shares of Common Stock for a total value of
19 \$385,000 to an independent contractor as a result of termination without cause per
20 the terms of the Settlement Agreement.

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

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

During the year ended March 31, 2022, we paid \$229,083 in service fees to an
independent contractor and 60,000 shares in the aggregate to its advisory committee
members for service for a total value of \$173,000. Through our acquisition of

1 Gemini, a related party relationship was created through one of our Members of the
2 Board of Directors by ownership of an entity that transacts with Gemini. We
3 recognized \$1,042,277 in Marketplace Revenue for the year ended March 31, 2022
4 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.

5 Through the Administrative and Management Services Agreement the Company
6 with JSC, the Company purchased approximately incurred \$2.0 million in inventory
7 support services, and \$170,355 of rent expenses for the year ended March 31, 2023.
8 Through the Administrative and Management Services Agreement the Company
9 with JSC, the Company purchased approximately incurred \$1.7 million in inventory
10 support services, and \$408,852 of rent expenses for the year ended March 31, 2022.
11 For the year ended March 31, 2021, the Company purchased approximately
\$3.4 million in inventory support services, and incurred \$405,171 of rent expenses
12 for the year ended March 31, 2021.

13 The Company's balance of Amended Note B was \$180,850 and \$865,771 at March
14 31, 2023 and 2022, respectively. The Company recognized \$48,665, \$110,518, and
15 \$60,100 in interest expense on Amended Note B for the years ended March 31,
16 2023, 2022, and 2021, respectively.

17 ***July 31, 2023 Form 10-K/A***

18 83. On July 31, 2023, the Company filed an amendment to its 2023 10-K on a Form 10-
19 K/A with the SEC (the "Amended 2023 10-K"), which was signed by Defendants Smith and
20 Wiley. The Amended 2023 10-K was filed to, *inter alia*, amend and restate disclosure of Ammo's
21 directors, executive officers, and corporate governance, executive compensation, and certain
22 relationships and related transactions. In addition, the Amended 2023 10-K discussed the
23 composition and compensation of Ammo's executive officers and directors, as well as the
24 valuation of Ammo's stock awards made to such individuals. In particular, the Amended 2023
10-K stated:

25 **ITEM 11 EXECUTIVE COMPENSATION**

26 * * *

Name and Principal Position	Year	Salary (1)	Bonus (1)	Stock Awards (2)	All other compensation (3)	Total
Fred W. Wagenhals (4) 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
Robert D. Wiley 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
Jared R. Smith (5) President and Chief Operating Officer	2023	\$ 118,750	\$ 118,750	\$ 175,000	\$ 29,086	\$ 441,586
Robert J. Goodmanson (6) President	2023	\$ 180,000	\$ 0	\$ 446,250	\$ 84,973	711,223
	2022	\$ 240,000	\$ 0	\$ 595,000	\$ 0	\$ 835,000
Steve Hilko 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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

84. With respect to Ammo’s related party transactions, the Amended 2023 10-K stated the following, 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.

1 87. With respect to the “Board’s Role in Risk Oversight,” the 2023 Proxy Statement
2 stated:

3 Risk is inherent in every business. As is the case in virtually all businesses, we face
4 a number of risks, including operational, economic, financial, legal, regulatory, and
5 competitive risks. Our management is responsible for the day-to-day management
6 of the risks we face. The Board, as a whole and through its committees, has
7 responsibility for the oversight of risk management.

8 In its oversight role, the Board’s involvement in our business strategy and strategic
9 plans plays a key role in its oversight of risk management, its assessment of
10 management’s risk appetite, and its determination of the appropriate level of
11 enterprise risk. The Board receives updates at least quarterly from senior
12 management and periodically from outside advisors regarding the various risks that
13 we face, including operational, economic, financial, legal, regulatory, and
14 competitive risks. The Board also reviews the various risks that we identify in our
15 filings with the SEC and risks relating to various specific developments, such as
16 acquisitions, debt and equity placements, and new service offerings.

17 The Board committees assist the Board in fulfilling its oversight role in certain areas
18 of risk. Pursuant to its charter, the Audit Committee oversees the Company’s
19 financial and reporting processes and the audit of the Company’s financial
20 statements and provides assistance to the Board with respect to the oversight and
21 integrity of the Company’s financial statements and compliance with legal and
22 regulatory requirements, the independent registered public accounting firm’s
23 qualification and independence, and the performance of our independent registered
24 public accounting firm. The Compensation Committee considers the risk of our
25 compensation policies and practices and endeavors to ensure that it is not reasonably
26 likely that our compensation plans and policies would have a material adverse effect
27 on the Company. The Nominations and Corporate Governance Committee oversees
28 governance related risk, such as board independence, conflicts of interests, and
management and succession planning.

88. With respect to the Code of Conduct, the 2023 Proxy Statement stated:

The Board has adopted charters for the Audit, Compensation, and Nominations and
Corporate Governance Committees describing the authority and responsibilities
delegated to each committee by the Board. The Board has also adopted Corporate
Governance Guidelines, a Code of Conduct applicable to all of our employees and
directors, and a Code of Ethics applicable to the Chief Executive Officer and senior
financial officers, including our Chief Financial Officer and principal accounting
officer.

1 We post on our website, at <https://investors.ammoinc.com/governance/governance->
2 [documents/default.aspx](https://investors.ammoinc.com/governance/governance-), the charters of our Audit, Compensation, and Nominations
3 and Corporate Governance Committees, our Corporate Governance Guidelines,
4 Code of Conduct, and Code of Ethics for the Chief Executive Officer and Senior
5 Financial Officers, and any amendments or waivers thereto, and any other corporate
6 governance materials specified by SEC regulations. These documents are also
7 available in print to any shareholder requesting a copy in writing from our Secretary
8 at the address of our executive offices.

9 89. With respect to the proposal to amend the Plan, the 2023 Proxy Statement stated:

10 The Company is asking the shareholders to approve an amendment to the Ammo,
11 Inc. 2017 Equity Incentive Plan (the “Plan”), the material terms of which are more
12 fully described below. The Board approved the Amendment to the Plan on
13 November 27, 2023, subject to the shareholder approval solicited by this Proxy
14 Statement with such approval required by Nasdaq Listing Rule 5635(c).

15 In November 2017, the Board approved the Plan. Under the Plan, 485,000 shares of
16 Common Stock were reserved and authorized to be issued. In August 2020 the
17 Board approved, and in October 2020 our shareholders approved, an increase the
18 total number of shares of Common Stock available for issuance under the Plan to
19 5,000,000 shares. In November 2022 the Board approved, and in January 2023 our
20 shareholders approved, an increase the total number of shares of Common Stock
21 available for issuance under the Plan to 6,000,000 shares. The Board is now asking
22 the shareholders to approve an increase the total number of shares of Common Stock
23 available for issuance under the Plan by 3,000,000 shares. If this proposal is
24 approved, the total number of shares that will be available for issuance under the
25 Plan will be 9,000,000 shares. The Board believes this increase will assist the
26 Company and its affiliates in attracting, retaining and providing incentives to
27 employees, directors, consultants and independent contractors who serve the
28 Company and its affiliates by offering them the opportunity to acquire or increase
their proprietary interest in the Company and to promote the identification of their
interests with those of the shareholders of the Company.

All other terms of the Plan shall remain the same with the exception of the amount
of shares of Common Stock reserved for issuance under the Plan which shall be
increased by 3,000,000 shares. If this proposal is approved, the total number of
shares that will be available for issuance under the Plan will be 9,000,000 shares.

Description of the Plan

The Plan permits the grant of Options and Stock Awards (each, an “Award”). The
following summary of the material features of the Plan, as proposed to be amended,
is entirely qualified by reference to the full text of the Plan as proposed to be

1 amended, a copy of which is attached hereto as Appendix 1. Unless otherwise
2 specified, capitalized terms used in this summary have the meanings assigned to
3 them in the Plan.

4 *Eligibility*

5 All Employees, Officers, Directors, consultants and independent contractors of the
6 Company and its Affiliates (“Eligible Persons”) are eligible to receive grants of
7 Awards under the Plan. As of November 29, 2023, the number of employees eligible
8 to participate in the Plan was 308, there was no consultant or independent contractor
9 eligible to participate in the Plan, and the number of non-employee directors eligible
10 to participate in the Plan was seven.

11 *Administration*

12 The Plan is administered by the Compensation Committee, and if no such committee
13 exists then the Board (the “Committee”). The Committee has plenary authority and
14 discretion to determine the Eligible Persons to whom Awards are granted (each a
15 “Participant”) and the terms of all Awards under the Plan. Subject to the provisions
16 of the Plan, the Committee has authority to interpret the Plan and agreements under
17 the Plan and to make all other determinations relating to the administration of the
18 Plan.

19 90. Under the direction and watch of Defendants Wagenhals, Smith, Wallace, Lockett,
20 Childress, Urvan, Walker, Tsentas, and Luth, the 2023 Proxy Statement failed to disclose, *inter*
21 *alia*, that: (i) the Company lacked adequate internal controls over financial reporting; (ii) due to
22 the foregoing, there was a substantial likelihood that Ammo failed to accurately disclose all
23 executive officers, members of management, and potential related party transactions in fiscal
24 years 2020 through 2023; (iii) due to the foregoing, there was a substantial likelihood that Ammo
25 failed to properly characterize certain fees paid for investor relations and legal services as
26 reductions of proceeds from capital raises rather than period expenses in fiscal years 2021 and
27 2022; (iv) due to the foregoing, there was a substantial likelihood the Company failed to
28 appropriately value unrestricted stock awards to officers, directors, employees and others in fiscal
years 2020 through 2022; and (v) as a result of the foregoing, the Individual Defendants’ positive

1 statements about the Company's business, operations, and prospects were materially false and
2 misleading and/or lacked a reasonable basis at all relevant times.

3
4 91. The 2023 Proxy Statement also failed to disclose, *inter alia*, that: (1) although the
5 Company claimed its officers and directors adhered to the Code of Conduct, the Individual
6 Defendants violated these policies either without waivers or without such waivers being disclosed;
7 and (2) contrary to the 2023 Proxy Statement's descriptions of the Board's and its committees'
8 risk oversight functions, the Board and its committees were not adequately exercising these
9 functions and were causing or permitting the Company to issue false and misleading statements.
10

11 92. As a result of Defendants Wagenhals, Smith, Wallace, Lockett, Childress, Urvan,
12 Walker, Tsentas, and Luth causing the 2023 Proxy Statement to be false and misleading, Company
13 shareholders voted, *inter alia*, to: (1) re-elect Defendants Wagenhals, Smith, Wallace, Lockett,
14 Childress, Urvan, Walker, Tsentas, and Luth to the Board, thereby allowing them to continue
15 breaching their fiduciary duties to the Company; and (2) approve the amendment to the Plan,
16 thereby increasing the number of shares of Company common stock available for issuance
17 thereunder by 3,000,000 shares.
18

19
20 ***June 13, 2024 Form 10-K***

21 93. On June 13, 2024, the Company filed its annual report on Form 10-K with the SEC
22 for the fiscal year ended March 31, 2024 (the "2024 10-K"), which was signed by Defendants
23 Smith, Wiley, Wagenhals, Wallace, Childress, Lockett, Urvan, Walker, Tsentas, and Luth and
24 contained SOX certifications signed by Defendants Smith and Wiley attesting to its accuracy. The
25 2024 10-K reported Ammo's purported financial results, including its financing activities and the
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1 cost of certain payments related to such offerings. In particular, the 2024 10-K stated the
 2 following, in relevant 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)

11 * * *

12 *Financing Activities*

13 During the year ended March 31, 2024, net cash used in financing activities was
 14 \$8.7 million, consisting of \$3.2 million of insurance premium note payments, \$3.0
 15 million of preferred stock dividends paid, \$2.2 million used to repurchase shares of
 16 Common Stock pursuant to our repurchase plan, and \$0.2 million in payments of
 17 our related party note payable. These items were offset by \$0.1 million of proceeds
 18 from warrants exercised for common stock. Additionally, \$37.3 million was
 19 generated from accounts receivable factoring, which was offset by payments of
 20 \$37.3 million.

21 During the year ended March 31, 2023, net cash used in financing activities was
 22 \$6.7 million, consisting of \$3.0 million of preferred stock dividends paid, \$2.1
 23 million of insurance premium note payments, an \$0.8 million reduction in our
 24 Inventory Credit Facility, and \$0.7 million in payments of our related party note
 25 payable. These items were offset by \$1.0 million generated from our construction
 26 note payable and \$0.1 million of proceeds from warrants exercised for common
 27 stock. Additionally, approximately \$71.3 million was generated from accounts
 28 receivable factoring, which was offset by payments of approximately \$72.3 million.

94. With respect to off-balance sheet arrangements, the 2024 10-K represented that, as
 of March 31, 2024, Ammo “*did not have any off-balance sheet arrangements* that have or are
 reasonably likely to have a current or future material effect” on the Company’s “financial

1 condition, net sales, expenses, results of operations, liquidity capital expenditures, or capital
2 resources.”

3
4 95. With respect to Ammo’s related party transactions, the 2024 10-K stated the
5 following, in relevant part:

6 **NOTE 17 – RELATED PARTY TRANSACTIONS**

7 During the year ended March 31, 2024, we paid \$410,173 in service fees to two
8 independent contractors consisting of a \$244,640 payment due upon termination
9 without cause. The two independent contractors were issued 168,581 shares of
10 Common Stock for a total value of \$350,345, which consisted of an issuance of
11 134,240 shares due upon termination without cause. We issued 25,000 shares in the
12 aggregate to our advisory committee members for service for a total value of
13 \$53,250. Through our acquisition of Gemini, a related party relationship was created
14 through one of our Members of the Board of Directors by ownership of entities that
15 transacts with Gemini. There was \$201,646 included in our Accounts Receivable at
16 March 31, 2024 as a result of this relationship. Additionally, we owed \$150,866 to
17 Jagemann Precision Tooling, a division of JSC, at March 31, 2024.

18 On July 24, 2023, Fred Wagenhals departed as CEO and the Board appointed Mr.
19 Wagenhals the Company’s Executive Chairman. Mr. Wagenhals remains a member
20 of the Board. Mr. Wagenhals received the following payments in connection with
21 his transition from CEO to Executive Chairman: (i) total cash payments of
22 \$1,060,290; (ii) 300,000 shares of Common Stock for a total value of \$624,000.

23 On July 26, 2023, we obtained a \$1.6 million letter of credit with Northern Trust for
24 collateral for a bond related to a judgement assessed to GunBroker. On July 17,
25 2023, we generated a \$1.6 million certificate of deposit with Northern Trust for
26 security on the letter of credit. The term of the certificate of deposit is twelve months
27 and includes interest of approximately 5%. Per the terms of the Merger Agreement,
28 filed with the Commission on a Current Report on Form 8-K on May 6, 2021 (the
“Current Report”), the Seller is required to pay or be liable for these losses
(capitalized terms are defined the Current Report).

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

* * *

1 During the year ended March 31, 2023, we paid \$551,916 in service fees to two
2 independent contractors of which \$223,333 were created as a result of termination
3 without cause as a result of our Proxy Settlement Agreement. The two independent
4 contractors were issued 141,419 shares of our common stock for a total value of
5 \$494,967 in addition to the issuances described in the foregoing paragraphs. We
6 issued 45,000 shares in the aggregate to its advisory committee members for service
7 for a total value of \$129,750. Through our acquisition of Gemini, a related party
8 relationship was created through one of our Members of the Board of Directors by
9 ownership of entities that transacts with Gemini. We recognized \$215,300 in
10 Marketplace Revenue for the year ended March 31, 2022 that was attributable to
11 that relationship. There was \$182,344 included in our Accounts Receivable at
12 March 31, 2023 as a result of this relationship.

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

15 * * *

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

19 * * *

20 The Company paid off the balance of Amended Note B during the year ended March
21 31, 2024. The Company's balance of Amended Note B was \$180,850 and \$865,771
22 at March 31, 2023 and 2022, respectively. The Company recognized \$1,788,
23 \$48,665, \$110,518, and \$60,100 in interest expense on Amended Note B for the
24 years ended March 31, 2024, 2023, and 2022, respectively.

23 ***July 29, 2024 Form 10-K/A***

24 96. On July 29, 2024, the Company filed an amendment to its 2024 10-K on a Form 10-
25 K/A with the SEC (the "Amended 2024 10-K"), which was signed by Defendants Smith and
26 Wiley. The Amended 2024 10-K was filed to, *inter alia*, amend and restate disclosure of Ammo's
27
28

1 directors, executive officers, and corporate governance, executive compensation, and certain
 2 relationships and related transactions. In addition, the Amended 2024 10-K discussed the
 3 composition and compensation of Ammo's executive officers and directors, as well as the
 4 valuation of Ammo's stock awards made to such individuals. In particular, the Amended 2024
 5 10-K stated:

ITEM 11 EXECUTIVE COMPENSATION

* * *

Name and principal position	Year	Salary (\$)(1)	Bonus (\$)(1)	Stock awards (\$)(2)	Option awards (\$)(3)	All other compensation (4)	Total
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
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
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
Anthony Tate Vice President of Sales & Marketing	2024	\$ 246,566	\$ 62,000	\$ 206,250	\$ -	\$ -	\$ 514,816
Beth Cross Chief Operating Officer, GunBroker	2024	\$ 250,000	\$ 62,000	\$ 168,750	\$ -	\$ 25,979	\$ 506,729
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

1 97. With respect to Ammo's related party transactions, the Amended 2024 10-K stated
2 the following, in relevant part:

3 **Related Party Transactions**

4
5 Our Related Party Transactions Policy provides guidance for addressing actual or
6 potential conflicts of interests, including those that may arise from transactions and
7 relationships between us and our executive officers or directors. The Audit
8 Committee and Board, as matter of appropriate corporate governance, reviews and
9 approves all such transactions, to the extent required by applicable rules and
10 regulations. Generally, management would present to the Board for approval at the
11 next regularly scheduled Board meeting any related party transactions proposed to
12 be entered into by us. The Audit Committee and Board may approve the transaction
13 if it is deemed to be in the best interests of the Company.

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

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

19 During the year ended March 31, 2024, we paid \$410,173 in service fees to two
20 independent contractors, who provided services to the company, which included a
21 \$244,640 payment due upon termination without cause to one of the independent
22 contractors. The two independent contractors were issued 168,581 shares of
23 Common Stock for a total value of \$350,345, which included an issuance of 134,240
24 shares due upon termination without cause for one of the independent contractors.
25 We issued 25,000 shares in the aggregate to our advisory committee members for
26 service for a total value of \$53,250.

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

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

1
2 98. The statements referenced in ¶¶60-71, 80-84, and 93-97 above were materially false
3 and misleading and failed to disclose material facts necessary to make the statements made not
4 false and misleading. Specifically, the Individual Defendants willfully or recklessly made false
5 and misleading statements and omissions of material fact that failed to disclose, *inter alia*, that:
6 (i) the Company lacked adequate internal controls over financial reporting; (ii) due to the
7 foregoing, there was a substantial likelihood that Ammo failed to accurately disclose all executive
8 officers, members of management, and potential related party transactions in fiscal years 2020
9 through 2023; (iii) due to the foregoing, there was a substantial likelihood that Ammo failed to
10 properly characterize certain fees paid for investor relations and legal services as reductions of
11 proceeds from capital raises rather than period expenses in fiscal years 2021 and 2022; (iv) due to
12 the foregoing, 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 through
14 2022; and (v) as a result of the foregoing, the Individual Defendants' positive statements about
15 the Company's business, operations, and prospects were materially false and misleading and/or
16 lacked a reasonable basis at all relevant times.
17
18
19

20 **The Truth Emerges**

21 99. The truth fully emerged on September 24, 2024 when, after the market closed, the
22 Company announced that Defendant Wiley had resigned as Ammo's CFO "at the request of the
23 Board." Ammo also revealed that it was performing an independent investigation into its "internal
24 control over financial reporting for the fiscal years 2020 through 2023." In particular, the
25 Company filed a Form 8-K with the SEC which revealed the following:
26
27

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

1
2 On September 19, 2024, the Company received a notice of resignation from its Chief
3 Financial Officer, Rob Wiley, effective September 20, 2024. ***Mr. Wiley resigned***
4 ***upon request by the Board.*** Pursuant to a recommendation by the Compensation
5 Committee, the Board exercised its discretion to approve a separation agreement
6 (“Separation Agreement”) for Mr. Wiley. Mr. Wiley signed the Separation
7 Agreement on September 19, 2024. Pursuant to the Separation Agreement, Mr.
8 Wiley will be entitled to separation compensation in the amount of \$406,250.00
9 paid in equal bi-monthly installments over fifteen calendar months; fifty thousand
10 shares of common stock; a lump sum payment for accrued and unused vacation and
11 paid time off; family health benefits under the Company’s employer sponsored
12 plans until September 30, 2025; and unreimbursed expenses. Mr. Wiley gave the
13 Company a general liability release, and the Parties agreed to several standard
14 restrictive covenants. Additionally, the Separation Agreement requires Mr. Wiley
15 to provide cooperation and assistance to the Company to facilitate the transfer of
16 duties to his successor.

Independent Investigation

13 ***A Special Committee of the Board of Directors has retained a law firm to conduct***
14 ***an independent investigation, focused on fiscal years 2020 through 2023,***
15 ***including determining whether the Company and its management control persons***
16 ***at the time: (i) accurately disclosed all executive officers, members of***
17 ***management, and potential related party transactions in fiscal years 2020 through***
18 ***2023; (ii) properly characterized certain fees paid for investor relations and legal***
19 ***services as reductions of proceeds from capital raises rather than period expenses***
20 ***in fiscal years 2021 and 2022; and (iii) appropriately valued unrestricted stock***
21 ***awards to officers, directors, employees and others in fiscal years 2020 through***
22 ***2022. The Company’s outside auditors have indicated that they are not prepared to***
23 ***rely on representations from the Company’s management team from the period***
24 ***in question*** until such time that the aforementioned investigation and all appropriate
25 remediation, if necessary, is completed. This independent investigation is in its early
26 stages, and to ensure the fairness of that process, the Company does not plan further
27 comment pending completion of the investigation.

23 100. On this news, the Company’s stock price fell \$0.08 per share, or 5.26%, from a
24 closing price of \$1.52 per share on September 24, 2024 to close at a price of \$1.44 per share on
25 September 25, 2024.

REPURCHASES DURING THE RELEVANT PERIOD

101. During the Relevant Period, the Individual Defendants caused the Company to initiate repurchases of its common stock that substantially damaged the Company. In particular, 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 (\$) ⁶
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
May 2023	129,322	1.95	252,178	65,954
August 2023	158,542	1.99	315,499	87,198
September 2023	39,256	2.00	78,512	21,983
November 2023	11,000	2.00	22,000	6,160
December 2023	134,483	2.02	271,656	78,000
June 2024	579,463	1.89	1,095,185	260,758
TOTAL	1,929,903	--	3,739,945	\$960,884

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

DAMAGES TO AMMO

103. As a direct and proximate result of the Individual Defendants' conduct, Ammo has lost and expended, and will continue to lose and expend, many millions of dollars.

104. Such expenditures include, but are not limited to, legal fees, costs, and any payments for resolution of or to satisfy a judgment associated with the Securities Class Action, and amounts paid to outside lawyers, accountants, and investigators in connection thereto.

105. Such expenditures also include, but are not limited to, fees, costs, and any payments for resolution of or to satisfy judgments associated with any other lawsuits filed against the

⁶ "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 Company or the Individual Defendants based on the misconduct alleged herein, and amounts paid
2 to outside lawyers, accountants, and investigators in connection thereto.

3 106. Such losses include the Company's overpayment of \$960,884 for repurchases of its
4 own stock during the period when the Company's stock price was artificially inflated due to
5 Defendants' false and misleading statements discussed above.

6 107. Such expenditures will also include costs incurred in any internal investigations
7 pertaining to violations of law, costs incurred in defending any investigations or legal actions
8 taken against the Company due to its violations of law, and payments of any fines or settlement
9 amounts associated with the Company's violations.

10 108. Additionally, these expenditures include, but are not limited to, unjust
11 compensation, benefits, and other payments provided to the Individual Defendants who breached
12 their fiduciary duties to the Company.

13 109. As a direct and proximate result of the Individual Defendants' conduct, Ammo has
14 also suffered and will continue to suffer a loss of reputation and goodwill, and a "liar's discount"
15 that will plague the Company's stock in the future due to the Company's and their
16 misrepresentations.

17 **DERIVATIVE ALLEGATIONS**

18 110. Plaintiff brings this action derivatively and for the benefit of Ammo to redress
19 injuries suffered, and to be suffered, as a result of the Individual Defendants' breaches of their
20 fiduciary duties as directors and/or officers of Ammo, unjust enrichment, gross mismanagement,
21 waste of corporate assets, and violations of Section 20(a), 10(b) (and Rule 10b-5 promulgated
22 thereunder), and 14(a) of the Exchange Act, as well as the aiding and abetting thereof, and for
23 contribution under Sections 10(b) and 21D of the Exchange Act.

24 111. Ammo is named solely as a nominal party in this action. This is not a collusive
25 action to confer jurisdiction on this Court that it would not otherwise have.

26 112. Plaintiff is, and has been at all relevant times, a shareholder of Ammo. Plaintiff will
27 adequately and fairly represent the interests of Ammo in enforcing and prosecuting its rights, and,
28

1 to that end, has retained competent counsel, experienced in derivative litigation, to enforce and
2 prosecute this action.

3 **DEMAND FUTILITY ALLEGATIONS**

4 113. Plaintiff incorporates by reference and re-alleges each and every allegation stated
5 above as if fully set forth herein.

6 114. A pre-suit demand on the Board of Ammo is futile and, therefore, excused. At the
7 time of filing of this action, the Board consists of the following nine individuals: Defendants
8 Smith, Wagenhals, Wallace, Lockett, Childress, Urvan, Tsentas, Luth, and Walker (the “Director
9 Defendants”). Plaintiff needs only to allege demand futility as to five of the nine Director
10 Defendants who are on the Board at the time this action is commenced.

11 115. Demand is excused as to all of the Director Defendants because each one of them
12 faces, individually and collectively, a substantial likelihood of liability as a result of the scheme
13 they engaged in knowingly or recklessly to make and/or cause the Company to make false and
14 misleading statements and omissions of material facts, while they caused the Company to overpay
15 for repurchases of its own stock during the period when the Company’s stock price was artificially
16 inflated due to Defendants’ false and misleading statements. All of the above renders the Director
17 Defendants unable to impartially investigate the charges and decide whether to pursue action
18 against themselves and the other perpetrators of the scheme.

19 116. In complete abdication of their fiduciary duties, the Director Defendants either
20 knowingly or recklessly caused or permitted Ammo to issue materially false and misleading
21 statements. Specifically, the Director Defendants caused Ammo to issue false and misleading
22 statements which were intended to make Ammo appear more profitable and attractive to investors.
23 Moreover, the Director Defendants caused the Company to fail to maintain internal controls. As
24 a result of the foregoing, the Director Defendants breached their fiduciary duties, face a substantial
25 likelihood of liability, are not disinterested, and demand upon them is futile, and thus excused.

26 117. Additional reasons that demand on the Director Defendants is futile follow.
27 Defendants Wagenhals, Wallace, Lockett, Childress, Urvan, Walker, and Tsentas solicited the
28

1 false and misleading 2022 Proxy Statement, which led Company shareholders to, *inter alia*,
2 approve the amendment to the Plan, thereby increasing the number of shares of Company common
3 stock available for issuance thereunder by 1,000,000 shares and allowing the Director Defendants
4 to receive material benefits thereunder in the future. The Director Defendants are unlikely to take
5 action against those among them that solicited the 2022 Proxy Statement since its issuance caused
6 shareholders to approve the amendment to the Plan, and since the Director Defendants now have
7 the opportunity to materially benefit therefrom in the future. The Director Defendants are unlikely
8 to call into question any benefits received pursuant to the issuance of the 2022 Proxy Statement,
9 thus making demand against them futile.

10 118. Additional reasons that demand on the Director Defendants is futile follow.
11 Defendants Wagenhals, Smith, Wallace, Lockett, Childress, Urvan, Walker, Tsentas, and Luth
12 solicited the false and misleading 2023 Proxy Statement, which led Company shareholders to,
13 *inter alia*, approve the amendment to the Plan, thereby increasing the number of shares of
14 Company common stock available for issuance thereunder by 3,000,000 shares and allowing the
15 Director Defendants to receive material benefits thereunder in the future. The Director Defendants
16 are unlikely to take action against those among them that solicited the 2023 Proxy Statement since
17 its issuance caused shareholders to approve the amendment to the Plan, and since the Director
18 Defendants now have the opportunity to materially benefit therefrom in the future. The Director
19 Defendants are unlikely to call into question any benefits received pursuant to the issuance of the
20 2023 Proxy Statement, thus making demand against them futile.

21 119. Additional reasons that demand on Defendant Wagenhals is futile follow. Defendant
22 Wagenhals has served as Executive Chairman of the Board since July 24, 2023 and as Chairman
23 of the Board since December 2016. He also served as the Company's CEO from December 2016
24 until July 24, 2023 and as the Company's President from December 2016 through March 2021.
25 Defendant Wagenhals has received and continues to receive handsome compensation for his role
26 as a director as noted above. Thus, as the Company admits, he is a non-independent director. As
27 a trusted Company director, he conducted little, if any, oversight of the Company's engagement
28

1 in the Individual Defendants' scheme to make false and misleading statements, consciously
2 disregarded his duties to monitor such controls over reporting and engagement in the scheme, and
3 consciously disregarded his duties to protect corporate assets. Moreover, Defendant Wagenhals
4 solicited the 2022 and 2023 Proxy Statements, which contained material misrepresentations and
5 omissions and contributed to, *inter alia*, (1) the re-election of the Director Defendants to the
6 Board, thereby allowing them to continue breaching their fiduciary duties to Ammo; and the
7 approval of the amendments to the Plan, thereby increasing the issuance of shares available
8 thereunder by 1,000,000 (per the 2022 Proxy Statement) and 3,000,000 (per the 2023 Proxy
9 Statement). Defendant Wagenhals also signed the false and misleading 2020, 2021, 2022, 2023,
10 and 2024 10-Ks. In addition, Defendant Wagenhals is named as a defendant in the Securities Class
11 Action. Also, his insider sales, made with knowledge of material nonpublic information before
12 the material misstatements and omissions were exposed, demonstrate his motive in facilitating
13 and participating in the scheme. For these reasons, too, Defendant Wagenhals breached his
14 fiduciary duties, faces a substantial likelihood of liability, is not independent or disinterested, and
15 thus demand upon him is futile and, therefore, excused.

16 120. Additional reasons that demand on Defendant Smith is futile follow. Defendant
17 Smith has served as the Company's CEO and President and as a Company director since July
18 2023 and previously served as the Company's COO from December 2016 to July 2023. As such,
19 the Company provides Defendant Smith with his principal occupation for which he receives
20 lucrative compensation. Thus, as the Company admits, he is a non-independent director. As
21 Ammo's CEO and as one of its trusted directors, Defendant Smith was ultimately responsible for
22 all of the false and misleading statements and omissions that were made by or on behalf of the
23 Company during the Relevant Period, including those which he personally made. As a trusted
24 Company director, Defendant Smith conducted little, if any, oversight of the scheme to cause the
25 Company to make false and misleading statements, consciously disregarded his duties to monitor
26 internal controls over reporting and engagement in the scheme, and consciously disregarded his
27 duties to protect corporate assets. In addition, Defendant Smith solicited the 2023 Proxy
28

1 Statement, which contained false and misleading statements and resulted in, *inter alia*, the re-
2 election of the Director Defendants to the Board, thereby allowing them to continue breaching
3 their fiduciary duties to Ammo, and the approval of the amendment to the Plan, thereby increasing
4 the issuance of shares available thereunder by 3,000,000. Defendant Smith also signed the false
5 and misleading Amended 2023, 2024, and Amended 2024 10-Ks. Moreover, Defendant Smith is
6 named as a defendant in the Securities Class Action. For these reasons, Defendant Smith breached
7 his fiduciary duties, faces a substantial likelihood of liability, is not independent or disinterested,
8 and thus demand upon him is futile and, therefore, excused.

9
10 121. Additional reasons that demand on Defendant Luth is futile follow. Defendant Luth
11 has served as a Company director since January 2023. He also serves as a member of the
12 Compensation Committee and the Nominations and Corporate Governance Committee.
13 Defendant Luth has received and continues to receive lucrative compensation for his role as a
14 director as described above. As a trusted Company director, he conducted little, if any, oversight
15 of scheme to cause the Company to make false and misleading statements, consciously
16 disregarded his duties to monitor internal controls over reporting and engagement in the scheme,
17 and consciously disregarded his duties to protect corporate assets. In addition, Defendant Luth
18 solicited the 2023 Proxy Statement, which contained false and misleading statements and resulted
19 in, *inter alia*, the re-election of the Director Defendants to the Board, thereby allowing them to
20 continue breaching their fiduciary duties to Ammo, and the approval of the amendment to the
21 Plan, thereby increasing the issuance of shares available thereunder by 3,000,000. Defendant Luth
22 also signed the false and misleading 2020, 2023, and 2024 10-Ks. For these reasons, Defendant
23 Luth breached his fiduciary duties, faces a substantial likelihood of liability, is not independent or
24 disinterested, and thus demand upon him is futile and, therefore, excused.

25 122. Additional reasons that demand on Defendant Wallace is futile follow. Defendant
26 Wallace has served as a Company director since June 2017. He also serves as a member of the
27 Audit Committee and the Compensation Committee. Defendant Wallace has received and
28 continues to receive lucrative compensation for his role as a director as described above. As a

1 trusted Company director, he conducted little, if any, oversight of scheme to cause the Company
2 to make false and misleading statements, consciously disregarded his duties to monitor internal
3 controls over reporting and engagement in the scheme, and consciously disregarded his duties to
4 protect corporate assets. In addition, Defendant Wallace solicited the 2022 and 2023 Proxy
5 Statements, which contained false and misleading statements and resulted in, *inter alia*: (1) the
6 re-election of the Director Defendants to the Board, thereby allowing them to continue breaching
7 their fiduciary duties to Ammo; and (2) the approval of the amendments to the Plan, thereby
8 increasing the issuance of shares available thereunder by 1,000,000 (per the 2022 Proxy
9 Statement) and 3,000,000 (per the 2023 Proxy Statement). Defendant Wallace also signed the
10 false and misleading 2020, 2021, 2022, 2023, and 2024 10-Ks. For these reasons, Defendant
11 Wallace breached his fiduciary duties, faces a substantial likelihood of liability, is not independent
12 or disinterested, and thus demand upon him is futile and, therefore, excused.

13 123. Additional reasons that demand on Defendant Childress is futile follow. Defendant
14 Childress has served as a Company director since January 2021. He also serves as a member of
15 the Audit Committee. Defendant Childress has received and continues to receive lucrative
16 compensation for his role as a director as described above. As a trusted Company director, he
17 conducted little, if any, oversight of scheme to cause the Company to make false and misleading
18 statements, consciously disregarded his duties to monitor internal controls over reporting and
19 engagement in the scheme, and consciously disregarded his duties to protect corporate assets. In
20 addition, Defendant Childress solicited the 2022 and 2023 Proxy Statements, which contained
21 false and misleading statements and resulted in, *inter alia*: (1) the re-election of the Director
22 Defendants to the Board, thereby allowing them to continue breaching their fiduciary duties to
23 Ammo; and (2) the approval of the amendments to the Plan, thereby increasing the issuance of
24 shares available thereunder by 1,000,000 (per the 2022 Proxy Statement) and 3,000,000 (per the
25 2023 Proxy Statement). Defendant Childress also signed the false and misleading 2021, 2022,
26 2023, and 2024 10-Ks. For these reasons, Defendant Childress breached his fiduciary duties, faces
27 a substantial likelihood of liability, is not independent or disinterested, and thus demand upon him
28

1 is futile and, therefore, excused.

2 124. Additional reasons that demand on Defendant Urvan is futile follow. Defendant
3 Urvan has served as a Company director since April 2021. Defendant Urvan has received and
4 continues to receive lucrative compensation for his role as a director as described above. As a
5 trusted Company director, he conducted little, if any, oversight of scheme to cause the Company
6 to make false and misleading statements, consciously disregarded his duties to monitor internal
7 controls over reporting and engagement in the scheme, and consciously disregarded his duties to
8 protect corporate assets. In addition, Defendant Urvan solicited the 2022 and 2023 Proxy
9 Statements, which contained false and misleading statements and resulted in, *inter alia*: (1) the
10 re-election of the Director Defendants to the Board, thereby allowing them to continue breaching
11 their fiduciary duties to Ammo; and (2) the approval of the amendments to the Plan, thereby
12 increasing the issuance of shares available thereunder by 1,000,000 (per the 2022 Proxy
13 Statement) and 3,000,000 (per the 2023 Proxy Statement). Defendant Urvan also signed the false
14 and misleading 2021, 2022, and 2024 10-Ks. For these reasons, Defendant Urvan breached his
15 fiduciary duties, faces a substantial likelihood of liability, is not independent or disinterested, and
16 thus demand upon him is futile and, therefore, excused.

17 125. Additional reasons that demand on Defendant Tsentas is futile follow. Defendant
18 Tsentas has served as a Company director since November 2022. He also serves as a member of
19 the Audit Committee. Defendant Tsentas has received and continues to receive lucrative
20 compensation for his role as a director as described above. As a trusted Company director, he
21 conducted little, if any, oversight of scheme to cause the Company to make false and misleading
22 statements, consciously disregarded his duties to monitor internal controls over reporting and
23 engagement in the scheme, and consciously disregarded his duties to protect corporate assets. In
24 addition, Defendant Tsentas solicited the 2022 and 2023 Proxy Statements, which contained false
25 and misleading statements and resulted in, *inter alia*: (1) the re-election of the Director Defendants
26 to the Board, thereby allowing them to continue breaching their fiduciary duties to Ammo; and
27 (2) the approval of the amendments to the Plan, thereby increasing the issuance of shares available
28

1 thereunder by 1,000,000 (per the 2022 Proxy Statement) and 3,000,000 (per the 2023 Proxy
2 Statement). Defendant Tsentas also signed the false and misleading 2023 and 2024 10-Ks. For
3 these reasons, Defendant Tsentas breached his fiduciary duties, faces a substantial likelihood of
4 liability, is not independent or disinterested, and thus demand upon him is futile and, therefore,
5 excused.

6 126. Additional reasons that demand on Defendant Walker is futile follow. Defendant
7 Walker has served as a Company director since November 2022. He also serves as a member of
8 the Compensation Committee. Defendant Walker has received and continues to receive lucrative
9 compensation for his role as a director as described above. As a trusted Company director, he
10 conducted little, if any, oversight of scheme to cause the Company to make false and misleading
11 statements, consciously disregarded his duties to monitor internal controls over reporting and
12 engagement in the scheme, and consciously disregarded his duties to protect corporate assets. In
13 addition, Defendant Walker solicited the 2022 and 2023 Proxy Statements, which contained false
14 and misleading statements and resulted in, *inter alia*: (1) the re-election of the Director Defendants
15 to the Board, thereby allowing them to continue breaching their fiduciary duties to Ammo; and
16 (2) the approval of the amendments to the Plan, thereby increasing the issuance of shares available
17 thereunder by 1,000,000 (per the 2022 Proxy Statement) and 3,000,000 (per the 2023 Proxy
18 Statement). Defendant Walker also signed the false and misleading 2023 and 2024 10-Ks. For
19 these reasons, Defendant Walker breached his fiduciary duties, faces a substantial likelihood of
20 liability, is not independent or disinterested, and thus demand upon him is futile and, therefore,
21 excused.

22 127. Additional reasons that demand on Defendant Lockett is futile follow. Defendant
23 Lockett has served as a Company director since December 2020. She also serves as Chair of the
24 Audit Committee and as a member of the Nominations and Corporate Governance Committee.
25 Defendant Lockett has received and continues to receive lucrative compensation for her role as a
26 director as described above. As a trusted Company director, she conducted little, if any, oversight
27 of scheme to cause the Company to make false and misleading statements, consciously
28

1 disregarded her duties to monitor internal controls over reporting and engagement in the scheme,
2 and consciously disregarded her duties to protect corporate assets. In addition, Defendant Lockett
3 solicited the 2022 and 2023 Proxy Statements, which contained false and misleading statements
4 and resulted in, *inter alia*: (1) the re-election of the Director Defendants to the Board, thereby
5 allowing them to continue breaching their fiduciary duties to Ammo; and (2) the approval of the
6 amendments to the Plan, thereby increasing the issuance of shares available thereunder by
7 1,000,000 (per the 2022 Proxy Statement) and 3,000,000 (per the 2023 Proxy Statement).
8 Defendant Lockett also signed the false and misleading 2021, 2022, 2023, and 2024 10-Ks. For
9 these reasons, Defendant Lockett breached her fiduciary duties, faces a substantial likelihood of
10 liability, is not independent or disinterested, and thus demand upon her is futile and, therefore,
11 excused.

12 128. Additional reasons that demand on the Board is futile follow.

13 129. Defendants Lockett (as Chair), Wallace, Childress, and Tsentas (the “Audit
14 Committee Defendants”) served on the Company’s Audit Committee during the Relevant Period.
15 The Audit Committee Defendants violated the Audit Committee Charter by engaging in or
16 permitting the scheme to cause the Company to make false and misleading statements to the
17 investing public, and to facilitate and disguise the Individual Defendants’ violations of law,
18 including breaches of fiduciary duty, unjust enrichment, waste of corporate assets, and violations
19 of the Exchange Act. In addition, the Audit Committee Defendants violated the Audit Committee
20 Charter by failing to adequately oversee the integrity of the Company’s financial disclosures,
21 failing to adequately oversee the Company’s compliance with legal and regulatory requirements,
22 failing to adequately oversee the Company’s risk assessments and risk management, failing to
23 adequately discuss with management the Company’s information prior to public distribution, and
24 failing to adequately oversee the Company’s disclosure controls and procedures. Thus, the Audit
25 Committee Defendants breached their fiduciary duties, are not disinterested, and demand is
26 excused as to them.

27 130. In violation of the Code of Conduct, the Director Defendants engaged in or
28

1 permitted the scheme to cause the Company to issue materially false and misleading statements
2 to the investing public, and to facilitate and disguise the Individual Defendants' violations of law,
3 including breaches of fiduciary duty, unjust enrichment, waste of corporate assets, and violations
4 of the Exchange Act. In addition, the Individual Defendants violated the Code of Conduct by
5 failing to act with integrity, supporting and profiting from unethical behavior, failing to avoid
6 conflicts of interest, engaging in insider trading, failing to ensure the Company's disclosures were
7 accurate, failing to ensure the Company complied with applicable laws, rules, and regulations,
8 and failing to promptly report known violations of the Code of Conduct and the law. Thus, the
9 Director Defendants breached the Company's own Code of Conduct, are not disinterested, and
10 demand is excused as to them.

11 131. Ammo has been and will continue to be exposed to significant losses due to the
12 wrongdoing complained of herein, yet the Director Defendants have not filed any lawsuits against
13 themselves or others who were responsible for that wrongful conduct to attempt to recover for
14 Ammo any part of the damages Ammo suffered and will continue to suffer thereby. Thus, any
15 demand upon the Director Defendants would be futile.

16 132. The acts complained of herein constitute violations of fiduciary duties owed by
17 Ammo's officers and directors, and these acts are incapable of ratification.

18 133. The Individual Defendants' conduct described herein and summarized above could
19 not have been the product of legitimate business judgment as it was based on bad faith and
20 intentional, reckless, or disloyal misconduct. Thus, none of the Director Defendants can claim
21 exculpation from their violations of duty pursuant to the Company's charter (to the extent such a
22 provision exists). As a majority of the Director Defendants face a substantial likelihood of
23 liability, they are self-interested in the transactions challenged herein and cannot be presumed to
24 be capable of exercising independent and disinterested judgment about whether to pursue this
25 action on behalf of the shareholders of the Company. Accordingly, demand is excused as being
26 futile.

27 134. The Director Defendants may also be protected against personal liability for their
28

1 acts of mismanagement and breaches of fiduciary duty alleged herein by directors' and officers'
2 liability insurance if they caused the Company to purchase it for their protection with corporate
3 funds, i.e., monies belonging to the stockholders of Ammo. If there is a directors' and officers'
4 liability insurance policy covering Company directors, it may contain provisions that eliminate
5 coverage for any action brought directly by the Company against Company directors, known as,
6 *inter alia*, the "insured-versus-insured exclusion." As a result, if the Director Defendants were to
7 sue themselves or certain of the officers of Ammo, there would be no directors' and officers'
8 insurance protection. Accordingly, the Director Defendants cannot be expected to bring such a
9 suit. On the other hand, if the suit is brought derivatively, as this action is brought, such insurance
10 coverage, if such an insurance policy exists, will provide a basis for the Company to effectuate a
11 recovery. Thus, demand on the Director Defendants is futile and, therefore, excused.

12 135. If there is no directors' and officers' liability insurance, then the Director
13 Defendants will not cause Ammo to sue the Individual Defendants named herein, because, if they
14 did, they would face a large uninsured individual liability. Accordingly, demand is futile in that
15 event, as well.

16 136. Thus, for all of the reasons set forth above, all of the Director Defendants, and, if
17 not all of them, at least five of the Director Defendants cannot consider a demand with
18 disinterestedness and independence. Consequently, a demand upon the Board is excused as futile.

19 **FIRST CLAIM**

20 **Against the Individual Defendants for Violations of Section 14(a) of the Exchange Act**

21 137. Plaintiff incorporates by reference and re-alleges each and every allegation set forth
22 above, as though fully set forth herein.

23 138. Section 14(a) of the Exchange Act provides that "[i]t shall be unlawful for any
24 person, by use of the mails or by any means or instrumentality of interstate commerce or of any
25 facility of a national securities exchange or otherwise, in contravention of such rules and
26 regulations as the [SEC] may prescribe as necessary or appropriate in the public interest or for the
27 protection of investors, to solicit or to permit the use of his name to solicit any proxy or consent
28

1 or authorization in respect of any security (other than an exempted security) registered pursuant
2 to section 12 of this title [15 U.S.C. § 78I].”

3 139. Rule 14a-9, promulgated pursuant to § 14(a) of the Exchange Act, provides that no
4 proxy statement shall contain “any statement which, at the time and in the light of the
5 circumstances under which it is made, is false or misleading with respect to any material fact, or
6 which omits to state any material fact necessary in order to make the statements therein not false
7 or misleading.” 17 C.F.R. § 240.14a-9.

8 140. Under the direction and watch of Defendants Wagenhals, Wallace, Markley,
9 Goodmanson, Lockett, Childress, Urvan, Walker, and Tsentas, the 2022 Proxy Statement failed
10 to disclose, *inter alia*, that: (1) contrary to the 2022 Proxy Statement’s descriptions of the Board’s
11 and its committees’ risk oversight functions, the Board and its committees were not adequately
12 exercising these functions and were causing or permitting the Company to issue false and
13 misleading statements; and (2) the Individual Defendants were violating the Code of Conduct
14 without obtaining waivers or else without such waivers being disclosed.

15 141. Under the direction and watch of Defendants Wagenhals, Smith, Wallace, Lockett,
16 Childress, Urvan, Walker, Tsentas, and Luth, the 2023 Proxy Statement failed to disclose, *inter*
17 *alia*, that: (1) contrary to the 2023 Proxy Statement’s descriptions of the Board’s and its
18 committees’ risk oversight functions, the Board and its committees were not adequately exercising
19 these functions and were causing or permitting the Company to issue false and misleading
20 statements; and (2) the Individual Defendants were violating the Code of Conduct without
21 obtaining waivers or else without such waivers being disclosed.

22 142. The 2022 and 2023 Proxy Statements also failed to disclose, *inter alia*, that: (i) the
23 Company lacked adequate internal controls over financial reporting; (ii) due to the foregoing,
24 there was a substantial likelihood that Ammo failed to accurately disclose all executive officers,
25 members of management, and potential related party transactions in fiscal years 2020 through
26 2023; (iii) due to the foregoing, there was a substantial likelihood that Ammo failed to properly
27 characterize certain fees paid for investor relations and legal services as reductions of proceeds
28

1 from capital raises rather than period expenses in fiscal years 2021 and 2022; (iv) due to the
2 foregoing, there was a substantial likelihood the Company failed to appropriately value
3 unrestricted stock awards to officers, directors, employees and others in fiscal years 2020 through
4 2022; and (v) as a result of the foregoing, the Individual Defendants' positive statements about
5 the Company's business, operations, and prospects were materially false and misleading and/or
6 lacked a reasonable basis at all relevant times.

7 143. In the exercise of reasonable care, Defendants Wagenhals, Wallace, Markley,
8 Goodmanson, Lockett, Childress, Urvan, Walker, and Tsentas knew or should have known that
9 by misrepresenting or failing to disclose the foregoing material facts, the statements contained in
10 the 2022 Proxy Statement were materially false and misleading. The misrepresentations and
11 omissions were material to Plaintiff in voting on the matters set forth for shareholder
12 determination in the 2022 Proxy Statement, including but not limited to, the re-election of the
13 Defendants Wagenhals, Wallace, Markley, Goodmanson, Lockett, Childress, Urvan, Walker, and
14 Tsentas to the Board and the approval of the amendment to the Plan.

15 144. In the exercise of reasonable care, Defendants Wagenhals, Smith, Wallace, Lockett,
16 Childress, Urvan, Walker, Tsentas, and Luth knew or should have known that by misrepresenting
17 or failing to disclose the foregoing material facts, the statements contained in the 2023 Proxy
18 Statement were materially false and misleading. The misrepresentations and omissions were
19 material to Plaintiff in voting on the matters set forth for shareholder determination in the 2023
20 Proxy Statement, including but not limited to, the re-election of Defendants Wagenhals, Smith,
21 Wallace, Lockett, Childress, Urvan, Walker, Tsentas, and Luth to the Board and the approval of
22 the amendment to the Plan.

23 145. The false and misleading elements of the 2022 Proxy Statement led Company
24 shareholders to, *inter alia*: (1) re-elect Defendants Wagenhals, Wallace, Markley, Goodmanson,
25 Lockett, Childress, Urvan, Walker, and Tsentas to the Board, thereby allowing them to continue
26 breaching their fiduciary duties to the Company; and (2) approve the amendment to the Plan,
27 thereby increasing the number of shares of Company common stock available for issuance
28

1 thereunder by 1,000,000 shares.

2 146. The false and misleading elements of the 2023 Proxy Statement led Company
3 shareholders to, *inter alia*: (1) re-elect Defendants Wagenhals, Smith, Wallace, Lockett,
4 Childress, Urvan, Walker, Tsentas, and Luth to the Board, thereby allowing them to continue
5 breaching their fiduciary duties to the Company; and (2) approve the amendment to the Plan,
6 thereby increasing the number of shares of Company common stock available for issuance
7 thereunder by 3,000,000 shares.

8 147. The Company was damaged as a result of the Individual Defendants' material
9 misrepresentations and omissions in the 2022 and 2023 Proxy Statements.

10 148. Plaintiff, on behalf of Ammo, has no adequate remedy at law.

11 **SECOND CLAIM**

12 **Against the Individual Defendants for Violations of Section 20(a) of the Exchange Act**

13 149. Plaintiff incorporates by reference and re-alleges each and every allegation set forth
14 above, as though fully set forth herein.

15 150. The Individual Defendants, by virtue of their positions with Ammo and their
16 specific acts, were, at the time of the wrongs alleged herein, controlling persons of Ammo and
17 each of its officers and directors who made the false and misleading statements alleged herein
18 within the meaning of §20(a) of the Exchange Act. The Individual Defendants had the power and
19 influence and exercised the same to cause Ammo to engage in the illegal conduct and practices
20 complained of herein.

21 151. Plaintiff, on behalf of Ammo, has no adequate remedy at law.

22 **THIRD CLAIM**

23 **Against the Individual Defendants for Violations of Section 10(b) and Rule 10b-5 of the**
24 **Exchange Act**

25 152. Plaintiff incorporates by reference and re-alleges each and every allegation set forth
26 above, as though fully set forth herein.

27 153. The Individual Defendants participated in a scheme to defraud with the purpose and
28

1 effect of defrauding Ammo. Not only is Ammo now defending claims that it violated Section
2 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, but the Company itself is also
3 one of the largest victims of the unlawful scheme perpetrated upon Ammo by the Individual
4 Defendants. With the price of its common stock trading at artificially inflated prices due to the
5 Individual Defendants' misconduct, the Individual Defendants caused the Company to repurchase
6 millions of its own shares at artificially inflated prices, damaging Ammo.
7

8
9 154. During the Relevant Period, the Individual Defendants also individually and in
10 concert, directly and indirectly, by the use and means of instrumentalities of interstate commerce
11 and/or of the mails, engaged and participated in a continuous course of conduct designed to falsify
12 the Company's press releases, public statements made in earnings calls, and periodic and current
13 reports filed with the SEC.
14

15 155. The Individual Defendants employed devices, schemes, and artifices to defraud
16 while in the possession of adverse, material, non-public information and engaged in acts, practices
17 and a course of conduct that included the making of, or participation in the making of, untrue
18 and/or misleading statements of material facts and/or omitting to state material facts necessary in
19 order to make the statements made about Ammo not misleading.
20

21 156. The Individual Defendants, as top executives and directors of the Company, are
22 liable as direct participants in the wrongs complained of herein. Through their positions of control
23 and authority as directors and officers of the Company, the Individual Defendants were able to
24 and did control the conduct complained of herein and the content of the public statements
25 disseminated by Ammo.
26

27 157. The Individual Defendants acted with scienter during the Relevant Period, in that
28

1 they either had actual knowledge of the scheme and the misrepresentations and/or omissions of
2 material facts set forth herein or acted with reckless disregard for the truth in that they failed to
3 ascertain and to disclose the true facts, even though such facts were available to them. The
4 Individual Defendants were the top executives of the Company, or received direct briefings from
5 them, and were therefore directly responsible for the scheme set forth herein and for the false and
6 misleading statements and/or omissions disseminated to the public through filings with the SEC.
7

8
9 158. By virtue of the foregoing, the Individual Defendants have violated §10(b) of the
10 Exchange Act, and Rule 10b-5 promulgated thereunder.

11 159. Plaintiff, on behalf of Ammo, has no adequate remedy at law.

12 **FOURTH CLAIM**

13 **Against the Individual Defendants for Breach of Fiduciary Duties**

14
15 160. Plaintiff incorporates by reference and re-alleges each and every allegation set forth
16 above, as though fully set forth herein.

17 161. Each Individual Defendant owed to the Company the duty to exercise candor, good
18 faith, and loyalty in the management and administration of Ammo's business and affairs.

19 162. Each of the Individual Defendants violated and breached his or her fiduciary duties
20 of candor, good faith, loyalty, reasonable inquiry, oversight, and supervision.

21
22 163. The Individual Defendants' conduct set forth herein was due to their intentional or
23 reckless breach of the fiduciary duties they owed to the Company, as alleged herein. The
24 Individual Defendants intentionally or recklessly breached or disregarded their fiduciary duties to
25 protect the rights and interests of Ammo.
26

27 164. In breach of their fiduciary duties owed to Ammo, the Individual Defendants
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1 willfully or recklessly made and/or caused the Company to make false and misleading statements
2 and omissions of material fact that failed to disclose, *inter alia*, that: (i) the Company lacked
3 adequate internal controls over financial reporting; (ii) due to the foregoing, there was a substantial
4 likelihood that Ammo failed to accurately disclose all executive officers, members of
5 management, and potential related party transactions in fiscal years 2020 through 2023; (iii) due
6 to the foregoing, there was a substantial likelihood that Ammo failed to properly characterize
7 certain fees paid for investor relations and legal services as reductions of proceeds from capital
8 raises rather than period expenses in fiscal years 2021 and 2022; (iv) due to the foregoing, there
9 was a substantial likelihood the Company failed to appropriately value unrestricted stock awards
10 to officers, directors, employees and others in fiscal years 2020 through 2022; and (v) as a result
11 of the foregoing, the Individual Defendants' positive statements about the Company's business,
12 operations, and prospects were materially false and misleading and/or lacked a reasonable basis
13 at all relevant times.

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15
16
17 165. The Individual Defendants also failed to correct and/or caused the Company to fail
18 to correct the false and misleading statements and omissions of material fact, rendering them
19 personally liable to the Company for breaching their fiduciary duties.

20
21 166. Also in breach of their fiduciary duties, the Individual Defendants failed to maintain
22 an adequate system of oversight, disclosure controls and procedures, and internal controls.

23
24 167. In yet further breach of their fiduciary duties, during the Relevant Period, the
25 Individual Defendants willfully or recklessly caused the Company to repurchase millions of shares
26 of its own common stock at artificially inflated prices before the fraud was exposed.

27 168. The Individual Defendants had actual or constructive knowledge that the Company
28

1 issued materially false and misleading statements, and they failed to correct the Company's public
2 statements and representations. The Individual Defendants had actual knowledge of the
3 misrepresentations and omissions of material facts set forth herein, or acted with reckless
4 disregard for the truth, in that they failed to ascertain and to disclose such facts, even though such
5 facts were available to them. Such material misrepresentations and omissions were committed
6 knowingly or recklessly and for the purpose and effect of artificially inflating the price of the
7 Company's securities and disguising insider sales.
8

9
10 169. The Individual Defendants had actual or constructive knowledge that they had
11 caused the Company to improperly engage in the fraudulent scheme set forth herein and to fail to
12 maintain internal controls. The Individual Defendants had actual knowledge that the Company
13 was engaging in the fraudulent scheme set forth herein, and that internal controls were not
14 adequately maintained, or acted with reckless disregard for the truth, in that they caused the
15 Company to improperly engage in the fraudulent scheme and to fail to maintain adequate internal
16 controls, even though such facts were available to them. Such improper conduct was committed
17 knowingly or recklessly and for the purpose and effect of artificially inflating the price of the
18 Company's securities. The Individual Defendants, in good faith, should have taken appropriate
19 action to correct the scheme alleged herein and to prevent it from continuing to occur.
20

21
22 170. These actions were not a good-faith exercise of prudent business judgment to protect
23 and promote the Company's corporate interests.
24

25 171. As a direct and proximate result of the Individual Defendants' breaches of their
26 fiduciary obligations, Ammo has sustained and continues to sustain significant damages. As a
27 result of the misconduct alleged herein, the Individual Defendants are liable to the Company.
28

1 172. Plaintiff, on behalf of Ammo, has no adequate remedy at law.

2 **FIFTH CLAIM**

3 **Against the Individual Defendants for Unjust Enrichment**

4 173. Plaintiff incorporates by reference and re-alleges each and every allegation set forth
5 above, as though fully set forth herein.

6 174. By their wrongful acts, violations of law, and false and misleading statements and
7 omissions of material fact that they made and/or caused to be made, the Individual Defendants
8 were unjustly enriched at the expense of, and to the detriment of, Ammo.

9 175. The Individual Defendants either benefitted financially from the improper conduct
10 and their making insider sales, or received profits, bonuses, stock options, or similar compensation
11 from Ammo that was tied to the performance or artificially inflated valuation of Ammo, or
12 received compensation that was unjust in light of the Individual Defendants' bad faith conduct.

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

18 177. Plaintiff, on behalf of Ammo, has no adequate remedy at law.

19 **SIXTH CLAIM**

20 **Against the Individual Defendants for Waste of Corporate Assets**

21 178. Plaintiff incorporates by reference and re-alleges each and every allegation set forth
22 above, as though fully set forth herein.

23 179. As a further result of the foregoing, the Company will incur many millions of dollars
24 of legal liability and/or costs to defend unlawful actions, to engage in internal investigations, and
25 to lose financing from investors and business from future customers who no longer trust the
26 Company and its products.

27 180. In addition, the Individual Defendants caused the Company to repurchase millions
28

1 of shares of its own common stock at artificially inflated prices, thereby wasting the Company's
2 assets.

3 181. As a result of the waste of corporate assets, the Individual Defendants are each liable
4 to the Company.

5 182. Plaintiff, on behalf of Ammo, has no adequate remedy at law.

6 **SEVENTH CLAIM**

7 **Against the Individual Defendants for Abuse of Control**

8 183. Plaintiff incorporates by reference and realleges each and every allegation set forth
9 above, as though fully set forth herein.

10 184. The Individual Defendants' misconduct alleged herein constituted an abuse of their
11 ability to control and influence Ammo, for which they are legally responsible.

12 185. As a direct and proximate result of the Individual Defendants' abuse of control,
13 Ammo has sustained significant damages. As a result of the misconduct alleged herein, the
14 Individual Defendants are liable to the Company.

15 186. Plaintiff, on behalf of Ammo, has no adequate remedy at law.

16 **EIGHTH CLAIM**

17 **Against the Individual Defendants for Gross Mismanagement**

18 187. Plaintiff incorporates by reference and realleges each and every allegation set forth
19 above, as though fully set forth herein.

20 188. By their actions alleged herein, the Individual Defendants, either directly or through
21 aiding and abetting, abandoned and abdicated their responsibilities and fiduciary duties with
22 regard to prudently managing the assets and business of Ammo in a manner consistent with the
23 operations of a publicly held corporation.

24 189. As a direct and proximate result of the Individual Defendants' gross
25 mismanagement and breaches of duty alleged herein, Ammo has sustained and will continue to
26 sustain significant damages.

27 190. As a result of the misconduct and breaches of duty alleged herein, the Individual
28

1 Defendants are liable to the Company.

2 191. Plaintiff, on behalf of Ammo, has no adequate remedy at law.

3 **NINTH CLAIM**

4 **Against Defendants Wagenhals, Smith, and Wiley for Contribution Under Sections 10(b)**
5 **and 21D of the Exchange Act**

6 192. Plaintiff incorporates by reference and realleges each and every allegation set forth
7 above, as though fully set forth herein.

8 193. Ammo and Defendants Wagenhals, Smith, and Wiley are named as defendants in
9 the Securities Class Action, which asserts claims under the federal securities laws for violations
10 of Sections 10(b) and 20(a) of the Exchange Act, and SEC Rule 10b-5 promulgated thereunder.
11 If and when the Company is found liable in the Securities Class Action for these violations of the
12 federal securities laws, the Company's liability will be in whole or in part due to Defendants
13 Wagenhals's, Smith's, and Wiley's willful and/or reckless violations of their obligations as
14 officers and/or directors of Ammo.

15 194. Defendants Wagenhals, Smith, and Wiley, because of their positions of control and
16 authority as officers and/or directors of Ammo, were able to and did, directly and/or indirectly,
17 exercise control over the business and corporate affairs of Ammo, including the wrongful acts
18 complained of herein and in the Securities Class Action.

19 195. Accordingly, Defendants Wagenhals, Smith, and Wiley are liable under 15 U.S.C.
20 § 78j(b), which creates a private right of action for contribution, and Section 21D of the Exchange
21 Act, 15 U.S.C. § 78u-4(f), which governs the application of a private right of action for
22 contribution arising out of violations of the Exchange Act.

23 196. As such, Ammo is entitled to receive all appropriate contribution or indemnification
24 from Defendants Wagenhals, Smith, and Wiley.

25 **PRAYER FOR RELIEF**

26 FOR THESE REASONS, Plaintiff demands judgment in the Company's favor against all
27 Individual Defendants as follows:

1 (a) Declaring that Plaintiff may maintain this action on behalf of Ammo, and
2 that Plaintiff is an adequate representative of the Company;

3 (b) Declaring that the Individual Defendants have breached or aided and abetted
4 the breach of their fiduciary duties to Ammo;

5 (c) Determining and awarding to Ammo the damages sustained by it as a result
6 of the violations set forth above from each of the Individual Defendants, jointly and severally,
7 together with pre-judgment and post-judgment interest thereon;

8 (d) Directing Ammo and the Individual Defendants to take all necessary actions
9 to reform and improve its corporate governance and internal procedures to comply with applicable
10 laws and to protect Ammo and its shareholders from a repeat of the damaging events described
11 herein, including, but not limited to, putting forward for shareholder vote the following resolutions
12 for amendments to the Company's Bylaws or Certificate of Incorporation and the following
13 actions as may be necessary to ensure proper corporate governance policies:

14 1. a proposal to strengthen the Board's supervision of operations and develop
15 and implement procedures for greater shareholder input into the policies and guidelines
16 of the board;

17 2. a provision to permit the shareholders of Ammo to nominate at least five
18 candidates for election to the Board; and

19 3. a proposal to ensure the establishment of effective oversight of compliance
20 with applicable laws, rules, and regulations.

21 (e) Awarding Ammo restitution from Individual Defendants, and each of them;

22 (f) Awarding Plaintiff the costs and disbursements of this action, including
23 reasonable attorneys' and experts' fees, costs, and expenses; and

24 (g) Granting such other and further relief as the Court may deem just and proper.

25 **JURY DEMAND**

26 Plaintiff hereby demands a trial by jury.

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28 Date: November 8, 2024

Respectfully Submitted,

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