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Case No. 2023-0470-

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

STEVEN F. URVAN, Plaintiff, v. AMMO, INC.; SPEEDLIGHT GROUP I, LLC; FRED W. WAGENHALS; CHRISTOPHER D. LARSON; JOHN P. FLYNN; JESSICA M. LOCKETT; RICHARD R. CHILDRESS; HARRY S. MARKLEY; RUSSELL WILLIAM WALLACE, JR.; ROBERT J. GOODMANSON; and ROBERT D. WILEY, Defendants.	C.A. No. 2023-270- **PUBLIC VERSION E-FILED May 3, 2023**

VERIFIED COMPLAINT

Plaintiff Steven F. Urvan ("Urvan"), by and through his undersigned attorneys, as and for his Complaint against Defendants AMMO, Inc. ("AMMO"), SpeedLight Group I, LLC ("SpeedLight"), Fred W. Wagenhals ("Wagenhals"), Christopher D. Larson ("Larson"), John P. Flynn ("Flynn"), Jessica M. Lockett ("Lockett"), Richard R. Childress ("Childress"), Harry S. Markley ("Markley"), Russell William Wallace, Jr. ("Wallace"), Robert J. Goodmanson ("Goodmanson"), and Robert D. Wiley ("Wiley") (collectively, "Defendants"),[1] alleges as follows:

[1] Wagenhals, Larson, Flynn, Lockett, Childress, Markley, Wallace, Goodmanson,

NATURE OF THE ACTION

1. This is an action for damages and other relief arising from Defendants' fraud and misconduct related to a merger transaction (the "Merger") that occurred pursuant to an Agreement and Plan of Merger dated as of April 30, 2021 by and among AMMO, SpeedLight, Gemini Direct Investments, LLC ("Gemini") and Urvan (the "Merger Agreement").

2. Urvan is an experienced businessman and investor who has owned and operated numerous successful companies, including (prior to its sale) a group of Delaware companies doing business as GunBroker.com ("GunBroker"),[2] an online auction marketplace dedicated to firearms, hunting, shooting, and related products.

3. On April 30, 2021, Urvan sold GunBroker to AMMO pursuant to the Merger Agreement for an enterprise value of approximately $240 million, comprised of a cash payment to Urvan, the assumption of certain of GunBroker's outstanding debt, and the issuance of AMMO common stock to Urvan. As a result of the Merger, Urvan became AMMO's largest shareholder, holding approximately

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and Wiley are collectively referred to herein as the "Individual Defendants."

[2] The operating companies comprising GunBroker's business were IA Tech, LLC, Outdoors Online, LLC, Cloud Catalyst Technologies, LLC, S&T Logistics, LLC, Enthusiast Commerce, LLC, Outdoor Liquidators, LLC, RightFit Direct, LLC, and Outsource Commerce, LLC. GB Investments, Inc. was also acquired.

17% of AMMO's shares with a fair market value of at least $140 million as of the closing of the Merger. AMMO is a publicly traded company listed on NASDAQ.

4. The fraud committed by Defendants was egregious. To induce Urvan to sell GunBroker and accept an equity stake in AMMO worth at least $140 million, Defendants intentionally misrepresented and omitted material facts concerning fundamental aspects of AMMO's business, including its management, operations, and compliance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC").

5. Among other things, Defendants lied about the fact that two members of AMMO's management—Larson and Flynn, who were identified as "Key Employees" in the Merger Agreement—were disgraced professionals. Specifically, Defendants hid the fact that Larson had been engaged in a pump and dump scheme in 2011 and 2012 and, as of June 2020, had been barred by the SEC from holding any officer or director position in any public company for five years. Nonetheless, Larson continued to act as AMMO's *de facto* CEO and CFO and made significant decisions on behalf of the Company, including with respect to the Merger.

6. Similarly, Defendants lied about the fact that Flynn—AMMO's in-house counsel—had been [redacted] convicted of "Extreme DUI," a class 1 misdemeanor in Arizona. [redacted] on

information and belief, Flynn continued to act as in-house counsel for AMMO at all relevant times, including in connection with the Merger.

7. Instead of disclosing Larson's and Flynn's misconduct and disciplinary records, AMMO and SpeedLight expressly represented to Urvan that none of its Key Employees had been subject to any claims, investigations, discipline or other actions.

8. Defendants also lied about the fact that in 2019 a key executive and member of AMMO's board of directors (the "Board"), Kathleen Hanrahan ("Hanrahan"), had filed a whistleblower complaint with the Department of Labor's Occupational Health and Safety Administration ("OSHA") alleging numerous financial, accounting, and reporting violations at AMMO, including violations of SEC rules and regulations. In February 2021, just two months before the Merger closed, OSHA found that reasonable cause existed to believe that the claimed violations had occurred and that AMMO had retaliated against her for reporting them. Instead of disclosing this fact, AMMO and SpeedLight again expressly represented to Urvan in the Merger Agreement that there were no pending investigations, no claims involving former officers or employees, and no violations of SEC regulations.

9. As set forth herein, Defendants engaged in other material, false statements and omissions, including with respect to undisclosed related party

transactions and material misrepresentations regarding AMMO's manufacturing capabilities. The Individual Defendants orchestrated, engaged in, induced and/or materially participated in the fraud on Urvan (and within AMMO), including (without limitation) by acquiescing in and ignoring their duties with respect to the fraudulent conduct of the other defendants.

10. Urvan accepted AMMO stock as partial consideration for the Merger in express reliance on AMMO's representations and warranties, and because he believed that AMMO had competent management, sound operations, and specific plans to leverage GunBroker's e-commerce business to grow AMMO post-closing. Had Defendants accurately disclosed (among other things) the widespread dishonesty and incompetence of AMMO's management (including their disciplinary records) as well as the company's serious operational issues, Urvan would never have entered into the Merger.

11. As a result of Defendants' fraud and other wrongdoing, Urvan has been significantly damaged and requires recompense for his losses.

THE PARTIES

12. Urvan is an experienced businessman and currently AMMO's largest shareholder. He has been a member of the Board since the Merger.

13. AMMO is a public company traded on the NASDAQ stock exchange under the trading symbol "POWW." AMMO is a Delaware corporation with

headquarters in Scottsdale, Arizona. At the time of the Merger, AMMO's principal business activities included the manufacturing and sale of ammunition.

14. SpeedLight is a Delaware limited liability company with headquarters in Scottsdale, Arizona. AMMO formed SpeedLight in Delaware in April 2021 for the purpose of consummating the Merger. AMMO is SpeedLight's sole member.

15. Wagenhals is a co-founder of AMMO and at all relevant times has held the title of Chief Executive Officer and Chairman of the Board, and has been a significant AMMO shareholder. As detailed below, Wagenhals participated directly in the Merger negotiations, execution, and approval.

16. Larson is a co-founder of AMMO and business partner of Wagenhals who held the title of Vice President of Finance until at least April 2021 but likely later. As detailed below, Larson participated directly in the Merger negotiations, execution, and approval. On information and belief, at all relevant times, Larson acted as a *de facto* officer and director of AMMO even though he did not hold those formal titles.

17. Flynn is a [redacted] lawyer who was a Vice President at AMMO serving in a legal role at least until 2022. As detailed below, Flynn participated directly in the Merger negotiations, execution, and approval.

18. Lockett is a corporate and securities lawyer who represents public and private companies with respect to corporate governance and securities and

regulatory compliance matters, including Securities Act and Exchange Act reporting. Since December 2020, she has been a member of the Board and an AMMO shareholder. Lockett has also served as a member of AMMO's Audit Committee. As detailed below, Lockett participated directly in aspects of the Merger negotiations and approval.

19. Childress is a businessman in various industries and former NASCAR professional. Since January 2021, Childress has been a member of the Board and an AMMO shareholder. Childress has also served as a member of AMMO's Audit Committee. As detailed below, Childress participated directly in aspects of the Merger negotiations and approval.

20. Goodmanson is an experienced professional in the investment advisory industry, who was employed by an investment advisory firm that, on information and belief, had an ownership stake in AMMO. Goodmanson was a member of the Board from May 2019 to January 5, 2023, and AMMO's President from March 2021 to December 2022. During these time periods, Goodmanson was also an AMMO shareholder. As detailed below, Goodmanson participated directly in aspects of the Merger negotiations and approval.

21. Markley is a professional in the law enforcement industry. Since March 2018, Markley has been a member of the Board and an AMMO

shareholder. As detailed below, Markley participated directly in aspects of the Merger negotiations.

22. Wallace is a businessman in the automotive sales industry and former NASCAR professional. Wallace has been a member of the Board since June 2017 and an AMMO shareholder. Wallace has also served as a member of AMMO's Audit Committee. As detailed below, Wallace participated directly in aspects of the Merger negotiations and approval.

23. Wiley has been AMMO's Chief Financial Officer since January 2019 and is currently an AMMO shareholder. As detailed below, Wiley participated directly in aspects of the Merger negotiations, execution, and approval.

JURISDICTION

24. This Court has subject matter jurisdiction pursuant to 8 Del. C. § 111.

25. Personal jurisdiction is proper over Defendants pursuant to Section 13.9 of the Merger Agreement, which provides that the parties to the Merger Agreement "hereby irrevocably submit to the exclusive jurisdiction of any court of competent civil jurisdiction sitting in State of Delaware over any Action arising out of or relating to this Agreement or any of the transactions contemplated hereby and each Party hereto hereby irrevocably agrees that all claims in respect of such Action may be heard and determined in such courts."

26. Personal jurisdiction is also proper over Defendants pursuant to 10 *Del. C.* § 3104, 10 *Del. C.* § 3114, and 6 *Del. C.* § 18-109.

FACTUAL BACKGROUND

Initial Discussions Between Urvan and AMMO

27. GunBroker is the largest online marketplace dedicated to the lawful sale of firearms, hunting, shooting and related products. At the time the Merger closed, GunBroker had more than six million registered users and annual revenues of $60 million.

28. In early January 2021, Urvan learned through an investment bank that AMMO was potentially interested in purchasing GunBroker.

29. On January 28, 2021, Urvan had an initial call with AMMO to discuss a potential transaction. Wagenhals and Larson participated in the call on behalf of AMMO and asked Urvan to visit AMMO's headquarters in Scottsdale, Arizona as soon as possible.

30. On or about February 2, 2022, at AMMO's request, Urvan traveled to AMMO's headquarters for three days of in-person meetings with key AMMO executives. Led by Wagenhals, Larson, Flynn, and Wiley (defined in the Merger Agreement as AMMO's "Key Employees"), AMMO's management gave Urvan a tour of AMMO's offices and introduced him to numerous key AMMO employees.

Urvan had dinner with Wagenhals and Larson on February 2 and 3 to discuss the details of a potential transaction.

31. On February 4, 2021, Urvan met with Larson, Wagenhals, Flynn, Wiley and the remaining members of the Board (some of whom appeared via Zoom). During the meeting, Urvan gave a presentation, answered questions, and discussed the details of a potential merger between AMMO and GunBroker.

32. During Urvan's visit to AMMO's headquarters and thereafter, Urvan, Wagenhals, Larson, Flynn, Wiley and others had in-depth discussions concerning key aspects of a potential merger, including Urvan's and GunBroker's e-commerce experience and success, Urvan's ability to obtain financing for expanded growth, and the role GunBroker would play in increasing AMMO's value. These discussions—and the misrepresentations and omissions Defendants made to Urvan therein—were material to Urvan's decision to consummate the Merger and accept AMMO stock, instead of cash, as partial consideration.

33. Larson, Wagenhals, and Flynn in particular were intimately involved in the negotiations and worked through specific terms and provisions with Urvan and his counsel. Flynn was the point person for legal issues associated with the Merger, while Wagenhals and Larson focused on the business terms and economics of the deal.

The Letter of Intent

34. Following Urvan's trip to AMMO's headquarters, the negotiations proceeded quickly, leading to the execution of a letter of intent within days.

35. On February 9, 2021, AMMO entered into a letter of intent (the "Letter of Intent") with Gemini's[3] subsidiary IA Tech, LLC ("IA Tech"), a Delaware limited liability company under which the entities comprising GunBroker were operated.

36. The Letter of Intent initially contemplated a transaction whereby AMMO would acquire all or substantially all of IA Tech's equity or assets, although the transaction structure later became a merger between Gemini and SpeedLight following certain pre-closing restructuring.

37. The Letter of Intent contained a Delaware choice of law and forum selection clause,[4] and was sent by Wagenhals in his capacity as Chairman, President and CEO of AMMO.

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[3] Urvan beneficially owned GunBroker through Gemini, which prior to closing was a Nevada limited liability company.

[4] "This Letter of Intent, the rights and obligations of the Parties hereto, and any claims or disputes relating thereto, will be governed by and construed under and in accordance with the laws of the State of Delaware, without regards to conflicts of law principles that would result in the application of any law other that the laws of the State of Delaware. Each Party to this Letter of Intent hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of Delaware Chancery Court or the United States District Court for Delaware if the

38. Between February 15 and 20, 2021, Urvan visited AMMO's headquarters again to discuss the Merger, during which he met with Wagenhals, Larson, Flynn, Wiley, Goodmanson, and others.

39. On February 22 and 23, 2021, Larson and AMMO executive Matt Nicholson visited GunBroker's offices in Atlanta, Georgia to conduct additional due diligence.

40. On April 21, 2021, the Board held a special meeting to review, consider and approve the Merger. Each of the directors except Markley participated in this special meeting, during which they listened to presentations by AMMO's management and the advisory firms engaged by the company, and asked and received answers to all questions related to the Merger. Prior to the meeting,

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Chancery court does not have jurisdiction, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Letter of Intent or for recognition or enforcement of any judgment relating thereto, and each of the Parties hereby irrevocably and unconditionally (a) agrees not to commence any such action or proceeding except in such courts, (b) agrees that any claim in respect of any such action or proceeding may be heard and determined in such court, (c) waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any such action or proceeding in any such court, and (d) waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court. Each of the Parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law."

each of the directors received and analyzed the reports prepared by the advisory firms.

41. On April 29, 2021, each of the directors except Markley signed a written consent authorizing the Merger.

Pre-Merger Restructuring

42. Before the Merger closed, Defendants engaged in a series of pre-merger restructuring transactions utilizing the laws of Delaware to facilitate the purchase of GunBroker (comprised mostly of Delaware entities).

43. Among other things, on April 19, 2021, Defendants formed SpeedLight as a Delaware limited liability company for the sole purpose of entering into the Merger with Gemini.

44. SpeedLight's operating agreement was signed by Wagenhals as CEO of AMMO, SpeedLight's sole member. The operating agreement provides that management of SpeedLight's business "is invested in [AMMO] and is to be carried out by [AMMO's] executives and officers."

The Merger

45. On or about April 30, 2021, AMMO, Urvan, Gemini, and Speedlight, entered into the Merger Agreement pursuant to which Gemini (a Nevada entity) merged with SpeedLight, with SpeedLight (the Delaware entity) surviving the

Merger as a wholly-owned subsidiary of AMMO. SpeedLight filed a certificate of merger in Delaware executed by Wagenhals.

46. As consideration for the Merger, AMMO (i) paid Urvan $50 million in cash, and (ii) issued 20,000,000 shares of AMMO common stock to Urvan comprised of (a) an immediate grant of 14,500,000 shares; (b) a grant of 4,000,000 shares to be held in escrow subject to satisfaction of Urvan's indemnification obligations under the Merger Agreement pursuant to a pledge and escrow agreement and a lock-up agreement; and (c) a grant of 1,500,000 shares following shareholder approval at AMMO's annual shareholder meeting on October 25, 2021. The stock certificates for the AMMO shares issued to Urvan were signed by Wagenhals and Wiley.

47. The transaction also involved SpeedLight's assumption of $52,277,692.25 in outstanding debt owed to IA Tech's lenders.

48. As relevant here, the Merger Agreement contained a choice of law provision and forum selection clause providing for the application of Delaware law and a Delaware forum.[5]

[5] Merger Agreement, § 13.9 ("This Agreement, and all matters arising out of or relating to this Agreement and any of the transactions contemplated hereby, including, without limitation, the validity hereof and the rights and obligations of the Parties hereunder, shall be construed in accordance with and governed by the laws of Delaware applicable to contracts made and to be performed entirely in such state (without giving effect to the conflicts of laws provisions thereof) except as to

49. In connection with the issuance of AMMO common stock to Urvan, AMMO, Gemini, SpeedLight, and Urvan entered into an Investor Rights Agreement dated April 30, 2021, and AMMO and Urvan entered into a Voting Agreement dated April 30, 2021. Both agreements contained a choice of law and forum selection provision providing for the application of Delaware law and a Delaware forum.[6]

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matters pertaining to the Company as a Nevada limited liability company, and to the Company Member as a member of a Nevada limited liability company, which are governed by the NRS, and solely as to such matters, this Agreement shall be governed by the NRS. The Parties hereto hereby irrevocably submit to the exclusive jurisdiction of any court of competent civil jurisdiction sitting in State of Delaware over any Action arising out of or relating to this Agreement or any of the transactions contemplated hereby and each Party hereto hereby irrevocably agrees that all claims in respect of such Action may be heard and determined in such courts. The Parties hereto hereby irrevocably waive any objection which they may now or hereafter have to the laying of venue of such Action brought in such court or any claim that such Action brought in such court has been brought in an inconvenient forum.").

[6] Investor Rights Agreement, § 6.8 ("This Agreement and all claims or causes of action (whether sounding in contract or tort) arising under or related to this Agreement, shall be governed by and construed in accordance with, the laws of the State of Delaware, without regard to any rule or principle that might refer the governance or construction of this Agreement to the Laws of another jurisdiction. In any action or proceeding between any of the parties arising under or related to this Agreement, each of the parties (a) knowingly, voluntarily, irrevocably and unconditionally consents and submits to the exclusive jurisdiction and venue of any court of competent civil jurisdiction sitting in the State of Delaware, (b) agrees that all claims in respect of any such action or proceeding shall be heard and determined exclusively in accordance with clause (a) of this Section 6.8, (c) waives any objection to the laying of venue of any such action or proceeding in such courts, including any objection that any such action or proceeding has been

50. As part of the Merger, Urvan was appointed to the Board and became AMMO's Chief Strategy Officer.

AMMO Touts GunBroker's Value and AMMO's Growth Plans

51. GunBroker's value to AMMO was evident from its public and private statements, which aligned with Urvan's thesis for moving forward with the Merger.

52. For example, on February 11, 2021, AMMO issued a press release regarding the Letter of Intent, in which Wagenhals is quoted as saying: "[W]e found AMMO to be a disruptive technology-based company that could serve the shooting community with cutting-edge ammunition offerings, whether that be for the military, law enforcement, hunting or recreational shooting communities. GunBroker.com is a perfect fit and supports AMMO's mission across many levels." Wagenhals is further quoted as saying: "[T]he combination made sense to our management team and Board as it expands our ability to best ensure the retail

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brought in an inconvenient forum or that the court does not have jurisdiction over any party, and (d) agrees that service of process upon such party in any such action or proceeding shall be effective if such process is given as a notice in accordance with Section 5.2."); Voting Agreement, § 5.05 ("This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to the principles of conflicts of laws. The parties hereby irrevocably submit to the jurisdiction of the courts of the State of Delaware and the federal courts located in the State of Delaware in respect of the interpretation and enforcement of the provisions of this Agreement.").

market continues to be served at the highest level while affording AMMO with an opportunity to enhance its sales channels, operating margins and drive increased shareholder value."

53. In an April 2021 written presentation to potential investors (the "April 2021 Investor Presentation")—which Urvan received and relied on in connection with Merger negotiations—AMMO stated that, once finalized, the GunBroker transaction "would diversify AMMO's revenue base with high profit-margin business offered through a platform deploying best-in-class secure transactional technology" and "expand AMMO's ability to best ensure the retail market continues to be served at the highest level while affording AMMO with an opportunity to enhance its sales channels and operating margins."

54. Similarly, in a press release issued on May 3, 2021, Wagenhals is quoted as saying, "We couldn't be more excited about bringing the GunBroker.com team into the AMMO family. Everyone worked hard to make this happen—and we will now set about to further expand the GunBroker.com brand as we leverage the amazing IT platform Steve Urvan and his team developed to bring AMMO products and a host of other products and merchandise to the vibrant GunBroker.com marketplace."

55. In that same press release, Wagenhals is also quoted as saying, "[T]he AMMO management team viewed the Transaction as accretive to our shareholders

when we announced the letter of intent. With the Transaction successfully closed, our team has reached another vertical integration milestone for the Company, representing an opportunity to diversify our revenue base with high profit-margin business offered through a premier brand deploying best-in-class secure transactional technology."

56. In its 10-K filed on June 29, 2021, AMMO further touted GunBroker's value and identified the company as being essential to its growth strategy, stating: "Gun[B]roker.com has over 6.6 million registered users and averages over 1 million items listed for sale on its site on a daily basis." AMMO's "goal [was] to enhance [its] position as a designer, producer, and marketer of ammunition products via our manufacturing and related sales operations, while simultaneously enhancing the GunBroker.com brand and leverag[ing] the information technologies platform to develop additional complimentary sales channels."

57. In a proxy statement filed September 13, 2021, AMMO stated that it believed "the Merger has added incredible value to [AMMO]."

AMMO Makes Intentionally Fraudulent
Representations and Warranties in the Merger Agreement

58. Section 5 of the Merger Agreement contains material, express representations and warranties by AMMO and SpeedLight to Urvan (the

"AMMO's Reps and Warranties"). AMMO's Reps and Warranties concern material aspects of the company's management, operations, governance, financial reporting, and regulatory compliance, including with respect to the accuracy of its filings with the SEC.

59. Each of the Defendants reviewed and approved, or had the opportunity to review and approve, AMMO's Reps and Warranties prior to the Merger Agreement's execution.

60. The preamble to Section 5 expressly provides that AMMO's Reps and Warranties "are true, complete and correct" unless otherwise provided for in the disclosure schedules attached to the Merger Agreement. None of the provisions in Section 5 discussed herein are referenced in the Merger Agreement's disclosure schedules.

61. Certain of AMMO's Reps and Warranties concerned AMMO's management—Larson, Flynn, Wagenhals, and Wiley—who were defined in the Merger Agreement as AMMO's "Key Employees." In turn, the actual knowledge of the Key Employees, after reasonable inquiry, constituted the "Parent's knowledge" as used in the Merger Agreement and, specifically, in Section 5.

62. AMMO, not Urvan, determined that the company's "Key Employees" would be Larson, Wagenhals, Wiley, and Flynn, whose knowledge would be imputed to AMMO.

63. Urvan relied on AMMO's Reps and Warranties as material assurances underlying the economic benefits and valuation of the deal. Particularly given that Urvan would be AMMO's single largest stockholder post-closing, AMMO's Reps and Warranties were integral to Urvan's agreement to consummate the Merger.

64. As set forth below, however, AMMO intentionally misrepresented numerous facts contained in AMMO's Reps and Warranties.

AMMO Misrepresents the Existence of an OSHA Investigation Concerning Allegations by a Former AMMO Executive and Board Member

65. Section 5.7 of the Merger Agreement represents that there are no actions, suits, proceedings or investigations pending or threatened against AMMO arising out of a former employee's prior employment with the company:

> There is no claim, action, suit, proceeding, arbitration, complaint, charge or investigation pending or to Parent's knowledge, currently threatened in writing (a) against Parent or any officer, director or employee of Parent arising out of their employment or board relationship with Parent; . . .; or (c) to Parent's knowledge, that reasonably would be expected to have, either individually or in the aggregate, a Material Adverse Effect. Neither Parent nor, to Parent's knowledge, any of its officers, directors or employees is a party or is named as subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality (in the case of officers, directors or employees, such as would affect Parent). . . . The foregoing includes, without limitation, actions, suits, proceedings or investigations pending or threatened in writing (or any basis therefor known to Parent) involving the prior employment of any of Parent's employees, their services provided in connection with Parent's business, any information or techniques allegedly proprietary to any of their former

> employers or their obligations under any agreements with prior employers.

66. Section 5.7 provided assurances to Urvan that AMMO faced no threat of potential investigation or litigation by a current or former employee, which relates to the integrity and strength of AMMO's employment practices, operations and valuation.

67. The representations made in Section 5.7, however, were intentionally false. In or about August 2019, Hanrahan, the former President of AMMO's Global Tactical Defense Division and a former Board member, filed a whistleblower complaint (the "Whistleblower Complaint") with OSHA alleging extensive financial, accounting, and reporting violations by the company, including violations of SEC regulations, as well as retaliation.

68. On February 7, 2021—just two months before the Merger—the Secretary of OSHA issued findings that reasonable cause existed to believe that AMMO had engaged in violations of the Sarbanes-Oxley Act ("SOX") by virtue of its conduct against Hanrahan. AMMO appealed the Secretary's findings, and the appeal was pending until no later than March 2022, at which time OSHA announced it had "ordered [AMMO] Inc. to reinstate the employee preliminarily to their previous position. [AMMO was] also ordered to pay the employee $485,000

in compensatory damages, more than $61,000 in back wages and $51,000 in attorney's fees."

69. AMMO allegedly formed a Special Committee of the Board to investigate Hanrahan's allegations and retained outside counsel to advise on the investigation. Although the Special Committee and counsel found that the claims were unsubstantiated, that determination was directly contradicted by OSHA's initial findings, which were affirmed after AMMO's administrative appeal failed.

70. On February 16, 2022, Hanrahan filed an action against AMMO related to the Whistleblower Complaint in the United States District Court for the District of Arizona (the "Hanrahan Complaint"). Hanrahan's complaint alleged numerous violations of SEC rules and regulations, as well as financial and accounting improprieties. Hanrahan and AMMO settled their litigation on or about July 22, 2022.

71. At no time prior to the Merger did Defendants disclose the existence of the Whistleblower Complaint to Urvan.[7]

AMMO Failed to Disclose a Related Party Transaction Worth More than $24 Million with Larson's Brother's Company

[7] In fact, although Urvan was a member of the Board at the time of the settlement with Hanrahan, AMMO did not convene a Board meeting to discuss the settlement.

72. Section 5.11(b) of the Merger Agreement represented that no immediate family members of any of AMMO's "directors, officers or employees" had any financial interest in any of AMMO's "material" contracts:

> Parent is not indebted, directly or indirectly, to any of its directors, officers or employees or to their respective spouses or children or to any Affiliate of any of the foregoing, other than in connection with expenses or advances of expenses incurred in the ordinary course of business or employee relocation expenses and for other customary employee benefits made generally available to all employees. . . . None of Parent's directors, officers or employees, or **any members of their immediate families**, or any Affiliate of the foregoing are, directly or indirectly, indebted to Parent or, to Parent's knowledge, have any . . . **(iii) financial interest in any material contract with Parent**. (emphasis added)

73. Independence and a lack of nepotism were important to Urvan in becoming AMMO's largest shareholder. AMMO's representation that the company was free of related party transactions, however, was intentionally false.

74. On or about March 18, 2021, AMMO signed a contract with Larson Building, Inc. for the construction of a new 160,000 square foot ammunition manufacturing facility in Wisconsin. Andrew Larson, Christopher Larson's brother, is the President of Larson Building, Inc. ("Larson Building") (and, on information and belief, its owner), and therefore had a substantial "financial interest" in the contract with AMMO prior to Merger.

75. AMMO represented in investor presentations that the new manufacturing facility was critical to its growth plans because it would "triple"

AMMO's manufacturing capacity. The value of the contract, as reflected in AMMO's SEC filings, is more than $24.5 million. Larson Building broke ground on AMMO's new facility in or about June 2021.

76. At no time did Defendants disclose to Urvan that Larson's brother was the president of the company contracted to build AMMO's new facility.

AMMO Misrepresents that Key Employees Had Criminal Histories and Disciplinary Bars with the SEC and Arizona State Bar

77. In connection with the Merger, Urvan expected that the Key Employees would remain at the company and work with him to execute AMMO's post-closing growth strategies. Urvan placed great value on the continuity of leadership and integrity of AMMO's management in this regard.

78. Accordingly, Urvan relied on AMMO's representations in Section 5.15(h) of the Merger Agreement that the Key Employees, among other things, did not have criminal histories and had not been subject to disciplinary action in their respective professions:

> To Parent's knowledge, none of the Key Employees or directors of Parent has been (i) subject to voluntary or involuntary petition under the federal bankruptcy laws or any state insolvency law or the appointment of a receiver, fiscal agent or similar officer by a court for his or her business or property; (ii) convicted in a criminal proceeding or named as a subject of a pending criminal proceeding (excluding traffic violations and other minor offenses); (iii) subject to any order, judgment or decree (not subsequently reversed, suspended, or vacated) of any court of competent jurisdiction permanently or temporarily enjoining him or her from engaging, or

> otherwise imposing limits or conditions on his or her engagement in any securities, investment advisory, banking, insurance, or other type of business or acting as an officer or director of a public company; or (iv) found by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated any federal or state securities, commodities, or unfair trade practices law, which such judgment or finding has not been subsequently reversed, suspended, or vacated.

79. These representations were intentionally false, as follows:

Larson

80. On April 13, 2020, Larson entered into a consent judgment ("Consent Judgment"), filed in the United States District Court for the District of Arizona, with the United States Securities and Exchange Commission ("SEC"). The Consent Judgment (i) required Larson to disgorge $291,000, (ii) disqualified him from serving as an officer or director of a public company for a period of five years, and (iii) permanently restrained him from violating Section 17(a) of the Securities Act and Sections 10(b) and Rule 10b-5 of the Exchange Act.

81. Approximately two months later, on June 3, 2020, Larson entered into a settlement agreement with the SEC ("SEC Settlement") prohibiting Larson from

appearing or practicing before the SEC as an accountant, including a prohibition against participating in the financial reporting or audits of public companies.

82. Both the Consent Judgment and the SEC Settlement arose out of allegations that Larson had engaged in a scheme to manipulate the market for the stock of Crown Dynamics Corporation ("Crown"), Larson's prior employer. The SEC alleged that as part of the scheme, Larson obtained control of Crown; transferred shares to nominees; paid $400,000 for a "call center" to promote Crown; placed manipulative trades in his own account to create the appearance of market interest; and acted as the undisclosed Chief Financial Officer ("CFO") of the company. As Crown's stock price became inflated as a result of these efforts, Larson's nominees sold Crown shares and wired the sale proceeds—at least $865,000—to him. Larson's co-defendant in the SEC lawsuit was Luke Zouvas, AMMO's former SEC counsel.

83. Upon information and belief, prior to the closing of the Merger, each of the Defendants was aware of Larson's involvement in the Crown litigation and the SEC Settlement and Consent Judgment, but intentionally chose not to disclose it to Urvan prior to the closing of the Merger—and in fact misrepresented otherwise in the Merger Agreement.

84. For example, in a conversation between Urvan and Lockett following the Merger in April 2022, Lockett admitted she was aware of the SEC Settlement

and Consent Judgment prior to closing. On information and belief, the other members of the Board had knowledge of Larson's misconduct and resulting discipline.

85. At no time did any of the Defendants disclose to Urvan the Consent Judgment and SEC Settlement.

86. Notwithstanding the prohibitions contained therein, Larson continued to serve as senior officer at AMMO. In an organizational chart given to Urvan dated April 14, 2021 (the "April 2021 Org Chart") summarizing AMMO's post-closing management structure, Larson was listed as "Partner / VP of Finance." This position was depicted as being one of the three most senior positions in the company, and above the role of CFO.

87. In fact, Larson had an even more senior role, operating as AMMO's *de facto* CEO and CFO, even though Wagenhals and Wiley publicly held those positions. No material decision at the company occurred without Larson's input, consideration, and ultimate sign-off. Larson was therefore repeating the misconduct of acting as an undisclosed public company officer that led to the Consent Judgment and SEC Settlement.

88. According to Hanrahan, Larson was acting as the "de facto" President and CFO even before the Consent Judgment "without the official titles in order to remain under the radar of the SEC, due to his ongoing SEC investigation, and to

facilitate his trading and sales of the Company's securities without public scrutiny." Additional employees have confirmed Larson's *de facto* role thereafter through the present.

89. The following facts further evidence the *de facto* nature of Larson's involvement at the highest levels of AMMO's management:

a. During the Merger, Larson was Urvan's primary contact and participated in all aspects of the Merger negotiations. In one instance, Larson called Urvan threatening to call off the Merger entirely, after which Urvan interacted only with Larson, who agreed to move forward with the deal.

b. After the Merger, whenever Urvan raised an issue or concern with Wagenhals regarding AMMO's governance or operations, Wagenhals informed Urvan that he first needed to consult with Larson before responding to Urvan's issue.

c. After the Merger, Urvan put AMMO in touch with Regions Bank ("Regions") regarding potential financing. Larson attended the first meeting on behalf of AMMO and presented the company's financials to Regions. Ultimately Regions elected not to provide financing for AMMO due to concerns about Larson's and Flynn's backgrounds.

d. During earnings calls, Wagenhals has referred to the "team" that he and Larson "put together" to take AMMO to the next level.

90. The nature and circumstances of Larson's involvement in the pump and dump scheme, the SEC Settlement and Consent Judgment, and AMMO's efforts to hide Larson's true involvement in its management and operations demonstrate Defendants' intentional fraud with respect to Section 5.15(h)(iii) and (iv).

Flynn

91. On July 31, 2019, Flynn was [redacted] from practicing law in Arizona for six months retroactive to January 18, 2019 for (i) his conviction of "extreme DUI," a Class 1 misdemeanor, on December 15, 2015; and (ii) in an estate matter in which he impermissibly "abandoned" his client, failing to (a) communicate with the client; (b) provide documents and other disclosures to other counsel and court key documents; (c) consult his client before compromising one the client's defenses; (d) file a new statutory agent appointment requested by client, while claiming he had; (e) interview possible witnesses his client identified; and (f) provide the client with the case file when representation ended.

92. On September 9, 2019, Flynn was removed from the admission rolls of the Court of Appeals for the Ninth Circuit due to the [redacted]

93. Upon information and belief, each of the Defendants was aware of the [redacted] but intentionally chose not to disclose it to Urvan prior to the closing of the Merger—and in fact misrepresented otherwise in the Merger Agreement.

94. Notwithstanding that Flynn was no longer authorized to practice law, he remained a "Key Employee" at AMMO and continued to provide legal advice to the company in connection with the Merger and thereafter. As described herein, Urvan and his deal counsel interacted regularly with Flynn regarding legal issues related to the Merger. According to the April 2021 Org Chart, Flynn held the position of "VP / Corp. Legal."

95. Flynn is currently suspended from the practice of law in Arizona and, on information and belief, has been suspended since [redacted] 2019.

96. The nature and circumstances of the [redacted] demonstrate Defendants' intentional fraud with respect to Section 5.15(h)(ii) and (iii).

AMMO Repeatedly Misrepresented
Compliance with SEC Filings, Rules, and Regulations

97. In Section 5.26(a)–(i) of the Merger Agreement, AMMO represented and warranted that it has complied with, among other things, applicable rules and regulations of the SEC and NASDAQ.

98. For example, in Section 5.26(a), AMMO represented that it has timely filed "all registration statements, prospectuses, reports, schedules, forms, statements, and other documents (including exhibits and all other information incorporated by reference) required to be filed or furnished by it with the SEC."

99. According to the Hanrahan Complaint, however, AMMO was aware that Larson was selling restricted securities in violation of SEC Rule 144 because he failed to satisfy the requisite conditions for exemption. Larson had further failed to obtain Board approval for the same. Rule 144 provides an exemption and permits the public resale of restricted or control securities if a number of conditions are met, including how long the securities are held, the way in which they are sold, and the amount that can be sold at any one time.

100. As set forth in the Hanrahan Complaint, Larson, with Wagenhals' knowledge, was selling AMMO shares outside of applicable trading windows without filing required SEC disclosures of the sales as an AMMO insider in violation of, among other things, Section 16 of the Exchange Act.

101. In addition, according to Hanrahan, Larson and another former AMMO executive were selling restricted securities without proper disclosure while simultaneously raising capital for AMMO through private offerings. Certain of these sales allegedly occurred in connection with AMMO's issuance of company press releases announcing significant corporate news, which Larson controlled in terms of timing and content.

102. Hanrahan also alleged that Larson and other members of AMMO's management were selling shares among themselves to inflate the value of AMMO's stock price and increase the trading volume to attract other investors.

103. Sections 5.26(d) and (h) represent, respectively and *inter alia*, that (i) the financial statements AMMO filed with the SEC were accurate and fairly presented AMMO's financial position during the applicable periods, and (ii) AMMO "maintains a system of internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that is sufficient to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP."

104. According to the Hanrahan Complaint, however, AMMO's internal controls over financial reporting were rife with deficiencies and improprieties, including inaccurate stock ledgers and cap tables for insider holdings.

105. As alleged in the Hanrahan Complaint, it was not until March 11, 2020, six months after Plaintiff filed the OSHA complaint, and more than two years after the insider stock sales began, that AMMO, Wagenhals, Larson and others finally began to disclose their improper stock transactions. None of these filings included the sale of shares or transfers made by AMMO's founders during Hanrahan's employment, and several significant sales of shares occurred during both quiet and blackout periods for the corporation.

106. The Hanrahan Complaint further alleges that an internal investigation by Christopher Besing ("Besing"), AMMO's former Audit Committee Chair,

requested details related to a large stock issuance to a former AMMO consultant. Larson provided a vague response that was inconsistent with AMMO's prior SEC filings. On October 10, 2018, Besing resigned from AMMO's Board, citing AMMO's lack of sufficient internal controls as the primary motivation behind his resignation.

107. AMMO's February 2021 SEC 10-Q filing acknowledged that there were "material weaknesses" in AMMO's financial reporting, though it believed that its reporting was "materially correct and fairly presents the [company's] financial position." Just four months later, however, AMMO revealed in a subsequent 10-Q that its "management has concluded that we have material weaknesses in our internal controls over financial reporting and that our disclosure controls and procedures are not effective. If we fail to develop or maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent financial fraud. As a result, current and potential stockholders could lose confidence in our financial reporting." None of these material weaknesses were ever disclosed to Urvan, and in fact the opposite was represented to him in the Merger Agreement just two months earlier.

108. On information and belief, and as reflected in the Hanrahan Complaint, numerous additional violations of the SEC and NASDAQ regulations occurred, which will be uncovered during discovery.

109. The intentional misrepresentations in AMMO's Reps and Warranties relate to foundational aspects of the company's viability and integrity: management, compliance, financial reporting, insider trading, and government investigations, among other issues.

The Merger Agreement Expressly Carves Out
Urvan's Rights with respect to Intentional Fraud

110. In Section 9.9 of the Merger Agreement, the parties acknowledged and agreed that all claims arising from any breach of the Merger Agreement would be subject to the indemnification provisions in the Merger Agreement **except** for "claims arising from intentional fraud or criminal activity on the part of a Party in connection with the transactions contemplated by" the Merger Agreement. Further, Section 9.9 states there is no limitation on the parties' rights to "seek and obtain any equitable relief . . . or to seek any remedy on account of any party's intentional fraud or criminal misconduct."

111. Section 9.8 of the Merger Agreement also provides that the representations, warranties and covenants in the Merger Agreement "shall not be affected or deemed waived by reason of any investigation . . . or by reason of the fact that" any party seeking indemnification under Section 9 of the Merger Agreement "knew or should have known that any such representation or warranty is, was or might be inaccurate."

AMMO Made Additional False Statements and Omissions during the Merger Negotiations

112. During Urvan's visits to Scottsdale and thereafter, Larson, Wagenhals, Flynn and others made additional false statements and omissions concerning AMMO's operations and future plans for growth and value creation that induced Urvan to proceed with the Merger and accept substantial amounts of AMMO shares as partial consideration for selling GunBroker.

False Statements and Omissions Regarding AMMO's Manufacturing Capabilities

113. During the Merger negotiations, Larson, Wagenhals, and Flynn repeatedly misrepresented and omitted key facts concerning AMMO's manufacturing capabilities, both orally and in writing.

114. AMMO's manufacturing capacity was material to Urvan's decision to proceed with the Merger because, among other things, it would allow AMMO to (i) address existing backlogs in ammunition orders resulting from increased demand for guns and ammunition during the COVID-19 pandemic, and (ii) capitalize on the anticipated significant increase in future orders that would be achieved by leveraging GunBroker's e-commerce platform.

115. In this regard, during Urvan's in-person visits to Scottsdale, Larson, Wagenhals, and Flynn falsely represented to Urvan orally—and later in writing in the April 2021 Investor Presentation that Urvan received—that AMMO's two

existing facilities located in Payson, Arizona and Manitowoc, Wisconsin were currently capable of manufacturing more than "750M+ rounds" of ammunition per year. In fact, those facilities had nowhere near that manufacturing capability.

116. In addition, no one at AMMO, including Larson, Wagenhals or Flynn, disclosed to Urvan that AMMO had pre-Merger plans to shut down AMMO's Payson, Arizona manufacturing facility, meaning that approximately ***one-third*** of AMMO's manufacturing capacity was scheduled to go offline following the Merger. Indeed, in a December 2021 written presentation, AMMO was telling investors that its "[c]urrent combined [manufacturing] capacity" was down to approximately 500 million rounds of ammunition per year. [8]

117. Larson, Wagenhals and Flynn also highlighted to Urvan that AMMO was building a new manufacturing facility in Wisconsin that they claimed would significantly increase AMMO's manufacturing capacity. During Urvan's in-person visits to Scottsdale, Larson, Wagenhals and Flynn falsely represented to Urvan orally—and later in writing in the April 2021 Investor Presentation—that the new facility was "expected to triple [AMMO's] current manufacturing output." In fact, they knew the new facility would not be capable of such output, and it

[8] The December 2021 written presentation that Urvan received represented that AMMO's manufacturing capacity was "500,000+ rounds," although the amount appears to reflect a typo in the document. In reality, AMMO was representing that it had a manufacturing capacity of "500M" rounds of ammunition.

currently has nowhere near the capacity to produce hundreds of millions of rounds per year. Rather, with the new Wisconsin facility online, AMMO's current manufacturing capacity still sits under the 750 million round capacity that Larson, Wagenhals, and Flynn originally touted to Urvan. In a November 2022 earnings call, Wiley reported that AMMO's then manufacturing capacity was 400 million rounds of ammunition.

False Statements and Omissions Regarding Ammunition Orders

118. During Urvan's in-person visits to Scottsdale, in an effort to induce Urvan to proceed with the Merger, Larson touted an ammunition order worth $100 million that AMMO had allegedly received from a military customer but had not yet announced publicly. Urvan has not learned that any such order existed at the time or materialized thereafter.

False Statements and Omissions Regarding Urvan's Role Following the Merger

119. During Urvan's in-person visits to Scottsdale and thereafter, Larson, Wagenhals, and Flynn also repeatedly misrepresented that, post-Merger, Urvan would lead GunBroker's integration of its successful e-commerce business into AMMO's broader infrastructure.

120. Urvan's continued key role at GunBroker after AMMO's acquisition was material to his decision to accept equity as consideration for the Merger.

Larson, Wagenhals, and Flynn advised Urvan that AMMO currently lacked Urvan's knowledge and experience in the e-commerce space and, as a result, they intended for Urvan to lead GunBroker post-closing to reposition AMMO as primarily an e-commerce company.

121. In that regard, Larson, Wagenhals, and Flynn shared the April 2021 Org Chart (reflecting the post-closing management structure), which listed Urvan as GunBroker's senior-most executive and one of AMMO's three senior-most executives, along with Wagenhals and Larson.

122. During Urvan's in-person visits to Scottsdale and thereafter, Larson, Wagenhals, and Flynn also repeatedly represented to Urvan their intent to implement a direct-to-consumer sales model for AMMO's ammunition through GunBroker's e-commerce platform at increased profit margins and that Urvan's stewardship of this effort was critical to its success.

123. After the Merger closed, however, it became clear that Larson, Wagenhals, and Flynn never had any intention of integrating Urvan into the business or effectively leveraging GunBroker's e-commerce infrastructure.

124. Shortly after the closing of the Merger, Wagenhals, Flynn, Larson, and Wiley moved to silo Urvan, appointing another employee as the senior-most executive of GunBroker instead of Urvan. In addition, after the Merger closed,

AMMO and its management failed to take concrete steps, and rejected Urvan's efforts, to leverage GunBroker's e-commerce platform.

Omissions Regarding the Issuance of Preferred Equity

125. During Urvan's in-person visits to Scottsdale and thereafter, Larson, Wagenhals and Flynn discussed plans to secure capital to facilitate AMMO's growth strategy using traditional debt financing, which AMMO had had difficulty obtaining. Their discussions included leveraging Urvan's banking relationships to open up additional financing opportunities.

126. At no point in time did anyone at AMMO, including Larson, Wagenhals or Flynn, disclose the company's plans to raise capital through preferred debt issuances, which offered less favorable long-term economics.

127. Less than a month after the merger, however, AMMO entered into an underwriting agreement to raise $27 million plus through the issuance of 1,097,200 in preferred shares. On information and belief, AMMO had commenced preparations to issue the preferred shares prior to closing without disclosing those plans to Urvan.

COUNT I
FRAUD IN THE INDUCEMENT UNDER DELAWARE LAW
(Against AMMO and SpeedLight)

128. Urvan repeats and realleges all of the allegations in all of the paragraphs above as though fully set forth herein.

129. As set forth in detail above, AMMO and SpeedLight made intentionally false representations of material fact in AMMO's Reps and Warranties in Section 5 of the Merger Agreement. Specifically, AMMO and SpeedLight falsely represented:

a. In Section 5.7, that there were no "actions, suits, proceedings or investigations pending or threatened" against AMMO arising out of a former employee's "prior employment" with the company when, in reality, Hanrahan had filed the Whistleblower Complaint with OSHA arising out of her employment and unlawful termination from AMMO, and alleged that AMMO had violated SEC rules and regulations and made material financial and accounting misstatements;

b. In Section 5.11, that "[n]one of [AMMO's] directors, officers or employees, or any members of their immediate families, . . . [had] any . . . (iii) financial interest in any material contract with [AMMO]" when, in reality, on March 18, 2021, AMMO had entered into a $24.5 million contract with Larson Building, which was owned by Larson's brother, to build AMMO's new manufacturing facility in Wisconsin;

c. In Section 5.15, that none of the Key Employees had criminal histories, had not been enjoined from serving as the officer or director of a public company, had not been enjoined from engaging "in any securities, investment advisory, banking, insurance, or other type of business," and had not been subject

to regulatory discipline from the SEC when, in reality, Flynn had been [redacted] from the practice of law after being convicted of "extreme DUI" and for violating his ethical duties to one of his clients, and Larson had been subject to the Consent Judgment and other SEC discipline; and

d. In Section 5.26, that AMMO had complied with all applicable SEC rules and regulations, as well as NASDAQ requirements, when, in reality, as detailed in the Hanrahan Complaint and SEC filings made subsequent to the Merger, AMMO had failed to properly report trading activities of insiders as required under Rule 144, failed to maintain adequate internal controls and records, and misrepresented the accuracy and reliability of its financial reporting.

130. AMMO and SpeedLight made the material misrepresentations set forth herein with the knowledge that they were false and/or with reckless indifference to the truth.

131. AMMO and SpeedLight made the material misrepresentations to Urvan in Section 5 of the Merger Agreement with the intent to induce Urvan to enter into and consummate the Merger.

132. Urvan justifiably relied on Ammo's Reps and Warranties in Section 5 of the Merger Agreement in connection with entering into the Merger Agreement.

133. Had Urvan known of the true state of facts concerning AMMO, he would not have entered into the Merger Agreement or completed the Merger on the terms set forth therein.

134. Further, AMMO's value has been significantly impaired as a result of Defendants' wrongdoing.

135. As a result of AMMO's and SpeedLight's misconduct, Urvan has been damaged in an amount to be determined at trial.

COUNT II
AIDING AND ABETTING FRAUD UNDER DELAWARE LAW
(Against the Individual Defendants)

136. Urvan repeats and realleges all of the allegations in all of the paragraphs above as though fully set forth herein.

137. AMMO and SpeedLight engaged in intentional fraud to induce Urvan to consummate the Merger.

138. The Individual Defendants, as Key Employees under the Merger Agreement, officers of the company, and members of the Board, each knew at the time of the Merger of AMMO's and SpeedLight's intentional fraud.

139. The Individual Defendants knew that certain of the Ammo Reps and Warranties—which they caused or help cause AMMO to make and/or certified were accurate—were false. Specifically, prior to the Merger:

a. Larson (i) had actual knowledge of the (a) SEC Settlement and Consent Judgment, which involved legal proceedings and disciplinary bars assessed against him in his individual capacity, (b) the Whistleblower Complaint and OSHA's findings in favor of Hanrahan, which related in substantial part to his own misconduct at AMMO over the course of years, (c) AMMO's contract with Larson Building, Inc., and (d) the [redacted] and (ii) had acted as AMMO's lead negotiator in connection with the Merger, including by proposing terms and making misrepresentations and omissions to Urvan about material aspects of the transaction, yet allowed Urvan to close the Merger knowing that terms of the Merger Agreement were materially false and misleading;

b. Wagenhals (i) had actual knowledge of the (a) SEC Settlement and Consent Judgment, (b) AMMO's contract with Larson Building, (c) the [redacted] (d) the Whistleblower Complaint, (e) OSHA's findings in favor of Hanrahan, and (f) the terms of which Merger he negotiated in concert with Larson, Flynn, and Wiley, and (ii) in his capacity as CEO, had executed the Merger Agreement containing AMMO's Reps and Warranties, yet allowed Urvan to close the Merger knowing that terms of the Merger Agreement were materially false and misleading;

c. Flynn had actual knowledge of the [redacted] which involved legal proceedings and professional bars assessed against him in his individual

capacity, and acted as AMMO's in-house legal representative in connection with the Merger, including by drafting and revising portions of the Merger Agreement, yet allowed Urvan to close the Merger knowing that terms of the Merger Agreement were materially false and misleading;

d. Wiley (i) had actual knowledge of the (a) SEC Settlement and Consent Judgment, (b) the Whistleblower Complaint, which concerns in significant part his responsibilities as CFO of AMMO, (c) AMMO's financial and accounting deficiencies, as described in detail in the Hanrahan Complaint, (d) AMMO's contract with Larson Building, having signed the construction loan agreement to finance the new manufacturing facility , and (e) as CFO, the material weaknesses in AMMO's financial statements, and (ii) had executed key aspects of the Merger, yet allowed Urvan to close the Merger knowing that terms of the Merger Agreement were materially false and misleading; and

e. Lockett, Markley, Childress, Wallace, and Goodmanson serving in their capacities as members of the Board, having received and reviewed due diligence materials in connection with the Merger, had actual knowledge that AMMO's Board had formed a Special Committee to investigate Hanrahan's allegations, were aware of the Whistleblower Complaint, SEC Settlement, the Consent Judgment, and the [redacted] and understood and did not object to the fact that Larson was acting as *de facto* CEO and CFO of AMMO, yet allowed

Urvan to proceed with the Merger knowing that the terms of the Merger Agreement were materially false and misleading.

140. Urvan reasonably and justifiably relied to his detriment upon the aforementioned misrepresentations and warranties by executing the Merger Agreement and closing on the Merger.

141. Had Urvan known the true state of facts concerning AMMO, he would not have entered into the Merger Agreement or completed the Merger on the terms set forth therein.

142. Further, AMMO's value has been significantly impaired as a result of Defendants' wrongdoing.

143. As a result of the Individual Defendants' misconduct, Urvan has been damaged in an amount to be determined at trial.

COUNT III
VIOLATION OF ARIZONA SECURITIES ACT
(Violations under §§ 44-1991(A)(1)-(3))
(Against All Defendants)

144. Urvan repeats and realleges all of the allegations in all of the paragraphs above as though fully set forth herein.

145. The stock AMMO offered and sold to Urvan, including through the Merger Agreement, constitutes a security under Arizona law.

146. As set forth in detail above, and as will be further revealed during discovery, each of the Defendants engaged in violations of A.R.S. §§ 44-1991(A)(1)-(3) by, among other things, making untrue statements of material fact and omissions and otherwise engaging in fraudulent conduct with respect to the Merger Agreement and during the Merger negotiations, within the meaning of A.R.S. § 44-2003. By engaging in such conduct, each of the Defendants participated in and induced the sale of AMMO stock to Urvan.

147. As set forth in detail above, each of the Defendants acted intentionally and/or with reckless disregard in making or participating in the untrue statements, omissions, and fraud.

148. Defendants are jointly and severally liable for damages caused by their violations of A.R.S. §§ 44-1991(A)(1)-(3) pursuant to A.R.S. § 44-2003.

149. Had Urvan known of the true state of facts concerning AMMO, he would not have entered into the Merger Agreement or completed the Merger on the terms set forth therein.

150. Further, AMMO's value has been significantly impaired as a result of Defendants' wrongdoing.

151. As a result of the primary violators' misconduct, Urvan has been damaged in an amount to be determined at trial.

COUNT IV

VIOLATION OF ARIZONA SECURITIES ACT
(Statutory Control Liability under A.R.S. § 44-1999)
(Against the Individual Defendants)

152. Urvan repeats and realleges all of the allegations in all of the paragraphs above as though fully set forth herein.

153. As alleged in Count III, Defendants committed violations of A.R.S. § 44-1991(A)(1)-(3) for which they would be primarily liable pursuant to § 44-2003.

154. Individually and/or as a group, the Individual Defendants controlled, and/or had the power to directly or indirectly control, AMMO within the meaning of A.R.S. § 44-1999 when the primary violations occurred.

155. As statutory controlling persons, the Individual Defendants are jointly and severally liable to Urvan under A.R.S. § 44-1999 for all damages caused by the primary violators' misconduct.

156. Had Urvan known of the true state of facts concerning AMMO, he would not have entered into the Merger Agreement or completed the Merger on the terms set forth therein.

157. Further, AMMO's value has been significantly impaired as a result of Defendants' wrongdoing.

158. As a result of the primary violators' misconduct, Urvan has been damaged in an amount to be determined at trial.

COUNT V
UNJUST ENRICHMENT
(Against All Defendants)

159. Urvan repeats and realleges all of the allegations in all of the paragraphs above as though fully set forth herein.

160. As set forth in detail herein, AMMO and SpeedLight, aided and abetted by the Individual Defendants, induced Urvan to enter into the Merger Agreement and consummate the Merger, thereby causing the sale of GunBroker for far less cash consideration than was reasonable or to which Urvan would have agreed.

161. Had Urvan known that numerous of AMMO's Reps and Warranties were false, he would not have entered into the Merger Agreement or closed the Merger on the terms set forth therein.

162. Defendants AMMO and SpeedLight (and the Individual Defendants as shareholders) have therefore been unjustly enriched, and in equity and good conscience should be required to reimburse Urvan for the benefits they received in excess of the cash consideration paid to Urvan at the time the Merger closed.

PRAYER FOR RELIEF

WHEREFORE, Urvan respectfully requests that the Court award him the following relief collectively or, if and where applicable, in the alternative (as determined at trial):

1) Enter judgment in favor of Urvan and against Defendants on all claims;

2) Award Urvan all applicable equitable relief, including (but not limited to) partial recission and/or rescissory damages under Delaware law and pursuant to A.R.S. § 44-2001, as appropriate and feasible under the circumstances;[9]

3) Award compensatory damages for Defendants' fraud, aiding and abetting fraud, violations of the Arizona Securities Act, and unjust enrichment of an amount not less than $140 million;

4) Award Urvan attorneys' fees as provided for in A.R.S. § 44-2001;

5) Award Urvan costs and expenses, including statutory and pre-and post-judgment interest; and

6) Award Urvan such other and further relief and the Court deems just and proper.

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[9] If and when appropriate for a determination of partial rescission or rescissory damages, and subject to the Court's approval, Urvan is willing to tender his shares, but reserves all rights as to this issue.

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Dated: April 28, 2023