

VIRGINIA:

IN THE CIRCUIT COURT FOR THE CITY OF ALEXANDRIA

NATIONAL RIFLE ASSOCIATION OF AMERICA,)

Plaintiff,)

v.)

Case No. CL190001757

ACKERMAN MCQUEEN, INC.,)

and)

MERCURY GROUP, INC.)

Defendants.)

MOTION FOR PRELIMINARY INJUNCTION

Counterclaim Plaintiff Ackerman McQueen, Inc. ("AMc"), through counsel, moves this Court for a Preliminary Injunction against Counterclaim Defendant National Rifle Association of America ("NRA").

The parties' relationship is currently governed by an April 30, 2017 "Services Agreement," which was modified by an amendment dated May 6, 2018 (hereinafter "the Services Agreement" and "Amendment")(attached as *Exhibits 1* and *2*, respectively). Unless injunctive relief is granted, Counterclaim Defendant NRA will continue to refuse to perform its contractual obligations under the Services Agreement by (1) failing to pay current overdue invoices reflecting substantial amounts of money (over \$1,600,000) that the NRA owes to AMc for services that AMc already has provided; and (2) failing to post a contractually required \$3,000,000 letter of credit which, under the parties' agreement, must be available to ensure that AMc is compensated for services reflected in any invoices that the NRA fails to pay. The NRA's ongoing breaches have resulted in a cascade of injury to AMc that will result in irreparable harm to AMc. As a result of the NRA's

breaches, AMc's continued existence as a company is now endangered. Accordingly, for the reasons set forth below, AMc requests that the Court issue an injunctive order requiring the NRA to post the \$3,000,000 letter of credit mandated by the parties' contract. The alternative is that AMc will be compelled to discontinue all services to the NRA and lose the employees who perform those services forever, incurring costs for severance the NRA is unlikely to pay without litigation. Worse, shut down of those services will give the NRA an opening to claim a breach by AMc – a situation orchestrated by the NRA. Only injunctive relief prohibiting the NRA's continued refusal to perform its obligations, including paying the overdue invoices and posting a \$3,000,000 letter of credit, will prevent irreparable harm to AMc for which AMc has no adequate remedy at law.

RELEVANT FACTS

The NRA and AMc have worked together for almost 40 years. AMc, a public relations firm, has provided a variety of services to the NRA over those years. For example, AMc has crafted NRA ad campaigns, developed the NRA's web and media presence, and generally created the NRA's national image. Today, the NRA is regarded as one of the most powerful lobbying organizations in the country. By the same token, as of May 2019, AMc had grown to 169 employees. Over 50% of AMc's employees are involved in working on projects and services for the NRA. These employees provide intellectual property and unique in-house media production capabilities for the NRA. Approximately 25% of these employees are essentially virtual employees of the NRA. The payments made by the NRA for services provided under the Services Agreement cover the majority of the salary expense and overhead costs attributable to these employees. Those overhead costs include leasing agreements, equipment and technology associated with two offices, one in Colorado Springs, Colorado and the other in Alexandria, Virginia, that are dedicated for the sole benefit of the NRA. Overhead costs also include

approximately 75% of the space, technology and equipment associated with AMc's Dallas office, which is dedicated to the support of NRA projects and services. (See Decl. of William Winkler, ¶ 26)(attached as *Exhibit 3*).

For years, and up through the present time, the NRA has outsourced its media and public relations work to AMc. Moreover, NRA executives were actively involved in and, in many cases, dictated the contract negotiations between specific individuals and AMc. The NRA has for decades approved annualized fees for AMc in order for AMc to employ and compensate employees that are either fully dedicated or substantially dedicated to services provided to the NRA. In the case of large, multi-year contracts for NRA media representatives such as Lt. Colonel (ret.) Oliver North or Dana Loesch, the NRA's Executive Vice President, Wayne LaPierre, and the NRA's Treasurer negotiated the arrangements either directly with that individual or used AMc as an intermediary with specific direction to enter into a contract with that individual according to the NRA's expectations. These media representatives and employees are considered by AMc and the NRA to be virtual employees of the NRA. (See Decl. of William Winkler, ¶ 27.) While the NRA has made allegations in which they seek to scapegoat AMc for issues relating to NRATV and even problems related to the NRA's own self-governance, AMc has always operated at the direction of the NRA CEO.

The NRA actually directed the amounts of payment in some cases, such as with Lt. Col. North, and allowed AMc to negotiate others. Such outsourcing can only continue if the party receiving the service pays for both the regular cost of services and, pursuant to the Services Agreement, the termination fees for ending those relationships. The NRA has sought to avoid the first payment obligations by imposing a series of extra contractual obligations on AMc, and the latter termination expenses by claiming AMc itself breached the Services Agreement.

In 2018, AMc became concerned that the NRA's failure to pay AMc's invoices on a timely basis could result in severe financial harm to AMc, in light of AMc's dependence on the NRA for a large portion of its business. The NRA acknowledged this concern. As a result, the parties executed an amendment to their Services Agreement on May 6, 2018 (the "Amendment") (attached as *Exhibit 2*). That Amendment states:

[An AMc] invoice shall be payable by NRA to AMc at AMc's corporate headquarters in Oklahoma City, Oklahoma within 30 days of the invoice date. NRA acknowledges that its failure to pay such an invoice within 30 days ***will cause substantial financial damage*** to AMc.

(emphasis added). To protect AMc against this potential for "substantial financial damage," the Amendment further provides:

Accordingly, if at any time NRA fails to timely pay the invoice, NRA agrees that it shall post a \$3,000,000 letter of credit (the "LOC") for the benefit of AMc. The LOC shall continue in existence for the term of the Agreement and shall be maintained at \$3,000,000 at all times. The LOC may only be drawn upon to pay in full invoices for service fee billings outstanding more than 30 days.

The entire purpose of the letter of credit was to protect AMc from the "substantial financial damage" that the NRA and AMc agreed would result if the NRA failed to pay its invoices on time.

The present motion for injunctive relief is based on the NRA's failure to pay substantial invoices issued by AMc on May 1, 2019, with a due date of May 31, 2019, as well as the NRA's failure to post a \$3,000,000 Letter of Credit, as required by the Services Agreement and the May 6, 2018 Amendment to that agreement. Specifically, on May 1, 2019, AMc issued eight invoices to the NRA for services rendered with a total balance due of \$1,696,466.95. Based on the NRA's failure to timely pay these invoices, AMc demanded in writing that the NRA post the \$3,000,000 Letter of Credit as required by the Services Agreement. The NRA has refused to post the \$3,000,000 Letter of Credit mandated by the Services Agreement and the May 6, 2018 Amendment. (See Decl. of William Winkler, ¶ 18.)

The parties' relationship has deteriorated over the past year, to the point where on May 29, 2019, AMc gave notice of its intention to terminate the Services Agreement between the parties under a provision that establishes a 90-day transition or "wind-down" period. During this time, each party must continue to fulfill its obligations under the Services Agreement in order to facilitate an orderly wind-down of their many interwoven activities. The NRA is now refusing to honor its obligations under the wind-down provision of the Agreement.

The NRA's refusal to perform its payment obligations is transparent and contrived. It seeks to force a shut-down of AMc's activities conducted on behalf of the NRA by refusing payment unless a host of new conditions, never before imposed, are met.

The NRA's failure to comply with the unambiguous terms of the Services Agreement and the Amendment has resulted, and will continue to result, in substantial financial damage to AMc. The substantial financial damage flowing from the NRA's ongoing breaches jeopardizes AMc's continued business existence. Without the financial certainty of timely payments for expenses already incurred on behalf of the NRA for invoices that must be paid by the NRA under the parties' Services Agreement, AMc will not be able to pay its employees and its NRA-related contracts. As a consequence, AMc will be compelled to terminate many employees who are used on other AMc projects as well as serving the NRA, and AMc will not be able to maintain the resources or goodwill necessary to secure replacement clients.

STANDARD OF REVIEW

"The Supreme Court of Virginia has not yet decided a case which lays out the standard for analyzing whether or not to grant a preliminary injunction, however, several circuit courts of this Commonwealth have adopted the standard set by the Fourth Circuit." *Wings, L.L.C. v. Capitol Leather, LLC*, 88 Va. Cir. 83, 2014 WL 7686953 at *5 (Va. Cir. March 6, 2014); *HotJobs.com*,

Ltd. v. Digital City, Inc., 53 Va. Cir. 36, 2000 WL 33333529 at *2 (Va. Cir. March 8, 2000) (same).

The four elements a movant must satisfy are:

- 1) The movant's likelihood of success on the merits;
- 2) the likelihood of irreparable harm to the movant if the temporary injunction is denied;
- 3) whether the balance of equity tips in favor of the plaintiff; and
- 4) the public interest.

Real Truth About Obama, Inc. v. FEC, 575 F.3d 342, 346 (4th Cir. 2009) (citing *Winter v. NRDC, Inc.*, 555 U.S. 7, 19 (2008)); see, e.g., *Am-Cor.Com, Inc. v. Stevens*, 56 Va. Cir. 245, 2001 WL 34038012 at *5 (Va. Cir. Ct. July 3, 2001).

ARGUMENT

I. The Court should grant AMc a preliminary injunction requiring the NRA to post a \$3,000,000 letter of credit.

A. High Likelihood of Irreparable Harm to AMc

"As a general rule, proof of irreparable damage is absolutely essential to the award of injunctive relief." *Am-Cor.Com, Inc.*, 2001 WL 34038012 at *5. Irreparable harm is an injury that does "not have an adequate remedy at law" such that a party can be made whole again if that party ultimately prevails. *Wright v. Castles*, 232 Va. 218, 224, 349 S.E.2d 125, 129 (1986). Thus, as long as "monetary damages will suffice to cover any alleged harm," the "injury is not 'irreparable' as required to obtain the equitable remedy of injunction." *Christian Def. Fund v. Winchell & Assoc., Inc.*, 47 Va. Cir. 148 (1998). As a result, lawsuits that focus on monetary recovery are generally incapable of meeting the irreparable injury standard.

But "[e]ven if a loss can be compensated by money damages at judgment, [] extraordinary circumstances may give rise to the irreparable harm required for a preliminary injunction." *Hughes*

Network Sys., Inc. v. InterDigital Communications Corp., 17 F.3d 691, 694 (4th Cir. 1994). “For example, if the moving party’s business could not survive absent a preliminary injunction or if damage would not be obtainable because the defendant may become insolvent before final judgment can be entered, the requirement of irreparable injury may be satisfied.” *Cornwell v. Sachs*, 99 F. Supp. 2d 695, 703 (E.D. Va. 2000). The Fourth Circuit recently recognized that even “temporary delay” in receiving funds may give rise to irreparable injury if that delay threatens the existence of a business. *See Mountain Valley Pipeline, LLC v. 6.56 Acres of Land, Owned by Sandra Townes Powell*, 915 F.3d 197, 218 (4th Cir. 2019) (“Only when a temporary delay in recovery somehow translates to permanent injury – threatening a party’s very existence by, for instance, driving it out of business before litigation concludes – could it qualify as irreparable.”).

Moreover, even if the existence of an entire business is not threatened, irreparable injury may lie if certain features of a movant’s business may be irrevocably altered or impacted. *See Ducard Vineyards, Inc. v. Lazy Creek Vineyards & Winery*, 99 Va. Cir. 449, 453 (Va. Cir. August 12, 2018) (holding that the plaintiff established irreparable injury against the defendant because the product withheld in violation of the contract “constitutes approximately 20% of [the plaintiff’s] production and sales”). For example, in *HotJobs.com, Ltd.*, the plaintiff filed an “action for specific performance [of a contract], alleging that [the defendant] had breached the Agreement by unilaterally canceling it with thirty days’ notice and, in so doing, caused [the plaintiff] irreparable harm[.]” 2000 WL 33333529 at *1. In arguing for a preliminary injunction, the plaintiff claimed that by preventing it from advertising through the defendant’s website, the defendant was causing the plaintiff to lose a unique advertising opportunity that would result in a variety of harmful economic effects that were difficult to calculate. *Id.* at *4. The court agreed, reasoning that “the Fourth Circuit, applying Virginia law has found that ‘when the failure to grant preliminary relief

creates the possibility of permanent loss of customers to a competitor or the loss of goodwill, the irreparable injury prong is satisfied.” *Id.* at 6; *see Ducard Vineyards, Inc.*, 99 Va. Cir. at 450 (“A party may show that it has suffered an irreparable injury ... by demonstrating a ‘possibility’ that it will suffer a ‘permanent loss of customers to a competitor or the loss of goodwill.’”) (citation omitted).

In this case, AMc will suffer immediate irreparable harm from the NRA’s continuing breaches of its unambiguous obligations under the Services Agreement to pay its invoices on time and, if it fails to do so, to establish a \$3,000,000 Letter of Credit for the benefit of AMc. As already noted, the Amendment to the Services Agreement contains an explicit acknowledgment by both parties that the NRA’s failure to pay any invoice within 30 days “*will cause substantial financial damage to AMc.*”

For instance, in 2018, 41% of AMc’s gross revenues derived from its work for the NRA. (See Decl. of William Winkler, ¶ 24.) It is precisely because of AMc’s substantial financial dependence on NRA work that the parties negotiated the Amendment expressly acknowledging that fact and requiring the NRA to “post a \$3,000,000 letter of credit for the benefit of AMc ... to pay in full invoices for service fee billings outstanding more than 30 days.” Simply put, both parties already have agreed through the Amendment that any failure by the NRA to pay its invoices on time, without a substantial letter of credit for AMc to draw upon, would cause irreparable harm to AMc. The very situation that the Amendment was intended to prevent has now occurred. The NRA has failed to pay its invoices and has failed to provide the letter of credit, a double breach that guarantees the “substantial financial damage” to AMc that the Amendment explicitly says will come to pass. This “substantial financial damage” also constitutes irreparable harm because it is

“threatening [AMc’s] very existence by ... driving it out of business before litigation concludes.”

Mountain Valley Pipeline, LLC, 915 F.3d at 218.

This irreparable harm to AMc affects not just the financial survival of the company, but also the lives of its employees and its good name. In less than one week from the date of this filing, if AMc does not receive payment on its outstanding invoices or access to the required letter of credit, AMc will be forced to terminate or put on unpaid leave approximately 40% of its workforce. This downsizing will also completely shut down and discontinue the operation of AMc’s subsidiary, Mercury Group. Some of these employees have been with AMc for decades. (See Decl. of William Winkler, ¶ 28.) Losing these employees will divest AMc of decades of investment in talent and training. Moreover, public anticipation of AMc’s financial ruin has already put in motion a cascade of negative effects on AMc’s goodwill. Prospective clients have expressed fears about engaging with AMc and have taken their business to competitors. Some of AMc’s most valuable employees have already begun to pursue other employment. These irreparable injuries will culminate in AMc’s collapse in the very near future in the absence of relief from this Court.

B. The Balance of Equities Favors AMc

In stark contrast to the irreparable harms that AMc will suffer in the absence of injunctive relief, the NRA will suffer no harm if injunctive relief is granted. The NRA has already enjoyed the full benefit of the services AMc provided and for which it refuses to pay. The NRA’s operations will continue, its mission will remain supported, and it will not lose employees. All the NRA will be required to do is what it already agreed to do in the Amendment—post a letter of credit so that AMc receives payment for services it already has rendered and has the financial ability to transition its operations. This situation presents no equities in the NRA’s favor, as AMc’s irreparable harm

is the logical and mutually-anticipated result of the NRA's refusal to pay for services that they bargained for, at the rate they bargained for, and which they ultimately received. Basic principles of equity favor requiring the NRA and any party to follow through with its contractual financial obligations. The equities supporting preliminary relief are especially compelling here, where the NRA's failure to meet its obligation to provide a letter of credit threatens the existence of a company and the NRA is acting knowingly and intentionally to cause this very result. The balance of equities overwhelmingly favors granting the injunction that requires the NRA to post the agreed-upon letter of credit.

C. AMc is likely to succeed on the merits.

Under Virginia law the elements of a breach of contract action are “(1) a legally enforceable obligation of a defendant to a plaintiff; (2) the defendant's violation or breach of that obligation; and (3) injury or damage to the plaintiff caused by the breach of obligation.” *Navar, Inc. v. Fed. Bus. Council*, 291 Va. 338, 344, 784 S.E.2d 296, 299 (2016). AMc has a substantial likelihood of prevailing on its claim for breach of contract (Count I) as set forth in its counterclaim because the claim meets all three of these elements.

With respect to a legally enforceable obligation, it is undisputed that the Services Agreement, as modified by the May 6, 2018 Amendment requires that these invoices “shall be payable by NRA to AMc at AMc's corporate headquarters in Oklahoma City, Oklahoma within 30 days of the invoice date.” May 6, 2018 Amendment, ¶ 2. It is further undisputed that the NRA breached that obligation by failing to pay the fee service invoices within the 30-day time period required by the Services Agreement. This failure to pay within 30 days in turn triggered the Amendment's provision that “if at any time NRA fails to timely pay the invoice, NRA agrees that it shall post a \$3,000,000 letter of credit for the benefit of AMc.” The NRA's failure to honor this

provision of the Amendment constitutes yet another breach and further establishes the likelihood that AMc will prevail on its claims.

A review of the parties' history of dealings reinforces AMc's likelihood of success. While the Services Agreement specifies that the "NRA shall notify AMc of any questions concerning any invoices within 10 business days after receipt," the NRA has never done so. In fact, over the last 12 months the NRA has audited the expenses and charges of AMc three times and the result of each audit has been a conclusion of full compliance by AMc. Thus, the NRA's breach is clear and any excuse for it is belied by the facts. The "likelihood of success" element is satisfied.

D. Public Interest Supports the Injunction

This litigation is about the NRA's blatant disregard for its contractual obligations. As such, it "is in the public interest to make it clear that Virginia courts will not hesitate to enforce contracts freely entered into by the parties thereto." *HotJobs.com, Ltd.*, 2000 WL 33333529 at *7. Otherwise, powerful parties like the NRA "may conclude that they may breach contracts ... with impunity if a better deal presents itself[.]" *Id.* Granting the injunction protects against that possibility and vindicates the societal axiom that contracts should be honored.

Beyond preserving the integrity of contracts, granting the injunction also serves the public's interest in discouraging deceitful business tactics. The NRA's business and litigation strategy is designed to cause severe financial harm to AMc and deprive AMc of the resources necessary to transition its business away from the NRA, despite specific contract terms that were designed to prevent such a disorderly transition to a inextricably intertwined relationship of almost 40 years. The NRA's willful breaches, done with full knowledge of the calamitous effect they will have on the financial viability of AMc and the livelihoods of its employees, make the issuance of an injunction in the public interest.


CONCLUSION

For the foregoing reasons, AMc respectfully requests that the Court grant its Motion for Preliminary Injunction by entering an Order which requires the NRA to post the \$3,000,000 letter of credit set forth in the contract.

Respectfully submitted,
ACKERMAN MCQUEEN, INC. and
MERCURY GROUP, INC.
By Counsel

Dated: June 19, 2019

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that the foregoing document was served on June 19, 2019, on the following
counsel for Plaintiff by agreement via email addressed to:

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David H. Dickieson

EXHIBIT 1

SERVICES AGREEMENT

THIS AGREEMENT, made this 30th day of April, 2017, by and between the National Rifle Association of America (hereinafter referred to as "**NRA**"), A New York Not-For-Profit Corporation, located at 11250 Waples Mill Road, Fairfax, Virginia 22030, and Ackerman McQueen, Inc., an Oklahoma corporation, and its wholly owned subsidiary, Mercury Group Inc., an Oklahoma corporation, (hereinafter collectively referred to as "**AMc**"), whose principal office is located in Oklahoma at 1100 The Tower, 1601 N.W. Expressway, Oklahoma City, Oklahoma 73118.

W I T N E S S E T H :

WHEREAS, AMc is in the business of providing comprehensive communications services including public relations, crisis management, strategic marketing, advertising and creative, as well as owned media and internet services, and warrants and represents that it possesses the capability, necessary personnel, political strength, equipment and other related items to perform such services; and,

WHEREAS, NRA is a Membership Organization and desires to retain AMc as a nonexclusive source for services described herein for NRA upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, the parties hereto agree as follows:

I. SERVICES

A. Public Relations/Crisis Management /Strategic Marketing Services

Services include a combination of generating earned media, responsive public relations, crisis management and strategic thinking to promote a positive image of the NRA as described below:

- Public relations advice and counsel, including crisis management.
- Ongoing media relations -- solicitation and placement of features in national, regional and local media; liaison with print and broadcast news media on a daily basis for unsolicited inquiries; ongoing media training for NRA officials; Editorial Board meetings; features for outdoor publications.
- Specialized public relations writing services (news releases, columns, editorials), and distribution of same as required (e.g. via wire service or individual contact).
- Research and information retrieval as necessary for NRA issues management at NRA's request and approval.
- Coordination, scheduling and on-site assistance when necessary for NRA officials' speeches and personal appearances.

- Coordination with internal NRA public relations staff in the Executive Office, General Operations and Institute for Legislative Action.
- Development of proactive earned media in national and regional media as it relates to NRA officials' appearances at special events (i.e. National Gun Shows, YHEC, Annual Meetings, etc.).
- Coordination and scheduling appearances for NRA officials and commentators; including on-site assistance (where necessary).
- Develop, produce, and place op-ed pieces for national and regional media coinciding with Special Events and NRA Officials' appearances.
- Advise and counsel with NRA Officials on strategic issues to provoke public debate and frame NRA's point-of-view for the general public.
- Speechwriting services (pivotal speeches for major events are discussed in "Advertising/Creative Services" Section).
- Management of Talent/Spokespersons for NRATV.
- Production and staffing for NRATV.

B. Advertising/Creative Services

The services described below (with the exception of "Media Planning and Placement" which is addressed separately as a subcategory of this Section) will be provided to NRA on a project ("Job") basis based on the fair market value of the work as determined by NRA and AMc. When reasonable time is available, cost estimates will be submitted for approval by NRA prior to the initiation of the Job.

- Speechwriting services for NRA dignitaries to be delivered at major events (includes background research, interviews with NRA Officials/Speaker, drafts and rehearsals if appropriate).
- Conceive, copywrite, design and produce local, regional, and national print and broadcast advertising and other appropriate forms of communication to present NRA's message.
- Original photography services and film processing (on location and/or in AMc's photo studio).
- Audio/Visual and Event Management services (i.e. Annual Meetings).
- Video Taping, Editing and Production.
- Music composition and arrangement and audio production.
- Primary Research services (quantitative and qualitative).

C. Media Planning and Placement Services

Detail of AMc's compensation for Media Services are provided in the "Compensation" Section. Services rendered for such are:

- With NRA's approval, plan and order by written contract or insertion order the print space, radio and television time, or other media to be used for advertising, always endeavoring to secure the best available rates. AMc shall remain solely liable for payment, to the extent NRA has paid AMc.
- Incorporate the advertising in the required form and forward it to media with proper instructions for fulfillment of the contract or insertion order.
- Diligently check and verify broadcasts, insertions, displays, or other means used to carry the message, to ensure proper fulfillment of all media purchases made by AMc on NRA's behalf.
- For direct response paid media advertising (i.e. Infomercial), provide ongoing analysis and ROI to determine most effective media markets, dayparts, and stations on a time sensitive basis for redirection or concentration of funds as evaluation indicates.
- Carefully audit invoices and make timely payment to media and suppliers for space and time purchased by AMc on NRA's behalf.

D. Owned Media Services

- Full-time online broadcasting services for NRATV.
- Support services for NRATV provided by AMc Interactive include daily creation of graphics, flash animation for daily stories and synchronization to audio/video.
- Ongoing technical support service, unification, and advice for NRAHQ site (e.g. Answer to questions on service provider issues and simple "how-tos"). Application development or re-working requiring complex execution to be estimated on a project basis for NRA approval in advance of work performance.
- Full time marketing services to promote NRATV as well as on-site promotion of NRA programs, activities, and current events.
- Production of America's First Freedom Magazine.

E. Digital Systems Operations Support

- Technology consulting including third party solutions, cloud consulting and reviewing IS efforts.
- Reliability engineering and monitoring including performance monitoring, emergency response and overall efficiency.

- Resource and capacity planning for large scale hardware and software migration initiatives.
- System and database administration, maintenance, updating, monitoring and troubleshooting.

II. COMPENSATION

A. Public Relations/Political Strategy/Strategic Marketing Services

1. During the term of this Agreement, for ongoing Public Relations, Political Strategy and Strategic Marketing, NRA will pay AMc a fee as mutually agreed upon each year.

B. Advertising/Creative/Media Planning and Placement Services

1. During the term of this Agreement, for ongoing study of NRA's business, including account service, creative development and other support functions in connection with the day-to-day administration and operation of NRA's account, NRA will pay AMc 15% commission of the gross media expenditure, or a 17.65% mark-up of the net media billing, for all media researched, planned, placed and administered by AMc on NRA's behalf.
2. For collateral advertising services and products purchased on NRA's behalf from external suppliers (such as separations, engravings, typography, printing, etc.), by a 15% commission if offered, or a 17.65% mark-up of net billing. Estimates of the cost of external services and products are prepared, when reasonable time is available, for approval in advance and are subject to no more than a +/-10% variance provided AMc is authorized to proceed with production within thirty (30) days of the date the estimate is presented. Client changes in job specifications usually will result in the preparation and submission of a revised estimate; however, NRA agrees to assume financial responsibility for all changes specified by NRA then executed by AMc with NRA's knowledge.
3. For art concepts, design layout, photography and film processing, copywriting, music composition and arrangement, audio and video production, etc., by cost quotations submitted for approval in advance, when reasonable time is available, or at the comprehensive art, storyboard, demo music, etc. stage. These quotations are based on the fair market value of the work as determined by AMc, and take into consideration, among other things, the hourly rates of the personnel assigned to the project and the required to complete the job. Written estimates are subject to no more than a +/- 10% variance provided they are approved by NRA and AMc is expressly authorized to proceed with production within thirty (30) days of the date the estimate is presented. Client changes in job specifications will

usually result in a revised estimate; however, NRA agrees to assume financial responsibility for all changes specified by NRA, then executed by AMc with NRA's knowledge.

C. Owned Media and Internet Services

During the term of this agreement, AMc will provide owned media and online broadcasting and website management, hosting and creation of NRATV, as well as full time marketing services. NRA will pay AMc a fee as mutually agreed upon each year.

D. Digital Systems Operations Support

During the term of this agreement, AMc will provide digital systems operations support. NRA will pay AMc a fee as mutually agreed upon each year.

E. Other Projects

If AMc undertakes, at NRA's request, additional or special assignments, not included within the services described in this project, the charges made by AMc will be agreed-upon in advance whenever possible. If no specific agreement was made, AMc will charge NRA a fair market price for the work performed.

III. BILLING AND PAYMENT

- A. Mailing and express charges, long distance telephone calls, photocopies, deliveries, sales taxes and reasonable out-of-town travel including transportation, meals and lodging, etc. on NRA's express behalf, shall be billed at AMc's cost. All out-of-town travel expenses shall require prior written approval in accordance with written procedures established by the NRA Executive Vice President or his designee. Payment of travel expenses not approved in advance may result in denial of reimbursement. Expenses not listed above shall be considered to be normal business expenses of AMc and not billable to NRA unless specifically authorized in writing by the NRA Executive Vice president or his designee.
- B. All sales, use and similar taxes and all import, export and foreign taxes imposed by all applicable governmental authorities shall be billed to NRA at the amount imposed by such governmental authorities. AMc shall not be obligated to contest the applicability of any such taxes to the transactions performed pursuant to this Services Agreement.
- C. Fees shall be billed on or before the 5th of each month. This billing shall include costs specified in paragraph III A.
- D. Special assignments not included in this Agreement which cannot reasonably be included under the monthly fee must be approved in accordance with written procedures established by the NRA Executive Vice President or his designee, and the charges made by AMc shall be agreed upon in advance, where reasonable,

otherwise such charges shall be not greater than the usual and customary charges for such services or expenses in the industry.

- E. All sums payable to AMc under this Services Agreement shall be payable at AMc's corporate headquarters in Oklahoma City, Oklahoma within 30 days of the invoice date. Any amounts not received by AMc within 60 days from the date of the invoice shall bear interest at the rate of 1.0% per month from the date of the invoice until paid. NRA shall notify AMc of any questions concerning any invoices within 10 business days after receipt.

IV. CONFIDENTIALITY

A. AMc

1. AMc shall not disclose, directly or indirectly, to any third party any NRA membership data or mailing lists, any materials or information relating thereto, or any other data, materials or information coming to the knowledge of AMc, supplied to AMc by NRA, or otherwise made known to AMc as a result of AMc's providing Services (hereinafter collectively, referred to as the "Confidential Information"), without the prior express written permission of NRA. This Services Agreement shall control AMc's providing fulfillment services to NRA.
 2. AMc shall not make or cause to have made any copies of any NRA Confidential Information without the prior express written authorization of NRA.
 3. AMc may use such Confidential Information only for the limited purpose of providing its Services to NRA.
 4. AMc may disclose such Confidential Information to AMc's employees but only to the extent necessary to provide its Services. AMc warrants and agrees to prevent disclosure of Confidential Information by its employees, agents, successors, assigns and subcontractors.
- B. AMc, its employees and agents, shall comply with any and all security arrangements imposed by NRA respecting access to Confidential Information.
- C. AMc acknowledges NRA's exclusive right, title and interest in the Confidential Information, and shall not at any time do or cause to be done any act or thing contesting or in any way impairing or tending to impair any part of such right, title or interest.
- D. AMc shall cease and desist from any and all use of the Confidential Information, and AMc shall promptly return to NRA, in a manner satisfactory to NRA, any and all Confidential Information, upon the earlier to occur of the following: the completion or termination of the Services Agreement.

V. INDEMNIFICATION/INSURANCE

A. AMc

1. AMc agrees to indemnify, defend and hold harmless NRA from and against any loss, liability and expenses including attorney's fees which NRA shall become obligated to pay in respect to: (a) materials prepared by AMc on behalf of NRA which gives rise to any claims pertaining to libel, slander, defamation, infringement of copyright, title or slogan, or privacy or invasion of rights of privacy; or (b) the public relations services and related activities of any person engaged by AMc as a spokesperson in connection with NRA and its purposes, objectives and activities ("Spokesperson") pursuant to the direction or supervision of AMc. Insurance coverage for the foregoing indemnification obligations shall be maintained by AMc.
2. NRA agrees to give AMc prompt notice of such claims and to permit AMc, through AMc's insurance carrier and/or counsel of AMc's choice, to control the defense or settlement thereof. However, NRA reserves the right to participate in the defense of any such claim through NRA's own counsel and at NRA's own expense.
3. AMc shall take reasonable precautions to safeguard NRA's property entrusted to AMc's custody or control, but in the absence of negligence on AMc's part or willful disregard of NRA's property rights, AMc shall not be held responsible for any loss, damage, destruction, or unauthorized use by others of any such property.
4. AMc shall not be liable to NRA by reason of default of suppliers of materials and services, owners of media, or other persons not AMc employees or contractors unless supplier(s) is under control of AMc or AMc should have reasonably anticipated default.

B. NRA

1. NRA agrees to indemnify, defend and hold harmless AMc, and its directors, officers, employees, agents, contractors and representatives (collectively, the "AMc Indemnified Parties," such directors, officers, employees, agents, contractors and representatives being hereby deemed third party beneficiaries of this indemnity provision), from and against any and all claims, demands, causes of action, suits, liabilities, losses, damages settlements, judgments, and expenses (including attorney's fees), arising from (1) any data, materials, or service performance claims furnished to any AMc Indemnified Party by NRA, or approved by NRA, from which a AMc Indemnified Party prepared any publicity materials or public relations materials, or which were used by a AMc Indemnified Party in the production of advertising which was approved by NRA; (2) any claim, action or proceeding by any person(s), entity(ies), the United States of

America, any state(s), county(ies), or municipality(ies), or any department, agency, board, bureau, commission, attorney general, or other instrumentality(ies) or political subdivision(s) of any of the foregoing, seeking (a) damages (whether actual, exemplary, or both), reimbursement or other compensation for any alleged injury(ies), death(s), or private or public losses, damages or costs related to one or more incidents of violence committed with firearms, or (b) an injunction or other equitable relief with respect to the activities of a AMc Indemnified Party performed on behalf of NRA pursuant to this Agreement or otherwise requested or approved by NRA; or (3) the public relations services and related activities of any Spokesperson pursuant to the direction or supervision of NRA. Insurance coverage for the foregoing indemnification obligations shall be maintained by NRA.

2. AMc agrees to give NRA prompt notice of any matter covered by NRA's indemnity set forth above and to permit NRA, through NRA's insurance carrier and/or counsel of NRA's choice, to control the defense or settlement thereof. However, AMc and the other AMc Indemnified Parties reserve the right to participate in the defense of any such claim through the AMc Indemnified Parties' own counsel and at the AMc Indemnified Parties' own expense.

- C. NRA shall reserve the right, in NRA's best interest, to modify, reject, cancel, or stop any and all plans, schedule, and work in progress. In such event AMc shall immediately take proper and responsible action to carry out such instruction; NRA, however, agrees to assume AMc's liability for agreed upon commitments and to reimburse AMc for losses AMc may derive therefrom, and to pay AMc for all internal and external expenses incurred on NRA's behalf with NRA's authorization and to pay AMc charges relating thereto in accordance with the provisions of this Services Agreement.

VI. OWNERSHIP OF PRODUCTS

All creative works developed by AMc in fulfilling its obligations under this Services Agreement shall constitute works made for hire, and shall be the property of NRA. In the event that such works should not be "works made for hire," as such works are defined at 17 U.S.C. § 101, then AMc transfers and assigns to NRA the ownership of all copyright in such works. In the event that AMc should employ a subcontractor, AMc shall arrange for the transfer of such intellectual property to NRA. All other, and further, intellectual property and mailing lists, under any definition, whether common law or statutory, created or developed by AMc in fulfilling its obligations under this Services Agreement, are NRA's sole and exclusive property, and AMc does hereby assign all right, title and interest in same to NRA to the extent that AMc has such rights to assign and transfer. In no event shall AMc be deemed to be assigning or transferring greater rights than it has acquired from any supplier or contractor from who it may have acquired certain elements of the material prepared for NRA.

VII. NO COMPETITION

For the duration of this Service Agreement, AMc shall not represent any other entity in public relations services directly competitive with NRA without NRA's prior written approval.

VIII. EXAMINATION OF RECORDS

During the term of this Services Agreement, AMc authorizes NRA, upon reasonable notice, to examine AMc and Mercury's files, books, and records, with respect to matters covered under this Services Agreement.

IX. AUTHORIZED CONTACTS

AMc is authorized to act upon written communications received from the NRA Executive Vice President or his designee. He or his designee are the only persons within NRA who have the actual authority to issue such communications.

X. MISCELLANEOUS

- A. Severability. If any provision of this Services Agreement shall be held to be void or unenforceable for any reason, the remaining terms and provisions hereof shall not be affected thereby.
- B. Binding Effect; Agents. The provisions of this Services Agreement shall inure to the benefit of and bind the heirs, legal representatives, successors and assigns of the parties hereto. In performing the Services described above and in taking any action necessarily incident thereto, AMc may utilize the services of AMc's employees and/or such agents or independent contractors approved by NRA as AMc deems appropriate.
- C. Section Headings. Section headings contained in this Services Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation thereof.
- D. Integrated Agreement. This Services Agreement, together with any Exhibits hereto, constitute the entire agreement between NRA and AMc relating to the matters covered by this Services Agreement at the time of its signing. This Services Agreement supersedes all prior agreements, including letter agreements and memoranda of understanding.
- E. Survival. The terms, covenants, and conditions of Section IV and Section V shall survive the termination or expiration of this Services Agreement.

XI. TERMINATION

- A. This Services Agreement shall become effective upon the execution hereof.

- B. This Services Agreement shall continue in full force and effect for an initial period of eight (8) months ending 12-31-2017. After the initial period of eight (8) months, NRA or AMc may at their sole and exclusive discretion, terminate this Services Agreement, without any cause whatsoever, upon ninety (90) days written notice. Without such written notice, it is the intention of the parties that the Services Agreement will automatically renew. Any written notice to cancel this Contract shall be effective ninety (90) days from the date the Party giving notice to cancel tenders such written notice to the other Party. In the event of said termination, all further obligations of each party to perform shall cease, except as otherwise specifically provided in this Services Agreement. In said case NRA shall, pursuant to Section III, reimburse AMc for expenses incurred on NRA's behalf up to the date of termination.
- C. This Services Agreement may be terminated by NRA immediately upon written notice if: (1) AMc fails to diligently and in good faith perform any of its obligations contemplated hereunder; (2) AMc breaches any term, promise or covenant hereunder; (3) AMc files for bankruptcy; (4) there occurs any assignment for the benefit of creditors or the placement of any of AMc's assets in the hands of a trustee or receiver; (5) AMc becomes insolvent or bankrupt; (6) AMc is dissolved. If NRA so terminates this Services Agreement, NRA shall have no obligation to make payments except that NRA shall, pursuant to Section III, reimburse AMc for expenses incurred up to the date of said notice of termination.
- D. This Services Agreement may be terminated by AMc immediately upon written notice if (1) NRA fails to diligently and in good faith perform any of its obligations contemplated hereunder; (2) NRA breaches any term, promise or covenant hereunder; (3) NRA files for bankruptcy; (4) there occurs any assignment for the benefit of creditors or the placement of any of NRA's assets in the hands of a trustee or receiver; (5) NRA becomes insolvent or bankrupt; or, (6) NRA is dissolved.
- E. Upon the expiration or termination of this Services Agreement, AMc shall immediately return to NRA, to such place and in such manner as NRA may specify, any and all of NRA's property, materials, documents, Confidential Information, etc., that may be in AMc's possession. All charges for accumulating said materials shall be approved and paid in advance of receipt by the NRA. For all non-cancellable contracts entered into between AMc and third parties for the benefit of the NRA (herein "AMc-Third Party NRA Contracts"), the NRA agrees to pay AMc upon such expiration or termination the balance of the compensation payable under such AMc-Third Party NRA Contracts as of the date of expiration or termination so that AMc can fulfill its obligations under said Contracts after expiration or termination. If any AMc-Third Party NRA Contract(s) are cancelable upon payment of a fee and the NRA requests that such Contract(s) be cancelled, the NRA agrees to pay AMc the cancellation fees payable under such Contracts as a condition of AMc cancelling such Contract(s).
- F. In consideration of the dedication of a substantial number of personnel and resources to provide the services under this Agreement (and the necessity to

maintain such staffing levels and resource allocations to enable AMc to continue to provide such services upon any renewals hereof), the NRA agrees to pay AMc a fair and equitable termination fee to compensate it for the inevitable severances and other reasonable costs incurred in conjunction with such expiration or termination. Such termination fees shall be negotiated in good faith by the parties and paid to AMc no later than the last day of this Agreement.

- G. The terms, covenants, and conditions of Section IV and Section V shall survive the termination or expiration of this Services Agreement.

XII. GOVERNING LAW AND CONSENT TO JURISDICTION, VENUE, AND SERVICE

- A. This Services Agreement and any disputes arising thereunder shall be governed by and construed solely under the laws of the Commonwealth of Virginia, or, if applicable by federal law.
- B. AMc consents and agrees that all legal proceedings relating to the subject matter of this Services Agreement shall be maintained exclusively in courts sitting within the City of Alexandria or the County of Fairfax, Commonwealth of Virginia, and AMc hereby consents and agrees that jurisdiction and venue for such proceedings shall lie exclusively with such courts. AMc furthermore consents to the exercise of personal jurisdiction by said courts over AMc.

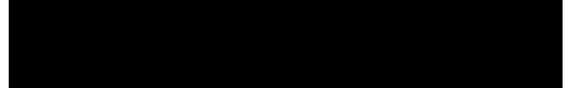
IN WITNESS WHEREOF, and intending to be legally bound hereby, and further intending to bind their employees, agents, successors and assigns, the parties have executed this Services Agreement the day and date above written.

National Rifle Association (NRA)



Allan D. Cors, President
Print Name/Title

Ackerman McQueen, Inc.



Melanie Montgomery
Print Name/Title
EVP

EXHIBIT 2

(a)

AMENDMENT NO. 1 TO SERVICES AGREEMENT

This Amendment No. 1 to Services Agreement (this "Amendment") is dated as of May 6, 2018, and is entered into by and between the National Rifle Association of America ("NRA") and Ackerman McQueen, Inc. ("AMc").

WITNESSETH:

WHEREAS, NRA and AMc are parties to that certain Services Agreement (the "Services Agreement") dated April 30, 2017; and;

WHEREAS, NRA and AMc desire to amend the Services Agreement;

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, the parties hereto agree as follows:

1. Defined Terms. All initial capitalized terms used herein but not defined herein shall have the meanings set forth in the Services Agreement.
2. Amendment of Paragraph III E. Paragraph III E of the Services Agreement is hereby amended to add the following provisions at the beginning of paragraph III E:

All service fee billing under this Services Agreement for talent and employees who work through AMc for NRA and its affiliates, including, but not limited to, Dana Loesch and _____, shall be invoiced by AMc no later than the fifth day of each calendar month, which invoice shall be payable by NRA to AMc at AMc's corporate headquarters in Oklahoma City, Oklahoma within 30 days of the invoice date. NRA acknowledges that its failure to pay such an invoice within 30 days will cause substantial financial damage to AMc. Accordingly, if at any time NRA fails to timely pay the invoice, NRA agrees that it shall post a \$3,000,000 letter of credit (the "LOC") for the benefit of AMc. The LOC shall continue in existence for the term of the Agreement and shall be maintained at \$3,000,000 at all times. The LOC may only be drawn upon to pay in full invoices for service fee billings outstanding more than 30 days.

3. Amendment of Paragraph XI E. Paragraph XI E shall be amended and restated in its entirety to read as follows:

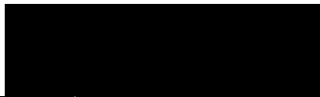
Upon the expiration or termination of this Services Agreement, AMc shall immediately return to NRA, to such place and in such manner as NRA may specify, any and all of NRA's property, materials, documents, Confidential Information, etc., that may be in AMc's possession. All charges for accumulating said materials shall be approved and paid in advance of receipt by the NRA. For all non-cancellable contracts entered into between AMc and third parties for the benefit of the NRA (herein "AMc-Third Party NRA Contracts"), the NRA agrees to pay AMc upon such expiration or termination the balance of the compensation payable under such AMc-Third Party NRA Contracts

(including, but not limited to, the AMc-Third Party NRA Contracts with Dana Loesch and OLIVER NORTH) as of the date of expiration or termination so that AMc can fulfill its obligations under said Contracts after expiration or termination. If any AMc-Third Party NRA Contract(s) are cancellable upon payment of a fee and the NRA requests that such Contract(s) be cancelled, the NRA agrees to pay AMc the cancellation fees payable under such Contracts as a condition of AMc cancelling such Contract(s).

4. Integrated Agreement. This Amendment and the Service Agreement, and the Exhibits thereto, constitute the entire agreement between NRA and AMc relating to the matters covered hereto and thereto.
5. Miscellaneous. Paragraphs X and XII of the Services Agreement are hereby incorporated by reference as if set forth in full in this Amendment.
6. Effect. In the event of a conflict between this Amendment and the Services Agreement, the provisions of this Amendment shall control. To the extent not amended by this Amendment, all of the provisions of the Services Agreement shall remain in full force and effect.

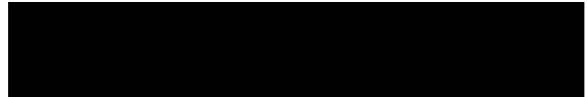
IN WITNESS WHEREOF, and intending to be legally bound hereby, and further intending to bind their employees, agents, successors and assigns, the parties have executed this Amendment the day and date above written.

National Rifle Association of America (NRA)



Wilson H. Phillips Jr.
Print Name/Title Treasurer

Ackerman McQueen, Inc.



Pete R. Brownell
Print Name/Title

TESTER


Attest:




EXHIBIT 3

VIRGINIA:

**IN THE CIRCUIT COURT
FOR THE CITY OF ALEXANDRIA**

NATIONAL RIFLE ASSOCIATION OF AMERICA,

Plaintiff,

v.

ACKERMAN MCQUEEN, INC.

and

MERCURY GROUP, INC.

Defendants.

Civil Case No. CL19001757

DECLARATION OF BILL WINKLER, CFO

I, Bill Winkler, do declare under penalty of perjury that the following is true and correct:

1. I am the Chief Financial Officer at Ackerman McQueen and Mercury Group, Inc. (collectively "AMc").
2. As Chief Financial Officer, I am accountable for the AMc's invoicing and billing.
3. It is under my authority that AMc invoices are produced and delivered to the NRA.
4. On April 30, 2019, Nader Tavangar, Executive Vice President and Managing Director of Mercury Group, which is a wholly owned subsidiary of AMc, sent the monthly fee invoices, which were dated May 1, 2019, to NRA Treasurer Craig Spray, as well as other NRA employees, Rick Tedrick, Lisa Supernaugh, and Duane Reno, via email, as per the normal course of business.

5. Craig Spray is the NRA Treasurer who I understand is responsible for receiving and paying invoices from AMc. Rick Tedrick is the NRA Foundation representative who I understand is responsible for receiving and paying NRA Foundation-related invoices from AMc.

6. The invoices dated May 1, 2019 and emailed to the NRA on April 30, 2019 included eight invoices to NRA totaling **\$1,696,466.95** and three invoices to NRA Foundation totaling **\$375,000**.

7. These eleven invoices are accurately summarized in the chart below:

Invoice Number	Job Number	Job Title	Invoice Amount
NRA			
166339	19-MG/NR-001	Strategic Management	\$258,613.17
166340	19-NR-001	Talent Fee	\$680,355.45
166341	19-NR-002	NRATV Programming C4	\$185,416.67
166342	19-NR-003	Monthly Video Support C4	\$104,166.67
166343	19-NR-004	Support Staff Fee	\$200,702.50
166344	19-NR-005	Online/Digital Management Fee	\$107,212.50
166345	19-NR-006	Business Intelligence/Data Resources/Analytics	\$35,416.66
166346	19-NRAF-002	A1F 8/19 ISSUE	\$124,583.33
Total			\$1,696,466.95
NRA Foundation			
166347	19-NRF-001	NRATV Programming C3	\$250,000.00
166348	19-NRF-002	Monthly Video Support C3	\$62,500.00
166349	19-NRF-003	FSP Production Ongoing C3	\$62,500.00
Total			\$375,000.00

8. These monthly invoices are sent to the NRA and the NRA Foundation each month based on a budget of annual amounts of money that the NRA has agreed to pay AMc and that had been previously approved by the NRA. The annual amount of each budget item approved by the NRA is paid to AMc in 12 monthly installments. Those amounts are reflected in the invoices described above.

9. Section 3, Paragraph E of the Services Agreement between AMc and the NRA states as follows:

All sums payable to AMc under this Services Agreement shall be payable at AMc's corporate headquarters in Oklahoma City, Oklahoma within 30 days of the invoice date ... NRA shall notify AMc of any questions concerning any invoices within 10 business days after receipt.

10. As with each prior month of 2019, the NRA did not question any of AMc's May 1, 2019 invoices or raise any concerns regarding those invoices when those invoices were issued.

11. On May 24, 2019 AMc received a wire from the NRA Foundation paying the \$375,000 owed pursuant to the May 1, 2019 invoices issued to the NRA Foundation. The NRA Foundation did not contest any item or any charge in the invoices.

12. The NRA, however, failed to pay the eight invoices issued to it on May 1, 2019 within the 30-day time period for payment established in the Services Agreement.

13. As of June 3, 2019, AMc had not received payment from the NRA for the \$1,696,466.95 in monthly fee invoices.

14. On June 3, 2019, I called and emailed NRA Treasurer Craig Spray regarding the NRA's failure to timely pay the May 1, 2019 invoices. Mr. Spray did not return my email or call.

15. Further, on the afternoon of June 3, 2019, Melanie Montgomery, Executive Vice President and Management Supervisor for AMc, called Mr. Spray and left him a detailed voicemail reminding him that the past due invoices covered May fees and services which were never questioned or disputed by the NRA. Mr. Spray did not return Ms. Montgomery's call.

16. On June 3, 2019, I sent a letter to Mr. Spray addressing the past due invoices and demanded that the NRA pay the \$1,696,466.95 and post of the \$3,000,000 Letter of Credit, as required under the Services Agreement, as amended.

17. The NRA never notified AMc of any questions or disputes concerning the May 1, 2019 invoices within ten business days as required under the Services Agreement.

18. On June 5, 2019, I received a letter from Andrew Arulanandam of the NRA, which copied NRA executives Wayne LaPierre, Craig Spray and John Frazer, stating that the NRA refused to post the Letter of Credit as required by the Services Agreement and as AMc had demanded.

19. Rather than pay the May 1, 2019 invoices, however, as required by the Services Agreement, the NRA began a series of correspondences wherein they sought to belatedly request additional information about the invoices, something the NRA had never done before with previous invoices.

20. The NRA's questions regarding the invoices were evasive and illogical as the NRA already had the information that they were requesting and the invoices are merely a one-twelfth portion of an annual amount that was previously approved for payment to AMc by the NRA.

21. The NRA's failure to pay these invoices breaches the direct terms of the Services Agreement.

22. The May 6, 2018 Amendment to the Services Agreement ("the Amendment") expressly provides for a remedy for AMc in the event that the NRA is delinquent in paying AMc's invoices.

23. Section 3, Paragraph E of the Amendment provides the following relevant requirement:

NRA acknowledges that its failure to pay such an invoice within 30 days will cause substantial financial damage to AMc. Accordingly, if at any time NRA fails to timely pay the invoice, NRA agrees that it shall post a \$3,000,000 letter of credit for the benefit of AMc . . .

24. In 2018, 41% of AMc's gross revenues derived from its work for the NRA. The NRA's failure to pay the May 1, 2019 invoices will cause substantial harm to AMc. AMc is taking steps to furlough employees dedicated to NRA projects and AMc is exposed to employee claims and labor law requirements arising from the need for immediate furloughs.

25. The NRA's failure to pay the May 1, 2019 invoices places certain of AMc's employees, who perform media services for the NRA, at risk and harms the reputation and business of AMc, thereby making it likely that AMc will lose valuable employees due to the furlough.

26. As of May 2019, AMc had 169 employees. Over 50% of AMc's employees are involved in working on projects and services for the NRA. These employees provide intellectual property and unique in-house media production capabilities for the NRA. Approximately 25% of these employees are essentially virtual employees of the NRA. The payments made by the NRA for services provided under the Services Agreement cover the majority of the salary expense and overhead costs attributable to these employees. Those overhead costs include leasing agreements, equipment and technology associated with two offices, one in Colorado Springs, Colorado and the other in Alexandria, Virginia, that are dedicated for the sole benefit of the NRA. Overhead costs also include approximately 75% of the space, technology and equipment associated with AMc's Dallas office, which is dedicated to the support of NRA projects and services.

27. The NRA has for decades approved annualized fees for AMc in order for AMc to employ and compensate employees that are either fully dedicated or substantially dedicated to services provided to the NRA. In the case of large, multi-year contracts for NRA media representatives such as Lt. Colonel (ret.) Oliver North or Dana Loesch, the NRA's Executive Vice President, Wayne LaPierre, and the NRA's Treasurer negotiated the arrangements either directly with that individual or used AMc as an intermediary with specific direction to enter into a contract

with that individual according to the NRA's expectations. These media representatives and employees are considered by AMc and the NRA to be virtual employees of the NRA.

28. In less than one week from the date of this filing, if AMc does not receive payment on its outstanding invoices or access to the required letter of credit, AMc will be forced to terminate or put on unpaid leave approximately 40% of its workforce. This downsizing will also completely shut down and discontinue the operation of AMc's subsidiary, Mercury Group. Some of these employees have been with AMc for decades and all are dedicated to the NRA business.

29. AMc is taking all reasonable steps to mitigate the damage that will result from the NRA's failure to pay the May 1, 2019 Invoices and failure to post the \$3,000,000 Letter of Credit, but the harm from NRA failure to pay these invoices, as required under the Services Agreement, will have a permanent and irreparable impact on AMc and its employees, unless the invoices are paid and the Letter of Credit is posted.

Executed this 19th day of June, 2019

A black rectangular box redacting the signature of Bill Winkler.

Bill Winkler