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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

IN RE:) BK. NO: 21-30085-HDH-11
)
NATIONAL RIFLE)
ASSOCIATION of AMERICA)
D E B T O R.)

* * * * *

TRANSCRIPT OF PROCEEDINGS

* * * * *

(Morning Session)

BE IT REMEMBERED, that on the 23rd day of April, 2021,
before the HONORABLE HARLIN D. HALE, United States Bankruptcy
Judge at Dallas, Texas, the above styled and numbered cause
came on for hearing, and the following constitutes the
transcript of such proceedings as hereinafter set forth:

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1 P R O C E E D I N G S

2 THE COURT: Good morning. This is the
3 Bankruptcy Court in Dallas. I'll take appearances in
4 National Rifle Association of America. I'll first go through
5 the sign-in sheet and then take appearances from those that
6 haven't registered already.

7 Jennifer Jones with the D.C. Attorney General.

8 MS. JONES: Yes, good morning, Your Honor.

9 THE COURT: Good morning to you.

10 Neligan, Gaither?

11 MR. NELIGAN: Yes, Your Honor. Pat Neligan,
12 John Gaither.

13 THE COURT: Welcome.

14 Mason, Gruber, Acosta, Carroll, and Taylor?

15 MALE SPEAKER: Yes, Your Honor.

16 THE COURT: Welcome.

17 Strubeck, Drake, Hendrix and Smith?

18 MALE SPEAKER: Yes, Your Honor. Good morning.

19 THE COURT: Good morning to you.

20 Jermaine Watson, Clay Taylor, and Robbie Clarke?

21 MALE SPEAKER: Good morning, Your Honor.

22 We're here.

23 THE COURT: Welcome.

24 I'll take appearances of those who didn't register
25 before.

1 MR. GARMAN: Your Honor, Greg Garman. We
2 forgot to register this morning. Sorry about that. Same
3 team is in the room. Mr. Robichaux and Mr. Morton are here.
4 And Mr. Correll is also present at the end of the table.

5 THE COURT: Welcome back.

6 MR. GARMAN: Thank you.

7 THE COURT: Anyone else like to make an
8 appearance?

9 MR. PRONSKE: Yes, good morning, Your Honor.
10 Gerrit Pronske, Eric Van Horn, and Jason Kathman for the New
11 York Attorney General. And appearing from the New York
12 Attorney General's Office is Jim Sheehan -- I'm sorry, Emily
13 Stern, Monica Connell, and Steven Thompson. Thank you.

14 THE COURT: Know thy co-counsel, Mr. Pronske.
15 Anyone else like to make an appearance?

16 I think we were up with Mr. Garman ready to call his
17 next witness; is that right?

18 MR. GARMAN: Yes, sir. Your Honor, the debtor
19 calls Ms. Froman, who we talked about yesterday. She's in
20 the NRA witness room and she's on the screen.

21 THE COURT: All right. How do you spell the
22 witness' last name?

23 MS. FROMAN: Your Honor, it's spelled F, as in
24 Frank, r-o-m-a-n.

25 Good morning.

1 THE COURT: Good morning. Welcome to our
2 court.

3 Would you raise your right hand?

4 (The witness was sworn by the Court.)

5 THE COURT: Mr. Garman.

6 SANDY FROMAN

7 The witness, having been duly sworn to tell the truth,
8 testified on her oath as follows:

9 DIRECT EXAMINATION

10 BY MR. GARMAN:

11 Q. Good morning, Ms. Froman.

12 Ms. Froman, could you introduce yourself to the Court,
13 please.

14 A. Yes. My name is Sandy Froman. My full name is
15 actually Sandra Sue Froman.

16 Q. And could you give a bit of personal background,
17 just so we can orient you?

18 A. Certainly. I was born and grew up in the San
19 Francisco Bay area. My dad was a civilian employee for the
20 civilian branch of the Navy. My mom was a store secretary at
21 the local Macy's. I went to high school in the San Francisco
22 Bay suburbs. Later went on to Stanford where I earned an
23 economics bachelor's degree. When I graduated from Stanford,
24 I went onto Harvard Law School and received a JV from Harvard
25 in 1974.

1 Q. And after graduating law school, did you enter the
2 legal profession?

3 A. I did. I went to work in a firm in Los Angeles
4 called Loeb & Loeb, which was then the third largest firm in
5 LA, behind Gibson, Dunn & Crutcher and O'Melveny & Myers. I
6 became a partner at Loeb & Loeb in seven years. And I was
7 the first woman partner in the 50 year history of that firm.

8 Q. And, Ms. Froman, did there come a day where you
9 left Loeb & Loeb to teach?

10 A. I did. I left Loeb & Loeb on a sabbatical. I had
11 been doing litigation at Loeb & Loeb and had tried a bunch of
12 cases in a short period of time and got an offer to come
13 teach as a visiting assistant professor of law at Santa Clara
14 University. So I took that offer. I went there and taught
15 for two years. And decided not to go back to my partnership.

16 Q. And so what did you do after that?

17 A. Actually, I had met a man. We got married and we
18 moved to Tucson, Arizona where I joined another firm called
19 Bilby & Shonehare (phonetic), which was then the largest firm
20 in Tucson. Made partner there. Continued my litigation
21 practice. Eventually that firm was gobbled up by a larger
22 firm, a firm called Snell & Wilmer, which had offices in
23 Phoenix and Tucson at the time. And I think it's expanded.
24 And I joined Snell & Wilmer then in 19 -- it would have been
25 1989, I believe.

1 Q. And following 1989, how long did you remain in the
2 active practice of law?

3 A. I practiced law at Snell & Wilmer from '89, as a
4 partner, until 1999, when I opened my own solo law practice
5 in Tucson.

6 Q. Okay.

7 A. And then I retired -- excuse me. Go ahead,
8 Mr. Garman.

9 Q. No, no. Ms. Froman, go ahead. Please finish.
10 (Inaudible few words) cut me off.

11 A. I officially retired from the active practice of
12 law in December of 2019.

13 Q. Some of us this week are quite envious of you, I
14 suspect.

15 But, Ms. Froman, in addition to the practice of law,
16 have you ever had any experience sitting on the boards of
17 non-profit entities?

18 A. Yes. I've sat on the boards of several non-profit
19 entities. Probably the first was, I sat on the board and
20 eventually became president of the Arizona Bar Foundation
21 Board, which its functions at the time, one of them was, of
22 course, legal education. But we also collected interest on
23 lawyer's trust accounts money in Arizona and used that to
24 fund legal services for the poor. I also sat on the board of
25 a small organization called Wildlife for Tomorrow, which was

1 a 501(c)(3) which raised money to assist the Arizona Game &
2 Fish Department in funding matters that would help with
3 wildlife conservation that couldn't be funded with state
4 money, such as providing bag lunches to volunteers who help
5 with trail rehabilitation and things like that. I later sat
6 on the board of an organization called the Joe Foss
7 Institute, which was named -- which was founded by and named
8 after Congressional Medal of Honor recipient Joe Foss, a
9 World War II flying ace and his wife, DeeDee. And that
10 organization was dedicated to inspiring patriotism in young
11 people. We had a Veteran's Inspiring Patriotism program that
12 sent Veterans into the schools to talk about America. And we
13 also promoted civics education, civics education in the
14 schools. I sat on that board for a while and, ultimately,
15 became its president or chairman.

16 I'm sure there are others. I'm trying to think now. I
17 currently and president of and have on the board of the Mzuri
18 Wildlife Foundation, which is not the State of Missouri,
19 bit's spelled M-z-u-r-i, which is the Swahili word for good
20 works. And that's a 50 year old Bay Area based organization
21 that provides funding for wildlife conservation and
22 education, both here in the United States and abroad. Things
23 like water for wildlife and education and training programs
24 for the shooting sports. And leopard studies in Zimbabwe. I
25 mean, we consider a lot of different opportunities.

1 Q. Ms. Froman, have you ever served on a board of a
2 non-profit in which the board had to deal with accusations of
3 self-dealing?

4 A. I have.

5 Q. And could you tell the Court about your experience
6 with that, please?

7 A. Yes. On one of the boards I served on, the Joe
8 Foss Institute, the board became aware that there were
9 allegations that one of our board members had engaged in
10 self-dealing, private inurement. We investigated those
11 allegations. Obtained all of the information. We ultimately
12 hired tax counsel to assist us with determining how to
13 proceed. And without disclosing what advice we got, we went
14 ahead and filed an amended 990 -- an amendment to our 990 for
15 that particular year, which was some years in the past.

16 Q. And approximately when -- when is this time period
17 you're referring to?

18 A. I'm thinking roughly about 2015.

19 Q. Okay. Turning now to for-profit corporations. Do
20 you have any experience sitting on the board of directors of
21 for-profit corporations?

22 A. For about the last five years, I've been a member
23 of the board of directors of Sturm Ruger & Company, which is
24 a publicly traded firearms manufacturer.

25 Q. And what are your duties on the board with that

1 entity?

2 A. As a board member of the board, I -- we do general
3 oversight. We deal with governance issues. We deal with the
4 company's financial issues, marketing issues, things like
5 that. I also serve on a couple of the committees. We have
6 committees. And most of this is detailed in our proxy
7 filings with the SEC.

8 Q. Do you have an understanding as to whether or not
9 you have duties that are owed to those entities or those
10 boards?

11 A. I do. I understand that I have a duty of care and
12 a duty of loyalty to for-profit and non-profit organizations,
13 alike. And the duty of care involves attending meetings,
14 familiarizing myself with the documents relating to the
15 business of the corporation or association, including the
16 finances. And that I have an obligation to exercise
17 independent judgment in considering and voting on matters
18 that come before the board. And my duty of loyalty involves
19 keeping the matters confidential that I learn, as a member of
20 the board of those corporations and associations. And
21 disclosing any conflicts of interest or potential conflicts
22 of interest that I might have, answering any questions about
23 those. And allowing independent directors or board members
24 to make decisions about whether I should or should not
25 participate in discussions that involve those matters that

1 I've disclosed. And, finally, I understand that I have an
2 obligation not to take advantage of my board service for
3 personal benefit.

4 Q. Ma'am, did you grow up in a household with
5 firearms?

6 A. Not to my knowledge. When I grew up in the San
7 Francisco Bay area, my dad, to my knowledge, he didn't have
8 any guns. My dad didn't hunt or shoot. I didn't have any
9 experience with guns when I was growing up one way or the
10 other.

11 Q. What caused you to become involved with the
12 firearms community?

13 A. Well, one thing that surprised me was, as an adult,
14 I found out that my dad still had his Colt 1911 from the time
15 that he served on Okinawa during Word War II. I was shocked,
16 since my father had never told me about that gun. But I
17 became -- I became involved in the gun rights movement
18 because as a young lawyer living alone in the Hollywood Hills
19 in LA, I was going through a divorce and somebody tried to
20 break into my house in the middle of the night. I was
21 terrified. I called my neighbors, nobody answered the phone.
22 I called the police. It took them about 15 minutes to get
23 there. By then the man had gone. I actually saw a stranger
24 at my door and trying to break the lock on my door with a
25 screwdriver. I went the very next day to a gun store. I'd

1 never shot a gun in my life, but I understood that I needed a
2 tool to protect myself. And I went to the gun store and
3 tried to buy a gun. The man behind the counter told me I
4 should take a gun safety class, so I did. And as part of
5 that class, I got to shoot a firearm for the first time and I
6 found out I was a good shot. So I bought a gun and started
7 going to the range and practicing.

8 Q. When did you first become aware of the National
9 Rifle Association?

10 A. When I had my gun and I was going to the range and
11 practicing and I'm starting to enter some pistol
12 competitions, California proposed a proposition, I think it
13 was Proposition 15, that would have required handgun
14 registration. And I was -- I've never been political. I
15 wasn't interested in politics. But I was offended that the
16 government was going to ask me to register this handgun, this
17 tool that I had. I was law abiding and peaceful. And was
18 uncomfortable with that. And so I asked somebody at the
19 range about that. They said, if you want to understand the
20 politics of gun control, you should join the NRA. So I did.
21 And I started getting the magazine. And I realized how many
22 programs the NRA had. I think probably some of the
23 competitions I was involved in were NRA sponsored. And I
24 started learning more about the NRA.

25 In 1990 or 1991, I think it was, I spoke at a rally at

1 the State Capitol in Phoenix opposing the passage of a bill
2 that was being proposed in Congress. It was sort of the
3 first version of the assaults weapons ban being proposed by
4 Dennis DeConcini from Arizona. And I spoke out in opposition
5 to it. Got a very positive reception from the 3,000 people
6 gathered at the State Capitol at 9:00 on a Saturday morning
7 in 100 degree heat.

8 Q. So let's stop there for a minute and break a little
9 bit of this down.

10 Not to embarrass you in any way, but what year is it
11 that you joined the National Rifle Association, to the best
12 of your recollection?

13 A. I think around 1982, 1983. It was after I -- very
14 soon after I bought my first gun.

15 Q. And would you -- for the avoidance of doubt,
16 approximately when in time was it that you began your Second
17 Amendment activism, for lack of a better term?

18 A. In the mid-80s.

19 Q. Okay.

20 A. I don't remember when Proposition 15 was being
21 proposed. But that would have been what would have triggered
22 my political activism on the gun issue.

23 Q. And -- and from a -- strike that.

24 So I believe we had reached a point in time where you
25 had begun to speak at rallies in connection with the Second

1 Amendment, correct?

2 A. Yes.

3 Q. Are there any other notable activists activities
4 that you'd like to note for the Court in connection with your
5 support of the Second Amendment?

6 A. Before I joined the NRA Board of Directors, I
7 co-sponsored the first Second Amendment symposium held at an
8 American law school. That was the University of Arizona.
9 And I raised money to fund scholars, historians, lawyers
10 coming in from all over the country to speak on opposing
11 views regarding the individual right conferred by the Second
12 Amendment. This was pre-Heller case. So there was a big
13 academic legal debate about whether the Second Amendment
14 conferred an individual right, or whether it was only a
15 collective right. And I brought in scholars from around the
16 country to speak at this law school symposium, which was well
17 attended. And papers were generated, as a result of this.

18 Q. Moving forward. Did there come a point in time
19 where you joined the Board of the National Rifle Association?

20 A. Yes. At this rally in Phoenix that I mentioned, a
21 gentleman came up to me afterwards and said, have you thought
22 about running for the NRA Board of Directors? I said, no.
23 And he said, well, I think you should. And I'll sponsor you.
24 And that gentleman turned out to be Bob Corbin, who was then
25 Attorney General of Arizona and who, I believe, was either

1 president of the NRA at the time, or about to become
2 president.

3 Q. How does one -- how does one become a member of the
4 NRA board?

5 A. You run for election. The election is held by mail
6 ballot. You're voted on by members who have voting
7 credentials. And you're nominated either by the NRA
8 Nominating Committee, or you can be nominated by petition.
9 And the first year I ran, I was nominated both by petition
10 and by the NRA Nominating Committee.

11 Q. And have you served as -- so what year was it that
12 you joined the NRA Board?

13 A. 1992.

14 Q. And have you served as a member ever since that
15 time? I'm sorry --

16 A. I have.

17 Q. -- strike that. That was a terrible question.

18 Have you served as a member of the board of directors
19 consecutively since that time?

20 A. I have. But I am elected every three years.

21 Q. When you joined the board in 1992, who was the
22 executive vice president?

23 A. Wayne LaPierre.

24 Q. And how long had he been in that role?

25 A. My understanding was that he had assumed that role

1 in early 1992, before the time I actually took my seat on the
2 board. Maybe a few months earlier.

3 Q. And how big was the NRA in membership at the time
4 you joined the board?

5 A. My recollection, it was just under 2 million
6 members.

7 Q. I'd like to talk about Mr. LaPierre. Could you
8 tell the Court what your relationship with Mr. LaPierre is?

9 A. I would say close professional colleagues. I
10 consider Wayne a friend, although I've never had dinner at
11 his house or anything like that. We live on opposite sides
12 of the country. But I've known him for a long time, mostly
13 because of NRA work together.

14 Q. And do you -- do you trust the leadership and
15 judgment of Mr. LaPierre?

16 A. I do.

17 Q. Why is that?

18 A. I've had a lot of experience with him, with
19 questions to him, which he has answered. He's solicited my
20 advice on numerous occasions. I trust him to listen to what
21 people say and to try to make the best decision on behalf of
22 NRA. Early on, just a few years after I joined the board,
23 something happened that really crystalized my view of his
24 character. That was when there was a fight for leadership of
25 the NRA between Wayne LaPierre as executive vice president

1 and a man named Neal Knox, who was a friend of mine from
2 Arizona at the time, a gun rights activist. And Neal wanted
3 to take over the executive vice president position. I was
4 fairly new to the board. Mr. Knox was claiming that there
5 were -- there was something wrong with the finances of the
6 NRA. That there had been mis-use of the finances. And
7 Mr. LaPierre was disputing that. I went to Neal first and I
8 asked him, I said, Neal, show me what you're saying. Show me
9 why what you say is true. You're asking me to vote for you.
10 Tell me, explain this to me. And his response to me, sort of
11 abruptly was, just do what you're told. Vote for me.

12 MS. CONNELL: Hearsay.

13 MR. GARMAN: Your Honor, if I might respond?

14 THE COURT: You may.

15 MR. GARMAN: The testimony I'm eliciting is
16 testimony based upon Ms. Froman's experience with
17 Mr. LaPierre. I'm not -- the comments she just made are not
18 being offered for the truth. I'm going to elicit testimony
19 as to what Mr. -- her interactions with Mr. LaPierre and how
20 they impacted her opinion of his leadership.

21 THE COURT: Overruled.

22 Q. You may continue, ma'am.

23 THE COURT: I think she already answered
24 the question.

25 A. Thank you, Mr. Garman.

1 I then asked the same question of Mr. LaPierre. I
2 said, Wayne, you're saying things are fine. You're saying
3 we're in good shape financially. That we've got this
4 covered. Would you please explain to me why Mr. Knox'
5 allegations are wrong. And his response was to direct the
6 financial department at NRA to provide me with whatever
7 documentation I wanted. And to answer any questions I wanted
8 about the allegations that Mr. Knox was making.

9 Q. And did you follow up with the financial department
10 to answer your questions?

11 A. I did. And they provided everything that I asked
12 for and they answered my questions to my satisfaction. And
13 that's what made me decide that I should support Mr. LaPierre
14 in that fight.

15 Q. Could you described, based upon your couple of
16 decades of experience with Mr. LaPierre, how would you
17 describe his management style?

18 A. Wayne is a visionary. We're lucky as an
19 organization to have someone like him. He is very outward
20 facing. He doesn't spend a lot of time in the headquarter's
21 building in the past. He's always out with the members.
22 He's always talking to members. Asking what they think about
23 NRA. Asking their opinions. He tends to allow his chief
24 deputies, who work inside the building, to vie with one
25 another over issues that they might disagree on, hoping that

1 the best result will emerge for the NRA. I've often likened
2 it to what historians say about Franklin Delano Roosevelt,
3 having that kind of a management style.

4 Q. How does Mr. LaPierre respond when people disagree
5 with him?

6 A. Wayne invites disagreement. He seeks opposing
7 views. He is constantly asking questions of everyone from
8 board members to people who report to him to, I've seen him
9 ask questions of members at a Friends of NRA Dinner. He
10 never sits down to dinner. He always walks around the room
11 shaking hands with people, talking to individual members.
12 I'm usually sitting there while his dinner's getting cold.
13 He basically wants to know what our members think about what
14 the NRA is doing and how we're doing.

15 Q. If there comes a day when you lose confidence in
16 the judgment and lose trust in Mr. LaPierre, would you take
17 steps to remove him from office?

18 A. I would, yes.

19 Q. And why is that?

20 A. Because I owe my duty to the NRA and not to
21 Mr. LaPierre personally.

22 Q. How does the NRA board compare to the other boards
23 you currently or in the past have sat on?

24 A. It's a wonderful find. It's very different from
25 any board that I've ever been involved with. First of all,

1 it's huge. It's 76 members now. And people come from all
2 over the country, from different walks of life. They have
3 different areas of expertise. We do have lawyers, but we
4 also have people who have their own businesses, real estate
5 folks. We have elected officials. It's actually one of the
6 strengths of the NRA board that there's so many different
7 kinds of people on the board who come from different economic
8 backgrounds.

9 And so we only meet three times a year. We do most of
10 our work through committees. And I rely upon the reports of
11 those committees. The Competitive Shooting Committee, for
12 example, I am not an expert in competitive shooting. And
13 when they ask for action items to be voted on at the board
14 meeting, I trust their judgment that they've examined all of
15 the pros and cons and are making a good recommendation to us.
16 So we really function very differently. And, plus, all of
17 the directors are volunteers. We're unpaid. Our expenses
18 are reimbursed, but we don't get a salary for coming to board
19 meetings, or doing homework in between board meetings. Very
20 different from the corporation that I sit on now with Ruger.

21 Q. What is the deliberative process of the board of
22 directors? How does it come to decision making?

23 A. We have a lot of wide-ranging discussions. I
24 sometimes say that in a board of 76 members, we have 77
25 opinions. People are not afraid to voice their views.

1 They're not afraid to get into robust debate. We are -- we
2 respect one another. We are friends with one another. I
3 think I know personally every single person on the board of
4 directors. And it took me a long while to get there.
5 Because with 76 people, that's a long time. But it is a very
6 active board. We make a lot of inquiries. We ask questions.
7 We don't always vote the same way. There's always some
8 opposing views on almost everything.

9 Q. Ma'am, can you turn to NRA Exhibit 22, please.

10 MR. GARMAN: Well, Your Honor, I may or may
11 not need to do this. Exhibit 22 is an NRA Board of Directors
12 Meeting from January 11th of 2020. I believe it to be
13 identical to what the NYAG admitted as Exhibit 273. I
14 believe my 22 and NYAG 273 are identical. I will simply note
15 that this board of directors meeting was broken into three
16 parts, 22, 23, and 24. And, counsel, I seek to admit 22, 23,
17 and 24, so we have a complete set of the minutes of this
18 meeting.

19 Sorry for the long talk there. I'm just trying to get
20 this admitted. And I can lay a foundation, if counsel wants
21 me to.

22 MS. CONNELL: Mr. Garman, I just want to
23 understand, what you're seeking to admit is a subpart of what
24 we had already admitted?

25 MR. GARMAN: No, ma'am.

1 MS. CONNELL: Okay.

2 MR. GARMAN: You admitted 273, which is the
3 first 119 pages of this -- of this board minutes. My 22 is
4 identical to your 119 pages, but it's a document that I think
5 exceeds 300 pages. I'm seeking to introduce 22, 23, and 24,
6 so we have the complete minutes in the record.

7 MS. CONNELL: No objection. It was a large
8 file. Now I recall. No objection, Your Honor.

9 MR. ACOSTA: Mr. Garman, real quick, I'm not
10 seeing NRA 24.

11 MR. GARMAN: Okay.

12 MR. ACOSTA: Do you have a Bate's number? Let
13 me see if -- that may be an issue on my end.

14 MR. GARMAN: I have an Exhibit 24 in my
15 electronic copy. It doesn't appear to have a Bate's number
16 on it. I'll represent to you that it is -- it does?

17 Oh, I'm sorry, it does. It's NYAG -- NRA-NYAG 83820
18 and it goes through 3924.

19 MR. ACOSTA: Okay. All right. That's fine.
20 No objection.

21 MS. CONNELL: Mr. Garman, I actually think the
22 NYAG exhibit number that you're referring to is mistaken.
23 But we have no objection to the admission.

24 MR. GARMAN: I'm sorry. All right. Just so
25 I'm straight, you're offering 22, 23, and 24 and there's no

1 objection to it, as I heard. So those will be admitted.

2 Q. With that, Ms. Froman, I actually am not going to
3 ask you about this document.

4 THE COURT: That was a lot of conversation
5 about those exhibits, Mr. Garman.

6 Q. Ms. Froman, does the -- I'm sorry, does the NRA
7 board have elected board officers?

8 A. Yes, we do. A president, a first vice president,
9 and a second vice president. Those are unpaid positions.
10 And we also have the executive vice president, that's
11 Mr. LaPierre right now, the treasurer, and the secretary.
12 Those are paid positions.

13 Q. Okay. So let's talk first about the board
14 officers, the unpaid positions.

15 What are the duties of those three offices?

16 A. The officers generally oversee the -- oversee the
17 board. They oversee the NRA in conjunction -- they work with
18 Mr. LaPierre, the EDP in overseeing the board, the operations
19 of the NRA. Not operational, but they have oversight
20 responsibilities, so if there are major things that come up.
21 And they also act as kind of a conduit between Mr. LaPierre
22 and his staff and the board of directors. When you have a 76
23 member board of directors, it's tough -- you know, without
24 having a flow of information back and forth. You don't want
25 every one of those 76 board members calling the EDP every

1 day.

2 Q. And how often are they elected?

3 A. They're elected every year.

4 Q. And what's that process? Tell us about how one is
5 elected to one of these three offices.

6 A. Every year at the board of directors meeting that
7 follows the Annual Meeting of Members -- the Annual Meeting
8 of Members is held once a year, talking what's typical, which
9 is pre-COVID. In the Spring, there's an Annual Meeting of
10 Members, which akin to a stockholders meeting on a Saturday.
11 And on the following Monday, we have a board of directors
12 meeting. And that's where elections take place of both the
13 paid and the unpaid officers.

14 Q. And when do you expect the next election to be?

15 A. In September of this year in Houston at our --
16 following our Annual Meeting of Members.

17 Q. And you've served in one or more of these offices,
18 correct?

19 A. I've served as second v.p.; first v.p., and
20 president, yes.

21 Q. And could you tell us the circumstances and when
22 you served as president of the board of directors of the NRA?

23 A. I was president from the Spring of 2005 to the
24 Spring of 2007.

25 Q. Okay.

1 A. Two years. But I was elected each year.

2 Q. Okay. And just for -- just to round out the
3 record, could you explain to us when you served at the first
4 v.p. and the second v.p.?

5 A. I came in as second v.p., which is the lowest
6 level, the second runner up, if you will, in the Spring of
7 1998. That was the year that Charlton Heston was elected as
8 NRA president. And he ended up serving for five years. So I
9 served as second v.p. for five years. And then two years as
10 first v.p. under then president, Cain Robinson. And then I
11 had my turn as president of the NRA.

12 Q. How did Mr. Heston come to serve five terms?

13 A. He was willing to come in -- I don't know if it was
14 the second or first v.p. when he came in. But he was doing
15 such an amazing job for NRA in terms of his outreach, his
16 public image, you know, promoting the NRA as a great gun
17 safety organization. And the NRA Board of Directors actually
18 passed a bylaw to allow him to serve beyond what were then
19 the bylaw term limits, that you could only serve as president
20 for two one-year terms. Mr. Heston was allowed to serve for
21 five years.

22 Q. Okay. What --

23 A. And that's still in the NRA bylaws. Pardon me.

24 Q. What are the limitations on individuals not named
25 Charlton Heston, how long they can serve?

1 A. The president can only serve for two one-year
2 terms. The vice presidents have on restrictions on how long
3 they can serve.

4 Q. Okay. And, ma'am, can we talk about the paid
5 officers of the NRA, who are they?

6 A. Those are the executive vice president, the
7 secretary, and the treasurer.

8 Q. Okay. And who holds those -- who holds the
9 executive vice president position currently?

10 A. Wayne LaPierre.

11 Q. And who is the current secretary?

12 A. John Frazier.

13 Q. And when will they stand next for re-election?

14 A. In September.

15 Q. And -- and so in September, they could be replaced
16 by a vote of the board of directors?

17 A. Yes.

18 Q. Ms. Froman, I'd next like to talk about the
19 Committees at the NRA.

20 Could you give a brief overview of the committees that
21 the board has?

22 A. We have a lot of committees. I think there's --
23 committees and funds, I think there's probably between 25 and
24 30 committees and funds. Probably over the years that I've
25 been on the NRA Board served on at least 8 or 9 of those

1 committees and funds. The ones that I currently serve on are
2 the Legal Affairs Committee, the Legislative Policy
3 Committee, and the Public Affairs Committee. And I'm also a
4 member of the Executive Committee, which is an elected
5 committee. The other committees are -- the committee
6 membership are appointed by the president.

7 Q. And is there a Nominating Committee?

8 A. Thank you. There is a Nominating Committee. And I
9 serve not on this year's Nominating Committee, but on the
10 previous year's Nominating Committee. I was chair of that
11 committee.

12 Q. Can you explain to the Court how the Nominating
13 Committee and its functions are performed?

14 A. Nominating Committee consists of, I believe it's
15 six board members and three non-board members. In other
16 words, people who don't serve on the NRA Board of Directors.
17 And we are asked to nominate candidates to run for election
18 at the next annual election of directors. So one-third of
19 the board turns over each year, so there's roughly 25
20 openings each year. Sometimes one or two more, depending
21 upon if people have passed away, or left the board. And our
22 job is the nominate the best candidates possible. We're
23 given biographical information about them. We meet in
24 executive session. We make decisions on who should be
25 nominated. We take input from one another and we seek input

1 from outside of the Nominating Committee, if we feel that
2 that's important to our decision. The nominees can also be
3 nominated by petition, as I mentioned earlier. And we may
4 consider those, as well.

5 Q. Turning now, are you -- do you know a board member,
6 Judge Journey?

7 A. I do.

8 Q. And how do you know Judge Journey?

9 A. I've known Phil since the early '90s, maybe '95. I
10 joined the board in 1992. Phil came on the board soon after
11 that. And we met each other then. And he left the board,
12 I'm not exactly sure when, a few years later. We
13 occasionally would run into each other, or email one another.
14 I kept in touch. I knew what he was doing. He was very
15 active in the Second Amendment community in Kansas. And I
16 actually ran into him maybe two years ago when I was speaking
17 in Kansas. And so we had a chance to get reacquainted. Then
18 I encouraged him to run for the board.

19 Q. And how did Judge Journey come to be nominated for
20 the board?

21 A. I chaired the Nominating Committee that nominated
22 him.

23 Q. And did you support that nomination?

24 A. I did.

25 Q. And -- and would you support Judge -- well, strike

1 that.

2 Are you familiar with the requested relief that Judge
3 Journey has sought of this Court?

4 A. I understand that he's sought the appointment of an
5 Examiner.

6 Q. And do you support that relief?

7 A. No.

8 Q. But would you support Judge Journey if he sought
9 re-election to the NRA Board of Directors?

10 A. That would depend on what happens between now and
11 when Phil has to run again. What happens to the NRA. How
12 Phil feels about whether his concerns are being addressed or
13 not. I think he has a right to express his views.

14 Q. Were you at the March 28th board meeting of this
15 year?

16 A. Yes.

17 Q. And -- and were you there during -- were you there
18 for the entire meeting?

19 A. I was there for the entire meeting.

20 Q. Was Judge Journey ever prohibited from stepping to
21 the microphone and addressing the board?

22 A. No.

23 Q. Did there come a time in which Judge Journey did
24 address the board?

25 A. Yes.

1 Q. And can you explain the details and circumstances
2 of that moment?

3 A. During the executive session when the resolution
4 was being discussed that ultimately was recorded out of
5 executive session and had to do with the filing of the
6 Chapter 11, he did not speak. He did not address the board.
7 But after we went out of executive session and we were
8 getting ready to adjourn the meeting, he stood up asking for
9 a point of personal privilege and started explaining why --
10 how he felt. Why he had done what he had done. And started
11 going into the merits of the discussion that had been -- that
12 had taken place during executive session and had been voted
13 on. By this time, our lawyers had left, the lawyers who were
14 representing us in the Chapter 11. And about a third of the
15 board members who were present at the meeting had left to
16 catch planes, so we were -- there were a lot of empty seats
17 in the room. And I listened for a while and I felt that
18 his -- what he was saying had gone beyond the point of
19 personal privilege and was going into the merits of the
20 discussion that had taken place and been voted on. So I
21 stood up and asked to be recognized. The chair recognized me
22 and I said I respected Phil's right to address the board.
23 But I thought if he was going to continue, that we ought to
24 go into executive session. And there was -- that was what I
25 said. And I think Phil at some point sat down.

1 Q. And, finally, ma'am, do you provide financial
2 support to the National Rifle Association?

3 A. I do. I'm a donor.

4 Q. And, again, not to embarrass you. But what size of
5 donor are you and have you been over the years?

6 A. I started out as a modest donor, because that's
7 what I could afford. I upgraded my life membership to patron
8 endowment and then benefactor, which is the highest level,
9 which means adding additional money. And then I started
10 donating when I could. I estimate that over the last four
11 years or so, I've donated about \$175,000 to the NRA.

12 Q. And --

13 A. Pardon me?

14 Q. I'm sorry. Go ahead. I cut you off.

15 A. No. And I've also -- I've also participated in NRA
16 events. I've bought auction items at auction. Probably paid
17 more than what they're worth. But I figure the excess will
18 benefit the NRA. And I think it's important and I've done
19 that -- I've financially supported all of the non-profits
20 that I've served on the board of. I think it's very
21 important if you are a board member, that you support the
22 organization financially, as well as with your opinions and
23 your expertise.

24 Q. Ms. Froman, thank you for your testimony. You've
25 answered all of my questions.

1 MR. GARMAN: I'll pass the witness, Your
2 Honor.

3 THE WITNESS: Thank you, Mr. Garman.

4 THE COURT: Ms. Connell, why don't you go
5 first.

6 MS. CONNELL: Thank you, Your Honor.

7 CROSS-EXAMINATION

8 BY MS. CONNELL:

9 Q. Good morning, Ms. Froman.

10 A. Good morning.

11 Q. My name is Monica Connell. I'm representing the
12 Office of the New York State Attorney General.

13 I think you testified that you have known Mr. LaPierre
14 for approximately 30 years; is that correct?

15 A. That's correct.

16 Q. And it's fair to say that you're an ardent
17 supporter of Mr. LaPierre; would you say that's correct?

18 A. That's correct.

19 Q. Okay. And in 2019 at the Annual Meeting, there was
20 some discussion or challenge to Mr. LaPierre's leadership,
21 right?

22 A. I'm not sure I understand your question.

23 Q. So you recall the 2019 Annual Meeting Indianapolis,
24 correct?

25 A. Vaguely. I don't remember everything that was said

1 or everything that happened at that meeting. But it was a
2 robust meeting.

3 Q. A robust meeting. So there was an issue between
4 Mr. LaPierre and Colonel North; is that correct?

5 A. Yes.

6 Q. Okay. And there were also some board members who
7 raised questions regarding Mr. LaPierre's leadership at that
8 meeting; isn't that true?

9 A. I believe that's true. I wouldn't disagree.

10 Q. And in 2019, you co-signed a letter in support of
11 Mr. LaPierre's leadership --

12 A. Yes.

13 Q. -- right?

14 You co-signed that letter with Carolyn Meadows?

15 A. I don't -- I don't have a recollection of who else
16 was on the letter.

17 Q. Okay. So you don't remember whether Ms. Meadows
18 signed the letter, as well?

19 A. I don't remember.

20 Q. Okay. You said you were president of the NRA from
21 2005 to 2007?

22 A. Yes.

23 Q. And that was a volunteer position?

24 A. Yes.

25 Q. Okay. But many past presidents of the NRA have

1 received some form of compensation from the NRA; is that
2 correct?

3 A. That's what I've seen in the disclosures that are
4 printed and made available to members at the Saturday
5 Member's Meeting at each Annual Meeting, yes.

6 Q. When you say, disclosures, can -- do you mean the
7 IRS Form 990s?

8 A. No. We're all asked to make disclosures if we're
9 receiving any money from the NRA. And those disclosures are
10 printed. It's usually on one sheet of paper. And there's a
11 big stack of them outside the room at the Saturday Member's
12 Meeting. I'm not talking about the 990.

13 Q. Okay. So you know that Ms. Hammer receives money
14 as a consultant or lobbyist for the NRA, correct?

15 A. Yes.

16 Q. And she's a past president, right?

17 A. Yes.

18 Q. And you know David King is a past president of the
19 NRA, right?

20 A. Yes.

21 Q. And he has been -- he has received compensation
22 from the NRA, correct?

23 A. That's what I've read.

24 Q. And do you know whether he's still receiving
25 compensation?

1 A. No, I don't.

2 Q. Okay. Do you know who Jim Porter is?

3 A. I do.

4 Q. Also a past president, right?

5 A. Yes.

6 Q. Mr. Porter has a son who's an attorney at a law
7 firm; is that right?

8 A. That's my understanding, yes.

9 Q. And the NRA gives business to Mr. Porter's son's
10 firm; is that correct?

11 A. I believe Mr. Porter's son's firm has done work for
12 the NRA for which they've been compensated, for the NRA
13 Institute for Legislative Action.

14 Q. So the NRA has given business to Mr. Porter's son's
15 firm, correct?

16 A. That's correct.

17 Q. Okay. Thank you.

18 You know Mr. Pete Brownell, correct?

19 A. Yes.

20 Q. And he's a past president of the NRA?

21 A. Yes.

22 Q. And Mr. Brownell owns businesses that sell firearms
23 and firearms accoutrement. I can't think of the correct
24 word.

25 A. Accessories.

1 Q. Accessories. That's the words I was looking for.

2 Thank you, Ms. Froman.

3 He owns companies that sell firearms and firearms
4 accessories, right?

5 A. Yes, Ms. Connell, he does.

6 Q. And the NRA or the NRA Foundation buys products
7 from those businesses; is that correct?

8 A. I think so, but I'm not sure. Again, I'm relying
9 upon what I read in the disclosure statements that are
10 prepared and given to members annually.

11 Q. Okay. And you've received money from the NRA;
12 isn't that right?

13 A. Yes.

14 Q. So from 20 -- from 2008 until near or about 2018,
15 you got approximately \$50,000 per year, right?

16 A. I don't recall the exact amount. I was reimbursed
17 expenses in the amount of about \$3,700 a month for a while,
18 because I was asked to speak on behalf of NRA, to leave my
19 law practice and travel and speak. And whenever my -- the
20 request didn't conflict with my law practice I said, yes.
21 And I went.

22 Q. So it's your testimony as you sit here now that the
23 money paid to you for solely for reimbursements of expenses
24 associated with speaking engagements?

25 A. Yes.

1 Q. Okay. And it wasn't reportable income to you?

2 A. It was my understanding, based on conversations I
3 had with the NRA finance office that it was considered
4 reportable income to me. I received 1099s. I included those
5 in my reportable income. The way the amount was calculated
6 was based on the actual out-of-pocket expenses of my firm and
7 on the amount of time that I spent doing NRA work as opposed
8 to work for my clients.

9 Q. So it reimbursed you for your time and the cost of
10 the speaking engagement; is that right?

11 A. For my time, no.

12 Q. Okay. I thought you said the time that you missed
13 doing other work.

14 A. Well, what happens was -- what happened was we
15 figured out what the cost of the -- the law office costs were
16 and I gave those to NRA and we figured out approximately how
17 much time was being spent on NRA business. And that's what
18 the amount was that I requested reimbursement of. And then
19 the Department of Finance told me that this would be reported
20 as income to me and a 1099 would be issued and I said, fine.

21 Q. So the law office costs didn't include your time,
22 it included some other calculation of cost, correct?

23 A. Correct.

24 Q. And so that amount for many years ended up being
25 very close to \$50,000 per year; is that correct?

1 A. Whatever \$3,700 and change times 12 is would be the
2 correct amount.

3 Q. Okay.

4 MS. CONNELL: So, Mr. Wang, could you please
5 bring up NYAG Exhibit 109?

6 Q. And while Mr. Wang does that -- actually, could you
7 turn to it, Ms. Froman?

8 A. Okay.

9 Q. Ms. Froman --

10 A. Oh, I'm sorry.

11 Q. Yes. Let me know when you have it, please.

12 A. I do. It's a -- is it a 990?

13 Q. It is. From 2014. Do you see that?

14 A. Yes, I do.

15 Q. And you know what an IRS form 990 is, correct?

16 A. Yes.

17 Q. Would you turn to page 14 on the pdf of that?

18 THE COURT: What's the exhibit number,
19 Ms. Connell?

20 MS. CONNELL: It's NYAG Exhibit 109, Your
21 Honor. And I would ask that it be admitted into evidence.

22 THE COURT: Let me just get it on my screen.
23 I'm slower than you all.

24 A. I have to apologize and ask what page you're asking
25 me to look for. Actually, it's on the screen in front of me,

1 so I'm just going to use this.

2 Q. We're going to look at page -- well, Mr. Wang has
3 it. It's page 14 of the --

4 A. I see it.

5 THE COURT: All right. Let's wait for
6 Mr. Garman to --

7 MR. GARMAN: I have no objection to the
8 admission, Your Honor.

9 THE COURT: NYAG 109 is in.

10 Q. So do you see in this year, ma'am, that -- do you
11 see your name at number 33, row number 33?

12 A. I do see that, Ms. Connell.

13 Q. And if you follow that row to the right under
14 reportable compensation from the organization you see an
15 amount, 45,180, correct?

16 A. Correct.

17 Q. And you have no reason to think that amount is
18 incorrect, right?

19 A. Correct.

20 Q. Okay.

21 MS. CONNELL: Mr. Wang, could you please pull
22 up NYAG Exhibit 111?

23 Q. Okay. Do you see NYAG Exhibit 111, Ms. Froman?

24 A. I do.

25 Q. And do you see that it's the NRA's IRS Form 990

1 from 2016?

2 A. I do.

3 MS. CONNELL: Your Honor, I'd move for
4 admission of this record.

5 MR. GARMAN: Your Honor, I don't want to slow
6 us down. Assuming there's a representation that it's
7 complete, I have no objection.

8 MS. CONNELL: To my knowledge, it's complete.
9 I will ensure that it is complete.

10 THE COURT: NYAG 111 is in.

11 Q. Ms. Froman, can you please turn to pdf page 14.
12 Actually, Mr. Wang, my colleague, will get us there.

13 A. Thank you for that.

14 Q. Thank you.

15 Do you see that you appear at line 32 on page 14?

16 A. Yes.

17 Q. Okay. And do you see if you follow the rows to the
18 right, you have reportable compensation from the organization
19 of \$45,180, correct?

20 A. Yes.

21 Q. So did you get paid for your -- did you get paid by
22 the NRA every year between 2008 to 2018?

23 A. I don't remember.

24 Q. Okay. You got paid for the executive vice
25 president's budget; is that right?

1 A. I don't know where -- out of what budget it came
2 from.

3 Q. Okay. And as an officer of the NRA, you have to
4 complete -- let me step back for a second.

5 Did you have a contract for these payments?

6 A. I -- no.

7 Q. Okay. And you didn't disclose these payments on
8 your conflict of interest forms until 2019; isn't that
9 correct?

10 A. I don't recall disclosing them. Because it was my
11 understanding they were reimbursement of expenses. And I do
12 recall --

13 MS. CONNELL: Objection, Your Honor, move to
14 strike.

15 THE COURT: Sustained.

16 Q. So you didn't disclose these on your conflict of
17 interest forms until 2019; isn't that correct, Ms. Froman?

18 A. I don't know that I disclosed them in 2019.

19 Q. Okay. You, as an officer -- excuse me, strike
20 that -- as a past president of NRA received a corporate
21 credit card; is that right?

22 A. Yes. When I was an officer.

23 Q. Right. And you didn't use it very often, I don't
24 think; is that accurate?

25 A. That's correct.

1 Q. And you -- to your knowledge, did other officers
2 also get corporate credit cards?

3 A. Yes.

4 Q. And you had your's until they were collected in
5 2018; is that right?

6 A. Correct.

7 Q. Okay. Mr. Spray asked for the officers -- former
8 officers to turn them in; is that right?

9 A. Actually, Mr. Tedrick asked me.

10 Q. Okay. Jumping to another topic.

11 I think you said that on another board you served on
12 there had been some self-dealing that you investigated; is
13 that right?

14 A. No. I said alleged self-dealing.

15 Q. Alleged self-dealings. Excuse me. I forgot I'm
16 dealing with an attorney.

17 So you said that on another board there were
18 allegations of self-dealing; is that correct?

19 A. Yes.

20 Q. And as a board member on that board, you made sure
21 those were investigated, correct?

22 A. Yes. I and other board members.

23 Q. Right. And I think you mentioned that you amended
24 the -- that organizations 990 form; is that correct?

25 A. Correct.

1 Q. Are you aware of the NRA's -- excuse me. Strike
2 that.

3 You've reviewed the NRA's 2019 990, correct?

4 A. I don't remember.

5 Q. Are you aware of disclosures of excess benefit
6 transactions to officers, current and former officers on the
7 NRA's 2019 990?

8 A. I -- I've heard that.

9 Q. Have you, yourself, looked at the 2019 990 and the
10 allegations --

11 A. I --

12 Q. -- the allegations related to the excess benefits
13 in that document?

14 A. I have read about those allegations. I don't
15 remember if I read the 990 or not.

16 Q. Have you investigated those excess benefit
17 transactions that you've read about?

18 A. Me personally?

19 Q. Yes.

20 A. No.

21 Q. Have you taken steps to ensure that they're
22 investigated?

23 A. Through the board, our attorneys, our Audit
24 Committee, yes.

25

1 Q. I'm asking you, Ms. Froman, whether you, yourself,
2 have taken any steps to make sure that the particular excess
3 benefits alleged in the 2019 990 are investigated?

4 A. As a member of the board, yes.

5 Q. So which excess benefits -- let's talk about them.
6 What have you done to investigate the alleged excess benefits
7 received by Wayne LaPierre?

8 A. I've listened to reports from our attorneys,
9 reports from our Audit Committee, asked questions. That's
10 what I've done as a board member. I haven't -- that's what
11 I've done as a board member.

12 Q. But you haven't read what the NRA alleges are the
13 excess benefits received by -- you haven't read in the 990
14 what the NRA alleges are the excess benefits received by
15 Mr. LaPierre; that's correct, right?

16 MR. GARMAN: Objection -- objection.
17 Mis-states her testimony, Your Honor.

18 THE COURT: Overruled. You may answer the
19 question.

20 A. I'm not sure I understand your question.

21 Q. I'm saying that in the official file, the official
22 990 filing, the NRA set forth excess benefits it asserts were
23 received by Mr. LaPierre. And I'm saying you haven't even
24 read that document to look at what is alleged he received,
25 correct?

1 A. No. That's not what I said.

2 Q. I didn't say that's what you said. I'm asking you
3 if that's true.

4 A. I don't know what specific allegations you're
5 referring to, so I can't answer --

6 Q. Ms. -- I'm sorry.

7 A. So I can't answer your question, unless you're more
8 specific.

9 Q. So you know that in 2019 -- excuse me, strike that.
10 In November 2020, the NRA filed an IRS Form 990 for the
11 year 2019, correct?

12 A. I assume that's true, from what has been put on the
13 screen.

14 Q. And you know, or you've heard, that it's alleged,
15 or it's stated in that document that some NRA officers and
16 former officers received excess benefits. Is that accurate?

17 A. That's what I've read, yes.

18 Q. But you have not read the 2019 990 itself; is that
19 correct?

20 A. I don't remember.

21 Q. Okay. You testified that you attended the March
22 28th special board meeting, right?

23 A. Yes.

24 Q. And in the executive session Marion Hammer
25 criticized Phil Journey, that's correct, right?

1 A. I believe that's correct. I don't remember if it
2 was inside executive session or outside of executive session.

3 Q. Okay. But you remember Ms. Hammer criticizing
4 Judge Journey, right?

5 A. I remember hearing part of it. I think I was out
6 of the room for part of that time.

7 Q. Oh, you left for of the board meeting?

8 A. I think I went to the restroom and then -- I think
9 when they went out of executive session, I went to the
10 restroom. And then when I came back, Marion Hammer was part
11 way through her -- what she was saying.

12 Q. Okay.

13 MS. CONNELL: So could we open NYAG Exhibit
14 356, please?

15 We can put it on the screen, Ms. Froman, if you'd like.

16 THE WITNESS: Thank you.

17 Q. Do you see NYAG Exhibit 356, Ms. Froman?

18 A. I see -- I don't see an exhibit number, but I see
19 it's the proceedings from the March 28 meeting.

20 Q. Okay. So this is a transcript of the March 28th
21 meeting.

22 MS. CONNELL: Your Honor, it's been admitted
23 into evidence already.

24 If we could please look at page 19, Mr. Wang. Okay.
25 If we could direct our attention to lines 13 through 19.

1 Q. Do you see lines 13 to 19?

2 A. I do.

3 Q. Ms. Froman, thank you.

4 So this is where Mr. Journey stands up to speak to the
5 board; is that correct?

6 A. Correct.

7 Q. And if you see at line 17 to 18 he said, he's
8 taking a point of personal privilege. And he references that
9 his character was impugned, right?

10 A. I see that.

11 Q. So in executive session, is it fair to say at some
12 point earlier in the board meeting he'd been insulted?

13 A. I don't know. I see Mr. Journey said that. I was
14 there in the room when he said that.

15 Q. Okay. Can we --

16 A. But I don't remember what Ms. Hammer said. And I
17 didn't hear her whole speech, because I was out of the room
18 for part of the time.

19 Q. Okay. But she made a speech of some sort, you
20 believe?

21 A. She was talking when I came back into the room.

22 Q. And what was she saying?

23 A. I don't remember her words. But obviously it was
24 something that Phil didn't like, that he was upset by.

25 Q. Marion Hammer can get a little sharp, right?

1 A. Marion Hammer, it's her style. And Phil knew that,
2 because he'd been on the board before with her.

3 MS. CONNELL: Your Honor, I move to strike
4 after -- everything after, that's her style.

5 THE COURT: Overruled.

6 MS. CONNELL: Okay. Can we please turn to
7 page 25 if this exhibit, Mr. Wang, at lines -- well, let's
8 page down a little bit.

9 Q. Where you begin speaking, Ms. Froman, at line 15.
10 Do you see that?

11 A. I do.

12 Q. And I think as you testified, you say here that you
13 respect Judge Journey's right to address this board, right?

14 A. Yes.

15 Q. And you go on further and say that you think if
16 he's going to speak, the board should go back into executive
17 session, right?

18 A. That's what I said, yes.

19 MS. CONNELL: And if we go down to the next
20 page.

21 Q. It's because Judge Journey has a right, even if he
22 disagrees with other members of the board, to be heard,
23 right?

24 A. Correct.

25 Q. So you again state at the top of page 26, he's a

1 member of this board. He's entitled to speak. Right?

2 A. Yes.

3 Q. And you go on and say, but I would rather it be
4 done in executive session and not where we have people in the
5 room who don't have an obligation to keep this non-public,
6 right?

7 A. Yes.

8 Q. So you stood up for Phil Journey and his right to
9 speak?

10 A. Yes.

11 Q. And in the next line Willes Lee responded by
12 thanking you and asking for the closing prayer; isn't that
13 right?

14 A. That's what it says.

15 Q. And then shortly thereafter the meeting was brought
16 to a close, or some time thereafter, right?

17 A. Correct.

18 Q. No executive session after that, right?

19 A. Correct.

20 Q. And Judge Journey was not allowed to continue
21 his -- or Judge Journey was not able to continue his
22 speaking, correct?

23 A. Once the meeting was over, correct.

24 Q. Thank you very much, Ms. Froman.

25 THE COURT: Pass the witness?

1 MS. CONNELL: I'm sorry, Your Honor. I do
2 pass the witness.

3 THE COURT: Thank you.

4 Mr. Mason?

5 MR. MASON: Thank you, Your Honor.

6 CROSS-EXAMINATION

7 BY MR. MASON:

8 Q. Good morning, Ms. Froman. My name is Brian Mason.
9 I represent Ackerman McQueen. How are you doing this
10 morning?

11 A. I'm doing very well, Mr. Mason. Thank you.

12 Q. You talked about Neal Knox raising concerns about
13 Mr. LaPierre's finances in the past. Did I understand that
14 correctly?

15 A. I don't think that's quite accurate. I think he
16 raised concerns about the NRA's finances.

17 Q. The NRA's finances, okay. Not necessarily
18 Mr. LaPierre's finances?

19 A. Correct.

20 Q. And I believe -- have you read the New York
21 Attorney General's complaint that was filed in August of
22 2020?

23 A. Yes.

24 Q. And you understand that there's allegations being
25 made against Mr. LaPierre that he has improperly received

1 financial benefits throughout the last -- throughout the
2 years, right?

3 A. I understand those are in the complaint.

4 Q. Do you understand that Mr. LaPierre has agreed to
5 pay back over \$300,000 in financial benefits that he has
6 received?

7 A. Yes.

8 Q. Do you believe it's appropriate for the executive
9 vice president of the NRA to use an NRA vendor's luxury yacht
10 in the Bahamas free of charge?

11 A. I can't answer that question. I think it would
12 depend.

13 Q. Depend on what?

14 A. On what the purpose of the use of the yacht was.

15 Q. Do you believe that right after a school shooting
16 it's appropriate for Mr. LaPierre to take cover on a luxury
17 yacht in the Bahamas?

18 A. I don't know how to answer that question. I don't
19 know what you mean by, take cover. And I don't know what it
20 has to do with the school shooting. I can't answer that
21 question without more information.

22 Q. You talked a lot about how well the NRA board
23 works, right? You believe it works well?

24 A. Yes.

25 Q. And you would agree that it's important for the

1 NRA's officers to be open and transparent with NRA board
2 members, right?

3 A. Yes.

4 Q. And isn't it true that the NRA board was not
5 notified about the bankruptcy filing prior to January 15th,
6 2021?

7 MR. GARMAN: Your Honor, I'd like to lodge an
8 objection as this being outside the scope of my direct.

9 THE COURT: I think it's within the scope.
10 Overruled. It's also being used for impeachment.

11 You may answer the question.

12 A. Mr. Mason, can you ask again, please?

13 Q. Sure.

14 Ms. Froman, isn't it true that the NRA board was not
15 advised of the bankruptcy filing prior to January 15th, 2021
16 when it was actually filed?

17 A. I don't know whether I can answer that yes or no.
18 I can say that at the board meeting in January, the NRA board
19 was not told that a bankruptcy filing might be one of the
20 options. And I didn't know until the bankruptcy -- the
21 Chapter 11 petition was filed, I did not know that that was
22 going to happen or was one of the issues being considered.

23 Q. So you didn't attend any board meeting where the
24 NRA officers advised the NRA board that the NRA was planning
25 to file bankruptcy on January 15th, 2021, correct?

1 A. That's correct.

2 Q. Isn't it true that the NRA board has a serious
3 problems with leaks?

4 A. Yes.

5 Q. And those problems have been going on for a long
6 time, right?

7 A. I don't know what you mean by a long time.

8 Q. Has the NRA board had concerns about leaks for the
9 last 5 to 10 years?

10 A. No.

11 Q. Okay. For the last 5 years?

12 A. No.

13 Q. Okay. Does the NRA board currently have concerns
14 about leaks among the board members?

15 A. Yes.

16 Q. Do you think it's difficult for the NRA officers to
17 be open and transparent with the NRA board when there are
18 concerns with leaks among board members?

19 A. I don't -- I don't know how to answer that. It's
20 the word, difficult, that you're using, Mr. Mason, that
21 causes me concern. I think the NRA officers have had to make
22 certain decisions based on the possibility of leaks.

23 Q. And you can understand that because of those
24 concerns with leaks, it may be difficult for NRA officers to
25 share certain information with the NRA board; is that fair?

1 A. That's fair, yes.

2 MR. MASON: Thank you, Ms. Froman. I've got
3 no further questions.

4 THE COURT: Thank you, Mr. Mason.
5 Mr. Taylor?

6 FEMALE SPEAKER: I think you're muted,
7 Mr. Watson.

8 MR. WATSON: Oh, sorry about that.

9 CROSS-EXAMINATION

10 BY MR. WATSON:

11 Q. Good morning, Mrs. Froman. My name is Jermaine
12 Watson. I represent Judge Journey in our group.

13 A. Hello, Mr. Watson.

14 Q. I just have a few questions for you, Mrs. Froman.
15 Is it Ms. or Mrs., I always mess that up?

16 A. Ms. Froman, because Froman is my maiden name and
17 Mrs. was my mother.

18 Q. Fair -- fair enough. Thank you.

19 A. And thank you for asking.

20 Q. I always mess that up. I'm trying to do better.

21 So you previously testified that you do not support
22 Judge Journey's Examiner motion; is that correct?

23 A. Correct.

24 Q. Is it because you don't want an investigation into
25 the compensation and benefits of management?

1 A. No.

2 Q. Is it because you don't want an investigation into
3 certain vendors of the NRA?

4 A. No.

5 Q. Is it because you don't support full transparency
6 to the membership, this Court, and unsecured creditors?

7 A. No.

8 Q. Well, could you state for the Court your reasons
9 why you don't support the Examiner motion?

10 A. Yes. I think that there has been a very fulsome
11 investigation by NRA internally, by the lawyers that NRA has
12 hired to take corrective action with respect to our reporting
13 requirements to correct control oversight issues. And that's
14 been going on for several years. We have had auditors in
15 there looking at things. I feel as though there's a very
16 comprehensive and serious investigation and examination
17 that's been going on. And I think an additional
18 investigation by an Examiner would be costly for NRA. Would
19 not benefit NRA. And would be duplicative and unnecessary.

20 Q. Well, why --

21 A. And I told Phil this.

22 Q. Why wouldn't it benefit the NRA?

23 A. Because it would be extremely expensive. It would
24 be a distraction from the NRA's mission. And because that
25 investigation is already being done by multiple folks.

1 Q. Thank you, Ms. Froman.

2 Now, have the contents of those investigations been
3 made available to the membership of the NRA?

4 A. I don't know.

5 Q. Have the contents of that investigation been made
6 available to the full board of directors?

7 A. Some information has been made available to the
8 board in legal briefings at board meetings. I don't know how
9 much, because I only hear what I hear at a board meeting.

10 Q. I understand. So as we sit here today, you're not
11 aware that everything has been made available, even to the
12 board of directors regarding these investigations?

13 A. I don't know -- I don't know which investigations
14 have been completed and which are ongoing. As information
15 is -- as information comes to light, the board is briefed on
16 information at our board meetings, at legal briefings,
17 sometimes at special board meetings that have been given on
18 very short notice. I just -- I don't know whether all of the
19 information that has been learned has been made available. I
20 only know what's been made available at board meetings that
21 I've attended.

22 Q. Do you -- well, let me ask you one more questions,
23 Ms. Froman.

24 Do you believe there's additional information that has
25 not been disclosed or made available to the board of

1 directors?

2 A. I don't know.

3 Q. Okay.

4 MR. WATSON: Thank you, Judge. I'll pass the
5 witness.

6 THE COURT: Thank you, Mr. Watson.

7 Mr. Drake?

8 MR. DRAKE: Thank you, Judge. We don't have
9 any questions.

10 THE COURT: Thank you.

11 Mr. Garman?

12 MR. GARMAN: Yes, sir. I have two very brief
13 areas of follow-up.

14 REDIRECT EXAMINATION

15 BY MR. GARMAN:

16 Q. Ms. Froman, do you recall Ms. Connell asking you
17 about expense reimbursement versus compensation, those
18 questions?

19 A. Yes.

20 Q. When you were NRA president, did NRA employees use
21 your office space for NRA work?

22 A. Yes.

23 Q. And to be clear, we're not referring to you, we're
24 referring to separate NRA employees?

25 A. Yes. One NRA employee was officed in my office in

1 Arizona.

2 Q. And is that the basis for expense reimbursement
3 during that time period?

4 A. During that time period that I was an officer, yes.

5 Q. Okay. And then the second question is -- the
6 second area of inquiry is, you were asked about whether or
7 not you put expense reimbursement on your disclosure form.
8 Do you remember that line of questioning?

9 A. I do.

10 Q. You didn't get a chance to tell the Court why you
11 chose not to include it on the disclosure form. I'd like to
12 give you that opportunity.

13 A. First of all, I understood that expense
14 reimbursements did not have to be disclosed. Which is what I
15 considered this to be. And I had conversations with
16 employees in the Department of Financial Services at NRA
17 about these particular expense items. At one point I was
18 told by one employee that they would have to be -- they were
19 going to start treating them as compensation to me and to
20 issue a 990. And I said, fine. And that they would be
21 disclosed on the -- I'm sorry. They would issue a 1099 and
22 that these expenses would be disclosed on the 990 and I said,
23 fine. And I assumed that NRA knew what they needed to know.
24 It was my understanding that the purpose of disclosure was so
25 that NRA could treat these amounts appropriately. And I had

1 conversations and discussions with the Financial Services
2 Office about what these were. There was no secret about what
3 I was -- what I was asking NRA to pay.

4 Q. Thank you, Ms. Froman.

5 MR. GARMAN: Your Honor, I have no further
6 questions.

7 THE COURT: Thank you.

8 Does anyone else have any questions of this witness?

9 MS. CONNELL: Your Honor, may I have a very,
10 very brief recross?

11 THE COURT: You may.

12 REXCROSS-EXAMINATION

13 BY MS. CONNELL:

14 Q. Ms. Froman, I think you just said that during the
15 period you were an officer, you had an NRA employee who used
16 your office; is that correct?

17 A. Yes.

18 Q. But that ended in 2007, correct?

19 A. I don't remember when it ended.

20 Q. Well, you said you were a president from 2005 to
21 2007, right?

22 A. Yes. But I don't remember when that person stopped
23 being an employee of NRA. And as long as they were an
24 employee of NRA -- well, that's not fair to say. As long as
25 they were in Arizona, they continued to use my office. And

1 after that time, my office was used for a lot of NRA
2 meetings, activities, whatnot, because I couldn't -- I
3 couldn't be at the building.

4 Q. So, Ms. Froman, the NRA gave you money. It was, at
5 least for a number of years, a certain amount of money per
6 months, correct?

7 A. Correct.

8 Q. And in a number of years, or for a number of years,
9 it was close to \$50,000. I picked two that showed you there
10 were, I believe it was \$48,180, right?

11 A. Whatever those numbers were, I agree with you.

12 Q. So in the interest of transparency, shouldn't that
13 have been disclosed to your fellow board members?

14 A. I can't answer that question. I thought it had
15 been disclosed to the Department of Financial Services. They
16 knew what it was. It was my understanding --

17 Q. But --

18 A. Can I finish my answer?

19 Q. Well, no. Actually, I'm asking you a yes or no
20 answer. So I'd ask you to answer that question, yes or no.
21 In the interest of transparency, that should have been
22 disclosed to your fellow board members, correct?

23 A. I can't answer that, because I don't know how --
24 how NRA considered that payment.

25 Q. But you filled out a conflict of interest form each

1 year, as you were supposed to, correct, Ms. Froman?

2 A. Correct.

3 Q. And that conflict of interest form asked you for
4 disclosures regarding benefits you received, correct?

5 A. As I recall, the conflict of interest form
6 specifically includes -- excludes expense reimbursements.

7 Q. So it's your --

8 A. And I asked about that.

9 Q. It's your testimony, ma'am, that from the years
10 2008 until 2018, you didn't feel the need to disclose that
11 you were getting approximately \$50,000 per year from the NRA?

12 A. I don't know how to answer that.

13 Q. Okay.

14 A. I felt like I had disclosed it.

15 Q. But not on your conflict of interest form?

16 A. I don't remember when the conflict of interest
17 forms were first sent.

18 Q. You filled out a yearly conflict of interest form
19 as a board member of the NRA for the past let's say decade;
20 is that accurate?

21 A. A decade, yes, since about 2011.

22 Q. Okay. And you just told us that you -- in your
23 first testimony, you told us that you looked at, or board
24 members were given information regarding board members who
25 received financial benefits from the NRA, correct?

1 A. Correct.

2 Q. But you didn't indicate, as far as you recall, that
3 you received this money, whether it was reimbursement, or
4 however you want to characterize it, such that your other
5 board members would know; is that correct?

6 A. I did not disclose it until the Department of
7 Financial Services told me that it would be disclosed and I
8 said, fine.

9 MS. CONNELL: I would move to strike that
10 answer, Your Honor.

11 Q. And I'd ask whether you put it on your conflict of
12 interest form?

13 THE COURT: I'm going to overrule the
14 objection and let the answer stand.

15 Q. But you didn't put it on your conflict of interest
16 form, right?

17 A. You would have to show me the conflict of interest
18 form so I -- for each of those years so I know what I did or
19 did not list.

20 Q. Okay. But you don't recall disclosing it; is that
21 right?

22 A. I don't recall disclosing it, correct.

23 Q. Okay. So, Ms. Froman, we were -- speaking about
24 conflict of interest forms. Did you know that Mr. LaPierre
25 completed a conflict of interest form during the course of

1 this trial?

2 MR. GARMAN: Your Honor, I object. The
3 questions about Mr. LaPierre are far outside of my redirect.

4 THE COURT: Response on that, on the redirect.
5 I would understand in the first pass, but on the redirect,
6 Ms. Connell.

7 MS. CONNELL: I withdraw that question, Your
8 Honor. I'll withdraw it.

9 THE COURT: Thank you.

10 MS. CONNELL: We don't need to go there.

11 THE COURT: Thank you.

12 MS. CONNELL: One second.

13 Q. You spoke about having read the NYAG complaint; is
14 that correct?

15 A. Yes.

16 MR. GARMAN: Your Honor, I also object. That
17 did not come up in the two limited lines of inquiry on my
18 redirect.

19 THE COURT: Sustained.

20 MS. CONNELL: Your Honor --

21 THE COURT: I'm going to sustain that.

22 MS. CONNELL: Then I'm done with my
23 questioning.

24 Thank you, Ms. Froman.

25 THE COURT: Thank you.

1 THE WITNESS: Thank you, Ms. Connell.

2 MS. CONNELL: Your Honor, I pass the witness.

3 THE COURT: Does anyone else have any
4 questions of this witness?

5 MR. MASON: Very briefly, Your Honor.

6 THE COURT: Okay.

7 RECROSS-EXAMINATION

8 BY MR. MASON:

9 Q. Ms. Froman, on -- on the office space that you were
10 referencing, how many people were working in that office
11 space?

12 A. Total number of people, three.

13 Q. And with respect to the Examiner for Mr. Watson, I
14 believe one of the concerns you had was the cost associated
15 with an Examiner is one of the reasons you didn't want an
16 Examiner; is that correct?

17 A. That's correct.

18 Q. Are you aware that in a public filing just this
19 week, the NRA disclosed that it spent over \$6 million on
20 professional fees in the month of March?

21 A. I'm not aware of that.

22 MR. MASON: No further questions, Your Honor.
23 Thank you.

24 THE COURT: Does anyone else have any
25 questions of Ms. Froman?

1 Ms. Froman, just for the record, I have a couple of
2 questions about your being able to testify this morning, just
3 for the record. And I understand you're a practicing
4 attorney. You're maybe retired. I'm not sure what you're
5 doing exactly now. So I'm not meaning to disparage a fellow
6 member of the Bar when I ask you this.

7 But you heard some testimony about Mr. Cotton; is that
8 correct?

9 THE WITNESS: Yes, Your Honor.

10 THE COURT: Would you mind just saying on the
11 record briefly what happened so that it's clear.

12 THE WITNESS: I tuned in to the Webex at the
13 beginning of the trial on, I think it was Monday morning, a
14 week ago Monday.

15 THE COURT: Yep.

16 THE WITNESS: And listened to the opening
17 statements. I then -- I was in and out of the room. I had
18 it on in my office, but it's 2 hours earlier in Arizona, so I
19 was making breakfast and going back and forth with my coffee.
20 It was sort of like playing in the background. I listened to
21 some of the openings. And then I was out of the room making
22 lunch. And when I came back in, Mr. Cotton was testifying.
23 But the only thing I remember hearing is a gentleman, who I
24 believe was representing the New York Attorney General's
25 Office was asking questions about documents which were not on

1 the screen and I didn't know what they were. And reading
2 portions of the documents to him and asking Mr. Cotton, did I
3 read that correctly? And Mr. Cotton would say, yes, you read
4 that correctly. I don't remember any substantive testimony
5 that Charles Cotton gave, other than with reference to those
6 documents.

7 THE COURT: Thank you very much.

8 THE WITNESS: Thank you, Your Honor.

9 THE COURT: In terms of the Rule, does anyone
10 intend to call this witness back?

11 Okay. Hearing none, Ms. Froman, I think you know what
12 the Rule is. If you would not speak with anyone about your
13 testimony until I have ruled, which will be roughly a week
14 after closing arguments. But you may -- you're free to watch
15 the rest of the trial, if you want to.

16 THE WITNESS: Thank you, Your Honor. I
17 understand the Rule and I'll follow your instructions.

18 THE COURT: Okay. Nice to have you with us
19 this morning.

20 MR. PRONSKE: Your Honor, this is Gerrit
21 Pronske.

22 Could -- I've got one issue regarding the Rule that I'd
23 like to raise with the Court.

24 Obviously issues involving the Rule, we want to make
25 sure there aren't any further problems. Our client, Letitia

1 James, would like to watch the rest of the trial. Ms. James
2 is not on the NRA's list of remaining witnesses that were
3 read to the Court yesterday. No other party has subpoenaed
4 Ms. James. And we do not intend to call Ms. James. So for
5 purposes of clarifying, Your Honor, I wanted to make that
6 disclosure and see if there are any other -- anybody has any
7 issue with that.

8 MR. GARMAN: Sir -- Greg Garman for the
9 debtor.

10 Your Honor, I have made written request to call
11 Ms. James in this trial. She was, in fact, on my witness
12 list. I did indicate that I wouldn't subpoena her. But to
13 the extent she is available, I very much would like to call
14 Ms. James to the stand.

15 THE COURT: I did say I think she should
16 not -- she should not watch the trial, Mr. Pronske. I'm not
17 saying whether she's going to be allowed to be called to the
18 stand. I'm not saying that, though.

19 MR. PRONSKE: Thank you.

20 THE COURT: Thank you.

21 MR. WATSON: Judge Hale, I have one point to
22 raise, while we're here right now.

23 THE COURT: All right.

24 MR. WATSON: There is a board meeting
25 scheduled next week, Judge. And I hate to bring this up

1 again, but many of the witnesses who've testified in this
2 hearing are going to be present at that board meeting and
3 undoubtedly are going to discuss portions of their testimony,
4 potentially. And we'd just like some guidance from the Court
5 on how that should happen.

6 THE COURT: I'm not sure if you heard
7 yesterday afternoon, I'm not there yet. There's a lot of new
8 things in this trial, as you can imagine. So that was a new
9 one that Mr. Taylor presented yesterday. I don't think it's
10 going to be a problem, though, if everybody sticks with the
11 schedule that was given to me. And since we have a judge
12 trial, I have a lot less concern about releasing folks to
13 appear at that meeting on Saturday and talk about what's
14 going on in the trial, because the evidence will be in. As I
15 told everybody, I'm trying to avoid, as best I can, reading
16 anything. Although it's difficult, I will tell you, because
17 something pops up on ABI website and things like that. But
18 I -- by the time we're done next Friday, I think the evidence
19 will be closed. And I don't think it's going to be that big
20 of an issue for them then to appear and speak. I'd be
21 prepared to let them do that. I wanted to think about it a
22 little bit, though, because this was a new issue posed to me
23 yesterday.

24 I don't know if anyone wants to weigh in on that. But
25 if everybody sticks to the schedule that they said, we'll be

1 done with evidence next Friday.

2 MR. WATSON: Your Honor, just one more point.

3 I believe they start meeting next Thursday, not next
4 Saturday. There are committee meetings on Thursday of next
5 week.

6 THE COURT: Okay. Well, I guess I'll just
7 have to continue to think about it a little bit, Mr. Watson.
8 This was brought up in an oral motion by Mr. Taylor. I don't
9 want to inconvenience your folks from being able to speak,
10 but I also don't want them to violate the Rule. In fact, I
11 would ask you all to sort of think about it over the weekend,
12 how best to handle that.

13 MR. WATSON: Okay. Thank you, Judge.

14 THE COURT: It's my pleasure, Mr. Watson.

15 Mr. Garman, you may call your next witness.

16 MR. GARMAN: Yes, sir. Our next witness and
17 final witness for the day is our CFO, Ms. Rowling. I'd ask
18 that we take our short break, not only to get her situated in
19 the witness room, but our computer here is a little laggy and
20 I think we just need to restart it. So technology reset and
21 to get the witness settled, Your Honor.

22 THE COURT: Is laggy a technical term,
23 Mr. Garman?

24 MR. GARMAN: As good as I've got, sir.

25 THE COURT: I can relate.

1 Why don't we take a 10 minutes recess. It's probably
2 the only recess we're going to take this morning.

3 (Brief recess ensued.)

4 THE COURT: All right.

5 MR. SALITORE: Your Honor, if I may briefly.

6 THE COURT: Sure.

7 MR. SALITORE: This is Marc Salitore. I
8 represent the United States Trustee.

9 We also were experiencing a laggy connection, to use
10 the technical term. I just wanted to note my appearance, as
11 well as Ms. Lambert for today's proceedings. And it may be
12 that I have some questions for Ms. Rowling.

13 THE COURT: Well, welcome.

14 MR. SALITORE: Thank you, Your Honor.

15 THE COURT: Mr. -- is Mr. Garman still in the
16 debtor's attorney's room?

17 FEMALE SPEAKER: He is not, but we can grab
18 him.

19 THE COURT: Well, I'd like to just finish up a
20 little bit of the conversation and then ask you all about
21 this Rule issue, if that's okay.

22 Can you grab him?

23 FEMALE SPEAKER: Certainly, yes. Absolutely.

24 THE COURT: Thank you.

25 Mr. Garman, I'm sorry to drag you back in here. I just

1 want to at least get my head clear.

2 You're intending to call the accountant and
3 Mr. LaPierre and Mr. Robichaux on Thursday; is that right?

4 MR. GARMAN: That's correct, Your Honor.
5 Sorry, Your Honor, I hadn't made it back into the room yet.
6 I was working on something.

7 Are we talking about the Rule?

8 THE COURT: Yeah. Back on the Rule issue just
9 for a minute to sort of get my head straight on it.

10 So the --

11 MR. GARMAN: I have some thoughts on that too,
12 when you're ready.

13 THE COURT: Okay. I was about to say,
14 Robichaux is your designated rep for the debtors, so no
15 problem with the Rule as to him.

16 So what were you going to say? And then let's just
17 talk about it for a minute.

18 MR. GARMAN: So I share -- I know Mr. Taylor
19 mentioned it yesterday and Mr. Watson has mentioned it today.
20 There certainly is an -- there certainly is a practical
21 implication of the Rule as it relates to this board meeting
22 coming up. I believe that we will be done with testimony on
23 Thursday. And it is my belief that probably everyone needs
24 to simultaneously be released from the Rule on Thursday. The
25 problem I think we face from a practical perspective

1 releasing someone before that is that Mr. LaPierre being
2 unable to read transcripts and be able to engage as to what
3 has occurred at this trial makes releasing, I think, some
4 witnesses, some board members from the Rule both potentially
5 unfair and potentially problematic as to what the knowledge
6 base is for their fellow board members. And so whenever we
7 decide to release folks, and I'm pretty open to it as to what
8 the timing would be, I do think that we need to release all
9 of the board members simultaneously. And that would include
10 Mr. LaPierre. And currently, I don't think we're expected to
11 do that until Thursday mid-day, would be my expectation.

12 THE COURT: Okay.

13 Mr. Pronske, do you want to just -- we're just having a
14 conversation right now. Any thoughts on this to help me
15 think this through?

16 MR. PRONSKE: No. I don't think I've got a
17 concern as far as what the debtor is going to do.

18 THE COURT: Okay. And Mr. Watson?

19 MR. WATSON: Yes, Your Honor, just one
20 suggestion that the meeting probably should be postponed
21 until at least after all of the witnesses have a chance to
22 testify. And particularly after the ruling.

23 THE GARMAN: Well, Your Honor, I have a couple
24 of implications which are, I have an exclusivity period
25 coming up. And then secondarily, we've spent tens of

1 thousands of dollars to hold a meeting. And I don't think
2 simply because this trial is going on, the debtor is relieved
3 of its obligations to try and advance a --

4 THE COURT: All right. I don't know what the
5 answer is. I haven't had an issue quite like this. And I
6 guess we also have, Mr. Pronske, potential rebuttal
7 witnesses, that this would affect; is that right?

8 MR. PRONSKE: Yes. That would be Friday of
9 next week.

10 MR. MASON: And, Your Honor, that's my
11 concern, as well. Because I understand Mr. LaPierre is going
12 to be coming back next Thursday and there could be some
13 issues that are raised by him that may warrant some rebuttal
14 on Friday.

15 THE COURT: Uh-huh.

16 MR. PRONSKE: Your Honor, it would seem to me
17 that the appropriate time to lift it would be at the close of
18 evidence and that's just, I think, a day later.

19 THE COURT: Uh-huh. Let me just ask out loud
20 and then we'll move off of this topic, because I still just
21 want to think about it.

22 I don't know, but would you anticipate the rebuttal
23 witnesses will be attending the NRA meeting?

24 MR. PRONSKE: No.

25 MR. WATSON: Probably not, Your Honor.

1 THE COURT: Okay. All right. Well, I don't
2 have a good answer for you, because I've never had this
3 issue. This is sort of a unique situation, so let me mull
4 through this a little bit more. But I understand my thinking
5 yesterday was wrong on timing. It may be that the issue pops
6 up earlier than Saturday. I was feeling good about it
7 yesterday, because I thought we could get through the
8 evidence and then just lift the Rule, but that may not be
9 workable.

10 THE COURT: Okay.

11 MR. GARMAN: Your Honor, I'll just add you one
12 more fact for that argument. It's my belief that -- it's my
13 understanding that the only thing that occurs on Thursday and
14 Friday are committee meetings. And it's not clear to me how
15 the trial would impact the business of the committees. So
16 take that for what it's worth. It might not be worth much.

17 THE COURT: All right. Well, no, that's
18 helpful.

19 All right. The legal term we're going to use is we'll
20 be mulling over this. We'll get back to you or have some
21 sort of hearing, or something like that.

22 Thank you very much.

23 All right. Thank you for coming back in, Mr. Garman.

24 Ready?

25 MS. KOZLOWSKI: Yes, Your Honor.

1 THE COURT: You may call your next witness.

2 MS. KOZLOWSKI: Thank you. The debtors call
3 Sonya Rowling.

4 THE COURT: Ms. Rowling, I'm going to
5 administer the oath to you, again. You've already testified
6 once.

7 Would you raise your right hand?

8 (The witness was sworn by the Court.)

9 THE COURT: Counsel, would you go ahead and
10 state your name for the transcriber?

11 MS. KOZLOWSKI: Thank you, yes. Talitha Gray
12 Kozlowski.

13 THE COURT: And welcome back to you too.

14 MS. KOZLOWSKI: Thank you.

15 SONYA ROWLING

16 The witness, having been duly sworn to tell the truth,
17 testified on her oath as follows:

18 DIRECT EXAMINATION

19 BY MS. KOZLOWSKI:

20 Q. Good morning, Ms. Rowling.

21 Could you please remind the Court of your position with
22 the NRA?

23 A. I am currently the acting CFO.

24 Q. And do you have any certifications?

25 A. I do. I am a CPA.

1 Q. And do you think it's important for the CFO to be a
2 CPA?

3 A. I do. I believe that the certifications required
4 behind becoming a CPA have a big impact on the affairs of the
5 organization. I also think that the ethics requirements
6 behind becoming a CPA and maintaining that license is of huge
7 importance.

8 Q. How long have you been with the NRA?

9 A. I've been with the NRA for 21 years.

10 Q. And what was your prior position before becoming
11 the CFO?

12 A. I was the director of financial reporting and
13 accounting operations.

14 Q. Okay. And what were your duties in that -- in that
15 position?

16 A. I managed the entire accounting department along
17 with all of the financial reporting, internal and external.
18 I managed the audits. And the internal control structure
19 with respect to the accounting department.

20 Q. And do you believe that experience within the NRA
21 will assist you as the CFO?

22 A. I do. You know, having 20 years of experience
23 provides me with the knowledge of the NRA, the understanding
24 of its revenues and expenses and where they come from, and
25 how all of that transcribes into the financial statements.

1 As well as I have the relationships within the building to
2 effectively and openly communicate throughout the
3 organization.

4 Q. Thank you.

5 Did you have any experience with non-profits prior to
6 joining the NRA?

7 A. I did. I worked in public accounting for five
8 years auditing non-profits.

9 Q. Okay. And did you do any auditing work prior to
10 that?

11 A. I did. I audited intelligence programs for the
12 Department of Defense Office of the Inspector General.

13 Q. Do you believe that your prior experience auditing
14 non-profits will assist you as CFO?

15 A. I do. It provides me the insight into the internal
16 controls that must be relied on in order for an audit to be
17 performed in accordance with general accepted auditing
18 standards. It gives me further insight into the financial
19 statements and preparing them with respect to generally
20 accepted accounting principles.

21 Q. Okay. When -- when did Mr. Spray become the CFO?

22 A. March of 2018.

23 Q. Okay. And were you involved in getting him up to
24 speed when he became the CFO?

25 A. I was. Woody was not in the office, so we held

1 many meetings with Mr. Spray to teach him the organizational
2 structure, the revenue, where the sources of revenue came
3 from, how they were reflected in the financial statements, as
4 well as the organizational structure for expenses, and the
5 divisions and all of the activities the divisions had or
6 participate in.

7 Q. Okay. And when you say, we, who are you referring
8 to?

9 A. Myself, Mr. Ursling, and other financial staff.

10 Q. Okay. And given your experience in the NRA, do you
11 need that -- to you have that same learning curve?

12 A. I do not.

13 Q. Are you qualified to be the CFO of the NRA?

14 A. I am.

15 Q. And I appreciate it's a little bit uncomfortable to
16 talk about why. But can you please share with the Court why
17 you believe that you're qualified to be the CFO?

18 A. Sure. I have over 26 years of experience in
19 non-profits. I have extensive knowledge with respect to
20 non-profit accounting, which is unique. My knowledge within
21 the NRA provides me a perspective that other people wouldn't
22 have coming from outside. I already have the experience
23 associated with the organization, its structure. I
24 understand its mission and how to accomplish that mission. I
25 have experience and know banking relationships with respect

1 to investments and debts, acquiring debt, as well as treasury
2 management services. I understand and have been a part of
3 the process and planning, and financial planning. And I have
4 the leadership skills necessary to do this. I have the
5 respect and support of the executive staff, as well as the
6 direct -- my direct reports, and members of the board.

7 Q. Thank you.

8 As CFO, do you have a responsibility with respect to
9 ensuring compliance with the NRA's policies and procedures?

10 A. I do.

11 Q. And do you take that responsibility seriously?

12 A. I absolutely do. And it's part of my ethics
13 requirements to -- for maintaining my license, which is very
14 important. And we ensure that -- you know, the compliance,
15 we started with a tone at the top and have moved through
16 compliance seminars to make sure everyone understands the
17 rules.

18 Q. Thank you.

19 Can I have you turn to NRA Exhibit 222, 2 2 2.

20 Please let me know when you have that document in front
21 of you.

22 A. Okay.

23 I have that in front of me.

24 Q. Okay. And do you recognize this document?

25 A. Yes. It is the NRA Employee Handbook.

1 Q. And what is its purpose?

2 A. It's to provide employees with their rights and
3 responsibilities within the organization.

4 Q. And does it also include procedures with respect to
5 the NRA's operations?

6 A. It does. There are procedures relating to travel
7 and entertainment expenses, as well as purchasing. And there
8 are whistleblowing and ethics requirements also mapped out
9 within that handbook.

10 Q. And is the Employee Handbook available to all
11 employees?

12 A. It is. It's available on-line on our intranet.

13 Q. Thank you.

14 MS. KOZLOWSKI: Your Honor, I would move to
15 admit NRA 222.

16 MALE SPEAKER: No objection, Your Honor.

17 THE COURT: NRA 222 is in.

18 MS. KOZLOWSKI: Thank you.

19 Q. Ms. Rowling, can you please pull up Exhibit
20 Ackerman McQueen 33, please?

21 Do you have the document in front of you?

22 A. Yes.

23 Q. Okay. When you were called by the movants, you
24 were asked about this document. Do you recall that?

25 A. Yes.

1 Q. And do you recognize the name of the individual
2 that's typed there?

3 A. I do.

4 Q. Assuming that that individual was the author, do
5 you know when she left the Association?

6 A. She left in November of 2018.

7 Q. Okay. And when is this letter dated?

8 A. July of '19.

9 Q. Okay. And so how many months after she left the
10 NRA was this letter sent?

11 A. Nine months.

12 Q. And if we look at the last two paragraphs, it
13 refers to billing by the Brewer Firm. Do you see that?

14 A. I do.

15 Q. Would the author have had access to the Brewer
16 Firm's invoices after she left the Association in November of
17 2018?

18 A. No.

19 MR. THOMPSON: Objection; leading, Your Honor.

20 THE COURT: Sustained on leading.

21 MR. THOMPSON: And foundation. Thank you.

22 THE STENOGRAPHER: I'm sorry, this is the
23 stenographer, who made that objection, please?

24 MR. THOMPSON: I'm sorry, this is Steven
25 Thompson from the New York Attorney General's Office.

1 THE STENOGRAPHER: Thank you.

2 THE COURT: You may restate --

3 Q. After November --

4 THE COURT: -- the question.

5 MS. KOZLOWSKI: Thank you, Your Honor.

6 Q. After November of 2018, would the author have
7 access to the NRA's legal bills?

8 A. No.

9 Q. Okay. Did the Brewer Firm cause the NRA to have a
10 cash crunch in 2018?

11 A. No.

12 Q. Do you share any of the complaints that are raised
13 in this letter?

14 A. I do not.

15 Q. And have you ever witnessed the Brewer Firm display
16 any of the characteristics that are referenced here?

17 A. I have not.

18 MR. THOMPSON: Again, Your Honor.

19 THE COURT: I'm going to overrule that.

20 Q. Can you please turn to NYAG 72?

21 And when you have the document in front of me -- in
22 front of you, can you please tell me what it is?

23 A. This is the list of top concerns for the Audit
24 Committee.

25 Q. Thank you.

1 And were you one of the authors?

2 A. Yes.

3 Q. And when was this prepared?

4 A. July of 2018. June of 2018, presented in July.

5 Q. Thank you.

6 And did you and the other whistleblowers suddenly
7 become aware of these issues in June and July of 2018?

8 A. No.

9 Q. So why in July of 2018 did you decide to come
10 forward and prepare this document?

11 A. At that point, we had been asked by Mr. Spray to
12 create this list, because we were given a platform to discuss
13 our concerns with the Brewer Firm when we were in a position
14 to address these concerns that were -- that we had. So we
15 were provided this platform at that time, earlier in the
16 year.

17 Q. And you mentioned -- you mentioned both Mr. Spray
18 and the Brewer Firm. What was the Brewer Firm's involvement
19 with respect to this list of -- creating this list of
20 concerns and sharing it?

21 A. They were involved and brought in to -- to
22 basically look at the organization's structure and policies
23 and offer -- and have a self-correct, if there were any
24 problems.

25 MR. THOMPSON: Objection, Your Honor.

1 Foundation for her answer to that question.

2 THE COURT: Overruled.

3 Q. How did -- you also mentioned Mr. Spray. How did
4 Mr. Spray help facilitate the four of you coming forward?

5 A. Mr. Spray, from his time coming in, we were having
6 continual discussions about some areas of concern with
7 respect to some things Woody would have allowed. And so --
8 Mr. Phillips would have allowed. So Craig gave us this
9 opportunity to have these addressed. And through that course
10 when the Brewer Firm has been brought in, Craig encouraged us
11 to speak to these concerns to the Brewer Firm.

12 Q. Okay. And did you ultimately meet with the Brewer
13 Firm to discuss these concerns?

14 A. I did.

15 Q. You mentioned Mr. Phillips. Do you believe that
16 Mr. Phillips was allowing the problems to -- the policies to
17 be circumvented?

18 MR. THOMPSON: Your Honor, I'm going to object
19 to leading.

20 THE COURT: Sustained.

21 Restate your question.

22 Q. You mentioned --

23 MS. KOZLOWSKI: Thank you, Your Honor.

24 Q. You mentioned Mr. Phillips and you mentioned that
25 Mr. Spray coming in allowed you to address these concerns.

1 Why weren't you able to do that with Mr. Phillips?

2 A. Mr. Phillips was part of the problem. He would
3 facilitate the circumvention of our controls. And whenever
4 any issues were brought to him, he had a -- would give us
5 answers such as, I'm aware of what this is. I support what
6 this is. And please process or -- or he would say he would
7 handle it and nothing would get done.

8 Q. Okay. Did you ultimately present these concerns
9 to the Audit Committee?

10 A. We did.

11 Q. And when was that?

12 A. At the July 2018 Audit Committee Meeting.

13 Q. And was the Audit Committee provided with this list
14 in advance of that meeting?

15 MR. ACOSTA: Your Honor, you know, I
16 understand the Court wants to facilitate the process, but
17 there is a lot of leading going on here. And I would just
18 ask counsel to stop leading the witness.

19 THE COURT: I overrule that objection on this
20 question.

21 You may answer the question, ma'am.

22 A. Could --

23 Q. Ms. Rowling -- certainly.

24 My question was, was this list of top concerns provided
25 to the Audit Committee prior to the meeting?

1 A. Yes, it was.

2 Q. Did you have any communications with anyone on the
3 Audit Committee prior to the meeting?

4 A. Yes, I did.

5 Q. And who was that?

6 A. Charles Cotton.

7 Q. Okay. And when did you have that conversation?

8 A. I had that conversation with him the weekend before
9 the meeting.

10 Q. And generally what did you discuss?

11 MR. THOMPSON: Your Honor, objection on
12 hearsay.

13 MS. KOZLOWSKI: I can rephrase.

14 Q. What did you share with Mr. Cotton during that
15 conversation?

16 A. I shared with him the -- a list of concerns. And I
17 shared -- we just talked through the points on there. I
18 wanted to make sure he had a full understanding of what we
19 were going to be discussing in the Audit Committee Meeting.

20 Q. Do you know how the Audit Committee Meeting that
21 you presented at came to fruition?

22 A. I am not 100 percent sure on how that came.

23 Q. Okay. Did you have -- after the Audit Committee
24 Meeting, did you have any discussions with members of the
25 Audit Committee about these issues?

1 A. Yes. We had updates throughout -- afterwards,
2 during the process of looking at and reviewing these. I was
3 also a part of Audit Committee Meetings after that.

4 Q. Okay. Do you feel that your concerns were taken
5 seriously by the Audit Committee?

6 A. I do.

7 Q. And were actions taken in response to the concerns
8 that were raised?

9 MR. THOMPSON: Objection; leading, Your Honor.

10 THE COURT: Sustained.

11 Q. What actions were taken by the Audit Committee
12 after these concerns were shared with them?

13 A. They immediately began looking at related party
14 transactions. You know, they addressed -- supported all of
15 the decisions to notify vendors of the rules surrounding
16 invoicing with respect to providing appropriate detail. They
17 encouraged and supported the review of all vendor -- vendor
18 contracts and supported that process throughout the last
19 several years.

20 Q. Okay. If we look at the top -- this list of top
21 concerns, were there particular individuals that were causing
22 these problems?

23 A. Yes. Our biggest concerns were with Woody Phillips
24 and Josh Powell.

25 Q. Okay. And are either of them still with the NRA?

1 A. No, they are not.

2 Q. And numbers 3 and 4 on here refer to vendor
3 contracts. What -- did the NRA take action with respect to
4 the vendor contracts?

5 A. Immediately letters were mailed to the vendors.
6 There were about 200 letters to vendors over 50,000 that were
7 not one-time vendors. And we started reviewing contracts.
8 And some contracts were eliminated. Some contracts were
9 re-negotiated. And that's --

10 Q. When Mr. Thompson asked you about number 1 during
11 your direct, he skipped over Ackerman McQueen, which is 1-B.
12 What concerns did the whistleblowers have with respect to
13 Ackerman McQueen?

14 MR. THOMPSON: Objection; leading, Your Honor.

15 THE COURT: Overruled.

16 A. Our concerns with Ackerman centered around
17 invoicing, for one. They were vague descriptions on
18 invoices. We had out-of-pocket expenses with no -- nothing
19 attached for supports for those out-of-pocket expenses. As
20 well as the decision process with respect to them, they seem
21 to be more in control than they should be.

22 Q. And what ultimate -- I apologize.

23 A. I was going to say more control with respect to
24 decisions being made for the organization.

25 Q. Thank you.

1 Q. What ultimately happened with that contract?

2 A. Ackerman would not comply with the request for
3 support for invoices. Eventually legal had to get involved
4 and we stopped paying invoices associated with them. And
5 that is now in litigation.

6 Q. Okay. When the NRA stopped receiving services from
7 Ackerman McQueen, was there an impact on revenue?

8 A. No.

9 Q. So there was no decrease?

10 A. No.

11 Q. Okay. You talked about contracts being reviewed
12 and re-negotiated and terminated. Do you have an
13 understanding of how many contracts were terminated?

14 A. There were probably dozens of contracts that were
15 terminated and/or re-negotiated.

16 Q. Okay. And there's several contracts listed here.
17 What happened with the Associated TV contract?

18 A. We -- that was terminated.

19 Q. And the Grassroots Behavioral Services contract,
20 what happened with that one?

21 A. Terminated.

22 Q. How about the (indecipherable name) Associates
23 contract?

24 A. Terminated.

25 Q. Okay. And then MMP is listed here. What happened

1 with that contract?

2 A. MMP provided ports for their -- the increases
3 within their contract. And we are continuing business with
4 MMP.

5 MR. THOMPSON: Your Honor, move to strike as
6 non-responsive.

7 THE COURT: Overruled.

8 Q. Do you believe that the payments to MMP are
9 appropriate?

10 MR. THOMPSON: Objection; foundation.

11 THE COURT: Overruled.

12 A. Yes, I do.

13 Q. And why do you believe that?

14 A. The revenue that is generated based on the expense
15 that we received is -- it's invaluable to the organization.

16 Q. And how do you determine -- do you have
17 documentation that supports that?

18 A. We do. I get -- several areas we have
19 documentation. I get monthly financial reports, basically,
20 from MMP.

21 MR. THOMPSON: Your Honor, to the extent that
22 she is relying on documents not in evidence, I would object
23 as hearsay.

24 THE COURT: I sustain that.

25 Q. I'm going to move forward.

1 Are the -- did anyone else agree with your opinion that
2 MMP's payments are appropriate?

3 MR. THOMPSON: Objection; hearsay and
4 speculation.

5 THE COURT: Sustained. And if it's someone at
6 the NRA.

7 Q. As CFO, do you have any intention with respect to
8 the MMP contract going forward?

9 A. Sure. Given that the written explanations attached
10 to their increases are not a formal contract, the thought
11 would be to re-look at that contract to re-negotiate and get
12 the terms in line with the actual invoices that are coming
13 through.

14 Q. Thank you.

15 You talked about this, this review and claims of vendor
16 contracts. When was that undertaken?

17 A. That is an ongoing process. But it started,
18 actually, probably when Craig came onboard, Mr. Spray. And
19 is still a continual process.

20 Q. Have the concerns that the whistleblowers raised in
21 July of 2018 with respect to the vendor contracts been
22 addressed?

23 A. Yes.

24 Q. Are there any concerns on this list of top concerns
25 from July of 2018 that have not been investigated and

1 addressed?

2 MR. THOMPSON: Objection; leading, Your Honor.

3 THE COURT: Overruled.

4 A. No. There is no other concerns. No concerns left.

5 Q. Sitting here today, do you believe that senior
6 management is overriding internal controls?

7 A. No.

8 Q. Are the NRA's account payable procedures being
9 enforced?

10 A. Yes.

11 Q. Are the procurement and contract policies being
12 enforced?

13 MR. THOMPSON: Objection; leading, Your Honor.

14 THE COURT: Overruled.

15 A. Yes.

16 Q. You may answer.

17 Do you have concerns about the NRA subordinating its
18 judgment to vendors today?

19 A. No.

20 Q. When you and the other whistleblowers prepared this
21 list of top concerns, did you intend for it to be made
22 public?

23 A. No.

24 Q. What was your intention?

25 A. Our intention was to identify to the Audit

1 Committee our concerns. We could have done that in other
2 means, verbally, if we had known that this was going to be
3 used against us in this way. It was meant to help the
4 organization to get better and to address and self-correct.

5 Q. Since July of 2018, has there been a change in the
6 culture at the NRA?

7 A. There has. The tone at the top has changed.
8 Compliance is a -- it's a common theme that is expressed
9 continuously. We -- it started with just the compliance
10 seminars, so that the understanding of what it means to
11 comply with the policies and the rules was expressly
12 identified to everyone involved, to the employees of the
13 organization. And that is -- that theme has been ongoing
14 since this Audit Committee and whistleblowing event took
15 place.

16 Q. As CFO, what are your objectives with respect to
17 enforcement of internal controls?

18 A. Internal controls fall into several categories.
19 The first one is -- is respect to the organization. It's
20 maintaining the controls that will provide safeguarding of
21 assets. Efficiency and effectiveness of your business
22 operations. You also need to make sure the controls are
23 addressing the reporting requirements. That they're timely.
24 That they're accurate. That they're transparent both
25 internal and external. And internal controls also have to

1 include compliance with laws and regulations. So all of
2 those areas are what we strive to focus on with respect to
3 the internal control process.

4 Q. Is there any particular steps to strengthen its
5 procedures?

6 MR. THOMPSON: Objection; leading. Calls for
7 a narrative.

8 THE COURT: Overruled. Your question is a yes
9 or no question, though.

10 A. Yes.

11 Q. What steps is it taking?

12 A. One of the big areas that we are looking at and are
13 implementing is an addition to our accounting software where
14 invoices are electronically routed for processing. It allows
15 for an immediate audit trail. It allows for the hard coding,
16 per say, of the routing process. Which means the appropriate
17 approvals have to be maintained. They cannot be overridden.
18 And as part of that process, every invoice before it actually
19 gets input from this system into the accounting system that
20 is over 50,000 is routed through me. And I have reviewed all
21 invoices over 50,000. And they cannot be paid without that
22 review process. If I see something that is something I was
23 unaware of, I ask to look at the contract. This system,
24 while we have not implemented this part, there are parts of
25 this system where we can -- we will be attaching the

1 contracts right to the vendor profile. So the accounting
2 staff, as well as where the invoice gets routed has immediate
3 access to view the contract, if there is one associated with
4 that.

5 Q. And --

6 A. It --

7 Q. Sorry.

8 A. It provides an audit trail for our auditors. They
9 can see the trail, see the approval process electronically.
10 And it's more efficient.

11 Q. When did the NRA begin implementing this new
12 software?

13 A. We have started phase 1, which is the
14 implementation within the accounting department in the Summer
15 of 2020.

16 Q. Okay. And what is the next step in implementing
17 the software?

18 A. Rolling it out to each division where the division
19 would do their process of approvals electronically. The
20 timing of that is -- it takes time to program in all of the
21 individual approvers that must be in this process in order
22 to -- and then train. So that process is ongoing. And we
23 are starting phase 2, basically now.

24 Q. Okay. In your role as CFO, do you have
25 communications with the board?

1 A. I do.

2 Q. Do you believe that's important?

3 A. Open lines of communication with the board is
4 extremely valuable. They know they can come ask questions
5 and I will be responsive.

6 MR. ACOSTA: Your Honor, I'm going to object
7 as non-responsiveness. This witness goes well beyond
8 answering the question. And I think the witness should be
9 tasked with answering the question at hand.

10 THE COURT: Ms. Rowling, from this point on,
11 just try to answer the question that's asked. All right?

12 THE WITNESS: Yes, sir.

13 Q. Did you have interaction with the board prior to
14 becoming CFO?

15 A. Yes.

16 Q. What was -- what was -- how so?

17 A. I, for the last 15 years, have attended board
18 meetings, Audit Committee meetings, and Finance Committee
19 meetings.

20 Q. Does the NRA have its financials audited?

21 A. Yes.

22 Q. Who are the NRA's auditors?

23 A. Aronson.

24 Q. And has Aronson always been the NRA's auditors?

25 A. No.

1 Q. When were they engaged?

2 A. They were engaged in November of 2019.

3 Q. Can I have you look at Exhibit NRA 174, please?

4 Do you have -- do you have the document in front of
5 you?

6 A. Not yet.

7 Q. Once you do, will you please let me know --
8 describe what the document is, please?

9 A. This is the request for proposal from -- to Aronson
10 from the NRA, specifically Mr. Spray.

11 MS. KOZLOWSKI: I would move to admit NRA 174.

12 MR. THOMPSON: Your Honor, we would object on
13 hearsay and foundation.

14 MS. KOZLOWSKI: Your Honor, let me step back
15 and lay the foundation.

16 Q. Why -- why was this document prepared?

17 A. We went out for a RFP process for auditors. And
18 this -- this was the request from Aronson for a proposal
19 relating to our audit.

20 Q. Okay. And I believe you said it was a request from
21 Aronson. Is that what you meant to --

22 A. It's a request from us to Aronson.

23 Q. Okay. And is this a document that's prepared in
24 the ordinary course by the NRA?

25 A. Yes. In an RFP process, this would be prepared in

1 the ordinary course.

2 Q. And would this document be maintained by the NRA?

3 A. Yes.

4 MS. KOZLOWSKI: Your Honor, I would move to
5 admit this as a business record.

6 MR. THOMPSON: Still making our hearsay
7 objection, Your Honor. I don't believe that she's -- that
8 counsel has laid the foundation for Ms. Rowling as the -- as
9 a record keeper and knowledgeable of the records with respect
10 to this RFP letter.

11 THE COURT: 174 is in.

12 MS. KOZLOWSKI: Thank you.

13 Q. Ms. Rowling, can you turn to Bate's label, on the
14 bottom, 116560?

15 Are you identified as a key contact?

16 A. Yes, I am.

17 Q. Can you turn to the next page, please?

18 A. I'm there.

19 Q. Okay. And it references the Audit Committee. Can
20 you explain why it references the Audit Committee?

21 A. The Audit Committee is referenced because as part
22 of the requirements of being our auditor, you're required to
23 meet with the Audit Committee at a minimum, as it says, three
24 times a year.

25 Q. Okay. And can I have you turn two pages, which is

1 Bate's labeled at the bottom 116563?

2 A. Yes.

3 Q. And I'd like to point your attention to B-3 and
4 B-4.

5 And can you explain why these provisions are in here?

6 A. Those provisions relate to an audit, performing the
7 audit with respect to generally accepted auditing standards.
8 The assessing control risk is part of those standards. And
9 so we include that as part of our RFP process to understand
10 how they would assess risk.

11 Q. Did Aronson ultimately submit a proposal to the
12 NRA?

13 A. Yes.

14 Q. Prior -- did Aronson ever communicate or reach out
15 to you prior to submitting that proposal?

16 A. Yes.

17 MR. ACOSTA: I'd just remind counsel to stop
18 leading, please.

19 THE COURT: Overruled on that one.

20 The answer was, yes.

21 Q. Ms. Rowling, I didn't hear you. I apologize.

22 A. Yes.

23 Q. Okay. Can I have you look at Exhibit NRA 155?

24 And do you recognize this email communication?

25 A. Yes.

1 Q. Okay. Did you meet with Aronson prior to their
2 submission of a proposal?

3 A. Yes.

4 Q. Okay. And what was the impetus for that meeting?

5 A. Aronson wanted to get an understanding of ongoing
6 litigation concerns, any allegations of fraud, so that they
7 could adequately address the RFP.

8 Q. Okay. And did you share that information when you
9 met with Aronson?

10 A. We did.

11 Q. Okay. And who at Aronson did you meet with to
12 discuss this prior to the proposal?

13 A. The audit partner was Greg Plotts. And I don't
14 recall who else was there. I know that they had somebody
15 else there, as well.

16 Q. Okay. Can I have you turn to NRA 189, please?

17 And can you tell me what this document is?

18 A. This document is Aronson's proposal for audit and
19 tax services.

20 Q. Okay. And who is this document addressed to?

21 A. To -- it is addressed to Craig, Rick, and myself.

22 Q. And what is the purpose of this document?

23 A. This document outlines the -- Aronson's procedures
24 for audits. It outlines their qualifications and any other
25 items that we had specifically requested to be addressed in

1 the RFP.

2 Q. Okay. If I can have you turn to page 23 of this
3 document.

4 Did you have an understanding of whether Aronson would
5 be considering the NRA's internal controls in connection with
6 an audit?

7 MR. THOMPSON: Your Honor, to the extent that
8 questions are being asked about the content of this document,
9 it has not yet been admitted and I would object.

10 THE COURT: Sustained on that.

11 MR. ACOSTA: It's also speculation, Your
12 Honor.

13 THE COURT: I sustained the objection already.

14 MS. KOZLOWSKI: Thank you, Your Honor.

15 Q. What was your understanding of the scope of
16 Aronson's review?

17 MR. THOMPSON: Your Honor, I have an
18 objection. I believe that both this document and the
19 previous one are being used to improperly refresh the
20 witness' recollection when there's been no need to and the
21 documents are not in evidence.

22 THE COURT: That objection is overruled.

23 You may answer the question.

24 A. I'm sorry, can you repeat the question?

25 Q. Yes, certainly.

1 My question was, what is your understanding of the
2 scope of Aronson's review?

3 A. The scope of their audit process? I'm sorry, I'm
4 trying to --

5 Q. That is certainly a much better question.

6 Do you know what the scope of their audit process was?

7 A. Okay. So, you know, Aronson must, like any
8 auditor, apply generally accepted auditing standards to their
9 scope. Part of that standard is evaluating the internal
10 control structure.

11 Q. Okay. Did Aronson make a presentation to the Audit
12 Committee in connection with the interview process?

13 A. Yes.

14 Q. Okay. And who ultimately determined -- well, was
15 Aronson ultimately engaged?

16 A. Yes.

17 Q. Okay. And who -- who was involved in making that
18 decision?

19 A. The Audit Committee is the ultimate decision maker.
20 They take into consideration comments from myself, Mr.
21 (indecipherable word), and other accounting staff with
22 respect to our opinions.

23 Q. And was a business case analysis undertaken in
24 connection with retaining Aronson?

25 A. Yes.

1 Q. Okay. Can I have you turn to Exhibit NRA 211?

2 A. Okay.

3 Q. What is this document?

4 A. This is the contact review sheets and supporting
5 documentation with respect to the contracts.

6 Q. Okay. And is this a document that's prepared by
7 the NRA in its ordinary course of business?

8 A. Yes. For contracts of this value.

9 Q. And is it maintained by the NRA?

10 A. Yes.

11 MS. KOZLOWSKI: Your Honor, I would move to
12 admit Exhibit 211.

13 MR. THOMPSON: No objection from the NYAG,
14 Your Honor.

15 THE COURT: Mr. Acosta?

16 MR. ACOSTA: Your Honor, we're skipping some
17 steps on business records, but that's fine.

18 THE COURT: 211 is in.

19 MR. ACOSTA: No objection.

20 THE COURT: Thank you. 211 is in.

21 Q. Does this business case analysis express what
22 factors were considered selecting Aronson?

23 A. Yes.

24 Q. And where would we find that?

25 A. Several pages. It looks like it's around page 8

1 where the comparison of the audit firms is done.

2 Q. Okay. And is that in a chart?

3 A. It is.

4 Q. Okay. What were the factors that were considered
5 in retaining Aronson?

6 MR. ACOSTA: Your Honor, I would object to
7 speculation. This witness can only talk to about her own
8 election. What are the factors people are talking about,
9 that would be based on hearsay. I don't think she can get
10 into that.

11 THE COURT: The document --

12 MR. ACOSTA: She can speak to her own
13 knowledge.

14 THE COURT: The document -- I sustain the
15 objection. The document is in evidence, but she can talk
16 about her own factors.

17 Q. Ms. Rowling, you testified that you were -- that
18 you provided input to the Audit Committee in the selection of
19 the auditor. What were the basis for, or the reasons that
20 you believe Aronson was an appropriate auditor to select?

21 A. Aronson is a large firm with a lot of staff who
22 could adequately perform our -- our audit. They have a niche
23 in the non-profit world for audits. They demonstrated their
24 knowledge through their clients that they gave as references.
25 And they had -- their staff retention was part of that

1 process, as well. It's tremendous for an audit firm to be
2 able to maintain the level of staff that they do. Those were
3 a lot of what factors came into play.

4 Q. Okay. And you previously explained that they were
5 auditing the financial statements. What was your involvement
6 in that process?

7 A. In the audit process? I'm sorry.

8 Q. Yes. The audit process.

9 A. I was the main contact for the NRA for this audit
10 process. I basically was the liaison with the auditors. And
11 coordinated the audit effort on the NRA side in response to
12 all of the requests, as well as the financial statements.

13 Q. Was there ever information that Aronson requested
14 that the NRA failed to provide?

15 A. No.

16 Q. Were there ever people that Aronson asked to talk
17 to that NRA didn't produce for them?

18 MR. ACOSTA: Objection, Your Honor,
19 speculation.

20 THE COURT: Overruled.

21 MS. KOZLOWSKI: Your Honor, she just testified
22 that she coordinated from the NRA's perspective with respect
23 to the audit process.

24 THE COURT: Overruled.

25 MR. ACOSTA: And --

1 THE COURT: I'm overruling the objection.

2 A. Not that I'm aware of. I believe that anyone that
3 Aronson asked to speak to, they were provided access to.

4 Q. Can I have you turn to NRA 195, please?

5 And what is this document?

6 A. This is the independent auditor's report produced
7 by Aron -- Aronson to go along with our audit.

8 Q. And what was the conclusion of Aronson's audit for
9 2019?

10 MR. THOMPSON: Your Honor, and counsel, I
11 apologize if this document is already in evidence. But to
12 the extent it isn't, I would again object on using a document
13 that is not in evidence.

14 THE COURT: Do you know whether the audit is
15 in evidence yet?

16 MS. KOZLOWSKI: It may not.

17 MR. THOMPSON: And, actually, Your Honor, I
18 believe that the audit report and the accompanying financial
19 statements are included in one of the exhibits that we put in
20 without -- in connection with the CHAR500. So I would
21 request that we use that document, which is more complete
22 than I believe this version is. And I can try and find that
23 exhibit number.

24 THE COURT: Okay.

25 MS. KOZLOWSKI: The document may be NYAG 18.

1 MR. THOMPSON: Yes, I believe it is, counsel.

2 A. I have that up.

3 MR. THOMPSON: And, counsel, I believe it
4 starts on pdf page 19.

5 MS. KOZLOWSKI: Thank you. I appreciate that,
6 Mr. Thompson.

7 Q. Were you able to locate the auditor's report --

8 A. Yes.

9 Q. -- Ms. Rowling?

10 Okay. And what was the conclusion of Aronson's audit
11 of the NRA's 2019 financials?

12 A. They gave an unqualified opinion, which means that
13 the financial statements present fairly in all material
14 respects the financial position of the organization.

15 MR. THOMPSON: And, Your Honor, I will just
16 object that the document speaks for itself.

17 THE COURT: Overruled.

18 Q. Do you have an understanding of whether Aronson
19 considered the NRA's internal controls in connection with its
20 audit?

21 A. Yes. It is part of generally accepted auditing
22 standards to consider internal controls.

23 Q. Okay. And can you explain -- so you were an
24 auditor for seven years; is that correct?

25 A. Yes.

1 Q. Okay. Can you help me understand, when you say
2 it's part of generally accepted accounting principles that
3 they examine internal controls?

4 A. Sure. Auditing standards require an understanding
5 and a testing of internal controls in order to be able to
6 rely on -- rely on those controls to then follow the
7 transactions through to the financial statements.

8 Q. Okay. Thank you.

9 MS. KOZLOWSKI: Apologize, Your Honor. Just
10 checking to see if the management letter is also in Exhibit
11 NYAG 18.

12 MR. THOMPSON: It is not. But I believe it
13 has been admitted elsewhere.

14 MS. KOZLOWSKI: Agreed.

15 Q. Ms. Rowling, can you turn to NYAG 22, please?

16 And once you're there, can you tell me what this
17 document is?

18 A. This is the management letter to the NRA from
19 Aronson.

20 Q. Okay. What's a management letter?

21 A. A management letter is -- is a document that will
22 recommend improvements for an internal control structure, if
23 they have found anything that would require or request a
24 change in the processes.

25 Q. Okay. And do you understand the difference between

1 a material weakness and a significant deficiency?

2 A. Yes.

3 Q. Okay. And what is the difference?

4 A. A material weakness would allow for -- could result
5 in a material error or inaccuracy in the financial
6 statements. A significant efficiency -- deficiency would
7 not. It would not make a material impact on the financial
8 statements.

9 Q. Okay. And did Aronson identify any material
10 weakness in the NRA's internal controls?

11 A. No.

12 Q. The NRA -- Aronson did identify several significant
13 deficiencies; is that right?

14 A. That's correct.

15 Q. Okay. And where are those within this document?

16 A. Page -- they start on page 5, I believe.

17 Q. Okay. And how many are there?

18 A. Three.

19 Q. Okay. And has the NRA taken steps already to
20 resolve each of these deficiencies?

21 A. Yes.

22 Q. Was Aronson also involved in the NRA's 2019 Form
23 990?

24 A. Yes.

25 Q. Okay. And what was their involvement?

1 A. They provided significant review of the 990 that
2 was prepared by NRA staff.

3 Q. Okay. How many communications did the NRA have
4 with Aronson about the Form 990?

5 MR. ACOSTA: Your Honor, that's speculation.
6 I object.

7 THE COURT: You may answer, to your knowledge.
8 You may answer, to your knowledge.

9 A. There was constant daily communication with respect
10 to the 990 with Aronson.

11 Q. Okay. Did the NRA rely on any other professionals
12 in preparing the 2019 Form 990?

13 MR. ACOSTA: Same objection, Your Honor,
14 speculation.

15 THE COURT: Overruled on that one.
16 You may answer the question.

17 A. Yes.

18 Q. Who was that?

19 A. We consulted with a tax specialist, a tax attorney
20 with respect to the 990.

21 Q. Okay. And has the NRA -- strike that.

22 In connection -- did the NRA ultimately end up amending
23 any of its other tax documents after the preparation of the
24 990?

25 A. Yes.

1 MR. ACOSTA: Objection, Your Honor,
2 speculation.

3 THE COURT: Overruled.

4 A. Yes.

5 Q. Ms. Rowling -- okay. Thank you.

6 And did the NRA seek guidance from anyone in connection
7 with making those amendments?

8 MR. ACOSTA: Objection, Your Honor,
9 speculation.

10 THE COURT: Overruled.

11 A. Yes.

12 Q. And who was that?

13 A. We sought guidance from Aronson, as well as the tax
14 attorney specialist.

15 Q. Okay. And again, just so there's no ambiguity,
16 what was the outcome of Aronson's audit of the NRA's 2019
17 financials?

18 A. The audit was an unqualified opinion. Meaning
19 there were no material -- or it was -- the financial
20 statements were materially accurate in all material respects.

21 Q. Thank you.

22 Has Aronson been engaged with respect to the -- for the
23 same services in 2020?

24 A. Yes.

25 Q. Do you know who Louis Robichaux is?

1 A. Yes.

2 Q. During your initial testimony you were asked about
3 Ann Curra and you indicated you didn't recognize that name.
4 Do you recall that?

5 A. Yes.

6 Q. Can you -- and you do know who Mr. Robichaux is; is
7 that correct?

8 A. That's correct.

9 Q. Okay. If the CRO motion is approved, who will you
10 report -- excuse me, let me try that again.

11 If the CRO motion is approved, who will you report to?

12 A. I will report to Mr. Robichaux.

13 Q. Okay. And do you support the NRA's retention of
14 Mr. Robichaux as the CRO?

15 A. Yes.

16 Q. Do you know when Mr. LaPierre became the executive
17 vice president?

18 A. 1991.

19 Q. Okay. Can I have you turn to NRA 670, please?

20 And can you identify this document?

21 A. These are the audited financial statements for
22 December 31, 1991 in comparison to 1990.

23 MS. KOZLOWSKI: And, Your Honor, I would move
24 to admit NRA 670.

25 MR. THOMPSON: Your Honor, I would object on

1 relevance grounds and foundation.

2 THE COURT: Response on relevance?

3 MS. KOZLOWSKI: Your Honor, we are going to --
4 Mr. LaPierre became the executive vice president in 1991.
5 We're going to (indecipherable two words) this against the
6 financials today.

7 THE COURT: Overruled. 670 is in.

8 MS. KOZLOWSKI: Thank you.

9 Q. What was the NRA's total revenue in 1991?

10 A. 87 million.

11 Q. And how does that compare to today?

12 A. It is about a third of what the NRA's revenue is
13 today.

14 Q. Okay. So -- and if we look -- let's look at NRA
15 672, please?

16 And if you could tell me what that document is?

17 A. The NRA financial statements for 2019 and 2018
18 comparison.

19 MS. KOZLOWSKI: Your Honor, I'd move to admit
20 NRA 672.

21 MR. JOHNSON: Your Honor, I believe this has
22 already been admitted in connection with the CHAR500 that we
23 were looking at a few minutes ago.

24 THE COURT: Thank you.

25 I think it's already in, so you may use it.

1 MS. KOZLOWSKI: Your Honor -- well, we'll
2 continue with the discussion. The CHAR500 is a little bit
3 different, although it does contain the same information.

4 Q. What is the total revenue of the NRA in 2019?

5 MR. THOMPSON: Sorry. Just based on that,
6 Your Honor, I would ask if there is a difference in this
7 document, those need to be admitted, then I would ask to lay
8 a foundation for it.

9 MS. KOZLOWSKI: Mr. Thompson, the CHAR500 is a
10 much more -- is a larger document. This is a financial
11 statement. So as far as managing it and talking about it,
12 it's a much easier version. It's just simply this, whereas
13 the CHAR500 is a compilation. So I would prefer to use 672
14 just for the questioning.

15 MR. THOMPSON: I understand and withdrawn.
16 Thank you.

17 THE COURT: 672 is in.

18 MS. KOZLOWSKI: Thank you.

19 Q. What was the total revenue for the National Rifle
20 Association in 2019?

21 A. 296 million.

22 Q. Okay. So what was the growth while Mr. LaPierre
23 was the executive vice president?

24 A. It was over -- almost tripled at this point.

25 Q. Okay. I'd like you to look at the sources of

1 revenue. And if you can explain what the sources of revenue
2 are, that would be -- I would appreciate that?

3 A. The sources of revenue are membership dues, program
4 fees. Those relate to our programs related to education and
5 training, competitions, that sort of thing. Contributions.
6 The advertising which is in our NRA magazines. Member
7 merchandise sales relates to the store. As well as program
8 materials, sales. Shows and exhibits, investment income and
9 insurance admin fees, they're -- those are fees related to
10 our insurance programs.

11 Q. Okay. When we're looking at contributions, is
12 there anyone within the NRA that is primarily involved in
13 obtaining these contributions?

14 A. Yes. A big factor is Mr. LaPierre in conjunction
15 with NRA advancement.

16 MR. JOHNSON: Objection; foundation, Your
17 Honor.

18 THE COURT: Overruled.

19 Q. Ms. Rowling, what was the NRA's revenue in 2020
20 compared to 2019?

21 A. It is actually very similar. Very close to the
22 same amount as 2019, about 296 million.

23 Q. Thank you.

24 How many employees does the Association have currently?

25 A. Around 450 employees.

1 Q. Can you give a very high-level overview of what
2 those employees do?

3 A. Sure. They are involved in all of our programs and
4 servicing the members for the programs that we are required
5 under our bylaws to perform. They handle membership dues,
6 the membership calls. They produce our publications.
7 Provide support at all of our shows. Finance and accounting,
8 obviously, is a big part of that.

9 Q. If the NRA were to be dissolved, would those
10 employees -- what would happen to those employees?

11 MR. JOHNSON: Objection; calls for
12 speculation, Your Honor.

13 THE COURT: Overruled.

14 A. They would be without a job.

15 Q. If the membership stopped contributing funds or
16 stopped paying its dues, what would happen to the NRA?

17 MR. ACOSTA: Objection; speculation.

18 THE COURT: Overruled.

19 A. It would be detrimental to the organization and
20 being able to perform its functions with respect to programs
21 and -- yeah, it's a big major source of our revenue.

22 Q. And is there another available source that the NRA
23 could pull from to make up the difference?

24 A. No.

25 Q. Do you attend the Annual Member Meetings?

1 A. I do.

2 Q. And how many Member Meetings have you attended?

3 A. Approximately 13, 14.

4 Q. At those meetings, did Mr. LaPierre speak to the
5 members?

6 A. Yes.

7 Q. And have you seen him interact with the members at
8 those meetings over the years?

9 A. Yes.

10 Q. How does the membership respond to Mr. LaPierre?

11 MR. ACOSTA: Objection, Your Honor,
12 speculation.

13 THE COURT: Overruled.

14 A. The members tend to flock to him, want to talk to
15 him. There's a constant buzz around him, when he walks the
16 floor of the Members Meeting. When I have seen him at our
17 National Friends of NRA Events at that same Annual Meeting,
18 he attracts the attention of the members. They want to talk
19 to him.

20 Q. Based on your years of experience with the
21 membership, how would you expect the membership to react if
22 Mr. LaPierre was replaced by a government-appointed third
23 party?

24 MR. ACOSTA: Objection, Your Honor,
25 speculation.

1 MR. THOMPSON: Speculation.

2 THE COURT: Overruled.

3 MS. KOZLOWSKI: Your Honor -- thank you.

4 A. The membership would not -- they would not react
5 well to a government-appointed Trustee. They -- they believe
6 in the organization as it stands. And they do not believe
7 that the government would do what would be in their best
8 interest.

9 MR. THOMPSON: Your Honor, objection, to the
10 extent that this is hearsay that Ms. Rowling is
11 (indecipherable word) on statements made by member of the
12 NRA.

13 THE COURT: I overrule that.

14 MS. KOZLOWSKI: Your Honor, I don't -- I don't
15 believe she testified with respect to what members were
16 saying. I asked for her understanding based on her years of
17 experience with them.

18 THE COURT: I agree and I overruled the
19 objection already.

20 MS. KOZLOWSKI: Thank you, Your Honor.

21 I have no further questions. I'll pass the witness.

22 THE COURT: All right.

23 Why don't we go in the same order. Mr. Thompson, that
24 puts you up next.

25 MR. THOMPSON: Thank you, Your Honor.

1 For the record, Steven Thompson from the New York
2 Attorney General's Office.

3 CROSS-EXAMINATION

4 BY MR. THOMPSON:

5 Q. Good morning, Ms. Rowling.

6 A. Good morning.

7 Q. So, Ms. Rowling, you were testifying earlier in
8 response to questions from counsel about your qualifications
9 as the chief financial officer of the NRA. Do you recall
10 that?

11 A. Yes.

12 Q. Ms. Rowling, you have not been appointed to the
13 position of treasurer at the NRA to this day; is that
14 correct?

15 A. That's correct.

16 Q. And the Executive Committee of the NRA met last
17 Friday, didn't they?

18 A. Yes.

19 Q. And then there was a March 28th meeting of the full
20 board of directors; is that correct?

21 A. Yes, with explanation.

22 Q. It was a special meeting with the full board; is
23 that correct?

24 A. Yes.

25 Q. Okay. And at neither the special meeting of the

1 full board on March 28th nor at the Executive Committee
2 meeting that took place last Friday did the board take any
3 action to appoint you as treasurer of the NRA; is that
4 correct?

5 A. That's correct.

6 Q. So the NRA has been acting without -- without a
7 treasurer since January 28th or 29th of this year; is that
8 correct?

9 A. Not necessarily. I mean, technically Craig Spray
10 is still technically the treasurer.

11 Q. Yes. But Mr. Spray is not performing any of his
12 duties as treasurer; isn't that correct?

13 A. As far as I'm aware, he's not.

14 Q. Okay. Ms. Rowling, as the acting CFO, one of your
15 responsibilities is to sign the monthly operating reports for
16 the debtor; is that correct?

17 A. Yes.

18 Q. And do you recall prior to the petition date that
19 Segert set up a bank account to which the NRA transferred
20 approximately \$50,000?

21 A. Yes.

22 Q. I will ask that you please open NRA Exhibit 543,
23 which I will offer into evidence.

24 A. I'm sorry, what was the number?

25 Q. NRA 543.

1 A. Okay.

2 MS. KOZLOWSKI: No objection, Your Honor.

3 THE COURT: NRA 543 is in.

4 Q. Ms. Rowling, do you recognize this document?

5 A. Yes.

6 Q. That is your signature on the first page of the
7 actual exhibit; is that correct?

8 A. That's correct.

9 Q. Okay. Did you review this document before it was
10 signed?

11 A. Yes.

12 Q. And do you believe that the information is true and
13 correct, to the best of your belief?

14 A. Yes.

15 Q. The NRA -- I'm sorry, Segert transferred the
16 \$50,000 that were held in the -- in its bank account back to
17 the NRA in February of this year; is that correct?

18 A. I believe it was February, yes.

19 Q. And has that money been transferred back to Segert,
20 as of today, to the best of your knowledge?

21 A. No. With explanation.

22 Q. Now, Ms. Rowling, you were also discussing the top
23 concerns memorandum with your counsel on your direct
24 testimony this morning. Do you remember that?

25 A. Yes.

1 Q. And you can go ahead and just pull up NYAG Exhibit
2 72. We may use it for reference.

3 A. Okay.

4 Q. So, Ms. Rowling, I believe you testified that as of
5 today, you believe that the specific concerns raised in this
6 memorandum have been adequately addressed to your
7 satisfaction. Is that a fair statement?

8 A. Yes.

9 Q. Okay. So one of the topics that you were
10 discussing with counsel is under 4-D, D as in David, MMP
11 (indecipherable word) violate contract stipulations, right?

12 A. Yes.

13 Q. And do you recall during the testimony that you
14 gave two weeks ago that as of the date that the petition, the
15 NRA has been paying Membership Marketing Partners
16 approximately \$950,000 per month on a \$400,000 per month
17 contract. Do you recall that?

18 A. Yes.

19 Q. Okay. And I'll represent to you, Ms. Rowling, that
20 the actual number paid to MMP on a monthly basis is \$961,850.

21 Did you know, Ms. Rowling, that between 2012 and 2019,
22 Mr. LaPierre took yearly vacations on a yacht owned by the
23 owners of MMP?

24 A. I am aware of that.

25 Q. How are you aware of that, Ms. Rowling?

1 A. Discussions with counsel.

2 Q. And were those discussions with counsel since the
3 filing of the bankruptcy?

4 A. I don't recall. I don't recall the exact timing of
5 when those conversations were held.

6 Q. Do you know if it was this year?

7 A. Honestly, I don't recall when those discussions
8 occurred.

9 Q. Did you know in 2018 or 2019 about these trips that
10 Mr. LaPierre took?

11 A. No.

12 Q. Okay. And you're aware, Ms. Rowling, that
13 Mr. LaPierre negotiated the most recent written agreements
14 between the NRA and Allegiance Creative Group, right?

15 A. No, I'm not aware of who negotiated that agreement.

16 Q. Okay. Allegiance Creative Group is an affiliate of
17 MMP; is that correct?

18 A. Yes.

19 Q. And they share the same office space at NRA
20 Headquarters; is that correct?

21 A. Yes.

22 Q. And they have the same CFO, Mr. Gurney Sloan; is
23 that correct? I'm sorry, CEO, Mr. Gurney Sloan; is that
24 correct?

25 A. I'm not sure. I'm not 100 percent sure about that.

1 Q. In 2019 -- strike that.

2 So, Ms. Rowling, you were speaking about some of the
3 reasons for the payment increases. Do you recall that?

4 A. Yes.

5 Q. In the MMP agreement, specifically?

6 A. Yes.

7 Q. Mr. LaPierre and Mr. Phillips both agreed to those
8 increases; isn't that correct?

9 A. I -- I don't recall who agreed to those increases.
10 I believe it was the two of them.

11 Q. Okay. So you believe it was Mr. LaPierre and --

12 A. I think so.

13 Q. Okay. And were those agreements verbal; to the
14 best of your knowledge?

15 A. I don't know.

16 Q. You've never seen a written agreement between the
17 NRA and MMP as to those increases in MMP's invoices; is that
18 correct?

19 A. No. I testified earlier that we have written
20 documentation that discusses the increases.

21 Q. Okay. That's a memorandum prepared by Membership
22 Marketing Partners; isn't that correct?

23 A. Yes. That is something prepared by MMP.

24 Q. Okay. It's not an agreement between the NRA and
25 MMP; isn't that correct?

1 A. It is not an agreement.

2 Q. Okay. And you testified that you believed that
3 Mr. LaPierre and Mr. Phillips were the ones who agreed to the
4 increases in the invoices in Real Time; is that fair?

5 MS. KOZLOWSKI: Objection; mis-states
6 testimony.

7 THE COURT: Overruled. The witness may answer
8 the question.

9 A. I am not 100 percent sure who agreed to those
10 increases throughout. I could speculate that it would have
11 been Mr. Phillips. But I just wasn't privy to that
12 information.

13 Q. Okay. You reviewed this memorandum that MMP sent
14 to the NRA; is that correct?

15 A. Some time ago, yes. Not recently.

16 Q. Okay. The memorandum was provided to you by either
17 Mr. Tedrick or Mr. Spray; is that correct?

18 A. Yes.

19 Q. Okay.

20 MR. THOMPSON: Mr. Wang, could you please pull
21 up that document?

22 And if you could go to page 3, please.

23 Q. Well, Ms. Rowling, do you recognize this document
24 to be that memorandum?

25 A. Yes.

1 Q. Okay.

2 MS. KOZLOWSKI: Your Honor, I would object.
3 This hasn't been -- this isn't an exhibit. And there's --
4 it's not being used to refresh her recollection.

5 MR. THOMPSON: To the contrary, Your Honor, it
6 is being used to refresh her recollection as to who approved
7 the invoice payments, the increase in the invoices to the
8 NRA.

9 THE COURT: Overruled.

10 Q. So, Ms. Rowling, if you look at -- above the
11 section that begins, retainer escalations and contributing
12 factors, if you look at the second bullet above that. Do you
13 see where it says, all fee increases were negotiated with the
14 ownership of MMP entities and approved by NRA's executive
15 vice president and treasurer? Do you see that?

16 A. I do.

17 Q. Does that refresh your recollection as to whether
18 or not the invoices -- the increase in the invoice payments
19 was agreed to by Mr. LaPierre and Mr. Phillips?

20 MS. KOZLOWSKI: Your Honor, I would object
21 simply because the document says that, that does not in part
22 that knowledge to Ms. Rowling, who testified she didn't know.

23 THE COURT: Well, the question was, does that
24 refresh her recollection. She may answer that question.

25 A. It does reflect -- yes. It refreshes my

1 recollection reading that.

2 Q. Okay. And then the next sentence in that bullet
3 reads, the increases were effective on the dates in the table
4 below. No contract addenda were requested from the NRA
5 treasurer's office.

6 Does that refresh your recollection as to whether or
7 not Mr. Phillips and Mr. LaPierre were agreeing to the
8 payment increases in Real Time?

9 A. That is what that says.

10 Q. Okay. So, Ms. Rowling, you stated that through
11 conversations with counsel, you've become aware of the trips
12 that Mr. LaPierre has taken on the yacht owned by the owner
13 of MMP; is that correct?

14 A. Yes.

15 Q. Okay. It was a conflict of interest for
16 Mr. LaPierre to negotiate the agreement with Allegiance
17 Creative Group and also to approve these increases in the
18 invoices from MMP over the last 5 to 10 years; isn't that
19 correct?

20 A. And exactly why?

21 Q. No. I'm asking if it was a violation of the
22 conflict of interest policy for him to be a negotiator on
23 these increases in payments to MMP.

24 A. Not necessarily. You're making assumptions on
25 other areas and applying it to those.

1 MR. THOMPSON: Object as non-responsive, Your
2 Honor, and move to strike.

3 THE COURT: Sustained.

4 Q. Ms. Rowling, Mr. LaPierre has admitted that it was
5 a mistake for him to not disclose these annual payments --
6 I'm sorry, these annual trips on the yacht owned by the
7 owners of MMP on his annual conflict of interest form. With
8 that representation, isn't it correct that it was a violation
9 of the conflict of interest policy for Mr. LaPierre to
10 approve the payments of these invoice -- the increases in
11 these invoices to MMP without making a disclosure?

12 A. I would have to know materiality to understand
13 whether those were completely in -- have a conflict problem.
14 I have -- I can't answer these questions without full
15 knowledge of all of the details, of which I do not have.

16 MR. THOMPSON: Move to strike as
17 non-responsive, Your Honor.

18 THE COURT: Overruled.

19 Q. Ms. Rowling, the original contract was for \$400,000
20 with MMP; isn't that correct?

21 A. The contract that is currently -- yes, is 400,000.

22 Q. And then as of 2018, Mr. LaPierre had approved
23 invoices more than double that amount to MMP; isn't that
24 correct?

25 A. I'd have to check to see if his signature was on

1 the actual invoices. I'm not sure if you're referring to the
2 memo that MMP created versus actual approvals on invoices.

3 Q. Ms. Rowling, you said that you've relied on that
4 memo to justify the increases in the payments, haven't you?

5 A. Yes.

6 Q. Okay. So to the best of your knowledge, the
7 information in the memo is accurate, right?

8 A. As far as I'm aware.

9 Q. Okay. All right. Ms. Rowling, you were testifying
10 earlier about the invoices, or rather the lack of invoices
11 or -- strike that. Let me start over.

12 You were testifying earlier about the lack of
13 information that Ackerman McQueen provided in their invoices
14 to the NRA as a concern that the NRA had; is that fair?

15 A. As a concern that the whistleblowers had, yes.

16 Q. Okay. And that concern was that Ackerman's
17 invoices were not sufficiently detailed; is that correct?

18 A. Yes.

19 Q. Okay. Are you aware that Mr. Schropp received AMEX
20 invoice statements for the AMEX Card that he had through
21 Ackerman McQueen on a monthly basis?

22 A. I'm sorry. Could you repeat that question?

23 Q. Sure. Are you aware that Mr. Schropp on a monthly
24 basis received AMEX invoices for the AMEX Card that he had
25 through Ackerman McQueen?

1 A. I'm not aware of that process.

2 Q. So not so much the process, but whether you're
3 aware that he received those documents.

4 A. No, I'm not aware.

5 Q. Okay. So no one in the financial services division
6 reviewed the -- more detailed AMEX invoices that
7 Mr. Schropp received; is that correct?

8 A. That's correct, with explanation.

9 Q. And those documents were not provided to you, or to
10 the best of your knowledge, anyone else at the NRA for review
11 for possible excess benefit transaction; is that correct?

12 A. We were unaware of those documents, so we would not
13 have been able to review them.

14 Q. But Mr. Schropp was aware of the documents, right?

15 A. I don't know that.

16 Q. Okay. Now, Ms. Rowling, you were testifying about
17 how many of the concerns that you and your colleagues raised
18 in the top concerns memo related to Josh Powell and Woody
19 Phillips; isn't that right?

20 A. That's correct.

21 Q. Those weren't exclusively the people that
22 concern -- the people's whose conduct concerned you and your
23 colleagues in 2018 and even reflected in the top concerns
24 memorandum; isn't that correct?

25 A. I'm not -- I don't know what you're referring to, I

1 guess. I mean --

2 Q. There are references to board member conflicts of
3 interest, right, in the tops concerns memo?

4 A. Yes.

5 Q. And there were also references to concerns with
6 vendors unaffiliated -- strike that.

7 Okay. Ms. Rowling, before you joined -- I'm sorry.
8 Before Mr. Spray joins the NRA in 2018, there was no one to
9 whom you and your colleagues could bring your concerns and
10 feel like you were being heard; isn't that correct?

11 A. I mean, we spoke some of these concerns. But the
12 majority of -- sorry, I know you're going to say it's
13 non-responsive.

14 MR. THOMPSON: I do, Your Honor.

15 Q. I apologize, Ms. Rowling.

16 A. Not necessarily. Let's put it that way.

17 Q. So you did raise some of your concerns to Joshua
18 Powell, didn't you?

19 A. I don't recall speaking to Josh Powell about much
20 of anything, actually.

21 Q. Okay. He was not someone to whom you could bring
22 your concerns and feel like they would be heard; isn't that
23 correct?

24 A. I would not have brought any concerns to Josh
25 Powell.

1 Q. You did raise some of your concerns to Rick
2 Tedrick, didn't you, over the years?

3 A. Probably, yes.

4 Q. And he did not address them; isn't that right?

5 A. I'm not aware of what Rick did to address those
6 concerns.

7 Q. Okay. To the best of your knowledge, he didn't --
8 you're not aware of anything he did to address those
9 concerns; is that right?

10 A. I am unaware of what he would have done.

11 Q. Okay. And did you bring any of your concerns to
12 Mr. Phillips?

13 A. I don't recall specifically going to Mr. Phillips.

14 Q. Okay. But Mr. Phillips was not someone you felt
15 would address your concerns, isn't that right?

16 A. Well, Mr. Phillips was part of the problem.

17 Q. So Mr. Phillips was not someone to whom you could
18 bring your concerns; isn't that right?

19 A. I would not have brought those concerns to Woody.

20 Q. Okay. And at the time, before Mr. Spray joined the
21 NRA, you had no direct line of communication to Mr. LaPierre,
22 right?

23 A. That's correct.

24 Q. Okay. And Mr. LaPierre is Mr. Phillips' boss,
25 right, or was Mr. Phillips' boss?

1 A. Mr. Phillips was appointed by the board as the
2 treasurer. So his boss was also the board.

3 Q. Right. But he also reported to Mr. LaPierre both
4 in his capacity as treasurer, but certainly in his capacity
5 as CFO, right?

6 A. Yes.

7 Q. Okay. And Mr. Powell was also -- Mr. Powell's
8 direct report was to Mr. LaPierre; isn't that right?

9 A. Yes.

10 Q. In your current position as acting CFO,
11 Ms. Rowling, you can be fired by Mr. LaPierre at any time;
12 isn't that correct?

13 A. In a right-to-work state, yes, we can. Anyone can
14 be.

15 Q. Well, not anyone, correct: Like, for example,
16 Mr. Spray can't be fired in his capacity as treasurer by
17 Mr. LaPierre, correct?

18 A. Yeah. We've discussed that in previous testimony.

19 Q. Ms. Rowling, with respect to Exhibit 72, the top
20 concerns memo, counsel asked you whether this memo was
21 transmitted to the Audit Committee in advance and I believe
22 you said, yes. This version of the memorandum that is NYAG
23 Exhibit 72 was not transmitted to the Audit Committee in the
24 advance of the meeting, correct?

25 A. That is true.

1 Q. Okay. A different version -- okay. Thank you.

2 You testified about some of the internal controls
3 testing that is a part of the -- of Aronson's audit. Do you
4 recall that?

5 A. Yes.

6 Q. Aronson was not engaged by the NRA -- let me strike
7 that and start over.

8 You are familiar with the difference between a
9 financial audit and an internal control audit; is that
10 correct?

11 A. That's correct.

12 Q. Okay. Aronson was not retained to perform an
13 internal control audit; is that correct?

14 A. That's correct.

15 Q. Okay. And Aronson -- did Aronson perform any
16 testing of the NRA's conflict of interest policy?

17 A. I am not aware, other than they test related party
18 transactions, which involves those conflict of interest
19 policies. So there is testing on the related-party
20 transactions. It's something that must be disclosed in the
21 audited financial statements.

22 Q. Okay. When the term, internal control, is used in
23 connection with the financial audit, can you tell me what
24 that means? What is an internal control, as used in that
25 context?

1 A. In a financial audit?

2 Q. Yes.

3 A. It's controls in place to ensure the accuracy of
4 the financial statements in a material respect.

5 Q. Okay. And internal control in that context would
6 not include something like the NRA's \$100,000 procurement
7 policy, correct?

8 A. Not necessarily. But it's part of what is
9 described as part of our controls. That they wouldn't
10 necessarily attest to those.

11 MR. THOMPSON: Move to strike as
12 non-responsive, Your Honor.

13 THE COURT: Overruled.

14 MR. THOMPSON: But --

15 THE COURT: I overruled it.

16 Q. You also testified, Ms. Rowling, about the new
17 accounting software in place, or that is being rolled out.
18 Do you recall that?

19 A. Yes.

20 Q. What is the name of that accounting software?

21 A. P, as in Paul, N, as in Nancy, 3.

22 Q. And I believe you said that the system will capture
23 contracts for invoices, if one exists; is that correct?

24 A. I did not say it will capture. I said it provides
25 the ability to upload an actual pdf of the contract to the

1 vendor profile.

2 Q. Okay. And so that will not be able to capture
3 contracts that aren't in writing; is that fair to say?

4 A. That is fair to say.

5 Q. Okay. And I believe you also said that there will
6 be specific approvers for specific invoices in this system;
7 is that correct?

8 A. Yes. The approval process is through each
9 division, or business unit responsible for that contract. So
10 that's -- the process would be, you would establish those
11 approvals within the business units. And then the over 50
12 approvals after that.

13 Q. Okay. Mr. LaPierre will be coded in as one of the
14 approvers for some of the invoices; isn't that correct?

15 A. Not necessarily. Mr. LaPierre, we prefer to get
16 his signature electronically, or actually a physical
17 signature for him. So that -- his physical signature would
18 probably end up being attached as opposed to -- or it would
19 be on the invoice that's uploaded, versus through the routing
20 process.

21 Q. Okay.

22 MR. THOMPSON: Your Honor, if I may take 30
23 seconds? This should be the end of my questioning, but just
24 to confer.

25 THE COURT: You may.

1 MR. THOMPSON: Thank you.

2 Thank you, Your Honor. Just a small number of
3 questions.

4 Q. Ms. Rowling, the NRA's previous auditor, RSM, fired
5 the NRA as a client; isn't that correct?

6 A. Not to my knowledge.

7 Q. To the best of your understanding, RSM is the one
8 that ended that relationship; isn't that correct?

9 A. That is correct.

10 Q. Okay. Aronson did not sign the 2019 Form 990;
11 isn't that correct?

12 A. That's correct.

13 Q. RSM signed the prior 990s during the time that they
14 were the outside auditor for the NRA; isn't that correct?

15 A. Yes.

16 Q. And Aronson did not find out about the excess
17 benefit transactions that were ultimately included in the
18 schedules, the 2019 990, until a few days before the filing
19 deadline for the 990; isn't that correct?

20 A. I don't know if a few days is accurate. We had
21 input that data into the automated system that they had
22 access to prior to a few days. So I don't --

23 Q. It was around November 9th or November 10th?

24 A. I don't recall. I don't recall the exact timing.

25 Q. Okay.

1 MR. THOMPSON: And with that, Your Honor, I --
2 oh, I'm sorry, one last thing, Your Honor.

3 Q. In connection with the earlier testimony regarding
4 Ms. Rowling's role in the preparation of the financial
5 statements, we would like to move in bulk for the admission
6 of NRA 530 through 546.

7 THE COURT: Those are documents that are filed
8 with the Court; is that right?

9 MR. THOMPSON: Yes, Your Honor.

10 THE COURT: Any problem with those exhibits
11 coming in?

12 Counsel, the Attorney General is offering in NRA
13 Exhibits 530 through 546, which are documents that have been
14 filed in the bankruptcy case.

15 MR. THOMPSON: I'm sorry, Your Honor. Counsel
16 may be on mute.

17 MS. KOZLOWSKI: Thank you, Your Honor. We
18 were just confirming that they are, in fact, the documents
19 filed on the docket. Certainly no objection to admitting the
20 debtor's schedules and statements or monthly operating
21 reports.

22 THE COURT: Okay. NRA 530 to 546 are
23 admitted.

24 MR. THOMPSON: And then one very last clean-up
25 item, Your Honor. We would also move for the admission of

1 NYAG Exhibits 128 and 129. I'm sure counsel will want to
2 confirm. But I will represent that these are the 2016 and
3 2017 CHAR500s filed with the New York Attorney General's
4 Office.

5 MS. KOZLOWSKI: Your Honor, no objection to
6 those two exhibits.

7 THE COURT: Thank you.

8 MS. KOZLOWSKI: With respect to the schedule
9 and statements that were admitted, I would like those to be
10 subject to amendment to include, to the extent that there are
11 any additional schedules and statements, so that the record
12 has all of the schedules and statements that are filed.

13 THE COURT: I think that's fair.

14 NYAG 128 and 129 are admitted.

15 MR. THOMPSON: Thank you, Your Honor. And
16 with that, I will pass the witness.

17 Thank you very much, Ms. Rowling.

18 THE COURT: Thank you.

19 I'm going to give the witness a 5 minute break in just
20 a second, because she's been testifying for an hour and 50
21 minutes. But let me just see an estimate, good-faith
22 estimate on how long each of the remaining crosses are going
23 to take.

24 Mr. Acosta, you're going to go next.

25 MR. ACOSTA: Your Honor, I'm going to try to

1 keep it under 2 hours.

2 THE COURT: 2 hours for your cross?

3 MR. ACOSTA: Yes, Your Honor.

4 THE COURT: Okay. And Journey?

5 MR. CLARKE: Yes, Your Honor. This is Robbie
6 Clarke for Judge Journey. Can you hear me?

7 THE COURT: I can.

8 MR. CLARKE: Yes, no more than 5 minutes for
9 us.

10 THE COURT: All right.

11 Committee?

12 MR. DRAKE: Judge, I think we got most of what
13 we need from her the first time she took the stand. So to
14 the extent we ask any questions, it would be very brief, less
15 than 5 minutes.

16 THE COURT: All right.

17 And then, Mr. Salitore?

18 MR. SALITORE: Your Honor, very few, if any.

19 THE COURT: Okay. All right. The witness has
20 been going for a little while. Why don't we break until
21 11:30.

22 During the break, don't talk to anybody about your
23 testimony, Ms. Rowling. Same rule that we had the other day.

24 (Brief recess ensued.)

25 THE COURT: All right. Mr. Acosta.

1 MR. ACOSTA: Your Honor, let me start off by
2 saying I -- you know, I apologize. I'm horrible with
3 budgeting time and --

4 MS. KOZLOWSKI: How do I move that one?

5 MR. ACOSTA: 2 hours. I think that surprised
6 everyone. I don't expect to be 2 hours with Ms. Rowling.
7 We've spent enough time with her already. So I just wanted
8 to give the Court some guidance.

9 THE COURT: Okay. I'm not going to try to cut
10 you off, Mr. Acosta. I just want to try to honor the 3:00
11 departure for Mr. Garman who hasn't seen his family in about
12 a month, it sounded like.

13 MR. ACOSTA: Yes, Your Honor. We definitely
14 want him to see his family.

15 THE COURT: All right. You may proceed.

16 CROSS-EXAMINATION

17 BY MR. ACOSTA:

18 Q. Ms. Rowling --

19 MR. ACOSTA: May I proceed, Your Honor?

20 THE COURT: I think so. Let me just make sure
21 debtor's counsel, they're situated now with their computer.
22 And I'm sorry I should have just verified that.

23 Are you all ready to go in the debtor's room?

24 MS. KOZLOWSKI: Yes, Your Honor. Thank you
25 very much.

1 THE COURT: My pleasure.

2 All right. Now you can go, Mr. Acosta. Thank you.

3 Q. Ms. Rowling, my cross is going to be a lot
4 disjointed upfront and then we're going to focus on the
5 topic, most of the time. So if it seems disjointed, I'm
6 sorry. I apologize upfront.

7 You said that you had 450 employees; is that about
8 right, the NRA has 450 employees?

9 A. Approximately, yes.

10 Q. And how many employees work in the accounting
11 department?

12 A. In the NRA's accounting department?

13 Q. Yeah.

14 A. There are 12.

15 Q. 12. And does that included the finance division,
16 or --

17 A. That's the financial services division is the 12.

18 Q. Okay. So does that include everyone in the
19 treasury department, as well?

20 A. No, not necessarily.

21 Q. Okay. How many people are in the treasury
22 department, in addition to the accounting department?

23 A. The treasury department has another 10, but some of
24 those staff are not NRA dedicated employees.

25 Q. And you mentioned you were a CPA; is that accurate?

1 A. Yes.

2 Q. And how many accountants are there in the finance
3 department and the treasury department, so the Court can
4 understand that?

5 A. Well, I'm not sure what you mean by -- what you
6 would qualify as an accountant.

7 Q. Okay. Let's start with how many CPAs. How many
8 CPAs are there in the treasury department or the finance
9 department?

10 A. Six.

11 Q. Six. Six CPAs?

12 And how many people -- that's great. Thank you.

13 You had mentioned that membership was a big source of
14 revenue for the NRA?

15 A. That's correct.

16 Q. What percentage of revenue does membership bring
17 in?

18 A. Membership, what we need to understand is it's
19 consistent on two lines on those financial statements. So
20 the members have dues which are the 100 million of the 300
21 million, so a third. But memberships also include some of
22 the contribution numbers, because they -- if somebody
23 upgrades to a life member, a benefactor or endowment member,
24 that upgrade fee is considered a contribution. So the
25 overall picture of membership dues is more than just the 100

1 million. It includes a portion of the contribution.

2 Q. I understand. And you have 5 million members?

3 A. Approximately.

4 Q. So I guess if every member contributed \$50, that
5 would be your budget for the year, wouldn't it?

6 A. Well, sure.

7 Q. And is it your testimony that Mr. LaPierre is the
8 one that influences the members that contribute at a minimum
9 \$50?

10 A. No. That is not my testimony.

11 Q. You've got 450 employees, right?

12 A. Approximately.

13 Q. And everyone is working towards getting the
14 membership involved; is that accurate?

15 A. The employees support the membership, yes.

16 Q. I guess Mr. LaPierre supports it more?

17 A. Mr. LaPierre is the NRA. So, yes, he supports it
18 more.

19 Q. So you're not the face of the NRA; is that what
20 you're saying?

21 A. I am not. I am not the one out on the streets,
22 going to events, and being that face. Not right now.

23 Q. Fair enough.

24 Now, you mentioned in 1991 the revenue was 87 million,
25 approximately, I think, if I got that right?

1 A. Yes.

2 Q. Okay. And do you know how long the relationship
3 with Ackerman McQueen has existed with the NRA?

4 A. I don't recall, no.

5 Q. Would it have been prior to you even starting to be
6 employed with the NRA?

7 A. Yes.

8 Q. Okay. All right. But you think the revenue growth
9 is all attributable to Mr. LaPierre?

10 A. I've never testified to that.

11 Q. So there are other people contributing to the
12 growth of the NRA; is that accurate?

13 A. There are -- yes. All of the employees contribute.
14 But Mr. LaPierre was in charge at the time.

15 Q. Fair enough.

16 Now, you testified that the Brewer Firm was brought in
17 to self-correct the NRA; is that accurate?

18 A. They were brought in for litigation matters. And
19 then we were -- we started also doing the self-correct.

20 Q. Okay. You weren't involved in negotiating the
21 Brewer contract, were you?

22 A. No.

23 Q. And you testified that if a Trustee were appointed,
24 it would destroy the NRA; is that accurate? Is that what you
25 said?

1 MS. KOZLOWSKI: Your Honor, that mis-states
2 testimony.

3 Q. Well, let me know what you said, please.

4 A. I said that -- obviously it's not going to be
5 verbatim. But I said that the NRA membership would -- it
6 would be severely impacted by the appointment of a Trustee.

7 Q. Okay. And I think the first time you were on the
8 stand, you testified that you don't have a lot of experience
9 in bankruptcy, do you?

10 A. No, I do not.

11 Q. You don't know what a Trustee does, do you?

12 A. I have read up on what a Trustee can and can't do.
13 And they're in charge of the entire organization. If they
14 choose to sell, or disband, or get rid of all of our assets,
15 they can choose to do that.

16 Q. I understand. And your knowledge from the
17 internet, do you think that that's something that could
18 provide insight into the governance of the NRA?

19 MS. KOZLOWSKI: Your Honor, objection;
20 argumentative.

21 THE COURT: Sustained.

22 Q. Where did you learn -- where did you acquire this
23 vast knowledge of Trustees?

24 MS. KOZLOWSKI: Objection; argumentative.

25 THE COURT: Go ahead and answer the question.

1 A. These discussions have been had with legal counsel
2 on what a Trustee would do.

3 Q. Okay. So legal counsel advised you that a Trustee
4 would defer the NRA?

5 A. I did not say that.

6 Q. So did legal counsel advise you that a Trustee
7 could hire Mr. LaPierre?

8 A. No.

9 Q. Did legal counsel advise you that a Trustee --

10 MS. KOZLOWSKI: Objection. Your Honor,
11 objection. Mr. Acosta is specifically asking Ms. Rowling as
12 to what the NRA's bankruptcy counsel has told her. That is
13 absolutely a violation of the attorney/client privilege.

14 THE COURT: I sustain that.

15 Q. You don't know who -- after talking with legal
16 counsel, you don't know who a Trustee can hire and fire, do
17 you?

18 A. My understanding is they can hire and fire whoever
19 they choose.

20 Q. And after talking with your counsel, you don't know
21 whether a Trustee is independent, do you?

22 A. I have not had those discussions.

23 Q. Okay. And after talking with legal counsel, you
24 don't know whether a Trustee can turn around a company, do
25 you?

1 A. I'm sure they can. But --

2 Q. Fair enough.

3 Now, there were some -- you mentioned some concerns in
4 your top 10 audit letter about Ackerman McQueen invoices.
5 They were vague, I think is what you said, or they didn't
6 include as much detail. Is that what you said?

7 A. I said they did not include support behind some of
8 the invoices.

9 Q. You're not aware whether Mr. LaPierre gave
10 instructions to Ackerman McQueen to withhold the details for
11 confidential purposes, are you?

12 A. I'm not aware.

13 Q. And you're not aware -- you were aware there was an
14 annual audit, though, of Ackerman McQueen, right?

15 A. I had heard that that was being done.

16 Q. Okay. So they would go to Ackerman McQueen's
17 offices and find the details?

18 A. I'm not aware of the process.

19 Q. Okay. Fair enough.

20 Now, if I could have you turn to -- well, that was the
21 disjointed part of my exact visit with you. And we're going
22 to talk about the CRO for a while.

23 You mentioned -- have you worked with the CRO before?

24 A. No.

25 Q. And by CRO, I mean chief restructuring officer. Do

1 we have that understanding?

2 A. Yes.

3 Q. Okay. And did anyone talk to you about hiring a
4 chief restructuring officer?

5 A. Yes. I had those discussions.

6 Q. Okay. So they talked to you about hiring a CRO
7 prior to hiring the CRO?

8 A. Yes.

9 Q. Okay. And what was your opinion about hiring a
10 CRO?

11 A. My opinion was if it was something that was deemed
12 necessary and appropriate, that we should pursue that.

13 Q. And I'm sorry, what -- could you give the Court
14 some insight into what a CRO does?

15 A. They manage the organization through its
16 restructuring process from a financial and -- view. And help
17 come up with a reorganization plan, among other things.
18 There's a whole list of areas where they were discussed --
19 where it was discussed in the contract.

20 Q. Okay. We're going to get back to that answer in a
21 second. But right now, if you don't mind turning to Ackerman
22 McQueen Exhibit Number 184.

23 MR. THOMPSON: I'm sorry, Mr. Acosta, could
24 you give that exhibit number again?

25 MR. ACOSTA: Ackerman McQueen Exhibit 184.

1 MR. THOMPSON: Thank you.

2 Q. And let me know when you're there, please,

3 Ms. Rowling.

4 A. I am there.

5 Q. Okay. Have you seen this before, this document?

6 A. Yes.

7 Q. Okay. Do you have any comments to this document?

8 A. Comments?

9 Q. Yeah. Did anyone ask your opinion about the
10 document?

11 A. Oh, sorry. No, I was not asked an opinion about
12 this document.

13 Q. Okay. And just for the record, can you tell the
14 Court what this document is?

15 A. It is the motion of retention and employments of
16 the consulting group and the appointment of Louis Robichaux
17 as CRO.

18 Q. Okay. Perfect. Can you scroll down to page 31 of
19 this document? It's pdf 31, but I think the Bate's label has
20 a different number.

21 A. Yes.

22 Q. Are you there?

23 A. Yes.

24 Q. Okay. Have you seen this document before?

25 A. It looks like it's the contract. Yes.

1 Q. Okay. When was the first time you saw this
2 document?

3 A. It's got to be a couple of weeks ago, or more
4 than -- yeah. Not exactly sure of the exact date.

5 Q. Let's go through this document, if you don't mind.
6 And I don't want to object as non-responsiveness,
7 Ms. Rowling. If you could just respond to my questions. Your
8 counsel is going to get a chance to address her concerns.

9 Do you see at the top it says, Incur?

10 A. Yes.

11 Q. And it's dated April 4th?

12 A. Yes.

13 Q. Did you see this document before April 4th?

14 A. I don't recall.

15 Q. You don't recall?

16 A. I don't recall the date.

17 Q. Okay. Well, did you help negotiate this document?

18 A. I did not.

19 Q. Did anyone ask you a question about the economics
20 of this document?

21 A. No.

22 Q. Okay. So we talked a fair amount about you
23 assisting with the Aronson engagement letter; is that right?
24 Did I get that correctly?

25 A. The engagement letter?

1 Q. Yes.

2 A. I mean, that their engagement letter. I wouldn't
3 have assisted with the writing of their engagement letter.

4 Q. I think the word you said, you were the liaison
5 between Aronson and the NRA; is that right?

6 A. Yes. I -- for the audit.

7 Q. Okay. So you didn't help negotiate the engagement
8 letter?

9 A. Well, it was part of the RFP process. And their
10 fees were their fees and we chose them.

11 MR. ACOSTA: I'm going to object to
12 non-responsiveness, Your Honor.

13 THE COURT: Sustained.

14 MR. ACOSTA: That was a yes or no --

15 THE COURT: Sustained.

16 Q. Did you assist with the negotiation of the Aronson
17 engagement; letter? It's a yes or no question.

18 A. Yes, with explanation.

19 Q. Okay. Well, your counsel can get into that.

20 A. Understood.

21 Q. So you didn't assist with the Incur engagement
22 letter, did you?

23 A. Other than review it, no. And signing.

24 Q. And you don't know when you reviewed it, correct?

25 A. No.

1 Q. Did you review it before it was signed?

2 A. I don't recall if it was signed at the point that I
3 looked at it.

4 Q. Okay. Now if you don't mind turning to the next
5 page of the engagement letter. It's -- it starts with a
6 chart that says, professionals and hourly rate. Do you see
7 that?

8 A. Yes.

9 Q. Okay. Well, do you know how much Mr. Robichaux is
10 being paid hourly?

11 A. I have not seen any bills associated with this.

12 Q. So you don't know?

13 A. That's correct.

14 Q. Okay. Would it surprise you that his hourly rate
15 is \$1,155 on the top line?

16 A. No. It would not surprise me.

17 Q. And do you have an opinion about that rate?

18 A. My opinion is that experts are expensive.

19 Q. And if you scroll down a little bit more,
20 subsection B there's a restructuring fee. Can you see that?

21 A. Yes.

22 Q. Okay. And it says, Incur shall be paid a
23 restructuring fee of a million dollars immediately upon the
24 effective date of a Chapter 11 plan. Do you see that?

25 A. Yes.

1 Q. And do you have an opinion about whether that
2 amount is reasonable or not?

3 A. I have not done any research on whether that is a
4 reasonable fee.

5 Q. And no one asked you for your opinion, except me,
6 right?

7 A. That's correct.

8 Q. And, in fact, do you have any opinion about how
9 much a CRO is going to cost the NRA?

10 A. I do not know at this point. I haven't done any
11 sort of analysis and haven't worked directly with the CRO,
12 yet, to make any of that determination.

13 Q. It doesn't really matter, does it, because the NRA
14 has a lot of money to burn, right?

15 MS. KOZLOWSKI: Objection; argumentative.

16 THE COURT: I sustain that.

17 Q. The NRA has \$72 million in cash as of the end of
18 March?

19 A. That sounds accurate.

20 Q. So it's not really concerned about what it expends
21 in professionals in the bankruptcy, is it?

22 MS. KOZLOWSKI: Objection; argumentative.

23 THE COURT: Sustained.

24 Q. Have you voiced an opinion about how much this
25 bankruptcy is going to cost the NRA?

1 MS. KOZLOWSKI: Objection; calls for
2 speculation.

3 THE COURT: The question is, has she voiced an
4 opinion. Overruled.

5 You may answer the question.

6 A. I have -- I have voiced opinions with my
7 colleagues.

8 Q. Okay. Have you voiced an opinion with the
9 management of the NRA?

10 A. I don't believe I have had those discussions
11 directly with management.

12 Q. And no one has invited those discussions?
13 Management hasn't invited those discussions with you, have
14 they?

15 A. I have not had those discussions with management.

16 Q. Can you turn to page 35 of that pdf, if you don't
17 mind?

18 Do you see paragraph 11, or Section 11? I don't know
19 what it's called. The indemnification and limitations of
20 liability. Do you see that?

21 A. Yes.

22 Q. Do you have an understanding of what that provision
23 is about?

24 A. I would have to read it.

25 Q. Okay. Do you have an understanding of

1 indemnification in general in any contract?

2 A. Yes.

3 Q. Okay. And do you understand that there's a
4 financial consequence for a contingency, in the event
5 something happens with indemnification?

6 A. Yes.

7 Q. So no one -- did anyone ask you about the economic
8 consequences of that indemnification clause?

9 A. No.

10 Q. All right. Let's scroll down, if you don't mind,
11 to page 45 of this document.

12 And let me know when you're there, please.

13 A. I'm there.

14 Q. Do you know what this is?

15 A. It's a schedule attached to the contract.

16 Q. And what is your opinion of the significance of the
17 schedule?

18 A. I would have to re-read this entire schedule to
19 assess my opinion of it.

20 Q. So you haven't read this in a while; is that your
21 testimony?

22 A. I have been busy.

23 Q. I understand.

24 Well, let's go through -- you've read it before,
25 though, right?

1 A. Yes.

2 Q. Let's go through this schedule, if you don't mind.

3 The second paragraph, the last two lines define CRO
4 appointment scope. Do you see that?

5 A. Yes.

6 Q. Okay. And that's going to be relevant for later.

7 But the next paragraph says, Incur will provide additional
8 support to the CRO, in the event it's needed. Do you see
9 that?

10 A. Yes.

11 Q. That's in addition to the 22 people that you
12 testified are in the treasury department and the finance
13 department?

14 A. Those would be current personnel, so, yes.

15 Q. Just making sure.

16 Let's -- if you don't mind going under -- it's not
17 labeled -- well, it's labeled, appointment and reporting.
18 Can you see that, appointment and reporting?

19 A. Yes.

20 Q. Okay. Under appointment and reporting. I will
21 represent to you that the UCC has provided some comments to
22 this document. Are you aware of those comments?

23 A. No, I am not.

24 Q. Okay. And the first comments to the first four
25 bullet points are kind of like spelling comments type thing.

1 And they added an additional bullet point that talks about
2 accurate reporting to the Court and staffing, and accurate
3 reporting to the board.

4 Is there any lack of accurate reporting to the Court or
5 to the board right now, to your knowledge?

6 A. Not to my knowledge.

7 Q. Okay. And do you think that's a necessity?

8 A. Of course there should be accurate reporting.

9 Q. Okay. Is that a concern of your's, like the
10 concern you voiced with the audit letter back in July of
11 2018?

12 A. No, it's not a concern.

13 Q. Let's go under scope and duties; if you don't mind.
14 Are you familiar with this section?

15 A. Yes.

16 Q. So that could speed it up a little bit.

17 You understand that the NRA, in this engagement letter,
18 has attempted to divide the functions of the NRA between
19 existing management and the CRO; you understand that?

20 A. Yes, that's correct.

21 Q. And core fundamental mission operations is left to
22 the existing management; is that right?

23 A. Yes.

24 Q. And management operations is left to the CRO?

25 A. That's correct.

1 Q. All right. And I will also let you know that the
2 UCC has provided some comments to this, as well. And in
3 particular, under core fundamental mission operations,
4 mission related litigation has been defined as
5 (indecipherable word due to audio cutting out). Do you
6 recall that? Or you said you didn't see any UCC comments?

7 A. I have not seen the UCC comments.

8 Q. Okay. What's your idea of mission related
9 litigation under core fundamental mission operations?

10 MS. KOZLOWSKI: Your Honor, objection.

11 Ms. Rowling testified she did not negotiate this contract.
12 She didn't prepare it. This discussion has been going on at
13 length asking her opinion about every provision. But it's --
14 there's simply no foundation or basis to continue with these
15 questions.

16 THE COURT: Sustained on that question. I
17 think she can be asked questions about this.

18 Q. So, Ms. Rowling, if I were to ask you are mission
19 related litigation that the NRA is involved in, can you
20 describe that?

21 MR. THOMPSON: Your Honor --

22 THE COURT: I've ruled on that. I don't think
23 she can be asked something that's not -- she hasn't seen it
24 and it's not in front of her, either. So I think you need to
25 move on through the contract that we have on the screen.

1 MR. ACOSTA: Fair enough, Your Honor.

2 Q. Let's go under management operations, if you don't
3 mind. And I think you testified that the CRO was going to be
4 involved, right?

5 A. That's correct.

6 Q. And do you feel that you need a boss, Ms. Rowling?

7 MS. KOZLOWSKI: Objection; argumentative.

8 THE COURT: Overruled.

9 You may answer the question.

10 A. I don't feel like I need a boss. But with respect
11 to this bankruptcy, there is value in having a CRO.

12 Q. Okay. A CRO that you've never dealt with?

13 A. That is generally how that works.

14 Q. And do you see the second sentence that says, the
15 CRO will have broad authority over operations? Do you see
16 that?

17 A. Yes.

18 Q. And presumably do you understand what that means?

19 A. It means exactly what it says.

20 Q. So does he have more powers than you?

21 A. Well, considering I would report to him, I would
22 guess he has more powers than me.

23 Q. And then the next sentence is examples of what the
24 CRO is going to do. Little i in the hole says, finance and
25 accounting. Do you see that?

1 A. Yes.

2 Q. Little ii in the hole says, treasury management.

3 Do you see that?

4 A. Yes.

5 Q. Those are essentially the functions that you're
6 heading right now; is that true?

7 A. That is correct.

8 Q. And then little iii in the hole talks about legal
9 governance and compliance, to the extent such issues arise in
10 connection with management operations or the bankruptcy. If
11 I could, I'd like to break that up into two parts. And then
12 I'll also add that the UCC has provided some comments on this
13 one.

14 Legal governance and compliance to the extent such
15 issues arise with management operations. Is that the -- who
16 currently is in charge at the NRA with legal governance and
17 compliance, to the extent that issues arise in connection
18 with management operations or the bankruptcy?

19 A. That's going to be a combination. It's going to be
20 legal. It's going to be the secretary's office. It's going
21 to be finance.

22 Q. Would also the executive director of operations,
23 would they also be involved in some of that?

24 A. I'm sorry, the who?

25 Q. Executive director of NRA operations.

1 A. Do you mean general -- executive director of
2 general operations?

3 Q. Yes.

4 A. I don't -- I don't think that that applies there,
5 no.

6 Q. Okay. All right. Please tell the Court what the
7 executive director of general operations does.

8 A. He is in charge of all of our programs, all of the
9 member programs.

10 Q. The next sentence talks about information
11 technology, little iv in the hole. Do you know what that
12 means for the NRA?

13 A. Yes. That would be our IT department.

14 Q. Okay. Is there a problem with your IT department
15 right now, Ms. Rowling?

16 A. Not that I'm aware of.

17 Q. And number v in the hole talks about general
18 administration, facilities administration, purchasing and
19 supervision of management of vendors who furnish goods and
20 perform services unrelated to the core fundamental mission
21 operations. That's actually the one that I'd like to break
22 up.

23 General administration and facilities administration.
24 That's a combination of your office, right?

25 A. General administration, I mean, I would have to get

1 definition on exactly what that represented.

2 Q. Okay. Would you say the general administration of
3 the NRA currently is being handled by your office, the
4 general counsel's office, and the executive director of
5 operations?

6 A. Again, I would have to know what the intent was
7 here fully. But that seems fairly accurate.

8 Q. Would you say also facilities administration is
9 handled by those three divisions?

10 A. Facilities administration is a very particular call
11 center and division in the NRA.

12 Q. Okay. And please elaborate to the Court what that
13 call center is.

14 A. It's called facilities. And it is under the
15 advisements or directs of the executive director of general
16 operations.

17 Q. Okay. And what do they do?

18 A. Handle our building.

19 Q. Okay. All right. And is there problems currently
20 with general administration and facilities administration at
21 the NRA?

22 A. Not that I'm aware of.

23 Q. All right. The second part of the sentence talks
24 about purchasing and supervision of management of vendors who
25 furnish goods and perform services unrelated to the core

1 fundamental missions. Do you see that?

2 A. Yes.

3 Q. Okay. My first question is, how many vendors are
4 there that are not related to the core fundamental mission?

5 A. I really don't know.

6 Q. Okay. Well, let's talk about the financials of the
7 NRA for a second, if you don't mind.

8 You helped fill out the bankruptcy schedules, right?

9 A. I reviewed the bankruptcy schedules.

10 Q. Okay. Are you familiar with the information in the
11 bankruptcy schedules?

12 A. I am familiar with the information.

13 Q. Okay. And the debtor has one lender -- the NRA has
14 one lender, right, one lender, one secured lender?

15 A. Yes.

16 Q. Owed \$44.5 million?

17 A. Sounds accurate.

18 Q. And that lender has collateral, right?

19 A. That's correct.

20 Q. Okay. And the collateral is the \$70 million
21 building of the NRA?

22 A. I don't believe 70 million is the accurate number.
23 But it is the building of the NRA.

24 Q. Would 60 million be okay for you?

25 A. That sounds more accurate.

1 Q. Okay. And they also have collateral in terms of
2 the investments that the NRA has in security; is that
3 accurate?

4 A. Yes.

5 Q. That's 64 million in investment as of the petition?

6 A. Sounds accurate.

7 Q. Okay. And then you -- Schedule F lists about \$62
8 million in unsecured claims?

9 A. I would have to see the schedules. I'm sorry. But
10 you're referring to schedules that I can't have visibility of
11 at the moment.

12 Q. Okay. As of January 15th, how much was -- how much
13 trade vendors did you owe? How much did you owe to trade
14 vendors?

15 A. As of the pre-petition date?

16 Q. As of January 15th, on the petition date.

17 A. I believe our trade vendors is about 15 1/2
18 million.

19 Q. Okay. Fair enough.

20 Let's go with that number. Out of the 15 1/2 million,
21 how many are involved in unrelated to core fundamental
22 mission operations?

23 A. I do not know.

24 Q. Okay. Would you agree with me that a substantial
25 amount of vendors are involved with core fundamental mission

1 operations?

2 A. There would be a substantial amount of vendors
3 involved in that.

4 Q. Would you agree with me that it's over 50 percent?

5 A. I -- you're asking a question I can't answer
6 without looking at the data.

7 Q. Okay. We're not asking you for a precise number,
8 Ms. Rowling. We're just asking you for an approximation. So
9 can you approximate how many vendors are involved in
10 unrelated to core mission operations?

11 A. I really probably couldn't.

12 Q. And --

13 A. I mean, I would say a majority.

14 Q. And then you review this data daily; is what you
15 told the Court before?

16 A. What data daily?

17 Q. The amount of bills that are -- the amount of
18 invoicing that occurs, the amount of cost that occurs at the
19 NRA?

20 A. Sure, in total.

21 Q. All right. Fair enough.

22 Now, I will represent to you that Mr. Drake has
23 provided some useful comments to this section, as well. The
24 UCC, that is, the Unsecured Creditor's Committee.

25 Have you seen those comments? You said, no, right?

1 A. I have not.

2 Q. Okay. And they've taken away the restriction on
3 vendors so that the CRO can have supervision and management
4 over all of the vendors. You don't know about that, but
5 what's your opinion on whether that's a good change or a bad
6 change?

7 MR. DRAKE: Your Honor, I'm going to object to
8 foundation and also to the extent it mis-states the written
9 comments of the UCC.

10 THE COURT: I'm going to sustain that. This
11 witness hasn't seen that. You're catching her pretty cold.
12 I sustain the objection.

13 Q. Do you believe the CRO should have unfettered
14 supervision and (indecipherable word) to all vendors of the
15 NRA?

16 A. I haven't given that thought, to come up with an
17 opinion on that.

18 Q. Fair enough.

19 And then the last is little vi in the hole, internal
20 and external communications that pertain to the foregoing.
21 Do you have any understanding what that means?

22 A. Email?

23 Q. So you need an CRO to supervise the NRA's email; is
24 that accurate?

25 A. No. But it could be communications relating to --

1 I mean, I would be speculating on what exactly they meant
2 with respect to communications. It could be formal
3 communications to employees. It could be formal
4 communications to external people. You know, that's
5 speculation on my part of what exactly they mean.

6 Q. Okay. Fair enough.

7 MR. ACOSTA: Your Honor, it's 12:08 and I
8 apologize to the Court. I think I'm just going to finish the
9 rest of the bullets under this subsection, if the Court would
10 permit me and then I'm done.

11 THE COURT: Okay. And just guess for me on
12 how long that's going to take. We may just let you keep
13 doing that, if it's a few minutes.

14 MR. ACOSTA: I think it's 10 minutes, Your
15 Honor, at most.

16 THE COURT: I'd say let's go ahead and do that
17 and then we'll stop for a few minutes to let everybody eat.
18 So why don't you go ahead and finish then.

19 MR. ACOSTA: Thank you, Your Honor.

20 Q. The next two bullets divides the -- those above
21 functions between the existing management and the CRO. Do
22 you see that?

23 A. Yes.

24 Q. And you haven't seen the UCC's comments on those
25 two bullet points?

1 MS. KOZLOWSKI: Objection; asked and answered.

2 THE COURT: Sustained.

3 Q. What is your understanding of the CRO's independent
4 function?

5 MS. KOZLOWSKI: Objection; vague.

6 THE COURT: I'm going to let her answer that.
7 Could you just expand on your question a little bit to make
8 sure the witness understands it. I think I know what you're
9 asking, but this is not something that the witness talks
10 about every day, I'm sure.

11 MR. ACOSTA: Yes, Your Honor.

12 Q. You understand that Aronson is independent auditor
13 of the NRA, right?

14 A. That's correct.

15 Q. No one can hire and fire them for their opinion?

16 A. That's correct.

17 Q. Okay. And do you understand that a Chapter 11
18 Trustee is an independent officer of the Court?

19 A. Yes.

20 Q. Okay. So do you -- do you believe that the CRO is
21 an independent officer of the Court?

22 A. The CRO, yes, would be independent, as well.

23 Q. Okay. And how can that be when the second bullet
24 point says that the SLC gets to determine the job roles of
25 the CRO?

1 A. Well, I think they're negotiating what the job
2 roles are. And they're agreed to. At that point, that
3 becomes mutual.

4 Q. Okay. Let's focus on the second bullet point for a
5 second. It says, the second sentence, in the event of a
6 material difference of opinion among the CRO on the one hand
7 and the company management on the other hand regarding any
8 matter constituting management operations, the matter may be
9 raised with the elected officers of the company who propose a
10 resolution. That's the first line of resolution.

11 And the elected officers, do you know who that is? Can
12 you tell the Court?

13 A. The elected officers are the EP, the secretary, and
14 the treasurer.

15 Q. So that's Mr. LaPierre, Mr. Frazier, and currently
16 the treasurer is Mr. Spray; is that right?

17 A. That's correct.

18 Q. And there are also elected officers on the board,
19 right?

20 A. Yes.

21 Q. And that would be Mr. Cotton?

22 A. That's correct.

23 Q. Ms. Meadows?

24 A. Yes.

25 Q. And Mr. -- and I'm going to pronounce his name

1 wrong and I apologize -- Mr. Willes?

2 A. Mr. Lee, but, yes, Willes Lee.

3 Q. Willes Lee, sorry.

4 So if there's any dispute about what they're doing,
5 that's who they go to first?

6 MR. KOZLOWSKI: Your Honor, objection, vague.

7 Also Ms. Rowling testified that she did not negotiate this
8 document. She simply read it. Asking her opinion as to
9 every sentence, she doesn't have a basis for that knowledge.

10 MR. ACOSTA: This goes to her credibility,
11 Your Honor.

12 THE COURT: Sustain the objection as to that
13 question.

14 Q. So the second sentence talks about, if you can't
15 come to the resolution of the first part, you go to the SLC
16 for determination. Do you see that?

17 A. Yes.

18 Q. So essentially are you aware that the CRO is
19 answerable to the Special Litigation Committee?

20 A. Yes.

21 Q. And you agree that is not independent, is it?

22 A. He's independent in his thought and in making
23 recommendations. But he still must report to the SLC.

24 Q. Okay. Fair enough.

25 Now the next two bullets talk about working in close

1 coordination regarding bankruptcy litigation matters and
2 outside litigation matters with the SLC and the Official
3 Committee of Unsecured Creditors. Do you see that?

4 A. Yes.

5 Q. And, Ms. Rowling, I guess my question is, are you
6 not working closely with the Special Litigation Committee and
7 the Unsecured Creditor's Committee?

8 A. There are --

9 MS. KOZLOWSKI: Your Honor, I'm just going to
10 object that that question was certainly vague as to what
11 Ms. Rowling is -- how she is working with the Unsecured
12 Creditor's Committee or the SLC.

13 THE COURT: Overruled.

14 MR. ACOSTA: I agree, Your Honor. That
15 language is vague.

16 THE COURT: You may answer the question. Are
17 you working closely with the SLC and the Creditor's
18 Committee, Ms. Rowling?

19 A. Personally, there are staff that I -- that I have
20 engaged to work directly with them. And my engagement has
21 been in communication with the staff that I -- that work for
22 me.

23 Q. Well, let's get more specific. If Mr. Drake gave
24 you a call and Mr. LaPierre said, please answer Mr. Drake's
25 questions, would you do so?

1 A. Sure.

2 Q. Would you do your very best to have all of your
3 staff answer Mr. Drake's questions?

4 A. Yes. Not directly. I mean, I would serve as
5 liaison there, but, yes.

6 Q. And if the Special Litigation Committee had a
7 question about finances, would you do your very best to
8 provide them information?

9 A. Yes.

10 Q. All right. Fair enough.

11 The fourth bullet talks about leave the communications
12 and negotiations with the company's stakeholders. Do you
13 have any idea -- do you have an opinion about what the
14 company's stakeholders are?

15 A. The stakeholders are going to be, I would say
16 debtors, members.

17 Q. Do you think creditors might be involved in that?

18 A. Sorry, yeah, that's -- yes, creditors.

19 Q. Okay.

20 A. That is what I meant. My apologies.

21 Q. That's the 15.5 million trade creditors that the
22 NRA owes?

23 A. Yes.

24 Q. And the next bullet point talks about overseeing
25 the efforts of the company to divest of assets. That was

1 confusing to me. Are you aware of any intention of the NRA
2 to divest assets?

3 A. There is a proposal for -- I don't know if it's
4 considered a divestor of assets -- but for our NRA store.

5 Q. Okay. So they're selling some products?

6 A. No. We're not selling the products. We're having
7 somebody else take over the function of that, which would
8 include all of the assets associated with that.

9 Q. You're giving them a license?

10 A. That's correct.

11 Q. And you did that before you hired the CRO?

12 A. Yes.

13 Q. Do you have any concerns about that contract, the
14 terms of that contract?

15 A. No.

16 Q. Okay. So I'm just curious, why do you need a CRO
17 to review that contract?

18 A. Again, I did not negotiate this contract.

19 Q. The next bullet point talks about assisting
20 bankruptcy counsel and providing Bankruptcy Court testimony.
21 Now, you're currently assisting bankruptcy counsel, right?

22 A. Yes.

23 Q. And, in fact, I mean, are you aware how much the
24 NRA has spent in professionals as of March 31st, 2021?

25 A. I do not have the exact number.

1 Q. Would \$6.6 million refresh your memory? Does that
2 sound about right?

3 A. Again, I have not seen that number.

4 Q. Okay. Does that not bother you, the amount of
5 money spent on professionals?

6 MR. KOZLOWSKI: Your Honor, objection;
7 argumentative and relevance.

8 THE COURT: Sustained.

9 Q. From an accounting functions, are professionals a
10 cost center?

11 A. Professionals a cost center?

12 Q. Yeah. Professionals are a cost for the NRA?

13 A. Yes. They are a cost.

14 Q. And you're not concerned with the amount of the
15 cost that's being expended on professionals?

16 MS. KOZLOWSKI: Your Honor, same objection.

17 THE COURT: Same ruling.

18 MR. ACOSTA: Your Honor, I'll move on. I'm
19 sorry.

20 THE COURT: Sustain to relevance.

21 Q. And you're familiar with all of the people that
22 have provided testimony for the NRA in this case, right?

23 A. I believe I'm familiar with who has provided
24 testimony.

25 Q. More than a dozen folks have testified in this

1 case?

2 A. Probably.

3 Q. Okay. So, the NRA is currently providing testimony
4 to the Bankruptcy Court, right?

5 A. Yes.

6 Q. So why does it need a CRO to provide testimony to
7 the Bankruptcy Court?

8 A. My guess would be to -- for the plan of
9 reorganization.

10 Q. Okay. And are you familiar with any term of the
11 plan of reorganization?

12 A. Yes.

13 Q. Okay. Can you please enlighten the Court, outside
14 of attorney/client privilege information?

15 A. I'm not sure that I can outside of -- other than
16 what was submitted with respect to information provided to
17 vendors that our -- that our plan was to repay, or was to pay
18 pre-petition creditors at 100 percent.

19 Q. Okay. So you're going to pay the 15.5 million 100
20 percent?

21 A. Again, that is the plan at this point.

22 Q. Do you have any other constituents that you were
23 concerned about that would have to be paid through a plan?

24 A. I'm not sure I understand your question.

25 Q. Is there anyone else that has to be treated or paid

1 under your Chapter 11 --

2 MS. KOZLOWSKI: Your Honor, objection.

3 They're -- he's calling for a legal conclusion. Ms. Rowling
4 is the CFO. He's asking her about specifically with respect
5 to what needs to be included within a plan of reorganization.

6 MR. ACOSTA: That's not what I asked, Your
7 Honor.

8 THE COURT: I'm going to sustain the --

9 MR. ACOSTA: I asked --

10 THE COURT: I'm going to sustain the objection
11 on that question.

12 Q. Who else besides the \$15.5 million vendors do you
13 understand need to be paid through a Chapter 11 plan in the
14 NRA case?

15 MS. KOZLOWSKI: Your Honor, same objection.

16 THE COURT: Relevance on this?

17 MR. ACOSTA: Your Honor, they're saying that
18 they need a CFO to negotiate a plan when everyone in the
19 world knows that a CFO is generally involved in feasibility
20 issues, client treatment issues. And, you know, if this
21 witness is kept in the dark about a Chapter 11 plan, I think
22 the Court should take that into consideration.

23 THE COURT: I sustain the objection.

24 Q. Has anyone asked you to prepare projections in
25 connection with the plan of reorganization?

1 A. Yes.

2 Q. So you have prepared them?

3 A. Not personally. But my staff has prepared those
4 with respect to that.

5 Q. Okay. Has anyone asked you whether a plan would
6 work?

7 MS. KOZLOWSKI: Your Honor, objection. This
8 invades the attorney/client privilege.

9 THE COURT: Ms. Rowling, are the folks that
10 are asking you to do that the attorneys?

11 THE WITNESS: Attorneys, yes, and financial
12 groups. But attorneys also.

13 THE COURT: Sustain the objection.

14 Q. Okay. Let's talk about what the financial groups
15 have asked you. Have they talked to you about whether a plan
16 would be feasible?

17 MS. KOZLOWSKI: Your Honor, objection. This
18 calls for a legal conclusion.

19 THE COURT: Also relevance. Sustain the
20 objection.

21 Q. Do you --

22 MS. KOZLOWSKI: Your Honor -- Your Honor, this
23 has been much longer than 10 minutes. If we could proceed to
24 lunch relatively soon, it would be appreciated.

25 THE COURT: Okay. Let's just see how much

1 longer Mr. Acosta has before we stop.

2 Q. What is your understanding what a plan of
3 reorganization has to do --

4 THE COURT: Mr. Acosta, that was a question to
5 you as to how much longer do you have before we see whether
6 we stop or not. I had thought you had 10 more minutes. And,
7 actually, I was going to move into the other folks and try to
8 wrap everybody up to get Mr. Garman out the door. So how
9 much longer do you have with the witness?

10 MR. ACOSTA: Your Honor, I'm down to my last
11 bullet point. So I would say -- I apologize, I said 10
12 minutes before. I would say less than 5 minutes.

13 THE COURT: Okay.

14 MR. ACOSTA: And I really apologize.

15 THE COURT: It's okay. Sometimes these things
16 take longer than folks think. But I do think that you need
17 to wrap it up and then we'll see where everybody else is and
18 whether we should break or whether we just finish up with the
19 witness.

20 Go ahead.

21 Q. Okay. What is your understanding of what a plan of
22 reorganization does, Ms. Rowling?

23 A. The plan will basically provide for a pathway for
24 the NRA to come out of bankruptcy, providing projections,
25 budget projections, as well as payments of debts and

1 potential litigation areas.

2 Q. Okay. And in those litigation areas, do you
3 understand that the NRA currently has several claimants that
4 are claiming that the NRA owes them money?

5 A. Yes.

6 Q. Okay. Have you quantified that amount, by any
7 chance, the amount people are claiming that the NRA owes?

8 A. Not specifically. I mean, I know it's over 100
9 million, if you start adding them together.

10 Q. Over \$100 million?

11 A. Sure.

12 Q. And how does the NRA plan to treat those claimants;
13 do you know?

14 MS. KOZLOWSKI: Your Honor, objection. This,
15 again -- to the extent that Ms. Rowling has knowledge about
16 this, it comes from counsel. So it's invading the
17 attorney/client privilege.

18 THE COURT: Does your knowledge come from an
19 attorney, Ms. Rowling?

20 THE WITNESS: Yes.

21 THE COURT: Sustained.

22 Q. Outside of the plan of reorganization, how does the
23 NRA account for contingent liability?

24 A. The -- it's not in our financial statements, at
25 this time.

1 Q. And do you know how much Ackerman McQueen is
2 requesting from the NRA?

3 A. Not specifically.

4 Q. Can you give the Court a ball park?

5 A. I thought it was 40, 50, 60 million. I don't
6 recall exactly.

7 Q. Okay. All right. Fair enough.

8 MR. ACOSTA: Your Honor, I have no further
9 questions. I appreciate the Court's patience.

10 THE COURT: No problem. Thank you.

11 Let me just take my poll one more time and see whether
12 we should stop or whether we can go through.

13 Mr. Clarke, you have about 5. Mr. Drake, at the time I
14 asked didn't think he would have any. And Salitore says a
15 few, if any. Is that still what you're thinking?

16 MR. CLARKE: Yes, Your Honor, for myself.

17 MR. SALITORE: That is correct for the U.S.
18 Trustee.

19 MR. DRAKE: Yes, Your Honor. We don't have
20 any questions.

21 THE COURT: All right. Then what about debtor
22 on redirect?

23 MS. KOZLOWSKI: Your Honor, I think I probably
24 have 30 minutes.

25 THE COURT: Okay. I think it would be wise if

1 we stopped just for a little bit. It seems to me we have
2 about 45 minutes, roughly, left with the witness.

3 It's 12:30. Do you all want to come back here at 1:15,
4 that gives you about 45 minutes and then we'll be done by 2,
5 it looks like to me. Does that work for everybody?

6 MS. KOZLOWSKI: Yes, Your Honor. Thank you.

7 THE COURT: Okay. We've shortened everything
8 so we can come back in here at 1:15.

9 Same rule, Ms. Rowling applies, as you understand, over
10 the lunch break.

11 Thank you.

12 THE WITNESS: Yes, sir.

13 (End of Morning Session.)

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C E R T I F I C A T E

I, CINDY SUMNER, do hereby certify that the foregoing constitutes a full, true, and complete transcription of the proceedings as heretofore set forth in the above-captioned and numbered cause in typewriting before me.

/s/Cindy Sumner

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