

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS

IN RE: . Case No. 21-30085-HDH-11
. .
NATIONAL RIFLE .
ASSOCIATION OF AMERICA . Earle Cabell Federal Building
and SEA GIRT LLC, . 1100 Commerce Street
. Dallas, TX 75242-1496
. .
Debtors. .
. April 23, 2021
. 1:15 p.m.
. P.M. Session

TRANSCRIPT OF TRIAL
BEFORE HONORABLE HARLIN DeWAYNE HALE
UNITED STATES BANKRUPTCY COURT CHIEF JUDGE

TELEPHONIC APPEARANCES:

For the Debtors: Neligan LLP
By: PATRICK J. NELIGAN, JR., ESQ.
JOHN D. GAITHER, ESQ.
325 North St. Paul, Suite 3600
Dallas, TX 75201

Garman Turner Gordon LLP
By: GREGORY E. GARMAN, ESQ.
WILLIAM M. NOALL, ESQ.
TERESA M. PILATOWICZ, ESQ.
DYLAN CICILIANO, ESQ.
TALITHA GRAY KOZLOWSKI, ESQ.
7251 Amigo Street, Suite 210
Las Vegas, NV 89119

Audio Operator: Shanette Green

Proceedings recorded by electronic sound recording, transcript
produced by transcription service.

J&J COURT TRANSCRIBERS, INC.
268 Evergreen Avenue
Hamilton, New Jersey 08619
E-mail: jjcourt@jjcourt.com

(609) 586-2311 Fax No. (609) 587-3599

TELEPHONIC APPEARANCES (Cont'd):

For Ackerman McQueen,
Inc.:

Dorsey & Whitney LLP
By: G. MICHAEL GRUBER, ESQ.
H. JOSEPH ACOSTA, ESQ.
BRIAN E. MASON, ESQ.
CHRISTINA M. CARROLL, ESQ.
KELSEY TAYLOR, ESQ.
300 Crescent Court, Suite 400
Dallas, TX 75201

Proposed Counsel to the
Unsecured Creditors
Committee:

Norton Rose Fulbright US LLP
By: SCOTT P. DRAKE, ESQ.
LAURA SMITH, ESQ.
NICK J. HENDRIX, ESQ.
LOUIS R. STRUBECK, ESQ.
2200 Ross Avenue, Suite 3600
Dallas, TX 75201

For Phillip Journey,
et al.:

Bonds Ellis Eppich Schafer Jones LLP
By: MARCUS JERMAINE WATSON, ESQ.
CLAY M. TAYLOR, ESQ.
ROBBIE CLARKE, ESQ.
420 Throckmorton Street, Suite 1000
Fort Worth, TX 76102

For Wayne LaPierre:

P. KENT CORRELL, ESQ.
250 Park Avenue, 7th Floor
New York, NY 10177

For the United States
Trustee:

Office of The United States Trustee
By: LISA L. LAMBERT, ESQ.
1100 Commerce Street, Room 976
Dallas, TX 75202

Office of The United States Trustee
By: MARC SALITORE, ESQ.
Bank of America Building
110 North College Avenue, Room 300
Tyler, Texas 75702

For Attorney General of
the State of New York:
of New York:

Spencer Fane LLP
By: JASON PATRICK KATHMAN, ESQ.
GERRIT M. PRONSKE, ESQ.
ERIC M. VAN HORN, ESQ.
5700 Granite Parkway, Suite 650
Plano, TX 75024

TELEPHONIC APPEARANCES (Cont'd):

For Attorney General of the State of New York: Office of the Attorney General-New York

By: JAMES SHEEHAN, ESQ.
STEPHEN THOMPSON, ESQ.
EMILY STERN, ESQ.
MONICA CONNELL, ESQ.

28 Liberty Street
New York, NY 10005

For the District of Columbia Attorney General:

Office of Attorney General
for the District of Columbia
By: JENNIFER JONES, ESQ.
400 6th Street N.W.
9th Floor
Washington, DC 20001

- - -

I N D E X

PAGE

WITNESSES

SONYA ROWLING

Cross-Examination by Mr. Clarke	6
Redirect Examination by Ms. Kozlowski	12
Recross Examination by Mr. Thompson	18

EXHIBITS

ID. EVD.

(None.)

1 THE COURT: Parties ready in NRA?

2 (No audible response)

3 THE COURT: Ms. Rowling can you hear me?

4 (No audible response)

5 THE COURT: Is she muted?

6 (Pause)

7 THE COURT: She's not on mute.

8 Can the debtors' room hear us?

9 You can? Can anyone hear us?

10 Mr. Thompson, do you hear us?

11 MR. THOMPSON: (No audible response).

12 THE COURT: Okay, thank you. Let's see, we're not
13 hearing the debtors' counsel room, and I don't know that Ms.
14 Rowling heard me a minute ago.

15 I'm not hearing you, Ms. Rowling. Are you hearing
16 me, would you give me a signal that you are?

17 MS. ROWLING: (No audible response).

18 THE COURT: Yeah. I'm not hearing you, though.

19 Okay. We think it actually may be in the courtroom
20 as opposed to you folks, so if you'd just give us a second.

21 (Pause)

22 THE COURT: Mr. Drake, would you give us a test so we
23 can see if we hear you.

24 MR. DRAKE: Yes. I can hear you, Judge. Can you
25 hear me?

Rowling - Cross/Clarke

6

1 THE COURT: I can hear you fine.

2 Ms. Rowling, can you hear me?

3 MS. ROWLING: Yes, sir. I can.

4 THE COURT: Okay. Good, and you're coming in.

5 MS. ROWLING: Can you hear me?

6 THE COURT: You're coming in fine.

7 MS. ROWLING: Okay.

8 THE COURT: Debtor' room, one of you just say
9 something.

10 MS. KOZLOWSKI: Yes, Your Honor. We can hear you.
11 Can you hear us now?

12 THE COURT: I can.

13 Mr. Acosta and Mr. Thompson, can y'all just give me a
14 sign up that you hear?

15 (No audible response)

16 THE COURT: Okay, good. All right. Sorry about
17 that. We think that was our end this time.

18 All right. I think we're to Mr. Clarke.

19 MR. CLARKE: Yes, Your Honor. Thank you.

20 SONYA ROWLING, DEBTORS' WITNESS, PREVIOUSLY SWORN

21 CROSS-EXAMINATION

22 BY MR. CLARKE:

23 Q Good afternoon, Ms. Rowling.

24 A Good afternoon.

25 Q And for the record, my name is Robbie Clarke with Bonds

Rowling - Cross/Clarke

7

1 Ellis, and we represent various current and former NRA board
2 members.

3 So in connection with your position at the NRA, are you
4 familiar with the different levels of membership in the NRA?

5 A As -- yes, I am.

6 Q Is life membership one of those levels?

7 A Yes, it is.

8 Q And generally speaking, is it correct that life membership
9 requires paying a large membership fee up-front and then
10 receiving a membership for the rest of that member's life?

11 A Yes. However, there is also a payment plan option, but in
12 -- in general terms, yes.

13 Q Is there any sort of cash reserve? From an accounting
14 perspective, is there any sort of cash reserve set aside with
15 respect to those life membership fees?

16 A There's a deferred revenue associated with those. So it
17 is what we would consider in accounting terms the -- the
18 liability associated with servicing those members for the rest
19 of their term, yes.

20 Q So those fees are, from an accounting perspective, split
21 out over a period of time?

22 A Correct.

23 Q Thank you. And moving further, do you recall testifying
24 earlier that Mr. Spray asked you in 2018 to create a list of
25 compliance concerns that you had?

1 A Yes.

2 Q And no one else at the NRA asked you to create that list,
3 correct?

4 A That's correct.

5 Q And you testified that Mr. Woody Phillips was part of the
6 problems you raised in you 2018 list in that he would
7 circumvent --

8 A Yes. That's correct.

9 Q And you testified that he would circumvent controls. That
10 was your control, correct?

11 A That's correct.

12 Q And you have also testified today that Mr. Phillips
13 reported to Mr. LaPierre; is that right?

14 A Him and the board, yes.

15 Q And do you agree with me that Mr. LaPierre was in charge
16 of the NRA at that time that you made that compliance concern
17 (indiscernible)?

18 A Yes.

19 Q In addition to Mr. Phillips, do you recall that you
20 testified that Mr. Josh Powell was also an individual you were
21 concerned about in that 2018 list?

22 A Yes.

23 Q And you testified that Mr. Powell also reported to Mr.
24 Wayne LaPierre? Is that correct?

25 A That's correct.

Rowling - Cross/Clarke

9

1 Q But was Mr. LaPierre in charge of the NRA at that relevant
2 time?

3 A I'm sorry. You cut out on me.

4 Q Sure.

5 A Was he in charge at that time?

6 Q Yes. Was he in charge at that time?

7 A Yes, he is -- he was.

8 Q So do you agree with me that Mr. LaPierre is in charge of
9 the NRA as we sit here today?

10 A Yes.

11 Q So you had testified that the NRA is in the process of
12 phasing in on certain financial controls; is that right?

13 A No. We are phasing in an accounting system that provides
14 better or further assurance of those controls not being
15 overridden.

16 Q Okay. So an accounting system's a better way to phrase
17 it?

18 A Yes.

19 Q And you had stated that the NRA operates for the benefit
20 of its members; is that right?

21 A That's correct.

22 Q Do you believe that compliance with financial controls is
23 important for the NRA?

24 A Yes.

25 Q Do you believe that this accounting system will help the

1 NRA comply with its financial controls?

2 A It will help what is already in place, yes.

3 Q So would you agree that compliance with financial controls
4 is ultimately important for the members of the NRA, as well?

5 A Yes.

6 Q So in your opinion, why were the NRA's management
7 including Mr. LaPierre implement and comply with these new
8 accounting systems now if they didn't do so in the past?

9 A We didn't have the system in the past. It was something
10 new we were implementing as part of accounts payable. It
11 wasn't something they chose not to implement --

12 Q So --

13 A -- in the past.

14 Q Sorry. So they -- their past behavior with respect to
15 financial controls needed correction?

16 A No. This is just an added -- it depends on who you're
17 talking about. I mean you're using "they" very broadly. We
18 had controls in place. This makes it more difficult to
19 circumvent those controls.

20 Q And do you think -- strike that.

21 Do you believe that the members can trust th NRA's current
22 management to abide by these new accounting systems?

23 A I'm sorry, but you're -- you're implying that the
24 accounting system is -- is what is driving a change. And it
25 really isn't. It is an important addition to changes we are

1 making, but it is not the driver behind any change.

2 Q So do you believe that the NRA members can trust that the
3 NRA management will comply with financial controls now if they
4 did not in the past?

5 A Yes, I do.

6 MR. CLARKE: Thank you, Your Honor. And thank you,
7 Ms. Rowling. That is all the questions I have, and I pass the
8 witness.

9 THE COURT: Thank you, Mr. Clarke.

10 Mr. Salitore for the U.S. Trustee?

11 MR. SALITORE: Your Honor, no questions by the U.S.
12 Trustee. Thank you.

13 THE COURT: Thank you, Mr. Salitore.

14 Switch us back to the debtor.

15 (Pause)

16 MS. KOZLOWSKI: I apologize, Your Honor. Just one
17 moment. Trying to get my screens changed here.

18 THE COURT: No problem.

19 (Pause)

20 THE COURT: Is there anything Mr. Ciciliano can't do?

21 MR. CICILIANO: My wife would have a long list of
22 things, Your Honor.

23 THE COURT: We all have faith in you, Mr. Ciciliano.

24 MS. KOZLOWSKI: Oh goodness. Thank you. I apologize
25 for my technical ineptitude here.

Rowling - Redirect/Kozlowski

12

1 THE COURT: Not a problem.

2 MS. KOZLOWSKI: Ms. Rowling -- thank you, Your Honor.

3 REDIRECT EXAMINATION

4 BY MS. MS. KOZLOWSKI:

5 Q When Mr. Thompson was questioning you, he said and asked
6 you a question that was, "And there was a March 28th meeting of
7 the full board of directors; is that correct?" Do you recall
8 that question?

9 A Yes.

10 Q And you answered "yes" with explanation. Do you recall
11 that?

12 A Yes.

13 Q What was the explanation you wanted to provide?

14 A That board meeting was called as a special board meeting
15 meaning the -- there were very specific topics that could be
16 discussed with respect to that board meeting.

17 Q Okay. And you were also asked "And has the money, the
18 50,000, been transferred back to Sea Girt as of today to the
19 best of your knowledge?" Do you recall that question?

20 A Yes.

21 Q And you answered "no" with explanation? Can you provide
22 that explanation?

23 A Yes. The efforts by myself has been made to open a new
24 bank account. However, the bank that we were working with to
25 reopen an account for lack of better words went silent on

1 response. And so that has not occurred as of yet.

2 Q And are you still working on that?

3 A Yes, I am.

4 Q We had a fair amount of discussion regarding MMP. Did Mr.
5 Spray investigate MMP after he became the CFO?

6 MR. THOMPSON: Objection; foundation, Your Honor.

7 THE COURT: I think that's sustained. I think you
8 need to go back a little more.

9 MS. KOZLOWSKI: Sure.

10 BY MS. KOZLOWSKI:

11 Q You recall -- let's see. There was -- you were asked a
12 number of questions with respect to MMP and the payments
13 exceeding contract. Do you recall that?

14 A Yes.

15 Q Okay. And has anybody in the financial services
16 department reviewed the contract and the payments that have
17 been made?

18 A Yes.

19 Q Okay. And who has done that?

20 A That was Mr. Ursling.

21 Q Okay. And what did he do with respect to that
22 investigation?

23 A He just, you know, reviewed the -- the actual contract.
24 And then --

25 MR. THOMPSON: Your Honor, apologies. Objection to

Rowling - Redirect/Kozlowski

14

1 the extent that Ms. Rowling is relying on something that Mr.
2 Ursling told her. That's hearsay.

3 THE COURT: It would be hearsay, but if you can
4 answer the question without what he told you. If you know from
5 your own personal knowledge, you can answer the question.

6 THE WITNESS: Other than seeing documents that were
7 created to show the escalation in payments, that is -- that's
8 what I know.

9 BY MS. KOZLOWSKI:

10 Q Okay. And did the NRA take steps to understand what was
11 causing those escalation of payments?

12 A Yes.

13 Q Okay. And who -- at whose direction were those taken?

14 A Mr. Spray.

15 Q Okay. And did the NRA receive documents from MMP in
16 response?

17 A Yes.

18 Q And after reviewing those, did the NRA continue paying
19 MMP?

20 A Yes.

21 Q And sitting here today, are you comfortable making
22 payments to MMP?

23 A Yes.

24 Q And why are you comfortable?

25 A Because the value that they bring in to -- in terms of

Rowling - Redirect/Kozlowski

15

1 revenue well exceeds the -- the cost incurred associated with
2 that.

3 MR. THOMPSON: Objection, Your Honor. It goes to the
4 earlier objection about relying on a document that is not in
5 evidence. Otherwise, foundation, Your Honor.

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

7 BY MS. KOZLOWSKI:

8 Q You were also asked about Tyler Schropp's credit card
9 statements. Do you recall that?

10 A Yes.

11 Q And Mr. Thompson asked you, "So no one in the financial
12 services division reviewed the more detailed American Express
13 invoices that Mr. Schropp received; is that correct?"

14 A That is correct.

15 Q Do you recall that?

16 A Yes.

17 Q Okay. And you answered "That's correct" with explanation.
18 What explanation did you want to provide?

19 A The financial services division wasn't even aware at the
20 time that he had a credit card with Ackerman McQueen.

21 Q Okay. Can you elaborate on that? What do you mean that
22 he had a credit card with Ackerman McQueen?

23 A That it was issued by Ackerman McQueen. So it wasn't
24 issued by the NRA for us to even know it existed.

25 Q Okay. And that's why you hadn't seen the invoices; is

Rowling - Redirect/Kozlowski

16

1 that -- am I understanding that correctly?

2 A That's correct.

3 Q Does anyone at the NRA have credit cards today?

4 A Not currently.

5 Q And you were asked about -- excuse me, let me start over.

6 You were asked about internal controls as part of the financial
7 audit. Do you recall that?

8 A Yes.

9 Q Can you explain how internal controls are tested as part
10 of the financial audit process?

11 A Sure. They -- during an audit, you will as an auditor
12 request samples of transactions. For example, for publications
13 you're going to -- you're going to test printing costs. So you
14 will take a sample of -- of the transactions that occurred in
15 that expense.

16 As part of the internal control portion of that test, you
17 will follow the process for which our controls are laid out so
18 if -- if it has to be approved by certain individuals within
19 that department, you're looking for approvals. And ensuring
20 that -- also then following it through all the way to the
21 financial statements with respect to where it was coded. Is it
22 coded to the proper place within the financials so that you can
23 have reliance on the numbers all the way into the financials?

24 Q And you were asked a number of questions about the CRO
25 agreement. Did you negotiate the CRO agreement?

1 A No.

2 Q Have you ever served as the CFO of a Chapter 11 debtor?

3 A No.

4 Q Have you ever shepherded a debtor of this magnitude
5 through the Chapter 11 process?

6 A No.

7 Q Have you ever negotiated a plan of reorganization for a
8 Chapter 11 debtor?

9 A No.

10 Q Have you ever prepared a Chapter 11 plan of
11 reorganization, period?

12 A No.

13 Q Do you believe that a CRO will be beneficial to the
14 debtors in their restructuring process?

15 A Yes.

16 MS. KOZLOWSKI: Your Honor, I did my best to shorten
17 my questions. That is all I have.

18 THE COURT: Thank you.

19 For the record, does anyone else have any questions
20 of Ms. Rowling?

21 MR. THOMPSON: If I may, Your Honor, I have exactly
22 one question for Ms. Rowling.

23 THE COURT: You may even have two, Mr. Thompson, if
24 you need.

25 MR. THOMPSON: Thank you, sir. Ms. Rowling -- I will

Rowling - Recross/Thompson

18

1 take Your Honor up on two questions.

2 RECCROSS EXAMINATION

3 BY MR. THOMPSON:

4 Q Ms. Rowling, you testified earlier that at the time that
5 this investigation into MMP was undertaken, you were not aware
6 that Mr. LaPierre was making use of a yacht owned by the owner
7 of MMP; is that correct?

8 A That's correct.

9 Q To the best of your knowledge, was Mr. Spray aware at the
10 time that Mr. LaPierre was making use of a yacht owned by the
11 owner of MMP?

12 MS. KOZLOWSKI: Your Honor, I'd object to the extent
13 it calls for speculation.

14 MR. THOMPSON: Only to her knowledge, Your Honor.

15 THE COURT: You may answer it to your knowledge.

16 THE WITNESS: I -- I don't know.

17 MR. THOMPSON: Okay. No further questions. Thank
18 you, Your Honor.

19 THE COURT: Thank you.

20 Mr. Acosta, anything else?

21 MR. ACOSTA: Your Honor, thank you. Thank you, Ms.
22 Rowling.

23 THE COURT: Does anyone else have any questions of
24 the witness?

25 (No audible response)

1 THE COURT: All right. Does anyone intend to call
2 this witness again?

3 MR. THOMPSON: Your Honor, with my apologies to Ms.
4 Rowling, we would like to reserve the right to call Ms.
5 Rowling. And we will endeavor over the break between the days
6 to see if we will indeed need to call her so that we can
7 release her before the testimony next Thursday if we can.

8 THE COURT: All right. That's fine, and it's
9 absolutely your right.

10 Ms. Rowling, the rule that we talked about at the end
11 of your testimony the other day still applies. If you would
12 not speak with anyone about your testimony until I've given my
13 ruling which will happen approximately a week after the trial
14 has ended, so it's a couple of weeks from now, I'd appreciate
15 it.

16 It may very well be that we'll be able to release you
17 from part of that rule so that you can watch th last two days
18 of trial if you want to.

19 MS. ROWLING: Thank you.

20 THE COURT: Thank you.

21 UNIDENTIFIED SPEAKER: Your Honor, this is the
22 stenographer. Can I just ask the witness to spell their name
23 for the record, please?

24 THE COURT: Absolutely.

25 MS. ROWLING: Sonya, S-O-N-Y-A; Rowling, R-O-W-L-I-N-

1 G.

2 UNIDENTIFIED SPEAKER: Thank you.

3 THE COURT: Thank you.

4 Is there anything else that we need to take up this
5 afternoon? I know that we have this rule issue that we're
6 talking about in chambers right now.

7 No?

8 MR. GARMAN: Not from the debtors' perspective, Your
9 Honor.

10 THE COURT: All right. Mr. --

11 MR. MASON: Not from Ackerman's perspective, Your
12 Honor. I will say that we have already tried to discuss a
13 little bit kind of timing on closing arguments. Obviously, we
14 don't believe that needs to be decided today, but we wanted to
15 let Your Honor know that. And I assume that'll be something
16 that the Court will want to discuss with the parties next
17 Thursday.

18 THE COURT: Yeah. I've been thinking about it, but
19 I'll let y'all talk first. Y'all seem to work together well.
20 It's okay to me if you don't reach agreement on some of these
21 things, but I do appreciate your professionalism.

22 I actually would appreciate your talking among
23 yourselves a little bit on this rule issue because I'm just not
24 sure what the right answer is on that right now. But we'll get
25 back with you on that.

1 Mr. Garman, have a nice trip home.

2 MR. GARMAN: Thank you, sir. And thanks, everyone.

3 THE COURT: All right. We'll be in recess until 8
4 o'clock on Thursday, April 29. I hope everyone has a nice
5 weekend. We had a long week. I appreciate everybody's good
6 efforts on this week. Thank you very much.

7 (Whereupon, at 1:39 p.m., the trial in the above-
8 entitled matter adjourned.)

9

10 C E R T I F I C A T I O N

11 I, DIPTI PATEL, court approved transcriber, certify
12 that the foregoing is a correct transcript from the official
13 electronic sound recording of the proceedings in the
14 above-entitled matter, and to the best of my ability.

15

16 /s/ Dipti Patel

17 DIPTI PATEL

18 J&J COURT TRANSCRIBERS, INC.

DATE: April 23, 2021

19

20

21

22

23

24

25