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Carolyn D. [REDACTED] Brownell, Pete [REDACTED]
From: Hallow, Millie
Sent: 2018-12-02T00:54:06Z
Importance: Normal
Subject: Fwd: NRA - 11/30/18 - NRA Awarded Contracts to Firms With Ties to Top Officials
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By now you have received Wayne note that was sent to all board members on this article. Some board members have had trouble accessing the article. I am attaching for you all to see. If folk call you, you can forward article or have them reach out to me.

FYI: This could have been a lot worse, particularly when you consider the reporter interviewed folk for almost a year, and had intel on all the alleged whistleblower crap. All the data he used was from the 990's filing which was Emily's last gift to us.

Begin forwarded message:

<https://www.wsj.com/articles/nra-awarded-contracts-to-firms-with-ties-to-top-officials-1543590697>

NRA Awarded Contracts to Firms With Ties to Top Officials

The payments total millions of dollars over several years, some of which the gun-rights group revealed in recent filings

By
Mark Maremont
Nov. 30, 2018 10:11 a.m. ET

New filings from the National Rifle Association reveal that the gun-rights group directed millions of dollars over several years to people with close ties to the group, including former top officials.

A separate review of the NRA's vendor relationships found other business arrangements that similarly benefit insiders.

The NRA Foundation, an affiliated nonprofit, paid millions of dollars to a company controlled by a former NRA president, the filings indicate. The NRA also paid nearly \$1 million over two years to a retired NRA official through one of its longtime vendors.

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The separate review found that a consulting firm hired by the NRA in turn employed the wife of an NRA executive, and another of its outside consulting firms is controlled by the NRA Foundation's executive director.

The NRA and its representatives said there is nothing improper about any of its relationships. Where potential conflicts of interest arise—such as when the organization's insiders stand to financially benefit from its vendor contracts—the audit committee of its board generally reviews and approves such transactions, the NRA said.

William A. Brewer III, an outside lawyer for the NRA, said the group “strives to comply with all applicable regulations” and has “appropriate processes and safeguards in place” to manage potential conflicts of interest.

Some of these relationships weren't reported in the NRA's filings until recently. The NRA, one of the nation's largest and most influential nonprofit organizations, said in its filings and to The Wall Street Journal the omissions were inadvertent.

NRA supporters say the gun-rights advocacy community is fairly small, and the NRA ends up doing business with people it knows and trusts.

Some governance experts said it isn't unusual to see one or two conflicts of interest in a large nonprofit like the NRA. A broader pattern is less common and raises questions about how prudently the organization is being run, they said.

“If I were an NRA member paying my dues, I'd wonder why all this money was being paid into companies controlled by NRA insiders or benefiting them,” said Elizabeth J. Kingsley, a Washington lawyer specializing in nonprofit law.

In one previously unreported arrangement, an NRA fundraising consultant, McKenna & Associates, late last year hired as a new senior adviser the wife of NRA executive Josh Powell. McKenna had been paid \$2.6 million by the NRA over the previous two years.

A few weeks after his wife's hiring, Mr. Powell signed an extension of the firm's contract with the NRA.

Mr. Powell, the NRA's third-highest executive, said McKenna has worked for the NRA for about seven years. His wife was hired after she met McKenna's owner socially at an NRA fundraiser, Mr. Powell said, and the owner hired her because of her consulting skills.

Mr. Powell said he disclosed the matter to other executives and the audit committee, which approved the contract extension with McKenna as in the best interest of the NRA. He said his wife is a McKenna contractor and

“works on some NRA business and some other projects.”

Mr. Powell’s wife, Colleen Gallagher, didn’t return calls seeking comment. Toby Merchant, a lawyer for McKenna, said, “Colleen is not a project leader for the NRA account, nor was McKenna’s continued engagement with the NRA in any way contingent upon working with Colleen.”

Mr. Powell, the NRA’s executive director of general operations, said in an interview in September he is confident officials are “making prudent decisions with members’ money. I think about it every day.”

In a November tax filing, the NRA Foundation, which is controlled by the NRA board and sends most of its money to the NRA, disclosed for the first time a longstanding arrangement under which it buys millions of dollars in products from Crow Shooting Supply. That company is controlled by Pete Brownell, CEO of an Iowa gun retailer who was a longtime NRA director and NRA president from 2017 to early 2018.

The money—\$3.1 million in 2017—went to buy ammunition and other supplies that the foundation donated to local shooting groups, a person familiar with the transaction said.

The NRA Foundation has been buying from Crow Shooting Supply since 2008, according to people familiar with the matter. The NRA, in a written statement, said the company provides goods and services at a discount, “in support of the Foundation’s educational programming.”

Mr. Brownell’s family company didn’t own Crow in the early years of its NRA contract, but purchased the supplier in 2011, when Mr. Brownell was on the NRA board and his father was CEO of the family company and president of the NRA Foundation.

IRS regulations around disclosures of “transactions with interested persons” are complex, but in general require disclosure of dealings with current or former officers, directors and their family members, or companies at least 35% controlled by them.

The NRA Foundation didn’t disclose the contract with the Brownells’ company until this year. The NRA said it made “additional disclosures” this year “to provide greater visibility” into the foundation’s activities.

The NRA also disclosed in its tax filing a complicated arrangement involving a longtime outside vendor and a former NRA official who retired about three years ago. The NRA paid the official nearly \$1 million over two years after his retirement, the group disclosed. The money wasn’t paid directly by the NRA, but by the outside vendor, Lockton Affinity LLC, an insurance broker that arranged and managed NRA-branded insurance products.

The NRA said in the tax filing that it “inadvertently” failed to disclose the arrangement and a portion of the compensation in a prior year. In a statement to the Journal, the NRA said the former executive had been closely involved with Lockton while working at the NRA, and, after he retired, “the NRA wished to continue to utilize him in a consulting capacity.”

A spokeswoman for Lockton Affinity, which severed ties with the NRA earlier this year, declined to comment.

The NRA in 2017 saw a 21% decline in member dues and contributions, to \$230 million, according to its financial filings. That is the lowest level since 2012. The NRA has run at a deficit for the past two years, its financial filings show.

In 2016, the NRA disclosed for the first time it was using an outside fundraising firm, HWS Consulting, and paid it \$685,000 that year. The contract with HWS recently was extended to 2023, state filings show.

According to filings with state charities regulators, HWS Consulting is owned by H. Wayne Sheets, executive director of the NRA Foundation.

Like all nonprofits, the NRA Foundation is supposed to list all of its officers and their compensation in annual tax filings. Mr. Sheets was not listed in many recent foundation filings, even though he had been both an executive director and an officer since at least 2010.

After The Wall Street Journal contacted the NRA about the issue in September, the group said it “inadvertently omitted” Mr. Sheets from prior year filings. It included him, and his 2017 pay of \$710,000 through HWS Consulting, in the NRA Foundation’s just-filed 2017 tax reports.

Mr. Sheets didn’t respond to calls seeking comment. Mr. Brewer, the NRA lawyer, said Mr. Sheets left the NRA as an employee in 2008 while continuing with the NRA Foundation and as a fundraiser through his own company. Mr. Brewer said the arrangement had been “properly vetted at the audit committee.”

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