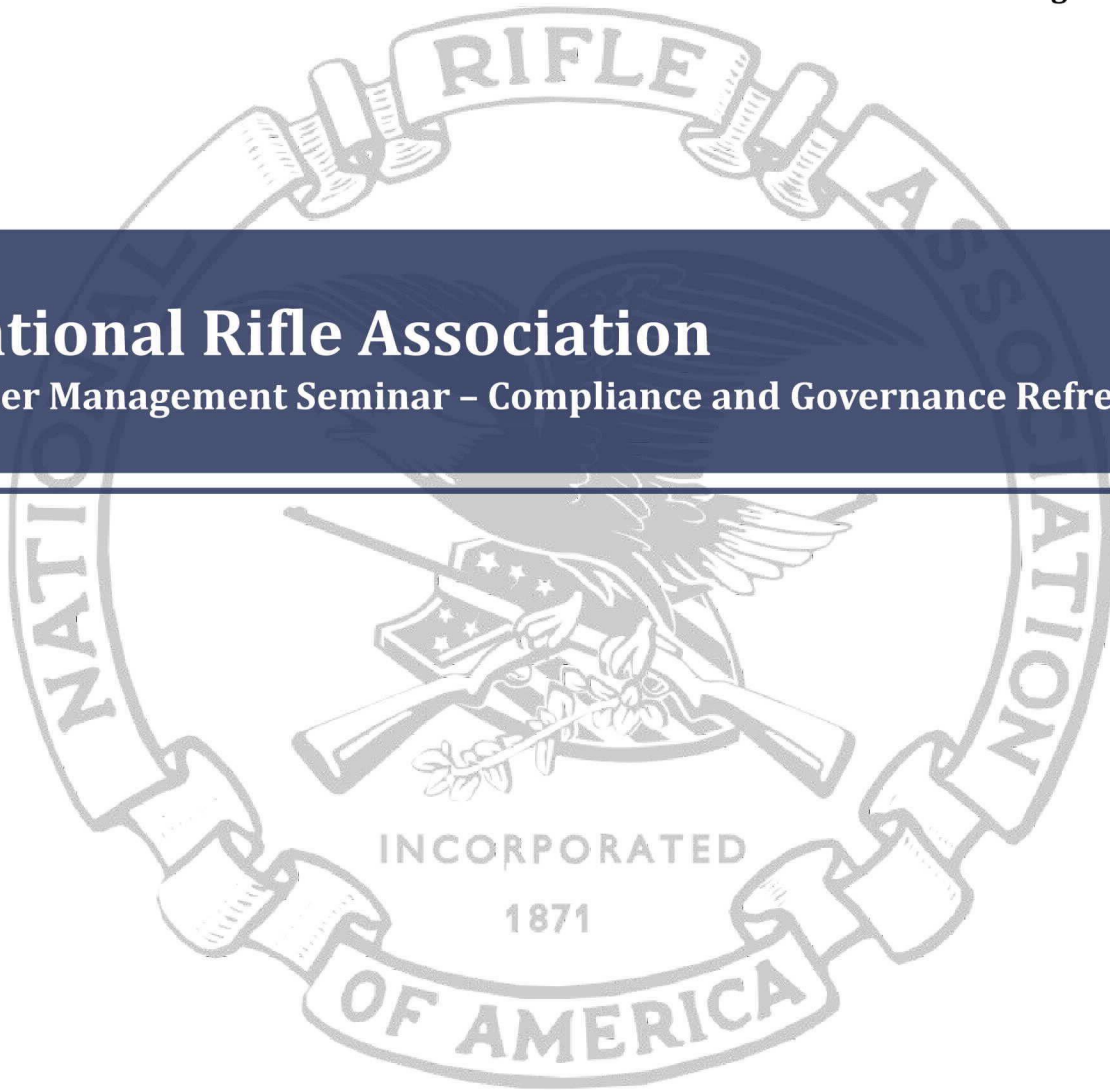


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National Rifle Association

Upper Management Seminar – Compliance and Governance Refresher



July 26, 2018

PX-2567

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NRA-NYAG-00011105

NYAG-00030083

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➤ I. The Gold Standard – The NRA Past, Present and Future

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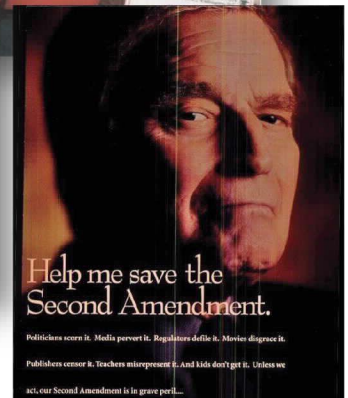
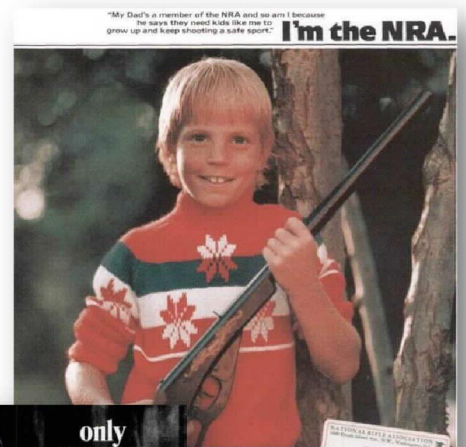
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- A Proud Tradition
- Confronting the Current Campaign Against the NRA
- Poised for Growth and Opportunity

The Gold Standard – NRA Past, Present and Future

A Proud Tradition

- As America’s foremost defender of the **Second Amendment for 150 years**, the NRA has sustained—and overcome—vigorous attacks.
- **Battle-tested and indomitable**, the NRA endures because of its:
 - Unmatched **credibility** among stakeholders and donors;
 - Dedicated **people** –officers and employees – who identify deeply with the organization and its goals; and
 - Sound **judgment**.



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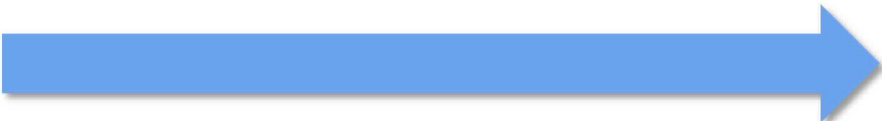
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The Gold Standard – NRA Past, Present and Future

Confronting the Current Campaign



- **Today’s hostilities are unprecedented.** Buoyed by significant economic and political resources, the anti-Trump activist surge, and virtue signaling by institutions that were traditionally nonpartisan (e.g., banks), a **sophisticated corporate campaign is being waged to destroy the NRA.**
- **The NRA’s tax-exempt status is a target.**
 - **NYAG Frontrunner Letitia James vows to investigate.**
- **The NRA will prevail, by cultivating and marshaling its **core strengths:****



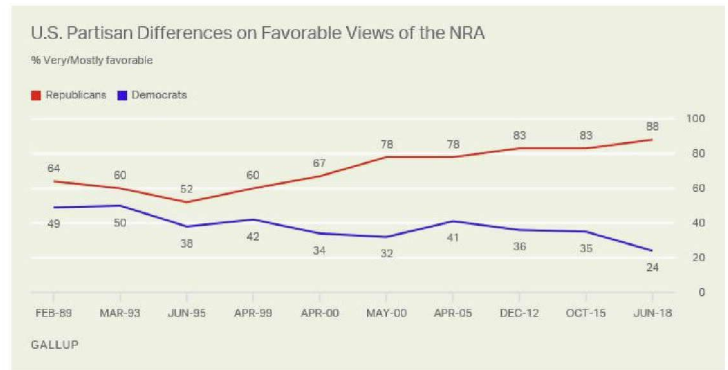
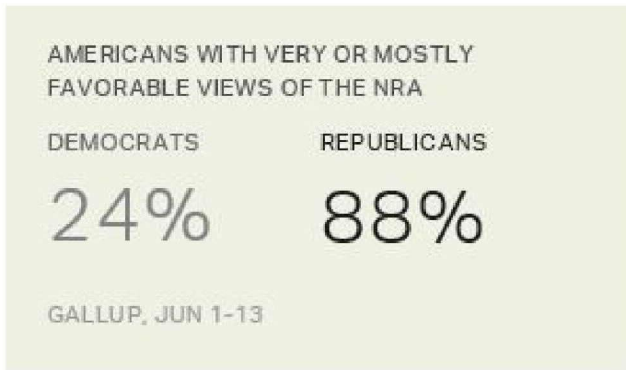
- Unmatched **credibility** among stakeholders and donors;
- Dedicated **people** – officers and employees – who identify deeply with the organization and its goals; and
- Sound **judgment.**

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The Gold Standard – NRA Past, Present and Future

Positioned for Growth and Opportunity



- Amid the current wave of attacks, the NRA has rallied its base and continues to consolidate and strengthen its support from conservative constituencies.
- To **safeguard our association’s role in preserving the Second Amendment**, we provide the following refresher regarding key compliance and internal-controls items.

I. The Gold Standard – The NRA Past, Present and Future

➤ II. Compliance and Governance Refresher

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- Laws and Regulations Governing the NRA
- Relevant Internal Policies, Protocols and Controls

Compliance Refresher: Overview

Key Compliance Obligations

Sources and Implications

The NRA must comply with **state and federal laws**, as well as its own **bylaws and internal controls**.

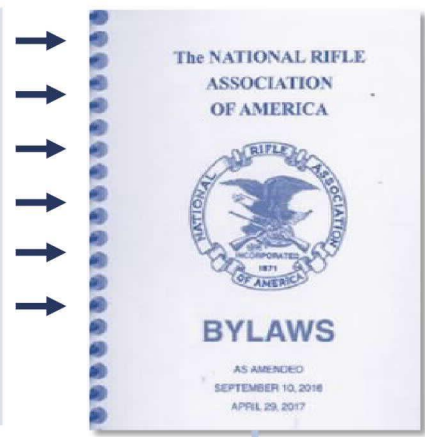
Key Laws and Regulations Governing the NRA

- IRS Rules
- Sarbanes-Oxley
- NY Nonprofit Law
- Federal Election Laws
- Statutes Regulating Charitable Investments

Resulting Operational and Disclosure Requirements

Examples Include...

- Obligation to manage funds prudently
- Limits on related-party transactions
- Restrictions on bestowing of benefits on private persons (includes vendors and contractors)



- Controls In Vendor Contracts
- Employee Handbook

NRA Policy Manual & Internal Policy Memoranda

Corporate Ethics Policy

Audit

Compliance Refresher: Overview

Internal Controls

Basic Principles

Internal controls refer to processes that, when followed, provide **reasonable assurances** regarding:

- Efficient operations;
- Reliable financial reporting;
- Achievement of business or programming goals; and
- Compliance with laws and regulations.



Internal controls fall into **two primary categories**:

- **Preventive controls** which reduce the occurrence of errors or irregularities.
 - Examples: Prior-approval protocol for certain contracts and invoice payments; competitive-bidding requirements. |
- **Detective controls** which assure that if errors or irregularities occur, they are promptly discovered and corrected.
 - Examples: Regular reconciliation of accounts and preparation, auditing of financials

Compliance Refresher: Overview

Internal Controls

Five Key Control Activities

1. Create a **control-conscious environment**;

- Leadership philosophy, organizational structure, and communications with employees should emphasize the NRA's core commitments: integrity, ethics, competence.

2. **Segregate duties**;

- Business functions such as custody of assets, recording of transactions, and reconciliation of transactions should be divided so that no one person has control over all aspects of a transaction.

3. Obtain proper **authorizations, approvals and verifications**;

- Approval authority should be limited by written policy, and formal approval procedures should be strictly adhered to – never bypassed.

4. Control and **safeguard assets**;

- Internal controls should guard against unauthorized use of assets. It is especially important to segregate duties regarding handling of cash.

5. **Monitor compliance**.

- Management should routinely assess risks and monitor the implementation of internal controls, making adjustments as needed.

Compliance Refresher: Overview

Internal Controls

Consequences of Noncompliance

The NRA's internal controls shield the NRA from expensive public investigations and existential regulatory and lawsuit threats.

The NRA's commitment to its institutional legacy requires that infractions be addressed. Accordingly, penalties range from **disciplinary action**, to **disgorgement of benefits** improperly received, to **immediate dismissal with cause** from the NRA. Where applicable, the NRA may also pursue civil or criminal remedies.

I. The Gold Standard – The NRA Past, Present and Future

II. Compliance and Governance Refresher

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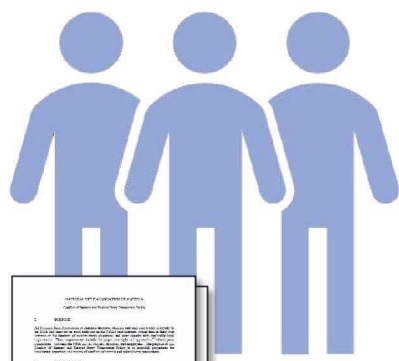
- Transactions Implicating Covered Persons
- Who is Covered?
- Which Transactions Trigger Specialized Controls?
- Disclosure and Approval Protocol

Compliance Refresher: Conflicts of Interest and Related-Party Transactions

Transactions Implicating Covered Persons

Who Is Covered?

- When the **interests of the NRA** come into conflict with the **financial or personal interest of someone positioned to influence decision-making by the NRA**, a conflict of interest arises that demands **thorough disclosure** and **Board oversight**.
- The Audit Committee must approve in advance (or ratify upon discovery) certain transactions involving **“Covered Persons”**:



**NRA Conflict of Interest
and Related Party
Transaction Policy**

- Served as a **director** of the NRA or an affiliate within the **past five years**; or
- Currently serves as an **officer** of the NRA or an affiliate; or
- Currently **employed** by the NRA or an affiliate, in a position where he can **exercise substantial influence**;

OR

- A **relative** of any of the foregoing (rule of thumb: related by blood or reside in the same household);

OR

- A **substantial contributor** to the NRA or an affiliate (contributed > 2% of total contributions within a given calendar year).

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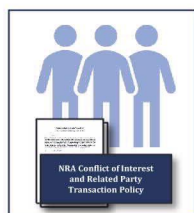
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Compliance Refresher: Conflicts of Interest and Related-Party Transactions

Transactions Implicating Covered Persons

Which Transactions Trigger Specialized Controls?

(Slide 1 of 2)



Not every action by a Covered Person raises compliance considerations. However, as a general rule, **disclosure should be made to the Audit Committee if a Covered Person, directly or indirectly:**

Is on the “other side” of a transaction involving the NRA or an affiliate, *e.g.*:

- **Has an interest (financial or otherwise) in any transaction or “arrangement”** involving the NRA or an affiliate—including any compensation arrangement with the NRA or an affiliate; or
- Has an interest in or affiliation with any **vendor/contractor, competitor, or counterparty** of the NRA or an affiliate. *Examples: familial relationship; fractional ownership of joint venture.*

Receives benefits to the possible detriment of the NRA or an affiliate, *e.g.*:

- Acquired **property or rights in which the NRA has an interest**, or may **pursue an opportunity** belonging to the NRA. *Example: Purchased an item at a favorable price that was first offered to the NRA; pursues a line of business or not-for-profit activity that “competes” with the NRA.*
- **Is indebted to the NRA.**

For exact policy language, see NRA Conflict of Interest and Related Party Transaction Policy, Section III.

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Compliance Refresher: Conflicts of Interest and Related-Party Transactions

Transactions Implicating Covered Persons

Which Transactions Trigger Specialized Controls?

(Slide 2 of 2)

Is subject to actual or apparent undue influence, *e.g.*:

- Has “the ability to use his or her position” for personal advantage or for an improper/illegal purpose;
- Has solicited or accepted any gift, entertainment, or favor where such gift might create the appearance of influence (excludes gifts under \$250);
 - Includes any gift, gratuity, favor, or entertainment from an entity that has or is seeking to have a business relationship with, or receive funds from, the NRA or an affiliate.
 - Includes “free” use of boats, planes, vacation houses, sporting-event tickets, or other items as part of a social activity.
- Is subject to other circumstances that may, in fact or appearance, complicate impartial business judgment.
 - Remember: *the appearance of bias is enough to warrant disclosure, even if you are confident no wrongdoing has occurred.*

For exact policy language, see NRA Conflict of Interest and Related Party Transaction Policy, Section III.

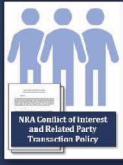
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Compliance Refresher: Conflicts of Interest and Related-Party Transactions

Transactions Implicating Covered Persons

Disclosure and Approval Protocol



NATIONAL RIFLE ASSOCIATION OF AMERICA
Conflict of Interest and Related Party Transaction Policy

I. PURPOSE

All National Rifle Association of America (NRA) and must act in good faith in its interests or the interests of another person. These requirements include "transactions" between the NRA and its officers, directors, employees, or other persons. This policy is intended to identify and prevent conflicts of interest and related party transactions.

II. APPLICABILITY

"Related party" means (i) any director, officer, or employee of the NRA; (ii) any relative of any director, officer, or employee of the NRA; or (iii) any entity in which the NRA or any of its directors, officers, or employees has a financial interest, ownership, or beneficial interest, including a direct or indirect ownership interest.

"Related party transaction" means any transaction in which a related party has a financial interest.

This policy applies to any person who:

1. A director of the NRA or an officer or indirectly through one or more intermediate persons, exercises substantial control with the NRA. Presently, this includes the Whittamaron Center, NRA Civil Rights and Freedom Action Center.
2. An officer of the NRA or an affiliate.
3. A "key employee" of the NRA or an affiliate. A "key employee" is an individual in a position to exercise substantial influence over the NRA and, other than NRA officers, may include, without limitation, a person who: (i) has authority over a substantial portion of the NRA's capital expenditures, operating budget, or compensation; (ii) manages a discrete segment or activity of the NRA that is a substantial portion of the activities, assets, income or expenses of the NRA (as a whole); and (iii) receives annual compensation greater than \$150,000. Persons who qualify as "key employees" of the NRA will be so notified by the NRA.

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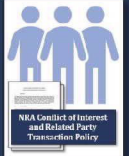
IV. CONFLICT OF INTEREST DISCLOSURE AND QUESTIONNAIRE

All material facts related to conflicts of interest (including the nature of your interest and information about any proposed transaction or other arrangement) are required to be disclosed in good faith and in writing to the NRA Audit Committee. Contact Thomas R. Tedrick, secretary of the NRA Audit Committee. Disclosures should be made in advance, before any action is taken on the matter. Conflict identification and analysis can be difficult and, therefore, you are at all times expected to err on the side of caution and disclose all instances where a conflict of interest or the appearance of a conflict exists, even if you do not believe that there is an actual conflict. *(Emphasis added.)*

Compliance Refresher: Conflicts of Interest and Related-Party Transactions

Transactions Implicating Covered Persons

Disclosure and Approval Protocol



If one of the foregoing situations arises with respect to a Covered Person, or if you are aware of an actual or apparent conflict of interest:

1. Contact Audit Committee Secretary Rick Tedrick, (██████████).
2. Take steps to ensure that the potential conflict is disclosed **in writing to the Audit Committee**.
3. **Time for disclosure: Disclosure should be made in advance**, before any action is taken on the matter. If the NRA or a Covered Person mistakenly participates in a conflict-of-interest transaction absent Audit Committee approval, then the transaction should be presented to the Audit Committee **promptly upon discovery of such error**. The Audit Committee may ratify the transaction, rescind it, or take other action.
4. **Form of disclosure: National Rifle Association Financial Disclosure Questionnaire 2018**. This questionnaire must be completed **at least once per year** by each officer, director, Board candidate, and any other “key” employee identified by the Office of the General Counsel. In addition, the questionnaire should be **updated as appropriate** if additional potential conflicts become known.

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NYAG-00030099

I. The Gold Standard – The NRA Past, Present and Future

II. Compliance and Governance Refresher

- A. Overview
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-  C. **Spending and Procurement**
- D. Safeguarding of Assets
- E. Communicating and Enforcing Controls
- F. Hypothetical Situations

- General Guidelines
- Approval Protocol
- Controls Incorporated Into Vendor Contracts

Compliance Refresher: Spending and Procurement

General Guidelines

New York law and the NRA Policy Manual require that the NRA **manage its resources in good faith**, with the same care an **ordinarily prudent person** would exercise under similar circumstances. Therefore:

- The NRA must use **impartial business judgment** when it procures goods and services.
 - **Maintain independence of judgment from vendors**, contractors, suppliers and others.
 - **Gifts, gratuities, entertainment or favors** from vendors may not be part of any purchasing decision, nor appear to influence any such decision.
 - Competitive vendors and suppliers should be granted equal consideration, and **competitive bidding** should be used where feasible. *Competitive bidding is required for certain contracts – see Slide 21.*
- **Contract provisions** that benefit or protect the NRA must be enforced.
- The NRA should make and keep **books, records, and accounts** which are sufficient to reflect accurately all financial transactions and the disposition of funds – including work performed by vendors.



Compliance Refresher: Spending and Procurement

Approval Protocol

Requirements Governing Particular Purchases of Goods or Services



- Procurement is generally the responsibility of the office of the Treasurer and the Purchasing Division.
- All procurement of goods or services should follow the guidelines set forth in the **NRA Procurement Policy**.
- NRA policy requires **competitive bid solicitations** for procurement of most goods and services.
- All contracts for goods and services are subject to differing levels of review depending on the amount paid.
- **Reminder:** Transactions involving Covered Persons are subject to additional requirements covered in previous slides.

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Compliance Refresher: Spending and Procurement

Approval Protocol

Competitive Bidding



- “NRA will make every effort to maximize competitive procurement opportunities by soliciting **competitive bids and proposals for goods and services.**”
- Competitive bidding is **required** for goods and services valued **at or above \$5,000.**
- Exceptions to the competitive bidding requirement:
 - Sole source purchases: “Certain purchases qualify for sole source based on the unique requirements of the order [...] These purchases may be treated as exceptions to normal bidding procedures. **Documentation stipulating the reason for the sole source purchase must be approved by the Director of Purchasing prior to making a purchasing commitment.**”
 - Purchases of services “**directly related to legal counsel, political strategy, public relations, membership, fundraising, and marketing** may be selected using means other than a competitive bid solicitation **at the discretion of the Executive Vice President.**”
 - *However, the overarching obligation to prudently, efficiently manage assets applies to purchases of the foregoing services. Although such services may be selected without competitive bidding (subject to EVP discretion), competitive bidding – or fair-market-value benchmarking – is recommended.*
- The Purchasing Division and the Office of the Treasurer are **responsible for ensuring compliance** with the competitive bid policy.

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Compliance Refresher: Spending and Procurement



Approval Protocol

Signature Requirements and Contract Amounts

Approval requirements vary by **contract amount** – specifically, the sum of payments within any twelve-month period.

Contract Amount	Approvals Required
Under \$50,000	<ul style="list-style-type: none"> Division Director
\$50,000 to \$99,000	<ul style="list-style-type: none"> Division Director One Officer <i>EVP, Executive Director (of ILA or GO), Treasurer, or Secretary</i>
\$100,000 or More	<ul style="list-style-type: none"> See Policy Statement, APPROVAL PROCEDURES FOR PURCHASE AGREEMENTS AND CONTRACTS IN EXCESS OF \$100,000 <i>Memorandum from Wayne LaPierre dated Feb. 27, 2012</i> <p style="text-align: right;">→ (next slide)</p>

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Compliance Refresher: Spending and Procurement

Approval Protocol

Contracts Greater Than or Equal to \$100,000



- With respect to contracts for \$100,000 or more, the proposed contract and a business case analysis must be signed by the following offices, listed on the Contract Review Signature Sheet:
 - Office of General Counsel
 - Purchasing Division
 - Financial Services
 - Treasurer’s Office
 - Executive Vice President
- The signatures of the **President** and **one of the Vice Presidents** are also required.
- Business case analysis is required for contracts of \$100,000 or more** – even contracts for marketing, political strategy, and other services that can be exempted from the competitive-bidding requirement at the discretion of the Executive Vice President.

Signatures required over \$100,000 - Contracts cannot be entered into or executed without prior written approval from the President and Vice President(s).

Attachment 2

CONTRACT REVIEW SIGNATURE SHEET

Contract Name: _____
 Amount: _____
 Registered By: _____
 Division: _____
 Responsible Officer Approval: _____
 Business Case Analysis Prepared By: _____
 Date: _____
 Legal Review: _____ (Date)

Herndon Rural Association Of America
 4400 Morris Blvd. Suite
 1000A, Vienna, VA 22180

NRA POLICY STATEMENT

To: All NRA Staff
 From: Nancy LaPlante, Executive Vice President
 Date: February 27, 2012
 Subject: Approval Procedures for President Agreements and Contracts in Excess of \$100,000

Reference: February 6th, 1997 Board of Directors Meeting, Section III (7) NRA Policy Manual; June 8, 1998 Board of Directors Meeting, Section III (4) NRA Policy Manual

Attachments: 1) Business Case Analysis Sheet
 2) Contract Review Signature Sheet

Purpose: To clearly define the signature procedure and distribution for purchase agreements and contracts in excess of \$100,000.

Background: In 1988, the Board of Directors established the following policy: "...any agreement by NRA or NRA, B.A. in excess of \$50,000 cannot be entered into the approval of the President and one of the two Vice Presidents." In 1995, the amount of any agreement was raised to \$100,000.

There are currently two policies concerning signature approval for purchase agreements and contracts in excess of \$100,000 in a 12-month period. The first policy referenced herein was approved at the February 6th, 1997 Board of Directors meeting regarding a business case analysis on all contracts over \$100,000 before the required sign-off approval.

"February 6th, 1997 Board of Directors"
 2011 207-6206
 2011 207-2989 Fax
 nra@nra.org

Compliance Refresher: Spending and Procurement

Controls Incorporated Into Vendor Contracts

- Contracts with key vendors contain **protections and controls**, negotiated by the NRA, that help **to ensure prudent, efficient use of the NRA's funds and compliance** with the NRA's ethical obligations.
- **The following slides highlight crucial controls in illustrative, material vendor contracts.**
- **Compliance by vendors** with provisions that protect the NRA is important for preservation of the NRA's interests.
- **Remember: all contracts must be reviewed by the Office of the General Counsel**, and copies of executed contracts should be provided to the Office of the General Counsel.

Compliance Refresher: Spending and Procurement: Controls Incorporated Into Vendor Contracts

Controls Incorporated Into Vendor Contracts

Key Provisions to Monitor and Enforce

- Vendor contracts often contain flat-fee arrangements, or caps, that prevent or preclude overruns vis-à-vis an agreed, budgeted amount. Generally, if there is **no contractually-specified mechanism for an upward departure** from the agreed amount, **overages should be scrutinized and addressed** with the vendor, and/or the responsible NRA officer or executive.
- If a vendor is compensated for **additional, special assignments outside the scope** of an existing contract, such compensation generally must be **approved in advance by the NRA**, pursuant to the **same controls governing initiation of a new contract**—including competitive bidding and business-case-analysis requirements.
- Many vendor contracts contain **provisions entitling the NRA to inspect books or records** pertaining to the services contracted-for. These provisions empower the NRA to obtain documentation or “back-up” for any invoiced charges.

Compliance Refresher: Spending and Procurement: Controls Incorporated Into Vendor Contracts

Controls Incorporated Into Vendor Contracts


Key Provisions to Monitor and Enforce

- A vendor's ordinary business expenses typically are **not reimbursable by the NRA unless preapproved** in writing by the NRA Executive Vice President or his designee.
- Contracts often **specify precisely which business expenses** of the vendor are—and are not—reimbursable.
 - For example, one of the NRA's current vendor contracts allows reimbursement for "[m]ailing and express charges, long distance telephone calls, photocopies, deliveries, sales taxes and reasonable out-of-town travel including transportation, meals, and lodging, etc." incurred on behalf the NRA, but **expressly disclaims reimbursement for** any "[e]xpenses not listed above" unless specifically approved in writing by the NRA Executive Vice president or his designee.



I. The Gold Standard – The NRA Past, Present and Future

II. Compliance and Governance Refresher

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- Asset Protection Controls
- Compliance Reviews

Compliance Refresher: Safeguarding Assets

Asset Protection

Safeguarding assets means that there are policies and procedures in place that provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets.

The **Statement of Corporate Ethics** prescribes clear controls designed to safeguard assets:

- **Transactions are to be executed** in accordance with management's general or specific authorization.
- **Transactions are recorded:**
 - to permit preparation of financial statements in conformity with GAAP or any other criteria applicable to such statements; and
 - to maintain accountability for funds and assets.
- **Access to assets** is permitted only in accordance with management's general or specific authorization.
- **Purchased assets** must be analyzed and booked in compliance with accounting guidance, including capitalization rules.

Compliance Refresher: Safeguarding Assets

Asset Protection

- **Intangible assets are the NRA's crown jewels**, embodying more than a century of heritage and credibility.
- If a relationship with a vendor involves the use of the NRA's trademarks or logos, licensing of the Association's name, or other proprietary matter of the NRA, the **Office of the Secretary** and the **Intellectual Property Committee** must give **prior approval**.
- Outside parties may not use the NRA's intellectual property absent a license. The terms of any license should be **approved by the Chairman of the Intellectual Property Committee, John Frazer**.



Compliance Refresher: Safeguarding Assets

Asset Protection

- Compliance reviews must be planned and memorialized.
- The ethics policy states that periodic compliance reviews shall be the **responsibility of the Treasurer** at the direction of the **Audit Committee** and/or the **Executive Vice President**.
- Employees specifically designated by the Treasurer of the Association as having responsibilities involving purchase authorization, control or disbursements of funds, and/or other control of Association assets, will be **required to sign an Annual Statement of Corporate Ethics** that will be maintained in the individual personnel records in the Human Resources Division.

I. The Gold Standard – The NRA Past, Present and Future

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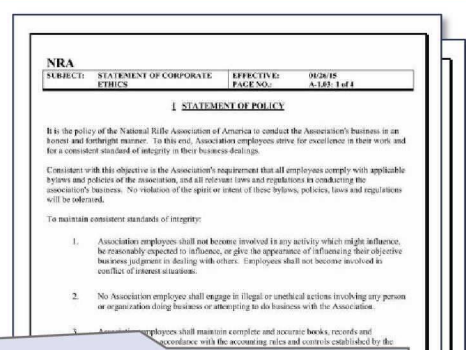
- NRA Statement of Corporate Ethics
- Whistleblower Provisions

Compliance Refresher: Communicating and Enforcing Controls

NRA Statement of Corporate Ethics



- No violation of the spirit or intent of any bylaw, policy, law or regulation will be tolerated.
- Managers are responsible for communicating and explaining NRA internal controls – and for reporting violations.



4. Employees who are officers, directors, division directors or activity supervisors, shall have responsibility: (a) to insure that these policies are annually communicated to the employees reporting to them; (b) to clarify and explain said policies when necessary; (c) to monitor compliance therewith, and (d) to report all known (or suspected) violations of said policies to the Executive Vice President of the Association, the Treasurer of the Association, or to other persons whom they designate, as appropriate.

Compliance Refresher: Communicating and Enforcing Controls

Whistleblower Provisions



Employees are encouraged to address good-faith concerns to the General Counsel or the Audit Committee. NRA policy sets forth, and the law requires, **credible assurances against retaliation**.

NRA	
SUBJECT: STATEMENT OF CORPORATE ETHICS	EFFECTIVE: 06/26/05 PAGE NO.: A-183-1 of 4
1 STATEMENT OF POLICY	
It is the policy of the National Rifle Association of America to conduct the Association's business in an honest and forthright manner. To this end, Association employees strive for excellence in their work, and for a consistent standard of integrity in their business dealings.	
Consistent with this objective is the Association's requirement that all employees comply with applicable bylaws and policies of the Association, and all relevant laws and regulations in conducting the Association's business. No violation of the spirit or intent of these bylaws, policies, laws and regulations will be tolerated.	
To maintain consistent standards of integrity:	
<ol style="list-style-type: none"> 1. Association employees shall not become involved in any activity which might influence, be reasonably expected to influence, or give the appearance of influencing their objective business judgment in dealing with others. Employees shall not become involved in conflict of interest situations. 2. No Association employee shall engage in illegal or unethical actions involving any person or organization doing business or attempting to do business with the Association. 3. Association employees shall maintain complete and accurate books, records and documentation in accordance with the accounting rules and controls established by the Association. 	

Employees who in good faith believe that a fellow employee, supervisor, manager, or director is in violation of this policy are encouraged to bring the information on which their belief is based to the attention of the General Counsel. Employees who in good faith believe that an officer or a member of the Board of Directors is engaged in any financial irregularity affecting the Association or has a conflict of interest are encouraged to bring the information on which their belief is based to the attention of the Audit Committee. The Audit Committee should be contacted through its Secretary, Thomas R. Tedrick, at [REDACTED], or through its Chairman. The taking of such action in good faith will not result in retribution or reprisal against the employment of any employee. Alternate contacts are listed at the bottom of this form.

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- A. Overview
- B. Conflicts of Interest and Related-Party Transactions
- C. Spending and Procurement
- D. Safeguarding of Assets
- E. Communicating and Enforcing Controls
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Compliance Refresher: Hypothetical Situations

“Donor X”

Factual Background: “Donor X.” Donor X is a longtime patron and enthusiastic supporter of the NRA. Nine years ago, Donor X sat on the Board of Directors of the NRA Foundation; and, in 2016 (long after his Board tenure concluded), Donor X made a generous contribution to the Whittington Center that accounted for 3.5% of total contributions received by the Center that year. Donor X is not currently a director, officer, or employee of any NRA entity. Nor is Donor X related by blood or marriage to anyone who works at the NRA.

- **Part A: Donor X approaches the NRA seeking to sell a pair of valuable antique dueling pistols.** An NRA officer knowledgeable about antique firearms believes that the \$100,000 purchase price proposed by Donor X is generous, and would allow the NRA to re-sell the firearms at a gain. A firearms dealer trusted by the NRA concurs, although neither the officer nor the dealer has seen appraisal paperwork or personally inspected the guns.
 - May the NRA undertake the transaction?
 - If so, what disclosures and approvals are required?
 - Key questions to ask? Issues to consider?

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- **Part B: Multiple purchases.** Hoping to conduct the transaction quietly for public-relations reasons, Donor X hesitates when he learns of certain approvals required for the \$100,000 transaction proposed in Part A. “To avoid paperwork and keep this discreet,” Donor X proposes that the NRA write a separate \$50,000 check for each of the dueling pistols individually, avoiding a single \$100,000 sale.
 - May the NRA undertake the transaction?
 - Do any additional impediments or requirements arise, vis-à-vis the \$100,000 transaction proposed in Part A?
 - Key questions to ask? Issues to consider?

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- **Part C: Safari excursion.** Donor X invites several NRA directors to join him on an all-expense-paid safari excursion; each director who participates will receive airfare and accommodations with a fair market value of \$15,000. Donor X has also invited several guests unaffiliated with the NRA.
 - What disclosures, if any, must be made within the NRA?
 - The NRA learns that the son-in-law of a prominent NRA vendor has offered the use of his private plane en route to the safari. (How) does the analysis change?

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Compliance Refresher: Hypothetical Situations

DigiCorp: A Potential New Vendor

The NRA enters talks with a **potential new vendor, DigiCorp**, which offers to provide **consulting services to the NRA regarding advertising and marketing, along with staffing and logistics support for social media management**. DigiCorp provides the NRA with an initial twelve-month contract, which entitles DigiCorp to a flat fee of \$10,000 per month for performance of these services. The NRA determines that neither DigiCorp nor any of its affiliates or principals is Covered Person within the meaning of the NRA Conflict of Interest and Related Party Transaction Policy.

- **Who must approve** the DigiCorp contract before it can be signed?
- In connection with these approvals, **what analyses and documentation** (if any) must be prepared?

Compliance Refresher: Hypothetical Situations

Dealings With DigiCorp

DigiCorp ultimately enters into a successful relationship with the NRA, based on a contract with terms similar to those in current vendor contracts. Pursuant to its contract, DigiCorp agrees to create, host, and manage a website for the NRA relating to a new membership program, aimed at hunters, called Conservation Alliance. The NRA and DigiCorp agree that for the duration of 2018, the fee for maintaining the Conservation Alliance website, including the production of periodic video shorts broadcast via the website, will be \$100,000 per month.

- **Price analysis; potential competition.** The monthly \$100,000 invoices received from DigiCorp contain solely the description “CA Website,” without further detail or backup. NRA senior manager John Doe has a brother, Ron Doe, who owns a small independent web-design firm that has developed similar internet content for other nonprofits. Ron peruses the site, and expresses shock at the price – his team could do the same work, he says, for \$50,000 per month.
 - What steps should the NRA take? What issues must be considered?

Compliance Refresher: Hypothetical Situations

DigiCorp: Potential Control Issues

John Doe seeks to retrieve the business case analysis for DigiCorp's contract, hoping to assess whether competitive bids were solicited. **The business case analysis cannot be located, and no one to whom Doe speaks can remember if one was prepared.**

- **What should John Doe do?**

John confides his concern to **his supervisor, Jane Roe, who is a division director** at the NRA. In accordance with the NRA Statement of Corporate Ethics, Jane advises John to report the issue to the Office of the General Counsel. John expresses reluctance, and several days pass without action.

- **What must Jane Roe do?**

Compliance Refresher: Hypothetical Situations

DigiCorp: Potential Control Issues

Roe learns that the CEO of DigiCorp sits on the Board of Trustees of an exclusive private day school. An NRA officer, whose duties include oversight of DigiCorp's performance under its contract, has a child who is currently being considered for admission at the school.

- **(How) should this information change the NRA's analysis?** What inquiries and disclosures, if any, must be made?

Roe is personally acquainted with several members of the Board of Directors of the National Rifle Association of America. These acquaintances are not employees or officers of the NRA; rather, like many Board members, they are public figures passionate about the Second Amendment. Roe believes that the Board should be apprised of the day-school connection, and sends personal emails to her friends on the Board articulating her concerns.

- **What has Roe done right? What has she done wrong?**
- **How could Roe refine her approach to better protect the interests of the NRA?**

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Compliance Refresher: Hypothetical Situations

Entertainment and Gifts

Scott Swag is a division director at the NRA who exercises decision-making authority regarding bulk purchases of various promotional items including screen-printed t-shirts, outdoor gear, decals and bumper stickers, commemorative coins and knives, and the like. These items typically cost less than \$100 on a per-unit basis; however, contracts with suppliers for bulk manufacturing and shipping of the items can reach six or seven figures per year. For suppliers of promotional “swag,” garnering favorable, biased treatment from Scott would be a high-value proposition.

For each of the following, discuss **whether Scott can accept** what has been offered and, if so, whether **specific disclosures or approvals** are needed:

- Scott develops a friendship with a vendor of promotional luggage, who has a contract with the NRA worth approximately \$150,000 per year. The two begin to eat occasional meals together; sometimes, the vendor picks up the tab, which rarely exceeds \$50 per person.
- An order of titanium multitool knives (unit cost: \$34) erroneously contains ten extra knives, for which the NRA has no use or need. Scott offers to return the knives to the supplier, who responds: “Keep them – it would cost me more to re-sell them. I would do the same for any customer. Besides, you can give them out to your son’s Boy Scout troop!”

Compliance Refresher: Hypothetical Situations

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For each of the following, discuss **whether Scott can accept** what has been offered and, if so, whether **specific disclosures or approvals** are needed (cont.):

- Scott’s family receives a holiday gift basket from a commercial printer who does roughly \$400,000 worth of business with the NRA annually. The contents of the basket appear to be valued at roughly \$100, and Scott reasonably believes the same basket has been sent to everyone who visited the vendor’s booth at a trade show last year.
- Scott finds a handwritten note in the basket: “Haven’t forgotten your wife loves to ski. Susie’s mom is sick, so we won’t be able to make it to Deer Valley this year. Let me know if you want to use our place some weekend!”

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Compliance Refresher: Hypothetical Situations

Entertainment and Gifts

George Goodward works in the NRA's Publications division, where he authors coverage of shooting competitions, firearms trade shows, and similar events.

For each of the following, discuss **whether George can accept** what has been offered and, if so, whether **specific disclosures or approvals** are needed:

- Several gun manufacturers -- including Jakob Arms, which advertises in multiple NRA publications -- jointly organize a deer-hunting trip for outdoor-sports writers, to which George receives an invitation. Writers from publications unaffiliated with the NRA also receive invitations. The fair market value of the travel and accommodations offered to each writer is approximately \$3,000. The NRA does not know what percentage of these costs are borne by Jakob.
- The NRA learns that Jakob separately offers a 30% MSRP discount on purchases of its firearms to "industry friends and family," a classification that covers a broad swathe of firearms journalists, pro-gun organizations, and anyone affiliated with the NRA. George wishes to purchase a Jakob rifle that retails ordinarily for \$2,000; he would receive an "industry friends and family" discount of \$600.

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NRA-NYAG-00011149

NYAG-00030127

Notes Summary:

Slide 1: 'JOSH opens.

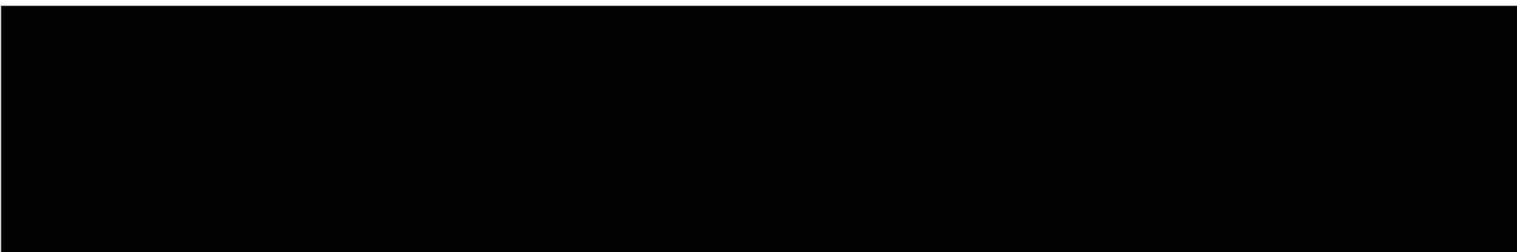
-Thanks for coming. We've been working on this a month or so. Craig not here, but excited about this too and will rejoin us shortly. This refresher will ground and professionalize everything we do. This applies to all of us - we're all on a common ground when we leave this room.

Then over to JOHN.

We will ask that you generally hold comment and questions until the end. As we proceed through the deck, you'll see some hypothetical situations that explore how these principles apply in practice.'

Slide 3: 'THE GOLD STANDARD - JOSH.'

Notes Summary:



Letitia James is campaigning on attacking us - not on specific policy fronts, but attacking our existence.

So the work many of you have been doing over the past few months vis-à-vis asset protection is especially relevant now.

Note: Tone here can be stern, but also empathetic. We're operating in an especially pitched environment, and we know you all feel it.

We're America's oldest and most effective civil rights organization. We'll rally and endure. "Dogs don't bark at tombstones."

Slide 7: 'JOHN takes over.'

Notes Summary:

Slide 8: 'The internal rules and regulations we've adopted are all undergirded by legal obligations - the laws and regulatory frameworks listed above are just some of what we've got to comply with. . But several outside counsel say [REDACTED]

From all of these directives and controls emerge three key principles. (Note: the "examples include" list is not exhaustive, but these are important examples).'

Slide 9: 'What do the laws require? Not perfection. They require us to put in place controls that provide a good-faith assurance of efficiency, integrity, and compliance in our operations.'

And once those rules are in place, we've all got to honor them. These commitments aren't just relevant to the accounting dept. They're all-encompassing. Are we running all of our operations efficiently, accounting for them reliably, prudently spending our members' money in a way that furthers the mission of the NRA?'

Notes Summary:

Slide 10: 'Emphasize "strictly adhered to" - by all of us. That's why senior leadership is here today, why Woody is joining us by phone. We are simply too big now to address compliance ad hoc - and we're getting bigger. We've got to do everything by the book.

We built this organization entrepreneurially. But now we're one of the largest, most powerful advocacy organizations. We're an institution. There is no history here of trying to abuse the trust that's placed in this nonprofit - but we are instilling a new emphasis on adherence to institutional controls, because of who we've become and where we're going.

There's a reluctance, sometimes, to let procedures slow us down. The policies are here to support the mission. If you think there's a policy that unduly interferes with our mission, my door is always open. But the bottom line is if the rule gets in the way, we consider revising it - we don't skirt it. We don't make exceptions.'

Slide 11: 'Deviations put us all at risk.'

Notes Summary:

Slide 13: 'This is about people positioned to influence decision-making being improperly influenced. But it's something people at all levels should be aware of - if you're exposed to relevant records you might spot issues. If you're acting on behalf of a senior officer, influence exerted on you could become relevant. If the spirit of these rules counsels scrutiny or disclosure, err in the direction of escalating.'



Slide 14: 'Consider giving examples - estate leaves guns to the NRA...'

Slide 15: 'There are unlimited possible situations that could arise and each is different. Look at the overall picture. If you think it should be reported, report it - we at OGC will look at technicalities.'

Slide 17: 'Fundamental rule: better to ask permission than beg forgiveness.'

Slide 19: 'This is our path forward - path to growth.'

Notes Summary:

Slide 21: 'We are currently examining and may revise the \$5,000 threshold, which has not been adjusted for inflation.'

Regarding "exceptions": neither should be the rule.

Another approach: gather quotes.'

Slide 22: 'Remember, this governs all contracts, even the ones exempt from competitive bidding.'

Slide 25: 'Bottom line: no vendor can be permitted to escalate its own compensation.'

Slide 26: 'Adequate backup - same items you as an employee would provide on an expense report.'

[REDACTED]

Slide 28: '[Put in context return on investment - Maximize Return'

Slide 30: 'The requirement regarding the Annual Statement of Corporate Ethics comes directly from the Statement of Corporate Ethics Policy that was effective January 26, 2015 Section III Paragraph 5.'

Slide 39: 'Please note that it is not improper to pay for high value services.'