

Exhibit E

CONFIDENTIAL

SUPREME COURT OF THE STATE OF NEW YORK

COUNTY OF NEW YORK

IN RE: PEOPLE OF THE STATE OF NEW)
YORK, BY LETITIA JAMES, ATTORNEY) Index No. 451625/2020
GENERAL OF THE STATE OF NEW)
YORK,)

Plaintiff,

v.

THE NATIONAL RIFLE ASSOCIATION OF
AMERICA, WAYNE LAPIERRE, WILSON
PHILLIPS, JOHN FRAZER, and JOSHUA
POWELL

Defendants.

REBUTTAL STATEMENT OF AMISH MEHTA

The following constitutes the Rebuttal Statement of Amish Mehta in the above-captioned litigation (the “Litigation”).

SCOPE OF MATTERS ON WHICH I WAS ASKED TO EXPRESS OPINIONS

I was asked by Brewer, Attorneys & Counselors on behalf of its client, the National Rifle Association of America (“NRA”), in the matter of the *People of the State of New York, By Letitia James, Attorney General of the State of New York v. The National Rifle Association of America, Inc., Wayne LaPierre, Wilson Phillips, John Frazer, and Joshua Powell* (“The Litigation”), to review the Report of Erica Harris (the “Harris Report”), the Report of Jeffrey S. Tenenbaum (the “Tenenbaum Report”), and the Report of Eric Hines (the “Hines Report”), each dated September 16, 2022.

I submitted a report in the Litigation on September 16, 2022 (“my Initial Statement”) and incorporate the conclusions herein. In my Initial Statement, I offered the following opinions, which remain unchanged despite what is set forth in the above-mentioned expert reports and which I reaffirm here:

- a. The NRA has sufficiently robust policies and procedures in place to detect and address potential related party/conflict of interest matters.
- b. The NRA has established protocols to handle whistleblowing. Such protocols encourage anyone with a good faith concern to come forward to report matters of concern.
- c. The NRA took the appropriate steps in the preparation of its regulatory filings and has further enhanced its policies and procedures to comply with the CHAR 500 reporting requirements of New York State.
- d. The Audit Committee of the NRA’s Board of Directors properly discharged its responsibilities in connection with retaining, monitoring and communicating with the NRA’s outside auditors.
- e. The NRA has demonstrated a commitment to corporate governance and strong internal controls; as a result, there is no need for the appointment of a Court-appointed compliance monitor or governance expert.

1. The findings within the Harris Report, the Tenenbaum Report, and/or the Hines Report, are inaccurate for the reasons discussed here and for the conclusions and opinions set forth in my Initial Statement. Specifically, I believe that some of the views and opinions expressed in such

reports are not supported by the evidence and/or are otherwise improper. This report sets forth examples of my disagreements; it is not an effort to discuss every instance of such a disagreement.¹

2. What all three reports fail to take into account is that the NRA is a large complex organization with many moving parts. Total consolidated assets from 2015 to 2021 have ranged from \$327M to \$400M and total consolidated revenues from \$282M to \$434M annually. The NRA's operations consist of at least seven different incorporated entities which report financial statements and file tax returns on a stand-alone basis and are also consolidated for financial reporting purposes. There are numerous transactions that take place between its various entities. In view thereof, I have found that the three reports addressed herein fail to take into account the concept of materiality when evaluating the NRA's transactions given its size and complexity.

I. REBUTTAL TO THE HARRIS REPORT

A. OPINIONS

3. Ms. Harris' analyses regarding IRS Form 990s do not properly/sufficiently determine whether the NRA handled excess benefit transactions correctly. Ms. Harris performs no analysis to determine if the IRS Form 990s from which she compiled information are accurate and her compilation of data contains errors and mischaracterizations which render her conclusions flawed.

B. DISCUSSION OF OPINIONS

4. The Harris Report ignores the fact that the NRA followed the guidance in the instructions to the IRS Form 990 when identifying and reporting excess benefit transactions.

5. The Harris Report fails to properly analyze the underlying data.

A number of specific items from the Harris Report are discussed in detail below.

¹ In this Rebuttal Statement, I have used the same definitions for terms as those set forth in my Initial Statement, unless separately set forth or newly defined herein.

The Harris Report ignores the fact that the NRA followed the guidance in the instructions to the IRS Form 990 when identifying and reporting excess benefit transactions.

6. The IRS website provides the following guidance regarding correcting excess benefit transactions:

A disqualified person corrects an excess benefit transaction by undoing the excess benefit to the extent possible, and by taking any additional measures necessary to place the organization in a financial position not worse than that in which it would be...A disqualified person corrects an excess benefit transaction by making a payment in cash or cash equivalents equal to the correction amount to the applicable tax-exempt organization. The correction amount equals the excess benefit plus the interest on the excess benefit.²

7. The NRA reported on its 2019³ and 2020 IRS Form 990⁴s that it has conducted and is conducting investigations and corrected certain transactions deemed to be of excess benefit by obtaining repayment (with interest). It is important to note that the IRS Form 990 specifically contemplates that Excess Benefit Transactions may not be identified in the year that they occurred, but once identified should be disclosed in that year's return. Hence, the NRA followed the applicable IRS requirements with regard to excess benefit transactions, as required.

8. In its 2019 IRS Form 990 Part IV, lines 25a and 25b, the NRA correctly answered "Yes" indicating that it had engaged in an excess benefit transaction with a disqualified person during the year, that it was aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction had not been reported on any prior IRS Form 990. As a result of checking "Yes" on these two lines, the NRA was required and correctly completed Schedule L, Part I. Such disclosures were pursuant to the requirement of the IRS Form 990 and therefore sufficient. Similarly, it demonstrated that the NRA actively took steps to address such matters.

² <https://www.irs.gov/charities-non-profits/charitable-organizations/intermediate-sanctions-excess-benefittransactions#:~:text=A%20disqualified%20person%20corrects%20an,were%20dealing%20under%20the%20highest>

³ NRA-NYAGCOMMDIV-01533881-01533981

⁴ NRA-NYAGCOMMDIV-01534104-01534211

9. In addition, IRS Form 4720 (Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code) must be filed by any organization that answered “Yes” to question 25a in Part IV of Form 990 or that otherwise engaged in an excess benefit transaction described in section 4958 (Schedule I and Part II, line 6). If an entity does not answer “Yes” to Question 25a, then the Form 4720 is not required to be filed. The NRA learned of transactions after the year in which the transaction occurred. When this happened, the NRA noted it on the IRS Form 990 and properly answered Question 25b and completed Form 4720.⁵

The Harris Report Fails to Properly Analyze the Underlying Data

10. The Harris Report notes that “if the NRA had reported excess benefit transactions in the years that they actually occurred...(from the table in section V, sub-section B to the Harris Report it appears excess benefit transactions took place in every year between 2011-2019), the statistics provided would include an additional 8 organization-years of current excess benefit transactions, indicating that the NRA’s excess benefit transactions account for 91% (10/11) of all excess benefit transactions reported by large, 501(c)4 organizations in the US between 2010-2020.”⁶ However, this assumes all other filed IRS Form 990s were accurate.

11. As noted in my Initial Statement, in the NRA’s IRS Forms 990 for 2019 and 2020, the NRA was required to report excess benefit transactions of which it became aware during that year, which is exactly what the NRA did. The Harris Reports states that the “analysis has demonstrated that very few US charitable organizations have reported private inurement in their organizations over the past 11 years and the fact that the NRA has reported numerous such transactions indicates their operations violated IRS requirements prohibiting private inurement and can be considered abnormal when compared to other 501(c)3 and 4 organizations.”⁷ Intermediate sanctions were created by the IRS as a mechanism in order to address potential issues that do not rise to the level of jeopardizing an organization’s tax exempt status. The Harris Report draws a conclusion that a majority of Section 501c3 and 501c4 organizations did not report excess benefit transactions and were in compliance with IRS guidelines in contrast to the NRA. However, the Harris Report does not (1) address whether such other organizations identified and reported all required matters

⁵ NRA-NYAGCOMMDIV-00098725-738

⁶ Exhibit A Page 24

⁷ Exhibit A Page 24

correctly, (2) provide consistency in conclusions reached among the different populations utilized between small 501c(3) and 501c(4) organizations and large complex ones such as the NRA, and/or (3) address if the IRS may have subsequently audited such organizations which yielded excess benefit transactions that were never reported on Schedule L but rather handled through an audit closing process. The NRA followed the intermediate sanctions guidelines set out by the IRS, which stipulates that once an organization discovers a transaction which yielded excess benefits, it is required to report such a transaction on Schedule L and disclose it appropriately. The fact that the NRA has reported such matters in a timely and compliant manner demonstrates an effort to be transparent and to communicate with the IRS and the public that it is addressing such matters. I reviewed the NRA's IRS Form 4720 filed for 2019 and 2020. The IRS has accepted such filings, which additionally demonstrates that the NRA was compliant with respect to reporting excess benefit transactions.

12. The NRA's IRS Form 990s have been subject to intense scrutiny by the New York State Attorney General's office. Had all IRS Form 990s utilized in the Harris Report been subject to the same level of scrutiny, it is not known that additional disclosures would have been made in such IRS Form 990s utilized in the Harris Report with respect to excess benefit transactions. In fact, the Harris Report specifically states, in this regard, the following:

An NFP must disclose on its publicly available IRS Form 990 if it became aware of a significant asset diversion during the year, as well as provide pertinent details on Schedule O. The IRS provides instructions on what details should be disclosed, but, in practice, the amount and type of information reported varies considerably. Some NFPs are not transparent and leave Schedule O blank.⁸

13. Another flaw in the Harris report is highlighted by the NYAG's own expert witness, Jeffrey Tenenbaum. The Tenenbaum Report states "in 2016, the board of Wounded Warriors Project fired its top two executives after accusations of lavish spending and financial irregularities."⁹ I reviewed the IRS Form 990 for the Wounded Warriors Project for the years 2015 to 2020.¹⁰ In all such

⁸ Appendix C Page 1

⁹ Tenenbaum Report Page 61

¹⁰ Wounded Warriors Project IRS Forms 990 2015-2020; <https://woundedwarriorproject.org/mission/financials-archive>

years, the Wounded Warriors Project answered “No” to questions 25a and 25b under Part IV indicating that it was not aware of, nor did it engage in, an excess benefit transaction with a disqualified person. One would expect that such “lavish spending and financial irregularities” would have resulted in the reporting of excess benefit transactions in 2016 or in the years shortly thereafter and yet no such matters were reported. In fact, in the 2015 Wounded Warriors Project IRS Form 990, in Schedule O, it simply says:

WWP recently became aware that in some circumstances, it did not obtain sufficiently detailed documentation. WWP promptly contacted the IRS to resolve the matter and is currently collecting documentation for this purpose. WWP has also amended its Travel and Expense Policies and Procedures to require submission of documentary evidence that meets the substantiation requirements of Treasury Regulations Section 1.274-5(c).¹¹

The same disclosure was made by that entity in 2016.¹² There were no further disclosures in 2017, 2018, 2019 or 2020. This is just one example of an IRS Form 990 that was not but should have been in Harris’ study.

14. The IRS Form 990 is a very detailed informational return. The guidance for preparing this form is voluminous, and the information requested is subject to judgment.

<https://www.woundedwarriorproject.org/media/zoldi4zd/fy2015-wwp-form-990.pdf>
<https://www.woundedwarriorproject.org/media/fs4dw3ni/fy2016-wwp-form-990.pdf>

II. OPINIONS REBUTTAL TO THE TENENBAUM REPORT

A. OPINION

15. Mr. Tenebaum's conclusion that, "The NRA stated position that La Pierre's private charter travel was justified based on a concern for Wayne LaPierre's security while flying for NRA-related purposes is not defensible" is factually incorrect. If the NRA did not address the security threat, it would have acted irresponsibly.

16. The NRA had a security program in place prior to the independent security study in 2019. Mr. Tenenbaum's conclusion that a security study is required for travel by private charter plane is incorrect.

17. As there was a bona fide security concern for Mr. Lapierre, and a security program has been in place at the NRA, charter flights utilized under such a program were not considered excess benefit. To the extent that any charter flights were considered for personal purposes, the excess benefits to Mr. Lapierre were identified and corrected under Intermediate Sanctions outlined under Section 4958 of the Internal Revenue Code.

18. The NRA has sufficiently robust policies and procedures in place to detect and address potential related party/conflict of interest matters.

19. The Tenenbaum Report mischaracterizes the NRA's policies and procedures for handling whistleblower complaints. As stated in my Initial Statement, the NRA has established protocols to handle whistleblowing. Such protocols encourage anyone with a good faith concern to come forward to report matters of concern.

20. The evidence does not support, and in fact refutes, the Tenenbaum Report's conclusion that the NRA exhibited serious dysfunction in connection with its bankruptcy filing.

B. DISCUSSION OF OPINION

Mr. Tenebaum’s conclusion that, “The NRA stated position that La Pierre’s private charter travel was justified based on a concern for Wayne LaPierre’s security while flying for NRA-related purposes is not defensible” is factually incorrect. If the NRA did not address the security threat, it would have acted irresponsibly.

21. The record clearly indicates that security is a major concern at the NRA, and Wayne Lapierre is often the target of severe threats. GARDAWORLD (“GWFS”), the worlds largest privately owned integrated security and risk company¹³, prepared a report for the NRA in May 2019 that explains the divisive nature of the debates surrounding firearms and its impact on security risk. The report states:

The controversy surrounding gun rights vs. gun control and the preservation of the 2nd amendment has always been a central focus issue in the public debate among our political parties. The NRA has been in the epicenter of this hotly debated issue for many years, defending the rights to legal ownership and working to maintain these constitutional provisions for all Americans.¹⁴

22. Further, since Wayne Lapierre has been the public face of the NRA for decades, he is particularly vulnerable to the security threats. To that end, the GWFS report states that it “assesses that by virtue of the NRA’s global recognition as the primary leader in the national defense and preservation of the 2nd amendment, Mr. Lapierre is identified as its most recognizable symbol of the NRA and is therefore a primary target for subversive groups/individuals, lethal approachers who oppose the NRA”.¹⁵

23. GWFS outlined that Wayne Lapierre is not only vulnerable, but in fact, has been the recipient of many significant threats, some of which have been direct encounters for many years, “the recipient of a significant and persistent stream of direct and indirect threats posted across a

¹³ Garda.com

¹⁴ NRA-NYAGCOMMDIV-00865736

¹⁵ NRA-NYAGCOMMDIV-00865749

variety of mail correspondence, internet and social media platforms, and in some instances, direct encounters with threatening individuals.”¹⁶

24. Additionally, the record contains hundreds of threats against Wayne Lapierre:

- “The NRA is HARMING America and you are the top asshole. How about I go buy one of them really shiny handguns that you love, load it, and then press the barrel against your thin sweaty forehead and then pul (sic) the fucking trigger? I’d love to see your brain splatter all over the wall behind you. You better get some security because I am coming for you.”¹⁷
- “I am proud to say I will take you (Wayne) out...You now will have to look over your shoulder at the supermarket, in your driveway, at your work place, like I have to. You are dead. I don’t know how it will be done, but you are a DEAD MAN!”¹⁸
- “Wayne Lapierre, aka, a Rotten Spawn, of an STD infected whore and married to one as well... Too bad you and she couldn’t have been trampled to death-an end the two of you deserve. I used to wonder how the French could hate s-o-o much as to guillotine their nobility. Now, at 78, I fully understand! I absolutely, positively, detest and hate you and your bitch of a wifey poo – I would gladly volunteer to decapitate the two of you and hang your heads in my front yard apple tree”.¹⁹
- “Wayne, I have a new AK – with a full clip & your name on it. – watch your back u piece of shit!!”²⁰

¹⁶ NRA-NYAGCOMMDIV-00865736

¹⁷ NRA-NYAGCOMMDIV-00203760

¹⁸ NRA-NYAGCOMMDIV-00203776

¹⁹ NRA-NYAGCOMMDIV-00203917

²⁰ NRA-NYAGCOMMDIV-00203877

25. GWFS concluded that the combination of the volatile issues surrounding firearms and the fact that Wayne Lapierre is the EVP of the organization necessitates the need for private air travel. To that end, GWFS states:

As we have established, VIPs and public figures, are more likely to be the victims of violent attacks or unwanted encounters while in transit than at any other time. Executives who utilize commercial airlines for travel increase their exposure in a number of areas...we assessed that it is imperative that CEO should continue to use private aircraft for all air travel, whenever feasible. GWFS endorses the current NRA security protocols for the CEO's transportation by corporate aircraft as appropriate, prudent and within security industry best practices.²¹

26. In view of the foregoing, it is apparent the NRA concluded that it needed to sufficiently consider the threat to Mr. Lapierre and to take security measures accordingly. In fact, the Independent Security Study performed by The Lake Forest Group in 2019 quoted that the "NRA has an existing, ongoing, and increasing "bona-fide business-oriented security concern"". ²² In addition, in the Expert Report and Disclosure by, J. Lawrence Cunningham, a security expert, cited that he believed "that the NRA had an existing, ongoing and increasing bona fide business oriented security risk since at least 2012 through 2018, which was met by security strategy, plans and countermeasures to address significant threats facing the organization and specifically, Mr. Lapierre". ²³

27. I question the Tenenbaum Report's conclusion that it is uncommon for executives of nonprofits to utilize private charter. While not a common occurrence, it is not as rare as the Tenenbaum Report would suggest. In fact, a quick search reveals two examples where private charter is utilized by executives of nonprofits. I reviewed the IRS Form 990s for two nonprofits, the National Football League (2015)²⁴ and the PGA Tour (2019)²⁵. Both entities reported on Schedule J and related supplementary schedules that private charter was utilized. The PGA Tour

²¹ NRA-NYAGCOMMDIV-00865750

²² NRA-NYAGCOMMDIV-00138002

²³ Expert Report and Disclosure of J. Lawrence Cunningham Page 6

²⁴ https://projects.propublica.org/nonprofits/display_990/131922622/2016_07_EO%2F13-1922622_990O_201503

²⁵ <https://projects.propublica.org/nonprofits/organizations/520999206/202023219349309777/full>

990 acknowledges security is a reason for utilizing private charter. The National Football League IRS Form 990 is silent on the justification for utilization of private charter. It's hard to lend credibility to the Tenenbaum Report's argument that the security concern for the NRA is not defensible when an entity such as the PGA Tour similarly cites security concerns. Presumably such concerns would not outweigh the security concerns of the NRA for Wayne Lapierre given the divisive nature of gun control and issues surrounding the 2nd amendment which have resulted in targeted, verifiable threats to Mr. Lapierre.

The NRA had a security program in place prior to the independent security study in 2019. Mr. Tenenbaum's conclusion that a security study is required for travel by private charter plane is incorrect.

27. John Frazer, NRA's corporate representative, testified that the NRA has had a security program in place for many years, and that the NRA security program is constantly under assessment.²⁶ The program consisted of tight security at NRA headquarters, the Lapierrés' residence, and included private flight restrictions for Mr. Lapierre. The NRA hired many outsourced security vendors and commissioned at least 3 different analyses regarding NRA security. One such analysis was an independent security study, the NRA commissioned from The Lake Forest Group in 2019. According to the Expert Report and Disclosure of J. Lawrence Cunningham, a security expert, states that he believed "that security program criteria identified by Lake Forest Group in 2019 were in place and functioning from at least 2015". He also states, "I am convinced that if an independent security study by Lake Forest Group had been conducted in 2015, the conclusions would have been the same."²⁷ It is notable that The Lake Forest Group study discussed the existing security program at the NRA which included the following:

- "Overall, the safety and security capability in place at the NRA headquarters represent a strong foundation for best practice based security operations."²⁸
- "The NRA uses third party companies to conduct regular analyses of open source internet and social media intelligence information using prescription analytical software to monitor

²⁶ John Frazer testimony dated 7/29/2022 Page 383 Line 16 to Page 384 Line 2

²⁷ Expert Report and Disclosure of J. Lawrence Cunningham Page 7

²⁸ NRA-NYAGCOMDIV-00138014

these platforms and scan relevant conversations regarding its leadership, brand and services. This capability represents an aggregation of data gleaned from the most relevant information from website material and online conversations. Threat discovery and analyses of publicly available sources is a timely, leading edge initiative.”²⁹

- “Presently, the multiple, physical and technical security disciplines for the private residences of select NRA leadership contribute to a layered defense strategy that allows for preventative measures to adequately protect against an incident with increasing levels of intensity.”³⁰
- “Under the supervision of the security department, third party companies, Aspis Protection Services, TBK Investigations, McGrath and Associates (for women protectees), and Centennial Protection Group (for former president Lt. Oliver North), provide executive protection (e.p. services for the NRA.) In addition, to residential security the factors to be considered for EP coverage include the risk level for the location to be visited; type of event(s) the executive will attend; profile level of the executive, profile at the level of the NRA at the time of the visit; and external social economic and political events that may negatively effect the executive, such as unfavorable press coverage, adverse intelligence, scheduled protests, or planned demonstrations”³¹
- “Mr. James Staples, Executive Director of Security, can receive and share information and intelligence with both the public and private sectors from multiple sources including the FBI headquarters in Washington DC; US Secret Service field offices in Boston, St. Louis and Washington DC, US Capitol Police; Fairfax County Police; Prince George County Police; Washington DC Metro Police department. Additionally, the National Capitol Region Threat Intelligence Consortium (NTIC) based in the District of Columbia’s Homeland Security and Emergency Management Agency works in partnership with fusion

²⁹ NRA-NYAGCOMDIV-00138016

³⁰ NRA-NYAGCOMDIV-00138017

³¹ NRA-NYAGCOMMDIV-00138044

centers in Maryland and Virginia, as well as the federal government, to conduct regional analysis and share information on terrorism, crime, and natural hazards.”³²

- “The NRA headquarters demonstrates a best practice for security operations through its Front Desk operations. Located in the North Tower, the Front Desk serves as a command-and-control location for all security systems and provides a centralized means of controlling and directing all property-based security monitoring, control and notifications. The Front Desk is staffed by both NRA and Allied Universal (AU) security officers...All security officers assigned to the Front Desk must have demonstrated knowledge of the headquarters property and complete required training. Top security technologies priorities for Front Desk personnel include monitoring the video surveillance feed and acknowledging and responding to alarms.”³³
- “Automated access control is essential to securing the property and buildings and also communicating to the NRA’s message to employees, contractors, visitors and the public about importance of security. Access control security technologies are installed at strategic locations, such as the museum, range, elevators, stairwells, vaults, at all exterior entry points, and in all lobbies, and are operated by Kastle Systems (“Kastle”) brand ID badges. . . The NRA’s access control system (ACS) is also Kastle and designed for medium to enterprise size solutions using proximity card readers to send and receive employee access control information to the building system seamlessly. Using this technology, the Front Desk and select NRA staff are able to monitor and appropriately assign room access to employees and contractors.”³⁴
- “The NRA conducts regular analysis of open-source internet and social media intelligence information using prescription analytical software to monitor social media and scan relevant conversations regarding its leadership, brand, and services. This capability represents an aggregation of data gleaned the most relevant information from website

³² NRA-NYAGCOMMDIV-00138051

³³ NRA-NYAGCOMMDIV-00138053

³⁴ NRA-NYAGCOMMDIV-00138055

material and on-line conversations. Threat discovery and analysis of publicly available sources is a timely, leading-edge risk management initiative.”³⁵

- “A Technical Surveillance Countermeasures procedures provides a thorough evaluation of the headquarters technical security posture and consists of a visual, physical, and electronic examination of the surveyed site.”³⁶
- “The NRA offers training to all employees that covers subjects such as emergency awareness and evacuation procedures to help them react in crisis scenarios. The training focuses on preparing to respond to and prevent emergency situations and refreshes key takeaways from earlier sessions to be ready when responding to an emergency incident. The NRA also outsources firearms training and firearms requalification through the Department of Criminal Justice Services (DCJS) for the security officers assigned to the headquarters property. Additionally, through web-based and live classroom sessions, cardiopulmonary resuscitation (CPR) and first aid training is provided for security officers that requires mandatory attendance and successful completion.”³⁷
- “Protecting the perimeter of the headquarters property and the exterior of the buildings, physical security measures including cement pillars and key-and dead bolt-operated exterior doors control access to both towers and the gun range. When we inspected the exterior of the property, we found access to all of the perimeter entrance doors to be secure. Also, a chain-link fence and brick wall with barbed wire are positioned at the sides and the back of the property and are examples of barriers required to protect against an unauthorized entry onto the property.”³⁸
- “Executive Protection . . . A 24/7 vehicle security post is positioned outside the residence for access monitoring and incident response. An additional roving supervisor per shift provides additional coverage and covers breaks so there is no lapse in protection for the

³⁵ NRA-NYAGCOMMDIV-00138059

³⁶ NRA-NYAGCOMMDIV-00138061

³⁷ NRA-NYAGCOMMDIV-00138062

³⁸ NRA-NYAGCOMMDIV-00138002 to 00138103

residence. . .As part of the drive-by site assessment, we confirmed all the entrances currently in use for the residence and then evaluated whether sufficient security assets or countermeasures at every location adequately safeguard the home and residents. Exterior entrances are equipped with key-operated locks and dead bolts but the NRA security representative was not aware if intrusion detection contact alarms are in place. All of the entrance doors have interior keyless dead bolt locks that can be opened and closed manually using a thumb-turn lock. The residence has an on-site emergency generator that provides power to critical building systems in order to remain fully functional during a power loss. Such generators are designed to allow the residence to remain secure regardless of the status of outside utilities. In addition to serving as a deterrent to unauthorized intruders, proper lighting aids in use of video surveillance systems for alarm assessment and the response of a security team or law enforcement to interdict or apprehend aggressors. The property has an automated intrusion detection system (IDS) to safeguard various areas of the residence and grounds. The video surveillance system for the LaPierre's residence consists of . . .a digital video recorder (DVR) provides recording for a set period of time (e.g., 30 days), with a variety of quality and performance options and extra features such as motion detection. The internet protocol (IP) system supports recording directly to a DVR for a completely stand-alone operation. This platform also allows the viewing of the video feed on wireless devices, such as smartphones and tablets. . .Mail and packages addressed to the LaPierre residence that would normally be delivered by a recognized carrier such as the U.S. Postal Service and courier services such as UPS and Fed Ex are delivered to the . . . for chemical, biological, radiological, nuclear and explosive (CBRNE) screening. When the screening is completed, the mail is delivered to the mail room that is adjacent to the loading dock at the headquarters property. The mail for Mr. LaPierre is then delivered by a Security team member to the residence.”³⁹

28. It is clear that the NRA has had a security program in place to address the bona fide security concern to Wayne LaPierre. According to The Lake Forest Group Independent Security Study “although an overall security program as defined in paragraph (m)(2)(iii) is not currently

³⁹ NRA-NYAGCOMMDIV-00138084-9

necessary,” the NRA should continue to establish comprehensive executive protection operations as an integral part of the overall mission of the organization’s security program.”⁴⁰

As there was a bona fide security concern for Mr. Lapierre, and a security program has been in place at the NRA, charter flights utilized under such a program were not considered excess benefit. To the extent that any charter flights were considered for personal purposes, the excess benefits to Mr. Lapierre were identified and corrected under Intermediate Sanctions outlined under Section 4958 of the Internal Revenue Code.

29. Based upon my review of the security threats received by the NRA, and tax regulations, there is a bona fide security concern at the NRA. IRS section 1.132-5⁴¹ regarding working condition fringe benefits states that if there is a bona-fide business-oriented concern exists, then associated travel will qualify as a working condition fringe benefit and is not income to the individual if a security program is in place. In addition, in the Expert Report and Disclosure by, J. Lawrence Cunningham, a security expert, cited that he believed “that the consistent management of the NRA security program criteria satisfy IRS requirements of a “bona fide business-oriented security concern”.”⁴²

30. Treas. Reg. Section 1.132-5 defines Working Condition Fringes. “A ‘working condition fringe’ is any property or service provided to an employee of an employer to the extent that, if the employee paid for the property or service, the amount paid would be allowable as a deduction under section 162 or 167 and therefore not income to the employee.”⁴³

31. The IRS Code becomes more specific regarding transportation. Treas. Reg. Section 1.132-5(m)(1) states the amount of a working condition fringe exclusion with respect to employer-provided transportation is the amount that would be allowable as a deduction if the employee paid for the transportation. Further, when there is a bona fide business-oriented concerns, the employee purchases transportation that provides him or her with additional security, the employee may generally deduct the excess of the amount actually paid for the transportation over the amount the employee would have paid for the same mode of transportation absent the bona fide business-

⁴⁰ NRA-NYAGCOMMDIV-00138010

⁴¹ Title 26, Code of Federal Regulations, Treasury Regulation Section 1.132-5

⁴² Expert Report and Disclosure of J. Lawrence Cunningham Page 7

⁴³ Title 26, Code of Federal Regulations, Treasury Regulation Section 1.132-5

oriented security concerns. Effectively, amounts paid for travel with bona fide business-oriented security concerns would not be income to the employee.

32. It should be noted that according to Treas. Reg. Section 1.132-5(m)(2),

a bona fide business-oriented security concern exists only if the facts and circumstances establish a specific basis for concern regarding the safety of the employee. A generalized concern for an employee's safety is not a bona fide business-oriented security concern. Examples of factors indicating a specific basis for concern regarding the safety of an employee are – a threat of death or kidnapping of, or serious bodily harm to, the employee or a similarly situated employee because of either employee's status as an employee of the employer.

As discussed above, the threats Wayne Lapierre received fall under this definition.

33. It is important to note that according to Section 1.132-5(m)(2)(ii), a bona fide business-oriented security concern can exist if the employee's employer establishes to the satisfaction of the Commissioner that an overall security program has been provided with respect to the employee involved. Again, pursuant to my review of the record, the NRA had an overall security program in place that continued to evolve to mitigate risks against Wayne LaPierre.

34. Once the NRA became aware of transactions which resulted in excess benefits from charter flights, it followed IRS guidelines in reporting such transactions in the year in which it became aware. For example, the security risk to Wayne Lapierre required that he fly charter always. Mr. Lapierre does not personally have to assume the cost of flying charter. However, if the flight was pursuant to a personal reason, he needed to pay the cost of a commercial ticket to the NRA. These are the types of items that were ultimately identified as excess benefit and for which Mr. Lapierre reimbursed the NRA.

35. Prior to the enactment of Section 4958 (excess benefits excise tax), the only remedy for private inurement was tax-exempt revocation. Section 4958 was added to the Internal Revenue Code by the Taxpayer Bill of Rights 2, Public Law 104-168 (110 Stat.1452), enacted July 30, 1996. The section 4958 excise taxes generally apply to excess benefit transactions occurring on or after September 14, 1995. Any disqualified person who benefits from an excess benefit

transaction with an applicable tax-exempt organization is liable for a tax of 25 percent of the excess benefit.⁴⁴ This enactment was put in place as an intermediate sanction so that nonprofits would not be immediately subject to tax-exempt revocation if an executive incurred an excess benefit.

36. Further, the NRA appropriately handled the disclosure of excess benefits in its IRS Form 990 disclosures for 2019 and 2020. The NRA calculated excess benefits and disclosed the transactions transparently in its IRS Form 990 filings.

37. Regarding its calculations, the NRA followed IRS guidance. The IRS defines an excess benefit transaction as a transaction in which an economic benefit is provided by an applicable tax-exempt organization, directly or indirectly, to or for the use of a disqualified person, and the value of the economic benefit provided by the organization exceeds the value of the consideration received by the organization.⁴⁵

38. A disqualified person is any person who was in a position to exercise substantial influence over the affairs of the applicable tax-exempt organization at any time.⁴⁶

39. A disqualified person corrects an excess benefit transaction by undoing the excess benefit to the extent possible, and by taking any additional measures necessary to place the organization in a financial position not worse than that in which it would be if the disqualified person were dealing under the highest fiduciary standards.⁴⁷

40. A disqualified person corrects an excess benefit transaction by making a payment in cash or cash equivalents equal to the correction amount to the applicable tax-exempt organization. The correction amount equals the excess benefit plus the interest on the excess benefit. The interest rate may be no lower than the applicable Federal rate.⁴⁸

⁴⁴ <https://www.federalregister.gov/documents/2002/01/23/02-985/excise-taxes-on-excess-benefit-transactions>

⁴⁵ <https://www.irs.gov/charities-non-profits/charitable-organizations/intermediate-sanctions-excess-benefit-transactions>

⁴⁶ <https://www.irs.gov/charities-non-profits/charitable-organizations/disqualified-person>

⁴⁷ <https://www.irs.gov/charities-non-profits/charitable-organizations/intermediate-sanctions-excess-benefit-transactions>

⁴⁸ <https://www.irs.gov/charities-non-profits/charitable-organizations/intermediate-sanctions-excess-benefit-transactions>

41. The NRA reported in its 2019 IRS Form 990 that Mr. LaPierre is the Executive Vice President and Chief Executive Officer of the NRA. He is an Officer and thus a disqualified person within the intendment of code section 4958. Treas. Reg. Sect. 53.4958-39(c)(2).

42. In November of 2020, Mr. Lapierre reimbursed excess benefits associated with charter travel for the time period 2015 to 2019⁴⁹ of \$317,971.32.⁵⁰ This was disclosed in the 2019 IRS Form 990.

43. In November of 2021, Mr. Lapierre reimbursed excess benefits associated with charter travel from 2013 to 2014, make-up, gifts, and a leased vehicle in the amount \$233,276.05.⁵¹ This was disclosed in the 2020 IRS Form 990.

44. On May 19, 2022, Mr. LaPierre reimbursed the NRA for \$13,160.34⁵². The reason for the reimbursement is that, in 2016, Mr. LaPierre paid \$14,800⁵³ to purchase a vehicle leased by the NRA. Later, it was discovered that the average market value for the vehicle was \$26,818⁵⁴. Therefore, an excess benefit calculation was made for the difference plus interest.

45. On September 6, 2022, Mr. LaPierre reimbursed the NRA \$100,563.55⁵⁵ for lodging, a purchase of a phone and gifts to NRA employees⁵⁶. Similarly, as transactions which yield excess benefit are identified, the NRA investigates such matters, determines whether an excess benefit took place, calculates the amount of repayment including interest.

The NRA has sufficiently robust policies and procedures in place to detect and address potential related party/conflict of interest matters.

⁴⁹ NRA-NYAGCOMMDIV-00013553-4

⁵⁰ NRA-NYAGCOMMDIV-01539995

⁵¹ NRA-NYAGCOMMDIV-01539222

⁵² NRA-NYAGCOMMDIV-01539996

⁵³ NRA-NYAGCOMMDIV-01539996

⁵⁴ NRA-NYAGCOMMDIV-01539997

⁵⁵ NRA-NYAGCOMMDIV-01538646

⁵⁶ NRA-NYAGCOMMDIV-01538816

46. The NRA's Conflict of Interest and Related Party Transaction Policy⁵⁷ sets forth procedures for mandatory monitoring, reporting, review, and, where applicable, approval of potential related party transactions and transactions involving potential conflicts of interest.

47. The NRA obtains signed conflict of interest statements from, among others, its Officers, and Directors. I was provided with the NRA's conflict of interest statements (National Rifle Association Financial Disclosure Questionnaire) for several years. Such statements were comprehensive and contained the required information and disclosure terms one would expect to see in such a questionnaire. In his testimony, John Frazer, NRA General Counsel and Secretary, testified that the audit committee generally asks for information for related party transactions identified in the NRA's Financial Disclosure Questionnaires and that he provides such information.⁵⁸

48. The NRA conducts extensive training regarding conflict of interest and related party transactions. As I noted in my Initial Statement, the NRA has held multiple Compliance and Governance Refresher Seminars for upper management of the organization. Since then, on September 17, 2022, the NRA once again held its Compliance and Governance Refresher Seminar at its board meeting⁵⁹.

49. Per the instructions to the 2021 IRS Form 990, Part VI, Governance, Management and Disclosure, "[t]he Organization need not engage in more than a reasonable effort to obtain the necessary information to determine the number of independent voting members of its governing body and can rely on information provided by such members."⁶⁰ As noted above, the NRA has a robust process whereby conflict of interest statements are sent out to board members on an annual basis and it relies on such information provided by board members in order to determine the existence of related party transactions requiring disclosure. In addition, as discussed above, the NRA also conducts extensive training regarding conflict of interest and related party transactions.

⁵⁷ NRA-NYAG-00000507-512

⁵⁸ John Frazer, Corporate Representative Deposition Dated 7/29/2022 Page 35 Line 23-Page 36 Line 24

⁵⁹ NYAGCOMMDIV-01540023-49

⁶⁰ Instructions to the IRS 2021 Federal Form 990 <https://www.irs.gov/pub/irs-pdf/i990.pdf>

50. The Audit Committee of the NRA's Board of Directors (the "Audit Committee") reviews potential related party transactions and other transactions that involve potential conflicts of interest and, among other things, determines whether to approve such transactions.

51. The external auditor retained by the NRA for 2019 and 2020, Aronson, LLC ("Aronson") concluded that "such transactions were all approved by the audit committee," "related parties were recorded and disclosed appropriately," and "documentation was properly maintained and appears to be in compliance with NRA internal controls".⁶¹

The Tenenbaum Report mischaracterizes the NRA's policies and procedures for handling whistleblower complaints. As stated in my Initial Statement, the NRA has established protocols to handle whistleblowing. Such protocols encourage anyone with a good faith concern to come forward to report matters of concern.

52. The NRA Policy Manual, Employee Handbook, Intranet, and external website contain the NRA's Whistleblower Policy⁶² and the other parts of the NRA's Statements of Corporate Ethics. The Whistleblower Policy is thus readily available to stakeholders. The Whistleblower Policy has been in effect since at least 2015.

53. The NRA notifies stakeholders through, among other things, its training seminars that the Whistleblower Policy exists. The NRA has held various Compliance and Governance Refresher Seminars⁶³ for stakeholders to reinforce their knowledge of the NRA's Whistleblower Policy. The seminar makes clear that stakeholders who are aware of financial irregularities or conflicts of interest should bring the information to the attention of the Audit Committee or other designees; importantly information can be submitted anonymously. Further the policy makes clear that there can be no retribution or reprisal against anyone who speaks up in good faith.

54. The Audit Committee, the NRA's Office of General Counsel, and others, as appropriate, investigate and resolve whistleblower reports and concerns.

⁶¹ Aronson_NRA0003960 and NRA-NYAGCOMMDIV-01540003

⁶² Section A (A-1.03) under Statement of Corporate Ethics, NRA-NYAGCOMMDIV-01055745.

⁶³ NRA-NYAGCOMMDIV-00203706-56 , NRA-NYAGCOMMDIV-00200048-103, NRA-NYAGCOMMDIV-00199655-712 , NRA-NYAGCOMMDIV-00203534-88, NYAGCOMMDIV-01537312-71

55. Aronson LLC, the NRA's external auditor, in its audit of the NRA's financial statements for 2020, performed the following procedures, among others, to become comfortable with the NRA's whistleblower policies⁶⁴:

- a. Obtained and reviewed an updated Whistleblower Policy;
- b. Affirmed that the Audit Committee is in charge of the review of whistleblower matters and obtained an updated Audit Committee Charter to review updated policies and procedures; and
- c. Inquired of whistleblower submissions for 2020 and how they were addressed.

The evidence does not support, and in fact refutes, the Tenenbaum Report's conclusion that the NRA exhibited serious dysfunction in connection with its bankruptcy filing

56. The Tenenbaum report alleges that the NRA exhibited serious dysfunction in connection with its 2021 bankruptcy filing, as well as asserts that there were breaches of fiduciary duty by defendants LaPierre and Frazer. I was provided a copy of the NRA's By-Laws.⁶⁵ The Tenenbaum Report's conclusion is based on the premise that Mr. Lapierre did not have the authority to authorize the NRA's Bankruptcy filing. According to the NRA's By-Laws, it is the Executive Vice President of the NRA who, under Article V Section 2. C., "shall direct all the affairs of the Association." The only restriction is that his or her conduct has to be "in accordance with programs and policies established by the Board of Directors." Here, in authorizing the Chapter 11 filing, Mr. Lapierre exercised the authority vested in him by the By-Laws of the Association. In addition, as the Chapter 11 petition⁶⁶ demonstrates, the petition was authorized not only by Mr. Lapierre, but also by three board members of the NRA, including the Board-elected President Carolyn Meadows, the Board-elected First Vice President, Charles Cotton, and the Board-elected Second Vice President, Willes Lee. In addition, these individuals also served on the special litigation committee of the NRA's Board, which was appointed by the Board itself.⁶⁷ The approval of the

⁶⁴ Aronson_NRA0046034-35

⁶⁵ NRA-NYAGCOMMDIV-00102890-00102949

⁶⁶ NRA-NYAGCOMMDIV-00074995-00075008

⁶⁷ NRA-NYAGCOMMDIV-00062575-00062731

bankruptcy filing by the special litigation committee is also reflected in the “Resolution Authorizing Chapter 11 Reorganization.”⁶⁸

III. REBUTTAL TO THE HINES REPORT

A. OPINIONS

57. The Hines Report ignores the significant efforts made by the NRA to develop its procurement policies and I disagree that the current policies are ineffective; In my opinion, the NRA’s procurement policies provide for effective control over vendor contracts.

58. Mr. Hines ignores the NRA’s commitment to minimizing the risk of fraud through established policies and procedures and related controls and the work performed by the NRA’s external auditors in their assessment of the risk of fraud at the organization.

59. Mr. Hines claims that the NRA’s disclosures regarding potential conflicts of interest are inadequate and do not follow policy and, therefore, are indicia of fraud. As I discussed in my rebuttal to the Tenenbaum Report above, I disagree, and believe the current policies and processes are effective. See paragraphs 44 to 47 above.

DISCUSSION OF OPINIONS

The Hines Report ignores the significant efforts made by the NRA to develop its procurement policies and I disagree that the current policies are ineffective; In my opinion, the NRA’s procurement policies provide for effective control over vendor contracts.

60. Much of the Hines Report focuses on terminated vendors, including the following: (a) Ackerman McQueen, (b) Under Wild Skies, (c) Gayle Stanford, and (d) McKenna. Ackerman and Under Wild Skies refused to provide transparent information on their invoices and were later terminated. The NRA was forced to commence litigation for specific performance with regard to contractual inspection rights as Ackerman repeatedly stonewalled the NRA’s request.⁶⁹

⁶⁸ NRA-NYAGCOMMDIV-00074995-00075008

⁶⁹ NRA-NYAGCOMMDIV-00016765-00016870

61. The NRA has focused on strengthening its controls over transactions with vendors. In 2018, the NRA sent letters⁷⁰ to over 200 vendors with which it did business at that time to strengthen its procedures for obtaining appropriate documentation for transactions and, therefore, to verify compliance with accounting controls. The letter requested that invoices submitted provide (1) a description of the services sufficient for the NRA to determine the specific activity for which compensation was sought, (2) greater detail for expenses including detailed receipts and support (separately noting that ordinary business expenses, such as office supplies, were not reimbursable), and (3) detail for entertainment expenses, including business purpose/relationship, date of entertainment, nature of expenditure and dollar amount spent. The vendor policies were subject to testing by the NRA's external auditor, Aronson LLC.

62. The Hines Report also discusses Membership Marketing Partners ("MMP") and related entities but ignores that the NRA's contract with MMP⁷¹ was completely renegotiated in the summer of 2022. The Hines Report alleges a conflict surrounding Mr. Lapierre and MMP, but it is my understanding Mr. Lapierre recused himself from the contract renegotiations.⁷² Mr. Lapierre was one of multiple signatories to the renegotiated contract as the NRA's purchasing policy required his signature on a contract of such magnitude.

63. The Hines Report also asserts that MMP's fees were escalated inappropriately. However, based on my review of the contracts, the contracts allowed for increases in fees.⁷³ Furthermore, Craig Spray, former Treasurer of the NRA, requested from MMP an explanation for the increases, relating to which he received a response on June 14, 2019.⁷⁴ In his testimony, Mr. Spray testified that he was able to reconcile the fees that the NRA was paying MMP.⁷⁵

64. The Hines Report also asserts that certain members of the Board were paid under contracts that were not subject to the NRA's approval process, including David Butz, Sandra Froman, Marion Hammer, David Keene, and Lance Olson. The NRA's Audit Committee reviewed and analyzed the payments and ratified payments to such Board members. Since then, payments to

⁷⁰ NRA-NYAGCOMMDIV-00601784-00601791

⁷¹ NRA-NYAGCOMMDIV-01538647-01538655

⁷² Wayne Lapierre testimony 6/27/2022 page 92 Line 18 to Page 94 Line 4

⁷³ NRA-NYAGCOMMDIV-00974151

⁷⁴ NRA-NYAGCOMMDIV-00008642-00008648

⁷⁵ Testimony of Craig Spray 1/14/2022 Page 146 Line 9-15

Board members other than Marion Hammer have ceased. In his testimony, John Frazer discusses the importance of Ms. Hammer to the organization, referencing “her long background with the NRA, her profound understanding of legislative and political strategy, and her track record of success,” in support of the payments made to her by the organization.⁷⁶

65. The Hines Report separately focuses on transactions with former executives of the organization who later became vendors, including Kyle Weaver, Michel Marcellin, Woody Phillips, and H. Wayne Sheets. As of the date of this Rebuttal Statement, it is my understanding that all of these consulting agreements have been terminated.

66. The NRA’s purchasing policy⁷⁷ attempts to ensure efficient and cost-effective procurement of goods and services necessary to support the goals, objectives and work of the NRA while ensuring that NRA resources are protected and maximized. The policy requires that employees, officers, and Board of Directors adhere to the following principles and standards, stating:

- a. Give first consideration to the objectives and policies of the Association.
- b. Ethical business standards shall govern all procurement transactions. Independence of judgment from vendors, contractors, suppliers, and others must be maintained.
- c. Significant gifts, including but not limited to, any item, service, favor, monies, credits, or discounts not available to others may not be part of any purchasing decision or appear to influence any such decision.
- d. Grant competitive suppliers/vendors equal consideration.
- e. Conduct business with potential and current vendors in an atmosphere of good faith, devoid of intentional or negligent misrepresentation.
- f. Make every effort negotiate equitable and mutually agreeable contracts with suppliers.
- g. Foster fair, ethical and legal trade practices.
- h. Work on behalf of the interests of the Association solely and avoid situations that may result in personal benefit or gain.

67. Further, the discovery indicates that the NRA makes effort to maximize competitive procurement opportunities by soliciting competitive bids and proposals for goods and services.

⁷⁶ Testimony of John Frazer 7/29/2022 Page 167 Line 10 to Page 168 Line 2

⁷⁷ NRA-NYAGCOMMDIV-000009185-9191

Contract approval authority is delineated. All contracts requiring payments of \$100,000 or greater require written approval from the appropriate Division Director, Executive Vice President, and Treasurer, as well as the signature of the President and one of the Vice Presidents. Additionally, all contracts are reviewed by the legal department.

Mr. Hines ignores the NRA's commitment to minimizing the risk of fraud through established policies and procedures and related controls and the work performed by the NRA's external auditors in their assessment of the risk of fraud at the organization.

68. The Hines Report asserts that the following circumstances were indicia of fraud risk at the organization:

- a. Transactions and billing arrangements that appeared overly complex, such as multiple contracts with a single counterparty for the same service and "off-book" billing arrangements;
- b. Contracts that were poorly documented and awarded without following required policies and procedures;
- c. Documentation that was missing, inadequate or appeared to be altered; and
- d. Inadequate disclosure or non-disclosure regarding actual or perceived conflicts of interest.

69. As set forth in my Initial Statement, the NRA's external auditors, Aronson, performed extensive procedures to consider the risk of fraud at the organization as part its annual audits. The auditors utilized the guidance in Statement on Auditing Standards AU Section 316, *Consideration of Fraud in a Financial Statement Audit* ("AU 316"), which states that the auditor has a responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.

70. From my review of Aronson's audit workpapers for their 2019 and 2020 audits, I note that Aronson documented⁷⁸ that:

- a. "NRA's management had taken major steps in the past two years to enhance internal controls;"

⁷⁸ Aronson_NRA004036

- b. “the Audit Committee took and continues to take steps to address the allegations of fraud through October 2020;”
- c. “the Audit Committee has been active in the oversight of the NRA and fraud allegations;”
- d. “the NRA was transparent, understands the issues and has had and still are making positive efforts to tighten controls;”
- e. “the implementation of best practice internal controls were done and were a high priority to the NRA;”
- f. “disciplinary actions were taken to those that circumvented controls;”
- g. “the Audit Committee, Management and the CFO were very adamant that they will not tolerate any violations of their policies.”

71. Statement on Auditing Standards No. 99 “Consideration of Fraud”, (SAS No. 99), later codified in AU 316 referenced above, which became effective for financial statement periods beginning on or after December 15, 2002, dramatically increased the emphasis on maintaining an attitude of professional skepticism and the discussion among audit engagement personnel regarding fraud in the financial statements. SAS No. 99 identified a number of items an auditor should ask relating to management’s awareness and understanding of fraud, fraud risks and the steps taken to mitigate risks. These include the characteristics of fraud, the nature of fraud risks and the types of programs and controls that will deter and detect fraud. As part of its procedures under SAS No. 99 and AU 316, Aronson performed extensive fraud inquiries with board members and upper management, including Charles Cotton, Craig Spray, Rick Tedrick, Sonya Rowling, Wayne Lapierre, David Coy, John Frazer, among others. I did not see any indication in the workpapers I reviewed that Aronson concluded there was a heightened level of fraud risk at the organization.

72. As part of its engagement continuance procedures for its 2020 audit, in view of the allegations made by the NYAG that gave rise to the Litigation, Aronson performed extensive procedures in (which it coined as “Special Procedures”⁷⁹) to obtain comfort regarding the risk of fraud. Such procedures were performed surrounding the following:

- a. Expense reimbursement of executive management team;

⁷⁹ Aronson_NRA0046034-36

- b. Reviewing individuals and expenses of those that received any gift with a fair market value in excess of \$250 from any person that has or seeks to have a business relationship or received funds for the NRA;
- c. Travel consultant contracts, invoices, and payments;
- d. Contracts, invoices, and payments to large vendors;
- e. Related party transactions;
- f. Consulting agreements with former employees and current board members;
- g. Expenses of the Women's Leadership Forum;
- h. Conflict of interest statements;
- i. Whistleblower policy;
- j. NRA Executive Compensation;
- k. Wayne LaPierre's current and post-employment contract;
- l. Contract, invoices, and payments with the Brewer Law Firm;
- m. Audit Committee review of Conflict of Interest, Whistleblower and Related Party transactions;
- n. Handling of Whistleblower submissions for 2020; and
- o. Audit Committee's review of NRA Compliance Programs

Mr. Hines claims that the NRA's disclosures regarding potential conflicts of interest are inadequate and do not follow policy and, therefore, are indicia of fraud. As I discussed in my rebuttal to the Tenenbaum Report above, I disagree, and believe the current policies and processes are effective. See paragraphs 44 to 47 above.

IV. CONCLUSION

73. I expect to testify to the conclusions set forth in my Initial Statement and in this Rebuttal Statement at trial. I may revise or supplement my Initial Statement and/or this Rebuttal Statement based upon additional evidence made available to me or additional opinions expressed by the expert(s) engaged by plaintiffs, should I be asked to do so or should I deem revision or a supplement necessary.

October 7, 2022

s/ Amish Mehta

EXHIBIT A**ADDITIONAL MATERIALS CONSIDERED**

BATES NUMBER (if applicable)	DESCRIPTION
NRA- NYAGCOMMDIV- 01492879	2021.06.26 Report of the Audit Committee
NRA- NYAGCOMMDIV- 01528404-06	2021.10.01 Report of the Audit Committee
NRA- NYAGCOMMDIV- 00009149-9152	Audit Committee Charter
NRA- NYAGCOMMDIV- 00128879-81	2020.10.24 Report of the Audit Committee
NRA- NYAGCOMMDIV- 01052802	2021.05.02 Report of the Audit Committee
NRA- NYAGCOMMDIV- 01537411	2022.05.18 Attendee Log for Compliance Seminar
NRA- NYAGCOMMDIV- 01537445-7499	2022.05.18 Compliance Seminar Slide Deck & Screenshots from NRA Website
NRA- NYAGCOMMDIV- 01537647	2022.08.30 EM from John Frazer to All NRA Employees regarding Compliance Training Presentations
N/A	2022.09.09 Deposition of the Corporate Representative of the NRA and related exhibits
NRA- NYAGCOMMDIV- 01539904	2020 Financial Disclosure Checklist
NRA- NYAGCOMMDIV- 01539905	2021 Financial Disclosure Checklist
NRA- NYAGCOMMDIV- 01539906	2022 Financial Disclosure Checklist
Aronson_NRA0011105- 1107	Audit Committee Charter
NRA- NYAGCOMMDIV- 01539903	2019 Financial Disclosure Checklist

N/A	https://www.federalregister.gov/documents/2002/01/23/02-985/excise-taxes-on-excess-benefit-transactions
N/A	https://www.garda.com
N/A	https://www.irs.gov/charities-non-profits/charitable-organizations/intermediate-sanctions-excess-benefit-transactions
N/A	https://www.irs.gov/charities-non-profits/charitable-organizations/disqualified-person
N/A	https://www.irs.gov/charities-non-profits/charitable-organizations/intermediate-sanctions-excess-benefit-transactions
N/A	https://www.irs.gov/charities-non-profits/charitable-organizations/intermediate-sanctions-excess-benefit-transactions
NRA-NYAGCOMMDIV-00865749	NRA-NYAGCOMMDIV-00865749
NRA-NYAGCOMMDIV-00865736	NRA-NYAGCOMMDIV-00865736
NRA-NYAGCOMMDIV-00203760	NRA-NYAGCOMMDIV-00203760
NRA-NYAGCOMMDIV-00203776	NRA-NYAGCOMMDIV-00203776
NRA-NYAGCOMMDIV-00203917	NRA-NYAGCOMMDIV-00203917
NRA-NYAGCOMMDIV-00203877	NRA-NYAGCOMMDIV-00203877
NRA-NYAGCOMMDIV-00865750	NRA-NYAGCOMMDIV-00865750
NRA-NYAGCOMMDIV-00138014	NRA-NYAGCOMMDIV-00138014
NRA-NYAGCOMMDIV-00138016	NRA-NYAGCOMMDIV-00138016
NRA-NYAGCOMMDIV-00138017	NRA-NYAGCOMMDIV-00138017
NRA-NYAGCOMMDIV-00138044	NRA-NYAGCOMMDIV-00138044

NRA-NYAGCOMMDIV-00138051	NRA-NYAGCOMMDIV-00138051
NRA-NYAGCOMMDIV-00138053	NRA-NYAGCOMMDIV-00138053
NRA-NYAGCOMMDIV-00138055	NRA-NYAGCOMMDIV-00138055
NRA-NYAGCOMMDIV-00138059	NRA-NYAGCOMMDIV-00138059
NRA-NYAGCOMMDIV-00138061	NRA-NYAGCOMMDIV-00138061
NRA-NYAGCOMMDIV-00138062	NRA-NYAGCOMMDIV-00138062
NRA-NYAGCOMMDIV-00138084-9	NRA-NYAGCOMMDIV-00138084-9
NRA-NYAGCOMMDIV-0152285	March 28 Board Minutes
NRA-NYAGCOMMDIV-01538656	MOU between NRA and MMP Companies (Confidential)
NRA-NYAGCOMMDIV-00203760 - NRA-NYAGCOMMDIV-00203772	NRA-NYAGCOMMDIV-00203760 - NRA-NYAGCOMMDIV-00203772
NRA-NYAGCOMMDIV-00203776 - NRA-NYAGCOMMDIV-00203779	NRA-NYAGCOMMDIV-00203776 - NRA-NYAGCOMMDIV-00203779
NRA-NYAGCOMMDIV-00203877 - NRA-NYAGCOMMDIV-00203878	NRA-NYAGCOMMDIV-00203877 - NRA-NYAGCOMMDIV-00203878

NRA-NYAGCOMMDIV-01540067 - NRA-NYAGCOMMDIV-01540167	NRA-NYAGCOMMDIV-01540067 - NRA-NYAGCOMMDIV-01540167
NRA-NYAGCOMMDIV-01528425-617	2022.01.15 Minutes of the Meeting of the BOD of the NRA
NRA-NYAGCOMMDIV-00016765 - NRA-NYAGCOMMDIV-00016870	Second Amended Complaint
NRA-NYAGCOMMDIV-01540023-01540049	September 2022 Compliance Seminar Deck
NRA-NYAGCOMMDIV-00601784 - NRA-NYAGCOMMDIV-00601791	Vendor Letters
NRA-NYAGCOMMDIV-00074995 - NRA-NYAGCOMMDIV-00075008	Voluntary Petition
NRA-NYAGCOMMDIV-01539995	\$317,971 Excess benefit check
NRA-NYAGCOMMDIV-00974149	2011-12-01 MMP Agreement
NRA-NYAGCOMMDIV-00974193	2015-04-22 First Amendment to MMP Agreement
NRA-NYAGCOMMDIV-00974158	2017-01-30 Second Amendment to MMP Agreement
NRA-NYAGCOMMDIV-00008642	2019-06-14 correspondence from Murray Dreshler to Craig Spray regarding Increases
NRA-NYAGCOMMDIV-01539222	2021.11.30 WLP Expense Reimbursement Check

NRA- NYAGCOMMDIV- 01535934-01535936	May 2022 Report of the Audit Committee
NRA- NYAGCOMMDIV- 01538646	2022.02.06 WLP Expense Reimbursement Check
NRA- NYAGCOMMDIV- 01538661	Contract Review Signature Sheet and Business Case Analysis for MMP 08.18.2022
NRA- NYAGCOMMDIV- 00062575-731	Jan. 7 Board Minutes
NRA- NYAGCOMMDIV- 01539996-01539998	Jeep Excess benefit check
NRA- NYAGCOMMDIV- 01540050	July 2022 Report of the Audit Committee
NRA- NYAGCOMMDIV- 01540067 - NRA- NYAGCOMMDIV- 01540167	September 17, 2022 Board Meeting
NRA- NYAGCOMMDIV- 01540023-01540049	September 2022 Compliance Seminar Deck
NRA- NYAGCOMMDIV- 00203760 - NRA- NYAGCOMMDIV- 00203772	Threat Letter addressing WLP
NRA- NYAGCOMMDIV- 00203776 - NRA- NYAGCOMMDIV- 00203779	Threat Letter addressing WLP
NRA- NYAGCOMMDIV- 00203877 - NRA- NYAGCOMMDIV- 00203878	Threat Letter addressing WLP
NRA- NYAGCOMMDIV- 01538656	MOU between NRA and MMP Companies (Confidential)

NRA- NYAGCOMMDIV- 01528425-617	2022.01.15 Minutes of the Meeting of the BOD of the NRA
NRA- NYAGCOMMDIV- 01540023-01540049	September 2022 Compliance Seminar Deck
NRA- NYAGCOMMDIV- 00601784 - NRA- NYAGCOMMDIV- 00601791	Vendor Letters
NRA- NYAGCOMMDIV- 00074995 - NRA- NYAGCOMMDIV- 00075008	Voluntary Petition
NRA- NYAGCOMMDIV- 01538816 - NRA- NYAGCOMMDIV- 01538817	NRA-NYAGCOMMDIV-01538816 - NRA-NYAGCOMMDIV- 01538817
N/A	I have considered or will consider any documents, data, or other materials relied upon by Mr. Tenenbaum in reaching the opinions I discuss in this report.
N/A	I have considered or will consider any documents, data, or other materials relied upon by Ms. Harris in reaching the opinions I discuss in this report.
N/A	I have considered or will consider any documents, data, or other materials relied upon by Mr. Hines in reaching the opinions I discuss in this report.