

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

NATIONAL RIFLE ASSOCIATION,

Plaintiff,

v.

OLIVER NORTH,

Defendant.

Index No. 653577/2019

DEFENDANT’S ANSWER AND COUNTERCLAIM

Defendant Lt. Col. Oliver North (Ret.), by his undersigned counsel, hereby submits his Answer and Counterclaim to the Complaint in this action.

PRELIMINARY STATEMENT

1. Lt. Col. Oliver North is past President and a current member of the Board of Directors of the NRA. He made two requests for indemnification by letter to the NRA. The NRA filed this lawsuit in response, in which the NRA seeks a declaratory judgment that North is not entitled to indemnification. North files a counterclaim against the NRA for indemnification in the following three separate matters:

a. An investigation into the NRA by the U.S. Senate Finance Committee, in which the Senate Finance Committee requested materials from North;

b. A lawsuit that the NRA filed against its former public relations firm, Ackerman McQueen, in which the NRA sent two subpoenas to North seeking documents and a deposition from North; and

c. This lawsuit, which the NRA has brought against North to avoid paying indemnification that the NRA owes to North pursuant to the NRA's Bylaws and North's pursuit of that indemnification.

2. North's entitlement to indemnification is reflected in the clear language of the NRA's Bylaws, which states: "[E]ach Director shall be entitled to indemnification and expenses immediately to the fullest extent requested in writing to the Secretary of Executive Vice President by such Director unless and only unless prohibited by corporate laws of the state under which the Association is incorporated." NRA Bylaws, Article IV, Section 4.

3. North was President of the NRA from September 2018 through April 2019.

4. After becoming President of the NRA, North learned of allegations of potential financial misconduct.

5. *First*, North learned that the NRA was paying its outside counsel, Bill Brewer, about \$2 million per month, which the NRA's longtime EVP/CEO, Wayne LaPierre, had authorized improperly. North further learned that the NRA paid roughly \$20 million to Brewer from April 2018 through March 2019. When North and others requested to see the invoices relating to these extraordinary legal payments, they were repeatedly denied access to that information.

6. *Second*, on April 17, 2019, North learned of allegations in the *New Yorker* magazine that raised concerns about mismanagement of NRA funds. The *New Yorker* article quoted a former head of the IRS Exempt Organizations division as stating: "The litany of red flags is just extraordinary," and "The materials reflect one of the broadest arrays of likely transgressions that I've ever seen."

7. *Third*, on April 22, 2019, North learned of allegations that over a period of years LaPierre had received hundreds of thousands of dollars in clothing, private jet travel, and other personal benefits that were paid for by an NRA vendor.

8. After seeking advice from the lawyer who represented the NRA Board of Directors, North pressed to engage outside professionals to conduct an internal investigation into the allegations to determine the facts and to advise the NRA. North had a fiduciary duty as President of the NRA and a member of the Board of Directors to responsibly address allegations of financial misconduct. North raised his concerns internally through proper channels, including the NRA's Audit Committee.

9. On April 18, 2019, North wrote a letter to the General Counsel of the NRA and to the Chairman of the Audit Committee explaining his concerns with the NRA's multi-million dollar monthly payments to Brewer. In that letter, North requested that the NRA conduct an outside, independent review of the millions of dollars in payments to Brewer. Exhibit 1 (North's April 18, 2019 letter).

10. On April 25, 2019, North wrote another letter, this time to the Executive Committee of the NRA Board of Directors. In that letter, North explained that, as a result of recent allegations in the press regarding LaPierre's alleged financial misconduct and more than \$20 million in payments to Brewer, "the NRA faces a crisis that could affect its ability to operate as a nonprofit organization." North explained: "As President of this Association, I have a fiduciary duty to respond to this crisis. Pursuant to NRA Bylaw Article V, Section 2, I hereby form a Special Committee of the Board of Directors called the 'CRISIS MANAGEMENT COMMITTEE.' The CRISIS MANAGEMENT COMMITTEE is tasked with addressing and

resolving the problems identified above so we can fulfil our duties and get on with our mission of protecting the Second Amendment.” Exhibit 2 (North’s April 25, 2019 letter).

11. Each time that North raised concerns about potential financial misconduct and tried to retain professionals to correct any wrongdoing, North’s efforts were thwarted by LaPierre and Brewer. No investigations were started. The Crisis Management Committee was shut down.

12. LaPierre—demonstrating his total dictatorial control over the NRA, its Audit Committee, its Executive Committee, its Nominating Committee, and its Board of Directors—stopped all of North’s inquiries and prevented others at the NRA from looking into the concerns that North raised. This included a retaliatory campaign against North, waged by LaPierre and Brewer, in an effort to stop North from responsibly addressing the allegations against LaPierre and the multi-million dollar monthly payments to Brewer.

13. LaPierre retaliated against North in multiple ways for raising concerns about allegations of financial misconduct, all in an attempt to stop North from being in a position to seek any outside independent review of the activities of LaPierre or Brewer, including:

14. *First*, LaPierre retaliated against North on April 24, 2019 by blocking his re-nomination as President of the NRA. For decades, LaPierre has tightly controlled all aspects of the NRA and its board, including who is nominated by the board to serve as officers of the NRA. After North raised concerns about financial misconduct, LaPierre pushed him out as President of the NRA by blocking his re-nomination to continue to serve as President. At the hands of LaPierre, North’s short tenure as President of the NRA was over in eight months, which stopped North’s efforts as President to responsibly address allegations of financial misconduct.

15. **Second**, LaPierre retaliated against North on April 25, 2019 by attacking him publically in a false and defamatory letter that he circulated to the 76 members of the NRA Board of Directors (and promptly leaked to the press). LaPierre sent his letter to the board seven hours after North sent to the NRA Executive Committee the memoranda attached as Exhibit 2, which established the Crisis Management Committee to look into allegations of LaPierre's misuse of NRA member dues and the extraordinary multi-million dollar payments to Brewer. LaPierre's letter falsely alleged that North had tried to engage in a "coup" to get the embattled EVP/CEO to step down from his longtime role as EVP/CEO of the NRA. The allegations that LaPierre makes in his April 25, 2019 letter are false. At no time did North seek the removal of LaPierre as EVP/CEO of the NRA. Instead, North's interest was to confidentially and responsibly determine the facts and make corrections if needed in order to protect the NRA and its mission. Indeed, North had been a long-term, close personal friend of LaPierre. He did not want LaPierre's job as EVP/CEO of the NRA, nor did he seek his removal. Nonetheless, LaPierre attacked North publically in an attempt to undermine North and his efforts to address allegations of financial misconduct at the NRA.

16. **Third**, LaPierre retaliated against North on May 13, 2019 by sending him a letter denying him indemnification to which he is entitled pursuant to Article IV, Section 4 of the NRA Bylaws. Article IV, Section 4 states: "[E]ach Director shall be entitled to indemnification and expenses immediately to the fullest extent requested in writing to the Secretary of Executive Vice President by such Director unless and only unless prohibited by corporate laws of the state under which the Association is incorporated."

17. **Forth**, LaPierre retaliated against North on May 31, 2019 by trying to force him to resign from the NRA Board of Directors. Because of his long-term support and care for the

NRA—and his belief in the NRA’s mission, and his hope that the NRA can take corrective steps so it may pursue its mission—North declined LaPierre’s demand that North resign from the NRA board. Exhibit 3 (Letter from North’s counsel rejecting the NRA’s attempt to force North to resign from the NRA Board of Directors).

18. *Fifth*, LaPierre retaliated against North on June 19, 2019 by suing North in this lawsuit, requiring him to engage in litigation with its attendant costs, including legal fees and expenses. The NRA’s lawsuit is another vehicle for LaPierre and Brewer to further advance the fictitious “coup” story, which is described in the initial pages of the NRA’s Complaint. Footnote 1 in the Complaint references press reports as authoritative sources regarding the “coup” fiction. Those press reports were generated by LaPierre and Brewer. LaPierre then directed that this Complaint be distributed to the NRA’s Board of Directors (except North) and the press, before informing North or his counsel that the NRA had sued North.

19. *Sixth*, LaPierre retaliated against North on June 25, 2019 by causing the NRA to breach its contract with Ackerman McQueen, which produced North’s show on NRATV, “American Heroes.” The NRA’s breach of its contract with Ackerman McQueen, including its refusal to pay Ackerman McQueen for work that it had performed, caused Ackerman McQueen to be unable to pay North pursuant to a 3-year contract between North and Ackerman McQueen. LaPierre helped negotiate that contract and signed off on the contract in May 2018. Indeed, it was LaPierre who encouraged and authorized North to be hired by Ackerman McQueen to work on the NRATV show “American Heroes,” and it was LaPierre who at the same time urged North to accept the role as President of the NRA. LaPierre urged and convinced North to leave his job at Fox News to take on these assignments for the NRA.

20. LaPierre took the above retaliatory actions against North, including suing North in the name of the NRA, without consulting with the NRA's Board of Directors.

21. LaPierre and Brewer have taken similar retaliatory actions against others at the NRA who raised similar concerns. For example, on April 22, 2019, LaPierre fired the lawyer who represented the NRA Board of Directors within two hours of that lawyer forwarding materials regarding the allegations against LaPierre to the NRA's Audit Committee. LaPierre fired the Board's lawyer without consulting with the Board.

22. The NRA's lawsuit against North seeking a declaratory judgment against indemnification was filed by the NRA's outside lawyer—Bill Brewer—who preaches the aggressive use of publicity as a litigation tool. Brewer and the NRA presumably chose to file the Complaint in New York rather than in the Commonwealth of Virginia, where the NRA is headquartered, in part because Brewer was recently thrown out of a Virginia court for making a false statement to the court. Judge Liam O'Grady on the United States District Court for the Eastern District of Virginia recently revoked Brewer's admission to that Court after learning that Brewer had failed to disclose in his pro hac vice application that a Texas State Court judge had disciplined Brewer for acting unethically. The Texas judge's decision was affirmed by a three-judge Texas appellate panel. That matter is now on appeal to the state's highest court.

23. LaPierre and Brewer have pursued this publicity strategy to (a) entrench LaPierre as EVP/CEO of the NRA, despite the allegations against LaPierre, and (b) to prevent an outside, independent, and confidential review of payments totaling more than \$20 million of NRA member dues to Brewer, despite North's and others' view that those payments were excessive on their face and that such an investigation is required.

24. North is forced to respond to the NRA's public Complaint in this Answer and Counterclaim to receive the indemnification to which he is entitled pursuant to the NRA's Bylaws. The NRA's claim for a declaratory judgment should be rejected, and the Court should grant North the indemnification that North seeks under the plain language of the NRA's Bylaws.

25. North's letters seeking indemnification were a first step to preserve North's right to indemnification pursuant to the NRA's Bylaws. North had not filed a claim for indemnification in any court at the time that the NRA filed this lawsuit. In this action, North files a counterclaim for indemnification and asks the Court to rule that North is entitled to indemnification in the matters identified above in Paragraphs 1a.-1c.

ANSWER

In response to the specific, numbered paragraphs of the NRA's Complaint, Defendant North responds as follows:

1. North admits that he is seeking the indemnification he is entitled to pursuant to Article IV, Section 4 of the NRA's Bylaws, which states: "[E]ach Director shall be entitled to indemnification and expenses immediately to the fullest extent requested in writing to the Secretary of Executive Vice President by such Director unless and only unless prohibited by corporate laws of the state under which the Association is incorporated." North denies the remaining allegations in Paragraph 1, including the NRA's false allegation that North "departed office after a widely publicized, failed coup attempt."

2. North admits that he seeks indemnification and advancement in connection with two subpoenas that he received from the NRA, and a separate Congressional inquiry into financial misconduct at the NRA. North denies the remaining allegations in Paragraph 2, including the NRA's false allegation that North was involved in any conspiracy to extort the NRA.

3. North denies the false allegations in Paragraph 3.

4. If the allegations that LaPierre engaged in financial misconduct are true and the NRA has in fact paid Brewer more than \$20 million, the first sentence of Paragraph 4 is false. North denies that the NRA is entitled to the declaration it seeks in the second sentence of Paragraph 4.

Jurisdiction and Venue

5. The allegations in Paragraph 5 are conclusions of law to which no response is required. To the extent that any response is required, North denies the allegations.

6. The allegations in Paragraph 6 are conclusions of law to which no response is required. To the extent that any response is required, North denies the allegations.

7. The allegations in the first part of Paragraph 7 are unintelligible conclusions of law to which no response is required. To the extent that any response is required, North denies the allegations. North admits the allegations in the second part of Paragraph 7, that Plaintiff is a not-for-profit corporation organized under the laws of New York.

Parties

8. North admits that the NRA is a not-for-profit corporation with its principal place of business in Fairfax, Virginia.

9. North admits that he is an individual who resides in Virginia.

NRA's Factual Allegations

10. North admits the allegations in the first sentence of Paragraph 10. North is without sufficient information to admit or deny the allegations in the remaining sentences of Paragraph 10.

11. North admits the allegations in Paragraph 11.

12. North denies the false allegations in Paragraph 12. North further denies that the NRA had “no choice but to sue Ackerman for, among other things, breaches of contract and fiduciary duties.” North states that any dispute between the NRA and Ackerman McQueen could have and should have been handled confidentially and internally, rather than through litigation and the use of publicity and leaks to the press. North further states the lawsuit that Brewer is leading against Ackerman McQueen appears to be motivated by Brewer’s long-simmering animosity toward his current in-laws, who run Ackerman McQueen.

13. North denies the false allegations in Paragraph 13.

14. North admits that his counsel sought indemnification in letters dated May 6, 2019 and June 6, 2019. North denies the remaining false allegations in Paragraph 14.

15. North denies the allegations in Paragraph 15.

16. North admits the allegations in the first sentence of Paragraph 16. North denies the false allegations in the second sentence of Paragraph 16.

17. North is without sufficient information to admit or deny the allegations in Paragraph 17.

18. North is without sufficient information to admit or deny the allegations in Paragraph 18.

19. North is without sufficient information to admit or deny the allegations in Paragraph 19.

20. North is without sufficient information to admit or deny the allegations in Paragraph 20.

21. North is without sufficient information to admit or deny the allegations in Paragraph 21.

22. North is without sufficient information to admit or deny the allegations in Paragraph 22.

23. North is without sufficient information to admit or deny the allegations in Paragraph 23.

24. North is without sufficient information to admit or deny the allegations in Paragraph 24.

25. North is without sufficient information to admit or deny the allegations in Paragraph 25.

26. North is without sufficient information to admit or deny the allegations in Paragraph 26.

27. North is without sufficient information to admit or deny the allegations in Paragraph 27.

28. North is without sufficient information to admit or deny the allegations in Paragraph 28.

29. North is without sufficient information to admit or deny the allegations in Paragraph 29.

30. North denies the allegations and characterizations in Paragraph 30.

31. The first sentence of Paragraph 31 makes a statement of law as to with no response is necessary. The remaining allegations in Paragraph 31 state legal conclusions as to which no response is necessary. To the extent that a response is necessary, North denies the allegations.

32. North is without sufficient information to admit or deny the allegations in Paragraph 32.

33. North is without sufficient information to admit or deny the allegations in the first sentence of Paragraph 33. North denies the allegations in the second sentence of Paragraph 33. North admits the allegations in the third sentence of Paragraph 33. North denies the allegations in the fourth sentence of Paragraph 33.

34. North denies the allegations and characterizations in Paragraph 34.

35. North is without sufficient information to admit or deny the allegations in Paragraph 35.

36. North denies the allegations and characterizations in Paragraph 36.

37. North denies the allegations and characterizations in Paragraph 37.

38. North admits the allegations in the first sentence of Paragraph 38. North denies the characterization in the second sentence of Paragraph 38.

39. North denies the allegations in the first sentence of Paragraph 39. North is without information sufficient to admit or deny the remaining allegations in Paragraph 39.

40. North denies the allegations and characterizations in Paragraph 40.

41. North denies the false allegations in Paragraph 41.

42. North denies the false allegations in Paragraph 42.

43. North denies the false allegations in Paragraph 43.

44. North denies the false allegations in Paragraph 44.

45. North denies the false allegations in Paragraph 45.

46. North denies the false allegations in Paragraph 46.

47. North denies the false allegations in Paragraph 47.

48. North denies the false allegations in Paragraph 48.

49. North denies the false allegations in Paragraph 49. North admits that LaPierre blocked North's re-nomination as President of the NRA.

50. North denies the false allegations in Paragraph 50.

51. North denies the false allegations in Paragraph 51. North states that the letter from the Senate Finance Committee speaks for itself.

52. North states that the letter from his counsel speaks for itself. North denies the remaining allegations in Paragraph 52.

53. North admits that the NRA rejected his request for indemnification.

54. North states that the second lawsuit that the NRA filed against Ackerman McQueen speaks for itself. North denies the remaining allegations in Paragraph 54.

55. North admits that the NRA served two subpoenas on him in connection with the NRA's lawsuit against Ackerman McQueen. North denies the remaining allegations in Paragraph 55.

56. North states that the letter from his counsel speaks for itself. North denies the remaining allegations in Paragraph 56.

57. Paragraph 57 contains a legal conclusion as to which no response is required. To the extent that a response is required, North denies the allegations in Paragraph 57.

58. North states that the May 31, 2019 letter speaks for itself, although it contains false allegations and illogical legal positions. North's counsel responded to that letter on June 12, 2019 (Exhibit 3), although North understands that LaPierre failed to share North's response with the NRA board. North denies the remaining allegations in Paragraph 58.

Cause of Action

59. North restates, realleges, and incorporates by reference herein his responses to all prior paragraphs of this Answer and Complaint, as well as his Preliminary Statement, as if fully set forth herein.

60. Paragraph 60 contains a legal conclusion as to which no response is required.

61. North admits that he contends that he is entitled to advancement and indemnification from the NRA.

62. North admits the allegations in Paragraph 62.

63. North denies the allegations in Paragraph 63.

64. North denies the allegations in Paragraph 64.

65. North denies the allegations in Paragraph 65.

66. North denies the allegations in Paragraph 66.

67. North denies the allegations in Paragraph 67.

68. North denies the allegations in Paragraph 68.

69. North denies the allegations in Paragraph 69.

70. North denies the allegations in Paragraph 70.

71. North denies the allegations in Paragraph 71.

72. North denies the allegations in Paragraph 72.

73. North denies that the NRA is entitled to the relief that it requests.

Demand for Relief

North denies that the NRA is entitled to any of the relief that it seeks in this lawsuit.

North further denies all allegations in the Complaint that are not addressed above.

Affirmative Defenses

Without admitting any wrongful conduct by North; without conceding that North has any evidentiary burden of proof; without assuming the responsibility for any burden of proof on any of the following defenses; and without relieving the NRA of its burden of proof, North asserts the following defenses to the NRA's claim. For each defense, North reasserts and reincorporates all other paragraphs of this Answer and Counterclaim, including the paragraphs of the Preliminary Statement and the allegations in support of the Counterclaim. North hereby gives notice that he intends to rely upon any other and additional defense that is now or may become available during discovery, and hereby reserves the right to amend this Answer and Counterclaim to assert any such defense.

First Defense

74. The NRA's claim is barred in whole or in part because the NRA failed to state a claim upon which relief can be granted.

Second Defense

75. The NRA's claim is barred in whole or in part by the express terms of the NRA's Bylaws.

Third Defense

76. North's need for indemnification was caused by the NRA's acts and omissions, and the NRA is estopped from benefitting from those acts or omissions.

Forth Defense

77. The NRA's claim is barred in whole or in part by the equitable doctrines of laches, waiver, acquiescence, ratification, and/or unclean hands.

Fifth Defense

78. North relied in good faith on professional advice from counsel to the Board of Directors of the NRA.

Sixth Defense

79. The NRA's claim is barred by the doctrine of unjust enrichment.

Seventh Defense

80. The NRA's claim is barred because the NRA acted in bad faith.

COUNTERCLAIM

Counterclaim Plaintiff Lt. Col. Oliver North (Ret.) alleges as follows in support of his Counterclaim against the NRA seeking the indemnification that the NRA wrongly has denied him:

81. North reasserts and incorporates all other paragraphs of this Answer and Counterclaim, including the paragraphs of the Preliminary Statement, in support of his Counterclaim.

82. North is a member of the Board of Directors of the NRA, and is a past President of the NRA.

83. Pursuant to the NRA's Bylaws, members of the Board of Directors of the NRA are entitled to indemnification for legal fees and costs that they incur in connection with their service as members of the Board of Directors of the NRA.

84. Article IV, Section 4 of the NRA's Bylaws provides that Directors will receive indemnification and advancement from the NRA under the following circumstances:

Section 4. Indemnification and Advancement of Expenses of Directors of the Association.

The indemnification and advancement of expenses of Directors granted pursuant to, or provided by, the corporate laws of the state

under which the Association is incorporated shall not be exclusive of any other right to which a Director seeking indemnification or advancement of expenses may be entitled, and **each Director shall be entitled to indemnification and expenses immediately to the fullest extent requested in writing to the Secretary of Executive Vice President by such Director unless and only unless prohibited by corporate laws of the state under which the Association is incorporated.** (Emphasis added.)

85. Pursuant to Article IV, Section 4 of the NRA's Bylaws, North's counsel wrote a letter to the Secretary of the NRA dated May 6, 2019. The letter requested indemnification as follows: "I write as counsel to LtCol Oliver North, pursuant to Article IV, Section [4] of the NRA's Bylaws, to request immediate indemnification and advancement of legal fees and expenses that he incurs in connection with responding to the attached inquiry from the Senate Finance Committee dated May 3, 2019 and any other inquires that LtCol North may receive from May 6, 2019 forward from law enforcement or investigative bodies regarding the NRA."

Exhibit 4.

86. Pursuant to Article IV, Section 4 of the NRA's Bylaws, North's counsel wrote a letter to the Secretary of the NRA dated June 6, 2019. The letter requested indemnification as follows: "Col. Oliver North received two third-party subpoenas from the NRA in connection with a lawsuit that the NRA filed against Ackerman McQueen, NRA v. Ackerman McQueen & Mercury Group, Case No CL 19002067 (Alexandria Cir. Ct.). See attached subpoenas. On Col. North's behalf, I request that the NRA indemnify Col. North for the costs and legal fees he incurs relating to the NRA's subpoenas. As you know, Article IV, Section 4 of the NRA's Bylaws entitles Col. North to indemnification regarding the NRA subpoena as well as the earlier Senate Finance Committee request." Exhibit 5.

87. Pursuant to Article IV, Section 4 of the NRA's Bylaws, North's counsel wrote a letter to the Secretary of the NRA dated July 1, 2019. The letter requested indemnification as

follows: “I regret to inform you that the NRA has sued Col. Oliver North. See enclosed lawsuit. On Col. North’s behalf, I request that the NRA indemnify Col. North for the costs and legal fees that he incurs relating to the lawsuit, in which the NRA is seeking to avoid its obligation to indemnify Col. North. As you know, Article IV, Section 4 of the NRA’s Bylaws entitles Col. North to indemnification for this matter.” Exhibit 6.

88. North is entitled pursuant to the NRA’s Bylaws to the indemnification and advancement that he has requested in Exhibits 4, 5, and 6.

89. The NRA has breached its Bylaws by refusing to provide North the indemnification he is owed pursuant to the Bylaws.

Relief

WHEREFORE, North respectfully requests that this Court:

- a. Deny Plaintiff’s claim in its entirety, with prejudice;
- b. Deny each of Plaintiff’s demands for relief;
- c. Enter judgment for North on his Counterclaim against the NRA, declaring that:
 - i. North is entitled to indemnification for the reasonable legal fees and costs that he incurs in connection with defending himself in this lawsuit;
 - ii. North is entitled to indemnification for the reasonable legal fees and costs that he incurs in connection with having to enforce his indemnification rights under the NRA’s Bylaws, including through his Counterclaim in this action;
 - iii. North is entitled to the indemnification he requested in letters from his counsel to the Secretary of the NRA dated May 6, 2019, June 6, 2019, and July 1, 2019 (Exhibits 4, 5, and 6);

iv. North is entitled to the reasonable legal fees and costs that he incurs in connection with responding to additional requests or lawsuits in connection with North's service as President of the NRA or service on the NRA Board of Directors;

d. Award North such other and further relief as this Court deems just and proper.

Dated: July 11, 2019

Respectfully submitted,

WILLIAMS & CONNOLLY LLP

By: /s/ Steven M. Cady

Brendan V. Sullivan, Jr. (*pro hac vice* motion forthcoming)

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