

FFL GUARDSM

*Offered By: The Chiafullo Group, LLP
Attorneys-at-Law*

PROGRAM OVERVIEW
4th Amended Version

(As amended through February 10, 2011)

FFLGuard is a program for legal services run by a law firm, The Chiafullo Group, LLP.

**THIS IS NOT INSURANCE OR PRE-PAID LEGAL SERVICES; THIS IS ACTIVE REPRESENTATION
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PROGRAM OVERVIEW

- *FFLGuard* is a program (“the Program”) offered, administered and overseen by a law firm, The Chiafullo Group, LLP (“the Group”), whereby the Group acts as national coordinating counsel (both counsel, and its office personnel, referred to as “NCC”) on behalf of multiple Federal Firearms Licensees by providing cooperative and active legal representation pursuant to an executed attorney-client engagement agreement (“the Agreement”) and payment of a non-refundable, yearly engagement fee (“the Fee”), wherein the client (“the Participant” or “Participants”) participates in the Program pursuant to its terms. Part of the Fee is immediately realized by the Group for its oversight role as NCC (currently 22% of the Fee), and the remainder of the Fee is voluntarily set aside, in concept, as part of a fictional “rainy day fund” (“the Fund”) for later use by the Group to pay for legal services on behalf of qualifying clients in the Program.
- The Group, as NCC, works with and engages like-minded co-counsel and other professionals around the country to consult and represent the Participants, either directly or through the NCC. To achieve this, the NCC may delegate Participant matters between two specific groups of counsel: Special Operations and Field Operations.
- The Program delivers “Basic Services” to all Participants that includes access to the *FFLGuard Law Plus Guidelines* (“the Guidelines,” as explained below), contact with *FFLGuard*-approved counsel and professionals *via* telephone/email/website through the legal “HelpDesk,” access to *FFLGuard’s* Clients-Only Website (which serves as a central repository of information for all Participants to access from *FFLGuard* counsel and professionals), periodic legal and compliance-related updates *via* email through “eBlasts” from *FFLGuard* counsel and professionals, an in-store “video walkthrough” risk-assessment and videoconference time with the NCC, and updates through our Internet Explorer toolbar that includes instant alerts when ATF inspectors are on premises at any Participant’s location.
- The Program revolves around the Participants compliance with the Guidelines, a two-page “tip sheet” representing a series of helpful hints, legal precedent, professional advice, and proven experience dealing with issues between ATF, anti-gun groups, various entities within the firearms industry, and/or other Participants in the Program. The Guidelines represent business practices that give “a little more” than required by law. Each Guideline is assessed a point value, with a Grand Total of 100 points available, and so long as the Participant meets a 90% threshold of total points, that Participant qualifies for certain legal services (*see ATF Audit Response Unit and Civil Litigation Defense Unit, below*) without additional payment of Legal Defense Fees.
- Assuming Participant compliance with the Guidelines, the Fund will pay all reasonable and necessary attorney/professional fees to any *FFLGuard*-approved counsel in the representation of any Participant (i) during any ATF audit of client’s business and any resulting proceedings, and (ii) for the first one-hundred (100) hours of any civil lawsuit aimed at scrutinizing any client’s business practices. **Legal services not paid on behalf of Participants by the Fund are subject to the payment of a Retainer –**

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over and above the Fee – to the Group by Participant in advance of the rendering of such legal services.

- The Program also provides “Additional Services” which enhance a Participant’s business practices through hands-on, on-site training and similar legal/compliance teaching exercises. **These legal services are subject to the payment of a Retainer – over and above the Fee – to the Group by Participant in advance of the rendering of such legal services.** Guideline points are also afforded to Participants for purchasing Additional Services and applicable towards the 90% Guideline requirement.
- For both Basic and Additional Services, and in the case that a Participant does not qualify for access to the Fund based on Guideline non-compliance, **all FFLGuard counsel and professionals discount their hourly rates by 1/3 at all times.** (The NCC will discount his rate by 1/2 under the same circumstances.)
- When joining the Program, each individual Participant expressly authorizes the Group, without limitation, (i) to utilize the money voluntarily set aside in the Fund to pay for Legal Defense Fees of *any* Participant, subject to the terms and conditions of the Program, including but not limited to compliance with the Guidelines and/or any additional point plan considerations; (ii) to apportion and spend the money in the Fund to administer, market, advertise, and promote the Program and/or pay a third-party administrator to handle the administration, marketing, advertising, and promotion of the Program; (iii) to retain or otherwise compensate like-minded counsel or professionals to act on any client’s behalf as part of the Program, now or in the future, including but not limited to retention of the Group itself; and (iv) to invest, re-invest, encumber, loan or otherwise use the Fund to increase it for future use.
- ALL Reimbursable Travel Costs and Non-Covered Costs and Expenses are not covered by the Program. **All Reimbursable Travel Costs and Non-Covered Costs and Expenses are subject to payment of a Retainer – over and above the Fee – by Participant to the Group in advance of the Group incurring such costs.**

PROGRAM HIGHLIGHTS

FFLGuard participation includes the following Basic Services:

1. ***FFLGuard Law Plus Guidelines***- (sometimes referred to as “Guidelines” or “LPGs”) are the Program’s cornerstone, a two-page “tip sheet” representing a series of helpful hints, legal precedent, professional advice, and proven experience dealing with issues between ATF, anti-gun groups, various entities within the firearms industry, and/or other Participants in the Program. The Guidelines represent business practices that give “a little more” than required by law. Each Guideline is assessed a point value, with a Grand Total of 100 points available, and so long as the Participant meets a 90% threshold of total points, that Participant qualifies for certain legal services (*see ATF Audit Response Unit and Civil Litigation Defense Unit, below*) without additional payment of Legal Defense Fees. Failure to comply with the Guidelines does not preclude the Participant’s access to legal services from *FFLGuard* Attorneys at a rate equal to 1/3 less than

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the *FFLGuard* Attorney's normal and customary rate. **Legal services not paid by the Fund subject those affected Participants to payment of a Retainer – over and above the Fee – to the Group in advance of the rendering of any legal services.**

2. ***ATF Audit Response Unit-*** an *FFLGuard* professional (identified as a *FFLGuard*-approved attorney, former ATF inspector/agent/official or other lawyer-retained professional (all known as the “Professional” or “Professionals”), working under the attorney/client umbrella and, if not an attorney, at the direction of *FFLGuard*-approved legal counsel), will be assigned to intervene in any ATF compliance audit of a Participant, chronicle and memorialize the proceedings, centralize the results in a database for use by/for *FFLGuard* and its Participants, interface with the inspecting ATF (and other) officials as the audit develops, and advise the *FFLGuard*-approved supervising attorney as to the potential for a warning conference or revocation hearing. *FFLGuard*-approved counsel supervising the *FFLGuard* Professional will avail him/herself to draft attorney/client report, if necessary, attend any warning conferences or revocation hearings, handle appeals to Federal Court as a result of revocation, and work directly with ATF to draft dealer-specific Memoranda of Understanding to short-circuit revocations.
3. ***Civil Litigation Defense Unit-*** upon the filing of a civil Complaint against any Participant designed to call its business practices into scrutiny, *FFLGuard* will defend the Participant for a pre-determined number of professional hours (currently identified as one-hundred (100) hours).
4. ***Legal HelpDesk-*** each Participant will be afforded the opportunity to interface (by telephone or e-mail) for up to one (1) hour per year with *FFLGuard* approved counsel/professionals on any and all ATF of firearms-specific legal questions, with the opportunity to purchase additional “HelpDesk time” in one-hour increments at *FFLGuard* exclusive Participant rates. All queries and results will be vetted and, if appropriate, posted on the *FFLGuard* website for all Participants’ review.
5. ***Store Video Walk-Through-*** each Participant will receive video equipment from *FFLGuard* with directions on what to film outside and inside the Participant’s store, which will be reviewed and analyzed by our Counsel and Professionals with a critical eye assessing risks, strengths and weaknesses of the operation.
6. ***NCC Video Conference-*** each Participant will receive video conferencing equipment from *FFLGuard* for an hour-long, face-to-face discussion via SKYPE on the Participant’s implementation of the Guidelines on premises, and risk-assessment of the Participant’s operation based on the Store Video Walk-Through.

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7. **eBlasts**- each Participant is placed on a clients-only, joint defense privileged email chain that updates and informs the Participant of current legal and compliance related happenings and events.
8. **CLIENTS-ONLY Website (www.fflguard.org) Access**- All *FFLGuard* and relevant documents, both from the ATF and from *FFLGuard* Counsel and Professionals, are at the fingertips of every Participant, including but not limited to important FFL Newsletters, all *FFLGuard* created documents for any Participant (including an eBLAST and CLIENT UPDATE archive), and other information that *FFLGuard* only shares with its clients.
9. **Internet Explorer Toolbar with ATF Inspector Alerts**- Participants can upload an incredible Internet Explorer toolbar that will give the Participant fast access to the CLIENTS-ONLY website, quick hyperlinks to firearms law-related websites, live feeds (“RSS feeds”) from content providers that *FFLGuard* deems relevant, a scroll ticker with constant *FFLGuard* updates, and the ability to receive mobile alerts from *FFLGuard* when the ATF is inspecting the site of another *FFLGuard* Participant.

FFLGuard also offers each Participant various Additional Services at an extra charge (but at a 33% reduction of *FFLGuard* Attorney normal and customary rates), including mock ATF audits, half-day staff seminars, document reviews and assessments (both on-site and via fax), development of Standard Operating Procedure manuals, pay-per-view training videos, and other legal services not normally included in the Basic Services in the Program. All Additional Services afford Participants with “points” for use with the Participant’s point requirement under the Guidelines. **These Additional Services are subject to the payment of a Retainer – over and above the Fee – to the Group by Participant in advance of the rendering of such services.**

FFLGuard FUND ACCESSIBLE BY PARTICIPANT:

If the Participant requires legal services in response to #1 and #2, above, and has complied with the Guidelines, all reasonable and necessary legal fees will be paid by the Group to *FFLGuard* Attorneys or Professionals from the Fund. Without compliance with the *FFLGuard Law Plus Guidelines*, the Participant will nevertheless be afforded legal services against an additional retainer at an amount equal to a 1/3 discount from the *FFLGuard* Attorney or Professional’s normal and customary rate. Participants are fully responsible for all reasonable and necessary travel expenses for *FFLGuard* Attorneys or Professionals. **Legal services not paid by the Fund subject those affected Participants to payment of a Retainer – over and above the Fee – to the Group in advance of the rendering of any legal services.**

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FEE SCHEDULE (Already Includes *FFLGuard* Discount)

Individual Participant Engagement Fee*†		\$2495.00
Matter Opening Fee		\$150.00
Add'l HelpDesk Time		\$150.00 per hour
Interruption Fee		\$995.00 per year/FFL
Mock ATF Audit*	(5 points)	\$150.00 per hour/person
Half-Day Staff Training Seminar*	(5 points)	\$1495.00
Half-Day On-Site Document Review*	(5 points)	\$1495.00
Development of S/O/P for Participant	(4 points)	TBD
Training Video PPV	(1 point)	\$175.00 each
Fax Document Review and Assessment	(1 point)	\$300.00

All legal services, privileges, terms and conditions of the Program are governed by the Agreement, plus the Agreement's attachments, which include but are not limited to this Program Overview and Description, as executed by the Group and the Participant. Interpretation of the Program, including legal services available, Participant access to the Fund, and the cost of legal services, is vested exclusively with the Group as NCC, in its absolute discretion. Program legal services are EXCESS over all other insurance plans and/or similar such coverage held by the Participant. The Program is subrogated to all rights to recover against any person or entity and has a right of payment from any such recovery.

Effective dates for participation in the Fund shall be the first day of the first full month ninety (90) days after a Participant's Client Information Statement ("CIS") is received, the Fee is paid, and the Agreement between the Group and the client is executed. Applications to participate in the Program that are not fully and accurately completed can not be processed and may result in ineligibility for, and non-payment of, *FFLGuard* sponsored legal services through the Fund. Any person or entity who is subsequently determined not to be eligible to participate or to receive legal services paid for by the Program as of the date that a client's need for legal services arises, will not receive payment of legal services by the Program.

THE FFLGUARD PROGRAM OFFERED BY THE CHIAFULLO GROUP, LLP, IS NOT AN INSURANCE POLICY AND IS NOT PRE-PAID LEGAL SERVICES; THE CHIAFULLO GROUP, LLP IS A LAW FIRM OFFERING ACTIVE LEGAL REPRESENTATION, AND DOES NOT OPERATE AS A NOT-FOR-PROFIT ORGANIZATION; THE FFLGUARD PROGRAM OFFERED BY THE CHIAFULLO GROUP, LLP OFFERS CERTAIN LEGAL SERVICES TO ITS MEMBERS BY DISCOUNTING AND VOLUNTARILY RESERVING PART OR ALL OF THE LEGAL FEES GENERATED BY THE REPRESENTATION OF ITS CLIENTS, AND IS

* Does not include Reimbursable Travel Costs and Non-Covered Costs and Expenses. †The Group reserves the right to adjust the Fee to encourage participation from prospective clients as may positively affect the Fund and/or the Program.

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AUTHORIZED BY THE PARTICIPANT TO UTILIZE THOSE FEES AS SET FORTH IN THE CLIENT'S ENGAGEMENT AGREEMENT WITH THE CHIAFULLO GROUP, LLP.

For questions and information on enrollment procedures, requests for legal services, FFLGuard Attorneys or Professionals, and HelpDesk inquiries, please contact:

www.fflguard.com

-OR-

**Phone and Fax: 1-888-FFL-GRD1
335-4731**

CURRENT FFLGuard STRUCTURE and COMPOSITION:

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