



U.S. Department of Justice

Bureau of Alcohol, Tobacco,
Firearms and Explosives

Merrillville II (IO) Office

www.atf.gov

July 28, 2016

772085:TVL
5373
4-35-05831

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Alex Melvin
RK Shares Inc.
Fort Wayne Rural King Supply Inc.
4216 Dewitt Ave.
Mattoon, IL 61938

Dear Mr. Melvin,

During a recent compliance inspection at your firearms business located in Fort Wayne, IN and covering the period of February 2, 2015 through February 2, 2016, you were cited for violations of 27 Code of Federal Regulations Part 478. The violations were discussed with you during the inspection. A copy of the Report of Violations, ATF F 5030.5, issued at the time of the inspection is enclosed.

You should be aware that any willful violations of the Gun Control Act may result in the revocation of your Federal Firearms License. As a result of the recently cited violations, it is important that we have a meeting with you to discuss the violations found. ATF has been advised that FFL Guard is now providing legal guidance for RK Shares. FFL Guard has previously scheduled a meeting with the Director, Industry Operations (DIO) for the Chicago Field division. The meeting is being held on Thursday, July 28th, 2016 at 1:00 PM (Central Daylight Time) at the ATF Chicago Field Division Office, located at 525 W. Van Buren, Suite 600 Chicago, IL 60607. Attendees will include representatives of both, FFL Guard and RK Shares Inc. The agenda for the meeting will include a discussion of the reasons for the violations disclosed during the inspection, a review of legal requirements, and a discussion of steps to be taken by you to ensure future compliance. In the event that all parties can come to an agreement regarding corrective actions to ensure future compliance, this meeting may serve as an equivalence of a DIO held Warning Conference.

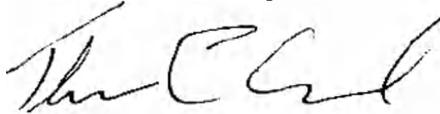
The records you are required to maintain and the business operations you conduct are important to law enforcement in our continuing efforts to reduce violent crime and protect the public. It is essential that you comply with all Federal laws and regulations that govern your firearms business to aid in this effort to combat violent crime.

Mr. Alex Melvin
RK Shares Inc.

We will conduct a follow-up inspection in the future. Any violations, repeat or otherwise, could be viewed as willful and may result in the revocation of your license.

Please contact Industry Operations Investigator: (b) (6) to confirm the appointment and to ask any questions you may have regarding this conference. I look forward to meeting with you to resolve these issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Arnold", written in a cursive style.

Thomas Arnold
Director, Industry Operations
Chicago Field Division

Enclosure

cc: Federal Firearms Licensing Center



U.S. Department of Justice

**Bureau of Alcohol, Tobacco,
Firearms and Explosives**

525 W. Van Buren Street, Suite 600
Chicago, IL 60607
(312) 846-7200

October 27, 2016

772085: TEA
5370

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Don Davis, Chief Operations Officer
Mattoon Rural King Supply Inc.
4216 Dewitt Ave
Mattoon, IL 61938

Regarding Decatur Rural King Supply, Inc.
FFL Number 4-35-001-01-6L-05529

Dear Mr. Davis,

On July 28, 2016, representatives of Mattoon Rural King Supply Inc. met with representatives of the Chicago Field Division. This letter is a follow-up to the meeting held with you and Rural King Director of Loss Prevention Greg Samuelson, Compliance Manager Cody Lowe, FFL Guard Director of Special Operations Chris Chiafullo, FFL Guard Director of Compliance James Zammillo, and FFL Guard Director of Client Relations Bryan Chiafullo, on July 28, 2016, at the ATF Chicago Field Division Office in Chicago, Illinois, with ATF Director of Industry Operations (Chicago Field Division) Thomas Arnold, Director of Industry Operations (Columbus Field Division) Judyth LeDoux, Industry Operations Area Supervisor (Merrillville) (b) (6) and Industry Operations Investigator (Fort Wayne) (b) (6). Also in attendance were Chicago Division Counsels (b) (6).

Mattoon Rural King Supply Inc., doing business as Rural King, is located at 4216 Dewitt Ave, Mattoon Illinois, 61938, and possesses a corporate Federal Firearms License number 3-37-029-01-9B-03501. Mattoon Rural King is the parent company of a chain of approximately 90 retail stores across the U.S. Each retail location is formed under a separate corporate entity, each of which is owned and operated under the control of the parent company, Mattoon Rural King Supply, Inc. Each retail location possesses its own Federal Firearms License. Therefore, Mattoon Rural King Supply Inc., as the parent company, is responsible for the operation of 90 Federal Firearms Licenses across the nation. Additionally, more stores are in the process of opening, each of which will also have a Federal Firearms License. The conference was initiated in response to extensive violations disclosed during the inspection of RK Shares Inc. doing business as Fort Wayne Rural King Supply Inc., Federal Firearms License number 4-35-003-01-

Don Davis, COO
Mattoon Rural King Supply Inc.

7E-05831, located at 8801 US Highway 24W, Fort Wayne, Indiana 46804. That inspection covered the period of February 2, 2015 through February 2, 2016. The primary purpose of the conference was to propose a detailed compliance plan, consisting of changes to Rural King policies, practices, and procedures being implemented corporate wide, in an attempt to ensure compliance issues were being properly addressed at all licensed locations. A formal, written version of the compliance plan, as presented at the meeting, was provided to the Chicago Field Division on September 2, 2016. These compliance measures consist of various elements, including hiring the services of FFL Guard, in depth training programs for employees, self-inspection programs, as well as the implementation of advanced recordkeeping software.

Between the inspection of the Fort Wayne Location, and the conference held with the Chicago Field Division, another inspection of a Rural King location was conducted. An inspection of Decatur Rural King Supply Inc., doing business as Rural King, located at 629 N 13th St. Decatur, IN 46733 was performed from April 28 2016 to June 28, 2016. This inspection covered the period of April 28, 2015 through April 28, 2016. The field work for this inspection had been completed prior to the conference held on July 28, 2016, and the findings were pending review by the Director, Industry Operations for the Chicago Field Division. Although the primary goal of this meeting was to focus on compliance measures corporate wide, the inspection of RK Shares Inc. in Fort Wayne, Indiana was also discussed. However, because the inspection report for Decatur Rural King Supply Inc. was pending review at the time of the conference, those findings were not discussed.

Upon review of the inspection of Decatur Rural King Supply Inc. it was found that all violations cited there, were also cited against the Fort Wayne location during the February 2016 inspection. Because those violations were discussed at the meeting with the Chicago Field Division, it is understood that the various compliance measures being implemented corporate wide, have a direct impact on the remediation of the violations cited against Decatur Rural King Supply Inc. Due to the timeliness of the inspection of Decatur Rural King Supply Inc., FFL 4-35-001-01-6L-05529 with regard to the conference at the Chicago Field Division, the corporate involvement at this meeting, the detailed response to the violations as presented at the conference, (i.e. implementation of company-wide compliance measures to prevent future violations,) and the direct correlation to violations cited against Decatur Rural King Supply Inc. with respect to the February 2016 inspection of the Fort Wayne location, the ATF considers the meeting conducted with the Chicago Field Division the equivalent of a Warning Conference for the inspection of Decatur Rural King Supply Inc. Therefore, due to these circumstances, the Director Industry Operations Chicago, has decided to accept this meeting as the conclusion for the inspection of Decatur Rural King Supply Inc., Federal firearms license number 4-35-001-01-6L-05529. It is important to understand that the final action for the inspection of Decatur Rural King Supply Inc. is a Warning conference, and this letter serves as the Warning Conference follow up for that inspection, while the meeting with Chicago Field Division has been accepted as the actual Warning Conference. This letter will address your response to each violation cited during the inspection of the Fort Wayne location, as discussed during the conference, which directly correlates to the Decatur Rural King Supply Inc. inspection.

Don Davis, COO
Mattoon Rural King Supply Inc.

The closing conference for both inspections, along with the discussions held at the meeting between Rural King corporate representatives, FFL Guard representatives, and ATF Chicago Field Division management, has identified a consistent failure of employees to adhere to Rural King standard operating procedures (SOPs) which may also be the primary cause of many of the violations. A lack of sufficient training has been suggested as one of the primary causes for both, deviating from standard procedures, as well as the actual violations. To mitigate against your employees failing to follow Rural King SOPs, and to prevent future violations, you have implemented a mandatory training program for every employee involved in firearm sales. The training will involve a combination of in store training, and yearly, mandatory training to be offered online via FFL Guard. The training will be tracked to ensure every employee completes it, and will require a 90 percent passing score. In addition, Rural King has revisited disciplinary measures for firearm offenses, and employees are being advised that if any employee is found to have violated Rural King SOPs regarding the sale of firearms, or to have intentionally committed firearms violations, they will be subject to disciplinary action. Different levels of violations will be handled accordingly. However, employees who commit violations deemed by Rural King as severe offenses, such as falsifying information on an ATF Form 4473, will be subject to termination from employment.

Approximately 800 Rural King firearm sales associates have been trained on how to properly identify errors or omissions on ATF Forms 4473. Sales associates are no longer scanning and emailing ATF Forms 4473 to corporate headquarters for review; rather, Rural King has refocused its efforts to keeping errors from happening before the transaction takes place. A state-of-the-art electronic ATF Form 4473 (e-4473) system has been developed, which is designed to identify errors, and halt the transaction if corrections are not made. For example, if a customer uses a non US Postal Abbreviation, the e-4473 will query the USPS address, and ask the customer if they meant to write "123 Park Way Avenue" rather than "123 Parkway Avenue". If the customer chooses to overrule the recommendation, the transaction is halted until the Rural King sales associate can verify the address.

Additionally, to proactively address the potential for violations, approximately 16 loss-prevention-specialists (LPSs) have been tasked with conducting quarterly audits at all Rural King stores selling firearms. During audits, LPSs will mirror ATF Industry Operations Investigators by conducting full firearm inventories, and thorough reviews of ATF Forms 4473 and ATF Forms 3310.4, Report of Multiple Sale or Other Disposition of Handguns. In addition, the LPSs are tasked with ensuring sales associates are properly trained in firearm transactions and recordkeeping requirements. To ensure continued compliance, weekly gun counts are now conducted, and monthly inventories are now conducted where the manufacturer, importer, caliber or gauge, serial number, and type of firearm are each verified from the firearm to the Acquisition and Disposition (A&D) records. It should be noted that the best inventory practices involve verification from each firearm to the open entries in the A&D record, followed by verification from each open entry in the A&D record, to the actual firearms. This practice will help ensure that every firearm corresponds to an open entry, and every open entry corresponds to a firearm, thereby reducing the likelihood of missing firearms, or firearms that were never logged into the A&D records.

Don Davis, COO
Mattoon Rural King Supply Inc.

The inspection of Decatur Rural King Supply Inc., Federal firearms license number 4-35-001-01-6L-05529, cited a total of nine violations. All nine of those violations were also cited during the February 2016 inspection of the Fort Wayne location, Federal firearms license number 4-35-003-01-7E-05831. Therefore, all nine of the violations cited during the inspection of the Decatur store, were held in common with both inspections. The conference held on July 28, 2016 included a review of the specific violations that were cited during the Fort Wayne inspection. Therefore, the nine shared violations were not only reviewed during the conference, but are also addressed within the scope of the corporate wide compliance measures being implemented under the compliance plan.

Regarding violation number one from the Report of Violations (ROV) 27 CFR 478.128(c), for conducting straw purchases of firearms on three occasions by transferring to persons while knowing, or having reasonable cause to believe they were not the actual purchaser, you attributed one instance to an employee failing to follow Rural King standard operating procedures (SOPs), and two instances to confusion regarding delayed responses on background checks. The Industry Operations Investigator was advised by Rural King representatives that the employee identified is no longer employed by Rural King. Regarding the delayed background checks, understand that a straw transaction occurs anytime an individual acquires a firearm on behalf of someone else. The actual buyer need not be a prohibited individual. This scenario does not include a legitimate gift purchase, wherein an individual purchases a firearm on their own behalf, using their own monies, for the purpose of gifting to another. However, in the two instances disclosed, the individual who was the actual purchaser received a delayed response on the associated background check which prevented them from completing the transaction at that moment. That delayed response is indicative of a possible prohibition, and in and of itself is reasonable cause to believe the individual may be prohibited from possessing firearms. However, in response to the delayed response, a second individual stepped in and completed the firearm transaction on behalf of the first individual (actual buyer) who was unable to complete the initial transaction. This scenario is not indicative of a gift transaction, and should have been viewed with greater skepticism, and administratively declined as potential straw transactions.

In concern for straw purchases, you advised DIO Arnold that Rural King has made efforts to mitigate against future violations by investing in the development of software. The software includes a networked electronic ATF Form 4473 which captures the name and address of all individuals involved in Rural King transactions that result in a denied background. The system stores the captured information in a corporate wide database for reference purposes. During each attempted purchase at any Rural King location, the potential transferee's name and address will be compared to the denial records, and the transaction will be canceled if the transferee's information matches that of someone who previously received a denied background check. All Rural King stores are now networked together to use the same database. Thus, if a customer receives a denied background check at "Store A", and sends his/her spouse to attempt to Straw Purchase a firearm at "Store B", the database would recognize the attempted Straw Purchase, and cancel the transaction. At the recommendation of DIOs Arnold and LeDoux, you expressed interest including the name and address of individuals who have received a background delay. After receiving a final approval for a delayed background check, that person's name and address would then be removed from the denial record system.

Don Davis, COO
Mattoon Rural King Supply Inc.

In an effort to identify Straw Purchases dating back to when each store first received its FFL, you have manually input all historical denied background responses into the database. In the event that a potential Straw Purchase is discovered as a result of this information, Rural King plans to send a letter to the customer, explaining the transaction may have been a Straw Purchase, and requesting the customer return the firearm.

Regarding violation numbers 2, 3, 4, 5, and 7 from the ROV, for violations of 27 CFR 478 §§ .21(a); .124(c)(1); .124(c)(3)(i); .124(c)(3)(iv); and .124(c)(5). for failure to ensure all information called for in each ATF Form 4473 be furnished as indicated by the headings on the form, and the instructions on or pertaining to the form, you stated human error was to blame. You stated that the current double-checking of the Forms 4473, prior to completing a transfer, will remain in effect. You also emphasized that the enhanced training program will include educating employees on the completion of the form, as well as explaining how the new e-4473 software is designed to mitigate against human error. The software is designed to identify errors on the ATF Forms 4473, and will aid in ensuring the Form 4473 is completed in its entirety. Furthermore, in the event a customer divulges potentially prohibiting information in block 11, the new e-4473 system will request the customer to review the questions again. If the customer continues to document prohibiting information for a second submission, the transaction will be administratively denied. At the time of our meeting, the electronic 4473 was still in the process of being implemented, and was expected to be fully in place by August 1, 2016. It was subsequently disclosed that delays did prevent that deadline from being met. However, it is my understanding that by the issuance of this letter, your new e-4473 and the networked denial system have been fully implemented at all retail locations. If there have been further delays in the implementation of these compliance measures, please provide this office with updates on the timelines involved for full implementation corporate wide.

Regarding violation number 6 on the ROV, 27 CFR 478.124(c)(4), for failure to properly identify firearms transferred on the ATF Forms 4473, you stated human error was to blame. In an effort to prevent the violation from reoccurring, the new e-4473 software will interact directly with the electronic A&D records. The result will be that the information in the A&D record is automatically transferred to section D of the e-4473, and upon completing the transfer, the information in section A of the electronic ATF Form 4473, automatically completes the disposition section of the A&D record. This automated completion is expected to significantly reduce the potential for human error with regard to documenting firearm descriptors on both the Forms 4473, as well as the A&D records.

Regarding violation number 8 on the ROV, 27 CFR 478.126a, for failure to submit, or timely submit, ATF Forms 3310.4, Report of Multiple Sale or Other Disposition of Handguns, you stated the new e-4473 and electronic A&D record system will automatically detect, complete, and submit ATF Forms 3310.4 electronically at the time of transaction. Furthermore, to ensure the software is operating properly, part of the closing manager's checklist, is to physically ensure the required ATF Forms 3310.4 are attached to their respective ATF Forms 4473.

Don Davis, COO
Mattoon Rural King Supply Inc.

Regarding violation 9 from the ROV, 27 CFR 478.125(e), for failure to maintain an accurate A&D record, you attributed the violation to human error, and failing to take all firearm descriptors directly from the firearms. To ensure continued compliance, and to mitigate against future violations, representatives from FFL Guard have visited each of your Distribution Centers, and have trained Rural King employees on how to properly record all required information directly off each firearm. Furthermore, the online training offered by FFL Guard will educate all firearm sales associates throughout the company how to properly record required information directly off the firearms. If at any time the information recorded on a firearm does not match the information recorded in the A&D record, the sales associate is to contact Cody Lowe, who has the ability to correct/update the electronic A&D record. According to Mr. Lowe, in such an event, he will require the sales associate to provide photographs of the firearm to mitigate against any misinformation. The automated system should also assist in preventing duplicate entries in the system as well.

To further address this violation, it is understood that the new e-4473 software and the electronic A&D record will automatically interact with one another to ensure proper and accurate completion of required information. The automated A&D records will utilize the information in the acquisition record to automatically populate section D of the e-4473. Reciprocally, upon completing the transfer, the e-4473 will utilize the information in section A of the ATF Form 4473, to automatically populate the disposition section of the electronic A&D record. The automatic nature of the completion projects confidence that the system will reduce the likelihood of errors relative to the violation.

ATF appreciates your commitment to comply with regulatory requirements in the future, and the documented compliance plan you have provided us. I would like to reiterate the importance of proper training of your firearm employees, which Rural King appears to be taking seriously, as demonstrated by the enhanced training program being put in place. However, I also want to express a word of caution relative to the automated nature of the recordkeeping systems. It seems all too common, with automated systems, that over time, human nature can lead to a tendency to rely too heavily on the capability of technology alone to recognize and address errors. I want to encourage Rural King to regularly remind employees, through training or other means, not to rely on the automated system for accuracy, and to actively engage with the customers and the transaction process, to ensure mistakes are not missed by the automation.

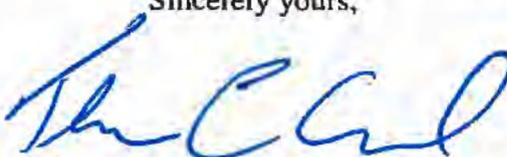
During the conference, you were also advised that another compliance inspection of Decatur Rural King Supply Inc. doing business as Rural King, FFL number 4-35-001-01-6L-05529 will be forthcoming. You were also advised to contact ATF industry operations with any questions, problems, or concerns relating to your Federal Firearms License. Because Rural King Mattoon operates 90 licensed locations across the nation, I recommend that each licensed location reach out to its local ATF office with their questions. However, as the parent company for the Rural King chain, representatives of Mattoon Rural King Supply Inc. may reach out to either their local area office in Springfield, IL (217) 547-3675, or me (312) 846-7205, for regulatory issues of corporate concern.

Don Davis, COO
Mattoon Rural King Supply Inc.

The violations for which you were cited could adversely impact law enforcement's ability to reduce violent crime and protect the public. You are reminded that future violations, repeat or otherwise, could be viewed as willful, and may result in the revocation of your Federal Firearms License. You may anticipate further inspections to ensure your compliance.

Please contact us if you have any questions concerning your responsibilities as a Federal Firearms Licensee, or if you require further clarification of particular requirements of Federal firearms laws.

Sincerely yours,



Thomas E. Arnold
Director, Industry Operations
Chicago Field Division

CC: (b) (6)
CC: (b) (6)
Enclosure