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PRESERVATION



GENERAL COUNSEL

DEPARTMENT OF THE TREASURY
WASHINGTON

April 21, 2000

To: Larry Summers
Stu Eizenstat
Jim Johnson
Brad Buckles
Susan Ginsburg
John Manfreda
Eric Liu
Bruce Reed
Bea Witzleben
Didem Nisanci

Neal Wolin



DEPARTMENT OF THE TREASURY
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT



April 19, 2000

Mr. L. Edward Shultz
President and Chief Executive Officer
Smith & Wesson
2100 Roosevelt Avenue
P.O. Box 2208
Springfield, MA 01102-2208

Dear Ed:

A few weeks ago, Smith & Wesson published on its website information about the agreement Smith & Wesson entered into with the Departments of Treasury and Housing and Urban Development and state and local governments on March 17, 2000 (the "Agreement"). As we detailed in phone conversations with you and George Colclough, some of the "interpretations" put forward on your website are incorrect and inconsistent with the plain language of the Agreement. Following is a list of points that we believe are incorrectly stated on the Smith & Wesson website. This list is not intended to be exhaustive, and there may be additional issues. We recognize that you are currently facing considerable pressure as you implement the Agreement, and we also want to reiterate our commitment to resolving these and other issues with you.

First, a principal area in which the website deviates from the Agreement relates to the scope of many of the sales and distribution restrictions imposed on authorized dealers and distributors, such as the requirements that authorized dealers and distributors make no sales at gun shows unless all sales are conducted only upon completion of a background check and that authorized dealers and distributors await notice from the National Instant Criminal Background Check System (NICS) that a purchaser is not a prohibited person under the Gun Control Act before transferring a firearm. The material on your website states that several of these requirements (II.A.1.d, f, h, k, n, o, r; II.C.3) place restrictions on your authorized dealers' and distributors' disposition and storage of Smith & Wesson firearms *only*. However, the plain terms of the Agreement extend these restrictions to the authorized dealers' and distributors' disposition and storage of *all* firearms. By contrast, in the few instances in the Agreement where the restriction applies only to the firearms produced by Smith & Wesson, the Agreement plainly states that limitation. The inventory tracking requirement, for example, applies only to "the products of the manufacturer parties to this Agreement." See II.A.1.e; see also II.B, II.C.1.

Second, the website states that the requirement that dealers complete the legally-mandated forms in the presence of the purchaser at the premises listed on their federal firearms licenses (Section II.A.1.b) does not apply to sales made at gun shows, so long as the sales are consistent with other restrictions in the Agreement. While we agree with you that Section

Mr. L. Edward Shultz
April 19, 2000
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II.A.1.b does not preclude such sales, Section II.A.1.b does apply to such sales, insofar as the authorized dealer must complete the forms and related requirements under the Brady Act and the Gun Control Act in the presence of the purchaser for all sales, regardless of where they take place.

Third, the website states that the requirement that gun show sales be made only if all sales by any seller at the gun show are conducted upon completion of a background check (II.A.1.d) does not apply to private sales. The Agreement contains no such exception. By its terms, the requirement applies to all sales at gun shows.

Fourth, the website states that the requirement that ammunition be stored separately from the firearms (II.A.1.f.(3)) pertains to centerfire handgun ammunition only where physically possible. The Agreement contains no such exception. By its terms, the requirement applies to all ammunition.

Fifth, the website states that the requirement that persons under 18 years of age be accompanied by a parent or guardian when they are in portions of the premises where firearms or ammunition are stocked or sold may be accomplished by posting a sign (II.A.1.g). This provision, however, requires the dealer or distributor to enforce the restriction and simply posting a sign may be insufficient.

Sixth, the website states that the requirement that authorized dealers and distributors agree to be subject to the jurisdiction of the court enforcing this Agreement (II.A.1.i) pertains to manufacturer parties to the Agreement only. By its terms, however, this provision applies to authorized dealers and distributors.

Seventh, the website states that courses such as NRA Basic Pistol, Hunter Safety or State Conceal Carry courses will also likely fulfill the requirement that purchasers demonstrate that they can safely handle and store firearms through the completion of a certified firearms safety training course or test. See II.A.1.r. We are not in a position at this time to express an opinion as to whether these courses or other materials that Smith & Wesson provides for training will fulfill the Agreement's requirement. The Oversight Commission will have the opportunity to review this issue as one related to the implementation of the Agreement. See III.A.2.

Eighth, we are also not in a position to express a view as to your statements that Smith & Wesson firearms currently comply with certain of the design and warning requirements. As set forth in the Agreement, compliance will be determined by ATF or an agreed upon proofing entity.

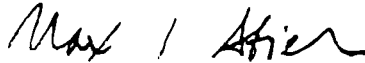
Mr. L. Edward Shultz
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We are confident these matters can be resolved in due course and write at the present time simply to make clear that we do not believe that the statements on your website are correct in all instances.

Sincerely,



Neal S. Wolin
General Counsel
Department of the Treasury



Max I. Stier
Deputy General Counsel for Litigation
Department of Housing and Urban Development

SUMMARY OF TERMS

Preamble: The city, state, county and federal parties agree to dismiss the parties from the pending suits and refrain from filing suits against the manufacturer parties based on an equivalent cause of action.

SAFETY AND DESIGN

All handguns must meet the following safety and design standards:

- **Second "hidden" serial number**, to prevent criminals from obliterating serial numbers.
- **External locking device** within 60 days.
- **Internal locking device** within 24 months.
- **Smart Guns -- Authorized User Technology.**
 - Manufacturers commit 2% of annual firearms revenues to the development of authorized user technology.
 - Within 36 months, authorized user technology will be included in all new firearm models, with the exception of curios and collectors' firearms.
 - If top eight manufacturers agree, authorized user technology will be included in all new firearms.
- **Child Safety.** Handguns will be designed so they cannot be readily operated by a child under 6, within 12 months.
- **Performance test.** All firearms will be subject to a performance test to ensure safety and quality.
- **Drop test.** All firearms will be subject to a test to ensure they do not fire when dropped.

All pistols must meet the following additional requirements:

- **Safety device.** Positive manually operated safety device.
- **Magazine disconnectors** must be available on all pistols to customers who desire the feature, within 12 months.
- **Chamber load indicators** on all pistols, showing whether the pistol is loaded, within 12 months.
- **Large capacity magazines.** New firearm designs will not be able to accept large-capacity magazines that were manufactured prior to September 1994. (Manufacture of such magazines has been prohibited since that date.)

Law enforcement and military exception. If law enforcement agencies or the military certify the need, exceptions to these requirements may be made. Manufacturers will ask that these guns not be resold to the civilian market.

Warnings about safe storage and handling included with all firearms within six months.

Illegal firearms. Manufacturers will not sell firearms that can readily be converted into fully automatic weapons or that are resistant to fingerprints.

SALES AND DISTRIBUTION

Code of Conduct. The manufacturers will close their distribution chain by selling only to authorized dealers and distributors and allowing their authorized distributors to sell only to authorized dealers. Authorized dealers and distributors will agree to a code of conduct. If manufacturers receive notice of a violation by an authorized dealer or distributor, they will take action against the dealer or distributor, including termination of sales to the dealer or distributor. The Oversight Commission will review such actions and have authority to require termination or suspension if warranted.

The code of conduct will require authorized dealers and distributors to:

- **Gun shows:** make no gun show sales unless all sales at the gun show are completed only after a background check.
- **Brady checks:** Wait as long as necessary for a completed Brady check showing that the purchaser is not a felon or otherwise prohibited before selling a gun to the purchaser.
- **Safety training for purchasers:** transfer firearms only to individuals who have passed certified safety course or exam and demonstrate to purchasers how to use all safety devices and how to load, unload, and safely store the firearm before completing the sale.
- **Multiple handgun sales:** all purchasers of multiple handguns to take only one handgun from the store on the day of sale, at which point a multiple sales report will be filed with ATF, and the remainder after 14 days.
- **Employee training:** require all employees to attend ATF-approved training and to pass a exam on firearms laws, straw purchasers, illegal trafficking indicators, and gun safety.
- **Insurance:** carry liability insurance where available, with a minimum coverage of \$1 million for each incident.
- **Inventory control:** maintain an electronic inventory tracking plan within 24 months
- **Security:** implement a security plan for securing firearms.
- **Child access:** require persons under 18 to be accompanied by adults in gun stores or gun sections of stores.
- **Weapons attractive to criminals:** not sell large capacity magazines or semiautomatic assault weapons.
- **Compliance:** provide law enforcement, government regulators, and the Oversight Commission established in this Agreement with access to documents necessary to determine compliance; cooperate fully in the Agreement's Oversight mechanism.
- **Crime gun traces:** maintain an electronic record of all ATF trace requests and report trace requests to manufacturers.
- **Indicted dealers:** forgo firearms sales to licensed dealers known to be under indictment.
- **Straw purchasers:** not to make sales to straw purchasers.

Manufacturer commitments. Manufacturers will:

- Provide quarterly sales data to ATF.
- Not market guns in any manner designed to appeal to juveniles or criminals.
- Refrain from selling any modified/sporterized semi-automatic pistol of type that cannot be imported into U.S.
- Reaffirm policy of not placing advertisements in vicinity of schools, high crime zones,

- public housing.
- Implement a security plan for securing firearms.
- Designate a compliance officer to ensure compliance with the Agreement.

Corporate responsibility for crime gun traces. If an authorized dealer or distributor has a disproportionate number of crime guns traced to it within three years of sale, the manufacturers will take action, including possible termination or suspension, against the dealer or distributor. The Oversight Commission will review such actions and have authority to require termination or suspension if warranted.

Oversight Commission will be established and empowered to oversee implementation of the Agreement. The Commission will have five members selected as follows: one by manufacturers; two by city and county parties; one by state parties; one by ATF. The Commission's powers will include the authority to review compliance with the design and safety requirements, review the safety and training program for dealer and distributor employees, review manufacturer actions against dealers or distributors that violate the Agreement or have a disproportionate number of crime gun traces and require suspension or termination if warranted.

Role of ATF. To the extent consistent with law, ATF will work with manufacturers and the Oversight Commission to assist them in meeting obligations under the Agreement. ATF will notify the Oversight Commission of certain violations of the Agreement by distributors and dealers if it uncovers such violations.

Ballistics Imaging. Within six months, if technologically available, manufacturers will fire all firearms before sale and will enter the digital image of its casing in a system compatible with the National Integrated Ballistics Identification Network and accessible to ATF. This will enable law enforcement to trace crime guns when only the bullets or casings are recovered.

Access 2000. Manufacturers shall participate in ATF's Access 2000 program, which establishes electronic links with ATF and enables high-speed tracing of crime guns.

Legislation. The parties will work together to support legislative efforts to reduce firearms misuse and the development of authorized user technology.

Education trust fund. Upon resolution of all current city, state, and county lawsuits, manufacturers shall dedicate 1% of overall firearms revenues to an education trust fund

Most favored entity. If other manufacturers enter agreements with more expansive design and distribution reforms, and those manufacturers, along with the manufacturer parties to this Agreement, account for fifty percent or more of United States handgun sales, the manufacturer parties this Agreement will agree to abide by the same reforms.

Enforcement. The Agreement will be entered into and enforceable as a court order and as a contract.

DRAFT

[March 31, 2000]

George C. Colclough
Vice President Administration
Smith & Wesson
2100 Roosevelt Avenue
P.O. Box 2208
Springfield, MA 01102-2208

Dear George:

Smith & Wesson recently published on its website information about the Agreement Smith & Wesson entered into with the Departments of Treasury and Housing and Urban Development and other parties on March 17, 2000 (the "Agreement"). As we detailed in phone conversations with you and Ed Shultz, and consistent with our discussions in negotiating the Agreement, we want to reiterate that we disagree with some of your interpretations.

First, our principal area of disagreement relates to the scope of many of the sales and distribution restrictions imposed on authorized dealers and distributors, such as the requirement that authorized dealers and distributors await notice from the National Instant Criminal Background Check System (NICS) that a purchaser is not a prohibited person under the Gun Control Act before transferring a firearm. The material on your website states that several of these requirements (II.A.1.d, f, h, k, n, o, r; II.C.3) place restrictions on your authorized dealers' and distributors' disposition and storage of Smith & Wesson firearms only. In our view, the plain terms of the Agreement extend these restrictions to the authorized dealers' and distributors' disposition and storage of *all* firearms. By contrast, in the few instances in the Agreement where the restriction applies only to the firearms produced by Smith & Wesson, the Agreement plainly states that limitation. The inventory tracking requirement, for example, applies only to "the products of the manufacturer parties to this Agreement." See II.A.1.e; see also II.B, II.C.1.

Second, the website states that Section II.A.1.b does not apply to sales made at gun shows consistent with Sections II.A.1.a and d. While we agree with you that Section II.A.1.b does not preclude such sales, Section II.A.1.b does apply to such sales, insofar as the authorized dealer must complete the forms and related requirements under the Brady Act and the Gun Control Act in the presence of the purchaser for all sales, regardless of where they take place.

Third, the website states that the requirement that gun show sales be made only if all sales by any seller at the gun show are conducted upon completion of a background check (II.A.1.d) does not apply to private sales. The Agreement contains no such exception.

George C. Colclough
March 30, 2000
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Fourth, the website states that the requirement that ammunition be stored separately from the firearms (II.A.1.f.(3)) pertains to centerfire handgun ammunition only where physically possible. The Agreement contains no such exception.

Fifth, the website states that the requirement that persons under 18 years of age be accompanied by a parent or guardian when they are in portions of the premises where firearms or ammunition are stocked or sold may be accomplished by posting a sign (II.A.1.g). This provision, however, requires the dealer or distributor to enforce the restriction and, in some or all cases, may require physical segregation of the relevant portion of the premises in order to make effective enforcement possible.

Sixth, the website states that the requirement that authorized dealers and distributors agree to be subject to the jurisdiction of the court enforcing this Agreement (II.A.1.i) pertains to manufacturer parties to the Agreement only. By its terms, however, this provision applies to authorized dealers and distributors.

Seventh, the website states that courses such as NRA Basic Pistol, Hunter Safety or State Conceal Carry courses will also likely fulfill the requirement that purchasers demonstrate that they can safely handle and store firearms through the completion of a certified firearms safety training course or test. See II.A.1.r. We are not in a position at this time to express an opinion as to whether these courses or other materials that Smith & Wesson provides for training will fulfill the Agreement's requirement.

Eighth, we are also not in a position to express a view as to your statements that Smith & Wesson firearms currently comply with certain of the design requirements. As set forth in the Agreement, compliance will be determined by ATF or an agreed upon proofing entity.

We are confident these matters and other differences of interpretation can be resolved in due course and write at the present time simply to make clear that we do not believe that the interpretation presented on your website is correct in all instances.

Sincerely,

Neal S. Wolin
General Counsel
Department of the Treasury

Max I. Stier
Deputy General Counsel for Litigation
Department of Housing and Urban Development

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Smith & Wesson 'clarifies' pact with U.S. on gun rules

Manufacturer's view impairs safety claims

By **Jonathan Weisman**
Sun National Staff

WASHINGTON -- Smith & Wesson, America's largest manufacturer of handguns, has issued a "clarification" of its landmark pact with the federal government that would effectively eviscerate many of the gun controls trumpeted by the Clinton administration.

Smith & Wesson's interpretation -- posted quietly on its Web site -- has forced the company back into talks with the administration that could lead to a protracted court battle.

Administration officials dismissed Smith & Wesson's interpretation as more of a public relations gambit than a genuine change of heart but said they would be willing to go to court to force Smith & Wesson into compliance.

"The deal speaks for itself," said Neal Wolin, general counsel of the Treasury Department, referring to the agreement Smith & Wesson reached March 17 with federal, state and local officials as a way to settle lawsuits it had faced related to gun violence. "I think the language of the deal is clear on all these points."

Contrary to the government's interpretation, the gun maker says now, its agreement would compel Smith & Wesson dealers to impose background checks and other gun-sale restrictions only on buyers of Smith & Wesson products. The government maintains that under the agreement, dealers who wish to sell Smith & Wesson's products must impose such restrictions on buyers of all guns.

Moreover, the company says, the criminal background checks Smith & Wesson agreed to for gun show sales would not apply to guns sold by private citizens, only to those sold by licensed dealers. Gun show sales by licensed dealers are already subject to background checks.

"We can't agree to control things that we have no way to control," said Ken Jorgensen, a spokesman for Smith & Wesson.

Smith & Wesson's accord was touted as a breakthrough by federal officials, in large part because it was supposed to have a broad effect on the entire firearms industry. Under the government's interpretation, Smith & Wesson agreed that its



government's interpretation, Smith & Wesson agreed that its products could be sold only by dealers who followed a strict "code of responsibility" for all of its gun sales, not just sales of Smith & Wesson products.

Under that code, all customers would have to pass a criminal background check. Dealers that sell Smith & Wesson guns would have to maintain rigorous records of all gun sales, and all guns would have to be stored and displayed in a secure manner.

Gun shows that sell Smith & Wesson products would have to subject all customers to background checks, no matter how long those checks would take.

By imposing such restrictions, the government hoped to force gun-sale restrictions on every manufacturer. It was assumed that gun shows and gun dealers would rather comply with the regulations than forfeit the ability to sell Smith & Wesson guns.

But Smith & Wesson has thrown that wish on its head.

Stark differences

The deal's negotiators reacted incredulously to the gun maker's interpretation. White House officials acknowledged that stark differences now exist between the administration's position and that of Smith & Wesson, which was hailed by President Clinton last month as a courageous and visionary company that risked being bankrupted by the rest of its industry.

"I think [Smith & Wesson's] interpretation is utterly divorced from reality and has no legal significance whatsoever," said Dennis Henigan, legal director of the Center to Prevent Handgun Violence, who helped negotiate the accord.

Since the accord was signed, Smith & Wesson has come under withering pressure from other gun makers, gun dealers and gun rights activists, who have accused the company of sabotaging the entire industry. Jorgensen said gun makers have told organizers of target-shooting competitions that they would no longer sponsor their competitions if Smith & Wesson remained affiliated with the tournaments.

Collusion inquiries

Some gun dealers have promised to stop selling Smith & Wesson firearms. Connecticut Attorney General Richard Blumenthal said he has evidence that gun makers and dealers have pressured gun magazines to reject Smith & Wesson advertisements. And gun rights activists -- possibly in collusion with other gun makers -- have called for a boycott of the company's products, Blumenthal asserted.

Besides Blumenthal, the attorneys general of Maryland, New York, Massachusetts, California and Florida have launched anti-trust investigations against other gun makers, saying the actions of Smith & Wesson's competitors could amount to

illegal collusion.

Henigan, who represents 24 cities and counties that are suing the gun industry, insisted that Smith & Wesson's interpretation of the deal was more a public relations document to calm the gun world than its genuine understanding.

But, he promised, if the company did not abide by the government's interpretation, his clients would try to hold Smith & Wesson in contempt of court. If that did not work, the lawsuits the agreement was supposed to settle could be reinstated.

Pact's limitations

"The words on the page [of the agreement] directly contradict their interpretation," Henigan said. "If they assert these positions before the courts enforcing the agreement, they would lose."

But Jorgensen insisted that the company's clarification was more than public relations. He said it was an acknowledgement of the agreement's limitations. Jorgensen said Smith & Wesson could not press its argument that its competitors are illegally colluding to hurt its business, and at the same time force other companies to abide by its agreement.

Smith & Wesson's interpretation is shared by the Violence Policy Center, a gun control group that from the start has criticized the deal as toothless.

"On its face, the agreement was ambiguous," said Kristen Rand, the group's director of federal policy. "It was never clear how Smith & Wesson could impose its will on its competitors."

Originally published on Apr 13 2000

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Gunmaker Clarifies Part of Deal

The Associated Press
Thursday, April 13, 2000; 9:52 AM

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SPRINGFIELD, Mass. — Smith & Wesson is backing away from parts of its landmark agreement with the Clinton administration that called on it to crack down on gun dealers.

A "clarification" posted on the company's Web site contends that the company's agreement requiring dealers of Smith & Wesson guns to make background checks and impose other restrictions on sales only applies to the sale of the gunmaker's firearms.

The government claims all dealers wishing to sell Smith & Wesson products must apply the same restrictions to all makes of guns.

The company also said that criminal background checks it agreed to for gun-show sales would apply only to firearms sold by licensed dealers and not by private citizens.

"We can't agree to control things that we have no way to control," Ken Jorgensen, a spokesman for Smith & Wesson, told The Baltimore Sun.

Jorgensen didn't immediately return phone calls today to The Associated Press.

Smith & Wesson's Web site said the company would abide by other major parts of the agreement. The Web site said Smith & Wesson would still include external safety locks with all handguns, install internal locks within two years and work on developing "smart" technology that limits a gun's use to its rightful owner.

Due to the March 17 agreement, Smith & Wesson was dropped from lawsuits that federal, state and local governments filed against gunmakers.

Clinton administration officials and a lawyer representing several municipalities dismissed Smith & Wesson's interpretation of its responsibilities as a public relations ploy, the Sun reported today.

However, they said they would be willing to go to court to force Smith & Wesson into compliance.

"The language of the deal is clear on all these points," Neal Wolin, general counsel of the Treasury Department, told the newspaper.

Since the accord was signed, Smith & Wesson has come under sharp criticism from other gunmakers, dealers and gun rights activists.

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However, Smith & Wesson's altered position was backed by the Violence Policy Center, a gun-control group that has criticized the deal from the beginning.

"On its face, the agreement was ambiguous," Kristen Rand, the group's director of federal policy, told the Sun. "It was never clear how Smith & Wesson could impose its will on its competitors."

On the Net:

<http://www.smith-wesson.com/>

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Smith & Wesson



Interpretation

March 17, 2000

Settlement Document

AGREEMENT

Preamble

The manufacturer parties to the Agreement and the Department of the Treasury, the Department of Housing and Urban Development, and the undersigned state, city and county parties to the Agreement enter into this Agreement to reduce the criminal misuse of firearms, combat the illegal acquisition, possession and trafficking of firearms, reduce the incidence of firearms accidents, and educate the public on the safe handling and storage of firearms. Furthermore, the manufacturer parties to the Agreement enter into this Agreement as continuation of their efforts to make their firearms as safe as practicable for their customers and the public. Accordingly, in consideration of the commitments set forth below:

1. The undersigned state, city, and county parties to the Agreement dismiss the manufacturer parties to the Agreement with prejudice from the lawsuits specified in Appendix A subject to any consent orders entered pursuant to paragraph VIII; and
2. The undersigned state, city and federal parties to the Agreement agree to refrain from filing suit against the manufacturer parties to the Agreement on an equivalent cause of action.

The parties agree that this Agreement constitutes the full and complete settlement of any and all claims that were raised or could have been raised in the subject litigation. The parties agree further that this Agreement does not constitute an admission of any violation of law, rule or regulation by the manufacturer parties to the Agreement, or any of their employees. Nothing in this Agreement shall be construed to be an admission of liability. The adoption of standards for firearms design and distribution in this Agreement shall not be construed as an admission by the manufacturer parties to the Agreement that practices they engaged in prior to the execution of this Agreement were negligent.

I. Safety and design.

A. Each firearm make and model sold by each manufacturer party to this Agreement shall be tested by ATF or an agreed upon proofing entity against the following standards. Existing makes and models shall meet these standards within 60 days of execution of this Agreement unless a longer period is specified in the standard. New makes and models shall not be manufactured and sold after the execution of this Agreement unless they conform to these standards.

1. Standards applicable to all handguns:

a. Second "hidden" serial number. The gun must have both a visible serial number on the exterior of the frame or receiver, as well as a second serial number hidden on the interior of frame or receiver (e.g., under the grips) or visible only with the aid of an optical instrument.

➤ **Smith & Wesson is already doing this on many of its firearms.**

b. External locking device. As an interim measure, until the implementation of I.A.I.C., within 60 days of execution of the Agreement, each firearm shall be supplied with an external locking device that effectively prevents the operation of the firearm when locked.

➤ **Smith & Wesson has been including trigger locks in all of its handguns for several years.**

c. Internal locking device. Within 24 months of execution of the Agreement, each firearm shall be a built-in, on-board locking system, by which the firearm can only be operated with a key or combination or other mechanism unique to that gun.

➤ **There are several types of "Internal Locking Devices" that can be incorporated in our designs over the next 24 months.**

d. Authorized user technology. The manufacturer parties to this Agreement shall each commit two percent of annual firearms sales revenues to the development of a technology that recognizes only authorized users and permits a gun to be used only by authorized persons. Within 36 months of the date of execution of this Agreement, this technology shall be incorporated in all new firearm designs, with the exception of curios and collectors' firearms. This requirement does not apply to existing designs currently in production.

If the eight firearms and/or importers with the largest United States firearms sales volume agree to incorporate authorized user technology in all firearms, the manufacturer parties to this Agreement will incorporate authorized user technology in all firearms.

➤ **Smith & Wesson has been working on this technology for several years.**

e. Child safety. Within 12 months of execution of the Agreement, each firearm shall be designed so that it cannot be readily operated by a child under the age of 6. Such mechanisms include: making the trigger pull resistance at least ten pounds in the double action mode; or designing the firing mechanism so that an average five year old's hands would be too small to operate the gun; or requiring multiple, sequenced actions in order to fire the gun.

➤ **All Smith & Wesson models currently meet these criteria.**

f. Minimum barrel length. Each firearm make and model must have a barrel length of at least 3", unless it has an average group diameter test result of 1.7" or less at seven yards, 3.9" or less at 14 yards, and 6.3" or less at 21 yards. The average group diameter test result is the arithmetic mean of the results of three separate trials, each performed on a different sample firearm of the make and model at issue. For each trial, the firearm shall fire five rounds at a target from the specified distance and the largest spread in inches between the center of any of the holes made in a test target shall be the result of the trial.

➤ **All Smith & Wesson products currently meet this standard. This is the same criteria required of all handguns shipped into Massachusetts.**

g. Performance test: A sample of each firearm make and model will be test-fired with "proof cartridges" (cartridges loaded to generate excess pressure as set forth in accepted specifications for proof cartridges) to ensure the integrity of the material. At least one cartridge shall be fired from each chamber. Following this test firing, the firearm will be examined for hairline cracks or other signs of material failure and will pass this test only if there are no hairline cracks or other signs of material failure. Each firearm make and model shall also pass the following performance test: the gun shall fire 600 rounds, stopping only every 100 rounds to tighten any loose screws and to clean the gun (if required by the cleaning schedule recommended in the manual), or as needed to refill the empty magazine or cylinder to capacity before continuing. For any gun that loads other than with a detachable magazine, the tester shall pause every 50 rounds for ten minutes. The tester shall use the ammunition

recommended in the user's manual, or if none is recommended, any standard ammunition of the correct caliber in new condition. A gun shall pass this test if it fires the first 20 rounds without a malfunction and the full 600 rounds with no more than 6 malfunctions and without any crack or breakage of an operating part of the gun that increases the danger of injury. Malfunctions caused by failure to clean and lubricate, or by defective ammunition, shall not be counted.

➤ **All Smith & Wesson products currently meet this standard.**

h. Drop test. Pass the more rigorous of: (a) the SAAMI Standard drop test in effect on the date the firearm is sold; or (b) the following test: The gun shall be test-loaded, set such that it is ready to fire and dropped onto a steel plate or equivalent material of similar hardness from a height of one meter from each of the following positions: (1) normal firing position; (2) upside down; (3) on the grip; (4) on the muzzle; (5) on either side; and (6) on the exposed hammer or striker (or, if no exposed hammer or striker, on the rearmost part of the gun). If the gun is so designed so that its hammer or striker may be set in other positions, it shall be tested with the hammer or striker in each such position (but otherwise ready to fire).

➤ **All Smith & Wesson products currently meet this standard.**

2. Additional standards for pistols:

a. Safety device. The pistol must have a positive manually operated safety device as determined by standards relating to imported guns promulgated by ATF.

➤ **Smith & Wesson pistols, with the exception of 3rd Generation DA Only pistols, already have this feature.**

b. Minimum length and height standards. The pistol's combined length and height must not be less than 10" with the height being at least 4" and the length being at least 6", unless it has an average group diameter test result of 1.7" or less at seven yards, 3.9" or less at 14 yards, and 6.3" or less at 21 yards. The average group diameter test result is the arithmetic mean of the results of three separate trials, each performed on a different sample firearm of the make and model at issue. For each trial, the firearm shall fire five rounds at a target from the specified distance and the largest spread in inches between the center of any of the holes made in a test target shall be the result of the trial.

➤ **All Smith & Wesson products currently meet this standard.**

c. Magazine disconnecter. Within 12 months of execution of the Agreement, each pistol shall have a magazine disconnecter available for those customers who desire the feature.

➤ **All Smith & Wesson products will meet this standard.**

d. Chamber load indicator. Within 12 months of the execution of the Agreement, each pistol shall have a chamber load indicator painted in a prominent, contrasting color or a feature that allows the operator physically to see the round in the chamber.

➤ **All Smith & Wesson products will meet this standard.**

e. Large capacity magazines. No pistol make or model designed after January 1, 2000 shall be able to accept magazines manufactured prior to September 14, 1994, with a greater than 10 round capacity, and such models shall not be capable of being easily modified to accept such magazines. Nor shall ammunition magazines that are able to accept more than 10 rounds be sold by the manufacturer parties to this Agreement or their authorized dealers and distributors. See Part II.A.1.h., below.

➤ **All Smith & Wesson products will meet this standard.**

f. Additional safety features. Each pistol must have a firing pin block or lock.

➤ **All Smith & Wesson products currently meet this standard.**

3. Additional standard for revolvers. Each revolver make and model must pass a safety test. Each make and model must have a safety feature which automatically (for a double action revolver) or by manual operation (for a single action revolver) causes the hammer to retract to a point where the firing pin does not rest upon the primer of the cartridge. The safety device must withstand the impact of a weight equal to the weight of the revolver dropping from a distance of 1 meter in a line parallel to the barrel upon the rear of the hammer spur, a total of 5 times.

➤ **All Smith & Wesson products currently meet this standard.**

B. Law enforcement and military exception. An exception to a requirement of paragraph A may be granted for firearms manufactured or imported for sale to a law enforcement agency or the military if the law enforcement agency or military organization certifies to the manufacturer party to this Agreement that the exception is necessary for official purposes. Where a law enforcement agency authorizes or requires its officers to purchase firearms individually for official use, an appropriate certification from the agency will be permitted to apply to sales to a number of individual officers. The manufacturer party to this Agreement shall maintain the certification in its records and provide a copy of the Oversight Commission. Firearms sold to law enforcement or the military pursuant to this exception, which do not comply with the design standards of this Agreement, will be accompanied by a statement:

1. "On [date], [manufacturer parties to this Agreement] and [governmental parties to this Agreement] entered into an Agreement establishing certain design standards for firearms sold to civilians. Pursuant to that Agreement, we are obliged to inform you that this firearm does not comply with all of the design standards of the Agreement. We are further obliged to request that you not resell this firearms to civilians. This statement is not intended to suggest that there are any design flaws with this firearm, and you remain entitled to dispose of it in any lawful manner."

C. Warnings about safe storage and handling. Within 6 months of execution of this Agreement, manufacturer parties to this Agreement shall include in the packaging of each firearm sold a warning on risk of firearms in the home and proper home storage. At a minimum, these warnings shall state in 14 point type, bold face:

"This handgun is not equipped with a device that fully blocks use by unauthorized users. More than 200,000 firearms like this one are stolen from their owners every year in the United States. In addition, there are more than a thousand suicides each year by younger children and teenagers who get access to firearms. Hundreds more die from accidental discharge. It is likely that many more children sustain serious wounds, or inflict such wounds accidentally on others. In order to limit the chance of such misuse, it is imperative that you keep this weapon locked in a secure place and take other steps necessary to limit the possibility of theft or accident. Failure to take reasonable preventative steps may result in innocent lives being lost, and in some circumstances may result in your liability for these deaths."

➤ **This is the same warning that is required by the Commonwealth of Massachusetts. Smith & Wesson has been including this in every handgun box that has been shipped for the past 12 months.**

D. Illegal firearms. The manufacturer parties to this Agreement shall not sell firearms that can be readily converted to an illegal firearm, that is, a weapon designed in a manner so that with few additional parts and/or minimal modifications an owner can convert the firearm to an illegal fully automatic weapon; nor shall the firearms be designed so that they are resistant to fingerprints.

II. Sales and distribution.

In addition to complying with specific terms, the manufacturer parties to this Agreement will agree for themselves and as part of any distribution or agency agreement that they, and their authorized distributors and authorized dealers, including franchisees, shall commit to a standard of conduct to make every effort to eliminate sales of firearms that might lead to illegal firearm possession and/or misuse by criminals, unauthorized juveniles, and other prohibited persons ("suspect firearms sales"). Suspect firearm sales include sales made to straw purchasers, multiple sales of handguns without reasonable explanation (excluding sales to FFLs), and sales made to any purchaser without a completed background check.

As specified in Part II.A.2 below, the manufacturer parties to this Agreement will take action against dealers and distributors that violate these requirements if the manufacturers receive actual notice of such a violation.

A. Authorized distributors and dealers.

1. The manufacturer parties to this Agreement may sell only to authorized distributors and authorized dealers. In order to qualify to become an authorized distributor or authorized dealer, the distributor or dealer must agree in writing to:

➤ **Authorized dealers will be required to sign a revised Code of Responsible Business Practices, which will incorporate the following requirements.**

a. Possess a valid and current federal firearms license, and all other licenses and permits required by local, state or federal law, and certify on an annual basis, under penalty of perjury, compliance with all local, state and federal firearms laws.

➤ **This is the same as our current requirements.**

b. Execute in the presence of the purchaser the following elements of all firearms transactions at the premises listed on its federal firearms license: completion of the forms and related requirements under the Brady Act and the Gun Control Act and physical transfer of the firearm.

➤ **This does not apply to sales made at gun shows consistent with 1-a & 1-d below.**

c. Where available, carry insurance coverage against liability for damage to property and for injury to or death of any person as a result of the sale, lease, or transfer of a firearm in amounts appropriate to its level of sales, but at a minimum no less than \$1 million for each incident of damage, injury or death.

➤ **Smith & Wesson is currently evaluating the ability to assist dealers in obtaining cost effective insurance solutions.**

d. Make no sales at gun shows unless all sales by any seller at the gun show are conducted only upon completion of a background check.

➤ **This applies only to Smith & Wesson product and does not apply to private sales.**

e. Within 24 months of the date of execution of this Agreement, maintain an inventory tracking plan for the products of the manufacturer parties to this Agreement that includes at a minimum the following elements:

➤ **Smith & Wesson is evaluating options to provide dealers with software, hardware and training needed to comply with this provision.**

(1) Electronic recording of the make, model, caliber or gauge, and serial number of all firearms that are acquired no later than one business day after their acquisition and electronic recording of their disposition no later than one business day after their disposition. Monthly backups of these records shall be maintained in a secure container designed to prevent loss by fire, theft, or other mishap.

➤ **This record keeping is currently required by existing law.**

(2) All firearms acquired but not yet disposed of must be accounted for through an electronic inventory check prepared once each month and maintained in a secure location.

(3) For authorized dealers and franchisees, all ATF Form 4473 firearm transaction records shall be retained on the dealer's business premises in a secure container designated to prevent loss by fire, theft, or other mishap.

(4) If an audit of a distributor's or dealer's inventory reveals any firearms not accounted for, the distributor or dealer shall be subject to sanctions, including termination as an authorized distributor or dealer.

f. Implement a security plan for securing firearms, including firearms in shipment. The plan must satisfy at least the following requirements:

➤ **These provisions pertain to Smith & Wesson Firearms only.**

(1) Display cases shall be locked at all times except when removing a single firearm to show a customer, and customers shall handle firearms only under the direct supervision of an employee;

(2) All firearms shall be secured, other than during business hours, in a locked fireproof safe or vault in the licensee's business premises **or in another secure and locked area**; and

➤ **This applies to Smith & Wesson Firearms only.**

(3) Ammunition shall be stored separately from the firearms and out of reach of the customers.

➤ **This applies to dealers, and pertains to centerfire handgun ammunition only where physically possible.**

g. Require persons under 18 years of age to be accompanied by a parent or guardian when they are in portions of the premises where firearms or ammunition are stocked or sold.

➤ **This may be accomplished by posting a sign that states persons under 18 years of age must be accompanied by an adult in the area where firearms or ammunition are stocked or sold**

➤ **Smith & Wesson will provide the required signs.**

h. Not sell ammunition magazines that are able to accept more than 10 rounds regardless of the date of manufacture, not sell any semi-automatic assault weapon as defined in 18 U.S.C.921(a)(30) regardless of the date of manufacture, provide safety locks and warnings with firearms, as specified in Section 1 above, and sell only firearms that comport with the design criteria of this Agreement.

➤ **This applies only to products manufactured by Smith & Wesson.**

➤ **This does not apply to Law Enforcement.**

➤ **This does not apply to any products produced by any other manufacturer.**

i. Provide law enforcement, government regulators conducting compliance inspections, and the Oversight Commission, for purposes of determining compliance with conditions imposed as a result of this Agreement, or for any other authorized purpose, full access to any documents related to the acquisition and disposition of firearms deemed necessary by one of those parties.

➤ **Smith & Wesson already requires this cooperation in their existing distributor contract and dealer Code of Responsible Business Practices**

➤ **This requirement is subject to existing regulatory and statutory limitations imposed on ATF and law enforcement personnel.**

j. Participate in and comply with all monitoring of firearms distribution by manufacturers, ATF or law enforcement.

➤ **This requirement is subject to existing regulatory and statutory limitations imposed on ATF and law enforcement personnel.**

k. Maintain an electronic record of all trace requests initiated by ATF, and report those trace requests by make, model and serial number of firearm, date of trace, and date of sale to the manufacturer of the firearm on a monthly basis, unless ATF, for investigative reasons, directs the licensee not to report certain traces.

➤ **This applies to Smith & Wesson Firearms only.**

➤ **Smith & Wesson is evaluating options to provide dealers with software needed to comply with this provision.**

l. Agree to cooperate fully in the oversight mechanism established in Section III of this Agreement, including providing access to all necessary documents, and to be subject to the jurisdiction of the court enforcing this Agreement.

➤ **"Subject to the jurisdiction of the court enforcing this Agreement," pertains to manufacturers party to this agreement only.**

➤ **This requirement is subject to existing regulatory and statutory limitations imposed on ATF and law enforcement personnel.**

➤ **Smith & Wesson already requires this cooperation in their existing distributor contract and dealer Code of Responsible Business Practices.**

m. Require all employees to attend annual training developed by manufacturers in consultation with ATF and approved by the Oversight Commission. The training shall cover at a minimum: the law governing firearms transfers by licensees and individuals; how to recognize straw purchasers and other attempts to purchase firearms illegally; how to recognize indicators that firearms may be diverted for later sale or transfer to those not legally entitled to purchase them; how to respond to those attempts; and the safe handling and storage of firearms. New employees will receive training on the above topics, based on materials developed for the annual training, before handling or selling firearms and shall attend annual training thereafter. Such training may be delivered by electronic medium. Within 12 months of the date of execution of this Agreement and annually thereafter, the manufacturer parties to this Agreement will obtain from all authorized dealers and distributors certifications that such training has been completed, with a list of the names of all trained employees.

➤ **This applies only to employees involved in the sale of firearms.**

➤ **Smith & Wesson will provide training aids that may include videos, electronic media (i.e. Web based, CD Rom, etc.) and printed materials that will assist dealers in fulfilling this requirement.**

➤ **All training may be completed on the dealer's premises.**

n. Require all employees to pass a comprehensive written exam, which shall be developed by the manufacturers in consultation with ATF and approved by the Oversight Commission, on the material covered in the training before being allowed to sell or handle firearms. Any employee who fails to pass the exam shall be prohibited from selling or handling firearms on behalf of the distributor or dealer. The annual certification discussed in II.A.1.m., above, will include certification that all employees have passed the exam.

➤ **This applies only to employees involved in the sale of Smith & Wesson firearms.**

➤ **Smith & Wesson will provide training aids that may include videos, electronic media and printed materials that will assist dealers in fulfilling this requirement.**

➤ **All testing may be completed on the dealer's premises.**

o. Not complete any transfer of a firearm prior to receiving notice from the NICS that the transferee is not a prohibited person under the Gun Control Act.

➤ **This applies only to products produced by manufacturers which are parties to this agreement.**

➤ **The NICS provision applies where back ground check is conducted at time of sale.**

p. Verify the validity of a licensee's federal firearms license against an ATF database before transferring a firearm to that licensee.

q. Forgo any transfer of a firearm to a licensee if the dealer or distributor knows the licensee to be under indictment for violations of the Gun Control Act or any violent felony or serious drug offense as defined in 18 U.S.C. §924(e)(2).

r. Transfer firearms only:

(1) To individuals who have demonstrated that they can safely handle and store firearms through completion of a certified firearms safety training course or by having passed a certified firearms safety examination.

(2) After demonstrating to the purchaser how to load, unload, and safely store the firearm, and how to engage and disengage all safety devices on the firearm.

(3) After providing the purchaser with a copy of the ATF Disposition of Firearms Notice.

(4) After obtaining the purchaser's signature on a form certifying that the purchaser has received the instruction described in subparagraph (2) and the notice described in subparagraph (3) and maintaining that form in its files.

(5) After providing the purchaser with a written record of the make, model, caliber or gauge, and serial number of each firearm transferred to enable the purchaser to accurately describe the firearm to law enforcement in the event that it is subsequently lost or stolen.

➤ **This applies to Smith & Wesson products only.**

➤ **Smith & Wesson will provide simple-to-use training aids, handout materials, videos and any forms required to assist dealers in meeting these requirements at the point of sale.**

➤ **Courses such as NRA Basic Pistol, Hunter Safety or State Conceal Carry Courses will also likely fulfill this requirement.**

2. The manufacturer parties to the Agreement shall incorporate into any distribution or agency agreement with their authorized distributors and authorized dealers, including franchisees, procedures for terminating distributors, dealers or franchisees that engage in conduct in violation of this Agreement. Distributors and dealers shall agree to this enforcement system as a condition of becoming authorized. The manufacturer parties to this Agreement shall require annual certification by their authorized dealers and distributors that they are in compliance with the requirements in II.A.1(a-r) of this Agreement and applicable provisions of B. and C., below. If the manufacturer parties to this Agreement receive actual notice of a violation of the Agreement through their course of dealing with their authorized dealers and distributors, from ATF, state or local law enforcement, the Oversight Commission, another dealer or distributor, a customer or other credible source, the manufacturer parties to this Agreement will either immediately terminate sales to the dealer or distributor in violation or take the following actions. The manufacturer(s) that have authorized the dealer or distributor to sell its/their firearms will, individually or collectively, notify the dealer or distributor within seven (7) business days of learning of such violation and inform the dealer or distributor of the breach and request information regarding the breach. The distributor or dealer will then have fifteen (15) days to provide the manufacturer(s) with the requested information. If the manufacturer(s) determine that the dealer or distributor is in violation of this section of the Agreement, the manufacturer(s) will provide no further product to the distributor or dealer until the manufacturer(s) determine that the distributor or dealer is in compliance with the Agreement.

The manufacturer(s) shall inform the Oversight Commission and the ATF of its/their notifications and decisions and provide them with the information provided by the dealer or distributor. If the Oversight Commission determines that suspension or termination of the dealer or distributor is warranted, and the manufacturer(s) did not take this action, the Oversight Commission shall direct the manufacturer(s) to do so.

➤ **The maximum penalty under this agreement is removal of the dealer or distributor as an Authorized dealer or distributor.**

B. Authorized distributors - additional provision.

Authorized distributors must agree to sell the manufacturer's products only to other authorized distributors or authorized dealers or directly to government purchasers.

C. Authorized dealers - additional provisions.

In addition to the requirements in section II (A)(1), authorized dealers must agree:

1. Not to sell any of the manufacturers' products to any federal firearms licensee that is not an authorized distributor or authorized dealer of that manufacturer.

➤ **This applies to Smith & Wesson firearms only.**

2. Not to engage in sales that the dealer knows or has reason to know are being made to straw purchasers.

3. To adhere to the following procedure for multiple handgun sales. If a purchaser wants to purchase more than one handgun, the purchaser may take from the dealer only one handgun on the day of sale. The dealer at that point will file a Multiple Sales Report with ATF. The purchaser may take the additional handguns from the dealer 14 days thereafter. This provision shall not apply to sales to

qualified private security companies licensed to do business within the State where the transfer occurs for use by the company in its security operations.

➤ **This does nothing to limit the number of handguns the consumer may purchase within a given time period.**

➤ **This only applies to products produced by manufacturers which are parties to this agreement.**

D. Manufacturers.

Each manufacturer must:

1. Provide quarterly reports of its own sales data and downstream sales data, with the volume of sales by make, model, caliber and gauge, to ATF's National Tracing Center.
2. Not market any firearm in a way that would make the firearm particularly appealing to juveniles or criminals, such as advertising a firearm as "fingerprint resistant."
3. Refrain from selling any modified or sporterized semi-automatic assault pistol of a type that cannot be imported into the United States.
4. Reaffirm their longstanding policy and practice of not placing advertisements in the vicinity of schools, high crime zones, or public housing.
5. Verify the validity of a license against an ATF database before transferring a firearm to any licensee.
6. Forgo any transfer of a firearm to a licensee if the manufacturer knows the licensee to be under indictment violations of the Gun Control Act or any violent felony or serious drug offense as defined in 18 U.S.C. § 924(e)(2).
7. Implement a security plan for securing firearms, including firearms in shipment. The plan will include the following elements.
 - a. Employee and visitor movement into and out of the manufacturer's facility will be only through designated security control points, and visitors will be admitted only after positive identification and confirmation of the validity of the visit. Employees and visitors will pass through a metal detector before leaving.
 - b. All areas where firearms are assembled and stored will be designated as restricted areas. Access will be authorized only for those employees whose work requires them to enter these areas or for escorted visitors. Protective barriers will be installed in restricted areas to deny or impede unauthorized access.
 - c. Each facility or area where firearms, ammunition, or components are stored will be provided with a system to detect unauthorized entry.
 - d. If firearms are shipped in cartons, the cartons will bear no identifying marks or words. The manufacturer parties to this Agreement will use only very strong cartons to protect against concealed pilferage in truck shipments, and large cartons will be secured with steel strapping in two directions. The manufacturer parties to this Agreement will use only carriers and freight forwarders that warrant in writing that they conduct criminal background checks on delivery personnel and report all thefts or losses of firearms to ATF within 48 hours of learning of the theft or loss. The manufacturer parties to this Agreement will inspect carriers' and forwarders' local facilities periodically.
8. Encourage its authorized dealers and distributors to consent to up to three unannounced ATF compliance inspections each year.

E. Corporate responsibility.

If ATF or the Oversight Commission informs the manufacturer parties to this Agreement that a disproportionate number of crime guns have been traced to a dealer or distributor within three years of the gun's sale, the manufacturer(s) that have authorized the dealer or distributor to sell guns will either immediately terminate sales to the dealer or distributor or take the following actions. The manufacturers will, individually or collectively, notify the dealer or distributor of the disproportionate number within seven (7) days and demand an explanation and proposal to avoid a disproportionate number of traces in the future. The dealer or distributor will have fifteen (15) days to provide the explanation and proposal. If the manufacturer(s) determine that the explanation and proposal are not satisfactory, the manufacturer(s) will terminate supplies to the dealer or distributor. If the manufacturer(s) determine that the explanation and proposal are satisfactory, the manufacturer will continue supplies, but will closely monitor traces to the dealer or distributor in question. If disproportionate traces continue, the manufacturer(s) will terminate supplies to the dealer or distributor.

The manufacturer(s) shall inform the Oversight Commission and ATF of its/their notifications and decisions and provide them with the information provided by the dealer or distributor. If the Oversight Commission determines that suspension or termination of the dealer or distributor is warranted, and the manufacturer(s) did not take this action, the Oversight Commission shall direct the manufacturer(s) to do so.

Disproportionate number of crime guns: Upon execution of this Agreement, the Oversight Commission will convene to determine a formula to identify what constitutes a disproportionate number of crime guns. In determining the formula, the Oversight Commission shall consider the available data and establish procedures to ensure that the relevant data is obtained. This provision will not take effect until the Oversight Commission sets the formula and a mechanism for its implementation.

III. Oversight

A. Oversight Commission.

1. Composition. An Oversight Commission comprised of five members shall be formed. The Commission members shall serve five-year terms except for first terms as noted and shall be appointed as follows:

- a. Two members by the city and county parties to the Agreement. First appointees to serve two- and three-year terms, respectively.
- b. One by the State parties to the Agreement. First appointee to serve a three-year term.
- c. One member by the manufacturer parties to the Agreement. First appointee to serve a four-year term.
- d. One selected by ATF. First appointee to serve a five-year term.

2. Authority. - The Oversight Commission, which will operate by majority vote, will be empowered to oversee the implementation of this Agreement. Its authorities will include but not be limited to the authority to (1) review the findings of ATF or the proofing entity that will oversee the design and safety requirements of Part I of this Agreement, (2) maintain records of firearms sold pursuant to the law enforcement exception, as set forth in Part I. B. of this Agreement, (3) review the safety training materials and test set forth in Parts II.A.1.m-n of this Agreement, and (4) participate in the oversight of the distribution and sales provisions established in Part II of this Agreement, as set forth in Parts II. A. 2. and II. E.

The Oversight Commission shall have a staff, which will be entitled to inspect participating manufacturers and their authorized dealers and distributors to ensure compliance with the Agreement. The costs of the Commission shall be funded by the parties to the Agreement. Each manufacturer party to this Agreement will pay no more than \$25,000 annually.

B. Role of ATF. - ATF will continue to issue, regulate and inspect federal firearms licensees, collect multiple sales forms, conduct firearms traces, investigate firearms traffickers and straw purchasers, enforce the Gun Control Act and the National Firearms Act and fulfill its other statutory responsibilities. To the extent consistent with law and the effective accomplishment of its law enforcement responsibilities, ATF will work with the manufacturer parties to the Agreement and the Oversight Commission to assist them in meeting their obligations under the Agreement. In particular, to the extent that ATF uncovers violations of the following provisions in its inspections or other contacts with federal firearms licensees, it will inform the Oversight Commission: II (A)(1)(a), (b), (e), (h), (i), (j), (k), (o), (p), and (q), (C)(2) and (D)(1) and (5). Nothing in this paragraph shall diminish the obligation of the manufacturer parties to this Agreement to make reasonable efforts to identify noncompliance and respond to notifications of violations from parties other than ATF.

➤ **Smith & Wesson already requires this cooperation in their existing distributor contract and dealer Code of Responsible Business Practices.**

C. Manufacturer cooperation.

1. Each manufacturer shall designate an executive level manager to serve as a compliance officer and shall provide the compliance officer with sufficient resources and staff to fulfill the officer's responsibilities under this agreement.
2. The compliance officer shall be responsible for
 - a. Ensuring that the manufacturer fulfills its obligations under this agreement:
 - b. Training the manufacturer's officers and employees on the obligations imposed by this agreement; and
 - c. Serving as the liaison to the Oversight Commission.
3. Each manufacturer shall commit to full cooperation in the implementation and enforcement of this Agreement.

IV. Cooperation with Law Enforcement.

- A. The manufacturer parties to this Agreement reaffirm their commitment to cooperate fully with law enforcement and regulators to eliminate illegal firearms sales and possession.
- B. Within six (6) months of the effective date of this Agreement, if technologically available, the manufacturer parties to this Agreement shall fire each firearm before sale and enter the digital image of its casing along with the weapon's serial number into a system compatible with the National Integrated Ballistics Identification Network system. The digital image shall be made available electronically to ATF's National Tracing Center.
- C. Manufacturers shall participate in ATF's Access 2000 program to facilitate electronic linkage to their inventory system to allow for rapid responses to ATF's firearms trace requests.

V. Legislation.

The parties to this Agreement will work together to support legislative efforts to reduce firearms misuse and the development of authorized user technology.

VI. Education trust fund.

Upon resolution of the current lawsuits brought by cities, counties, or

States, the manufacturer parties to this Agreement shall dedicate one percent of annual firearms revenues to a trust fund to implement a public service campaign to inform the public about the risk of firearms misuse, safe storage, and the need to dispose of firearms responsibly.

VII. Most favored entity.

If the manufacturer parties to this Agreement enter into an agreement with any other entity wherein they commit to institute design or distribution reforms that are more expansive than any of the above-enumerated items, such reforms will become a part of this Agreement as well.

In addition, if firearms manufacturers that are not party to this Agreement agree to design or distribution reforms that are more expansive than any of the above-enumerated items, and if the manufacturers who are party to the other agreement(s) with more expansive terms, in combination with the manufacturer parties to this Agreement, account for fifty percent or more of United States handgun sales, manufacturer parties to this Agreement will agree to abide by the same design and distribution measures.

VIII. Enforcement.

The Agreement will be entered and is enforceable as a Court order and as a contract.

➤ **This applies to Smith & Wesson and does not apply to subsequent distributor contracts and dealer Code of Responsible Business Practices.**

Smith & Wesson Rivals Face Antitrust Probe

By PAUL M. BARRETT

Staff Reporter of THE WALL STREET JOURNAL

The Clinton administration and some of its gun-control allies are rolling out a new potential weapon to battle firearm companies: antitrust law.

The attorneys general of Connecticut and New York have launched a joint civil antitrust investigation into whether the gun industry has illegally tried to harm Smith & Wesson Corp. in retaliation for its agreement to a controversial litigation settlement, state officials said.

U.S. Housing Secretary Andrew Cuomo, who has led the Clinton administration's involvement in certain gun issues, said he shares these concerns about alleged retaliation against Smith & Wesson and intends to brief the Justice Department's antitrust division about the matter.

The country's largest handgun manufacturer, Smith & Wesson has suffered intense industry criticism and consumer-boycott threats since it agreed 13 days ago to settle a group of municipal antigun suits by making a series of concessions on how it manufactures and sells handguns. The Clinton administration and the states of New York and Connecticut also joined the settlement, agreeing they wouldn't file separate lawsuits they had threatened against the industry.

Connecticut Attorney General Richard Blumenthal, who will coordinate the state investigation, said that in the next few days his staff will begin issuing subpoenas to gun companies, looking for "potential evidence of boycotts orchestrated by [Smith & Wesson] rivals or retaliatory actions designed to punish Smith & Wesson." He declined to identify the targets for the subpoenas and stressed that at this point government officials didn't have solid evidence of any illegal behavior.

Rival companies may collaborate in setting legal-defense strategies, but they may violate antitrust laws if they collude to economically harm a competitor that breaks ranks to settle litigation, as Smith & Wesson has done.

The gun industry dismissed this latest government thrust as disingenuous and baseless. "There has been absolutely no concerted industry effort along those lines whatsoever," said Robert Delfay, head of the National Shooting Sports Foundation,

an industry trade group that has attacked Smith & Wesson and its settlement.

Mr. Blumenthal said his suspicion had been piqued by, among other things, industry meetings in the wake of the March 17 settlement and criticism of Smith & Wesson on Internet sites sponsored by the shooting-sports group and by the National Rifle Association, which represents gun owners' interests.

The NRA's top lobbyist, James Baker, said the suggestion that there had been any sort of illegal collusion involving the organization is "ridiculous." He said the NRA has sent a copy of the Smith & Wesson agreement "to every firearm dealer in the country," together with criticism of the pact. "But I don't suppose there is anything illegal about that."

Some gun retailers, angered by Smith & Wesson's agreement to require that retailers restrict various practices, are already threatening to boycott guns made by the unit of Britain's Tomkins PLC.

"I've heard of a handful who are saying, 'Boycott now,'" said Robert Marcus, head of the Virginia Firearms Dealers Association. Mr. Marcus, who owns Bob's Gun & Tackle Shop in Norfolk, Va., said he resents Smith & Wesson's agreement to require dealers to conduct monthly inventories and stop selling ammunition magazines that handle more than 10 rounds. But for now, Mr. Marcus said, he plans to continue to sell the company's products while waiting to see how the agreement will be enforced.

The shooting-sports foundation's Mr. Delfay confirmed that industry officials had met last week in Washington to discuss the Smith & Wesson settlement, among other matters. But he said the gathering had been scheduled long before the settlement was announced and that such meetings were entirely legitimate.

One major gun wholesaler, RSR Group Inc., Winter Park, Fla., already has said it plans to drop Smith & Wesson weapons, citing new restrictions in the manufacturer's litigation pact. Top Smith & Wesson executives are scheduled to meet today with wholesalers to explain the agreement.

In a related development, Smith & Wesson's main outside law firm said it would have to drop the company as a client because of the settlement. The law firm, Chicago's Wildman, Harrold, Allen & Dixon, said it made the move because it also represents Sturm, Ruger & Co., Southport, Conn., the country's largest overall gun manufacturer, which is continuing to fight the municipal lawsuits—a position at odds with that of Smith & Wesson. A Smith & Wesson official said the company was interviewing replacement law firms.

Gore Urges Big 3 To Firmly Commit To the 'Supercar'

By BOB DAVIS
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Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON—Vice President Al Gore is pressing the Big Three auto makers for a firm commitment to soon begin building vehicles using fuel-efficiency technology developed in a Gore-inspired project.

Mr. Gore and top executives from General Motors Corp., Ford Motor Co. and DaimlerChrysler AG's U.S. arm will gather here today to laud the technology gains from the Partnership for a New Generation of Vehicles. The cooperative project, launched in 1993 is designed to produce a "supercar" by 2004 that gets 80 miles per gallon of gasoline and sells at the price of today's midsize cars.

The project is important politically for Mr. Gore because it gives him a ready an-

swer to those who portray him as too radical on environmental issues and unconcerned about the soaring cost of gasoline. Already, he cites the supercar project as a model for using technology to reduce pollution and conserve oil.

But the administration and supercar critics have worried that the Big Three are using the project to keep Washington off their backs and have failed to deliver significant improvements in cars. Meanwhile, Japanese car makers, who are barred from the project, are putting cutting-edge cars in drivers' hands.

Honda Motor Co. in December became the first auto maker to start selling a so-called hybrid car in the U.S., and Toyota Motor Corp. plans to introduce one later this year. Hybrid technology marries an internal-combustion engine with an electric motor.

At today's meeting, the auto makers are expected to announce that they will try to apply supercar technology to minivans, sport-utility vehicles and pickup trucks, which weren't included in the original project. Gore aides also were working last night to convince the Big Three to commit to adding the technology to cars they will mass produce over the next few years. But the industry was resisting naming a specific date.

**TALKING POINTS FOR CONFERENCE CALL
WITH ELECTED OFFICIALS ON SMITH & WESSON AGREEMENT
March 17, 2000**

- Thank you all for joining us on this historic day. I'd like to ask everyone here, and everyone on the phone, to say their names and the city or state they represent. ROSTER attached.
- Let me offer a few words of appreciation and congratulations. As I said, I believe today's deal will fundamentally change the way the gun industry does business. All of you can have the satisfaction of knowing your leadership and involvement have helped make our communities safer. We literally could not be here without you, and I thank you.
- I hope that all of you will build on what we've accomplished together today and continue working to reduce gun violence. I know that Attorney General Spitzer from New York has just announced a plan to use government procurement policy to leverage reforms from the gun industry, and many others of you are using every tool at your disposal in this effort.
- The long roster of leaders with us here and on this call is proof that the fight to make our streets safer is a fight the entire nation believes in. We need you to go out there and work with responsible members of the gun industry and others to keep the momentum going. I hope we'll all be working together more, and I look forward to more days like today.

At White House Event

Atlanta	Mayor Bill Campbell
Miami/Dade County	Mayor Alex Panelas
New York	AG Eliot Spitzer
Connecticut	AG Richard Blumenthal

On Conference Call

Berkeley, CA	Manuella Albuquerque, City Attorney
Bridgeport, CT	Mayor Joseph Ganim
Camden, NJ	John Misci, City Attorney
Detroit, MI	Mayor Dennis Archer
Gary, IN	Jim Meyer, City Attorney
Inglewood, CA	Mayor Roosevelt Dorn
Los Angeles, CA	City Attorney Jimmy Hahn
New Orleans, LA	Mayor Marc Morial
Sacramento, CA	Mayor Jimmy Yee/Chuck Dalldorf, City Attorney
San Francisco, CA	Louise Renne, City Attorney
St. Louis, MO	Carl Yates, City Attorney Possibly Mayor Clarence Harmon

PRESIDENT WILLIAM J. CLINTON
REMARKS ON SETTLEMENT WITH SMITH & WESSON
THE WHITE HOUSE
March 17, 2000

Good afternoon. For seven years, my Administration has been working on every front to reduce gun violence and keep our communities safer. That's why I have been pushing for common-sense gun safety legislation. That's why I've taken executive action to crack down on bad gun dealers. And that's why in December I said we would engage gun manufacturers to seek changes in the way they do business. Today, I am pleased to report that a key member of the industry has decided to set a powerful example of responsibility.

Earlier today, Smith and Wesson signed a landmark agreement with the federal government and states and cities across the country. For the first time, a major gun manufacturer has committed to fundamentally change the way guns are designed, distributed and marketed. Under the agreement, Smith and Wesson will include locking devices and other safety features, and will develop smart guns that can be fired only by the adult who owns them. The company will cut off dealers who sell disproportionate numbers of guns that turn up in crimes and will require all its dealers not to sell at gun shows unless every seller at the gun show conducts background checks. The company has also agreed to design new firearms that do not accept large-capacity magazines, and will work with ATF to provide ballistics fingerprints for all its firearms.

This agreement is a major victory for America's families. It says that gun makers can -- and will -- share in the responsibility to keep their products out of the wrong hands. And it says that gun makers can -- and will -- make much safer guns, without infringing on anyone's rights.

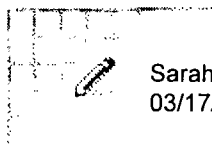
It has taken courage and vision for Smith and Wesson to be the first manufacturer to negotiate, and I applaud their determination to do what's right for their company and their country. As I have said all along, there are responsible citizens in the gun industry who want to make progress on this issue. I hope today's announcement will encourage others to step forward.

This agreement could not have come to pass without the leadership of many mayors, city attorneys, and state attorneys general. I am glad to be joined today by Attorney General Eliot Spitzer of New York and Attorney General Richard Blumenthal of Connecticut, as well as Mayors Alex Panelas of Miami and Bill Campbell of Atlanta. In a moment I will be telephoning Mayors Joseph Ganim of Bridgeport, Dennis Archer of Detroit, Roosevelt Dorn of Inglewood, CA, Marc Morial of New Orleans, and Jimmy Yee of Sacramento, as well as City Attorneys Jim Hahn of Los Angeles and Louise Renne of San Francisco, and the city attorneys of Berkeley, CA, Camden, NJ, and St. Louis, to congratulate them on joining this agreement and to urge them to continue working to keep our children safe. I thank them, and I thank Treasury Secretary Summers and Deputy Secretary Eizenstat, Attorney General Reno and Deputy Attorney General

Holder, HUD Secretary Cuomo and my Domestic Policy Adviser Bruce Reed, for all their work to bring us to this historic moment.

I want to say again today: the effort to reduce gun violence is not about politics. It's about saving lives. And the agreement we've reached today shows that we can get so much done for the American people when we find the courage to find common ground. Thank you.

under stone



Sarah C. Lucas
03/17/2000 09:23:58 AM

Record Type: Record

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cc: Cathy R. Mays/OPD/EOP@EOP
Subject: numbers from Anna

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**Agreement with Smith & Wesson
Questions and Answers
March 17, 2000**

Parties

Q. Who is signing this agreement?

A. This is an agreement between Smith & Wesson, the Secretary of the Treasury, the Secretary of Housing and Urban Development, and a number of cities, including Atlanta, Bridgeport, Los Angeles, Inglewood, Miami, San Francisco, and the States of New York and Connecticut.

Q. What cities declined to sign the agreement? Why?

A. All of the cities have not yet had an opportunity to review the agreement fully. Additional cities may sign on to the agreement in the next few days.

Q. Will the cities continue their suits against other gun manufacturers that do not sign on to this agreement?

A. This agreement has no effect on the cities' lawsuits against the other gun manufacturers. However, as this agreement shows, we are willing to work with responsible members of the industry to make meaningful improvements in firearms design and distribution to prevent gun accidents, reduce gun violence and keep guns out of the wrong hands.

Q. Will HUD continue to consider filing suit against the other manufacturers?

A. As for the cities the States here today; the agreement does not affect potential claims against other gun manufacturers. The Administration will continue to encourage other gun manufacturers to follow the responsible leadership of Smith & Wesson. HUD's partnership with the Public Housing Authorities on these issues will continue.

Q. How will the agreement be enforced?

A. The agreement will be subject to monitoring and oversight by a commission made up of two representatives appointed by the cities and counties, one by the states, one by Smith & Wesson, and one by ATF. ATF will use its inspection resources to help the parties monitor the agreement and the commission is empowered to enforce it. The agreement will also be enforceable as a court order and as a contract.

Q. What is the role of ATF?

A. ATF will continue to issue, regulate and inspect federal firearms licensees, collect multiple sales forms, conduct firearms traces, investigate firearms traffickers and straw purchasers, enforce the Gun Control Act and the National Firearms Act and fulfill its other statutory responsibilities. To the extent consistent with law and the effective

accomplishment of its law enforcement responsibilities, ATF will work with Smith & Wesson and the Oversight Commission to assist them in meeting their obligations under the Agreement. In particular, to the extent that ATF uncovers violations of the Agreement in the course of its inspections or other contacts with federal firearms licensees, it will inform the Oversight Commission which will then take appropriate action.

Q. Is this going to require a lot more staffing for ATF?

A. It is expected that most of ATF's monitoring work can be performed during its normal compliance inspections of firearms licensees.

Q. When do these provisions take effect?

A. There are various effective dates set out in the agreement. Many of the provisions are effective immediately. Others will require more time.

Q. What are the most important provisions of the agreement?

A. The most important provisions are the commitments to: (1) new gun design standards, including child safety measures, gun locks and incorporating smart gun technology in all new gun designs; (2) furnishing guns only to dealers that meet stringent standards -- including not transferring guns to any purchaser unless cleared by the National Instant Check System or at any gun show unless all sales are subject to background checks; (3) requiring purchasers to pass a safety training course or exam before buying a gun; (4) delaying transfers of multiple purchases for 14 days after the transfer of the first firearm, to allow law enforcement to identify potential traffickers; (5) creating a digital image of a bullet casing for every firearm produced, enabling significantly increased crime gun tracing.

Q. How does this agreement improve child safety and prevent gun accidents?

A. It requires all firearms to be designed within one year so that they cannot be readily operated by a child under the age of 6; locks to be built into all handguns within two years, and authorized user technology to be incorporated into all new gun designs within three years.

Q. How does this agreement stop criminal misuse of firearms?

A. It will make it harder for criminals to get firearms from licensed dealers and easier to trace crime guns. Guns will not be sold until the purchaser passes a Brady background check, multiple purchases of firearms will be delayed for 14 days allowing law enforcement to investigate potential traffickers; the tracing system will be greatly strengthened by ballistics imaging; security measures at dealers and distributors will be enhanced to prevent thefts and losses; and gun locks and smart guns can prevent criminals from using stolen guns.

Significance/Politics

Q. What do you hope to achieve by this agreement?

- A. This agreement shows that common sense gun measures are achievable. When the nation's largest handgun manufacturer endorses these measures, everyone should recognize that they can be adopted by all gun manufacturers. Smith & Wesson's commitment to new design standards will make it easier for Congress as well as other manufacturers to address this issue, and this will ultimately help reduce firearms deaths and injuries. We think that it will help break the logjam in Congress, by demonstrating just how doable common sense measures are, and that they do not represent a threat to law abiding gun owners.

Q. Does this agreement go beyond pending gun legislation?

- A. The agreement of course is so far only binding on Smith & Wesson. But it goes well beyond the gun provisions that are part of the juvenile justice legislation.

Design

- Handguns are subject to *design standards* aimed at preventing accidents and misuse;
- Handgun models must be *tested by ATF or an agreed upon proofing entity* to make sure they meet the design standards;
- Funding and production of *smart gun technology*.

Distribution

- Dealers selling Smith & Wesson firearms must meet stringent standards, including these 10:
 - Not transferring firearms until receiving *NICS clearance* that the transferee is not a prohibited person (even if this is after the 3-day statutory waiting period);
 - No gun show sales unless Brady checks are conducted by all sellers at the gun show;
 - *Security requirements* for securing firearms;
 - Multiple gun purchasers must *wait 14 days* to pick up more than one gun;
 - Requiring *purchaser safety training*;
 - Not selling *ammunition magazines* able to accept more than 10 rounds or *semiautomatic assault weapons*;
 - Selling only firearms that meet the *specified design standards*;
 - Carrying a minimum level of *liability insurance* coverage;
 - Maintaining *electronic inventory and trace records systems*;
 - Requiring *employee training* developed by ATF.

Manufacturer Commitments

- Monitor and address problem dealers based on crime gun traces;
- Test fire each firearm before sale to create a digital image of the bullet casing accessible to law enforcement;
- Not market firearms in a way appealing to criminals or children.

Q. What do you think the impact will be on the pending gun legislation?

A. This agreement shows that there are many common sense measures all responsible parties can embrace to reduce firearms violence. Our legislation does just that, and this agreement should give a powerful boost to the pending gun legislation.

Q. Have other manufacturers been involved? What do other manufacturers think of the agreement?

Smith & Wesson has shown that it is at the forefront of the gun industry in its willingness to adopt responsible measures to make firearms safer and to control the chain of distribution. I hope that additional responsible gun manufacturers will follow Smith & Wesson's example and agree to these measures. The Administration, city, state, and county parties to this Agreement are ready to talk to any manufacturers willing to do so.

Q. Do you have any reactions from dealers?

Many dealers are responsible businesses that share our goal of keeping guns out of the wrong hands and ensuring that they are used safely. This Agreement sets forth the best practices for responsible dealers to meet these goals, and we believe that responsible dealers will willingly follow them.

Negotiations

Q. How did this agreement come about? How long have you been talking to these companies?

When the Administration first announced that it was considering supporting a suit by the public housing authorities against the gun industry, we also announced our desire to resolve our concerns through negotiations with the gun industry. The cities, states, and counties that have filed or are considering filing suits were also committed to these negotiations. The parties engaged in a series of talks which have come to fruition in this Agreement with Smith & Wesson.

Q. Why is Smith & Wesson agreeing to this now?

Smith & Wesson has shown itself to be at the forefront of the industry. It shares the goals of the federal, state, and local governments to increase gun safety and ensure that guns are kept from criminals. It has taken a bold and historic step in this Agreement. We hope that other members of the industry will follow its lead.

Q. What was the deciding factor in achieving the agreement?

The federal, state, and local governments came to these negotiations with well-formed views about the safety and distribution measures that are needed to reduce gun accidents

and violence. We found that Smith & Wesson shared our basic premises about the need to design guns safely and to require dealers and distributors to adopt measures to keep guns from falling in the wrong hands. With that shared premise, we were able to agree to a robust series of requirements that further our goals.

Q. What was the role of the President?

A. Last December, the President asked members of the Cabinet to reach out to responsible members of the gun industry to try to make progress on gun design and distribution. Treasury and HUD came to an agreement with Smith & Wesson consistent with the principles laid out by the President. The President was briefed this morning on the outcome of the discussions and fully supports the deal.

Q. Who conducted the negotiations?

Secretary Cuomo and Deputy Secretary Eizenstat led the negotiations. They were assisted by Max Stier, Deputy General Counsel for Litigation for HUD, and Neal Wolin, General Counsel of the Treasury Department.

Q. How much of what you wanted did you achieve?

This Agreement achieves an enormous amount. It adopts design standards that will substantially enhance the safety of firearms and a robust series of requirements to ensure that manufacturers, distributors, and dealers keep their firearms from falling into the wrong hands. These measures will substantially reduce gun violence, and they show the critical role that responsible gun manufacturers can play in this effort.

The Agreement also includes a provision in which Smith & Wesson agrees to adopt any measures agreed to in the future by other manufacturers, so long as those manufacturers, together with Smith & Wesson, account for fifty percent or more of United States handgun sales. We will continue our efforts to ensure that additional manufacturers agree to measures like these. The more manufacturers that are willing to assume the responsibility that Smith & Wesson has, the more effective we can be.

CLINTON ADMINISTRATION REACHES HISTORIC AGREEMENT WITH SMITH AND WESSON

March 17, 2000

- Today, President Clinton will highlight an historic agreement with Smith and Wesson to build on his comprehensive efforts to reduce gun violence in America. The agreement represents an unprecedented partnership between the government and the gun industry to bring about meaningful reforms in the way the industry does business.
- Since the beginning of his Administration, President Clinton has been working on every front to reduce gun violence and keep our communities safer. Since signing the historic Brady Law and 1994 assault weapons ban, the President has continued to fight for more tools to make our communities safe. President Clinton took recent executive action to crack down on unscrupulous gun dealers who are the sources of crime guns to criminals and youth, and has continued to lead the national fight for common-sense gun safety legislation.
- As part of his efforts, President Clinton last December called on gun manufacturers to work with the Administration to make needed changes in the way they do business. Today, Smith and Wesson -- one of the nation's largest gun manufacturers -- has joined the federal government and cities and states across the country in a landmark agreement that will keep guns out of the wrong hands and result in safer guns.
- Today's agreement represents the first time a major gun manufacturer has committed to fundamentally change the way guns are designed, distributed and marketed. This deal shows what's possible when we work together in good faith. We applaud Smith and Wesson's leadership, and hope other responsible members of the gun industry will step forward too.
- Some of the key provisions of the agreement include:

New design standards to make guns safer and prevent accidental shootings and gun deaths

Locking devices. Safety locking devices will be required for handguns and pistols, external locking devices within 60 days and internal locking devices within 24 months.

Smart guns. Two percent of annual firearms revenues will be dedicated to the development of authorized user technology that can limit a gun's use to its proper owner. Authorized user technology will be included in all new firearm models within 36 months.

Large capacity magazines. New firearms will not be able to accept ammunition magazines with capacity of over 10 rounds. The manufacture of such magazines has been prohibited since 1994.

Safety testing and standards. All firearms are to be tested by ATF to ensure that they meet performance and safety standards such as drop tests.

Other safety devices. Within one year, all pistols will have chamber load indicators to show that a pistol is loaded to prevent accidents, and magazine disconnectors will be available to customers within 12 months.

New sales and distribution controls to help keep guns out of the hands of criminals and help law enforcement crack down on illegal gun traffickers. Under the deal, manufacturers will agree to sell only to authorized dealers and distributors who agree to a code of conduct. The code of conduct imposes new requirements on authorized dealers and distributors.

Cutting off dealers with disproportionate crime guns. Under the agreement, manufacturers will take action against dealers or distributors who sell disproportionate numbers of guns that turn up in crimes within three years of sale, including termination or suspension against the dealer or distributor.

Gun shows. Authorized dealers cannot sell at gun shows unless every seller at the gun show conducts background checks.

Ballistics testing. To help law enforcement trace guns used in crime when only the bullet or casing is recovered, ballistics fingerprints will be provided for all new firearms to ATF/FBI National Integrated Ballistics Identification Network within 6 months if technologically feasible.

Safety training for purchasers. No sales will be made to dealers who do not require gun purchasers to demonstrate that they can safely handle and store firearms.

Theft prevention. No sales will be made to dealers who do not implement a security plan to prevent gun theft.

Weapons attractive to criminals. Authorized dealers and distributors will not sell large capacity ammunition magazines or semiautomatic assault weapons.

Restrictions on multiple handgun sales. To deter illegal gun trafficking, dealers must agree to new limits on multiple handgun sales. All purchasers of multiple handguns can only take one handgun from the day of sale, the remainder 14 days later.

Enforcement of agreement. An Oversight Commission will be established to oversee the implementation of the agreement. The Commission will have five members selected as follows: one by manufacturers; two by city and county parties; one by state parties; one by ATF. ATF will work with manufacturers and the Oversight Commission to assist them in meeting obligations under the agreement.

AGREEMENT

Preamble

The manufacturer parties to the Agreement and the Department of the Treasury, the Department of Housing and Urban Development, and the undersigned state, city and county parties to the Agreement enter into this Agreement to reduce the criminal misuse of firearms, combat the illegal acquisition, possession and trafficking of firearms, reduce the incidence of firearms accidents, and educate the public on the safe handling and storage of firearms. Furthermore, the manufacturer parties to the Agreement enter into this Agreement as a continuation of their efforts to make their firearms as safe as practicable for their customers and the public. Accordingly, in consideration of the commitments set forth below:

1. The undersigned state, city, and county parties to the Agreement dismiss the manufacturer parties to the Agreement with prejudice from the lawsuits specified in Appendix A subject to any consent orders entered pursuant to paragraph VIII; and
2. The undersigned state, city and federal parties to the Agreement agree to refrain from filing suit against the manufacturer parties to the Agreement on an equivalent cause of action.

The parties agree that this Agreement constitutes the full and complete settlement of any and all claims that were raised or could have been raised in the subject litigation. The parties agree further that this Agreement does not constitute an admission of any violation of law, rule or regulation by the manufacturer parties to the Agreement, or any of their employees. Nothing in this Agreement shall be construed to be an admission of liability. The adoption of standards for firearms design and distribution in this Agreement shall not be construed as an admission by the manufacturer parties to the Agreement that practices they engaged in prior to the execution of this Agreement were negligent.

I. Safety and design.

A. Each firearm make and model sold by each manufacturer party to this Agreement shall be tested by ATF or an agreed upon proofing entity against the following standards. Existing makes and models shall meet these standards within 60 days of execution of this Agreement unless a longer period is specified in the standard. New makes and models shall not be manufactured and sold after the execution of this Agreement unless they conform to these standards.

1. Standards applicable to all handguns:

- a. **Second "hidden" serial number.** The gun must have both a visible serial number on the exterior of the frame or receiver, as well as a second serial number hidden on the interior of frame or receiver (e.g., under the grips) or visible only with the aid of an optical instrument.
- b. **External locking device.** As an interim measure, until the implementation of I.A.1.c, within 60 days of execution of the Agreement, each firearm shall be supplied with an external locking device that effectively prevents the operation of the firearm when locked.
- c. **Internal locking device.** Within 24 months of execution of the Agreement, each firearm shall have a built-in, on-board locking system, by which the firearm can only be operated with a key or combination or other mechanism unique to that gun.
- d. **Authorized user technology.** The manufacturer parties to this Agreement shall each commit two percent of annual firearms sales revenues to the development of a technology that recognizes only authorized users and permits a gun to be used only by authorized persons. Within 36 months of the date of execution of this Agreement, this technology shall be incorporated in all new firearm

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Settlement Document

designs, with the exception of curios and collectors' firearms. This requirement does not apply to existing designs currently in production.

If the eight firearms manufacturers and/or importers with the largest United States firearms sales volume agree to incorporate authorized user technology in all firearms, the manufacturer parties to this Agreement will incorporate authorized user technology in all firearms.

- e. **Child safety.** Within 12 months of execution of the Agreement, each firearm shall be designed so that it cannot be readily operated by a child under the age of 6. Such mechanisms include: making the trigger pull resistance at least ten pounds in the double action mode; or designing the firing mechanism so that an average five year old's hands would be too small to operate the gun; or requiring multiple, sequenced actions in order to fire the gun.
- f. **Minimum barrel length.** Each firearm make and model must have a barrel length of at least 3", unless it has an average group diameter test result of 1.7" or less at seven yards, 3.9" or less at 14 yards, and 6.3" or less at 21 yards. The average group diameter test result is the arithmetic mean of the results of three separate trials, each performed on a different sample firearm of the make and model at issue. For each trial, the firearm shall fire five rounds at a target from the specified distance and the largest spread in inches between the center of any of the holes made in a test target shall be the result of the trial.
- g. **Performance test:** A sample of each firearm make and model will be test-fired with "proof cartridges" (cartridges loaded to generate excess pressure as set forth in accepted specifications for proof cartridges) to ensure the integrity of the material. At least one cartridge shall be fired from each chamber. Following this test firing, the firearm will be examined for hairline cracks or other signs of material failure and

will pass this test only if there are no hairline cracks or other signs of material failure. Each firearm make and model shall also pass the following performance test: the gun shall fire 600 rounds, stopping only every 100 rounds to tighten any loose screws and to clean the gun (if required by the cleaning schedule recommended in the manual), or as needed to refill the empty magazine or cylinder to capacity before continuing. For any gun that loads other than with a detachable magazine, the tester shall pause every 50 rounds for ten minutes. The tester shall use the ammunition recommended in the user's manual, or if none is recommended, any standard ammunition of the correct caliber in new condition. A gun shall pass this test if it fires the first 20 rounds without a malfunction and the full 600 rounds with no more than 6 malfunctions and without any crack or breakage of an operating part of the gun that increases the danger of injury. Malfunctions caused by failure to clean and lubricate, or by defective ammunition, shall not be counted.

- h. **Drop test.** Pass the more rigorous of: (a) the SAAMI Standard drop test in effect on the date the firearm is sold; or (b) the following test: The gun shall be test-loaded, set such that it is ready to fire and dropped onto a steel plate or equivalent material of similar hardness from a height of one meter from each of the following positions: (1) normal firing position; (2) upside down; (3) on the grip; (4) on the muzzle; (5) on either side; and (6) on the exposed hammer or striker (or, if no exposed hammer or striker, on the rearmost part of the gun). If the gun is so designed so that its hammer or striker may be set in other positions, it shall be tested with the hammer or striker in each such position (but otherwise ready to fire).

2. Additional standards for pistols:

- a. **Safety device.** The pistol must have a positive manually operated safety device as determined by standards relating to imported guns promulgated by ATF .

- b. **Minimum length and height standards.** The pistol's combined length and height must not be less than 10" with the height being at least 4" and the length being at least 6", unless it has an average group diameter test result of 1.7" or less at seven yards, 3.9" or less at 14 yards, and 6.3" or less at 21 yards. The average group diameter test result is the arithmetic mean of the results of three separate trials, each performed on a different sample firearm of the make and model at issue. For each trial, the firearm shall fire five rounds at a target from the specified distance and the largest spread in inches between the center of any of the holes made in a test target shall be the result of the trial.
- c. **Magazine disconnect.** Within 12 months of execution of the Agreement, each pistol shall have a magazine disconnect available for those customers who desire the feature.
- d. **Chamber load indicator.** Within 12 months of the execution of the Agreement, each pistol shall have a chamber load indicator painted in a prominent, contrasting color or a feature that allows the operator physically to see the round in the chamber.
- e. **Large capacity magazines.** No pistol make or model designed after January 1, 2000 shall be able to accept magazines manufactured prior to September 14, 1994, with a greater than 10 round capacity, and such models shall not be capable of being easily modified to accept such magazines. Nor shall ammunition magazines that are able to accept more than 10 rounds be sold by the manufacturer parties to this Agreement or their authorized dealers and distributors. See Part II.A.1.h, below.
- f. **Additional safety features.** Each pistol must have a firing pin block or lock.

3. **Additional standard for revolvers.** Each revolver make and model must pass a safety test. Each make and model must have a safety feature which automatically (for a double action revolver) or by manual operation (for a single action revolver) causes the hammer to retract to a point where the firing pin does not rest upon the primer of the cartridge. The safety device must withstand the impact of a weight equal to the weight of the revolver dropping from a distance of 1 meter in a line parallel to the barrel upon the rear of the hammer spur, a total of 5 times.

B. Law enforcement and military exception. An exception to a requirement of paragraph A may be granted for firearms manufactured or imported for sale to a law enforcement agency or the military if the law enforcement agency or military organization certifies to the manufacturer party to this Agreement that the exception is necessary for official purposes. Where a law enforcement agency authorizes or requires its officers to purchase firearms individually for official use, an appropriate certification from the agency will be permitted to apply to sales to a number of individual officers. The manufacturer party to this Agreement shall maintain the certification in its records and provide a copy to the Oversight Commission. Firearms sold to law enforcement or the military pursuant to this exception, which do not comply with the design standards of this Agreement, will be accompanied by a statement:

1. "On [date], [manufacturer parties to this Agreement] and [governmental parties to this Agreement] entered into an Agreement establishing certain design standards for firearms sold to civilians. Pursuant to that Agreement, we are obliged to inform you that this firearm does not comply with all of the design standards of the Agreement. We are further obliged to request that you not resell this firearm to civilians. This statement is not intended to suggest that there are any design flaws with this firearm, and you remain entitled to dispose of it in any lawful manner."

- C. Warnings about safe storage and handling.** Within 6 months of execution of this Agreement, manufacturer parties to this Agreement shall include in the packaging of each firearm sold a warning on risk of firearms in the home and proper home storage. At a minimum, these warnings shall state in 14 point type, bold face:

“This handgun is not equipped with a device that fully blocks use by unauthorized users. More than 200,000 firearms like this one are stolen from their owners every year in the United States. In addition, there are more than a thousand suicides each year by younger children and teenagers who get access to firearms. Hundreds more die from accidental discharge. It is likely that many more children sustain serious wounds, or inflict such wounds accidentally on others. In order to limit the chance of such misuse, it is imperative that you keep this weapon locked in a secure place and take other steps necessary to limit the possibility of theft or accident. Failure to take reasonable preventative steps may result in innocent lives being lost, and in some circumstances may result in your liability for these deaths.”

- D. Illegal firearms.** The manufacturer parties to this Agreement shall not sell firearms that can be readily converted to an illegal firearm, that is, a weapon designed in a manner so that with few additional parts and/or minimal modifications an owner can convert the firearm to an illegal fully automatic weapon; nor shall the firearms be designed so that they are resistant to fingerprints.

II. Sales and distribution.

In addition to complying with specific terms, the manufacturer parties to this Agreement will agree for themselves and as part of any distribution or agency agreement that they, and their authorized distributors and authorized dealers, including franchisees, shall commit to a standard of conduct to make every effort to eliminate sales of firearms that might lead to illegal firearm possession and/or misuse by criminals, unauthorized juveniles, and other prohibited persons ("suspect firearms sales"). Suspect firearm sales include sales made to straw

purchasers, multiple sales of handguns without reasonable explanation (excluding sales to FFLs), and sales made to any purchaser without a completed background check.

As specified in Part II.A.2 below, the manufacturer parties to this Agreement will take action against dealers and distributors that violate these requirements if the manufacturers receive actual notice of such a violation.

A. Authorized distributors and dealers.

1. The manufacturer parties to this Agreement may sell only to authorized distributors and authorized dealers. In order to qualify to become an authorized distributor or authorized dealer, the distributor or dealer must agree in writing to:
 - a. Possess a valid and current federal firearms license, and all other licenses and permits required by local, state or federal law, and certify on an annual basis, under penalty of perjury, compliance with all local, state and federal firearms laws.
 - b. Execute in the presence of the purchaser the following elements of all firearms transactions at the premises listed on its federal firearms license: completion of the forms and related requirements under the Brady Act and the Gun Control Act and physical transfer of the firearm.
 - c. Where available, carry insurance coverage against liability for damage to property and for injury to or death of any person as a result of the sale, lease, or transfer of a firearm in amounts appropriate to its level of sales, but at a minimum no less than \$1 million for each incident of damage, injury or death.
 - d. Make no sales at gun shows unless all sales by any seller at the gun show are conducted only upon completion of a background check.

- e. Within 24 months of the date of execution of this Agreement, maintain an inventory tracking plan for the products of the manufacturer parties to this Agreement that includes at a minimum the following elements:
 - (1) Electronic recording of the make, model, caliber or gauge, and serial number of all firearms that are acquired no later than one business day after their acquisition and electronic recording of their disposition no later than one business day after their disposition. Monthly backups of these records shall be maintained in a secure container designed to prevent loss by fire, theft, or other mishap.
 - (2) All firearms acquired but not yet disposed of must be accounted for through an electronic inventory check prepared once each month and maintained in a secure location.
 - (3) For authorized dealers and franchisees, all ATF Form 4473 firearm transaction records shall be retained on the dealer's business premises in a secure container designed to prevent loss by fire, theft, or other mishap.
 - (4) If an audit of a distributor's or dealer's inventory reveals any firearms not accounted for, the distributor or dealer shall be subject to sanctions, including termination as an authorized distributor or dealer.
- f. Implement a security plan for securing firearms, including firearms in shipment. The plan must satisfy at least the following requirements:
 - (1) Display cases shall be locked at all times except when removing a single firearm to show a customer, and customers shall handle firearms only under the direct supervision of an employee;

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- (2) All firearms shall be secured, other than during business hours, in a locked fireproof safe or vault in the licensee's business premises or in another secure and locked area; and
- (3) Ammunition shall be stored separately from the firearms and out of reach of the customers.
- g. Require persons under 18 years of age to be accompanied by a parent or guardian when they are in portions of the premises where firearms or ammunition are stocked or sold.
- h. Not sell ammunition magazines that are able to accept more than 10 rounds regardless of the date of manufacture, not sell any semi-automatic assault weapon as defined in 18 U.S.C. 921(a)(30) regardless of the date of manufacture, provide safety locks and warnings with firearms, as specified in Section I above, and sell only firearms that comport with the design criteria of this Agreement.
- i. Provide law enforcement, government regulators conducting compliance inspections, and the Oversight Commission, for purposes of determining compliance with conditions imposed as a result of this Agreement, or for any other authorized purpose, full access to any documents related to the acquisition and disposition of firearms deemed necessary by one of those parties.
- j. Participate in and comply with all monitoring of firearms distribution by manufacturers, ATF or law enforcement.
- k. Maintain an electronic record of all trace requests initiated by ATF, and report those trace requests by make, model and serial number of firearm, date of trace, and date of sale to the manufacturer of the firearm on a monthly basis, unless ATF, for investigative reasons, directs the licensee not to report certain traces.

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- l. Agree to cooperate fully in the oversight mechanism established in Section III of this Agreement, including providing access to all necessary documents, and to be subject to the jurisdiction of the court enforcing this Agreement.

- m. Require all employees to attend annual training developed by manufacturers in consultation with ATF and approved by the Oversight Commission. The training shall cover at a minimum: the law governing firearms transfers by licensees and individuals; how to recognize straw purchasers and other attempts to purchase firearms illegally; how to recognize indicators that firearms may be diverted for later sale or transfer to those not legally entitled to purchase them; how to respond to those attempts; and the safe handling and storage of firearms. New employees will receive training on the above topics, based on materials developed for the annual training, before handling or selling firearms and shall attend annual training thereafter. Such training may be delivered by electronic medium. Within 12 months of the date of execution of this Agreement and annually thereafter, the manufacturer parties to this Agreement will obtain from all authorized dealers and distributors certifications that such training has been completed, with a list of the names of all trained employees.

- n. Require all employees to pass a comprehensive written exam, which shall be developed by the manufacturers in consultation with ATF and approved by the Oversight Commission, on the material covered in the training before being allowed to sell or handle firearms. Any employee who fails to pass the exam shall be prohibited from selling or handling firearms on behalf of the distributor or dealer. The annual certification discussed in II.A.1.m, above, will include certification that all employees have passed the exam. .

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- o. Not complete any transfer of a firearm prior to receiving notice from the NICS that the transferee is not a prohibited person under the Gun Control Act.
- p. Verify the validity of a licensee's federal firearms license against an ATF database before transferring a firearm to that licensee.
- q. Forgo any transfer of a firearm to a licensee if the dealer or distributor knows the licensee to be under indictment for violations of the Gun Control Act or any violent felony or serious drug offense as defined in 18 U.S.C. § 924(e)(2).
- r. Transfer firearms only:
 - (1) To individuals who have demonstrated that they can safely handle and store firearms through completion of a certified firearms safety training course or by having passed a certified firearms safety examination.
 - (2) After demonstrating to the purchaser how to load, unload, and safely store the firearm, and how to engage and disengage all safety devices on the firearm.
 - (3) After providing the purchaser with a copy of the ATF Disposition of Firearms Notice.
 - (4) After obtaining the purchaser's signature on a form certifying that the purchaser has received the instruction described in subparagraph (2) and the notice described in subparagraph (3) and maintaining that form in its files.
 - (5) After providing the purchaser with a written record of the make, model, caliber or gauge, and serial number of each firearm transferred to enable the purchaser to accurately describe the

firearm to law enforcement in the event that it is subsequently lost or stolen.

2. The manufacturer parties to the Agreement shall incorporate into any distribution or agency agreement with their authorized distributors and authorized dealers, including franchisees, procedures for terminating distributors, dealers or franchisees that engage in conduct in violation of this Agreement. Distributors and dealers shall agree to this enforcement system as a condition of becoming authorized. The manufacturer parties to this Agreement shall require annual certification by their authorized dealers and distributors that they are in compliance with the requirements in II.A.1(a-r) of this Agreement and applicable provisions of B. and C., below. If the manufacturer parties to this Agreement receive actual notice of a violation of the Agreement through their course of dealing with their authorized dealers and distributors, from ATF, state or local law enforcement, the Oversight Commission, another dealer or distributor, a customer or other credible source, the manufacturer parties to this Agreement will either immediately terminate sales to the dealer or distributor in violation or take the following actions. The manufacturer(s) that have authorized the dealer or distributor to sell its/their firearms will, individually or collectively, notify the dealer or distributor within seven (7) business days of learning of such violation and inform the dealer or distributor of the breach and request information regarding the breach. The distributor or dealer will then have fifteen (15) days to provide the manufacturer(s) with the requested information. If the manufacturer(s) determine that the dealer or distributor is in violation of this section of the Agreement, the manufacturer(s) will provide no further product to the distributor or dealer until the manufacturer(s) determine that the distributor or dealer is in compliance with the Agreement.

The manufacturer(s) shall inform the Oversight Commission and ATF of its/their notifications and decisions and provide them with the information provided by the dealer or distributor. If the Oversight

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Commission determines that suspension or termination of the dealer or distributor is warranted, and the manufacturer(s) did not take this action, the Oversight Commission shall direct the manufacturer(s) to do so.

B. Authorized distributors - additional provision.

Authorized distributors must agree to sell the manufacturer's products only to other authorized distributors or authorized dealers or directly to government purchasers.

C. Authorized dealers -- additional provisions.

In addition to the requirements in section II(A)(1), authorized dealers must agree:

1. Not to sell any of the manufacturers' products to any federal firearms licensee that is not an authorized distributor or authorized dealer of that manufacturer.
2. Not to engage in sales that the dealer knows or has reason to know are being made to straw purchasers.
3. To adhere to the following procedure for multiple handgun sales. If a purchaser wants to purchase more than one handgun, the purchaser may take from the dealer only one handgun on the day of sale. The dealer at that point will file a Multiple Sales Report with ATF. The purchaser may take the additional handguns from the dealer 14 days thereafter. This provision shall not apply to sales to qualified private security companies licensed to do business within the State where the transfer occurs for use by the company in its security operations.

D. Manufacturers.

Each manufacturer must:

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1. Provide quarterly reports of its own sales data and downstream sales data, with the volume of sales by make, model, caliber and gauge, to ATF's National Tracing Center.
2. Not market any firearm in a way that would make the firearm particularly appealing to juveniles or criminals, such as advertising a firearm as "fingerprint resistant."
3. Refrain from selling any modified or sporterized semi-automatic assault pistol of a type that cannot be imported into the United States.
4. Reaffirm their longstanding policy and practice of not placing advertisements in the vicinity of schools, high crime zones, or public housing.
5. Verify the validity of a license against an ATF database before transferring a firearm to any licensee.
6. Forgo any transfer of a firearm to a licensee if the manufacturer knows the licensee to be under indictment violations of the Gun Control Act or any violent felony or serious drug offense as defined in 18 U.S.C. § 924(e)(2).
7. Implement a security plan for securing firearms, including firearms in shipment. The plan will include the following elements.
 - a. Employee and visitor movement into and out of the manufacturer's facility will be only through designated security control points, and visitors will be admitted only after positive identification and confirmation of the validity of the visit. Employees and visitors will pass through a metal detector before leaving .
 - b. All areas where firearms are assembled and stored will be designated as restricted areas. Access will be authorized only for those

employees whose work requires them to enter these areas or for escorted visitors. Protective barriers will be installed in restricted areas to deny or impede unauthorized access.

- c. Each facility or area where firearms, ammunition, or components are stored will be provided with a system to detect unauthorized entry.
 - d. If firearms are shipped in cartons, the cartons will bear no identifying marks or words. The manufacturer parties to this Agreement will use only very strong cartons to protect against concealed pilferage in truck shipments, and large cartons will be secured with steel strapping in two directions. The manufacturer parties to this Agreement will use only carriers and freight forwarders that warrant in writing that they conduct criminal background checks on delivery personnel and report all thefts or losses of firearms to ATF within 48 hours of learning of the theft or loss. The manufacturer parties to this Agreement will inspect carriers' and forwarders' local facilities periodically.
8. Encourage its authorized dealers and distributors to consent to up to three unannounced ATF compliance inspections each year.

E. Corporate responsibility.

If ATF or the Oversight Commission informs the manufacturer parties to this Agreement that a disproportionate number of crime guns have been traced to a dealer or distributor within three years of the gun's sale, the manufacturer(s) that have authorized the dealer or distributor to sell guns will either immediately terminate sales to the dealer or distributor or take the following actions. The manufacturers will, individually or collectively, notify the dealer or distributor of the disproportionate number within seven (7) days and demand an explanation and proposal to avoid a disproportionate number of traces in the future. The dealer or distributor will have fifteen (15) days to provide the explanation and proposal. If the

manufacturer(s) determine that the explanation and proposal are not satisfactory, the manufacturer(s) will terminate supplies to the dealer or distributor. If the manufacturer(s) determine that the explanation and proposal are satisfactory, the manufacturer will continue supplies, but will closely monitor traces to the dealer or distributor in question. If disproportionate traces continue, the manufacturer(s) will terminate supplies to the dealer or distributor.

The manufacturer(s) shall inform the Oversight Commission and ATF of its/their notifications and decisions and provide them with the information provided by the dealer or distributor. If the Oversight Commission determines that suspension or termination of the dealer or distributor is warranted, and the manufacturer(s) did not take this action, the Oversight Commission shall direct the manufacturer(s) to do so.

Disproportionate number of crime guns: Upon execution of this Agreement, the Oversight Commission will convene to determine a formula to identify what constitutes a disproportionate number of crime guns. In determining the formula, the Oversight Commission shall consider the available data and establish procedures to ensure that the relevant data is obtained. This provision will not take effect until the Oversight Commission sets the formula and a mechanism for its implementation.

III. Oversight

A. Oversight Commission.

1. **Composition.** An Oversight Commission comprised of five members shall be formed. The Commission members shall serve five-year terms except for first terms as noted and shall be appointed as follows:
 - a. Two members by the city and county parties to the Agreement. First appointees to serve two- and three-year terms, respectively.

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- b. One by the State parties to the Agreement. First appointee to serve a three-year term.
 - c. One member by the manufacturer parties to the Agreement. First appointee to serve a four-year term.
 - d. One selected by ATF. First appointee to serve a five-year term.
2. **Authority.** -- The Oversight Commission, which will operate by majority vote, will be empowered to oversee the implementation of this Agreement. Its authorities will include but not be limited to the authority to (1) review the findings of ATF or the proofing entity that will oversee the design and safety requirements of Part I of this Agreement, (2) maintain records of firearms sold pursuant to the law enforcement exception, as set forth in Part I.B of this Agreement, (3) review the safety training materials and test set forth in Parts II.A.1.m-n of this Agreement, and (4) participate in the oversight of the distribution and sales provisions established in Part II of this Agreement, as set forth in Parts II.A.2 and II.E.

The Oversight Commission shall have a staff, which will be entitled to inspect participating manufacturers and their authorized dealers and distributors to ensure compliance with the Agreement. The costs of the Commission shall be funded by the parties to the Agreement. Each manufacturer party to this Agreement will pay no more than \$25,000 annually.

- B. **Role of ATF.** -- ATF will continue to issue, regulate and inspect federal firearms licensees, collect multiple sales forms, conduct firearms traces, investigate firearms traffickers and straw purchasers, enforce the Gun Control Act and the National Firearms Act and fulfill its other statutory responsibilities. To the extent consistent with law and the effective accomplishment of its law enforcement responsibilities, ATF will work with the manufacturer parties to the Agreement and the Oversight Commission to

assist them in meeting their obligations under the Agreement. In particular, to the extent that ATF uncovers violations of the following provisions in its inspections or other contacts with federal firearms licensees, it will inform the Oversight Commission: II(A)(1)(a), (b), (e), (h), (i), (j), (k), (o), (p), and (q), (C)(2) and (D)(1) and (5). Nothing in this paragraph shall diminish the obligation of the manufacturer parties to this Agreement to make reasonable efforts to identify noncompliance and respond to notifications of violations from parties other than ATF.

C. Manufacturer cooperation.

1. Each manufacturer shall designate an executive level manager to serve as a compliance officer and shall provide the compliance officer with sufficient resources and staff to fulfill the officer's responsibilities under this agreement.
2. The compliance officer shall be responsible for
 - a. Ensuring that the manufacturer fulfills its obligations under this agreement;
 - b. Training the manufacturer's officers and employees on the obligations imposed by this agreement; and
 - c. Serving as the liaison to the Oversight Commission.
3. Each manufacturer shall commit to full cooperation in the implementation and enforcement of this Agreement.

IV. Cooperation with Law Enforcement.

- A. The manufacturer parties to this Agreement reaffirm their commitment to cooperate fully with law enforcement and regulators to eliminate illegal firearms sales and possession.

B. Within six (6) months of the effective date of this Agreement, if technologically available, the manufacturer parties to this Agreement shall fire each firearm before sale and enter the digital image of its casing along with the weapon's serial number into a system compatible with the National Integrated Ballistics Identification Network system. The digital image shall be made available electronically to ATF's National Tracing Center.

C. Manufacturers shall participate in ATF's Access 2000 program to facilitate electronic linkage to their inventory system to allow for rapid responses to ATF's firearms trace requests.

V. Legislation.

The parties to this Agreement will work together to support legislative efforts to reduce firearms misuse and the development of authorized user technology.

VI. Education trust fund.

Upon resolution of the current lawsuits brought by cities, counties, or States, the manufacturer parties to this Agreement shall dedicate one percent of annual firearms revenues to a trust fund to implement a public service campaign to inform the public about the risk of firearms misuse, safe storage, and the need to dispose of firearms responsibly.

VII. Most favored entity.

If the manufacturer parties to this Agreement enter into an agreement with any other entity wherein they commit to institute design or distribution reforms that are more expansive than any of the above-enumerated items, such reforms will become a part of this Agreement as well.

In addition, if firearms manufacturers that are not party to this Agreement agree to design or distribution reforms that are more expansive than any of

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the above-enumerated items, and if the manufacturers who are party to the other agreement(s) with more expansive terms, in combination with the manufacturer parties to this Agreement, account for fifty percent or more of United States handgun sales, manufacturer parties to this Agreement will agree to abide by the same design and distribution measures.

VIII. Enforcement.

The Agreement will be entered and is enforceable as a Court order and as a contract.

Dated this ____ day of March, 2000.

Approved and Authorized by:

Manufacturer parties to this Agreement:

Smith & Wesson

Governmental parties to this Agreement:

Department of the Treasury

Department of Housing and Urban Development

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State parties to this Agreement:

State of New York

State of Connecticut

City and County parties to this Agreement:

City of Atlanta, Georgia

City of Berkeley, California

City of Bridgeport, Connecticut

City of Camden, New Jersey

City of Detroit, Michigan

City of Gary, Indiana

City of Inglewood, California

City of Los Angeles, California

County of Miami-Dade, Florida

City of San Francisco, California

City of St. Louis, Missouri

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For Immediate Release Thursday, April 13, 2000

Burs-
Smith +
Wesson

Joint Press Statement by Smith & Wesson, HUD, & the Department of the Treasury

The newspaper reports that suggested that Smith & Wesson was not honoring its agreement – or renegeing in any way – on its agreement with the federal, state and local governments are inaccurate and misleading. The agreement is in full force and effect. Clearly, there will be questions that need interpretation as we go along, as this agreement is historic and without precedent. We will address those questions as they arise.

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