

Assignment and Report

1. OPERATING NAME AND ADDRESS (INCLUDE ZIP CODE AND COUNTY) High Palms LLC GC Sporting Goods 10921 Reed Hartman Hwy, Suite 304A Cincinnati, OH 45242, Hamilton	2. U.I. NUMBER (ORG. SEG. CODE, ASSIGNMENT NO., P.P.C.) 773015-2016-0641-B1B 3. PERMIT/LICENSE NUMBER 4a. TARGET DATE 4b. TARGET HOURS 431061077K03482 12/31/2016 5. REQUESTED BY (SIGNATURE, TITLE AND DATE)
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6. ATF OFFICER(S) ASSIGNED

(b)(6) - Assigned Investigator
 (b)(6) - Assigned Investigator
 (b)(6) - Assigned Investigator
 (b)(6) - Lead Investigator

7. ASSIGNED BY (SIGNATURE, TITLE AND DATE)

(b)(6), Area Supervisor, 08/31/2016

8. PURPOSE/SPECIAL INSTRUCTIONS

NOTE: LAST COMPLIANCE INSPECTION 773015-2014-0128 INDICATED LICENSEE HAS OFF-SITE STORAGE.

Conduct full manufacturer of firearms inspection. Refer to IO Manual Chapter C - Firearms Inspections and FY 16 Domain Assessment. Ensure licensee has filed all AFMERs, if any are missing obtain them during inspection. Conduct 100% inventory and ATF Form 4473 review unless authorized in advanced by Area Supervisor and DIO.

9. INSPECTION RESULTS	<input type="checkbox"/>	CHECK IF NO VIOLATIONS, ADJUSTMENTS, ETC	10. TRAVEL EXPENSES (OPTIONAL)
NO. OF VIOLATIONS	12	NO. OF REFERRALS	2111 - PER DIEM
NO. OF TECS CHECKS	10	NO. OF TECS HITS	2112 - P.O.A.
NO. OF TAX ADJUSTMENTS		\$ VALUE OF TAX INCREASES	2113 - COMM. AIR
		\$ VALUE OF TAX DECREASES	2114 - RENTAL CAR
NO. OF ASSESSMENTS		\$ VALUE OF ASSESSMENTS	2115 - GPV EXPENSES
NO. OF CLAIMS		\$ VALUE OF CLAIMS	2116 - MISC.
NO. OF TAX PERIODS		\$ VALUE OF TAXES VERIFIED	TOTAL \$ FOR INSP.

11. ATF OFFICER'S RECOMMENDATION

Submitted by (b)(6) - Industry Operations Investigator

Submitted on: 10/31/2016

Viols WL ONLY and Recall Inspection

12. TIME ACCOUNTING DATA			
ATF OFFICER'S NAME (MONTH, YEAR, HOURS)	(b)(6)		
SEP 2016		20.00	
OCT 2016		20.00	
ATF OFFICER'S SUBTOTAL	40.00	ATF OFFICER'S SIGNATURE	
ATF OFFICER'S NAME (MONTH, YEAR, HOURS)	(b)(6)		
OCT 2016		6.00	
ATF OFFICER'S SUBTOTAL	6.00	ATF OFFICER'S SIGNATURE	
ATF OFFICER'S NAME (MONTH, YEAR, HOURS)	(b)(6)		
SEP 2016		59.50	
OCT 2016		38.50	
ATF OFFICER'S SUBTOTAL	98.00	ATF OFFICER'S SIGNATURE	
TOTAL HOURS	144.00		

Assignment and Report

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	3. PERMIT/LICENSE NUMBER 431061077K03482	4a. TARGET DATE 12/31/2016	4b. TARGET HOURS
	5. REQUESTED BY (SIGNATURE, TITLE AND DATE)		

13. REVIEW AND ROUTING

REVIEW COMMENTS AND RECOMMENDATION

Viols WL ONLY and Recall Inspection

REVIEWED CONCUR SEE COMMENTS FINAL DISPOSITION

SIGNATURE AND TITLE (b)(6) - Area Supervisor	REVIEW DATE 10/31/2016
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ROUTING SEQUENCE AND DATE

- 1. _____
- 2. _____
- 3. _____
- 4. _____

CONTROL FILE POSTED DATE _____



U.S. Department of Justice

Bureau of Alcohol, Tobacco,
Firearms and Explosives

550 Main Street, Room 8-507
Cincinnati, OH 45202

OCT 31 2016

www.atf.gov

773015: (b)(6)
5373

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

High Palms, LLC
GC Sporting Goods LLC
10921 Reed Hartman Highway
Cincinnati, OH 45242

Dear Mr. Hensley:

During a recent compliance inspection at your firearms business covering the period of September 12, 2015 to September 12, 2016, you were cited for violations of 27 Code of Federal Regulations, Part 478. A copy of the Report of Violations, Form 5030.5, issued at the time of the inspection is enclosed.

All violations were fully explained to you by the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) investigators. You indicated that you understood the requirements of the firearms laws and regulations. You further indicated that corrective actions would be taken to eliminate future violations.

The records you are required to maintain and the business operations you conduct are important to law enforcement in our continuing effort to reduce violent crime and protect the public. It is essential that you comply with all federal laws and regulations that govern your firearms business. This is critical to carrying out our mission to protect the public and ensure that criminals do not gain access to firearms. ATF appreciates the efforts you and other industry members make in this area, and we look forward to continuing to work with you in that regard.

You are reminded that retention of your federal firearms license is conditioned upon your compliance with Federal laws and regulations. Any future violations, either repeat or otherwise, could be viewed as willful and may result in the revocation of your license. Please ensure that future compliance is achieved.

High Palms LLC

Should you have any questions regarding this matter, please contact (b)(6) at (b)(6) (b)(6).

Sincerely,

(b)(6)

Area Supervisor

Enclosure

cc: National Licensing Center
Cincinnati II (IO) Field Office
Correspondence File

Report of Violations

Instructions

Please write firmly with a ball point pen when completing this form. ATF officers will prepare this form in triplicate. The original copy will be given to the proprietor or a responsible representative. The remaining copies will be submitted with the completed inspection report. Supervisors will detach one copy from the completed report for their files.

Name of Proprietor High Palms LLC GC Sporting Goods	Street Address 10921 Reed Hartman Hwy, Suite 304A	City Cincinnati	State OH	Zip Code 45242-	County Hamilton	Page 1 of 7 Pages
License/Permit/Registry Number <i>(If any)</i> 431061077K03482	Expiration Date 6/1/2019	Date(s) or Period of Inspection 09/12/2015 through 09/12/2016				

Inspection Results

An examination of your premises, records and operations has disclosed the following violations which have been explained to you:

Number: 1

Nature of Violation:

Failed to record the correct serial number of each complete firearm manufactured or otherwise acquired as required in a timely manner. (b)(3) 112 Public Law 55 125 STAT 552 (b)(6)

(b)(3) 112 Public Law 55 125 STAT 552 (b)(6)

Citation: 27 CFR 478.123(a)

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

The licensee immediately corrected the error in his electronic bound book and was advised to be more cautious in the future when recording serial numbers as improper serial numbers can greatly affect ATF traceability of firearms.

Number: 2

Nature of Violation:

Failure to retain required records on the licensed premises in the manner prescribed and for the length of time prescribed by 478.129. Licensee admitted to keeping records off premises at

(b)(3) 112 Public Law 55 125 STAT 552 (b)(6)

Citation: 27 CFR 478.121(a)

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

All Form 4473 were transported to the licensed premises prior to the end of the business day of the inspection. Ensure to retain required records on the licensed premises in the manner prescribed and for the length of time prescribed by 27 CFR 478.129

Report of Violations

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Name of Proprietor High Palms LLC GC Sporting Goods	Street Address 10921 Reed Hartman Hwy, Suite 304A	City Cincinnati	State OH	Zip Code 45242-	County Hamilton	Page 2 of 7 Pages
License/Permit/Registry Number <i>(If any)</i> 431061077K03482	Expiration Date 6/1/2019	Date(s) or Period of Inspection 09/12/2015 through 09/12/2016				

Inspection Results

An examination of your premises, records and operations has disclosed the following violations which have been explained to you:

Number: 3

Nature of Violation:

Failure to retain ^{(b)(3)} ATF Form 4473s following a denial by NICS, for a period of not less than 20 years after the date of sale or disposition (ATF FORM 4473 ^{(b)(3)} 112 Public Law 55 125 STAT 552 (b)(6))

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

Retain the firearms transaction record, ATF Forms 4473, for a period of not less than 20 years after the date of sale or disposition.

Citation: 27 CFR 478.129(b)

Number: 4

Nature of Violation:

Failed to keep firearms transaction forms (ATF F 4473) in alphabetical, chronological, or numerical order.

Specifically the licensee had a practice of cancelling and destroying forms pre-serialized and not replacing that form with another serialized form bearing the same number.

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

Licensee was instructed not to assign a serial number to an ATF F 4473 until a transfer of a firearm had occurred and to maintain the completed forms in sequential order.

Citation: 27 CFR 478.124(b)

Report of Violations

Instructions

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Name of Proprietor High Palms LLC GC Sporting Goods	Street Address 10921 Reed Hartman Hwy, Suite 304A	City Cincinnati	State OH	Zip Code 45242-	County Hamilton	Page 3 of 7 Pages
License/Permit/Registry Number <i>(If any)</i> 431061077K03482	Expiration Date 6/1/2019	Date(s) or Period of Inspection 09/12/2015 through 09/12/2016				

Inspection Results

An examination of your premises, records and operations has disclosed the following violations which have been explained to you:

Number: 5

Nature of Violation:

Failure to properly complete ATF Form 4473 transaction as prescribed by the form on [redacted] instances.

- In [redacted] instances the licensee failed to ensure the transferee correctly answered item 11A in Section A of ATF Form 4473 (4473 Nos. [redacted] (b)(3) 112 Public Law 55 125 STAT 552)
- In [redacted] instance the licensee failed to complete item 24 (recertification signature) and Item 25 (recertification date) (4473 No. [redacted] (b)(3) 112 Public Law 55 125 STAT 552)
- In [redacted] instance the licensee failed to complete Item 31 (Trade Name) and Item 32 (FFL Number) (4473 Nos. [redacted] (b)(3) 112 Public Law 55 125 STAT 552)
- In two instances the licensee failed to complete Item 30a (Number of Firearms transferred) (4473 Nos. [redacted] (b)(3) 112 Public Law 55 125 STAT 552)

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

Ensure that all ATF Form 4473 transactions are completed as prescribed by the form. Licensee was instructed to make a copy of the ATF Form 4473 and correct the error on the copy, where applicable.

Citation: 27 CFR 478.21(a)

Report of Violations

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Name of Proprietor High Palms LLC GC Sporting Goods	Street Address 10921 Reed Hartman Hwy, Suite 304A	City Cincinnati	State OH	Zip Code 45242-	County Hamilton	Page 4 of 7 Pages
License/Permit/Registry Number <i>(If any)</i> 431061077K03482		Expiration Date 6/1/2019	Date(s) or Period of Inspection 09/12/2015 through 09/12/2016			

Inspection Results

An examination of your premises, records and operations has disclosed the following violations which have been explained to you:

Number: 6

Nature of Violation:

Failure to ensure transferee correctly completed ATF Forms 4473 on ^{(b)(3)} occasions.

(b)(3) 112 Public Law 55 125 STAT 552

Citation: 27 CFR 478.124(c)(1)

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

Ensure that the transferee properly completed future ATF Form 4473 transactions. These errors were made by the transferee and could not be corrected. Investigator ran the transferees through NCIC/III resulting in no hits.

Number: 7

Nature of Violation:

Failure to correctly record the transferee's identification information on ATF Form 4473 on ^{(b)(3)} occasion.

(b)(3) 112 Public Law 55 125 STAT 552 (b)(6)

Citation: 27 CFR 478.124(c)(3)(i)

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

Ensure that the transferee's identification information is properly completed in all ATF Form 4473 transactions.

Report of Violations

Instructions

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License/Permit/Registry Number <i>(If any)</i> 431061077K03482	Expiration Date 6/1/2019	Date(s) or Period of Inspection 09/12/2015 through 09/12/2016				

Inspection Results

An examination of your premises, records and operations has disclosed the following violations which have been explained to you:

Number: 8

Nature of Violation:

Failure to properly complete the NICS contact information correctly in [REDACTED] instances.

Specifically, the licensee failed to record the accurate date the NICS check was completed in Item 21a in [REDACTED] instances (ATF 4473 Nos. **(b)(3) 112 Public Law 55 125 STAT 552**)

The licensee failed to record the date a transfer may be completed in Item 21c following a "Delay" subsequent to a NICS check [REDACTED] instances (ATF 4473 No. **(b)(3) 112 Public Law 55 125 STAT 552**)

Citation: 27 CFR 478.124(c)(3)(iv)

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

Ensure that transferor's information is properly completed in future ATF Form 4473 transactions. Licensee was instructed to make a copy of the ATF Form 4473 and correct the error on the copy, where applicable.

Number: 9

Nature of Violation:

Failure to properly complete the transferor firearm information with [REDACTED] ATF Form 4473 transaction.

(b)(3) 112 Public Law 55 125 STAT 552

Citation: 27 CFR 478.124(c)(4)

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

Ensure that transferor's firearm description is properly completed in future ATF Form 4473 transactions. Licensee was instructed to make a copy of the ATF Form 4473 and correct the error on the copy.

Report of Violations

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License/Permit/Registry Number <i>(If any)</i> 431061077K03482	Expiration Date 6/1/2019	Date(s) or Period of Inspection 09/12/2015 through 09/12/2016				

Inspection Results

An examination of your premises, records and operations has disclosed the following violations which have been explained to you:

Number: 10

Nature of Violation:

Licensee conducted business away from licensed premises. Specifically, the licensee indicated that he used (b)(3) 112 Public Law 55 125 STAT 552 (b)(6) to mark a silencer with serial number (b)(3) 112 Pub. The licensee does not have a variance in place to conduct such activity.

Citation: 27 CFR 478.100(a)(1)

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

The licensee was instructed to immediately cease using a separate FFL to conduct required markings until a variance is in place for each licensed manufacturing facility utilized.

Number: 11

Nature of Violation:

Failed to obtain from the individual acting on behalf of the transferee a written statement, executed under the penalties of perjury, that the firearm is being acquired for the use of and will be the property of the transferee, and showing the name and address of that transferee. In (b)(3) instance, the licensee transferred a silencer to an LLC and did not obtain a perjury statement (b)(3) 112 Public Law 55 125 STAT 552 (b)(6)

Citation: 27 CFR 478.124(g)

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

Licensee was instructed on the purpose of the perjury statement and was given a sample perjury statement for future use. Licensee is to ensure that on all future transfers of NFA items to an LLC that a perjury statement is obtained.

Report of Violations

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Name of Proprietor High Palms LLC GC Sporting Goods	Street Address 10921 Reed Hartman Hwy, Suite 304A	City Cincinnati	State OH	Zip Code 45242-	County Hamilton	Page 7 of 7 Pages
License/Permit/Registry Number <i>(If any)</i> 431061077K03482	Expiration Date 6/1/2019	Date(s) or Period of Inspection 09/12/2015 through 09/12/2016				

Inspection Results

An examination of your premises, records and operations has disclosed the following violations which have been explained to you:

Number: 12

Nature of Violation:

Failure by the licensee, manufacturer in firearms, to keep and maintain such records regarding the acquisition (whether by making, transfer, or otherwise), receipt and disposition of firearms as are prescribed, and in the manner an place required by Part 478 of this Chapter. Specifically the licensee failed to enter into his A&D Record the acquisition and disposition of a machine gun from (b)(3) 112 Public Law 55 125 STAT 552 (b)(6).

Citation: 27 CFR 479.131

Date Corrections to be Made:

(If not corrected immediately)

Corrective Action to be Taken:

(If not corrected immediately)

The licensee immediately entered the firearms into his records. The licensee was advised to ensure that all acquisitions and dispositions were entered and disposed of properly and timely in the future.

I Have Received a Copy of This Report of Violations <i>(Proprietor's signature and title)</i>	Date
Signature and Title of ATF Officer	Date

FIREARMS INSPECTION REPORT

Name: High Palms LLC

UI#: 773015-2016-0641-B1B

Trade Name: GC Sporting Goods LLC

FFL#: 4-31-061-07-7K-03482

Address: 10921 Reed Hartman Highway
Cincinnati, Ohio 45242

1 - Introduction

Inspection Profile:

On 9/12/2016 Industry Operation Investigators (b)(6) (Lead) and Andrew Beech conducted a Compliance Inspection at GC Sporting Goods. No additional Federal, state, or local agencies participated in the inspection.

Initially the investigators went to the premises address located at 10921 Reed Hartman Highway Suite 304A, Blue Ash, OH 45242. No one was present at the premise. A sign on the door read "FedEx and UPS Please take packages to 10979 building Suite #220, they will sign for them. Thanks!" (*Exhibit 1*).

Investigators responded to 10979 Building, Suite #220 and met with (b)(6) (b)(6) of Regional Manager for CMC Properties, owner of the building of the FFL premises. (b)(6) stated that her office regularly accepts packages for Mr. Glenn Hensley (licensee) a couple times a week. (b)(6) stated the packages are not opened and they are then placed in a mechanical room that only her office has keys too. She stated an electronic notification is then sent to Mr. Hensley and he responds each night to retrieve the packages from her. (b)(6) (b)(6) indicated that she does not know what is in the packages.

Investigators then responded to the residence of the licensee (b)(6) (b)(6) as that is where the off-site storage is located. Mr. Hensley was home and allowed the investigators to enter after they greeted and identified themselves. Mr. Hensley indicated that his entire inventory as well as all of his records (which will be addressed in the "Other" section of this report) were in the home.

The inspection period began September 12, 2015 to September 12, 2016. No advance notice was given prior to the inspection. Mr. Glenn Hensley was present and interviewed during the inspection. Mr. Hensley is the sole member of the LLC. Mr. Hensley was identified by his Ohio Driver's License (OH (b)(6)).

FIREARMS INSPECTION REPORT

Name: High Palms LLC

UI#: 773015-2016-0641-B1B

Trade Name: GC Sporting Goods LLC

FFL#: 4-31-061-07-7K-03482

Business Profile:

High Palms LLC DBA GC Sporting Goods LLC is a Limited Liability Corporation. The business operates from an office located in a building of mini-office suites. GC Sporting Goods operates from a 12x12 office which contains a small gun safe, a desk, and a table and three chairs. The office is not staffed during business hours but rather it operated by appointment only. The business is situated in a commercial office park in the urban community of Blue Ash, Ohio.

In the last 12 months the licensee has acquired approximately (b)(4) firearms and disposed of approximately (b)(4) firearms. Approximately (b)(4) of the transfers are handguns and (b)(4) are long guns. Approximately (b)(4) of the transfers are used firearms. All of the sales are retail sales. Approximately (b)(4) of the sales occur at gun shows. The licensee sells via his own website at www.gcsportgoods.com. There are no other businesses located in the licensee's suite, however there are approximately 30 other businesses in the building.

The licensee has had his license since 2011. The licensee holds no other ATF licenses. The licensee is current with his Special Occupation Tax. The licensee has not paid his ITAR fees. The licensee stated he does not believe ITAR fees are applicable to him as his firearms are not for sale and only been produced for research and testing purposes.

The licensee utilizes his home as an off-site storage facility. His home is located at (b)(4) IOI (b)(6) contacted the City of Norwood Zoning Department and talked to Mr. Mark Reeves. Initially Mr. Reeves felt Mr. Hensley was not in compliance with the zoning law. Mr. Reeves consulted with the zoning commissioner and determined the off-site storage location is in compliance with current zoning laws.

Ownership and Control:

High Palms LLC DBA: GC Sporting Goods is a registered Limited Liability Corporation with the Ohio Secretary of State (Entity Number 2033106). There are no changes to report in ownership or control. There are no indicators of hidden ownership. The responsible persons are correctly noted in FLS and no changes need to be made.

FIREARMS INSPECTION REPORT

Name: High Palms LLC

UI#: 773015-2016-0641-B1B

Trade Name: GC Sporting Goods LLC

FFL#: 4-31-061-07-7K-03482

Variance:

The licensee has no variances in place. The licensee did not make any variance requests via the investigators. The licensee did request a variance directly to FIPB (*Exhibit 2*). The request was to store all business records at the off-site storage location. FIPB partially approved the variance request with stipulations (*Exhibit 3*). The licensee may store records at his residence located at 4804 Beech Street, Norwood, OH excluding the last two years.

2 - Recommendation

Viols WL and Recall

3 - Inspection History

Date of Inspection: 05/08/2014
Type of Inspection: Firearms Compliance Inspection
UI#: 773015-2014-0128
Inspection Results: Viols ROV ONLY No Recall Inspection
Cited Violations: 27 CFR 478.124(c)(3)(iv)

Date of Inspection: 09/01/2011
Type of Inspection: Firearms Qualification Inspection
UI#: 773015-2011-0681
Inspection Results: AOR
Cited Violations: N/A

4 - Acquisition & Disposition (A&D) Record - Inventory

Investigators requested a copy of the licensee's printed A&D record from Mr. Hensley. Mr. Hensley indicated that he did not have one. Mr. Hensley stated he maintained his records in an electronic form. He stated he utilized a program offered by one of his vendors (Sports South). He stated that he has never printed a copy of his bound book and did not have one. Mr. Hensley was able to immediately, upon request, print an

FIREARMS INSPECTION REPORT

Name: High Palms LLC

UI#: 773015-2016-0641-B1B

Trade Name: GC Sporting Goods LLC

FFL#: 4-31-061-07-7K-03482

inventory report from his electronic record. He also downloaded the data to a thumb drive and had his spouse respond to a local office supply store and print it out.

Investigators conducted a 100% inventory of all GCA and NFA firearms (discussed under the NFA Section) and compared it to the licensees bound book records. There were 124 firearms in inventory and [REDACTED] open dispositions in the A&D Record. Sampling was not used. All firearms listed in the inventory were present. No theft loss reports were submitted during the inspection period.

The A&D Record is in the proper format. All required information appears to be entered timely. [REDACTED] firearms had incorrect serial numbers recorded in the A&D Record. Bound Book Reference Number [REDACTED] was improperly marked as [REDACTED] when it should have read [REDACTED] and Bound Book Reference Number [REDACTED] was improperly marked as [REDACTED] when it should have [REDACTED] **7 (Violation #1: See Exhibit 4 and Firearms Worksheet Workbook, Worksheet 1).**

Investigators obtained a copy of firearms shipped by [REDACTED] to the licensee during the last year. Investigators compared approximately [REDACTED] firearms that were shipped to the licensees A&D record. All firearms were entered into the record. An additional 15 firearms were traced from acquisition through disposition with no discrepancies noted.

No trafficking issues were noted by the licensee. No obliterated serial numbers or illegal firearms were found.

5 - ATF Forms 4473 – NICS & Other Dispositions

Investigators observed several Form 4473s at the licensee's residence. Mr. Hensley indicated that he stores all of his Forms at his home and that no forms were stored at the licensed premises (**Violation #2**). Investigators observed all of the licensee's forms, to include Denials, No transfers, and several boxes of completed forms at his residence. Mr. Hensley stated he had no completed forms at the office. On 9/12/16, Investigators had Mr. Hensley return all of his forms to the licensed premises for storage.

On 9/13/16 Investigators reviewed [REDACTED] ATF F 4473s that were on file for the last 12 months. A sampling method of reviewing the forms was not used. The licensee did not have any sales to law enforcement officers via a letterhead. All transfers to other

FIREARMS INSPECTION REPORT

Name: High Palms LLC

UI#: 773015-2016-0641-B1B

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licensees were properly documented.

Investigators compared the NICS Audit Log (*Exhibit 3*) to completed Form 4473. (b)(3) - 112 Public Law 55 125 Stat 552, (b)(6) forms were unable to be located, both were Denials (b)(3) - 112 Public Law 55 125 Stat 552, (b)(6) (b)(3) - 112 Public Law 55 125 Stat 552, (b)(6), (*Violation #3: See Exhibit 5 and Firearms Worksheet Workbook, Worksheet 2*).

The investigators reviewed the Standard Operating Procedures for completing Form 4473s with Mr. Hensley. The licensee stated he had a practice of pre-serializing ATF Form 4473s with sequential numbers. He stated he often cancelled and destroyed the pre-serialized Form 4473s and did not replace them with a new form bearing the number. He also stated the pre-serialized forms were stored and used at different places. For instance some were at the office on Reed Hartman Highway, some were at his home, and some were stored in different boxes and used at gun shows. This resulted in the pre serialized forms not following a chronological sequence. This practice coupled with numerous missing numbers from the cancelled and destroyed forms made researching suspicious purchases and multiple sales by investigators impossible (*Violation #4*).

The following Form 4473 errors were discovered:

- (b)(3) - 112 Public Law 55 125 Stat 552 instances the licensee failed to ensure transferee correctly answered item 11A in Section A of ATF Form 4473 (4473 (b)(3) - 112 Public Law 55 125 Stat 552 instance the licensee failed to complete item 24 (recertification signature) and Item 25 (recertification date) (4473 (b)(3) - 112 Public Law 55 125 Stat 552 instance the licensee failed to complete Item 31 (Trade Name) and Item 32 (FFL Number) (4473 Nos. (b)(3) - 112 Public Law 55 125 Stat 552 instances the licensee failed to complete Item 30a (Number of Firearms transferred) (4473 (b)(3) - 112 Public Law 55 125 Stat 552) (*Violation #5: See Exhibit 6 and Firearms Worksheet Workbook, Worksheet 2*).
- The licensee failed to ensure the transferee correctly completed ATF Forms 4473 on (b)(3) occasions. (b)(3) - 112 Public Law 55 125 Stat 552 instance the transferee failed to answer Item 11f (4473 No. (b)(3) - 112 Public Law 55 125 Stat 552 instance the transferee failed to answer Item 11g (4473 (b)(3) - 112 Public Law 55 125 Stat 552 instance the transferee failed to answer Item 13 (4473 No. (b)(3) - 112 Public Law 55 125 Stat 552) (*Violation #6: See Exhibit 6 and Firearms Worksheet Workbook, Worksheet 2*).
- The licensee failed to correctly record the transferee's identification information on ATF Form 4473 (b)(3) - 112 Public Law 55 125 Stat 552 occasion. The licensee recorded the transferee's

FIREARMS INSPECTION REPORT

Name: High Palms LLC

UI#: 773015-2016-0641-B1B

Trade Name: GC Sporting Goods LLC

FFL#: 4-31-061-07-7K-03482

birthdate instead of the identification expiration date in Item 20a (ATF 4473 no. (b)(3) - 112 P (b)(3) - 112 P) (*Violation #7: See Exhibit 6 and Firearms Worksheet Workbook, Worksheet 2*).

- The licensee failed to properly complete the NICS contact information correctly (b)(3) - 112 P instances. Specifically the licensee failed to record the accurate date the NICS check was completed in Item 21a (b)(3) - 112 P instances (ATF 4473 Nos. (b)(3) - 112 P (b)(3) - 112 Public Law 55 125 Stat 552 (b)(3) - 112 Public Law 55 125 Stat 552). The licensee also failed to record the date a transfer may be completed in Item 21c following a "Delay" subsequent to a NICS check (b)(3) - 112 P instances (ATF 4473 No. (b)(3) - 112 P (b)(3) - 112 Public Law 55 125 Stat 552) (*Violation #8: See Exhibit 6 and Firearms Worksheet Workbook, Worksheet 2*)
- The licensee failed to properly complete the transferor firearm information on one ATF Form 4473 transaction. Specifically, (b)(3) - 112 Public Law 55 125 Stat 552 instance, the licensee recorded a firearm as a pistol when it should have been a rifle. The error gave the appearance that the licensee transferred a handgun to an out of state resident (ATF 4473 (b)(3) - 112 Public Law 55 125 Stat 552). (*Violation #9: See Exhibit 6 and Firearms Worksheet Workbook, Worksheet 2*).

6 - Multiple Sales

The investigators reviewed available disposition documents for potential multiple sales violations. Because of the licensee's Standard Operating Procedure of pre-serializing forms and regularly using the out of order forms, investigators were unable to determine if violations existed.

The licensee did demonstrate through his computerized A&D records that the system automatically generates a message to the data entry operator if a multiple sale occurs when dispositions are entered.

Investigators did determine (b)(3) - 112 Public Law 55 125 Stat 552 multiple sales occurred and did not appear on the VCAB report. The licensee had a Report of Multiple Sales for (b)(3) - 112 Public Law 55 125 Stat 552 transactions. The licensee also was able to demonstrate through an email the reports were sent to the Tracing Center. Investigators had the licensee resend the required documents (*Exhibit 7: VCAB Report & Exhibit 8: Report of Multiple Sales & Form 4473s* (b)(3) - 112 Public Law 55 125 Stat 552, (b)(3) - 112 Public Law 55 125 Stat 552)).

FIREARMS INSPECTION REPORT

Name: High Palms LLC

UI#: 773015-2016-0641-B1B

Trade Name: GC Sporting Goods LLC

FFL#: 4-31-061-07-7K-03482

7 - Suspicious/Prohibited Purchasers

No suspicious purchasers or straw purchasers were identified as a result of this inspection.

8 - Trace Activity

The licensee had four traces from the ATF Tracing Center during the inspection period. All traces were successfully completed. The licensee sells very few used firearms. Five computerized criminal history checks were conducted. No discrepancies or violations were noted.

9 - NFA/Importer/Collector/Manufacturer

Investigators verified that the licensee does engage in the manufacturing of NFA items. The licensee has a valid SOT and he provided investigators with his most recently submitted Annual Firearms Manufacturing and Exporting Report (AFMER). One minor discrepancy was found in the report which the licensee immediately corrected and submitted a new report (*Exhibit 9: AFMER Reports*).

A 100% NFA inventory was conducted using the NFRTR as a reference. The following discrepancies were noted:

- The licensee had a silencer in his inventory, [REDACTED]. The NFRTR indicated (b)(3) - 112 Public Law 55 125 Stat 552, (b)(3) - 26 USC 6103 [REDACTED]. The licensee produced a copy of his Theft Loss Report that was submitted which properly identified (b)(3) - 112 Public Law 55 125 Stat 552 (*Exhibit 13: Theft Loss Report*). IOI (b)(6) resolved the discrepancy by submitting an email to (b)(6) [REDACTED] at the NFA Branch requesting the NFRTR be corrected. (b)(6) [REDACTED] corrected the issue.
- Investigators located a silencer with SN: GCSIL001 engraved on it. The Item did not appear on the NFRTR. (b)(3) - 26 USC 6103 [REDACTED]. The licensee explained that the on-line version of the ATF Form 2 created an error when he submitted the form. He stated the form eliminated the zeros. IOI (b)(6) contacted the NFA Branch and was advised by (b)(6) [REDACTED] to have the FFL submit a letter to the NFA Branch

FIREARMS INSPECTION REPORT

Name: High Palms LLC

UI#: 773015-2016-0641-B1B

Trade Name: GC Sporting Goods LLC

FFL#: 4-31-061-07-7K-03482

explaining the correction. The licensee complied and the NFRTR has been corrected (*Exhibit 10: Correction Letter to NFA Branch*).

- The NFRTR indicated (b)(3) - 26 USC 6103 [REDACTED]
[REDACTED] Mr. Hensley stated he received a cash refund from (b)(6) for the silencer at a gun show. There were no documents regarding the refund. IOI (b)(6) contacted (b)(6) indicated Mr. Hensley was correct and that he never transferred the item. (b)(6) from the NFA Branch was able to void the item from the original Form 3 and correct the NFRTR.
- The licensee failed to secure a "Perjury Statement" in the transfer of a silencer from an individual acting on behalf of the transferee (*Violation #11, see Exhibit 6: (b)(6)*). The license indicated he was not familiar with this requirement. The licensee was given a sample perjury statement and was instructed to begin using it on all transfers to an LLC or trust.

The licensee had all of his NFA Forms stored at his residence as noted above. The forms were in no particular order or filed together. Some forms took a considerable amount of effort to locate. IOI (b)(6) suggested a method of cataloging and storing the forms to which the licensee agreed would be beneficial. The licensee voluntarily purchased the necessary office supplies recommended by IOI (b)(6). IOI (b)(6) helped Mr. Hensley organize the NFA Forms in a binder in a manner that would make Mr. Hensley's record keeping more effective and efficient. All required Form 2 and Form 3 were matched to NFA items and the NFRTR.

As indicated above, the licensee has a Type 07 Manufacturers Federal Firearms License. During the inspection it was discovered that the licensee utilized another manufacturer: (b)(4)) for the licensee. High Palms LLC does not have a "marking variance" to conduct such activity (*Violation #10*). Mr. Hensley openly admitted that the engraving did not occur at his premises and did occur at Cadiz Gun Works. The licensee stated he stayed with the item while it was being engraved.

Investigators noted several entries in the A&D Record where various NFA items were taken to Spence Gunsmithing and Cadiz Gun Works for "gunsmithing" activities.

FIREARMS INSPECTION REPORT

Name: High Palms LLC

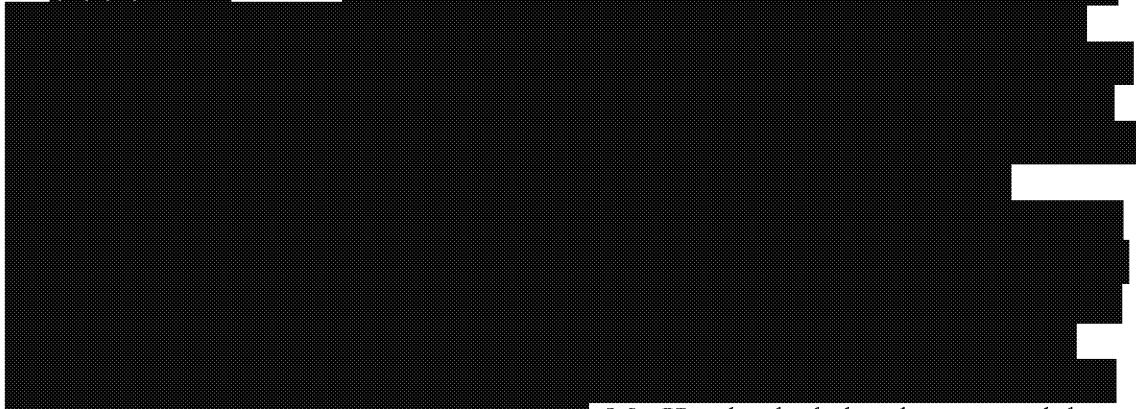
UI#: 773015-2016-0641-B1B

Trade Name: GC Sporting Goods LLC

FFL#: 4-31-061-07-7K-03482

Investigators also noted that there was no manufacturing equipment or tools of any sort at the licensed premises that would indicate manufacturing was occurring at the location. There was evidence to suggest that manufacturing “could” be taking place at the off-site storage location. A CNC Machine (*Exhibit 11: Photo of CNC Machine*) as well as assembly tools were at the off-site storage location. Mr. Hensley firmly denies conducting manufacturing activities off-site from the licensed premises however the evidence suggests it was not being conducted at the licensed premises. Sufficient evidence did not exist to sustain a violation.

IOI (b)(6) went to (b)(3) - 112 Public Law 55 125 Stat 552, (b)(3) - 26 USC 6103, (b)(4), (b)(6)



Mr. Hensley had already corrected the error prior to the investigators requesting him to do so.

10 - Referrals

No referrals were generated as a result of this inspection.

11 - Other

The licensee was compliant with the Youth Handgun Safety Act. The licensee had secure storage at the licensed premises and off-site storage location.

12 - Closing Actions

A closing conference was held on 10/6/2016 with Responsible Persons Glenn Hensley regarding the findings of the compliance inspection. The licensee was reminded of the Gun Control Act requirements for maintaining a Federal Firearms License. IOI (b)(6)

FIREARMS INSPECTION REPORT

Name: High Palms LLC

UI#: 773015-2016-0641-B1B

Trade Name: GC Sporting Goods LLC

FFL#: 4-31-061-07-7K-03482

reviewed the Report of Violations with licensee, concluding with the signing of the Report of Violations. An overview concerning Federal Firearms Rules and Regulations was then given to the licensee, concluding with the signing of the Acknowledgement of Federal Firearms Regulations (*Exhibit 14*) by the responsible person.

13 – Violations

1. 27 CFR 478.123(a)

Nature of Violation:

Failed to record the correct serial number of each complete firearm manufactured or otherwise acquired as required in a timely manner. Specifically, the licensee recorded the SN for (b)(3) - 112 Public Law 55 125 Stat 552 and the licensee recorded (b)(3) - 112 Public Law 55 125 Stat 552 when it should have marked as (b)(3) - 112 Public Law 55 125 Stat 552.

Licensee Response:

The licensee offered no response but acknowledged and agreed with the errors that generated the violation.

Corrective Action:

The licensee immediately corrected the error in his electronic bound book and was advised to be more cautious in the future when recording serial numbers as improper serial numbers can greatly affect ATF traceability of firearms.

2. 27 CFR 478.121(a)

Nature of Violation:

Failure to retain required records on the licensed premises in the manner prescribed and for the length of time prescribed by 478.129. Licensee admitted to keeping records off premises at (b)(6).

Licensee Response:

The licensee offered no response but acknowledged and agreed with the error that generated the violation.

Corrective Action:

All Form 4473 were transported to the licensed premises prior to the end of the business

FIREARMS INSPECTION REPORT

Name: High Palms LLC

UI#: 773015-2016-0641-B1B

Trade Name: GC Sporting Goods LLC

FFL#: 4-31-061-07-7K-03482

day of the inspection. Ensure to retain required records on the licensed premises in the manner prescribed and for the length of time prescribed by 27 CFR 478.129.

3. **27 CFR 478.129(b)**

Nature of Violation:

Failure to retain [REDACTED] ATF Form 4473s following a denial by NICS, for a period of not less than 20 years after the date of sale or disposition (ATF F 4473 [REDACTED] (b)(3) - 112 Public Law 55 125 Stat 552

Licensee Response:

The licensee agreed with the errors that generated the violation. Licensee asked what to do if a customer takes a Form 4473 from the licensee following a denial. The licensee stated he did not recall that the aforementioned scenario however he said it has happened in the past. The licensee was told to contact local police and file a theft report and to contact the Area Office.

Corrective Action:

Retain the firearms transaction record, ATF Forms 4473, for a period of not less than 20 years after the date of sale or disposition.

4. **27 CFR 478.124(b)**

Nature of Violation:

Failed to keep firearms transaction forms (ATF F 4473) in alphabetical, chronological, or numerical order.

Specifically, the licensee had a practice of cancelling and destroying forms pre-serialized and not replacing that form with another serialized form bearing the same number.

Licensee Response:

The licensee asked for clarification on serializing forms and when the serial number should be applied. The IOI's gave their opinion. The use of "white-out" was also discussed and discouraged by the IOIs.

Corrective Action:

Licensee was instructed not to assign a serial number to an ATF F 4473 until a transfer of a firearm had occurred and to maintain the completed forms in sequential order.

FIREARMS INSPECTION REPORT

Name: High Palms LLC

UI#: 773015-2016-0641-B1B

Trade Name: GC Sporting Goods LLC

FFL#: 4-31-061-07-7K-03482

5. **27 CFR 478.21(a)**

Nature of Violation:

Failure to properly complete ATF Form 4473 transaction as prescribed by the form [REDACTED] instances.

In [REDACTED] instances the licensee failed to ensure the transferee correctly answered item 11A in Section A of ATF Form 4473 (4473 Nos. [REDACTED]).

In [REDACTED] instance the licensee failed to complete item 24 (recertification signature) and Item 25 (recertification date) (4473 No. [REDACTED]).

In [REDACTED] instance the licensee failed to complete Item 31 (Trade Name) and Item 32 (FFL Number) (4473 Nos. [REDACTED]).

In [REDACTED] instances the licensee failed to complete Item 30a (Number of Firearms transferred) (4473 Nos. [REDACTED]).

Licensee Response:

The licensee offered no response but acknowledged and agreed with the errors that generated the violation.

Corrective Action:

Ensure that all ATF Form 4473 transactions are completed as prescribed by the form. Licensee was instructed to make a copy of the ATF Form 4473 and correct the error on the copy, where applicable.

6. **27 CFR 478.124(c)(1)**

Nature of Violation:

Failure to ensure transferee correctly completed ATF Forms 4473 [REDACTED] occasions.

[REDACTED] form the transferee failed to answer Item 11f (4473 No. [REDACTED]).

[REDACTED] form the transferee failed to answer Item 11g (4473 No. [REDACTED]).

[REDACTED] form the transferee failed to answer Item 13 (4473 No. [REDACTED]).

Licensee Response:

The licensee offered no response but acknowledged and agreed with the errors that generated the violation.

Corrective Action:

Ensure that the transferee properly completed future ATF Form 4473 transactions. These errors were made by the transferee and could not be corrected. Investigator ran the transferees through NCIC/III resulting in no hits.

FIREARMS INSPECTION REPORT

Name: High Palms LLC

UI#: 773015-2016-0641-B1B

Trade Name: GC Sporting Goods LLC

FFL#: 4-31-061-07-7K-03482

7. **27 CFR 478.124(c)(3)(i)**

Nature of Violation:

Failure to correctly record the transferee's identification information on ATF Form 4473 [REDACTED] occasion.

The licensee recorded the transferee's birthdate instead of the identification expiration date in Item 20a (ATF 4473 [REDACTED]).

Licensee Response:

The licensee offered no response but acknowledged and agreed with the error that generated the violation.

Corrective Action:

Ensure that the transferee's identification information is properly completed in all ATF Form 4473 transactions.

8. **27 CFR 478.124(c)(3)(iv)**

REPEAT OF VIOLATION CITED ON MAY 9, 2014.

Nature of Violation:

Failure to properly complete the NICS contact information correctly [REDACTED] instances.

Specifically, the licensee failed to record the accurate date the NICS check was completed in Item 21a [REDACTED] forms (ATF 4473 Nos [REDACTED] (b)(3) - 112 Public Law 55 125 Stat 552 (b)(3) - 112 Public Law 55 125 Stat 552).

The licensee failed to record the date a transfer may be completed in Item 21c following a "Delay" subsequent to a NICS check [REDACTED] instances (ATF 4473 No. [REDACTED]).

Licensee Response:

The licensee offered no response but acknowledged and agreed with the errors that generated the violation.

Corrective Action:

Ensure that transferor's information is properly completed in future ATF Form 4473 transactions. Licensee was instructed to make a copy of the ATF Form 4473 and

FIREARMS INSPECTION REPORT

Name: High Palms LLC

UI#: 773015-2016-0641-B1B

Trade Name: GC Sporting Goods LLC

FFL#: 4-31-061-07-7K-03482

correct the error on the copy, where applicable.

9. **27 CFR 478.124(c)(4)**

Nature of Violation:

Failure to properly complete the transferor firearm information [REDACTED] ATF Form 4473 transaction.

Specifically, [REDACTED] form, the licensee recorded a firearm as a pistol when it should have been a rifle. The error gave the appearance that the licensee transferred a handgun to an out of state resident (ATF 4473 No [REDACTED]).

Licensee Response:

The licensee offered no response but acknowledged and agreed with the errors that generated the violation.

Corrective Action:

Ensure that transferor's firearm description is properly completed in future ATF Form 4473 transactions. Licensee was instructed to make a copy of the ATF Form 4473 and correct the error on the copy.

10. **27 CFR 478.100**

Nature of Violation:

Licensee conducted business away from licensed premises. Specifically, the licensee indicated that he used (b)(3) - 112 Public Law 55 125 Stat 552 [REDACTED]. The licensee does not have a variance in place to conduct such activity.

Licensee Response:

The licensee acknowledged and agreed with the errors that generated the violation. Licensee specifically asked questions about transferring a machine gun to Cadiz Gun Works for gunsmithing. The licensee was referred to ATF Publication 5320.8 (NFA Manual) Section 9.5.1. The licensee was also provided with ATF Ruling 2014-1. The licensee was reminded to be cognizant of manufacturing vs. gunsmithing.

Corrective Action:

The licensee was instructed to immediately cease using a separate FFL to conduct required markings until a variance is in place for each licensed manufacturing facility utilized.

FIREARMS INSPECTION REPORT

Name: High Palms LLC

UI#: 773015-2016-0641-B1B

Trade Name: GC Sporting Goods LLC

FFL#: 4-31-061-07-7K-03482

11. **27 CFR 478.124(g)**

Nature of Violation

Failed to obtain from the individual acting on behalf of the transferee a written statement, executed under the penalties of perjury, that the firearm is being acquired for the use of and will be the property of the transferee, and showing the name and address of that transferee. In (b)(3) - 11 instance, the licensee transferred a silencer to an LLC and did not obtain a perjury statement (b)(3) - 112 Public Law 55 125 Stat 552, (b)(6)).

Licensee Response

The licensee agreed to the violation and stated he was not aware of the requirement. He felt the lack of understanding was an industry wide problem.

Corrective Action

Licensee was instructed on the purpose of the perjury statement and was given a sample perjury statement for future use. Licensee is to ensure that on all future transfers of NFA items to an LLC that a perjury statement is obtained.

12. **27 CFR 479.131**

Nature of Violation

Failure by the licensee, a manufacturer in firearms, to keep and maintain such records regarding the acquisition (whether by making, transfer, or otherwise), receipt and disposition of firearms as are prescribed, and in the manner and place required by Part 478 of this Chapter. Specifically, the licensee failed to enter into his A&D Record the (b)(3) - 112 Public Law 55 125 Stat 552

Licensee Response

The licensee agreed with the violation and immediately corrected the records.

Corrective Action

The licensee immediately will enter the firearms into his records. The licensee was advised to ensure that all acquisitions and dispositions were entered and disposed of properly and timely in the future.

FIREARMS INSPECTION REPORT

Name: High Palms LLC

UI#: 773015-2016-0641-B1B

Trade Name: GC Sporting Goods LLC

FFL#: 4-31-061-07-7K-03482

X

Industry Operations Investigator

Index of Worksheets and Exhibits

ATF Form 5030.5, Report of Violations

Firearms Worksheet Workbook, dated 10-14-15

Exhibit 1, Photograph of Door

Exhibit 2, Variance Request

Exhibit 3, Variance Request Approval

Exhibit 4, A&D

Exhibit 5, NICS Audit Log

Exhibit 6, Form 4473s

Exhibit 7, VCAB Report

Exhibit 8, Multiple Sale Reports and related Form 4473s

Exhibit 9, Corrected AFMER

Exhibit 10, GCSIL001 Correction Letter

Exhibit 11, CNC Photograph

Exhibit 12, (b)(3) - 112 Public Law 55 125 Stat 552

Exhibit 13, Theft Loss Report, dated 12-15-12

Exhibit 14, Acknowledgement of Federal Regulations