

## World Service Lawyer's Papers

THE FOLLOWING LETTER WENT OUT TO THE FELLOWSHIP AND REPRESENT THE KEY DOCUMENTS BACKING UP THE IDEA THAT SWEEPING CHANGES IN OUR SERVICE STRUCTURE ARE NECESSARY. READ THEM AND DECIDE WHAT YOU THINK. WHAT I THINK APPEARS AT THE END AND WILL LIKELY BE PRESENTED IN SOME FELLOWSHIP NEWSLETTERS. THIS IS WAY TOO IMPORTANT TO DELAY. READ, DECIDE AND CONTACT FRIENDS IF YOU WANT TO ACT IN TIME TO DO ANY GOOD.

Interested members may list their email or phone number to me if they wish to be available to answer questions in a particular area or region:

Bo Sewell bo@bosewell.com 404/525-3351 Atlanta

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N.A. LOGO - Narcotics Anonymous  
World Service Conference  
19737 Nordhoff Place  
Chatsworth, CA 91311 USA  
Telephone (818) 773-9999  
Fax (818) 700-0700

From N.A. World Service Conference (styled for web, copy verbatim)  
To: All Conference Participants From:  
The World Services Transition Group  
Date: 10 January 1998  
Subject: Summary letters from our legal consultants

As we reported to you in December, we have enclosed copies of letters from both of the attorneys that we have consulted during the creation of our proposals for consideration at WSC 1998. These letters are a general overview of the work that

they have done on our behalf over this conference year. The financial consultant that we have used has worked with the attorneys to ensure that all tax and financial issues were addressed. Most of the financial work will be done between now and the World Service Conference to set up a chart of accounts that fulfills the requirements of our proposed unified budget. Therefore, there will be no overview provided by them until we are closer to the WSC.

The draft bylaws for the proposed World Board are still being developed. They will be sent to you after they have been reviewed by the World Service Office Board of Directors and the World Service Board of Trustees at their upcoming meetings. Since our report and the resume form was sent out in December, we have received questions about how to forward a name to the proposed World Pool. Our proposal states that nominations to the World Pool consist of submitting a service resume to the Human Resources Panel. If the minimum requirements are met, the member's resume would be included in the World Pool. The proposal also recommends a nomination from a local service board or committee but does not require it. Anyone who would like to forward their name for inclusion in the proposed World Pool, should fill out the existing service resume form. This form was not created for this purpose so additional information may be submitted along with the resume form. This can include a nomination, specific interests or skills or any other information that might be useful to the Human Resources Panel.

The normal two page limit for resumes submitted to the World Service Conference for consideration does not apply to the World Pool. It is our expectation that if our proposals are adopted, the Human Resource Panel will develop a new resume form that is more appropriate for this use. We expect to see many of you at upcoming Conference Agenda Report workshops. As always, if you have any questions about our proposals, please do not hesitate to contact us through the WSO.

**WAGNER & MIDDLEBROOK  
ATTORNEYS AT LAW**

John E. Wagner  
Theresa Wagner Middlebrook  
Robert C. Smith of Counsel  
3541 Ocean View Boulevard  
Glendale, California 91208  
Telephone (818) 957-3340  
Fax (818) 957-8123

December 4, 1997

The Transition Group c/o World Service Office, Inc.  
 19737 Nordhoff Place  
 Chatsworth, CA 91311

Re:  
 Fellowship Intellectual Property Trust  
 In re Merger Proposal  
 Our Docket No: 03-9545-141

Dear Members of the Transition Group:

This letter is intended to summarize the various issues that this firm has addressed with respect to the proposed merger of WORLD CONVENTION CORPORATION ("WCC") into WORLD SERVICE OFFICE, INC. ("WSO"). WSO would be the surviving corporation, and its legal name would change to NARCOTICS ANONYMOUS WORLD SERVICES, INC. Our services have been targeted to the effects the merger would have on (1) the Fellowship Intellectual Property Trust ("FIPT"); and (2) the trademark registrations held by WSO as Trustee throughout the world.

#### THE IMPACT OF THE FELLOWSHIP INTELLECTUAL PROPERTY TRUST.

A change of name of the Trustee will require a conforming amendment to the FIPT, as well as an appropriate amendment filing with the California Secretary of State. I understand that one concern within the fellowship has been the risk of an adverse effect on the FIPT if the name of the Trustee changes. In addition, there is a procedural question as to whether the change in the name of the Trustee would trigger Article VII, Section 2 of the Operational Rules.

Changing the name of the Trustee (which is different than changing the identity of the Trustee to some other entity) is not a change to any of the terms or duties of the Trust itself. Legally, the new name of an existing entity merely replaces the old name, without having any effect upon the liabilities or responsibilities of the entity itself. This type of change does not create any legal break in the chain of title or any break in continuity, so long as the change of name is properly recorded in the public records.

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Article VII, Section 2 is applicable when an amendment to a "provision" or a "revision" of the Trust Instrument is sought. Unless otherwise defined, a work in a legal document is to be given its "plain meaning", which typically means to apply a common dictionary definition. "Provision" is defined as "a clause, as in a legal document, agreement, etc., stipulating or requiring some specific things; condition." "Revision" is defined as "a re-examination or careful reading over for correction or improvement." In the Trust Instrument, the name of the Trustee does not stipulate or require any 'specific things', nor is the name itself a condition. In addition, the name is not being changed for purposes of correction

or improvement in the substance of the document itself. Therefore, it would not appear that changing the name of the Trustee would trigger an obligation to comply with the procedures required by Article VII, Section 2.

With this change of name, we will want to seek the express consent of the fellowship for the Trustee to use the term NARCOTICS ANONYMOUS as part of the new name of the Trustee. Although this consent and use is implied in the approval granted by the fellowship of the new name of the Trustee, obtaining an express consent would be prudent and as well as clearly document that this use of the Trust property was considered and found acceptable by the Trustor/Settlor. That consent has not been necessary or an issue to date, as the Trustee has used an operational name that did not include any of the fellowship's marks.

On a related matter, we have the additional issue of the recent change of the title of the former regional service representatives to regional delegates. Likewise, this should not effect the operation or any of the provisions of the Trust itself, as this was only a change in name rather than a change of substance.

#### THE IMPACT ON TRADEMARK REGISTRATIONS.

As you know, at this time WSO holds in trust 70 registrations and/or applications for registration of trademarks and service marks in 33 countries around the world. Generally, the correct name of the registrant or applicant should be made of record with each of those foreign Trademark Offices. With some countries, the change of name documents needs to be filed immediately upon the change of name, while other countries are less strict, and would require this when a renewal application is filed. However, the most prudent practice is to provide the appropriate notice of change of name of a registration or applicant as soon as possible after the change goes into effect.

The general penalty for not timely providing the name of a change of name range broadly from potential unenforceability of the registration to simply delays in any enforcement proceedings until the ownership records are brought up to date. The name change process can also sometimes be time consuming.

Therefore, we recommend that once the change of name of the FIPT Trustee goes into effect, appropriate change documents be filed around the world as soon as possible. We have previously provided an estimate of overseas costs of filing the appropriate documents, which are expected to run a minimum of \$21,660 plus some additional costs such as translations.

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In addition, as you know, the service office has changed its address from Wyandotte to the present location. For administrative purposes, this would also be an excellent opportunity to bring the address file records up to date. On 40 of these files, the change of address notice can be filed either with the change of name or with the first renewal at no additional charge. There are five registrations in Columbia, which must have the change of address recorded as soon as

possible, as failure to do so may effect the enforceability of the registrations. For the balance of the registrations, specifically 20 additional files, there will be overseas filing or service charges to file the change of address. The estimates provided to us by our associates to date total \$5,539 in overseas costs. We recommend filing the changes of address at the same time as the change of name for two reasons: first, a general desire to keep the records current and second, this will often qualify for discounted legal fees with some of our associates. In addition to the foregoing costs, there will be additional costs and fees from this office incurred in the coordination of the filing of the changes of name and address, which I estimate will run between \$4,000 and \$5,000.

I trust that this responds to your inquiries to date. If I may be of any further service, or provide any additional information please let me know.

Very truly yours,

WAGNER & MIDDLEBROOK

Teresa W. Middlebrook

TWM: ba

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NEVERS & PALAZZO  
A PROFESSIONAL LAW CORPORATION

340 N. WESTLAKE BOULEVARD, SUITE 260  
WESTLAKE VILLAGE, CALIFORNIA 91362  
(805)495-0700  
(818)879-9700  
FACSIMILIE: (805)495-4440

DONALD J. PALAZZO

November 24, 1997

Transition Group  
c/o World Service Office, Inc.  
19737 Nordhoff Place  
Chatsworth, California 91311

Re: Transition Issues

Ladies and Gentlemen:

It was a pleasure meeting with you last week and discussing your last set of questions. As you requested,

this letter will summarize the work done by our law firm.

Our assignment was to advise you in your process of consolidating the activities of the various world service entities under the administration of one board. When we started, you and others had already done a lot of work in figuring out what you wanted to accomplish and had already created some working models. This meant that our focus was to address the legal issues presented by these models and advise you in your process of reaching a consensus on the one approach that appeared to work the best.

In the course of our activities, we consulted frequently with your accountants, Thomas Havey, LLP, to make sure that the tax and financial issues were properly addressed. We also consulted frequently with your intellectual property law firm, Wagner & Middlebrook, to make sure that the new structure was compatible with the Fellowship Intellectual Property Trust and the other protections that had been set up in the past for the Narcotics Anonymous literature and logos. Finally, we worked closely with the World Service Office executive co-directors and assistant executive director to help make sure that our recommendations would be workable with the world service staff and would be on the right track in addressing the goals and objectives of you, the conference participants and the fellowship.

Our approach throughout this process was to try to find the simplest, easiest and most cost-effective way for you to accomplish your goals. One of the first questions, therefore, was whether the new board could operate through one entity or if more than one was required. Charles Ross of Thomas Havey researched the tax laws, examined how the world services entities did business, looked at their past financial statements and concluded that only one entity was needed.

After we confirmed to you that we agreed with your decision to continue operating in corporate form, we recommended that you create your new board through one of your existing

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corporation, rather than forming a new corporation. We also recommended that you use World Service Office, Inc. ("WSO, Inc.") for this purpose, with World Convention Corporation ("WCC") merged into WSO, Inc. and the corporation given a new name and new governing documents. There were several reasons for these recommendations.

First, using WSO, Inc. would mean that we could rely on its existing tax-exempt status and avoid the delay, uncertainty, expense, and scrutiny that applying for tax-exempt status all over again would require. Second, using WSO, Inc. would make it much easier and less expensive to change over to the new structure, as much of the operations of the various world

service entities were already being conducted under the WSO, Inc. name. Avoided would be the need for new bank accounts, an extra set of tax returns, new books of account, new permits, new licenses and new identification numbers. Instead of going over all contracts and leases and asking for permission to transfer each of these documents one-by-one to the new corporation, using WSO, Inc. would mean that a simple notification would be all that would be required in most cases. Finally, Theresa Middlebrook of Wagner & Middlebrook reported that using WSO, Inc. instead of a new entity would save thousands of dollars in legal fees and application fees in dealing with the effect of the change on the Fellowship Intellectual Property Trust and on the trademark and copyright registrations held around the world.

Once these decisions on the structure were made, we then began to prepare documentation and to do the other work necessary to put this structure into place. In doing so, we spent substantial time on the new form of bylaws for the corporation, which is to be renamed Narcotics Anonymous World Services, Inc. ("NAWS").

In preparing the first draft of the NAWS bylaws for your review, we decided to use the current WSO, Inc. bylaws as the starting point, making only changes where your proposals required change where we believe California law may make change necessary or desirable. This means that the NAWS bylaws will preserve many of the concepts and much of the language and format of the WSO, Inc. bylaws, so that language and procedural questions that were discussed and resolved in the past would not need to be revisited, and so that the new bylaws would be easier to understand and work with for people who were already familiar with the old WSO, Inc. bylaws.

In most areas, we were able to work the transition group proposals into the new bylaws without needing to recommend changes. In a few areas, however, the first draft of the bylaws took a different approach to try to reach the same goal. We pointed these changes out to you when we submitted the first draft to you and discussed those changes with you at our meeting last week. Based on your input from our meeting with you and your discussions among yourselves later that weekend, we will be making additional changes to the bylaws for your final review and approval.

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One area in which we used our discretion was in the amount of detail to include. It seemed best for the new bylaws to contain minimal detail about how the changes from the old structure to the new structure would be implemented. We thought that this was a subject that was best left to the board members or committees appointed for transition tasks. Once the transition is completed, keeping all these extra provisions in the bylaws would be unnecessary and could create needless confusion.

Similarly, the bylaws create a framework for how committees are to be

established, but leave it to the board members in most cases to decide what committee to form, what these committees will do, and who their members will be. This will allow board members more flexibility as needs change over the years. However, the bylaws did include provision for the executive committee and for the committee of the guardians, as the existence and operations of these two committees seemed central to the concept of how the organization would operate in the future.

One important area addressed by the bylaws was the relationship between the corporation, the board members and the World Service Conference ("WSC"). Throughout the bylaws, specific provisions instruct the board members to follow the will of the WSC, such as, for example, in establishing or amending External Guidelines. A general provision is also included requiring board members to abide by the Twelve Traditions and the Twelve Concepts and act in a manner consistent with the will of the WSC. However, great care was taken not to give the WSC the legal power to direct the affairs of the corporation for two reasons. One, it is unclear whether such provisions could be enforceable, since, by law, the board members have the final authority and responsibility and are held accountable to use their best judgement in carrying out their duties. Second, if giving the WSC the power to go to court to compel certain action was desired, proof would be needed in court as to who the WSC was and who was authorized to direct NAWS on behalf of the WSC. This would then require extensive procedures and formalities on an ongoing basis to clearly conclude who was qualified for WSC membership, how WSC membership could be granted, refused or taken away, how WSC would act, how those acts could be challenged and so on and so on. It does not make a lot of sense to go through this lengthy, complicated, expensive and potentially divisive process for every conference just to be able to provide a better opportunity for someone to go to court to undertake a legal process that almost certainly would be lengthy, costly, disruptive and divisive. Rather, it appears to make more sense to follow the other procedures and safeguards that you have set forth in your proposals to help assure that the will of the WSC is followed without the need to resort to the courts. The new bylaws try to do this.

To better allow the WSC to control the choice of board members, the bylaws call for board members to be selected by the chairperson of NAWS, with such selection to be made in accordance with the will of the WSC. We anticipate that the WSC will not give the chairperson any choices, but will instead submit only one name for each vacant position. This provision is

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intended to avoid the need for the board members to conduct any elections or make any choices in this area.

Once the board members are selected, the bylaws carry forward your



requirement that at least thirteen affirmative votes are needed to take action when the full board is seated. With so many votes required, the risk is reduced that a small number of board members will take action that, whether by accident or design, is not reflective of the will of the WSC.

Your initial proposals also called for the suspension of a board member in the event of misconduct, with only the WSC having the power to remove the board member. As we discussed, we believe that phrasing the bylaws in this way could create problems, as the law does not provide for the concept of suspension, and we would have to create all the rules for how such a suspension would affect all the various operating procedures of the corporation, such as quorum requirements, voting requirements, etc. Even if such rules were created, it is unclear whether a court would follow them or set up its own rules and procedures, again after a divisive and expensive court fight. Therefore, the bylaws take a different approach, allowing a board member accused of misconduct to be removed by the other board members, but only after the vote to do so by at least thirteen board members. Even if a board member is so removed, the WSC can vote at its next conference to reinstate that removed board member if it disagrees with the removal. In such an event, the remaining board members are directed to carry out that reinstatement.

Finally, we have addressed with you various related legal issues that have come up in connection with this project. One was the potential for the name change to result in additional legal proceedings involving the corporation, and how to reduce this potential problem. Another involved working with your accountants to investigate the past dealings of the WSO, Inc., WCC and various other groups and entities with the IRS and how best to position the corporation for future dealings with the IRS. Working with Theresa Middlebrook, we helped analyze and propose measures to try to eliminate the ability of creditors to be able to seize or control the Natcotics Anonymous literature or trademarks in the event of an economic disaster that might put the other corporate assets at risk. We also discussed some of the legal issues raised by the various titles that could be used to identify board members, and advised you as how to reduce the risk of confusion or liability. Along the way, many other questions were addressed and answered as they came up.

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We hope that this summary is helpful. Please feel free at any time to call if you have any additional questions or require something further.

Very truly yours,

Donald J. Palazzo  
of Nevers & Palazzo

DJP:gs  
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## PERSONAL RESPONSE

by Bo S.

There might be some confusion among newer members of NA as to why many of us do not automatically trust members in WS. Well, I can speak for myself. I have been trained to be this way by WS. With several major oversights, poor or awful miscarriages of sensitive projects, secrecy with bad results for the Fellowship and a steady, ongoing series of stories among members who have been forced out of WS after saying things like, "I think we have to go to the Fellowship to find out what they want to do about this." We really wish there were no problem but I can deal with the facts enough to admit this is the case. These legal papers make the basic level of the sweeping changes plainer than anything else I have seen. If approved, these changes would completely alter the Fellowships position and no one has had time to digest them to see if they have any merit or if they are just the accumulation of bureaucratic processing over the past five or six years. Each year's crop of new recruits factoring in their personal views and the consistent move towards a few people having MUCH MORE CONTROL and the Fellowship having almost no real say at all.

Is this what you want, NA? Is the delegate process enough to give the Fellowship an active voice in the FIPT? I wonder who was supposed to be speaking for the Fellowship interests in directing the lawyers to prepare their document? Why is there no mention of Fellowship wishes? Why is only efficiency and cost effectiveness considered important? It looks bad to me that the service structure was shut down right after it became obvious that World Services had NOT been doing its job properly.

Then, before the structure gets a chance to adjust to the new situation, the entire structure is rewritten under a process that is completely hilarious. That a small group of powerful addicts would be empowered to work in general secrecy, issuing vague, confusing statements as if this satisfied their obligation and responsibility to the Fellowship to keep them informed. It had an opposite effect: it so confused and baffled the Fellowship that for the past four to six years, members stopped taking an active interest in general. Specifically, discussion of the Conference Agenda Report dropped off almost completely. Given the massive reduction of Fellowship feedback, it is ludicrous for a few employees to pretend to be giving these attorneys accurate information. Who speaks for the Fellowship today? In general, the Fellowship has voiced disapproval of

secrecy, back room dealing, and obscuring issues with big words and poor presentation.

Openness, honesty, self-lessness and concern for the addict seeking recovery used to be the principles guiding us. Thinking the Fellowship has a say in what is going on is like saying customers run K-Mart! They are present, they certainly support world services with their money - it is the only store they can shop. But they do not have a say! The managers and executives make the decisions. But our service center is not K-Mart. We have no where else to shop plus we own the store!

The whimsical tone of the second legal opinion (Nevers & Palazzo) obviously ignores the very real and very upsetting changes in our literature, and taking five years to do an inventory that could have been done in a week! Perhaps no one told them. Does anyone think the Fellowship asked for the structure changes? Did any area, region or member ask for this? It doesn't even come up. Instead we are insulted by examples pretending to be informed implying that the Fellowship is looking to cause trouble for World Services, and they don't want to encourage that sort of thing.

It may be a while before the informed Fellowship comes to grips with these difficulties, but this is hardly a time to cut our lack of understanding into stone by approving the sweeping structural changes taking away the open atmosphere of discussion, agreement and awareness that used to characterize our service structure.

The early statement that the several world service functions could be done by one corporate entity doesn't even consider the problems incurred by putting all your eggs in one basket. The examples are poor and worst of all, the statements relating to the WSC being able to remove board members and the Fellowship having a say when even the title of 'representative' has been eliminated from our service structure, replacing it with the word 'delegate' that suits a relationship where organization direction is given over to others rather than the trustor/trustee relationship implicit in the FIPT wording.

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*Webmaster*  
*Copyright © 1997 Beaux Art*

*521 W. Bay Street #12 - Jacksonville, FL 32202*

*[bosewell@earthlink.net](mailto:bosewell@earthlink.net)*

