



**Narcotics  
Anonymous.**

# Convention Workbook

October 1988

## INTRODUCTION

For the last several years convention trusted servants in our fellowship have been requesting more specific information than that which is included in the Convention Guidelines. The World Convention Corporation has had to develop many of the items in this workbook out of necessity. We have found that there are several aspects of convention programming that are the same regardless of the size of the convention or its location. Because of this, we have found it to be very useful to disseminate this information which has proven itself to be a useful resource.

The information contained in this workbook is actual examples of bylaws, committee guidelines, alternative structure to a corporation, contracts, addendum's to contracts, standard contract riders, copies of fiscal reports, sample budget, copyright release agreement, and a section relating to filing for Tax Exemption. Additionally, we have included a copy of generic agreements and addenda that can be modified for your specific use.

It is our intent that providing these actual documents can assist convention trusted servants in their convention efforts. We in no way contend that these are the only ways to effectively administer conventions, we provide them only as a possible resource. The items that are included in this workbook are the result of the experience of the World Convention Corporation over the last few years, as well as some input from specific regions. During that time we have been able to assist many convention trusted servants to save their respective N.A. communities from undue convention difficulties.

The workbook is still in the process of development and as a result does not contain the narrative presentation of the workshop. It will be necessary for you to take some notes from the narrative presentation, to go along with the examples provided.

We hope that you find this information helpful.

## LISTING OF CONTENTS

- I. **Introduction**
- II. **Sample Regional Convention Committee Guidelines**
- III. **Sample Organizing Instruments**
  - 1. WCC By-Laws
  - 2. Regional Convention Administrative Committee
- IV. **Tax Exemption**
  - 1. Excerpts From IRS 557
  - 2. Instructions for IRS Form 1023
- V. **Implementation Examples**
  - 1. Registration Floorplan
  - 2. Merchandising Floorplan
  - 3. Sample Registration Flyer
  - 4. Room Utilization Plan
  - 5. Income Tracking Report
- VI. **Sample Hotel Contracts**
  - 1. Agreement w/Anaheim Hilton
  - 2. Agreement w/Anaheim Mariott
  - 3. Agreement w/Orlando Stouffers Resort
- VII. **Sample Municipal Facility Agreements**
  - 1. Agreement w/Anaheim Convention Center
  - 2. Agreement w/Orange County Convention Center
- VIII. **Contracts**
  - 1. Merchandising Agreement
  - 2. Personal Service Agreement
  - 3. Addendum For Entertainment Agreements
  - 4. Addendum 2 Musical Equipment
  - 5. Addendum 3 Musical Equipment
  - 6. Taping Agreement
  - 7. Copyright Release Agreement
- IX. **Entertainment Agreements**
  - 1. Live Dramatic Performance
  - 2. Addendum to Live Dramatic Agreement
  - 3. Live Performance w/Professional Entertainers
  - 4. Addendum to Professional Entertainers Agreement
  - 5. Disc Jockey Agreement 1
  - 6. Disc Jockey Agreement 2
  - 7. Addendum I DJ 2
  - 8. Addendum II DJ 2
- X. **Fiscal Examples**
  - 1. Payment Checklist
  - 2. Budget
  - 3. Annual Report

### Vice-Chairperson

1. Acts as Chairperson if the Chairperson is unavailable.
2. Coordinates subcommittees and attends as many subcommittee meetings a possible, in order to ensure that they get the necessary support to do a good job and meet all deadlines.
3. Works closely with the Chairperson to delegate responsibilities to subcommittee chairpersons.

### Secretary:

1. Keeps minutes of all committee meetings and subcommittee reports.
2. Mails minutes to committee members and RSO Secretary after approval by the Executive Committee Chairperson. Copies of minutes are to be handed out to the RSC Executive Committee and CAP members. Minutes are mailed out within days after the Convention Committee meeting.
3. Maintains a list of names, addresses, and phone numbers of committee members for committee use.
4. Keeps extra sets of minutes, updated after each committee meeting, for members who request a complete set.
5. Assists all committees in mailing and correspondence.

### Treasurer:

1. Opens a bank account for the Convention Committee. Usually the signatures for the account are any two of five signatures which are: the Convention Committee Chairperson, Vice Chairperson, Secretary, Treasurer and RSO Treasurer. The cards and account information are filled out at the committee meeting.
2. Works with the Chairperson, Vice-Chairperson and RSO to prepare a budget for the convention. The budget is based on the subcommittees' recommendations as to the monies they will need to carry out their tasks. When all of the financial needs of the subcommittees are listed and totaled, the income should also be outlined and balanced against anticipated expenditures.
3. Writes all checks and is responsible for collecting receipts from subcommittees for money paid out.

4. Responsible for all monies, including revenues from registration and banquet tickets, pays all bills, and advises the chairperson on cash supply, income flow and rate of expenditures.
5. Reviews subcommittee reports for departures from the financial plan not mentioned in the original budget so that an accurate budget can be maintained. This information is included in the Treasurer's report.
6. All requests for reimbursement must be accompanied by receipts, bill copies, purchase orders etc. In such cases where pre-payment or deposits must be made, disbursement can be made directly to the requesting Subcommittee Chairperson, provided 1) Prior Executive Committee Approval is obtained and, 2) A signed and dated voucher or promissory note is provided by the recipient indicating the purpose of the expenditure and the projected date when receipts can be provided and or monies returned to the Treasurer.

**Convention Representative:**

1. Attends all RSC meetings and gives monthly reports.
2. Makes presentation of site selection and dates.
3. Acts as liaison between RSC and Convention Committee.

**BUDGETS**

The importance of making a budget for the Convention Committee and subcommittees needs to be emphasized. At this stage of planning, the Committee will list as many financial responsibilities as possible. Each sub-committee does the same.

The Arts and Graphics Committee projects a monetary figure for flyers, programs, banner(s), literature, and other displays and graphics that will be used at the convention. The Program, Public Information and Registrations Committees estimate the cost of mailing, paper, envelopes, and other office supplies needed to carry out their duties.

The Entertainment Committee sets a budget based on the entertainment which will be used at the convention. If fundraising is necessary this committee also sets a new budget each month which includes the expenses of functions the other committees perform on their behalf, such as designing flyers, or mailing. For the sake of expediency, the committee maintains a petty cash fund to aid in its operations (to be administered by the Executive Committee Treasurer).

The Hotels and Hospitality Committee projects attendance figures before setting a budget. This is the most difficult area to budget because we can never really be sure of attendance until a few weeks prior to the convention (often not until the convention itself). A reasonable projection of participation is a figure between 40 and 60 percent above the pre-registrations, depending on the efficiency of fellowship communications. With regard to banquet tickets, prudence and caution should be used when estimating the number of tickets because this is one important area where a committee can fall into the red.

### SUBCOMMITTEES

Nominated or appointed from Convention Committee members, or elected on the floor of the RSC, the Subcommittee Chairpersons should have general qualifications as outlined in the qualification section previously shown. Specific service or vocational experience should be considered prior to election or appointment. It should be clearly understood that the subcommittees have specific service responsibilities to perform. Any subcommittee chairperson who misses two consecutive Convention Committee meetings will forfeit their position. This position will then be open for re-election at the third Convention Committee meeting.

Subcommittees are vital to the convention, and individuals should expect to be replaced if they are unable to serve for any reason. Naturally, replacement necessities, this is because we are as concerned for the member as service who is unable to stay clean. Each subcommittee has only one chairperson who then recruits committee members.

Subcommittee meetings operate according to Robert's Rules of Order unless specified otherwise by these Convention Guidelines. This ensures that the meetings run smoothly and then business is conducted in an orderly fashion.

Each subcommittee chairperson should be aware of what responsibility each member has assumed, and make sure that every task assigned is carried out.

All financial contracts shall be signed by the RSO or the Convention Corporation Board if one exists.

Subcommittees maintain accurate records of all activities of the committee as well as all correspondences. Financial reports, including needs, expenditures, and receipts are included with each subcommittee report.

The subcommittees of the Convention Committee work together. At the onset, each subcommittee should decide whether or not they will use the services of another committee, or address that particular area of business themselves. Although either way is effective, remember, cooperation and consideration are the keys that will make it work.

## HOTELS AND HOSPITALITY

The Hospitality Committee Chairperson serves as the convention host, organizing a committee that will greet out-of-town guests, arrange transportation for them when necessary, and attend to any other needs they might have while attending the convention. The Hotels and Hospitality Committee collects and makes available information about bus routes, approximate taxi fares, and availability of limousine or train service to and from the airport.

This subcommittee contacts prospective hotels in order to assemble information which is then used for the purpose of comparison. There is usually one hotel which stands out from the rest in terms of being easy to work with, good room rates, sufficient banquet rates, etc.

Beware of open-end charges by hotels which can be made to the Convention Committee without the committee's prior knowledge. Consistent and complete discussions about all aspects of the convention, which could result in unanticipated charges, will prevent them from occurring. Informing the hotel that the committee is unable to easily pay unexpected and that you are willing to exert yourself to make sure there aren't unexpected charges, will result in the hotel staff double-checking the fees in order to make sure they don't extend services which may be left unpaid. In this way, convention costs can be dramatically reduced and our credit rating may be protected.

For example, coffee is a big overcharge item. Settle on a fixed amount rather than allowing the hotel to continue refilling pots. Keep a pot in the hospitality room and perhaps one other location. Set up an arrangement wherein only one, or at most two, individuals can order and sign for the coffee and make it clear that the committee will only honor coffee bills either a specified signature. Since the negotiations can get a little technical, it is a good idea to use members who have experience working with food and beverages.

A good negotiator, who is willing to ask the hotel these difficult questions, is almost indispensable. Hotels will almost always give a substantial reduction on room rates if they can recoup the revenues on the banquet. If enough rooms are reserved by attending members, hotels will often provide large conference halls for free.

While negotiating prices with hotels, keep in mind that they are competing with other hotels for your business. Try to get as many services as possible for the lowest price. Never assume that the first, second, or third price offer is rock bottom. In early negotiations, make sure that the costs are approved at the committee level. Input from the group conscience is the best possible kind of input, and provides a perspective we lack as individuals.

The Hotel and Hospitality Subcommittees works closely with the Program Subcommittee to set up the rooms for meetings and workshops. In other words, the hotel needs an accurate schedule of events in order to have the rooms ready for those events. A good hotel will usually help with the scheduling because they know what impossible with their floor plan and staff. It is always wise to try to book a hotel for a weekend when there is no other Fellowship convention or competing activity taking place.

The hospitality aspect of the Hotels and Hospitality subcommittee is one of the best ways for the average member to get involved with the convention and have a lot of contact with the attending members. Start with getting the income out-of-towners who need a ride from the airport. Next, assign members to stay around the registration areas and welcome people to the convention and help with miscellaneous duties.

Hospitality subcommittee members can wear colored ribbons designating them as people who can answer questions about the convention. The Hospitality Committee members have to be familiar with all activities of the convention so that they can work hand in hand with the hotel staff. However, it is best to limit the number of members who deal with hotels sales and management personnel. These members can bring any matters which have an impact on the convention to the attention of the Executive Committee. It is good idea for the Hospitality Subcommittee to meet several times at regular intervals during the convention to exchange notes and take a group conscience on any matters which are unclear.

### ENTERTAINMENT

Responsibility specifically for entertainment is a part of the Entertainment Subcommittee. The subcommittee members select the band or disc jockey for the dance and activities at the convention. Generally, big name bands are not appropriate because of the expense and possibility of distracting us from our purpose. It should also be noted that all expenses which can be foreseen should be listed in the convention budget.

The Entertainment Subcommittee arranges the dances for the convention and a floor show if one is approved. The chairpersons, local NA's provide entertainment by putting on plays about NA, or putting together choral groups and variety shows. It is important to prepare a list of functions, including the dates, times, and places in order to ensure success.

The Chairperson of the Entertainment Subcommittee should know the Twelve Traditions well. She/he should be an energetic person who is willing to work hard, and should be totally trustworthy with regard to money. The chairperson should also be able to get members involved with activities and deal effectively with people outside the Fellowship in setting up dances, etc. It is also important that receipts and proceeds be turned in promptly and that the Entertainment Subcommittee work closely with the Convention Committee Treasurer.

If fundraising is necessary, it becomes the responsibility of the Entertainment Subcommittee. The subcommittee plans activities such as dances and picnics in order to raise money for start-up expenses, flyers, printing, postage, etc. The Merchandising Subcommittee, in cooperation with the Entertainment Committee, may hold raffles, sell T-shirts, bumper stickers, etc., at their activities. The service structure of NA is holding company which gives all representative service committees of NA the right to use the NA logo. Should an abuse of this right occur, it should be brought to the attention of the RSC, and World Service Office. Fund-raising within the NA Fellowship should always emphasize why the money is needed. Taste and good sense can set a tone which emphasizes caring and sharing in the spirit of NA. Fundraising, utilizing the theme of the convention, can set the mood to motivate the Fellowship to its final celebration at the convention.



After the above steps have been taken, the calender of events can be forwarded to the P.I. Subcommittee for distribution in the region. This encourages support and interest in many nearby members. Insufficient exposure and communications regarding fundraising activities often result in poor turn-outs at events and subsequent ill feelings toward the Convention Committee. The success of these activities is proportionate to the amount of planning and effort expended. All expenditures should be forecast and included in the convention budget.

When designing flyers, remember that they are released in hospital, institutions, and other facilities which relate to NA. Appropriate use of language and lithography is crucial as these flyers represent NA to the public. The flyers can be designed by the Arts and Graphics Committee if it is acceptable to the Entertainment Committee.

### PUBLIC INFORMATION HOSPITALS AND INSTITUTIONS

Guidelines on these two subcommittees are tabled until more specific coordination can be done with the appropriate Regional subcommittees.

### REGISTRATION

The Registration Subcommittee is one of the busiest committees of every convention. Although its most intensive work is completed in the weeks just prior to and during the convention, its responsibilities begin with the advance planning. Such planning includes drafting flyers and forms (at least six months prior to the convention date) in order to allow sufficient time for review by the full committee. The mailing schedule for flyers and preregistration forms should also be established at this time.

The first flyer announcing the convention should be made as soon as the dates are established and a contract or agreement is reached with the hotel. In this manner, participants will have an opportunity to schedule vacations or make other arrangements to attend the convention. The advance flyer can be distributed even if complete registration forms or convention fees have not been set. The flyer can be sent to the World Service Office to be included in the "Newsline". The committee should also do a direct mailing to NA members listed on computer generated reports and guest books from the previous  

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Convention.

When pre-registration and arrival registration information is available, the Registration Subcommittee prepares a finalized flyer. Copies of this flyer, and the registration forms, should be sent to the RSC and WSO as well as to all members on mailing lists.

Care should be exercised in the production of flyers and registration forms. They should be clear and informative, not confusing. Flyers should be attractive but need not be ornate or expensive.

The finalized flyer, with registration forms, should be sent to the RSC for distribution to all areas at least five months prior to the convention, and again about ninety days prior to the convention. In this way, members can make plans to attend and those who have forgotten or delayed in registering are reminded. Sometimes convention planning committees generate additional activities which were not scheduled when the original convention schedule was announced. The final mailing, at ninety days prior to the convention, can be used to announce such changes and additions.

A clear understanding should be reached between the Registration Subcommittee Chairperson, the full Committee, and the Convention Committee Treasurer on the procedures for handling registrations and money. One person should be assigned the responsibility of tracking and recording registration from the Post Office Box at least two or three times a week. Registration form records should be maintained on a weekly basis and all money received should be transferred to the Convention Committee Treasurer prior to full Convention Committee meetings.

As each registration is received, by mail or a direct sale, a record should be made indicating information about the restraint and all money received. If free registrations are given out as a part of promotional activities, the committee must keep careful records of what is provided and to whom. All registrations, with numbered cash receipts are used for preparing confirmations. The Convention Committee Chairperson, in conjunction with the Treasurer, should establish a good working system for handling cash registrations received. All registrations should have numbered cash receipts. Each member of the Registration subcommittee who is authorized to accept registration money should work out of one cash receipt book with three-part carbon copies.

The Registration Subcommittee conducts its activities within the scope of the budget authorized by the full committee. When funds are needed for expenses, they are obtained from the Convention Committee Treasurer. Undeposited cash received by the Registration Subcommittee is not to be used for committee expenses, as it can result in confusion and possible misuse of funds.

The record system developed by the Registration Subcommittee should be simple and clearly understood by all members of the Committee. The records of all registrations and breakfast or banquet ticket sales should be updated at least once a week. In this way, the full committee can be apprised of the financial status. This record system can be used to verify the Committee Treasurer's records and provide an indication of the solvency of the convention.

A duplicate records system should be maintained for all Registration Subcommittee activities. A simple file box containing 3 X 5 cards arranged alphabetically is a simple and effective method. A card is made for each registration which indicates all functions for which they have paid and the receipt/confirmation number.

As each mailed registration is received, a confirmation card is sent to the registrant. Most conventions only send confirmation cards for registrations which are received by the announced cutoff date. The cutoff date for pre-registrations (never less than two weeks prior to the convention) is included in the convention flyer.

The Registration Subcommittee is responsible for preparing a complete registration packet which includes:

Convention Program  
Name Tag or Badge  
Ticket (Banquet, Breakfast, Dance, etc.)

### ARTS AND GRAPHICS

The Arts and Graphics Subcommittee is comprised of members who are artistic and energetic. Prior to the convention, this committee is responsible for designing and/or printing the convention logo, banner, programs, tickets, flyers, convention posters and directional posters. This also includes any items which may contain the convention logo or other artwork such as coffee cups and t-shirts. A variety of designs for each item is presented to the Convention Committee in order to provide a choice of selections. It is necessary for the Arts and Graphics Subcommittee to coordinate its work with the other subcommittees.

Arts and Graphics shall also be responsible for soliciting on a regional level ideas for the convention's theme and logo. Present all ideas and suggestions to the entire Convention Committee for feedback. The Chairperson of this committee develops a budget which includes all printing and other expenses. Once the budget is developed, it will be presented to the Treasurer and the Convention Committee for approval.

#### Helpful Suggestions:

1. Develop a set of priorities & keep first things first.
2. Encourage members with artistic talents to get involved.
3. Solicit help from as many members as possible (newcomers).
4. Find a large room in which to work.
5. Utilize any and all resources available: members who work in hobby/craft stores, printing offices, copy shops, etc., may be able to provide services or supplies at discount rates.
6. Adhere to the group conscience of the Convention Committee remembering that our group's ultimate authority is a loving God expressed through the group conscience.

### PROGRAM

Without a good program, the trouble and expense of putting on a convention isn't justified. The reports of the Program Subcommittee should therefore be given appropriate attention. It is suggested that members of this committee have minimum of one year clean time and a working knowledge of the Twelve Steps and Twelve Traditions.

The Program Subcommittee develops plans for workshops and meetings at the Convention. Members of this subcommittee make recommendations for speakers, meeting chairpersons, and others to help with the program. They recommend a schedule of all events to take place during the convention and prepare the written program to be distributed to attending members. They attempt to have a balance of workshops for newcomers, service-minded persons and spiritual discussions. They submit these recommendations to the Convention Committee for review and approval.

One of the main problems in scheduling is the event of no-shows. Due to this, a note should be made somewhere in the program or registration package that includes a specific location and times for readers, speakers, workshop chairpersons or anyone involved in the convention program to sign-in. In the event of a no-show, a pool of members should be available from which to select replacements.

The basic qualification for participation on the program of the Convention is membership in NA, however Main-Meeting Speakers are also required to have a minimum of five years clean time. A Speaker Workshop chair at the convention shares his/her personal experience of recovery in Narcotics Anonymous. Potential speakers and program participants are people who base their recovery on powerlessness over addiction, identify themselves as addicts and attend NA meetings to sustain their recovery. These qualifications assure an NA member gets an NA convention. The best speakers for conventions are those who address recovery as if their lives, as well as the lives of the listeners, depend on it. It is important to keep in touch with speakers as the convention draws near and assist them in any way possible to ensure their attendance.

Workshops are held to satisfy the needs of our membership for information or discussion on specific topics and services related to NA. It maybe important to schedule similar workshops consecutively rather that at the same time. This allows interested members to attend an entire series of related workshops rather than having to choose between two or more workshops they would like to attend.

The program of Naranon often holds meetings and workshops during NA conventions. This is for the convenience of both Fellowships and is an example of cooperation not affiliation. Naranon meetings may be listed separately on the NA Convention Program, or have a program of their own. The Program Subcommittee should be advised of their scheduling requirements as well as any other matters of mutual concern.

Taping the speakers and workshops allows members who are unable to attend all functions, the opportunity of hearing them at home or to share with others. Written consent must be obtained from Speakers of taped meetings or workshops in advance of actual taping. When contracting with someone to record meetings, it should be clearly understood that the copyrights to the tapes are held by RSO.

Whenever funds are available, a speaker's travel expenses should be paid. Sometimes complimentary rooms are provided to Main-Meeting Speakers as a way of deferring the additional expenses. Hotels usually give the convention a certain number of complimentary rooms which can be used for this purpose. These financial considerations should be taken intl account when the budget is being drawn up in order to provide the Program Subcommittee with an idea of available funds for securing speakers.

The Merchandising Subcommittee Chairperson should be business-minded and have an understanding of the Twelve Traditions, especially with regard to the sale of NA related items. The Merchandising Subcommittee prepares a budget consisting of items to be sold and expenses incurred. Once the items are agreed upon within the subcommittee, the Merchandising Subcommittee Chairperson presents a list of the items to the Convention Committee for approval. The list includes a statement of actual and marketing costs with the time frame for obtaining the items. This subcommittee is responsible for the sale of merchandise at the convention and fund-raising activities. Careful consideration should be made in negotiating the purchase price of these items; three different bids are usually required.

This committee must communicate with the Hotels and Hospitality Subcommittee when planning space and time requirements for a store or booth at the convention site.

The Merchandising Subcommittee Chair is responsible for purchasing and storing the items in a safe place; maintaining a continuous inventory statement; and maintaining a set of financial records with receipts. These statements and records should be submitted to and reviewed regularly with the Convention Committee Treasurer. This is done to assure accountability for all merchandise and funds. A final inventory statement is provided to the Treasurer within a week after the convention for attachment to the Treasurer's Final Convention Report.

The Merchandising Subcommittee is responsible for the acquisition and sale of NA-approved literature at the convention.

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**SAMPLE ORGANIZING INSTRUMENTS**

**COPY FOR  
REFERENCE ONLY**

**NOT FOR  
DISTRIBUTION**

**BY-LAWS OF**

**WORLD CONVENTION CORPORATION, INC.**

**A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION**

**ARTICLE 1. OFFICES**

1.01 **PRINCIPAL OFFICE.** The principal office for the transaction of the activities and affairs of the corporation ("principal office") is located at 16155 Wyandotte Street, Van Nuys, California 91406. The Board of Directors ("Board") may change the principal office from one location to another. Any change of this location shall be noted by the secretary on these bylaws opposite this section, or this section may be amended to state the new location.

1.02 **OTHER OFFICES.** The Board may at any time establish branch or subordinate offices at any place or places where the corporation is qualified to conduct its activities.

**ARTICLE 2. OBJECTIVES AND PURPOSES**

The objectives of this corporation shall be to sponsor and conduct the annual world conventions of Narcotics Anonymous to carry the message to addicts who still suffer and to provide support for others who are still afflicted by the disease of addiction.

**ARTICLE 3. NONPARTISAN ACTIVITIES**

This corporation has been formed under the California Nonprofit Public Benefit Corporation Law for the public purposes described above, and it shall be nonprofit and nonpartisan. No substantial part of the activities of the corporation shall consist of the publication or dissemination of materials with the purpose of attempting to influence legislation, and the corporation shall not participate or intervene in any political campaign on behalf of any candidate for public office or for or against any cause or measure being submitted to the people for a vote.

The corporation shall not, except in an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the purposes described above.

**ARTICLE 4. DEDICATION OF ASSETS**

The properties and assets of this nonprofit corporation are irrevocably dedicated to the promotion of social welfare. No part of the net earnings,

properties, or assets of this corporation on dissolution or otherwise, shall inure to the benefit of any private person or individual, or any member or director of this corporation. On liquidation or dissolution, all properties and assets and obligations shall be distributed and paid over to an organization dedicated to the promotion of social welfare, provided that the organization continues to be dedicated to the exempt purposes as specified in Internal Revenue Code Section 501 (c) (4).

## ARTICLE 5. MEMBERS

5.01 MEMBERS PROHIBITED. The Corporation shall not have any members.

5.02 EFFECT OF PROHIBITION. Any action which would otherwise require approval by a majority of all members or approval by the members shall require only approval by the board. All rights which would otherwise vest under the Non-profit Corporation Law in the members shall vest in the Board.

## ARTICLE 6. DIRECTORS

### 6.01 POWERS.

(a) General corporate powers. The business and affairs of the corporation shall be managed, and all corporate powers shall be exercised, by or under the direction of the Board of Directors.

(b) Specific powers. Without prejudice to these general powers, and subject to the same limitations, the directors shall have the power to:

(i) Select and remove all officers, agents, and employees of the corporation; prescribe any powers and duties for them that are consistent with law, with the articles of incorporation, and with these bylaws; and fix their compensation.

(ii) Change the principal executive office or the principal business office in the State of California from one location to another; cause the corporation to be qualified to do business in any other state, territory, dependency, or country and conduct business within or outside the State of California; and designate any place within or outside the State of California for the holding of any meeting or meetings, including annual meetings.

(iii) Adopt, make, and use a corporate seal.

(iv) Borrow money and incur indebtedness on behalf of the corporation and cause to be executed and delivered for the corporation's purposes, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, and other evidences of debt and securities.

6.02 NUMBER AND QUALIFICATION OF DIRECTORS. The authorized number of directors shall be thirteen (13), which number may be changed only by amendment of these Bylaws. The qualifications for



directors are (a) present membership in good standing in the Fellowship of Narcotics Anonymous, and (b) recovery from any use of any mind or mood altering chemical, as commonly described as "using" by the Fellowship of Narcotics Anonymous, for at least five (5) years.

6.03 ELECTION/DESIGNATION OF DIRECTORS.

(a) The following shall be directors of the corporation:

(i) The Vice-Chairperson of the World Service Conference ("WSC").

(ii) The Vice-Chairperson of the World Service Board of Trustees.

(iii) The Chairperson of the Board of Directors of the World Service Office ("WSO"), and three additional members of the WSO Board of Directors as the WSO Board may select.

(iv) One member from each of the committees of the three immediately previously held World Conventions as may be selected by that committee, providing that at the time appointed in the Bylaws following the conclusion of each successive World Convention the member from the World Convention which was held first shall step down as a director. The retiring director will be replaced by a member from the most recently completed World Convention host committee.

(v) Two members from the host committee for the site scheduled for the next World Convention.

(vi) Two directors will be elected at the annual meeting of the World Service Conference. These directors shall have not less than five years clean time at the time of their election. They shall serve one year terms of office as described in the Bylaws.

(viii) That a representative of the host committee for each world convention will be appointed to the Board of Directors as a voting member of the Board of Directors at the time the site for each world convention is approved by the Board of Directors. A single representative of this newly selected site will serve on the Board of Directors until the November meeting ten months in advance of the actual holding of the convention in that zone. At that time, a second member of the host committee will be added to the Board of Directors. At the November meeting following the convention hosted by a committee, the Chairperson of the Host Committee will automatically become the representative of that convention host committee to serve on the Board of Directors for a three year term. In the event of the resignation or inability to serve, the Board will select a replacement from within that host committee.(1)

(b) Each of the respective entities that have responsibility and authority to appoint or elect members to the Board shall separately establish such procedures for accomplishing these tasks. Each entity shall make provision for the replacement of the individual or individuals they elect or appoint when their appointee or electee vacates the position prior to the term of office for which they were selected.

(c) Said directors shall continue to serve in the capacity of designated directors until their replacement is selected and seated unless he is removed, refuses to serve or fails to serve in such capacity, in which case his seat may be filled by compliance with those other provisions. Nothing herein shall be construed as limiting WSC's right to reappoint any director to serve

(1) Adopted at the June 1988 WCC Board of Directors meeting.

consecutive or additional terms, provided each such director shall continue to qualify under Section 6.02 hereof.

(d) No more than 49 percent of the person serving on the board may be interested persons. An interested person is (a) any person compensated by the corporation for services rendered to it within the previous 12 months, whether as a full-time or part-time employee, independent contractor, or otherwise, excluding any reasonable compensation paid to a director as director; and (b) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of such person. However, any violation of the provisions of this paragraph shall not affect the validity or enforceability of any transaction entered into by the corporation.

6.04 TERM OF OFFICE. Each of the thirteen (13) directors who are to be elected pursuant to applicable sections set forth herein shall serve for one (1) year and six months from the date of his or her election to the board. This provision shall in no way be construed as a limitation on the right of the respective constituent organizations who elect or appoint directors to reappoint the same director for an additional term. Any director elected or designated under the provisions of these Bylaws shall be eligible for reelection or appointment without limitation on the number of terms served, provided such Director continues to meet the qualifications required by Section 6.02 of these Bylaws.

#### 6.05 VACANCIES.

(a) Events causing vacancy. A vacancy or vacancies on the board shall be deemed to exist on the occurrence of the following: (i) the death, resignation, or removal for cause (as provided in Section 6.06(a)) of any director; (ii) the declaration by resolution of the board of a vacancy of the office of a director who has been declared of unsound mind by an order of court or convicted of a felony subsequent to their assumption as a director or has been found by final order of judgment of any court to have breached a duty under sections 5230 and following of the California Nonprofit Corporation Law; or (iii) the increase of the authorized number of directors.

(b) Resignations. Except as provided below, any director may resign by giving written notice to the chairman of the board, the secretary of the board, or the Executive Director. The resignation shall be effective when the notice is given unless it specifies a later time for the resignation to become effective. If a director's resignation is effective at a later time, the board may elect a successor to take office as of the date when the resignation becomes effective. Except on notice to the Attorney General of California, no director may resign if the corporation would be left without a duly elected director or directors.

(c) Filling vacancies. Vacancies on the board shall be filled by the respective entities that designate directors as provided in Section 6.03(a); provided, however, that any vacancies not filled by the designating entities may be filled by a majority of the directors then in office, whether or not less than a quorum, or by a sole remaining director.

(d) No Vacancy on Reduction of Number of Directors. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

#### 6.06 REMOVAL OF DIRECTORS.

(a) For cause. The board may declare vacant the office of any incumbent director who has been:

- (i) Declared of unsound mind by a final order of a court; or
- (ii) Convicted of a felony; or after, etc.
- (iii) Found by a final order or judgment of any court to have breached statutory duties relating to a director's standard of conduct; or
- (iv) Found, after investigation by the board, that he has been using a drug of any of the types as defined by Narcotics Anonymous; or
- (v) Found by the Board to have failed to attend or participate in any other manner as provided for herein, two (2) or more consecutive meetings in a 12 month period, or three (3) meetings in total, of the board; provided, however, that any of the two (2) designated Directors heretofore described as appointed by WSC shall be removed pursuant to this section only in conjunction with the written consent of the Chairperson of the WSC.

(b) Without Cause. No director shall be removed without cause.

(c) Procedure. The vote necessary to remove any director on any of the foregoing causes shall be a majority of the other directors present at a duly held meeting at which a quorum is present or in the alternative such removal may be accomplished by the unanimous written consent of the other directors without a meeting.

(d) Period to Challenge Removal: An action challenging the validity of any removal of a director must be commenced within six (6) months after the removal. After the six (6) month period, the removal is conclusively presumed valid, in the absence of fraud.

#### 6.07 DIRECTORS' MEETINGS

(a) Place of Meetings; Telephonic Meetings. Regular meetings of the board may be held at any place within or outside the State of California that has been designated from time to time by resolution of the Board. In the absence of such designation, regular meetings shall be held at the principal executive office of the corporation. Special meetings of the Board shall be held at any place within or outside the State of California that has been designated in the notice of the meeting or, if not stated in the notice, or if there is no notice, at the principal executive office of the corporation. Notwithstanding the above provisions of this Section 6.07(a), a regular or special meeting of the Board may be held at any place consented to in writing by all the Board members, either before or after the meeting. If consents are given, they shall be filed with the minutes of the meeting. Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear one another, and all such directors shall be deemed to be present in person at such meeting.

(b) Annual Meeting. The board shall hold an annual meeting at the principal place of business of the corporation within 60 days following the conclusion of the annual World Service Conference of Narcotics Anonymous, for the purpose of organization, election of officers and transaction of other business. Notice of this meeting is not required.

(c) Other Regular Meetings. Other regular meetings of the board may be held without notice at such time and place as the board may fix from time to time.

#### 6.08 SPECIAL MEETINGS.

(a) Authority to Call. Special meetings of the board for any purpose may be called at any time by the Chairperson of the Board, Vice Chairperson, the Secretary, or any two Directors.

(b) Notice.

(i) Manner of giving. Notice of the time and place of special meetings shall be given to each director by one of the following methods: (a) by personal delivery or written notice; (b) by first-class mail, postage paid; (c) by telephone communication, either directly to the Director or to a person at the Director's Office who would reasonably be expected to communicate such notice promptly to the Director; or (d) by telegram, charges prepaid. All such notices shall be given or sent to the Director's address or telephone number as shown on the records of the corporation.

(ii) Time requirements. Notice sent by first class mail shall be deposited into a United States mail box at least ten (10) days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned, or given to the telegraph company at least 48 hours before the time set for the meeting.

(iii) Notice contents. The notice shall state the time and place for the meeting. However, it need not specify the purpose of the meeting, or the place of the meeting, if it is to be held at the principal executive office of the corporation.

6.09 QUORUM. Fifty percent, plus one director of the currently designated directors shall constitute a quorum for the transaction of business. Every action taken or decision made by a majority of the directors present at a duly held meeting at which a quorum is present shall be the act of the board, subject to the more stringent provisions of the California Nonprofit Public Benefit Corporation Law, including, without limitation, those provisions relating to (a) approval of contracts or transactions in which a director has a direct or indirect material financial interest, (b) approval of certain transactions between corporations having common directorships, (c) creation of and appointments to committees of the board, and (d) indemnification of directors. A meeting at which a quorum is initially present may continue to transact business, despite the withdrawal of directors, if any action taken or decision made is approved by at least a majority of the required quorum for that meeting.

6.10 WAIVER OF NOTICE. Notice of a meeting need not be given to any director who, either before or after the meeting, signs a waiver of

notice, a written consent to the holding of the meeting, or an approval of the minutes of the meeting. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meetings. Notice of a meeting need not be given to any director who attends the meeting and does not protest, before or at the commencement of the meeting, the lack of notice to him or her.

6.11 ADJOURNMENT. A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. Notice of the time and place of holding an adjourned meeting need not be given unless the original meeting is adjourned for more than 24 hours. If the original meeting is adjourned for more than 24 hours, notice of any adjournment to another time and place shall be given, before the time of the adjourned meeting, to the directors who were not present at the time of the adjournment.

6.12 ACTION WITHOUT A MEETING. Any action that the Board is required or permitted to take may be taken without a meeting if all members of the Board consent in writing to the action; provided, however, that the consent of any director who has a material financial interest in a transaction to which the corporation is a party and who is an "interested director" as defined in Section 5233 of the California Corporations Code shall not be required for approval of that transaction. Such action by written consent shall have the same force and effect as any other validly approved action of the Board. All such consents shall be filed with the minutes of the proceedings of the Board.

6.13 COMPENSATION AND REIMBURSEMENT OF EXPENSES. Directors shall serve without compensation, but may receive such reimbursement of expenses as the Board may determine by resolution to be just and reasonable as to the corporation at the time that the resolution is adopted.

6.14 COMMITTEES.

(a) Committees of the Board. The board, by resolution adopted by a majority of the Directors then in office, may create one or more committees, each consisting of two or more directors and no persons who are not directors, to serve at the pleasure of the board. Appointments to committees of the board shall be at the discretion of the Chair, unless otherwise decided by the Board when the committee is formed. The board may appoint one or more directors as alternate members of any such committee, who may replace any absent member at any meeting. Any such committee, to the extent provided in the board resolution, shall have all the authority of the board, except that no committee, regardless of board resolution, may:

(1) Fill vacancies on the Board or on any committee that has the authority of the board;

(2) Fix compensation of the directors for serving on the board or on any committee;

(3) Amend or repeal Bylaws or adopt new Bylaws;

(4) Amend or repeal any resolution of the Board that by its express terms is not so amendable or repealable;

(5) Create any other committees of the board or appoint the members of committees of the board;

(6) Approve any contract or transaction to which the corporation is a party and in which one or more of its directors has a material financial interest, except as special approval is provided for in Section 5233 (d) (3) of the California Corporations Code.

(b) Meeting and Action of Committees. Meetings and actions of committees of the Board shall be governed by, held, and taken in accordance with the provisions of these Bylaws concerning meetings and other board actions, except that the time for regular meetings of such committees and the calling of special meetings of such committees may be determined either by board resolution or, if there is none, by the discretion of the chair, unless otherwise decided by the Board when the committee is formed. Minutes of each meeting of any committee of the board shall be kept and shall be filed with the corporate records. The board may adopt rules for the government of any committee, provided they are consistent with these Bylaws, or in the absence of rules adopted by the Board, Robert's Rules of order shall be applied.

## ARTICLE 7. OFFICERS

7.01 OFFICERS OF THE CORPORATION. The officers of the corporation shall be a chairperson, vice-chairperson, a secretary, and a treasurer. The corporation may also have, at the board's discretion, one or more vice-chairpersons, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with Section 7.03 of these Bylaws. Any number of offices may be held by the same person, except that neither the secretary nor the treasurer may serve concurrently as the chairperson of the board. Any person who qualifies under these Bylaws to sit as a director of the corporation shall be qualified to be an officer.

7.02 ELECTION OF OFFICER. The officers of the corporation, except those appointed under Section 7.03 of these Bylaws, shall be chosen annually by the Board and shall serve at the pleasure of the Board. Officers of the Corporation shall serve without compensation.

7.03 OTHER OFFICERS. The board may appoint and may authorize the chairperson of the board, the president or other officer, to appoint any other officers that the corporation may require. Each officer so appointed shall have the title, hold office for the period, have the authority, and perform the duties specified in the Bylaws or determined by the Board.

7.04 REMOVAL OF OFFICER. Any officer may be removed with or without cause by the Board.

7.05 RESIGNATION OF OFFICERS. Any officer may resign at any time by giving written notice to the Corporation. The resignation shall take effect as of the date the notice is received or at any later time specified in the notice and, unless otherwise specified in the notice, the resignation need not be accepted to be effective.

7.06 VACANCIES IN OFFICE. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office, provided, however, that vacancies need not be filled on an annual basis.

7.07 RESPONSIBILITIES OF OFFICERS.

(a) Chairperson. Subject to such supervisory powers as the Board may give to the Chairperson of the Board, if any, and subject on the control of the board, the chairperson shall be the general manager of the corporation and shall supervise, direct, and control the corporation's activities, affairs, and officers. The chairperson of the board shall preside at all board meetings. The chairperson shall have such other powers and duties as the board or the Bylaws may prescribe.

(b) Vice-Chairperson. If the chairperson is absent or disabled, the Vice-Chairperson, if any, in order of their rank as fixed by the board, or, if not ranked, a Vice-Chairperson designated by the Board, shall perform all duties of the president. When so acting, a Vice-Chairperson shall have all powers of and be subject to all restrictions on the president. The Vice-Chairperson shall have such other powers and perform such other duties as the Board or the Bylaws may prescribe.

(c) Secretary.

(i) Book of Minutes. The secretary shall keep or cause to be kept, at the corporations' principal office or such other place as the board may direct a book of minutes of all meetings, proceedings and action of the Board and of committees of the Board. The minutes of meetings shall include the time and place that the meeting was held, whether the meeting was annual, regular, or special, and, if special, how authorized, the notice given, and the names of those present at board and committee meetings. The secretary shall keep or cause to be kept, at the principal office in California, a copy of the articles of incorporation and bylaws, as amended to date.

(ii) Notices, Seal, and Other Duties. The secretary shall give, or cause to be given, notice of all meetings of the board and of committees of the board required by these bylaws to be given. The secretary shall keep the corporate seal in safe custody and shall have such other powers and perform such other duties as the board or the bylaws may prescribe.

(d) Chief Financial Officer

(i) Books of Account. The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books



and accounts of the corporation's properties and transactions. The chief financial officer shall send or cause to be given to the directors such financial statements and reports as are required to be given by laws, by these bylaws, or by the board. The books of account shall be open to inspection by any director at all reasonable times.

(ii) Deposit and Disbursement of Money and Valuables. The chief financial officer shall deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the corporation with such depositories as the board may designate, shall disburse the corporation's funds as the board may order, shall render to the president, chairman of the board, if any, and the board, when requested, an account of all transactions as chief financial officer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as the board or the bylaws may prescribe.

(iii) Bond. If required by the board, the chief financial officer shall give the corporation a bond in the amount and with the surety or sureties specified by the board for faithful performance of the duties of the office and for restoration to the corporation of all of its books, papers, vouchers, money, and other property of every kind in the possession or under the control of the chief financial officer on his or her death, resignation, retirement, or removal from office.

## ARTICLE 8. INDEMNIFICATION

8.01 RIGHT OF INDEMNITY. To the fullest extent permitted by law, this corporation shall indemnify its directors, officers, employees, and other persons described in Section 523 (a) of the California Corporations Code, including persons formerly occupying any such position, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in that Section, and including an action by or in the right of the corporation, by reason of the fact that the person is or was a person described in that section. "Expenses," as used in this bylaw, shall have the same meaning as in Section 5238 (a) of the California Code.

8.02 APPROVAL OF INDEMNITY. On written request to the board by any person seeking indemnification under Section 5638 (b) or Section 5238 (c) of the California Corporation Code, the board shall promptly determine under Section 5238 (e) of the California Corporations Code whether the applicable standard of conduct set forth in Section 5238 (b) or Section 5238 (c) has been met and, if so, the board shall authorize indemnification. If the board cannot authorize indemnification because the number of directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of directors who are not parties to that proceeding, application for indemnification shall be made by the corporation to the Court as authorized in Section 5238 (e) (3) of the California Corporations Code.

8.03 **ADVANCEMENT OF EXPENSES.** To the fullest extent permitted by law and except as otherwise determined by the board in a specific instance, expenses incurred by a person seeking indemnification under Sections 8.01 and 8.02 of these bylaws in defending any proceeding covered by those Sections shall be advanced by the corporation before final disposition of the proceeding, on receipt by the corporation of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the corporation for those expenses.

8.04 **INSURANCE.** The corporation shall have the right to purchase and maintain insurance to the fullest extent permitted by law on behalf of its officers, directors, employees, and other agents, against any liability asserted against or incurred by any officer, director, employee, or agent in such capacity or arising out of the officer's, director's, employee's or agent's status as such.

## **ARTICLE 9. RECORDS AND REPORTS**

9.01 **MAINTENANCE OF CORPORATE RECORDS.** The corporation shall keep:

- (a) Adequate and correct books and records of account; and
- (b) Minutes in written form of the proceeding of its board and committees of the board.

All such records shall be kept at the corporation's principal executive office, or if its principal executive office is not in the State of California, at its principal business office in this state.

9.02 **MAINTENANCE AND INSPECTION OF ARTICLES AND BYLAWS.** The corporation shall keep at its principal executive office, or if its principal executive office is not in the State of California, at its principal business office in this state, the original or a copy of the articles and bylaws as amended to date, which shall be open to inspection by the officers and directors at all reasonable times during office hours. If the principal executive office of the corporation is outside the State of California and the corporation has no principal business office in this state, the secretary shall, on the written request of any officer or director, furnish to that person a copy of the articles and bylaws as amended to date

9.03 **INSPECTION BY DIRECTORS.** Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind and the physical properties of the corporation and each of its subsidiary corporations. This inspection by a director may be made in person or by an agent or attorney, and the right of inspection includes the right to copy and make extracts of documents.

9.04 **ANNUAL REPORT.** The board shall cause an annual report to be sent to the directors within 120 days after the end of the corporation's

fiscal year. That report shall contain the following information, in appropriate detail, for the fiscal year:

(1) The assets and liabilities, including the trust funds, of the corporation as of the end of the fiscal year.

(2) The principal changes in assets and liabilities, including trust funds.

(3) The revenue or receipts of the corporation, both unrestricted and restricted to particular purposes.

(4) The expenses or disbursement of the corporation for both general and restricted purposes.

(5) Any information required by Section 9.05 of these bylaws.

The annual report shall be accompanied by any report on it of independent accountants or, of there is no such report, by the certificate of an authorized officer of the corporation that such statements were prepared without audit from the corporation's books and records.

This requirement of an annual report shall not apply if the corporation receives less than \$25,000 in gross receipts during the fiscal year, provided however, that the information specified above for inclusion in an annual report must be furnished annually to all directors who request it in writing.

**9.05 ANNUAL STATEMENT OF CERTAIN TRANSACTIONS AND INDEMNIFICATIONS.** No later than 120 days after the close of the corporation's fiscal year, the corporation shall prepare and mail or deliver to each director a statement of the amount and circumstances of any transaction or indemnification of the following kind:

(a) Any transaction(s) in which the corporation, its parent or its subsidiary was a party, and in which any director or officer of the corporation, its parent or subsidiary had a direct or indirect financial interest.

(b) Any indemnifications or advances aggregating more than \$10,000 paid during the fiscal year to any officer or director of the corporation pursuant to Article 8 hereof.

## **ARTICLE 10. PROHIBITION AGAINST SHARING PROFITS OR ASSETS**

No director, officer, employee or other person connected with the corporation, or any other private individual, shall receive at any time any of the net earnings or pecuniary profit from the operations of the corporation, provided that this provision shall not prevent payment to any such person of reasonable compensation for services rendered to or for the corporation affecting of its purposes as shall be fixed by resolution of the board.

## **ARTICLE 11. AFFILIATION WITH OTHER ORGANIZATIONS**

11.01 This corporation is a service entity which serves a function within the totality of an organization known as Narcotics Anonymous Society. In so doing, it endorses the aims, goals and purposes of that

organization, and in fact, by special endorsement per Section 11.02 hereinafter, it operates under the guidelines of the "Twelve Traditions" as espoused by the Narcotics Anonymous Society.

11.02 All directors and officers of this corporation shall be, and are, subject to, and will abide by, the principles of the "TWELVE TRADITIONS" of Narcotics Anonymous Society as set forth in the pamphlet identified and entitled as "Narcotics Anonymous" and shall further abide by motions adopted at each World Service Conference (WSC) meeting and implement decisions reached by the WSC as they pertain to operation of this corporation. It is herein specifically acknowledged that this corporation acts as a fiduciary in its dealings with WSC and the Fellowship of Narcotics Anonymous. Furthermore, this corporation shall be subject to the decisions and actions of the board of directors of the World Service Office, Inc.

## ARTICLE 12. CONSTRUCTION AND DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the California Nonprofit Corporation Law shall govern the construction of these bylaws. Without limiting the generality of the above the masculine gender includes the feminine and neuter, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both the corporation and a natural person.

## ARTICLE 13. AMENDMENTS

The board may adopt, amend or repeal bylaws at any regular or special meeting.

**CERTIFICATE OF SECRETARY**

I, the undersigned, certify that I am the duly elected and acting Secretary of WORLD CONVENTION CORPORATION, INC., a California nonprofit corporation, and the above bylaws, consisting of 12 pages, are the bylaws of this corporation as adopted at a meeting of the board of directors held on June 19, 1986, and that they have not been amended or modified since that date.

Dated: June 19, 1987

\_\_\_\_\_  
,Secretary

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**RECOMMENDATION TO  
NORTHERN CALIFORNIA REGION**

We would recommend that the Northern California Regional Committee consider the creation of a service body known as the Northern California Regional Convention Administrative Committee, ( NCRCAC ) in whom the responsibility for the planning, administration, and fiscal accountability of the regional convention will lie. This body will consist of the following members:

Two members from the RSO BOD  
RSC Vice Chair  
RSC Treasurer/RSO Treasurer ( if possible )  
Chairman from the three previous regional Conventions  
Two members from the current host committee  
Three members elected at-large from the floor of the region .

These members will be selected during one of the regular meetings of the RSC. It is recommended that any of the members who are a part of this committee that are unable to serve be replaced only with a member who has the same prerequisite characteristics. Example, if the Vice Chair of the RSC is unwilling or unable to serve he/she can only be replaced with a member of the RSC Administrative Committee. Another example would be if one of the previous chair-persons was unwilling or unable to serve then they could only be replaced with a previous chair-person or vice-chair-person of the convention.

From this body, two members will be elected or appointed to serve as liaisons to interact directly with the Host Committee on all convention related matters. These two members will guide the host committee with the handling of the business matters of the convention, and assemble the respective NCRCAC members via meeting or conference call to APPROVE/DISAPPROVE major decisions.

This committee is intended to be a working body and should involve itself in the planning, and implementation of all convention matters. At the convention each member of the NCRCAC will receive an assignment to work directly with the convention sub-committees. This will insure that the members of the NCRCAC will gain valuable experience in all areas of the convention. Example - a member from the NCRCAC is assigned to be liaison to the merchandising sub-committee. This person would assist the sub-committee chair to develop a plan for merchandising at the convention. This member would be responsible to report to the NCRCAC after the convention on the merchandising effort and any possible improvements.

The Convention Committee will elect officers and meet at least four times annually. Bank account(s) will be maintained in a bank that has branches throughout Northern California. This will allow the same primary bank to be used for all convention related financial matters. The operating account shall have the treasurer and the chair of the NCRCAC as the primary signatures. The other signatures should be one of the RSO BOD members and one other member of the NCRCAC. The member from the RSO's signature is present to insure that in cases where the RSO's financial status or other formal matters are in question that the fiscal interest of the RSO is maintained.

An account is opened in the hosting area for the use by the host committee. This account should have the signatures of the following persons: NCRCAC chair, treasurer, one of the assigned liasons, and the chair and treasurer of the host committee. This will help to insure that the financial business of the convention will always be taken care of. The treasurer of the host committee will be responsible to reconcile the host committee checking account and forward monthly reports to the NCRCAC.

The Host Committee will be given \$ 500.00 at the time that they have their first meeting. Then transfers of funds will be made in regular increments of \$ 500.00 to accommodate the affairs of the host committee. None of the payments by the host committee should exceed \$ 500.00. All major payments should be handled by the treasurer of the NCRCAC. This will insure that the NCRCAC has full accountability for all financial obligations and maintains strict control over the disbursement of funds.

### PHILOSOPHICAL RATIONAL

The relationship that is outlined above is designed to eliminate any possible attitudes of autonomy by the host committee when making financial decisions and decisions that affect the Northern California Region as a whole, in matters relative to the convention. This will then strengthen the unity of the region by the maximizing the relationship between the hosting location and the members of the NCRCAC. We recognize that our ability to maintain relationships of this type are at times difficult; however, our experience tells us that the outcome is always unity. It is imperative that the region support this relationship.

The membership of this service body represent the various service arms of the region and includes members who have had hands on convention experience. The terms for the three members elected from the floor of the region must be no less than two years, and should be individuals who will be able help to strengthen the relationship between the hosting area and the NCRCAC. Previous regional administrative officers are likely considerations.

This process has provides the necessary linkage between the hosting area and the region and will work successfully, also it is the best way of creating the necessary unification of all affected members to produce a focused approach towards Convention Management. The primary complaint of this process is the loss of autonomy by the Host Committee. However, we approach this question from another standpoint. Example; If you are holding a Regional Convention whose autonomy is truly affected, the host committee or the regions ?. We believe that autonomy specifically addresses itself to the group, but if you apply it to this situation it would clearly lie in the Region. The hosting area is a sub-committee of the region. If the region vests convention responsibility to an administrative body then the hosting area would be responsible to that body. Although the World Convention has it's own board they are directly accountable to the World Service Conference. It is clear that autonomy is not an issue and that any service committee or board is responsible to the body that created them. In this case this would be the region. This is how your Region will maintain its responsibility over its Regional Convention regardless of where its held.

## IMPLEMENTATION

The implementation process takes a significant amount of time. We will offer our assistance with the evolution of the Host Committee and NCRCAC relationship. What will be necessary is to pick a starting point and target that as the first convention under the new guidelines. We recommend that it not be a Convention already in progress, it is necessary to allow the relationship ample time to evolve.

## SITE SELECTION

This is the last point of coordination. We feel that it will be necessary for the region to select it's sites 4-5 years in advance. The NCRCAC will then review sites within those areas and select the most appropriate site based on financial & logistical considerations. This way you will have your best negotiators and experienced planners dealing with the hotels and contracts and not be victimized by sharp event coordinators in the big hotels and convention centers. Although it is possible that some of the members in the hosting region will have these kinds of experiences it is more efficient management to use members of a service body whose task is to handle these types of matters. This way the region can be assured that previous experiences, either positive or negative, will always be in the forefront when negotiating agreements.

nocaldr.doc/wccna.dir.



TAX EXEMPTION

## TAKING ACTION TO OBTAIN TAX EXEMPTION

To be fully informed about making this decision you may want to consult with several Internal Revenue Service publications: Instructions for Form SS-4 (Application for Employer Identification Number), Publication 557 (Tax-Exempt Status for Your Organization), Instructions for Form 1023, Instructions for Schedule A (Form 990), and Publication 546. They can be obtained from the IRS Regional Service Office nearest you. Additionally, it is imperative for you to obtain and know the requirements for non-profit, tax exempt corporations in your state. The state office is usually called the Secretary of State, Department of Corporations, or State Tax Board. Each State seems to have a different name. Call or write to these agencies and request the information about obtaining non-profit tax exempt status for associations and non-profit corporations.

Most States do not have a requirement that an applicant for tax exemption be a corporation. However, we have found for N.A. offices this is the best course. The application for state tax exempt determination can usually be done simultaneously with the formation of the corporation. However, Internal Revenue Service regulations require that a state tax exemption be obtained before they will approve an application for federal tax exemption. The Internal Revenue Service requires evidence of the formation of a corporation or the registration as an unincorporated Association of individuals if that option is used. The application to the Internal Revenue Service involves completion of a number of forms, copies of the By Laws, Articles of Incorporation, statement of purpose, names and addresses of officers, evidence of application for tax exempt from the appropriate State agency and a proposed budget.

The procedure involved with the Internal Revenue Service provides that a provisional tax exempt determination can be made for a period of up to five years. They may send a letter upon receipt of your application indicating their decision to grant provisional tax exempt status and at the same time may request more information. They are not required to immediately grant tax exempt status and may withhold such a grant until additional information is provided. After they have sufficient information, upon which to grant tax exempt status, it is usually done. From this point on, the Internal Revenue Service requires that the agency or organization properly comply with IRS tax reporting requirements. This means a federal tax form 990 must be completed (it is a typical federal tax return form just like the 1040), and submitted each year by the appropriate deadline. There are fines and penalties for filing late or not filing at all, and the financial penalties are very severe.

Every State that grants tax exempt status also requires the organization to submit tax returns every year in the same manner as the IRS form. In both cases, the organization must provide a year end financial statement.

You can easily see from the description of the procedures for applying and the requirements to be filled after a application is granted that the IRS and State tax agencies clearly expect the organization to behave in the same manner as a profit corporation.

## INTERNAL REVENUE SERVICE PUBLICATION 557

Before work can be accomplished to form a non-profit organization you must obtain IRS Publication 557 and Tax Exemption Application Form 1023. In order to facilitate the discussion today, we have included the relevant parts of the publication on the following pages.

The non-essential information has been left out and those parts that are important are marked with vertical lines. It would be helpful for you to read all of the information that is relevant before you discuss forming a corporation with your service committees.

### **Private Foundations and Public Charities**

It is important that you determine if your organization is a private foundation. Most organizations exempt from income tax (as organizations described in section 501(c)(3)) are presumed to be private foundations unless they notify the Internal Revenue Service, within a specified period of time, that they are not.

This notification requirement applies to most section 501(c)(3) organizations regardless of when they were formed.

#### Private Foundations

Every organization that qualifies for tax exemption as an organization described in section 501(c)(3) is a private foundation unless it falls into one of the categories specifically excluded from the definition of that term (referred to in section 509(a)(1), (2), (3), or (4)). In effect, the definition divides these organizations into two classes namely, private foundations and public charities, discussed later.

Organizations that fall into the excluded categories are generally those which either have broad public support or actively function in a supporting relationship to such organizations. Organizations that test for public safety also are excluded.

Even if an organization falls within one of the categories excluded from the definition of private foundation, it will be presumed to be a private foundation, with some exceptions, unless it gives timely notice to the Internal Revenue Service that it is not a private foundation. This notification requirement applies to an organization regardless of when it was organized. The only exceptions to this requirement are those organizations that are excepted from the requirement of filing Form 1023 as discussed earlier. Charitable trusts described in section 547(a)(1) also are excepted.

**Timely notice.** If an organization is required to file the notice, it must do so within 15 months from the end of the month in which it was organized.

If your organization is newly applying for recognition of exemption as an organization described in this chapter (section 501(c)(3)) and you wish to establish that your organization is not a private foundation, you should complete Part VI of your exemption application (Form 1023). An extension of time for filing this application may be granted by the key District Director if your request is timely and you demonstrate that additional time is needed. See *Application for Recognition of Exemption*, earlier in this chapter for more information.

In determining the date on which a corporation is organized for purposes of applying for recognition of section 501(c)(3) status, the Service looks to the date the corporation came into existence under the law of the state in which it is incorporated. For example, where state law provides that existence of a corporation begins on the date its articles are filed by a certain state official in the appropriate state office, the corporation is considered organized on the date its articles are filed. Later nonsubstantive amendments to the enabling instrument will not change the date of organization, for purposes of the notice requirement.

**An organization that states it is a private foundation** when it files its application for recognition of exemption after the 15-month period will be treated as a section 501(c)(3) organization and as a private foundation only from the date it files its application.

**An organization that states it is a publicly supported charity** when it files its application for recognition of exemption after the 15-month period cannot be treated as a section 501(c)(3) organization before the date it files such application. Financial support received prior to that

date may not be used for purposes of determining whether the organization is publicly supported. However, an organization that reasonably expects to meet the support requirements (discussed later under *Public Charities*) may obtain an advance ruling from the Service that it is a publicly supported organization.

**Excise tax—private foundations.** There is an excise tax on the net investment income of domestic private foundations. This tax must be reported on Form 990-PF and must be paid annually at the time for filing that return. In addition, there are several restrictions and requirements on these organizations. These include:

- 1) Restrictions on self-dealing between private foundations and their substantial contributors and other disqualified persons;
- 2) Requirements that the foundation annually distribute income for charitable purposes;
- 3) Limitations on their holdings in private businesses;
- 4) Provisions that investments must not jeopardize the carrying out of exempt purposes; and
- 5) Provisions to assure that expenditures further exempt purposes.

Violations of these provisions give rise to taxes and penalties against the private foundation and, in some cases, its managers, its substantial contributors, and certain related persons. A detailed discussion of these restrictions, definitions, excise taxes, and other items relating to private foundations is contained in Publication 578, *Tax Information for Private Foundations and Foundation Managers*.

A private foundation cannot be tax exempt nor will contributions to it be deductible as charitable contributions unless its governing instrument contains special provisions in addition to those applicable to all organizations described in section 501(c)(3).

**Governing instruments.** The following samples of governing instrument provisions illustrate the special charter requirements that apply to private foundations. Draft A is a sample of provisions in articles of incorporation; Draft B, a trust indenture.

#### Draft A

##### General

- 1) The corporation will distribute its income for each tax year at such time and in such manner as not to become subject to the tax on undistributed income imposed by section 4942 of the Internal Revenue Code, or corresponding section of any future federal tax code.
- 2) The corporation will not engage in any act of self-dealing as defined in section 4941(d) of the Internal Revenue Code, or corresponding section of any future federal tax code.
- 3) The corporation will not retain any excess business holdings as defined in section 4943(c) of the Internal Revenue Code, or corresponding section of any future federal tax code.
- 4) The corporation will not make any investments in such manner as to subject it to tax under section 4944 of the Internal Revenue Code, or corresponding section of any future federal tax code.

- 5) The corporation will not make any taxable expenditures as defined in section 4945(d) of the Internal Revenue Code, or corresponding section of any future federal tax code.

#### Draft B

Any other provisions of this instrument notwithstanding, the trustees shall distribute its income for each tax year at such time and in such manner as not to become subject to the tax on undistributed income imposed by section 4942 of the Internal Revenue Code, or corresponding section of any future federal tax code.

Any other provisions of this instrument notwithstanding, the trustees will not engage in any act of self-dealing as defined in section 4941(d) of the Internal Revenue Code, or corresponding section of any future federal tax code; nor retain any excess business holdings as defined in section 4943(c) of the Internal Revenue Code, or corresponding section of any future federal tax code; nor make any investments in such manner as to incur tax liability under section 4944 of the Internal Revenue Code, or corresponding section of any future federal tax code; nor make any taxable expenditures as defined in section 4945(d) of the Internal Revenue Code, or corresponding section of any future federal tax code.

A private foundation's governing instrument will be considered to meet these charter requirements if valid provisions of state law have been enacted which:

- 1) Require it to act or refrain from acting so as not to subject the foundation to the taxes imposed on prohibited transactions; or
- 2) Treat the required provisions as contained in the foundation's governing instrument.

The Internal Revenue Service periodically updates a published list of states with such statutes.

#### Public Charities

A private foundation is any organization described in section 501(c)(3), unless it falls into one of the categories specifically excluded from the definition of that term in section 509, which lists four basic categories of exclusions. These categories are discussed under the "Section 509(a)" headings that follow this introduction.

If your organization falls into one of these categories, it is not a private foundation and you should so state in your application for exemption or in the notification that is required to be filed with the Internal Revenue Service, if your organization is not described within these categories, it is a private foundation and is subject to the applicable rules and restrictions until it terminates its private foundation status. These rules are discussed in Publication 578. Some private foundations also qualify as private operating foundations; these are discussed later in this chapter.

Generally speaking, a large class of organizations excluded under section 509(a)(1), and all organizations excluded under section 509(a)(2) depend upon a support test. This test is used to assure a minimum percentage of broad-based public support in the organization's total support pattern. Thus, in the following discussions, when the one-third support test is referred to, it means the fraction resulting from dividing qualifying support (the numerator of the fraction) by total support (the denominator of the fraction).

son of authority such as a foundation manager or who otherwise has the ability to exercise control over the organization. Similarly, the grant or contribution is not made by a person (or related person) who because of the grant or contribution, obtains a position of authority or the ability to otherwise exercise control over the organization.

- 3) The grant or contribution is in the form of cash, readily marketable securities, or assets that directly further the organization's exempt purposes, such as a gift of a painting to a museum.
- 4) The donee organization has received either an advance or final ruling or determination letter classifying it as a publicly supported organization and, except for an organization operating under an advance ruling or determination letter, the organization is actively engaged in a program of activities in furtherance of its exempt purpose.
- 5) No material restrictions or conditions have been imposed by the grantor or contributor upon the organization in connection with the grant or contribution.
- 6) If the grant or contribution is intended for operating expenses, rather than capital items, the terms and amount of the grant or contribution are expressly limited to one year's operating expenses.

If there is any doubt that a grant or contribution may be excluded as an unusual grant, the grantee organization may request a ruling, submitting all of the necessary information for making a determination to its key District Director. The Service has the sole discretion of issuing a ruling, but if a favorable ruling is issued, it may be relied on by the grantor or contributor for purposes of a charitable contributions deduction and by the organization for purposes of the exclusion for unusual grants. The organization should follow the procedures set out in Revenue Procedure 83-36, 1983-1 C.B. 763.

In addition to the characteristics listed earlier, the following factors may be taken into consideration by the Internal Revenue Service in determining if the grant or contribution qualifies as an unusual grant.

- 1) Whether the organization met the one-third support test in the past without the benefit of any exclusions of unusual grants.
- 2) Whether the contribution was a bequest or an inter vivos transfer. A bequest will ordinarily be given more favorable consideration than an inter vivos transfer.
- 3) Whether the organization carried on an actual program of public solicitation and exempt activities, and was able to attract a significant amount of public support before the unusual gift.
- 4) Whether the organization may reasonably be expected to attract a significant amount of public support after the particular contribution. Continued reliance on unusual grants to fund an organization's current operating expenses may be evidence that the organization cannot attract future support from the general public.
- 5) Whether the organization has a representative governing body.

*Example 1.* In 1981, Y, an organization described in section 501(c)(3), was created by Marshall Pine, the holder of all the common stock in M corporation, Lisa, Marshall's wife, and Edward Forest, Marshall's business asso-

ciate. Each of the three creators made small cash contributions to Y to enable it to begin operations. The purpose of Y was to sponsor and equip athletic teams composed of underprivileged children of the community. Between 1981 and 1984, Y was able to raise small amounts of contributions through fund-raising drives and selling admission to some of the sponsored sporting events.

For its first year of operations, it was determined that Y was excluded from the definition of private foundation under the provisions of section 509(a)(2). Marshall made small contributions to Y from time to time. At all times, the operations of Y were carried out on a small scale, usually being restricted to the sponsorship of two to four baseball teams composed of underprivileged children.

In 1985, M recapitalized and created a first and second class of 6% nonvoting preferred stock, most of which was held by Marshall and Lisa. Marshall then contributed 49% of his common stock in M to Y. Marshall, Lisa, and Edward continued to be active participants in the affairs of Y from its creation through 1985. Marshall's contribution of M's common stock was substantial and constituted 90% of Y's total support for 1985. Although Y could satisfy the one-third support test on the basis of the 4 tax years before 1985, a combination of the facts and circumstances preclude Marshall's contribution of M's common stock in 1985 from being excluded as an unusual grant. Marshall's contribution in 1985 constituted a substantial and material change in Y's sources of support and on the basis of the 5-year period (1981 to 1985), Y would not be considered as normally meeting the one-third support test for the tax years 1985 (the current tax year) and 1986 (the immediately succeeding tax year).

*Example 2.* M, an organization described in section 501(c)(3), was organized to promote the appreciation of ballet in a particular region of the United States. Its principal activities will consist of erecting a theater for the performance of ballet and the organization and operation of a ballet company. The governing body of M consists of nine prominent unrelated citizens residing in the region who have either an expertise in ballet or a strong interest in encouraging appreciation of ballet. To provide sufficient capital for M to begin its activities, X, a private foundation, makes a grant of \$500,000 in cash to M. Although Albert Cedar, the creator of X, is one of the nine members of M's governing body, was one of M's original founders, and continues to lend his prestige to M's activities and fund-raising efforts, Albert does not, directly or indirectly, exercise any control over M. By the close of its first tax year, M also has received a significant amount of support from a number of smaller contributions and pledges from members of the general public. Upon the opening of its first season of ballet performances, M expects to charge admission to the general public. Under these circumstances, the grant by X to M may be excluded as an unusual grant for purposes of determining whether M meets the one-third support test. Although Albert was a founder and member of the governing body of M, X's grant may be excluded.

Advance rulings for newly created organizations. A ruling or determination letter that an organization is a section 509(a)(2) organization will not be issued to a newly created organization before the close of its first tax year that consists of at least 8 months.

However, an organization may request a ruling or determination letter that it will be treated as a section 509(a)(2) organization for its first 2 tax years (or its first 3 tax years if the first year consists of a period less than 8 months). The advance ruling or determination letter may be issued if the organization may reasonably be expected to meet both support tests during the advance ruling period. The issuance of an advance ruling or determination letter is discretionary with the Service.

In determining whether an organization can meet the support tests, the basic consideration is whether its organizational structure, proposed programs or activities, and intended method of operation are such as to attract the type of broadly based support from the general public, public charities, and governmental units that is necessary to meet the tests. The facts that are relevant to this determination and the weight accorded each fact, may differ from case to case. A favorable determination will not be made when the facts indicate that an organization is likely to receive less than one third of its support from permitted sources or to receive more than one third of its support from gross investment income and unrelated business taxable income.

All pertinent facts and circumstances are taken into account in determining whether the organizational structure, programs or activities, and method of operation of an organization are sufficient to enable it to meet the tests for its advance or extended advance ruling period (discussed later). Some pertinent factors considered are:

- 1) Whether the organization has or will have a governing body that is composed of persons having special knowledge in the particular field in which the organization is operating, of community leaders, such as elected officials, members of the clergy, and educators or, in the case of a membership organization, of individuals elected under the organization's governing instrument or bylaws by a broadly based membership.
- 2) Whether a substantial portion of the organization's initial funding is to be provided by the general public, by public charities, or by government grants, rather than by a limited number of grantors or contributors who are disqualified persons with respect to the organization.
- 3) Whether a substantial proportion of the organization's initial funds are placed, or will remain, in an endowment, and whether the investment of those funds is unlikely to result in more than one third of its total support being received from gross investment income and from unrelated business taxable income in excess of the tax imposed on that income.
- 4) Whether an organization that carries on fund-raising activities has developed a concrete plan for solicitation of funds on a community or area-wide basis.
- 5) Whether an organization that carries on community service activities has a concrete program to carry out its work in the community.
- 6) Whether membership dues for individual (rather than institutional) members of an organization that carries on education or other exempt activities for or on behalf of members have been fixed at rates designed to

make membership available to a broad cross section of the public rather than to restrict membership to a limited number of persons.

- 7) Whether an organization that provides goods, services, or facilities is or will be required to make its services, facilities, performances, or products available (regardless of whether a fee is charged) to the general public, public charities, or governmental units, rather than to a limited number of persons or organizations.

**Extended advance-ruling period.** The advance ruling period may be extended for a period of 3 tax years after the close of the unextended advance ruling period if the organization so requests, but only if the organization's request accompanies its initial request for an advance ruling and is filed with a consent to the effect that the organization will be subject to tax on its net investment income during the extended advance ruling period if it is later determined that the organization was a private foundation during that period. Form 872-C, which is included in the Form 1023 package, is used for this purpose. An organization's extended advance ruling period is 5 tax years if its first tax year consists of at least 8 months, or is 6 years if its first tax year is less than 8 months.

If a newly created organization has received an advance or extended advance ruling or determination letter stating that it will be treated as a section 509(a)(2) organization, that letter may be relied on by both the organization and any grantor or contributor to the organization.

**Reliance period.** The reliance period for a ruling or determination letter begins with the inception of the organization and ends 90 days after the advance or extended advance ruling period. The reliance period will be extended until a final determination is made of the organization's status only if the organization submits, within the 90-day period, the necessary information to determine whether it meets the requirements for a section 509(a)(2) organization.

However, this reliance does not apply to the tax on net investment income (discussed in Publication 578). Therefore, if it is later determined that the organization was a private foundation from its inception, the tax on net investment income will be due without regard to the ruling or determination letter.

**Grantors or contributors.** If a ruling or determination letter is terminated before the expiration of the reliance period, the status of a charitable contribution deduction of a grantor or contributor will not be affected until notice of change of status is made public (such as by publication in the *Internal Revenue Bulletin*).

However, this rule will not apply if the grantor or contributor is responsible for, or aware of, the act or failure to act that resulted in the organization's loss of section 509(a)(2) status, or if a grantor or contributor acquires knowledge that the Internal Revenue Service had given notice of the loss of status to the organization.

**Initial determination of status.** See the corresponding discussion under Section 509(a)(1) Organizations.

**Failure to obtain advance ruling.** See the corresponding discussion on failure to obtain advance ruling under Section 509(a)(1) Organizations.

**Gifts and contributions distinguished from gross receipts.** In determining whether an organization normally receives more than one-third of its support from permitted sources, in-

clude all gifts and contributions received from permitted sources in the numerator of the support fraction in each tax year. However, gross receipts from admissions, sales of merchandise, performance of services, or furnishing facilities, in an activity that is not an unrelated trade or business, are includible in the numerator of the support fraction in any tax year only to the extent that the amounts received from any person, or from any bureau or similar agency of a governmental unit, do not exceed the greater of \$5,000 or 1% of support. Any payment of money or transfer of property without adequate consideration is considered a gift or contribution. When payment is made or property is transferred as consideration for admissions, sales of merchandise, performance of services, or furnishing facilities to the donor, the status of the payment or transfer under section 170(c) determines whether and to what extent the payment or transfer constitutes a gift or contribution as distinguished from gross receipts from related activities.

The amount includible in computing support with respect to gifts, grants, or contributions of property or use of property is the fair market or rental value of the property at the date of the gift or contribution.

**Example.** P is a local agricultural club and is an organization described in section 501(c)(3). It makes awards at its annual fair for outstanding specimens of produce and livestock to encourage interest and proficiency by young people in farming and raising livestock. Most of these awards are cash or other property donated by local businessmen. When the awards are made, the donors are given recognition for their donations by being identified as the donor of the award. The recognition given to donors is merely incidental to the making of the award to worthy youngsters. For these reasons, the donations will constitute contributions. The amount includible in computing support is equal to the cash contributed or the fair market value of other property on the dates contributed.

**Grants distinguished from gross receipts.** In determining whether an organization normally receives more than one-third of its support from public sources, all grants received from permitted sources are includible in full in the numerator of the support fraction in each tax year. However, gross receipts from admissions, sales of merchandise, performance of services, or furnishing facilities in an activity that is not an unrelated trade or business, are includible in the numerator of the support fraction in any tax year only to the extent that the amounts received from any person, or from any bureau or similar agency of a governmental unit, do not exceed the greater of \$5,000 or 1% of the total support. Because of the imposition of terms and conditions, the frequent similarity of public purposes of grantor and grantee, and the possibility of benefit resulting to the grantor, amounts received as grants for carrying on exempt activities are sometimes difficult to distinguish from amounts received as gross receipts from carrying on exempt activities.

In distinguishing the term gross receipts from the term grants, the term gross receipts means amounts received from an activity that is not an unrelated trade or business, if a specific service, facility, or product is provided to serve the direct and immediate needs of the payor, rather than primarily to confer a direct benefit upon

the general public. In general, payments made primarily to enable the payor to realize or receive some economic or physical benefit as a result of the service, facility, or product obtained will be treated as gross receipts by the payee.

For example, a profit-making organization, primarily for its own economic or physical betterment, contracts with a nonprofit organization for the rendition of a comparable service, facility, or product from that organization. Any payments received by the nonprofit payee organization (whether from a governmental unit, a nonprofit, or a profit-making organization) for the services, facilities, or products are primarily for the economic or physical benefit of the payor and would therefore be considered gross receipts, rather than grants, by the payee organization. Research leading to the development of tangible products for the use or benefit of a payor generally will be treated as a service provided to serve the direct and immediate needs of the payor, while basic research or studies carried on in the physical or social sciences generally will be treated as primarily to confer a direct benefit upon the general public.

Medicare and medicaid payments constitute gross receipts from the exercise or performance of an exempt function. The individual patient, not a governmental unit, actually controls the ultimate recipient of these payments. Therefore, medicare and medicaid receipts for services provided each patient are included as gross receipts to the extent they do not exceed the greater of \$5,000 or 1% of the organization's total support for the tax year.

**Definition of membership fees.** The fact that a membership organization provides services, admissions, facilities, or merchandise to its members as part of its overall activities will not, in itself, result in the classification of fees received from members as gross receipts subject to the \$5,000 or 1% limitation rather than membership fees. However, if an organization uses membership fees as a means of selling admissions, merchandise, services, or the use of facilities to members of the general public who have no common goal or interest (other than the desire to purchase such admissions, merchandise, services, or use of facilities), the fees do not constitute membership fees but are gross receipts.

On the other hand, to the extent the basic purpose for making the payment is to provide support for the organization rather than to purchase admissions, merchandise, services, or the use of facilities, the income received from the payment constitutes membership fees.

**Bureau defined.** The term *any bureau or similar agency of a governmental unit* for determining amounts subject to the \$5,000 or 1% limitation, refers to a specialized operating unit of the executive, judicial, or legislative branch of government in which business is conducted under certain rules and regulations. Since the term bureau refers to a unit functioning at the operating, as distinct from the policy-making, level of government, it is normally descriptive of a subdivision of a department of government. The term would not usually include those levels of government that are basically policy-making or administrative, such as the office of the Secretary or Assistant Secretary of a department, but would consist of the highest operational level under the policy-making or administrative levels.

**Example 1.** M, a national foundation for the encouragement of the musical arts, is a publicly supported organization. George Spruce gives M a donation of \$5,000 without imposing any restrictions or conditions upon the gift. M subsequently makes a \$5,000 grant to X, an organization devoted to giving public performances of chamber music. Since the grant to X is treated as being received from M, it is fully includible in the numerator of X's support fraction for the tax year of receipt.

**Example 2.** Assume M is the same organization described in example (1). Tom Grove gives M a donation of \$10,000, but requires that M spend the money to support organizations devoted to the advancement of contemporary American music. M has complete discretion as to the organizations of the type described to which it will make a grant. M decides to make grants of \$5,000 each to Y and Z, both being organizations described in section 501(c)(3) and devoted to furthering contemporary American music. Since the grants to Y and Z are treated as having been received from M, both Y and Z may include one of the \$5,000 grants in the numerator of its support fraction. Although the donation to M was conditioned upon the use of the funds for a particular purpose, M was free to select the ultimate recipient.

**Example 3.** N is a national foundation for the encouragement of art and is a publicly supported organization. Grants to N are permitted to be earmarked for particular purposes. O, which is an art workshop devoted to training young artists and is claiming status as a publicly supported organization, persuades C, a private foundation, to make a grant of \$25,000 to N. C is a disqualified person with respect to O. C makes the grant to N with the understanding that N would be bound to make a grant to O in the sum of \$25,000, in addition to a matching grant of N's funds to O in the sum of \$25,000. Only the \$25,000 received directly from N is considered a grant from N. The other \$25,000 is an indirect contribution from C to O and is to be excluded from the numerator of O's support fraction to the extent it exceeds the 2% limitation.

Advance rulings to newly created organizations. A ruling or determination letter that an organization is a publicly supported organization will not be issued to a newly created organization before the close of its first tax year that consists of at least 8 months. However, an organization may request a ruling or determination letter that it will be treated as a publicly supported one for its first 2 tax years (or its first 3 tax years, if its first tax year consisted of less than 8 months). The 2-year or 3-year period, whichever applies, is referred to as the advance ruling period. An advance ruling or determination letter may be issued if the organization can reasonably be expected to meet the requirements of either the one-third support test or the facts and circumstances test during the advance ruling period. The issuance of such a ruling or determination letter will be at the discretion of the Service. If an organization required to file Form 1023 filed its application for exemption under section 501(c)(3) more than 15 months after the end of the month it was organized, it will be treated as a newly created organization as of the date it is recognized as being exempt under section 501(c)(3) and may obtain an advance ruling as of that date.

In determining whether an organization can reasonably be expected to meet the one-third or the facts and circumstances test for its advance ruling period (or extended advance ruling period, discussed later), the basic consideration is whether its organizational structure, proposed programs or activities, and intended method of operation are such as to attract the type of broadly based support from the general public, public charities, and governmental units that is necessary to meet either of these tests. See *Five public support factors*, discussed previously.

As long as the Service has not terminated an organization's ruling or determination letter before the expiration of the advance or extended advance ruling period, then whether or not the organization has satisfied either of the support tests during the advance or extended advance ruling period, the organization will be treated as a publicly supported organization, both for purposes of the organization and for any grantor or contributor to the organization, to the following extent.

**Reliance period.** The above newly created organization will be treated as a publicly supported organization for all purposes other than sections 507(d) (relating to total tax benefit resulting from exempt status) and 4940 (relating to tax on net investment income) for the period beginning with its inception and ending 90 days after its advance or extended advance ruling period expires. The period will be extended until a final determination is made of an organization's status only if the organization submits, within the 90-day period, information needed to determine whether it meets either of the support tests for its advance or extended advance ruling period (even if the organization fails to meet either test). However, this reliance period does not apply to the excise tax imposed on net investment income. If it is later determined that the organization was a private foundation from its inception, that excise tax will be due without regard to the advance or extended advance ruling or determination letter. Consequently, if any amount of the tax is not paid on or before the last date prescribed for payment, the organization is liable for interest on the tax due for years in the advance ruling period. However, since any failure to pay the tax during the period is due to reasonable cause, the penalty imposed for failure to pay the tax will not apply.

If a ruling or determination letter is terminated by the Service before the expiration of the reliance period, the status of grants or contributions with respect to grantors or contributors to the organization will not be affected until notice of change of status of the organization is made to the public (such as by publication in the *Internal Revenue Bulletin*). However, this will not apply if the grantor or contributor was responsible for, or aware of, the act or failure to act that resulted in the organization's loss of classification as a publicly supported organization.

Also, it will not apply if the grantor or contributor knew that the Internal Revenue Service had given notice to the organization that it would be deleted from this classification. Before the making of any grant or contribution that allegedly will not result in the grantee's loss of classification, a potential grantee organization may request a ruling on whether the grant or contribution may be made without loss of classification.

A request for a ruling may be filed by the grantee organization with the key District Director. The issuance of the ruling will be at the sole discretion of the Service. The organization must submit all information necessary to make a determination on the support factors previously discussed. If a favorable ruling is issued, the ruling may be relied upon by the grantor or contributor of the particular contribution in question. The grantee organization also may rely on the ruling for excluding unusual grants.

**Extension of advance ruling period.** The advance ruling period may be extended for a period of 3 tax years after the close of the unextended advance ruling period if the organization so requests, but only if the organization's request accompanies its initial request for an advance ruling and is filed with a consent to the effect that the organization will be subject to tax on its net investment income during the extended advance ruling period if it is later determined that the organization was a private foundation during that period. Form 872-C, which is included in the Form 1023 package, is used for this purpose. An organization's extended advance ruling period is 5 tax years if its first tax year consists of at least 8 months, or is 6 years if its first tax year is less than 8 months.

**Initial determination of status.** The initial determination of status of a newly created organization is the first determination (other than by issuance of an advance ruling or determination letter or an extended advance ruling or determination letter) that the organization will be considered as normally meeting the *publicly supported* requirements for a period beginning with its first tax year.

The initial determination of status for a new organization whose first tax year is at least 8 months is based on a computation period of either the first tax year or the first and second tax years.

The initial determination of status for a new organization whose first tax year is less than 8 taxable months, is based on a computation period of either the first and second tax years or the first, second, and third tax years.

The initial determination of status for a new organization that has received a ruling or determination letter for an extended advance ruling period is based on a computation period of all of the tax years in the extended advance ruling period. However, when the ruling or determination letter for an extended advance ruling period is terminated by the Service before the expiration of the reliance period, the initial determination of status will be based on a computation period provided for new organizations whose first tax year is at least 8 months, or new organizations whose first tax year is less than 8 months, or, if greater, the number of years to which the advance ruling applies.

An initial determination that an organization normally meets the publicly supported requirements is effective for each tax year in the computation period, plus (except as discussed earlier under *Exception for material changes in sources of support*) the 2 tax years immediately following the computation period. Therefore, for a new organization whose first tax year is at least 8 months, that organization is publicly supported in its first, second, and third tax years, if it meets the publicly supported requirements for either its first tax year or for its first and second tax years together. In addition, if it meets the requirements for its first and second tax years, it is publicly supported for its fourth tax year.

Service informs the public (through such means as publication in the *Internal Revenue Bulletin*) that such reliance has expired. However, if the grantor, contributor, or distributor acquires knowledge that the Service has notified the community trust that it has failed to establish that it is a public charity, then reliance on the claimed status expires at the time such knowledge is acquired.

#### Section 509(a)(2) Organizations

Section 509(a)(2) excludes certain types of broadly, publicly supported organizations from private foundation treatment. Generally, an organization described in section 509(a)(2) may also fit the description of a publicly supported organization under section 509(a)(1). There are, however, two basic differences.

- 1) For section 509(a)(2) organizations, the term support includes items of support, discussed earlier in *Section 509(a)(1) Organizations*, and income from activities directly related to their exempt function. This income is not included in meeting the support test for a publicly supported organization under section 509(a)(1).
- 2) Section 509(a)(2) places a limitation on the total gross investment income and unrelated business taxable income (in excess of the unrelated business tax) an organization may have, while section 509(a)(1) does not.

To be excluded from private foundation treatment under section 509(a)(2), an organization must meet two support tests:

- 1) The one-third support test, and
- 2) The not-more-than-one-third support test.

Both these tests are designed to insure that an organization that is excluded from private foundation treatment is responsive to the general public, rather than to the private interests of a limited number of donors or other persons.

The one-third support test will be met if an organization normally receives more than one-third of its support in each tax year from any combination of:

- 1) Gifts, grants, contributions, or membership fees; and
- 2) Gross receipts from admissions, sales of merchandise, performance of services, or furnishing facilities, in an activity that is not an unrelated trade or business, subject to certain limitations, discussed later.

For this purpose, the support must be from permitted sources, which include governmental units, organizations described earlier under *Section 509(a)(1) Organizations*, and persons other than disqualified persons (defined later under *Section 509(a)(3) Organizations*).

**Limitation on gross receipts.** In computing the amount of support received from gross receipts under (2), gross receipts from related activities received from any person, or from any bureau or similar agency of a governmental unit, are includible in any tax year only to the extent the gross receipts do not exceed the greater of \$5,000 or 1% of the organization's total support in that year.

The not-more-than-one-third support test will be met if an organization normally receives no more than one third of its support in each tax year from the sum of:

- 1) Gross investment income, and

- 2) The excess (if any) of unrelated business taxable income over the tax imposed on income from unrelated trades or businesses acquired after June 30, 1975.

**Gross investment income** means the gross amount of income from interest, dividends, payments with respect to securities loans, rents, and royalties, but not including any income that would be included in computing tax on unrelated business income from trades or businesses.

**Definition of normally.** Both support tests are computed on the basis of the nature of the organization's normal sources of support. An organization will be considered to have normally met both tests for its current tax year and the tax year immediately following, if it meets those tests on the basis of the total support received for the 4 tax years immediately preceding the current tax year.

However, if during the current tax year, there are substantial and material changes in an organization's sources of support other than changes arising from unusual grants (discussed later), neither the 4-year computation period for the current year as an immediately following tax year, nor the 4-year computation period for that year as a current tax year applies. Instead, the normal sources of support will be determined on the basis of a 5-year period consisting of the current tax year and the 4 preceding tax years.

Thus, for example, if material changes occur in support for the year 1985, then even though the organization meets the requirements of the support tests based on the years 1980—1983 or 1981—1984, it does not meet these tests unless it meets the requirements based on the 5-year computation period of 1981 through 1985. An example of a substantial and material change may be the receipt of an unusually large contribution that does not qualify as an unusual grant.

If an organization is not able to meet either of the support tests because of a substantial or material change in the sources of support, its status with respect to a grantor or contributor will not be affected until notice of a change in status is made to the public (such as by publication in the *Internal Revenue Bulletin*).

However, this rule does not apply to any grantor or contributor who:

- 1) Was responsible for the substantial or material change;
- 2) Was aware of it; or
- 3) Has acquired knowledge that the Internal Revenue Service gave notice to the organization that it would no longer be classified as a section 509(a)(2) organization.

A grantor or contributor (other than one of the organization's founders, creators, or foundation managers) is not considered to be responsible for, or aware of, the substantial and material change if the grantor or contributor made the grant or contribution relying upon a written statement by the grantee organization that the grant or contribution would not result in the loss of the organization's classification as an organization that is not a private foundation. The statement must be signed by a responsible officer of the grantee organization and must set forth sufficient information, including a summary of the pertinent financial data for the 4 preceding years, to assure a reasonably pru-

dent person that the grant or contribution would not result in the loss of the grantee organization's classification as not a private foundation. If a reasonable doubt exists as to the effect of the grant or contribution, or if the grantor or contributor is one of the organization's founders, creators, or foundation managers, the grantee organization may request a ruling from its key District Director for the protection of the grantor or contributor.

If there is no written statement, a grantor or contributor will not be considered to be responsible for a substantial and material change if the total gifts, grants, or contributions received from that grantor or contributor for a tax year is 25% or less of the total support received by the organization from all sources for the 4 tax years immediately preceding the tax year. (If the organization has not qualified as "publicly supported" for those 5 years, see *Special rule for new organizations*, discussed next.) For this purpose, total support does not include support received from that particular grantor or contributor. The grantor or contributor cannot be a person who is in a position of authority, such as a foundation manager, or who obtains a position of authority or the ability to exercise control over the organization because of the grant or contribution.

**Special rule for new organizations.** If an organization has been in existence for at least one tax year (consisting of at least 8 months), but less than 5 tax years, it will be considered as normally meeting the support tests if it meets those tests for all the years it has existed before the current year being tested. The support received in prior years, however, may not be considered for the support test if the organization did not meet the requirements of section 501(c)(3) for those years. If there is a substantial or material change in the sources of support during the current year, that year also must be considered when applying the tests. An organization may be issued a ruling or determination letter if it meets the previously stated requirements. See *Special rule for new organizations*, in the previous section.

**Exclusion for unusual grants.** An unusual grant may be excluded from the support test computation if it:

- 1) Was attracted because of the publicly supported nature of the organization;
- 2) Was unusual or unexpected with respect to the amount; and
- 3) Would, because of its size, adversely affect the status of the organization as normally meeting the one-third support test. (The organization must otherwise meet the test in that year without benefit of the grant or contribution.)

A grant or contribution will be considered an unusual grant if the above 3 factors apply and if it meets all of the following characteristics. If these factors and characteristics are met, then even without the benefit of an advance ruling, grantors or contributors have assurance that they will not be considered responsible for substantial and material changes in the organization's sources of support.

- 1) The grant or contribution is not made by a person (or related person) who created the organization or was a substantial contributor to the organization prior to the grant or contribution.
- 2) The grant or contribution is not made by a person (or related person) who is in a posi-



plying either the one-third or the facts and circumstances test, the 4-year computation period applicable to such year, either as an immediately succeeding tax year or as a current tax year, will not apply. Instead of using these computation periods, a computation period of 5 years will apply. The 5-year period consists of the current tax year and the 4 tax years immediately preceding that year.

For example, if substantial and material changes occur in an organization's sources of support for the 1985 tax year, then, even though the organization meets the requirements of the one-third or the facts and circumstances test based on a computation period of tax years 1980-1983 or 1981-1984, such an organization will not meet either of these tests unless it meets the requirements for a computation period consisting of the tax years 1981-1985.

An example of a substantial and material change is the receipt of an unusually large contribution or bequest that does not qualify as an unusual grant.

If as a result of this substituted period, an organization is not able to meet the requirements of either the one-third support or the facts and circumstances test for its current tax year, its status, with respect to a grantor or contributor, will not be affected until notice of change of status is made to the public (such as by publication in the *Internal Revenue Bulletin*). This does not apply, however, if the grantor or contributor was responsible for, or was aware of, the substantial and material change, or acquired knowledge that the Internal Revenue Service had given notice to the organization that it would be deleted from classification as a publicly supported organization.

A grantor or contributor (other than one of the organization's founders, creators, or foundation managers) will not be considered to be responsible for, or aware of, the substantial and material change, if the grantor or contributor made the grant or contribution relying upon a written statement by the grantee organization that the grant or contribution will not result in the loss of the organization's classification as a publicly supported organization. The statement must be signed by a responsible officer of the grantee organization and must set forth sufficient information, including a summary of the pertinent financial data for the 4 preceding years, to assure a reasonably prudent person that the grant or contribution will not result in the loss of the grantee organization's classification as a publicly supported organization. If a reasonable doubt exists as to the effect of the grant or contribution, or if the grantor or contributor is one of the organization's founders, creators, or foundation managers, the grantee organization may request a ruling from the key District Director before accepting the grant or contribution for the protection of the grantor or contributor.

If there is no written statement, a grantor or contributor will not be considered to be responsible for a substantial and material change if the total gifts, grants, or contributions received from that grantor or contributor for a tax year is 25% or less of the total support received by the organization from all sources for the 4 tax years immediately preceding the tax year. (If the organization has not qualified as "publicly supported" for those 5 years, see *Special rule for new organizations*, discussed next.) For this

purpose, total support does not include support received from that particular grantor or contributor. The grantor or contributor cannot be a person who is in a position of authority, such as a foundation manager, or who obtains a position of authority or the ability to exercise control over the organization because of the grant or contribution.

**Special rule for new organizations.** If an organization has been in existence for at least one tax year consisting of at least 8 months, but for fewer than 5 tax years, the number of years that the organization has been in existence immediately preceding each current tax year being tested will be substituted for the 4-year period described previously. However, if a material change in sources of support occurs, the period of the organization's existence (up to and including the current year) will be substituted for the 4-year period. An organization that has been in existence for at least one tax year consisting of 8 or more months may be issued a ruling or determination letter if it normally meets the requirements of either the one-third or the facts and circumstances test for the number of years under this special rule. Such an organization may apply for a ruling or determination letter under these provisions, rather than under the provisions for advance rulings to newly created organizations, discussed later. The support received in prior years, however, may not be considered for the support test if the organization did not meet the requirements of section 501(c)(3) for those years. The issuance of a ruling or determination letter will be discretionary with the Internal Revenue Service. See *Initial determination of status* later in this section. This discussion does not apply to those organizations receiving an extended advance ruling, as discussed under *Extension of advance ruling period*, later in this section.

**Support.** For purposes of publicly supported organizations, the term *support includes* (but is not limited to):

- 1) Gifts, grants, contributions, or membership fees;
- 2) Net income from unrelated business activities, whether or not such activities are carried on regularly as a trade or business;
- 3) Gross investment income;
- 4) Tax revenues levied for the benefit of an organization and either paid to or expended on behalf of such organization; and
- 5) The value of services or facilities furnished by a governmental unit to an organization without charge (except services or facilities generally furnished to the public without charge).

However, the term *support does not include*:

- 1) Any gain on the sale or disposition of a capital asset;
- 2) The value of exemption from any federal, state, or local tax or any similar benefit;
- 3) Any amount received from the exercise or performance by an organization of the purpose or function constituting the basis for its exemption; (In general, such amounts include amounts received from any activity the conduct of which is substantially related to the furtherance of such purpose or function, other than through the production of income.) or
- 4) Contributions of services for which a deduction is not allowed.

For purposes of the one-third support test and the ten-percent-of-support requirement, all amounts received that are described as amounts not includible in support are to be excluded from both the numerator and the denominator of the fractions in determining compliance with the tests. The following discusses an exception to this general rule.

**Organizations dependent primarily on gross receipts from related activities** will not satisfy the one-third support test or the ten-percent-of-support requirement if they receive:

- 1) Almost all support from gross receipts from related activities; and
- 2) An insignificant amount of support from governmental units (without regard to amounts referred to in (3) in the preceding list) and contributions made directly or indirectly by the general public.

**Example.** X, an organization described in section 501(c)(3), is controlled by Thomas Blue, its president. X received \$500,000 during the 4 tax years immediately preceding its current tax year under a contract with the Department of Transportation, under which X engaged in research to improve a particular vehicle used primarily by the federal government. During the same period, the only other support received by X was \$5,000 in small contributions primarily from X's employees and business associates. The \$500,000 is support under (1) above. Under these circumstances, X meets the conditions of (1) and (2) and does not meet the one-third support test or the ten-percent-of-support requirement.

For the rules applicable to organizations that fail to qualify as section 509(a)(1) publicly supported organizations because of these provisions, see *Section 509(a)(2) Organizations*. See also *Gross receipts from a related activity* in the discussion on section 509(a)(2) organizations.

**Membership fees** included in the term support are those paid for the purpose of making a payment to provide support for the organization rather than to purchase admissions, merchandise, services, or the use of facilities.

**Support from a governmental unit.** For purposes of the one-third support test and the ten-percent-of-support requirement, the term *support from a governmental unit* includes any amounts received from a governmental unit, including donations or contributions and amounts received in connection with a contract entered into with a governmental unit for the performance of services, or in connection with a government research grant. However, the amounts are not support from a governmental unit for these purposes if they constitute amounts received from the exercise or performance of the organization's exempt functions.

Any amount paid by a governmental unit to an organization will not be treated as received from the exercise or performance of its charitable, educational, or other purpose or function constituting the basis for its exemption if the purpose of the payment is primarily to enable the organization to provide a service to, or maintain a facility for, the direct benefit of the public (regardless of whether part of the expense of providing the service or facility is paid for by the public), rather than to serve the direct and immediate needs of the payor. This includes:

- 1) Amounts paid for the maintenance of library facilities that are open to the public;

- 2) Amounts paid under government programs to nursing homes or homes for the aged to provide health care or domiciliary services to residents of these facilities; and
- 3) Amounts paid to child placement or child guidance organizations under government programs for services rendered to children in the community.

These payments have a primary purpose of enabling the recipient organization to provide a service or maintain a facility for the direct benefit of the public, rather than to serve the direct and immediate needs of the payor. Furthermore, any amount received from a governmental unit under circumstances that would treat the amount as a grant will generally constitute support from a governmental unit. See *Grants distinguished from gross receipts* later under *Section 509(a)(2) Organizations*.

Medicare and medicaid payments are received in connection with contracts entered into with state and federal governmental units. However, payments are made for services already provided to eligible individuals, rather than to encourage or enable an organization to provide services to the public. The individual patient, not a governmental unit, actually controls the ultimate recipient of these payments by selecting the health care organization. These payments are not considered support from a governmental unit. Medicare and medicaid payments constitute gross receipts derived from the exercise or performance of exempt activities and, therefore, are not included in the term "support."

*Support from the general public.* In determining whether the one-third support test or the ten-percent-of-support requirement are met, include in your computation support from direct or indirect contributions from the general public. This includes contributions from an individual, trust, or corporation but only to the extent that the total contributions from any such individual, trust, or corporation, during the 4-year period immediately preceding the current tax year (or substituted computation period), does not exceed 2% of the organization's total support for the same period.

Thus, any contribution by one individual will be included in full in the denominator of the fraction determining the one-third support test or the ten-percent-of-support requirement. However, the contribution will be included in the numerator only to the extent that it does not exceed 2% of the denominator. In applying the 2% limitation, all contributions made by a donor and by any person in a special relationship to the donor (certain disqualified persons discussed under *Section 509(a)(3) Organizations*) are considered made by one person. The 2% limitation does not apply to support received from governmental units or to contributions from other publicly supported charities, except as provided under *Grants from public charities*, discussed later.

The term *indirect contributions from the general public* includes contributions received by the organization from organizations (such as publicly supported organizations) that normally receive a substantial part of their support from direct contributions from the general public, except as provided under *Grants from public charities*, discussed later.

*Exclusion for unusual grants.* In applying the 2% limitation to determine whether the one-third support test or the ten-percent-of-support re-

quirement is satisfied, exclude one or more contributions from both the numerator and denominator of the appropriate percent-of-support fraction if the contributions are considered unusual grants. Generally, the exclusion applies to substantial contributions or bequests from disinterested parties if the contributions:

- 1) Are attracted by the publicly supported nature of the organization;
- 2) Are unusual or unexpected with respect to the amount of the contribution; and
- 3) Would adversely affect, because of the size, the status of the organization as normally being publicly supported. (The organization must otherwise meet the support test in that year without benefit of the grant or contribution.)

For a grant (see description under *Grants distinguished from gross receipts* in *Section 509(a)(2) Organizations*) that meets the requirements for exclusion, if the terms of the granting instrument require that the funds be paid to the recipient organization over a period of years, the amount received by the organization each year under the terms of the grant may be excluded for that year. However, no item of gross investment income (defined under *Section 509(a)(2) Organizations*) may be excluded under this rule. These provisions allow exclusion of unusual grants made during any of the applicable periods previously discussed, and to periods described in *Advance rulings to newly created organizations*, discussed later.

A grant or contribution will be considered an unusual grant if the above three factors apply and if it meets all of the following characteristics. If these factors and characteristics are met, then even without the benefit of an advance ruling, grantors or contributors have assurance that they will not be considered responsible for substantial and material changes in the organization's sources of support.

- 1) The grant or contribution is not made by a person (or related person) who created the organization or was a substantial contributor to the organization prior to the grant or contribution.
- 2) The grant or contribution is not made by a person (or related person) who is in a position of authority such as a foundation manager or who otherwise has the ability to exercise control over the organization. Similarly, the grant or contribution is not made by a person (or related person) who because of the grant or contribution, obtains a position of authority or the ability to otherwise exercise control over the organization.
- 3) The grant or contribution is in the form of cash, readily marketable securities, or assets that directly further the organization's exempt purposes, such as a gift of a painting to a museum.
- 4) The donee-organization has received either an advance or final ruling or determination letter classifying it as a publicly supported organization and, except for an organization operating under an advance ruling or determination letter, the organization is actively engaged in a program of activities in furtherance of its exempt purpose.
- 5) No material restrictions or conditions have been imposed by the grantor or contributor upon the organization in connection with the grant or contribution.

- 6) If the grant or contribution is intended for operating expenses, rather than capital items, the terms and amount of the grant or contribution are expressly limited to one year's operating expenses.

*Grantors and contributors.* Before the making of any grant or contribution that will allegedly meet the requirements for exclusion, a potential grantee organization may request a ruling as to whether the grant or contribution may be excluded. A request for a ruling may be filed by the grantee organization with the key District Director for its area. The organization must submit all information necessary to make a determination including information relating to the factors and characteristics listed in the preceding paragraphs. If a favorable ruling is issued, the ruling may be relied upon by the grantor or contributor of the particular contribution in question. The issuance of the ruling will be at the sole discretion of the Service. The potential grantee organization should follow the procedures set out in Revenue Procedure 83-36, 1983-1 C.B. 763, to request a ruling.

Grants and contributions that result in substantial and material changes in the organization and that fail to qualify for exclusion, will affect the way the support tests are applied. See *Exception for material changes in sources of support*, discussed earlier.

If a ruling is requested, in addition to the characteristics listed earlier, the following factors may be taken into consideration by the Internal Revenue Service in determining if the grant or contribution qualifies as an unusual grant.

- 1) Whether the contribution was a bequest or an inter vivos transfer. A bequest will be given more favorable consideration than an inter vivos transfer.
- 2) Whether, before the receipt of the particular contribution, the organization has carried on an active program of public solicitation and exempt activities and has been able to attract a significant amount of public support.
- 3) Whether, before the year of contribution, the organization met the one-third support test or the ten-percent-of-support requirement without benefit of any exclusions of unusual grants.
- 4) Whether the organization may reasonably be expected to attract a significant amount of public support after the particular contribution. In this connection, continued reliance on unusual grants to fund an organization's current operating expenses (as opposed to providing new endowment funds) may be evidence that the organization cannot reasonably be expected to attract future support from the general public.
- 5) Whether the organization has a representative governing body.

*Grants from public charities.* Contributions received from a governmental unit or from a publicly supported organization (including a church that meets the requirements for being publicly supported) are not subject to the 2% limitation (see *Support from the general public*, discussed earlier) unless the contributions represent amounts either expressly or impliedly earmarked by a donor to such governmental unit or publicly supported organization as being for, or for the benefit of, the particular organization claiming a publicly supported status.



maintains a continuous and bona fide program for solicitation of funds from the general public, community, or membership group involved, or if it carries on activities designed to attract support from governmental units or other charitable organizations described in section 509(a)(1). In determining whether an organization maintains a continuous and bona fide program for solicitation of funds from the general public or community, consideration will be given to whether the scope of its fund raising activities is reasonable in light of its charitable activities. Consideration also will be given to the fact that an organization may, in its early years of existence, limit the scope of its solicitation to persons who would be most likely to provide seed money sufficient to enable it to begin its charitable activities and expand its solicitation program.

**Definition of "normality"; facts and circumstances test.** An organization will normally meet the requirements of the facts and circumstances test for its current tax year and the following tax year if, for the 4 tax years immediately preceding the current tax year, the organization meets the ten-percent-of-support and the attraction of public support requirements on an aggregate basis and satisfies a sufficient combination of the factors discussed later. The combination of factors that an organization normally must meet does not have to be the same for each 4-year period as long as a sufficient combination of factors exists to show compliance. See also *Special rule for new organizations*, later in this discussion.

The fact that an organization has normally met the one-third support test requirements for a current tax year, but is unable normally to meet such requirements for a following tax year, will not in itself prevent such organization from meeting the requirements of the facts and circumstances test for such succeeding tax year.

**Example.** X organization meets the one-third support test in its current tax year 1984 on the basis of support received during tax years 1980, 1981, 1982, and 1983. It therefore normally meets the requirements for both the current tax year 1984 and the following tax year 1985. For the 1985 tax year, X is unable to meet the one-third support test on the basis of support received during 1981, 1982, 1983, and 1984. If X can meet the facts and circumstances test on the basis of those years, X will normally meet the requirements for 1986 (the tax year immediately following 1985, the current tax year). However, if on the basis of both 4-year periods 1981 through 1984 and 1982 through 1985, X fails to meet both the one-third and the facts and circumstances tests, X will not be a publicly supported organization for 1986.

However, X will not be disqualified as a publicly supported organization for the 1985 tax year, because it normally met the one-third support test requirements on the basis of the tax years 1980 through 1983 unless the provisions governing the exception for material changes in sources of support (discussed later) become applicable.

Five public support factors. In addition to the two requirements of the facts and circumstances test, the following factors will be considered in determining whether an organization meets the requirement of being publicly supported. However, an organization is not generally required to satisfy all of the factors. The factors relevant to each case and the weight ac-

corded to any one of them may differ depending upon the nature and purpose of the organization and the length of time it has existed. The combination of factors that an organization normally must meet does not have to be the same for each 4-year period as long as a sufficient combination of factors exists to show that the organization is publicly supported.

**1) Percentage of financial support factor.**

When an organization normally receives at least 10%, but less than one-third of its total support from public or governmental sources, the percentage of support received from those sources will be considered in determining whether an organization is publicly supported. As the percentage of support from public or governmental sources increases, the burden of establishing the publicly supported nature of the organization through other factors decreases; while the lower the percentage, the greater the burden.

If the percentage of the organization's support from the general public or governmental sources is low because it receives a high percentage of its total support from investment income on its endowment funds, the organization will be treated as complying with this factor if the endowment fund was originally contributed by a governmental unit or by the general public. However, if the endowment funds were originally contributed by a few individuals or members of their families, this fact will increase the burden on the organization of establishing compliance with other factors. Facts pertinent to years preceding the 4 tax years immediately preceding the current tax year also may be considered.

**2) Sources of support factor.** If an organization normally receives at least 10%, but less than one-third of its total support from public or governmental sources, the fact that it receives the support from governmental units or directly or indirectly from a representative number of persons, rather than receiving almost all of its support from the members of a single family, will be considered in determining whether an organization is publicly supported. In determining what is a representative number of persons, consideration will be given to the type of organization involved, the length of time it has existed, and whether it limits its activities to a particular community or region or to a special field which can be expected to appeal to a limited number of persons. Facts pertinent to years preceding the 4 tax years immediately preceding the current tax year also may be considered.

**3) Representative governing body factor.** The fact that an organization has a governing body that represents the broad interests of the public, rather than the personal or private interest of a limited number of donors, will be considered in determining whether an organization is publicly supported.

An organization will meet this requirement if it has a governing body comprised of:

- 1) Public officials acting in their public capacities;
- 2) Individuals selected by public officials acting in their public capacities;
- 3) Persons having special knowledge or expertise in the particular field or discipline in which the organization is operating; and
- 4) Community leaders (such as elected or appointed officials, members of the clergy,

educators, civic leaders) or other such persons representing a broad cross-section of the views and interests of the community.

In a membership organization, the governing body also must include individuals elected by a broadly based membership pursuant to the organization's governing instrument or bylaws.

**4) Availability of public facilities or services factor.** If an organization generally provides facilities or services directly for the benefit of the general public on a continuing basis (such as a museum that is open to the public, a symphony orchestra that gives public performances, a conservation organization that provides educational services to the public through the distribution of educational materials, or an old age home that provides domiciliary or nursing services for members of the general public), these facts will be considered evidence that the organization is publicly supported. The fact that an educational or research institution regularly publishes scholarly studies widely used by colleges and universities or by members of the general public will be considered as evidence that the organization is publicly supported.

Similarly, the following factors also will be considered evidence that an organization is publicly supported:

- 1) Participating in, or sponsoring of, the programs of the organization by members of the public having special knowledge or expertise, public officials, or civic or community leaders;
- 2) Maintaining a definitive program by an organization to accomplish its charitable work in the community, such as slum clearance or developing employment opportunities; and
- 3) Receiving a significant part of its funds from a public charity or governmental agency to which it is in some way held accountable as a condition of the grant, contract, or contribution.

**5) Additional factors pertinent to membership organizations.** The following are additional factors to be considered in determining whether a membership organization is publicly supported:

- 1) Whether the solicitation for dues-paying members is designed to enroll a substantial number of persons in the community or area, or in a particular profession or field of special interest (taking into account the size of the area and the nature of the organization's activities);
- 2) Whether membership dues for individual (rather than institutional) members have been fixed at rates designed to make membership available to a broad cross section of the interested public, rather than to restrict membership to a limited number of persons; and
- 3) Whether the activities of the organization will be likely to appeal to persons having some broad common interest or purpose, such as educational activities in the case of alumni associations, musical activities in the case of symphony societies, or civic affairs in the case of parent-teacher associations.

**Exception for material changes in sources of support.** If for the current tax year substantial and material changes occur in an organization's sources of support other than changes arising from unusual grants (discussed later under *Exclusion for unusual grants*), then in ap-

During recent years we have finally settled on the belief that application for tax exemption for N.A. offices recognition under Section 501(c)(3) is the appropriate category. Accordingly, this section addresses itself to application under this section.

An important item to keep in mind is that an application for tax exemption should be filed within fifteen months of the time you begin operation of an office or corporation. A matter that is just as complicated as the 501(c)(3) issue are two related sections that also apply. The first is determining which section, 508(a) or 508(b) is to be utilized in your application. These provisions related to the period of filing within fifteen months from the start of the corporation. If you file within fifteen months, section 508(a) applies.

The other matter is whether or not you apply for a "definitive ruling" under section 509(a)(1) or an "advance ruling" under section 509(a)(2). The answer depends on whether you want to complete Part VI (a financial section) or complete a Form 872-C. If you want a "definitive ruling" you complete Part VI. For the "advance ruling" complete the Form 872-C.

The summary for completion of the form 1023 is intended to be of assistance when you complete the form for your corporation. You are encouraged to put things in your own words and to explain things differently, as the use of standard suggested language way of explaining things is not always the best. The most troubling elements are in Part III, question 13, and Part IV, questions 1-3. We have opted to suggest only one way to answer these question, but if you are using professional accounting assistance and they recommend something different, don't let this letter stand in your way.

A great portion of the 1023 Form does not apply. Those portions are to be ignored. It is suggested that you line through those portions that do not apply or or put a large N/A across them. After that is done, the rest of the job doesn't seem so monumental. If you have any questions on this material, please call the WSO.

### TAX EXEMPTION APPLICATION COMPLETING IRS FORM 1023

The suggested language provided represents our understanding of the question and what we believe to be a reasonable response. As you study this and the form you may find better responses. Feel free to use any information contained herein or disregard as much as you please.

Part I, Questions 1,3 to 8: Information about the organization is intended to be relatively permanent information. The addresses and names indicated in this section will be the address to which the Internal Revenue Service will send correspondence for a rather considerable period of time. The information about your application will be shared in the IRS, among a variety of departments.

Amounts received from a unit functioning at the policy-making or administrative level of government are treated as received from one bureau, or similar agency of the unit. Units of a governmental agency above the operating level are combined and considered a separate bureau for this purpose. Thus, an organization that has gross receipts from both a policy-making or administrative unit and an operational unit of a department will be treated as having gross receipts from two bureaus. For this purpose, the Departments of Air Force, Army, and Navy are separate departments and each has its own policy-making, administrative, and operating units.

**Example 1.** The Bureau for Africa and the Bureau for Latin America are considered separate bureaus. Each is an operating unit under the Administrator of the Agency for International Development, a policy-making official. If an organization had gross receipts from both of these bureaus, the amount of gross receipts from each would be subject to the greater of \$5,000 or the 1% limitation.

**Example 2.** A bureau is an operating unit under the administrative office of the Executive Director. The subdivisions of the bureau are Geographic Areas and Project Development Staff. If an organization had gross receipts from these subdivisions, the total gross receipts from these subdivisions would be considered gross receipts from the same bureau and would be subject to the greater of \$5,000 or the 1% limitation.

**Grants from public charities.** For purposes of the one-third support test, grants received from a section 509(a)(1) organization (public charity) are generally includible in full in computing the numerator of the support fraction for that tax year. It is sometimes necessary to determine whether the recipient of a grant from such a public charity has received the support as a grant, or whether it is an indirect contribution from a donor to the public charity. If the amount received is considered a grant from the public charity, it is fully includible in the numerator of the support fraction.

However, if the amount received is considered an indirect contribution from one of the public charity's donors that was passed through the public charity to the recipient organization, it will retain its character as a contribution from the donor and, if, for example, the donor is a substantial contributor to the ultimate recipient, the amount is excluded from the numerator of the support fraction. If a public charity makes both an indirect contribution from its donor and an additional grant to the ultimate recipient, the indirect contribution is treated as having been made first.

An indirect contribution is one that is expressly or impliedly earmarked by the donor as being for, or for the benefit of, a particular recipient rather than for a particular purpose.

**Method of accounting.** An organization's support is determined solely on the cash receipts and disbursements method of accounting. For example, if a grantor makes a grant to an organization payable over a term of years, the grant will be includible in the support fraction of the grantee organization only when and to the extent amounts payable under the grant are received by the grantee.

**Gross receipts from a related activity.** When the charitable purpose of an organization described in section 501(c)(3) is accomplished through furnishing facilities for a rental fee or loans to a particular class of persons, such as aged, sick, or needy persons, the support received from those persons will be considered gross receipts from a related exempt activity rather than gross investment income or unrelated business taxable income.

However, if the organization also furnishes facilities or loans to persons who are not members of a particular class and furnishing the facilities or funds does not contribute importantly to accomplishing the organization's exempt purposes, the support received from furnishing the facilities or funds will be considered rents or interest and will be treated as gross investment income or unrelated business taxable income.

**Example X.** An organization described in section 501(c)(3), is organized and operated to provide living facilities for needy widows of deceased servicemen. X charges the widows a small rental fee for the use of the facilities. Since X is accomplishing its exempt purpose through the rental of the facilities, the support received from the widows is considered gross receipts from a related exempt activity. However, if X rents part of its facilities to persons having no relationship to X's exempt purpose, the support received from these rentals will be considered gross investment income or unrelated business taxable income.

reimbursement for expenses that directors pay when traveling or for other responsibilities of their participation.

Part III, Question 4c: The answer normally should be, "No."

Part III, Question 4d: The answer should be "No". A discussion about disqualified persons is found in the booklet entitled "Tax Exempt Status for your Organization". Generally a disqualified person is a person who has a personal financial interest in a corporation even if the corporation is non-profit. An example might be a person who is the owner of the building you occupy and is also a member of the board of directors. Such person would be a disqualified person.

Part III, Question 4e: The answer should be "No".

Part III, Question 5: The answer should be "No". The second part of Question 5 should be "Yes". You should provide a brief explanation. An example might be that "the corporation is an outgrowth of the spiritual fellowship of Narcotics Anonymous. There are certain types of activities that the spiritual fellowship by its fundamental principles are prohibited from doing. The purpose of the corporation is to provide services to the fellowship of Narcotics Anonymous that the principles of the program would not permit the spiritual fellowship to do. There are no interlocking directorates between the spiritual fellowship of Narcotics Anonymous and this corporation."

Part III, Question 6: The answer should be "No". Although the corporation is responsible to the spiritual fellowship, it is not accountable to another legal corporation, henceforth, the answer should be No. If the answer is yes, then the controlling organization would also have to obtain tax exemption.

Part III, Question 7: Generally the answer to 7a should be that the organization does not intend to generate income other than through the sale of literature or other merchandise that is associated with the spiritual fellowship of Narcotics Anonymous. The organization does not intend to own property or equipment other than office equipment as may be necessary to provide these services. In Question 7b, it would be appropriate to indicate there are no plans to have endowment funds or hold contributions to produce income to support these activities. The IRS does not consider a savings account as holding funds to generate income.

Part III, Question 8: The answer should be "No". If the corporation used a management company the answer would be "Yes". If you have an employee or a part time employee, even if the part time employee is paid lump sum amounts rather than an hourly wage, the answer still should be "No".

Part III, Questions 9a and 9b: The answer to both questions should be "No". The services that you will provide are available to any person, whether they are an addict or not, and whether or not they are members of the fellowship.

Part III, Question 10: The answer should be "Yes", if your by-laws make provision for members; "No" if the answer is that the corporation is controlled by a board of directors without having members. It is advisable that where possible your by-laws be converted so that the corporation is run by a board of directors rather than having members.

Part I, Question 2: Every corporation must have an employer identification number. This number is the number by which the IRS keeps track of financial activities related to the corporation. Enclosed with this packet is a sample of the form necessary to complete and send in order to obtain this number. Depending upon which IRS district you are located in, the time before you receive the number, after you apply, may be as little as a few days or as much as several weeks. Apply for the employer identification number as soon as possible so that you can have the number for completing form 1023.

Part II, check the box for corporations.

Part III, Question 1: List in descending order, the sources of financial support. In most circumstances the principal source of support will be the sale of Narcotics Anonymous approved literature and other items to the general public and members of the Narcotics Anonymous fellowship. The second general source will be donations from members of the fellowship. A third source in some situations may be fundraising activities such as dances, car washes, or things of that nature. It is strongly recommended that you do not put in this section, that financial support will be generated from raffles.

Part III, Question 2: Describe the fundraising program actual and planned. If in Part III, question 1 you omitted fundraising activities it will be convenient to indicate here that no fundraising activities are planned and you can rely strictly on the first two sources of income. If, however, you do include fundraising activities, you will have to describe the types of activities, their frequency and other information that would be relevant to the IRS determining whether or not that activity by itself should be considered exempt from taxation.

Part III, Question 3: They want as much information on the purpose as you can provide. Do not use language quoted from the by-laws or articles of incorporation. Both of those documents will be included. They want the purpose described in different terms. Here is an example:

The primary activities of the office are to provide literature to the general public and members of the Narcotics Anonymous fellowship. The primary purpose in this is to provide information to individuals, groups and the general public that will facilitate their recovery from the disease of drug addiction. A secondary purpose may include providing services for the fellowship of Narcotics Anonymous. Such services may include dissemination of public information concerning Narcotics Anonymous and recovery from addiction. The focus of these activities is to carry the message of recovery contained in the Twelve Steps and Twelve Traditions of Narcotics Anonymous.

Part III, Question 4: The membership of the organization's governing body is a board of directors. Put names and addresses and titles in Column A. You may refer to an attached sheet and have the information already contained on another piece of paper.

Part III, Question 4a and b: Label that additional piece of paper as an attachment for these paragraphs. Under normal circumstances, compensation will not be provided to members of boards of directors serving the fellowship. This, however, does not prohibit you from providing



Part III, Question 11: The answer should be "No".

Part III, Question 12: The answer should be "No".

Part III, Question 13(a): Answering this question requires a little more understanding than just a yes or no. Although the response should be YES, you need to know why. At issue is whether your application is being made within 15 months of the time the corporation started. Hopefully this is the case. If this is not the case the the answer is NO. If you answer NO for 13(a), then complete a response for 13(b), otherwise disregard 13(b) by inserting N/A. If you answered YES to 13(a) then (if you are still within the 15 month period) answer N/A to 13(c). If you answer YES to 13(a) and put an N/A for 13(c) then disregard (d) and (e). If you have questions on this part, call Steve or Bob at the WSO.

Part IV, Question 1: This is another of those questions you need to know the reasoning behind. The brief and direct answer is that you should qualify as a 501(c)(3) organization and be eligible for a ruling under either sections 509(a)(1) or 509(a)(2). It is your choice. Your answer for question 1 should be NO. Question 2 is not responded to. You may elect to answer 3(a) with a check and complete Part VI or you may elect to check 3(b) and complete a form 872-C. The following data is for answering 3(a) with a check and disregarding 3(b). See Attachment 2 for additional information.

Part V, Financial Data: You can only complete data that you have. If you started your office during the last 15 months, indicate the information that you can generate for each appropriate line. If you have not completed a full year, put in the information that is relevant for the period of time that you have completed. If you have not started operations, you will have to propose figures which should be representative of what you anticipate being the first years' financial activities. Most of your funds should come from sources on Lines 1 and Lines 3. Your contributions and gifts from whatever sources, would go on Line 1. On Line 2 there should be a zero. Lines 3a and 3b should reflect the bulk of funds that you will receive. When computing gross amounts derived from activities, it should be the majority of the funds you will have minus cost of sales. Your cost of sales should be fairly substantial. In most situations it should be approximately 80% of your actual operational income. Lines 4a through Item 7 should be zero. If you avoided indicating fundraising activities as a source of revenue you can avoid some of the difficulty shown in the next section. Lines 9 through 19 are intended to provide information on expenses. If you do not have fundraising, the answer for 9 and 10 would be zero. If you are going to do fundraising activities you should put in a realistic amount that you anticipate expending in order to conduct the fundraising activities.

Line 10 is intended to show expense that you will encounter in trying to obtain contributions, gifts, grants and similar amounts. The answer generally should be that we will expend no funds to obtain gifts, contributions or grants. So Line 10 should be zero. Lines 11 and 12 should be zero. Line 13: If you anticipate a part time or full time employee, put in expenses. Line 14 should be zero. Line 15 should be some reasonable amount based on actual or anticipated expenses. Line 16, should be fairly small, if not zero, during the first year. For the Balance sheet section, this

should reflect where you anticipate being at or are at the end of the first year of operation. This will be dependant upon a closer review of your current financial situation. Individual discussions on this could be held with Steve Sigman or myself, should you need additional information.

Part VI: You should put a check mark for Line 8, which means you fill out Part VI Item B, which is the form for Analysis of Financial Support. When filling out Section B, you should fill out only two columns or if you're operating only one year, just the first column, Column (a). Show any amounts of money received or anticipated to be received from the RSC or the ASC, individual members or groups. Line 2, put an N/A for non-applicable. Line 3, should indicate real income from sale of N.A. Approved Literature or other items. N/A should be in Lines 4, 5, 6 and 7. In Line 8, if you anticipate income from fundraising activities, the amount should be indicated there. Lines 9 and 10 should be totals. We have been unable to really figure why they want information asked for on line 11. In Line 12 put N/A for non-applicable.

Part VI, Part B, question 13: After the fine print in Paragraph (a) put "None". In the space following Paragraph (b), put "None". In Part C, Question 1, write in the word "None". Question 2; N/A. Question 3; N/A. In Question 4; write the word "None". Question 5; answer "No". Question 6; write the word "None". Question 7; you might put in an answer which indicates that the general public information purposes and distribution of literature could be accomplished by the spiritual fellowship of Narcotics Anonymous but in order to avoid conflict with the spiritual principles of the program it has been decided to conduct these "business-type activities" by this non-profit corporation. Question 8, the answer should be "No".

Part VII: Do not complete this section. You are not applying as a private operating foundation. Part VI is the part you should have completed.

None of the Schedules in Part VIII apply to us. Mark through the Pages 9 through 14.

If you put a check in the box for Part IV, 3(b) and nothing in 3(a) then you must complete Form 872-C. Two copies are required to be sent along with this application. Put in the exact name and address you are using and indicate the ending date of the first tax year. Have this form signed on the line where signature is indicated and the date that you send the form in to the Internal Revenue Service. This should substantially complete the instructions that are necessary for completion of application of Form 1023.

# Instructions for Form 1023

(Revised March 1986)

## Application for Recognition of Exemption

### Under Section 501(c)(3) of the Internal Revenue Code

(Section references are to the Internal Revenue Code, unless otherwise noted.)

Retain a copy of the completed Form 1023 in the organization's permanent records.

### General Instructions

For additional information, see Publication 557, Tax-Exempt Status for Your Organization, and Publication 578, Tax Information for Private Foundations and Foundation Managers.

**Purpose of Form.**—Form 1023 is used:

- To apply for a ruling or determination letter on an organization's exempt status under section 501(c)(3). (If you are applying for a ruling or determination letter under any other provision of section 501(c), see Publication 557 for the appropriate application form.)
- To apply for a ruling or determination letter under section 501(e) for organizations that claim to be cooperative hospital service organizations.
- To apply for a ruling or determination letter under section 501(f) for cooperative service organizations of operating educational organizations.
- To apply for a ruling or determination letter under section 501(k) for child care organizations.
- To notify the Internal Revenue Service as required by section 508(a) that the organization is applying for recognition of exempt status under section 501(c)(3).
- To notify the Internal Revenue Service as required by section 508(b) that the organization is claiming not to be a private foundation.

**Note:** Generally, Form 1023 is NOT used to apply for a group exemption letter. For information on how to apply for a group exemption letter, see Rev. Proc. 80-27, 1980-1 C.B. 677, or later revisions.

**Paperwork Reduction Act Notice.**—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to determine whether you meet the legal requirements for tax-exempt status. If you want to be recognized as tax-exempt by IRS, you are required to give us this information.

**Requirement of Notice Under Section 508.**—Section 508(a) provides that an organization organized after October 9, 1969, will not be treated as an organization described in section 501(c)(3) unless it has given notice to the IRS that it is applying for recognition of such status. Section 508(b) provides that any organization described in section 501(c)(3) will be presumed to be a private foundation if it has failed to notify the IRS that it is not a private foundation.

Properly completed, this application constitutes the required notice under section 508(a) and also constitutes the notice under section 508(b). If the organization does not file the notice under section 508(a) within 15 months after the end of the month in which it was created, it will not qualify for exempt status during the period before the date of actual notice. However, in certain circumstances an organization may be eligible for relief from the 15-month deadline provided in section 508(a). The Service has the authority under regulations section 1.9100 to extend the time for filing applications for tax relief provided under other sections of the regulations. Rev. Proc. 79-63, 1979-2 C.B. 578, provides organizations detailed instructions for preparing requests for such relief, and describes factors taken into consideration by the Service to determine whether to grant relief. If a late filer qualifies for

exempt status under section 501(c)(3), and is granted relief under regulations section 1.9100 according to the procedures described in Rev. Proc. 79-63, the organization's exempt status will be recognized before the date of its application.

**Exceptions.**—You are not required to give notice to the IRS within 15 months if the organization:

(a) is a church, interchurch organization, local unit of a church, a convention or association of churches, or an integrated auxiliary of a church;

(b) is not a private foundation (as defined in section 509(a)) and normally has gross receipts of not more than \$5,000 in each tax year; or

(c) is a subordinate organization covered by a group exemption letter, but only if the parent or supervisory organization timely submits a notice covering the subordinates.

**Governing Instrument Requirements for Private Foundations Under Section 508(e).**—In order for a private foundation to be exempt from income tax, its governing instrument must include provisions that require it to act or refrain from acting so as not to engage in an act of self-dealing (section 4941) or subject the foundation to the taxes imposed by sections 4942 (failure to distribute income), 4943 (excess business holdings), 4944 (investments that jeopardize charitable purpose), and 4945 (taxable expenditures). A private foundation may satisfy these requirements either by express language in its governing instrument or by application of State law that effectively imposes these requirements upon the foundation or treats these requirements as being contained in the governing instrument.

See Rev. Rul. 75-38, 1975-1 C.B. 161, for a list of States that have legislation that satisfies the requirement of section 508(e) relating to governing instruments.

If, however, the State statute by its terms does not apply to a governing instrument that contains a mandatory direction conflicting with any of the statute's requirements, and, if for tax years beginning after March 22, 1973, the organization has such mandatory directions in its governing instrument, then the organization has not satisfied the requirements of section 508(e) by virtue of the passage of such legislation.

**Attachments.**—Every attachment should state that it relates to Form 1023 and should show the date completed and the organization's name, address, and employer identification number.

In addition to the required documents and statements, you should file any additional information citing court decisions, rulings, opinions, etc., that will expedite processing of the application. Generally, attachments in the form of tape recordings are not acceptable unless accompanied by a transcript.

**Language and Currency Requirements.**—Form 1023 and attachments must be prepared using the English language. If the organizational document or bylaws are in any other language, an English translation must be furnished. (See conformed copy requirements in the Specific Instructions for Part II.) If the organization produces or distributes foreign language publications that are submitted with the application, you may be asked to provide English translations for one or more of them during the processing of your application.

Report all financial information in U.S. dollars (state conversion rate used). Combine amounts from within and outside the United States and report the total for each item.

**Signature Requirements.**—An officer who is authorized to sign or another person authorized by a power of attorney must sign this application. Send the power of attorney with the application when you file it.

**Where to File.**—File the completed application, and all information required, with the key district office for your principal place of business or office as listed below. As soon as possible after the complete application is received, you will be advised of IRS's determination and of the annual returns which the organization will be required to file.

When the principal place of business or office of the organization is in one of the districts or locations shown below

Send your application to the key district listed below

Atlanta, Birmingham, Columbia, Greensboro, Jackson, Jacksonville, Little Rock, Nashville, New Orleans	Internal Revenue Service EP/EO Division P.O. Box 941 Atlanta, GA 30370
Baltimore, District of Columbia, Pittsburgh, Richmond, any U.S. possession or foreign country	Internal Revenue Service EP/EO Division, P.O. Box 17010 Baltimore, MD 21203
Brooklyn, Albany, Augusta, Boston, Buffalo, Burlington, Hartford, Manhattan, Portsmouth, Providence	Internal Revenue Service EP/EO Division, P.O. Box C-9050 General Post Office Brooklyn, NY 11202
Chicago, Aberdeen, Des Moines, Fargo, Helena, Milwaukee, Omaha, St. Louis, St. Paul, Springfield	Internal Revenue Service EP/EO Division, P.O. Box A-3617 Chicago, IL 60690
Cincinnati, Cleveland, Detroit, Indianapolis, Louisville, Parkersburg	EP/EO Division, P.O. Box 3159 Cincinnati, OH 45201
Dallas, Albuquerque, Austin, Cheyenne, Denver, Houston, Oklahoma City, Phoenix, Salt Lake City, Wichita	EP/EO Division Mail Code 306, 1100 Commerce St. Dallas, TX 75242
Los Angeles, Honolulu, Laguna Niguel	Internal Revenue Service EO Application Receiving P.O. Box 486 Los Angeles, CA 90053-0486
Newark, Philadelphia, Wilmington	Internal Revenue Service EP/EO Division, Box 1680 Newark, NJ 07101
San Francisco, Las Vegas, Sacramento, San Jose	Internal Revenue Service EP/EO Division P.O. Box 36040, Stop 3-2-29 450 Golden Gate Ave. San Francisco, CA 94102
Seattle, Anchorage, Boise, Portland	Internal Revenue Service EP/EO Division Mail Stop 554, 915 Second Ave. Seattle, WA 98174

**Public Inspection of Form 1023.**—The application, if approved, and any supporting papers will be open to public inspection as required by section 6104. In addition, any letter or other document issued by the IRS with regard to the application will be open to public inspection at the time and in the manner prescribed by regulations. However, information relating to a trade secret, patent, style of work, or apparatus, which if released would adversely affect the organization, or any other information which if released would adversely affect the national defense, will not be made available for public inspection. You must identify this information, by clearly marking it "NOT SUBJECT TO PUBLIC INSPECTION" and attach a statement explaining why the organization asks that the information should be withheld.

**Appeal Procedures.**—Your application will be considered by the key district office which will either refer the case to the National Office, issue a favorable determination letter, or issue a proposed adverse determination letter denying the exempt status you requested. Within 30 days from the date of a proposed adverse determination, you may appeal through the key district office to the Regional Director of Appeals. In the case of a National Office adverse ruling, you may appeal directly to the Conference and Review Branch of the Exempt Organizations Technical Division.

If you decide to appeal a proposed adverse determination or ruling, be sure the appeal contains all the information listed in Publication 892, Exempt Organization Appeal Procedures for

Unagreed Issues, since incomplete appeals will be returned for completion. Publication 892 will be mailed with any proposed adverse determination or ruling.

If a conference is requested in a key district determination case, it will be held at an office of the Regional Director of Appeals, unless the applicant requests that the meeting be held at a district office convenient to both parties.

If no appeal is filed within the 30-day period, the proposed adverse determination or ruling letter will become final.

For additional details on appeals also see Publication 557.

If there is a controversy involving an IRS determination (or failure to make a determination) concerning the organization's qualification for exemption under section 501(c)(3), after the organization files an appropriate suit, the U.S. Tax Court, U.S. Claims Court or the District Court of the United States for the District of Columbia may make a declaration regarding the organization's qualification for exemption. The court may not grant jurisdiction unless the organization has exhausted its administrative remedies. Failure to apply for relief under regulations section 1.9100 (see the instructions under the heading Requirement of Notice Under Section 508) may be regarded by the court as failure to exhaust administrative remedies available within the Service for an organization that has been recognized as exempt on a prospective basis due to the provisions of section 508(a). The Court's judgment regarding the organization's qualification for exemption will have the force and effect of a decision of the Tax Court or a final judgment or decree of the Claims Court or the District Court, as the case may be, and will be reviewable as such. The declaratory judgment remedy is also available with regard to the Service's initial or continuing classification of the organization as a private foundation, as a private operating foundation, or as a public charity described in a part of section 170(b)(1)(A) other than the part under which the organization claims it is described.

**Annual Information Return.**—If the annual information return for tax-exempt organizations becomes due while your application for recognition of exempt status is pending (including any appeal of a proposed adverse determination) with IRS, you should file a Form 990, Return of Organization Exempt From Income Tax, and Schedule A (Form 990) or Form 990-PF, Return of Private Foundation, if a private foundation, and indicate that an application is pending.

**Special Rule for Canadian Colleges and Universities.**—A Canadian college or university that has received a Form T2051, Notification of Registration, from Revenue Canada (Department of National Revenue, Taxation) and whose registration has not been revoked, does not have to complete all parts of Form 1023 that would otherwise be applicable. Such an organization must complete only Parts I and II and Schedule A (Schools, Colleges, and Universities). The organization must also attach a copy of its current Form T2051 and a copy of its Form T2050, Application for Registration, together with all the required attachments that it submitted to Revenue Canada. If any attachments were prepared in French, an English translation must be furnished. (See the conformed copy requirements in the Specific Instructions for Part II if the attachment is an organizational document or bylaws.)

Other Canadian organizations seeking a determination of section 501(c)(3) status must complete Form 1023 in the same manner as U.S. organizations.

## Specific Instructions

Except as described above, all applicants must complete Parts I through V of the application. Additional parts and schedules must be completed by certain applicants.

### Part I.—Identification

**Line 1. Full name of organization.**—Enter the organization's name as it appears in its creating documents, including amendments. If the organization will be operating under another name, show the other name in parentheses.

**Line 2. Employer identification number.**—If the organization does not have an employer identification number, enter "none" and attach a completed Form SS-4, Application for Employer Identification Number, to the application. If the organization has previously applied for a number, attach a statement giving the date of the application and the office where it was filed.

**Line 5. Month the annual accounting period ends.**—Enter the month the organization's annual accounting period ends (see regulations section 1.441-1(b)(3)).

**Line 7. Activity codes.**—Select up to three of the code numbers listed on the back cover that best describe or most accurately identify the organization's purposes, activities, or type of organization. Enter the codes in the order of their importance.

#### Part II.—Type of Entity and Organizational Documents

One of the basic requirements for exemption is that the organization be "organized" for one or more exempt purposes. If the organization does not have an organizing instrument, it will not qualify for exempt status. The organizing instrument must contain a proper dissolution clause. Regulations section 1.501(c)(3)-1(b)(4) requires the dedication of assets to one or more exempt purposes on dissolution. If your organizing instrument does not contain a proper dissolution clause and if State law does not provide for distribution of assets for one or more exempt purposes on dissolution, the organization will not qualify for exempt status. If you rely on State law, please cite the law and briefly state its provisions on an attachment. An organizing instrument is any of the following: Articles of Incorporation, Constitution, Articles of Association, Trust Indenture. Each of these documents that is submitted must be properly signed. The bylaws of an organization alone are not an organizing instrument. See Publication 557 for more detailed instructions and for sample organizing instruments that satisfy the requirements of section 501(c)(3) and the related regulations.

Before submitting a copy of the Articles of Incorporation to the IRS, you must have them approved by the Secretary of State or other appropriate State official.

We will not return any of the documents submitted in support of this application, including organizational documents. Therefore, instead of the originals, submit "conformed" copies of these documents. A "conformed" copy is one that agrees with the original document and all amendments to it. An unsigned copy of the organizational document must be accompanied by a written declaration signed by an officer authorized to sign for the organization, certifying that it is a complete and accurate copy of the original document. Chemically or photographically copied articles of incorporation that show evidence they were filed with and approved (certified) by the appropriate State official need not be accompanied by such a declaration. See Rev. Proc. 68-14, 1968-1 C.B. 768, for additional information.

If the organization has no written bylaws or similar internal rules of operation, submit a statement to this effect signed by an authorized officer of the organization.

#### Part III.—Activities and Operational Information

**Line 1.**—If it is anticipated that the organization's principal sources of support will increase or decrease substantially in relation to the organization's total support, attach a statement describing anticipated changes and explaining the basis for the expectation.

**Line 2.**—For purposes of this question, "fund-raising activity" includes the solicitation of contributions and both functionally related activities and unrelated business activities. Include a description of the nature and magnitude of the activities.

**Line 4d.**—For purposes of this application, a "disqualified person" is any person who, if the applicant organization were a private foundation, would be a disqualified person with respect to the organization within the meaning of section 4946(a). Thus, if a person's relationship to the applicant organization corresponds to one of the relationships described in section 4946(a), such person should be considered to be a disqualified person even though the applicant organization may not, in fact, be a private foundation.

Under section 4946(a), a disqualified person with respect to a private foundation is:

(1) a "substantial contributor" to the foundation (a "substantial contributor" is any person (including a corporation, trust, etc.) who contributed or bequeathed a total amount of more than \$5,000, if such amount is more than 2% of the total contributions and bequests received by the foundation from its creation through the end of the tax year of the foundation in which the contribution or bequest is received by the foundation. The creator of a trust is a substantial contributor regardless of the size of the creator's contribution or bequest);

(2) a foundation manager;

(3) an owner of more than 20% of the total combined voting power of a corporation, the profits interest of a partnership, or the beneficial interest of a trust or unincorporated enterprise which is a substantial contributor to the foundation;

(4) a "member of the family" (as defined in section 4946(d)) of any person described in (1), (2), or (3), above;

(5) a corporation in which persons described in (1), (2), (3), and (4), above, own more than 35% of the total combined voting power;

(6) a partnership in which persons described in (1), (2), (3), and (4), above, hold more than 35% of the profits interest;

(7) a trust or estate in which persons described in (1), (2), (3), and (4), above, hold more than 35% of the beneficial interest; and

(8) for purposes of section 4943 only, any other private foundation that is effectively controlled by the same persons who control the first mentioned private foundation or any other private foundation whose contributions were made by the same contributors.

**Line 13e.**—An organization that does not submit Form 1023 timely and does not meet the conditions for relief under regulations section 1.9100 (described in Rev. Proc. 79-63, 1979-2 C.B. 578) cannot qualify as a section 501(c)(3) organization for any period before its application is received by the Service. However, the organization may still be able to qualify for exemption under section 501(c)(4) for the periods preceding the effective date of its exemption as a section 501(c)(3) organization. See Rev. Rul. 80-108, 1980-1 C.B. 119, for more information.

**Section 501(e) and (f) Organizations.**—If you are applying under section 501(e) or 501(f), complete questions 5, 6, 8, and 10 to show the relationship between your organization and the organizations you serve, as well as the services you provide for them. In completing question 5, attach a schedule listing each organization served, its address, and exempt status.

#### Part IV.—Statement as to Private Foundation Status

**Line 1.**—Unless an organization meets one of the exceptions provided in section 509, it is a private foundation. In general, an organization is not a private foundation if it is:

(a) a church, school, hospital, or governmental unit;

(b) a medical research organization operated in conjunction with a hospital;

(c) an organization operated for the benefit of a college or university (which is owned or operated by a governmental unit);

(d) an organization that normally receives a substantial part of its support from a governmental unit or from the general public as provided in section 170(b)(1)(A)(vi);

(e) an organization that normally receives not more than one-third of its support from gross investment income and more than one-third of its support from contributions, membership fees, and gross receipts related to its exempt functions (subject to certain exceptions) as provided in section 509(a)(2);

(f) an organization operated solely for the benefit of, and in connection with, one or more organizations described above (or for the benefit of one or more of the organizations described in sections 501(c)(4), (5), or (6) of the Code and also described in (e) above), but not controlled by disqualified persons other than foundation managers, as provided in section 509(a)(3); or

(g) an organization organized and operated to test for public safety as provided in section 509(a)(4).

See Publication 578 and the instructions for Part VI-A for more information about determining whether an organization is one of the above types of organizations or if it is a private foundation.

**Line 2.**—Private operating foundations should see the instructions for Part VII.

**Line 3.**—The IRS will issue a definitive or advance ruling on foundation status to an organization that makes proper application for recognition of its exempt status under section 501(c)(3).

**Definitive ruling.**—If you request a "definitive ruling," the letter will also constitute a ruling or determination on whether the organization is a private foundation. A newly created organization, basing its claim to non-private foundation status on either section 509(a)(1) (by reason of section 170(b)(1)(A)(vi)) or section 509(a)(2), cannot get a definitive ruling before the close of its first tax year consisting of at least 8 months. Until this condition is met, an organization must apply for an advance ruling.

**Advance Ruling.**—If a newly created organization can reasonably be expected to meet the requirements of section 509(a)(1) (by reason of section 170(b)(1)(A)(vi)) or 509(a)(2), it may request non-private foundation treatment for an advance ruling period consisting of its first five tax years. During that period the organization will be treated as a publicly supported organization; however, at the end of that period the IRS will determine if the organization has met the statutory tests for

publicly supported organizations from its history of operations during the advance ruling period. If the organization does not meet the public support tests, it will be liable for the excise tax on investment income under section 4940 for the period covered by its advance ruling.

If the organization requests an advance ruling or determination, it must file Form 872-C, Consent Fixing Period of Limitation Upon Assessment of Tax Under Section 4940 of the Internal Revenue Code, in duplicate. (Forms are included in this package.) The consent extends the period of limitations for assessment of section 4940 tax of all tax years until one year beyond the normal expiration date of the last tax year within the advance ruling period.

If you are requesting a definitive ruling based on section 170(b)(1)(A)(iv) or (vi), or an advance ruling, your answers to questions 1 through 11 of Part III will determine both the organization's claim of exemption and its non-private foundation status. Therefore, be sure to answer those questions completely.

See Rev. Proc. 79-8, 1979-1 C.B. 487, for rules relating to the temporary relief from sections 6651 and 6652 penalties granted to applicants for public charity status under sections 509(a) and 170(b)(1)(A).

#### Part V.—Financial Data

Provide the financial data in enough detail to show how your organization's activities are financed.

The Statement of Support, Revenue, and Expenses and the Balance Sheet must be completed for the current year and each of the three years immediately before it (or the years the organization has existed, if less than four). Any applicant that has existed for less than 1 year should give financial data for the current year and proposed budgets for the following 2 years. We may request financial data for more than four years if necessary. All financial information for the current year must cover the period ending within 60 days of the date of application. Prepare the balance sheets as of the last day of each year or period.

Prepare the statements using the method of accounting the organization uses in keeping its books and records. If the organization uses a method other than the cash receipts and disbursements method, attach a statement explaining the method used.

**Line 3. Gross amounts derived from activities related to organization's exempt purpose.**—An example of such income would be the income derived by a symphony orchestra from the sale of tickets to its performances.

**Line 5. Gross amount received from sale of assets, excluding inventory items.**—Attach a schedule that shows a description of each asset, the name of the person to whom sold, and the amount received. In the case of publicly traded securities sold through a broker, the name of the purchaser is not required.

**Line 6. Investment income.**—Include on this line the income received from dividends, interest, payments received on securities loans (as defined in section 512(a)(5)), rents, and royalties.

**Line 7. Other revenue.**—Enter the total revenue from all sources not reportable on lines 1 through 6. Attach a schedule that lists each type of revenue source and the amount derived from each.

**Line 10. Contributions, gifts, grants, and similar amounts paid.**—Attach a schedule showing the name of the recipient, a brief description of the purposes or conditions of payment, and the amount paid. The following example shows the format and amount of detail required for this schedule:

Recipient	Purposes	Amount
Museum of Natural History	General operating budget	\$9,000
State University	Books for needy students	4,500
Richard Roe	Educational scholarship	2,200

**Line 11. Disbursements to or for benefit of members.**—Attach a schedule showing the name of each recipient, a brief description of the purposes or condition of payment, and amount paid. Amounts entered on this line should not be included on line 10. The following example shows the format and amount of detail required for the schedule:

Recipient	Purposes	Amount
Herman Hoe	Health insurance premium	\$800

**Line 12. Compensation of officers, directors, and trustees.**—Attach a schedule that shows the name of the person compensated; the office or position; the average amount of time devoted to business per week, month, etc.; and the amount of annual compensation. The following example shows the format and amount of detail required for this schedule:

Name	Position	Time devoted	Amount
Philip Poe	President and general manager	16 hrs/wk	\$7,500

**Line 23. Bonds and notes.**—Attach a schedule that shows the name of the borrower, a brief description of the obligation, the rate of return on the principal indebtedness, the due date, and the amount due. The following example shows the format and amount of detail required for this schedule:

Name of borrower	Description of obligation	Rate of return	Due date	Amount
Hope Soap Corporation	Debenture bond (no senior issue outstanding)	10%	Jan. 1999	\$7,500
Big Spool Company	Collateral note secured by company's fleet of 20 delivery trucks	12%	Jan. 1998	62,000

**Line 24. Corporate stocks.**—Attach a schedule listing the organization's corporate stocks. For stock of closely held corporations, the statement should show the name of the corporation, a brief summary of the corporation's capital structure, the number of shares held and their value as carried on the organization's books. If such valuation does not reflect current fair market value, also include fair market value. For stock traded on an organized exchange or in substantial quantities over the counter, the statement should show the name of the corporation, a description of the stock and the principal exchange on which it is traded, the number of shares held, and their value as carried on the organization's books. The following example shows the format and the amount of detail required for this schedule:

Name of corporation	Capital structure (or exchange on which traded)	Shares	Book amount	Fair market value
Little Spool Corporation	100 shares nonvoting preferred issued and outstanding, no par value;			
	50 shares common issued and outstanding, no par value.			
	Preferred shares:	50	\$20,000	\$24,000
	Common shares:	10	25,000	30,000
Flintlock Corporation	Class A common N.Y.S.E.	20	3,000	3,500

**Part VI.—A.—Basis for Non-Private Foundation Status** (Check the line that shows why you are not a private foundation.)

**Line 1. A church or convention or association of churches.**

**Line 2. A school.**—See the definition in the instructions for Part VIII, line 1.

**Line 3. A hospital or medical research organization.**—See the instructions for Schedule O.

**Line 4. A governmental unit.**—This category includes a separately incorporated instrumentality of a State, or of the United States, a possession of the United States, the District of Columbia, or any political subdivision of any of the above.

**Line 5. An organization testing for public safety.**—An organization in this category is one that tests products to determine their acceptability for use by the general public. It does not include any organization testing for the benefit of a manufacturer as an operation or control in the manufacture of its product. See Rev. Rul. 65-61, 1965-1 C.B. 234.

**Line 6. Organization for the benefit of a college or university owned and operated by a governmental unit.**—The organization must be organized and operated exclusively for the benefit of a college or university that is an educational organization within the meaning of section 170(b)(1)(A)(ii) and is an agency or instrumentality of a State or political subdivision of a State, is owned or operated by a State or political subdivision of a State, or is owned or operated by an agency or instrumentality of one or more States or political subdivisions. The organization must also

normally receive a substantial part of its support from the United States or any State or political subdivision of a State, or from direct or indirect contributions from the general public or from a combination of two or more of such sources. An organization described in section 170(b)(1)(A)(iv) will be subject to the same publicly supported rules that are applicable to 170(b)(1)(A)(vi) organizations that are described in 7 below. Complete Part VI-B, Analysis of Financial Support, to show whether the organization has the necessary support from required sources.

**Line 7. Organization receiving support from a governmental unit or from the general public.**—The organization must receive a substantial part of its support from the United States or any State or political subdivision thereof, or from direct or indirect contributions from the general public or from a combination of these sources. The organization may satisfy the support requirement in either of two ways. It will be treated as publicly supported if the support it normally receives from above described governmental units and the general public equals at least one-third of its total support. It will also be treated as publicly supported if the support it normally receives from governmental or public sources equals at least 10% of total support and under the facts and circumstances the organization is set up to attract new and additional public or governmental support on a continuous basis. Complete Part VI-B, Analysis of Financial Support, to show whether the organization has the necessary support from required sources. If the organization's governmental and public support is at least 10% but not over one-third of its total support, questions 1 through 11 of Part III will apply to determine both the organization's claim of exemption and whether under the particular facts and circumstances it is publicly supported. Preparers should exercise care to assure that those questions are answered in detail.

**Line 8. Organization described in section 509(a)(2).**—The organization must satisfy the support test under section 509(a)(2)(A) and the gross investment income test under section 509(a)(2)(B). In order to satisfy the support test, the organization must normally receive more than one-third of its support from (a) gifts, grants, contributions, or membership fees and (b) gross receipts from admissions, sales of merchandise, performance of services, or furnishing of facilities, in an activity which is not an unrelated trade or business (subject to certain limitations discussed below). This one-third of support must be from organizations described in section 509(a)(1), governmental sources, and persons other than disqualified persons. In computing gross receipts from admissions, sales of merchandise, performance of services, or furnishing of facilities in an activity which is not an unrelated trade or business, the gross receipts from any one person or from any bureau or similar agency of a governmental unit are includable only to the extent they do not exceed the greater of \$5,000 or one percent of the organization's total support. In order to satisfy the gross investment income test, the organization must not receive more than one-third of its support from gross investment income. Complete Part VI-B, Analysis of Financial Support, to show whether the organization has the necessary support from the required sources.

**Line 9. Organizations operated in connection with or solely for organizations described in 1 through 4, or 6, 7 and 8 above.**—The organization must be organized and operated for the benefit of, to perform the functions of, or to carry out the purposes of one or more specified organizations described in section 509(a)(1) or (2). It must be operated, supervised, or controlled by or in connection with one or more of the organizations described in the instructions for lines 1 through 4, or 6, 7, and 8 above. It must not be controlled directly or indirectly by disqualified persons (other than foundation managers or organizations described in section 509(a)(1) or (2)). In order to show whether the organization satisfies these tests, complete Part VI-C, Supplemental Information Concerning Organization Claiming Non-Private Foundation Status Under Section 509(a)(3).

#### Part VI.—B.—Analysis of Financial Support

**Lines 1 and 3.**—Refer to regulations sections 1.170A-9(e)(8) and 1.509(a)-3(f) and (g) to determine whether a grant from a governmental unit or other grantor represents a contribution (reportable on line 1) or income from the performance of services (reportable on line 3) if the services constitute an exempt function of the organization; otherwise, the amount may be reportable on line 5 as unrelated income.

**Line 4.**—“Investment income” means: interest, dividends, rents, amounts received after December 31, 1976, with respect to securities loans (as defined in section 512(a)(5)), royalties, and unrelated business taxable income (less section 511 tax) from businesses acquired or begun by the organization after June 30, 1975.

**Line 12.**—Unusual grants generally consist of substantial contributions and bequests from disinterested persons, which contributions and bequests:

- (1) are attracted by reason of the publicly supported nature of the organization;
- (2) are unusual and unexpected as to amount, and
- (3) would, by reason of their size, adversely affect the status of the organization as normally meeting the support test of section 170(b)(1)(A)(vi) or section 509(a)(2), as the case may be.

Subject to the above conditions, if the organization is awarded a grant and the terms of the granting instrument provide that the organization will receive the funds over a period of years, the amount received by the organization each year under the grant may be excluded. See the regulations under sections 170 and 509.

#### Part VII.—Basis for Status as a Private Operating Foundation

A “private operating foundation” described in section 4942(j)(3) is a private foundation that spends substantially all of the lesser of its adjusted net income (as defined below) or its minimum investment return directly for the active conduct of the activities constituting the purpose or function for which it is organized and operated. The foundation must satisfy the income test under section 4942(j)(3)(A), as modified by regulations section 53.4942(b)-1, and one of the three supplemental tests: (a) the assets test under section 4942(j)(3)(B)(i); (b) the endowment test under section 4942(j)(3)(B)(ii); or (c) the support test under section 4942(j)(3)(B)(iii).

Certain long-term care facilities described in section 4942(j)(5) are treated as private operating foundations for purposes of section 4942 only.

“Adjusted net income” is the excess of gross income for the tax year over the sum of deductions determined with the modifications described below. Items of gross income from any unrelated trade or business and the deductions directly connected with the unrelated trade or business will be taken into account in computing the organization's adjusted net income:

**Income modifications (adjustments to gross income).**—

- (1) Section 103 (relating to interest on certain governmental obligations) does not apply. Thus, interest that otherwise would have been excluded should be included in gross income.
- (2) Except as provided in (3) below, capital gains and losses are taken into account only to the extent of the net short-term gain. Long-term gains and losses will be disregarded.
- (3) The gross amount received from the sale or disposition of certain property should be taken into account to the extent that the acquisition of the property constituted a qualifying distribution under section 4942(g)(1)(B).

(4) Repayments of prior qualifying distributions (as defined in section 4942(g)(1)(A)) will constitute items of gross income.

(5) Any amount set aside under section 4942(g)(2) that has been determined to be “not necessary for the purposes for which it was set aside” will constitute an item of gross income.

**Deduction modifications (adjustments to deductions).**—

(1) Expenses for the general operation of the organization according to its charitable purposes (as contrasted with expenses for the production or collection of income and management, conservation, or maintenance of income producing property) should not be taken as deductions. If only a portion of the property is used for production of income subject to section 4942 and the remainder is used for general charitable purposes, the expenses connected with that property should be divided according to those purposes and only expenses related to the income producing portion will be allowed as a deduction.

(2) Charitable contributions, deductible under section 170 or 642(c), should not be taken into account as deductions for adjusted net income.





**Part III** Activities and Operational Information (Continued)

3 Give a detailed narrative description of the organization's past, present, and proposed future activities, and the purposes for which it was formed. The narrative should identify the specific benefits, services, or products the organization has provided or will provide. If the organization is not fully operational, explain what stage of development its activities have reached, what further steps remain for it to become fully operational, and when such further steps will take place. (Do not state the purposes and activities of the organization in general terms or repeat the language of the organizational documents.) If the organization is a school, hospital, or medical research organization, include enough information in your description to clearly show that the organization meets the definition of that particular activity that is contained in the instructions for Part VI-A.

4 The membership of the organization's governing body is:

a Names, addresses, and titles of officers, directors, trustees, etc.	b Annual compensation

**Part III** Activities and Operational Information (Continued)

4 c Do any of the above persons serve as members of the governing body by reason of being public officials or being appointed by public officials?  Yes  No  
If "Yes," name those persons and explain the basis of their selection or appointment.

d Are any members of the organization's governing body "disqualified persons" with respect to the organization (other than by reason of being a member of the governing body) or do any of the members have either a business or family relationship with "disqualified persons?" (See the Specific Instructions for line 4d.)  Yes  No  
If "Yes," explain.

e Have any members of the organization's governing body assigned income or assets to the organization, or is it anticipated that any current or future member of the governing body will assign income or assets to the organization?  Yes  No  
If "Yes," attach a complete explanation stating which applies and including copies of any assignments plus a list of items assigned.

5 Does the organization control or is it controlled by any other organization?  Yes  No  
Is the organization the outgrowth of another organization, or does it have a special relationship to another organization by reason of interlocking directorates or other factors?  Yes  No  
If either of these questions is answered "Yes," explain.

6 Is the organization financially accountable to any other organization?  Yes  No  
If "Yes," explain and identify the other organization. Include details concerning accountability or attach copies of reports if any have been submitted.

7 a What assets does the organization have that are used in the performance of its exempt function? (Do not include property producing investment income.) If any assets are not fully operational, explain their status, what additional steps remain to be completed, and when such final steps will be taken.

b To what extent have you used, or do you plan to use, contributions as an endowment fund, i.e., hold contributions to produce income for the support of your exempt activities?

8 Will any of the organization's facilities be managed by another organization or individual under a contractual agreement?  Yes  No  
If "Yes," attach a copy of each contract and explain the relationship between the applicant and each of the other parties.

**Part III** Activities and Operational Information (Continued)

9 a Have the recipients been required or will they be required to pay for the organization's benefits, services, or products?  Yes  No  
If "Yes," explain and show how the charges are determined.

b Does or will the organization limit its benefits, services, or products to specific classes of individuals?  Yes  No  
If "Yes," explain how the recipients or beneficiaries are or will be selected.

10 Is the organization a membership organization?  Yes  No  
If "Yes," complete the following:

a Describe the organization's membership requirements and attach a schedule of membership fees and dues.

b Describe your present and proposed efforts to attract members, and attach a copy of any descriptive literature or promotional material used for this purpose.

c Are benefits, services, or products limited to members?  Yes  No  
If "No," explain.

11 Does or will the organization engage in activities tending to influence legislation or intervene in any way in political campaigns?  Yes  No  
If "Yes," explain. (Note: You may wish to file Form 5768, Election/Revocation of Election by an Eligible Section 501(c)(3) Organization to Make Expenditures to Influence Legislation.)

12 Does the organization have a pension plan for employees?  Yes  No

13 a Are you filing Form 1023 within 15 months from the end of the month in which you were created or formed as required by section 508(a) and the related regulations? (See General Instructions.)  Yes  No

b If you answer "No," to 13a and you claim that you fit an exception to the notice requirements under section 508(a), attach an explanation of your basis for the claimed exception.

c If you answer "No," to 13a and section 508(a) does apply to you, you may be eligible for relief under regulations section 1.9100 from the application of section 508(a). Do you wish to request relief?  Yes  No

d If you answer "Yes," to 13c, attach a detailed statement that satisfies the requirements of Rev. Proc. 79-63.

e If you answer "No," to both 13a and 13c and section 508(a) does apply to you, your qualification as a section 501(c)(3) organization can be recognized only from the date this application is filed with your key District Director. Therefore, do you want us to consider your application as a request for recognition of exemption as a section 501(c)(3) organization from the date the application is received and not retroactively to the date you were formed (see instructions)?  Yes  No

**Part IV** Statement as to Private Foundation Status (see instructions)

1 Is the organization a private foundation?  Yes  No

2 If you answer "Yes," to question 1 and the organization claims to be a private operating foundation, check here  and complete Part VII.

3 If you answer "No," to question 1, indicate the type of ruling you are requesting regarding the organization's status under section 509 by checking the box(es) below that apply:

a Definitive ruling under section 509(a)(1), (2), (3), or (4)  Complete Part VI.

b Advance ruling under  sections 509(a)(1) and 170(b)(1)(A)(vi) or  section 509(a)(2)—see instructions.

(Note: If you want an advance ruling, you must complete and attach two Forms 872-C to the application.)

**Part V** Financial Data

Statement of Support, Revenue, and Expenses for the period beginning \_\_\_\_\_, 19\_\_\_\_, and ending \_\_\_\_\_, 19\_\_\_\_.

Note: Complete the financial statements for the current year and for each of the three years immediately before it. If in existence less than four years, complete the statements for each year in existence. If in existence less than one year, also provide proposed budgets for the two years following the current year.

Support and Revenue	1	Gross contributions, gifts, grants, and similar amounts received	1	
	2	Gross dues and assessments of members	2	
	3 a	Gross amounts derived from activities related to organization's exempt purpose (attach schedule)		
	b	Minus cost of sales	3c	
	4 a	Gross amounts from unrelated business activities (attach schedule)		
	b	Minus cost of sales	4c	
	5 a	Gross amount received from sale of assets, excluding inventory items (attach schedule)		
	b	Minus cost or other basis and sales expenses of assets sold	5c	
	6	Investment income (see instructions)	6	
	7	Other revenue (attach schedule)	7	
	8	Total support and revenue	8	
Expenses	9	Fundraising expenses	9	
	10	Contributions, gifts, grants, and similar amounts paid (attach schedule)	10	
	11	Disbursements to or for benefit of members (attach schedule)	11	
	12	Compensation of officers, directors, and trustees (attach schedule)	12	
	13	Other salaries and wages	13	
	14	Interest	14	
	15	Rent	15	
	16	Depreciation and depletion	16	
	17	Other (attach schedule)	17	
	18	Total expenses	18	
	19	Excess of support and revenue over expenses (line 8 minus line 18)	19	
<b>Balance Sheet</b> (at the end of the period shown above)				
<b>Assets</b>				
20	Cash: a Interest bearing accounts		20a	
	b Other		20b	
21	Accounts receivable, net		21	
22	Inventories		22	
23	Bonds and notes (attach schedule)		23	
24	Corporate stocks (attach schedule)		24	
25	Mortgage loans (attach schedule)		25	
26	Other investments (attach schedule)		26	
27	Depreciable and depletable assets (attach schedule)		27	
28	Land		28	
29	Other assets (attach schedule)		29	
30	Total assets		30	
<b>Liabilities</b>				
31	Accounts payable		31	
32	Contributions, gifts, grants, etc., payable		32	
33	Mortgages and notes payable (attach schedule)		33	
34	Other liabilities (attach schedule)		34	
35	Total liabilities		35	
<b>Fund Balances or Net Worth</b>				
36	Total fund balances or net worth		36	
37	Total liabilities and fund balances or net worth (line 35 plus line 36)		37	

If there has been any substantial change in any aspect of your financial activities since the period shown above ended, check the box and attach a detailed explanation

**Part VI Non-Private Foundation Status (Definitive ruling only)**

**A.—Basis for Non-Private Foundation Status (Check one of the boxes below.)**

The organization is not a private foundation because it qualifies as:

	Kind of organization	Within the meaning of	Complete
1	a church or a convention or association of churches	Sections 509(a)(1) and 170(b)(1)(A)(i)	
2	a school	Sections 509(a)(1) and 170(b)(1)(A)(ii)	
3	a hospital or a cooperative hospital service organization or a medical research organization operated in conjunction with a hospital	Sections 509(a)(1) and 170(b)(1)(A)(iii)	
4	a governmental unit described in section 170(c)(1)	Sections 509(a)(1) and 170(b)(1)(A)(v)	
5	being organized and operated exclusively for testing for public safety	Section 509(a)(4)	
6	being operated for the benefit of a college or university that is owned or operated by a governmental unit	Sections 509(a)(1) and 170(b)(1)(A)(iv)	Part VI.—B
7	normally receiving a substantial part of its support from a governmental unit or from the general public	Sections 509(a)(1) and 170(b)(1)(A)(vi)	Part VI.—B
8	normally receiving not more than one-third of its support from gross investment income and more than one-third of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions (subject to certain exceptions)	Section 509(a)(2)	Part VI.—B
9	being operated solely for the benefit of or in connection with one or more of the organizations described in 1 through 4, or 6, 7, and 8 above	Section 509(a)(3)	Part VI.—C

**B.—Analysis of Financial Support (Complete if you checked box 6, 7, or 8 above.)**

	(a) Most recent tax year	(Years next preceding most recent tax year)		(e) Total
	19 .....	(b) 19 .....	(c) 19 .....	
1 Gifts, grants, and contributions received				
2 Membership fees received				
3 Gross receipts from admissions, sales of merchandise or services, or furnishing of facilities in any activity that is not an unrelated business within the meaning of section 513				
4 Gross investment income (see instructions for definition)				
5 Net income from organization's unrelated business activities not included on line 4				
6 Tax revenues levied for and either paid to or spent on behalf of the organization				
7 Value of services or facilities furnished by a governmental unit to the organization without charge (not including the value of services or facilities generally furnished the public without charge)				
8 Other income (not including gain or loss from sale of capital assets)—attach schedule				
9 Total of lines 1 through 8				
10 Line 9 minus line 3				
11 Enter 2% of line 10, column (e) only				

12 If the organization has received any unusual grants during any of the above tax years, attach a list for each year showing the name of the contributor, the date and amount of grant, and a brief description of the nature of such grant. Do not include such grants on line 1 above—(See instructions).

(continued on next page)

**Part VI** Non-Private Foundation Status (Definitive ruling only) (Continued)

**B. — Analysis of Financial Support (Continued)**

**13** If the organization's non-private foundation status is based on:

- a Sections 509(a)(1) and 170(b)(1)(A)(iv) or (vi).—Attach a list showing the name and amount contributed by each person (other than a governmental unit or "publicly supported" organization) whose total gifts for the entire period were more than the amount shown on line 11.
- b Section 509(a)(2).—For each of the years included on lines 1, 2, and 3, attach a list showing the name of and amount received from each person who is a "disqualified person."

For each of the years on line 3, attach a list showing the name of and amount received from each payor (other than a "disqualified person") whose payments to the organization were more than \$5,000. For this purpose, "payor" includes, but is not limited to, any organization described in sections 170(b)(1)(A)(i) through (vi) and any governmental agency or bureau.

**C.—Supplemental Information Concerning Organizations Claiming Non-Private Foundation Status Under Section 509(a)(3)**

1 Organizations supported by applicant organization:	Has the supported organization received a ruling or determination letter that it is not a private foundation by reason of section 509(a)(1) or (2)?
Name and address of supported organization	
.....	<input type="checkbox"/> Yes <input type="checkbox"/> No
.....	<input type="checkbox"/> Yes <input type="checkbox"/> No
.....	<input type="checkbox"/> Yes <input type="checkbox"/> No
.....	<input type="checkbox"/> Yes <input type="checkbox"/> No
.....	<input type="checkbox"/> Yes <input type="checkbox"/> No

**2** To what extent are the members of your governing board elected or appointed by the supported organization(s)?

**3** What is the extent of common supervision or control that you and the supported organization(s) share?

**4** To what extent do(es) the supported organization(s) have a significant voice in your investment policies, the making and timing of grants, and in otherwise directing the use of your income or assets?

**5** Does the mentioning of the supported organization(s) in your governing instrument make you a trust that the supported organization(s) can enforce under State law and compel to make an accounting?  Yes  No  
If "Yes," explain.

**6** What portion of your income do you pay to each supported organization and how significant is the support to each?

**7** To what extent do you conduct activities that would otherwise be carried out by the supported organization(s)? Explain why these activities would otherwise be carried on by the supported organization(s).

**8** Is the applicant organization controlled directly or indirectly by one or more "disqualified persons" (other than one who is a disqualified person solely because he or she is a manager) or by an organization which is not described in section 509(a)(1) or (2)?  Yes  No  
If "Yes," explain.

**Part VII Basis for Status as a Private Operating Foundation**

If the organization claims to be an operating foundation described in section 4942(j)(3) and—

- (a) bases its claim to private operating foundation status on normal and regular operations over a period of years; or
- (b) is newly created, set up as a private operating foundation, and has at least one year's experience;

provide the information under the income test and under one of the three supplemental tests (assets, endowment, or support). If the organization does not have at least one year's experience, complete line 21. If the organization's private operating foundation status depends on its normal and regular operations as described in (a) above, attach a schedule similar to the one below showing the data in tabular form for the three years next preceding the most recent tax year. (See regulations section 53.4942(b)-1 for additional information before completing the "Income Test" section of Part VII.) Organizations claiming section 4942(j)(5) status must satisfy the income test and the endowment test.

Income Test	Most recent tax year
1a Adjusted net income, as defined in regulations section 53.4942(a)-2(d) . . . . .	1a
b Minimum investment return, as defined in regulations section 53.4942(a)-2(c) . . . . .	1b
2 Qualifying distributions:	
a Amounts (including administrative expenses) paid directly for the active conduct of the activities for which organized and operated under section 501(c)(3) (attach schedule) . . . . .	2a
b Amounts paid to acquire assets to be used (or held for use) directly in carrying out purposes described in sections 170(c)(1) or 170(c)(2)(B) (attach schedule) . . . . .	2b
c Amounts set aside for specific projects that are for purposes described in section 170(c)(1) or 170(c)(2)(B) (attach schedule) . . . . .	2c
d Total qualifying distributions (add lines 2a, b, and c) . . . . .	2d
3 Percentages:	
a Percentage of qualifying distributions to adjusted net income (divide line 2d by line 1a) . . . . .	3a
b Percentage of qualifying distributions to minimum investment return (divide line 2d by line 1b) . . . . . (Percentage must be at least 85% for 3a or 3b)	3b
<b>Assets Test</b>	
4 Value of organization's assets used in activities that directly carry out the exempt purposes. Do not include assets held merely for investment or production of income (attach schedule) . . . . .	4
5 Value of any stock of a corporation that is controlled by applicant organization and carries out its exempt purposes (attach statement of controlling corporation) . . . . .	5
6 Value of all qualifying assets (add lines 4 and 5) . . . . .	6
7 Value of applicant organization's total assets . . . . .	7
8 Percentage of qualifying assets (divide line 6 by line 7—percentage must exceed 65%) . . . . .	8
<b>Endowment Test</b>	
9 Value of assets not used (or held for use) solely in carrying out exempt purposes:	
a Monthly average of investment securities at fair market value . . . . .	9a
b Monthly average of cash and cash equivalents . . . . .	9b
c Fair market value of all other investment property (attach schedule) . . . . .	9c
d Total (add lines 9a, b, and c) . . . . .	9d
10 Subtract acquisition indebtedness related to line 9 items (attach schedule) . . . . .	10
11 Balance (subtract line 10 from line 9d) . . . . .	11
12 Multiply line 11 by 3 1/3% (3/4 of the percentage for the minimum investment return computation under section 4942(e)). Line 2d above must equal or exceed the result of this computation. . . . .	12
<b>Support Test</b>	
13 Applicant organization's support as defined in section 509(d) . . . . .	13
14 Subtract amount of gross investment income as defined in section 509(e) . . . . .	14
15 Support for purposes of section 4942(j)(3)(B)(iii) (subtract line 14 from line 13) . . . . .	15
16 Support received from the general public, five or more exempt organizations, or a combination of these sources (attach schedule) . . . . .	16
17 For persons (other than exempt organizations) contributing more than 1% of line 15, enter the total amounts that are more than 1% of line 15 . . . . .	17
18 Subtract line 17 from line 16 . . . . .	18
19 Percentage of total support (divide line 18 by line 15—must be at least 85%) . . . . .	19
20 Does line 16 include support from an exempt organization that is more than 25% of the amount of line 15? . . . . .	Yes <input type="checkbox"/> No <input type="checkbox"/>
21 Newly created organizations with less than one year's experience: Attach a statement explaining how the organization is planning to satisfy the requirements of section 4942(j)(3) for the income test and one of the supplemental tests during its first year's operation. Include a description of plans and arrangements, press clippings, public announcements, solicitations for funds, etc.	

Part VIII Required Schedules for Special Activities	If "Yes," check here	And complete schedule—
1 Is the organization, or any part of it, a school? . . . . .	<input type="checkbox"/>	A
2 Does the organization provide or administer any scholarship benefits, student aid, etc.? . . . . .	<input type="checkbox"/>	B
3 Has the organization taken over, or will it take over, the facilities of a "for profit" institution? . . . . .	<input type="checkbox"/>	C
4 Is the organization, or any part of it, a hospital or medical research organization? . . . . .	<input type="checkbox"/>	D
5 Is the organization, or any part of it, a home for the aged? . . . . .	<input type="checkbox"/>	E
6 Is the organization, or any part of it, a litigating organization (public interest law firm or similar organization)? . . . . .	<input type="checkbox"/>	F
7 Is the organization, or any part of it, formed to promote amateur sports competition? . . . . .	<input type="checkbox"/>	G

**Schedule A.—Schools, Colleges, and Universities**

- 1 Is the organization an instrumentality of a State or political subdivision of a State? . . . . .  Yes  No  
If "Yes," document this in Part III and do not complete items 2 through 9 of this schedule. (See instructions for Schedule A.)

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- 2 Does or will the organization (or any department or division within it) discriminate in any way on the basis of race with respect to:
  - a Admissions? . . . . .  Yes  No
  - b Use of facilities or exercise of student privileges? . . . . .  Yes  No
  - c Faculty or administrative staff? . . . . .  Yes  No
  - d Scholarship or loan program? . . . . .  Yes  No
 If "Yes," for any of the above, explain.

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- 3 Does the organization include a statement in its charter, bylaws, or other governing instrument, or in a resolution of its governing body, that it has a racially nondiscriminatory policy as to students? . . . . .  Yes  No  
Attach whatever corporate resolutions or other official statements the organization has made on this subject.

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- 4 a Has the organization made its racially nondiscriminatory policies known in a manner that brings the policies to the attention of all segments of the general community which it serves? . . . . .  Yes  No  
If "Yes," describe how these policies have been publicized and state the frequency with which relevant notices or announcements have been made. If newspaper or broadcast media notices have been used, explain.
  - b If applicable, attach clippings of any relevant newspaper notices or advertising, or copies of tapes or scripts used for media broadcasts. Also attach copies of brochures and catalogues dealing with student admissions, programs, and scholarships, as well as representative copies of all written advertising used as a means of informing prospective students of your programs.

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- 5 Attach a numerical schedule showing the racial composition, as of the current academic year, and projected as far as may be feasible for the next academic year, of: (a) the student body, (b) the faculty and administrative staff.

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- 6 Attach a list showing the amount of any scholarship and loan funds awarded to students enrolled and the racial composition of the students who have received the awards.

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- 7 a Attach a list of the organization's incorporators, founders, board members, and donors of land or buildings, whether individuals or organizations.
  - b State whether any of the organizations listed in a have as an objective the maintenance of segregated public or private school education, and, if so, whether any of the individuals listed in a are officers or active members of such organizations.

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- 8 Indicate the public school district and county in which the organization is located.

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- 9 Has the organization ever been determined by a State or Federal administrative agency or judicial body to be racially discriminatory? . . . . .  Yes  No  
If "Yes," attach a detailed explanation identifying the parties to the suit, the forum in which the case was heard, the cause of action, the holding in the case, and the citations (if any) for the case. Also describe in detail what changes in your operation, if any, have occurred since then.



**Schedule B.—Organizations Providing Scholarship Benefits, Student Aid, etc. to Individuals**

**1 a** Describe the nature of the scholarship benefit, student aid, etc., including the terms and conditions governing its use; whether a gift or a loan, and the amount. If the organization has established or will establish several categories of scholarship benefits, identify each kind of benefit and explain how the organization determines the recipients for each category. Attach a sample copy of any application the organization requires or will require of individuals to be considered for scholarship grants, loans, or similar benefits. (Private foundations that make grants for travel, study or other similar purposes are required to obtain advance approval of scholarship procedures. See regulations sections 53.4945-4(c) and (d).)

**b** If you want this application considered as a request for approval of grant procedures in the event we determine that you are a private foundation, check here

**2** What limitations or restrictions are there on the class of individuals who are eligible recipients? Specifically explain whether there are, or will be, any restrictions or limitations in the selection procedures based upon race and whether there are, or will be, restrictions or limitations in selection procedures based on the employment status of the prospective recipient or any relative of the prospective recipient. Also indicate the approximate number of eligible individuals.

**3** Indicate the number of grants you anticipate making annually

**4** List the names, addresses, duties, and relevant background of the members of your selection committee. If you base your selections in any way on the employment status of the applicant or a relative of the applicant, indicate whether there is or has been any direct or indirect relationship between the members of the selection committee and the employer. Also indicate whether relatives of the members of the selection committee are possible recipients or have been recipients.

**5** Describe any procedures you have for supervising grants (such as obtaining reports or transcripts) that you award, and any procedures you have for taking action if the terms of the grant are violated.

**SCHEDULE C.—Successors to "For Profit" Institutions**

**1** What was the name of the predecessor organization and the nature of its activities?

**2** Who were the owners or principal stockholders of the predecessor organization? (If more space is needed, attach schedule.)

Name and address	Share or interest
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(continued on next page)

SCHEDULE C.—Successors to "For Profit" Institutions (Continued)

3 Describe the business or family relationship between the owners or principal stockholders and principal employees of the predecessor organization and the officers, directors, and principal employees of the applicant organization.

4 a Attach a copy of the agreement of sale or other contract that sets forth the terms and conditions of sale of the predecessor organization or of its assets to the applicant organization.
b Attach an appraisal by an independent qualified expert showing the fair market value of the facilities or property interest sold at the time of sale.

5 Has any property or equipment formerly used by the predecessor organization been rented to the applicant organization or will any such property be rented? Yes No
If "Yes," explain and attach copies of all leases and contracts.

6 Is the organization leasing or will it lease or otherwise make available any space or equipment to the owners, principal stockholders, or principal employees of the predecessor organization? Yes No
If "Yes," explain and attach a list of these tenants and a copy of the lease for each such tenant.

7 Were any new operating policies initiated as a result of the transfer of assets from a profit-making organization to a nonprofit organization? Yes No
If "Yes," explain.

SCHEDULE D.—Hospitals and Medical Research Organizations

- Check here if you are claiming to be a hospital and complete the questions in Part I of this Schedule and write "N/A" in Part II.
Check here if you are claiming to be a medical research organization operated in conjunction with a hospital and complete the questions in Part II of this Schedule and write "N/A" in Part I.

Part I Hospitals

1 a How many doctors are on the hospital's courtesy staff?
b Do these doctors include all the doctors in the community? Yes No
If "No," give the reasons why and explain how the courtesy staff is selected.

2 Composition of board of directors or trustees. (If more space is needed, attach schedule.)

Table with 2 columns: Name and address, Occupation. Multiple rows for listing board members.

(continued on next page)

SCHEDULE D.—Hospitals and Medical Research Organizations (Continued)

Part I Hospitals (continued)

3 a Does the hospital maintain a full-time emergency room? . . . . .  Yes  No

b What is the hospital's policy on administering emergency services to persons without apparent means to pay?

c Does the hospital have any arrangements with police, fire, and voluntary ambulance services for the delivery or admission of emergency cases? . . . . .  Yes  No Explain.

4 a Does or will the hospital require a deposit from persons covered by Medicare or Medicaid in its admission practices? . . . . .  Yes  No If "Yes," explain.

b Does the same deposit requirement apply to all other patients? . . . . .  Yes  No If "No," explain.

5 Does or will the hospital provide for a portion of its services and facilities to be used for charity patients? . . . . .  Yes  No Explain (include data on the hospital's past experience in admitting charity patients and arrangements it may have with municipal or government agencies for absorbing the cost of such care).

6 Does or will the hospital carry on a formal program of medical training and research? . . . . .  Yes  No If "Yes," describe.

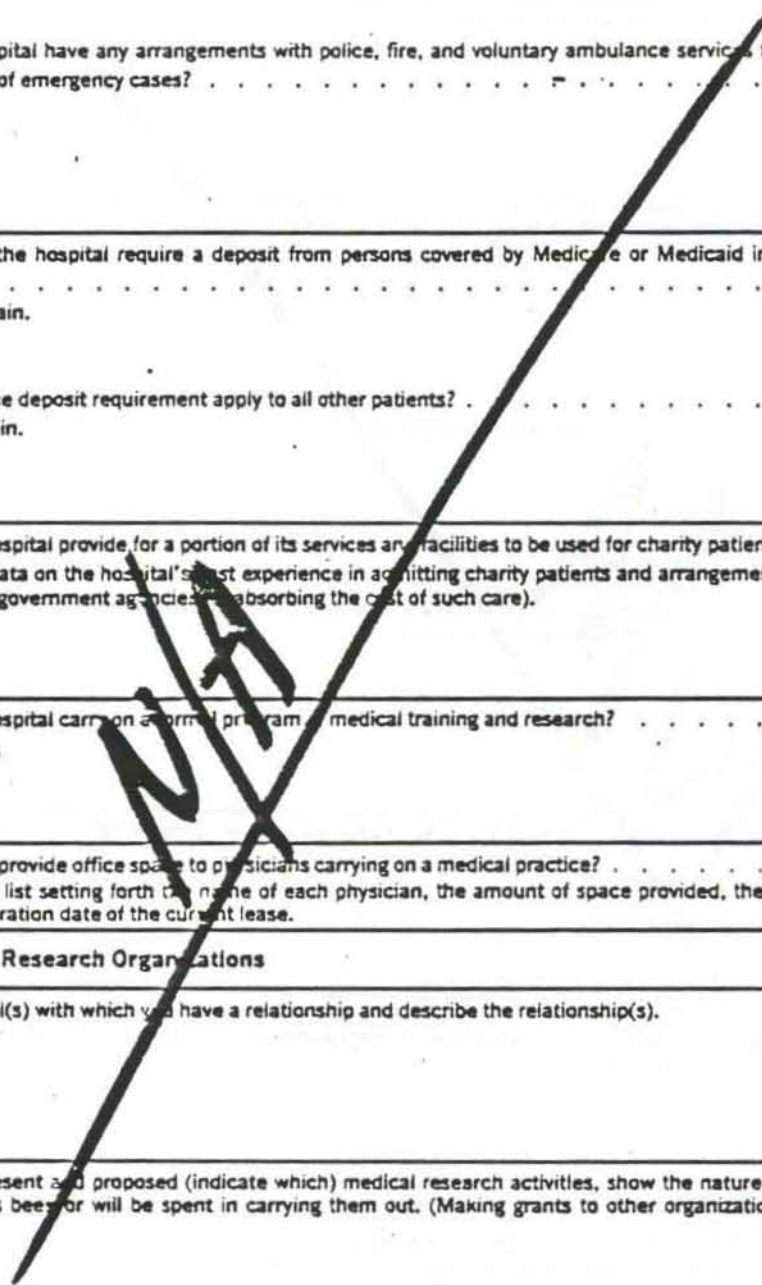
7 Does the hospital provide office space to physicians carrying on a medical practice? . . . . .  Yes  No If "Yes," attach a list setting forth the name of each physician, the amount of space provided, the annual rent (if any), and the expiration date of the current lease.

Part II Medical Research Organizations

1 Name the hospital(s) with which you have a relationship and describe the relationship(s).

2 Describe your present and proposed (indicate which) medical research activities, show the nature of the activities, and the amount of money which has been or will be spent in carrying them out. (Making grants to other organizations is not direct conduct of medical research.)

3 Attach a statement of assets showing the fair market value of your assets and the portion of the assets directly devoted to medical research.



SCHEDULE E.—Homes for Aged

1 What are the requirements for admission to residency? Explain fully and attach promotional literature and application forms.

2 Does or will the home charge an entrance or founder's fee? . . . . .  Yes  No  
If "Yes," explain.

3 What periodic fees or maintenance charges are or will be required of its residents?

4 a What established policy does the home have concerning residents who become unable to pay their regular charges?

b What arrangements does the home have or will it make with local and Federal welfare units, sponsoring organizations, or others to absorb all or part of the cost of maintaining those residents?

5 What arrangements does or will the home have to provide for the health needs of its residents?

6 In what way are the home's residential facilities designed to meet some combination of the physical, emotional, recreational, social, religious, and similar needs of the aged?

7 Has the home established or will it establish any reserves for future expenditures? . . . . .  Yes  No  
If "Yes," state the source of such reserves and explain how they will be used.

8 Attach a sample copy of the contract or agreement the organization makes with or requires of its residents.

**NA**

**SCHEDULE F.—Litigating Organizations (Public Interest Law Firms and Similar Organizations)**

1 Will the organization conform to the guidelines for organizations engaged in litigation activities issued by the Internal Revenue Service in Rev. Proc. 71-39, 1971-2 C.B. 575, and Rev. Proc. 75-13, 1975-1 C.B. 662?  Yes  No  
If "No," explain.

2 What is the organization's area of public interest or concern?

3 Is the organization set up primarily to try the case of a particular person or prosecute a particular cause of action?  Yes  No  
If "Yes," explain.

4 What are the organization's criteria for selection of cases?

5 In what cases has the organization started legal proceedings and in what other cases is it preparing to start proceedings? Describe the legal issues involved in each case and explain how they relate to the organization's area of concern.

6 a Composition of the organization's board of directors or trustees:

Name and address	Business or Occupation

b Will any of the attorneys in the organization be a trustee or member of the board of directors of the organization or be associated in the practice of law with any such trustee or member?  Yes  No  
If "Yes," explain.

7 Does or will the organization share office space with a private law firm?  Yes  No  
If "Yes," explain.

8 Does or will the organization receive fees for its professional services?  Yes  No  
If "Yes," explain.

**SCHEDULE G.—National or International Amateur Sports Competition**

1 Does your organization directly or indirectly provide any facilities or equipment for the use of amateur athletes engaged in national or international sports competition?  Yes  No

2 How do you foster national or international sports competition?

3 Do you provide financial assistance to amateur athletes?  Yes  No

SUPPLEMENTAL 501(c)(3) INFORMATION  
FOR TAX EXEMPT APPLICATION

During the last year or so, several office offices completed and submitted form 1023, Application for Recognition of Exemption Under Section 501 (c)(3) of the Internal Revenue Service code. The IRS has responded to these applications with a letter which asks for more detailed information to be provided within a short period of time (usually three weeks) or else: 1. The case will be closed, 2. The organization will be considered a taxable entity, 3. The rights to a declaratory judgment will be lost.

After examining the correspondence in these cases, we have discovered that the questions asked by the IRS each time, have been the same or very similar. The following is a list of these questions accompanied by some thoughts which might be used to answer them. In each case so far, the result has been that the IRS has granted a determination of exemption under Section 501 (c) (3) of the Code for an advance ruling period.

It is important that the following material be examined carefully and modified to suit your own specific situation if you are queried by the IRS. It is much more desirable to use your own wording than to simply use this material word for word. Also, you probably need to add specific facts, depending on your circumstances. For example, in response to the question about what is sold by the office, some offices sell only Conference-approved literature while others also sell meeting lists or other things. There is a question about employees which must be answered specifically depending on whether or not you have a salaried employee, volunteers, or a mixture of both. There are usually requests for a budget, schedule of assets and liabilities, or a copy of your lease, all of which must be compiled with your own specific information.

Sometimes the IRS has asked for a list showing the name and amount contributed by each donor who has contributed more than 2% of the total receipts for a given period. In responding to this question it will probably be necessary to list any regular contributions from the service committee to which you are responsible.

Q-1: If you are organized to operate a bookstore or to engage in publishing activities of any nature (printing, publication, or distribution of your own material, or that printed or published by others and distributed by you), explain fully the nature of the operations, including whether sales are or will be made to the general public, the kind of literature involved, and how such activities are related to your stated purposes.

A-1: Our Office is open six days a week Monday through Saturday, a minimum of four hours and a maximum of eight hours a day, and staffed by volunteers who have a minimum of one year Clean Time from active Drug Addiction. These volunteers answer phone calls from the general public, sell literature to the public, members of Narcotics Anonymous, Narcotics Anonymous Groups, Narcotics Anonymous Service Committees, Public and Private Schools, Drug and Alcohol

Treatment Programs, Hospital and Institutions and any other persons or organizations concerned with recovery from drug addiction.

Q-2: State whether your organization has literature of its own. If so, list several of the chief works, giving the author and title.

A-2: We only sell literature and recovery related items approved by the World Service Conference of Narcotics Anonymous and sold by the World Service Office, Inc. (see enclosed catalog). We do not and will not publish, print or distribute any literature of our own, other than our order forms.

Q-3: Explain how and by whom your publishing projects are selected. Where are the criteria used for making selections.

A-3: All World Conference-approved Literature goes through an approval process as follows: All ideas for new literature are sent to the World Literature Committee who from submitted ideas prepare a proposed work list. The work list then goes to the World Service Conference who approve or amend the work list. The approved work list is then sent back to the Fellowship where drafts are prepared by Areas, Regions, Workshops, Conferences or Special Committees of Recovering Addicts. These drafts are then sent to the Literature Review Committee who approve or revise by conference, workshop, or special committee and send it back to the World Literature Committee who can make further changes and send it back to the Literature Review Committee or put it in Review Form and send it to the Fellowship for a nine month review and input period. The World Literature Committee then reviews suggestions and sends it to the Literature Review Committee who compiles the reviewed changes. It is then printed in the Approval Form and sent out to the Fellowship for a review period of one year. It is then either approved or disapproved by the World Service Conference. If approved, it is published by the World Service Office, Inc. and made available to the Fellowship and the general public.

Q-4: State how your publishing activities further your exempt purposes.

A-4: All these activities exist so that we may better inform the public about recovery from drug addiction in Narcotics Anonymous and to insure that the message of Narcotics Anonymous be made available to any addict who has the desire to stop using. Any income that exceeds our expenses is and will be used to increase our inventory of literature and improve our services to the Fellowship and the general public. As stated in our Bylaws Section 14.02 and our Nonprofit Articles of Incorporation Articles 2 (a), 7, and 8 no part of the net income or assets of this corporation shall ever benefit any Director, Officer or private person in a financial sense.  
(Examine your own Bylaws for correct references.)

Q-5: State how your publishing activities are distinguishable from those of a for-profit enterprise.

A-5: Same as A-4 above.

Q-6: Describe your method of distributing your literature.

A-6: We sell literature primarily to Narcotics Anonymous Groups. These groups make available the literature at their meetings to the public free of charge with the exception of the book "Narcotics Anonymous" which they sell at cost. We also sell literature to Service Committees, who in turn give the literature to Hospitals and Institutions and the general public. Literature is also sold to other Areas within the state. These orders are shipped via U.S.P.S. or U.P.S. Literature sold within the Portland area is picked up at our office.

Q-7: Indicate whether your literature will be copyrighted. If so, in whose name will the copyright be held?

A-7: All literature is copyrighted by the World Service Office, Inc. in trust for the Fellowship of Narcotics Anonymous.

The office also serves as a location for the local Fellowships 24-hour Hotline. This is accomplished by the use of call forwarding to volunteers in their own homes, who answer questions from the general public who may call for information and help regarding recovery from drug addiction in Narcotics Anonymous. Our office provides a facility for the conducting of Narcotics Anonymous Service Committee meetings for the unincorporated association of individuals in the local area.

Q-8: Explain in detail what basis is used for determining the sales price of your literature.

A-8: Literature sold to the Area is marked up between 10% and 30% above the World Service Office, Inc. list price. Literature sold to other Areas is sold at World Service Office, Inc. list price plus 5% shipping and handling. We buy literature from the World Service Office, Inc. under a yearly average credit discount policy which gives us a 10% discount off their list price.

Q-9: Please submit copies of any brochures, pamphlets, newsletters, advertisements or any other literature regarding your organization. Please submit a chronology and description of your organization's activities for the past year.

A-9: We have enclosed copies of the literature our organization sells including the book "Narcotics Anonymous", N.A. White Booklet newly



revised, all of our Informational Pamphlets and a sample of our Key Tags, Commemorative Chips and Medallions. In addition, you will find enclosed a catalog from the World Service Office, Inc. listing all of the items which we can order for resale, a copy of our Area Order Form and our Outside Area Form. Other than the two order forms, we do not have any brochures, pamphlets, newsletters, advertisements or any other literature specifically regarding our organization.

Immediately following and attached to this letter is a chronology and description of our organization's activities from the time of Incorporation to today's date.

Q-10: The description of your activities provided in the application is not detailed enough to make a determination of your exempt status. Please provide a detailed description of your past, present and proposed activities. Describe each activity SEPARATELY. Each description should include as a minimum the following:

- a. A general description of the activity including its purpose and function.
- b. When it was or will be initiated.
- c. How, when, where and by whom it is or will be conducted.
- d. Requirements a person or organization must meet in order to participate in or receive benefit from the activity.
- e. Any charges or fees, their amount and their basis.
- f. What the activity has accomplished or will accomplish.

A-10: Our main activity is the sale of Narcotics Anonymous Conference-approved literature. Our sales are mostly by mail, and orders are currently filled by volunteers. The only requirements for a volunteer is that they be clean (drug free) for at least three months. There are no fees, charges or dues. Currently all of our sales and activities are conducted from our office. Our objective has been, and still is to serve the Florida fellowship, by supplying literature to them, in a more timely manner than the World Service Office (which is located in California). We have accomplished this. Another activity we do is administratively helping our Regional Service Conference by copying and distributing minutes, and serving as contact point for the public.

Q-11: Please submit a list of all present and proposed salaried employees including name, position, duties, qualifications, hours devoted to the position weekly and compensation.

A-11: We currently have no employees and operate with volunteers. We intend to hire an employee within the next year. This person would probably be titled "Office Coordinator". Their duties would be to coordinator volunteers, make sure orders go out, deal with the public, etc. They would probably start working 20 hours a week at a

projected salary of \$100-125 weekly. The applicant must meet the requirement of one year clean.

Q-12: Your Articles of Incorporation must be amended to include the language necessary to meet the organizational test under Section 501(c)(3) of the Code. Attachment A is forwarded for your guidance in amending the Articles of Incorporation.

A-12: Please see attached copy of Amendment to Articles of Incorporation as filed with the State of \_\_\_\_\_.

Q-13: 1a) Where will you obtain the material you sell to the N.A. groups?

- b) Who will print and publish the literature?
- c) Provide a statement that all title or ownership of any literature and/or books or other educational materials purchased with your organization's funds will be held by your organization.
- d) Provide a statement that all titles, copyrights, royalties, or similar interests in books or other materials prepared for your organization's activities will be held by your organization and in its name.
- e) Indicate, as a percentage or dollar amount, how much above your cost you will sell the material.
- f) Indicate whether this material will be sold at speaking engagements, to individual groups or other places.

A-13: a) We buy the literature in bulk from the World Service Office for Narcotics Anonymous, who also is the publisher. They are located at 16155 Wyandotte St., Van Nuys, CA 91406. I have enclosed a copy of their most recent catalog. The material that we sell to the groups and the public is Conference-approved Narcotics Anonymous literature.

- b) The copyrights on the literature we sell are held by our World Service Office in trust for the Fellowship of Narcotics Anonymous. The other items that we sell (i.e., Florida RSC Policy Package, Regional Meeting Directory) are not copyrighted and are produced and printed by ourselves.
- c) This is a draft of language that the Board will insert in our bylaws on our October 10, 1987 Board meeting. "All title or ownership of any literature and/or books or other educational materials purchased with the organizations funds will be held by the organization."

- d) We will not hold any copyrights or receive any royalties from the literature we sell. The copyrights on the literature we sell are held by our World Service Office in trust for the Fellowship of Narcotics Anonymous. Any interests in any meeting directory or such thing that we would produce would be held by the Florida Regional Service Office, Inc.
- e) We sell our items at various markups. We always sell at retail price as found in the WSO Catalog. We buy at various discounts from the WSO. Our last two purchases were at an effective discount of 31% off retail price. Our purchases before that were at discounts between 10 and 20 percent off retail. I have enclosed a copy of the discount policy under which we buy literature from our WSO.
- f) Our materials are mostly sold by mail with groups, individuals and organizations mailing us an order and we then fill the order and mail it out. We do not sell at speaking engagements.

#### ADDITIONAL INFORMATION ABOUT 501(C)(3) ORGANIZATIONS

The following pages contain additional information about 501(c)(3) organizations. This information is extracted from *Standard Federal Tax Reports*, which is a commercial publication used by accountants as their reference material. This may be helpful background information to those of you who have to explain to the Fellowship the details about tax exempt applications.

The information considered relevant to our needs is identified with arrow marks.

## EXEMPT ORGANIZATIONS REQUIREMENTS • TESTS UNRELATED INCOME

### [¶ 3001] EXEMPTION FROM TAX ON CORPORATIONS, CERTAIN TRUSTS, ETC.

**Sec. 501 [1986 Code]. (a) EXEMPTION FROM TAXATION.**—An organization described in subsection (c) or (d) or section 401(a) shall be exempt from taxation under this subtitle unless such exemption is denied under section 502 or 503.

**(b) TAX ON UNRELATED BUSINESS INCOME AND CERTAIN OTHER ACTIVITIES.**—An organization exempt from taxation under subsection (a) shall be subject to tax to the extent provided in parts II, III and VI of this subchapter, but (notwithstanding parts II, III and VI of this subchapter) shall be considered an organization exempt from income taxes for the purpose of any law which refers to organizations exempt from income taxes.

**(c) LIST OF EXEMPT ORGANIZATIONS.**—The following organizations are referred to in subsection (a):

(1) any corporation organized under Act of Congress which is an instrumentality of the United States but only if such corporation—

(A) is exempt from Federal income taxes—

(i) under such Act as amended and supplemented before July 18, 1984, or

(ii) under this title without regard to any provision of law which is not contained in this title and which is not contained in a revenue Act, or

(B) is described in subsection (1).

(2) Corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt under this section.

(3) Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation (except as otherwise provided in subsection (h)), and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office.

(4) Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes.

(5) Labor, agricultural, or horticultural organizations.

(6) Business leagues, chambers of commerce, real-estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

(7) Clubs organized for pleasure, recreation, and other non-profitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

(8) Fraternal beneficiary societies, orders, or associations—

(A) operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and

86 Cox

→ *Caution: Reg. § 1.501(c)(3)-1 was last amended on 8/13/76 and does not reflect amendments made to Code Sec. 501(c)(3) since 1976. For later Code changes, see ¶ 3001.0018 and 3001.04. Also see ¶ 3033.0207.* ←

public. In determining whether an organization has such characteristics, all the surrounding facts and circumstances, including the articles and all activities of the organization, are to be considered.

(v) An "action" organization, described in subdivisions (ii) or (iv) of this subparagraph, though it cannot qualify under section 501(c)(3), may nevertheless qualify as a social welfare organization under section 501(c)(4) if it meets the requirements set out in paragraph (a) of § 1.501(c)(4)-1.

→ (d) *Exempt purposes*—(1) *In general.* (i) An organization may be exempt as an organization described in section 501(c)(3) if it is organized and operated exclusively for one or more of the following purposes:

(a) Religious,

→ (b) Charitable,

(c) Scientific,

(d) Testing for public safety,

(e) Literary,

→ (f) Educational, or

(g) Prevention of cruelty to children or animals.

(ii) An organization is not organized or operated exclusively for one or more of the purposes specified in subdivision (i) of this subparagraph unless it serves a public rather than a private interest. Thus, to meet the requirement of this subdivision, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

(iii) Since each of the purposes specified in subdivision (i) of this subparagraph is an exempt purpose in itself, an organization may be exempt if it is organized and operated exclusively for any one or more of such purposes. If, in fact, an organization is organized and operated exclusively for an exempt purpose or purposes, exemption will be granted to such an organization regardless of the purpose or purposes specified in its application for exemption. For example, if an organization claims exemption on the ground that it is "educational", exemption will not be denied if, in fact, it is "charitable".

→ (2) *Charitable defined.* The term "charitable" is used in section 501(c)(3) in its generally accepted legal sense and is, therefore, not to be construed as limited by the separate enumeration in section 501(c)(3) of other tax-exempt purposes which may fall within the broad outlines of "charity" as developed by judicial decisions. Such terms include: Relief of the poor and distressed or of the underprivileged; advancement of religion; advancement of education or science; erection or maintenance of public buildings, monuments, or works; lessening of the burdens of Government; and promotion of social welfare by organizations designed to accomplish any of the above purposes, or (i) to lessen neighborhood tensions; (ii) to eliminate prejudice and discrimination; (iii) to defend human and civil rights secured by law; or (iv) to combat community deterioration and juvenile delinquency. The fact that an organization which is organized and operated for the relief of indigent persons may receive voluntary contributions from the persons intended to be relieved will not necessarily prevent such organization from being exempt as an organization organized and operated exclusively for charitable purposes. The fact that an organization, in carrying out its primary purpose, advocates social or civic changes or presents opinion on

→ *Caution: Reg. § 1.501(c)(3)-1 was last amended on 8/13/76 and does not reflect amendments made to Code Sec. 501(c)(3) since 1976. For later Code changes, see ¶ 3001.0018 and 3001.04. Also see ¶ 3033.0207.* ←

controversial issues with the intention of molding public opinion or creating public sentiment to an acceptance of its views does not preclude such organization from qualifying under section 501(c)(3) so long as it is not an "action" organization of any one of the types described in paragraph (c)(3) of this section.

→ (3) *Educational defined*—(i) *In general.* The term "educational", as used in section 501(c)(3), relates to—

(a) The instruction or training of the individual for the purpose of improving or developing his capabilities; or

→ (b) The instruction of the public on subjects useful to the individual and beneficial to the community.

An organization may be educational even though it advocates a particular position or viewpoint so long as it presents a sufficiently full and fair exposition of the pertinent facts as to permit an individual or the public to form an independent opinion or conclusion. On the other hand, an organization is not educational if its principal function is the mere presentation of unsupported opinion.

(ii) *Examples of educational organizations.* The following are examples of organizations which, if they otherwise meet the requirements of this section, are educational:

*Example (1).* An organization, such as a primary or secondary school, a college, or a professional or trade school, which has a regularly scheduled curriculum, a regular faculty, and a regularly enrolled body of students in attendance at a place where the educational activities are regularly carried on.

*Example (2).* An organization whose activities consist of presenting public discussion groups, forums, panels, lectures, or other similar programs. Such programs may be on radio or television.

*Example (3).* An organization which presents a course of instruction by means of correspondence or through the utilization of television or radio.

*Example (4).* Museums, zoos, planetariums, symphony orchestras, and other similar organizations.

(4) *Testing for public safety defined.* The term "testing for public safety", as used in section 501(c)(3), includes the testing of consumer products, such as electrical products, to determine whether they are safe for use by the general public.

(5) *Scientific defined.* (i) Since an organization may meet the requirements of section 501(c)(3) only if it serves a public rather than a private interest, a "scientific" organization must be organized and operated in the public interest (see subparagraph (1)(ii) of this paragraph). Therefore, the term "scientific", as used in section 501(c)(3), includes the carrying on of scientific research in the public interest. Research when taken alone is a word with various meanings; it is not synonymous with "scientific"; and the nature of particular research depends upon the purpose which it serves. For research to be "scientific", within the meaning of section 501(c)(3), it must be carried on in furtherance of a "scientific" purpose. The determination as to whether research is "scientific" does not depend on whether such research is classified as "fundamental" or "basic" as contrasted with "applied" or "practical". On the other hand, for purposes of the exclusion from unrelated business taxable income provided by section 512(b)(9), it is necessary to determine whether the organization is operated primarily for purposes of carrying on "fundamental", as contrasted with "applied", research.

(ii) Scientific research does not include activities of a type ordinarily carried on as an incident to commercial or industrial operations, as, for example, the

→ *Caution: Reg. § 1.501(c)(3)-1 was last amended on 8/13/76 and does not reflect amendments made to Code Sec. 501(c)(3) since 1976. For later Code changes, see ¶ 3001.0018 and 3001.04. Also see ¶ 3033.0207.* ←

this subparagraph or if it is scientific research described in subdivision (iii)(c) of this subparagraph.

(v) The fact that any organization (including a college, university, or hospital) carries on research which is not in furtherance of an exempt purpose described in section 501(c)(3) will not preclude such organization from meeting the requirements of section 501(c)(3) so long as the organization meets the organizational test and is not operated for the primary purpose of carrying on such research (see paragraph (e) of this section, relating to organizations carrying on a trade or business). See paragraph (a)(5) of § 1.513-2, with respect to research which constitutes an unrelated trade or business, and section 512(b)(7), (8), and (9), with respect to income derived from research which is excludable from the tax on unrelated business income.

(vi) The regulations in this subparagraph are applicable with respect to taxable years beginning after December 31, 1960.

→ (e) *Organizations carrying on trade or business—(1) In general.* An organization may meet the requirements of section 501(c)(3) although it operates a trade or business as a substantial part of its activities, if the operation of such trade or business is in furtherance of the organization's exempt purpose or purposes and if the organization is not organized or operated for the primary purpose of carrying on an unrelated trade or business, as defined in section 513. In determining the existence or nonexistence of such primary purpose, all the circumstances must be considered, including the size and extent of the trade or business and the size and extent of the activities which are in furtherance of one or more exempt purposes. An organization which is organized and operated for the primary purpose of carrying on an unrelated trade or business is not exempt under section 501(c)(3) even though it has certain religious purposes, its property is held in common, and its profits do not inure to the benefit of individual members of the organization. See, however, section 501(d) and § 1.501(d)-1, relating to religious and apostolic organizations.

(2) *Taxation of unrelated business income.* For provisions relating to the taxation of unrelated business income of certain organizations described in section 501(c)(3), see sections 511 to 515, inclusive, and the regulations thereunder.

(f) *Applicability of regulations in this section.* The regulations in this section are, except as otherwise expressly provided, applicable with respect to taxable years beginning after July 26, 1959. For the rules applicable with respect to taxable years beginning before July 27, 1959, see 26 CFR (1939) 39.101(6)-1 (Regulations 118) as made applicable to the Code by Treasury Decision 6091, approved August 16, 1954 (19 F.R. 5167; C.B. 1954-2, 47). [Reg. § 1.501(c)(3)-1.]

.01 *Historical Comment:* Proposed 2/26/59. Adopted 6/25/59 by T.D. 6391. Amended 1/10/61 by T.D. 6525, 12/11/67 by T.D. 6939, and 8/13/76 by T.D. 7428.

[¶ 3033] Religious, Charitable, etc., Institutions and  
Community Chests

● ● *CCH Explanation*

→ .02 *Exemption.*—In order to be exempt as a charitable organization under Code Sec. 501(a) and (c)(3), an organization must file an application for exemption on Form 1023 showing that it meets the following tests:

(1) It must be organized and operated exclusively for religious, charitable, scientific, literary or educational purposes, for the prevention of cruelty to children or animals, or for the purpose of testing consumer products for public safety, or to foster national or international amateur sports competi-

## Religious, Charitable, etc., Institutions and Community Chests

## ● ● CCH Explanation

tion (but only if no part of its activities involves provision of athletic facilities or equipment);

(2) its net income must not inure, in whole or in part, to the benefit of private shareholders or individuals (except as objects of charity, etc., see .317, below); and

(3) it must not by any substantial part of its activities attempt to influence legislation by propaganda or otherwise except for certain lobbying activities outlined at .0207, below.

As indicated above, an organization whose primary purpose is the fostering of national or international amateur sports competition (such as the Olympics) may qualify as a tax-exempt Code Sec. 501(c)(3) organization if it does not provide facilities or equipment. The restriction on the provision of facilities or equipment is intended to prevent the allowance of these benefits for organizations which, like social clubs, provide facilities and equipment for their members. But it is not intended to adversely affect the qualification for charitable tax-exempt status or tax deductible contributions of any organization which would qualify under the standards of existing law.

An organization is organized exclusively for one or more exempt purposes *only* if its articles of organization limit the purposes of the organization to one or more exempt purposes and do not expressly empower the organization to engage, "otherwise than as an insubstantial part of its activities", in activities which are not in themselves in furtherance of one or more exempt purposes. This "organizational" test applies to all exemption determinations issued after July 26, 1959. Thus, according to the Regulations (¶ 3032), an organization that is empowered by its articles to engage in the manufacturing business or to operate a social club would not meet the organizational test for exempt charitable organizations. Examples of articles of organization that contain the required information as to purposes and powers of organization may be found in Publication 557 (Rev. July 1985), *How to Apply for and Retain Exempt Status for Your Organization*. Also see .0201, below.

The Regulations also contain an "operational" test (see .022, below). They also provide that an organization would meet neither the organizational nor the operational test if its articles empower it to have objectives of, or it operates as, an "action" organization. An "action" organization is one which devotes a substantial part of its activities to attempting to influence legislation by propaganda or otherwise. An organization is regarded as attempting to influence legislation if it contacts, or urges the public to contact, members of a legislative body for the purpose of proposing, supporting, or opposing legislation, or advocates the adoption or rejection of legislation. It is an action organization if it participates or intervenes (directly or indirectly) in any political campaign on behalf of, or in opposition to, any candidate for public office.

The IRS does *not* agree with the Tax Court that every nonprofit organization dedicated solely "to the promotion of social welfare" should be classified as charitable (Rev. Rul. 59-310 at ¶ 3035.115).

A domestic corporation that conducts a part or all of its charitable activities in a foreign country is not precluded from qualifying for tax-exempt status under Code Sec. 501(c)(3) (Rev. Rul. 71-460, 1971-2 CB 231).

→ .0201 Organizational test.—Certain types of legal entities are accorded exempt status under Code Sec. 501(c)(3). These include corpora-



### Religious, Charitable, etc., Institutions and Community Chests

#### ● ● CCH Explanation

tions, community chests, funds and foundations. Trusts are also a recognized type of entity even though they are not mentioned in Code Sec. 501(c)(3). Generally, such entities must be formed in accordance with what are called in the regulations "articles of organization." The term "articles of organization" includes a trust instrument, a corporate charter, article of association, and any other written instrument by which an organization is created (Reg. § 1.501(c)(3)-1(b)(2)).

→ In addition, these articles of organization must contain some general and specific provisions if the organization is to be recognized as an exempt organization under Code Sec. 501(c)(3) and if the organization is formed after July 26, 1959. This requirement is called the "organizational test" in the regulations (Reg. § 1.501(c)(3)-1(b)).

→ First, an organization will be accorded exempt status only if its articles of organization (a) limit the purposes of the organization to one or more exempt purposes and (b) do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes (Reg. § 1.501(c)(3)-1(b)(1)(i)). In the case of private foundations, additional provisions must be included in the articles of organization under Code Sec. 508(e) as discussed at ¶ 3123.05.

→ Second, an organization's articles must also state that it is being formed or organized for one or more of the exempt purposes mentioned in Code Sec. 501(c)(3)—that is, for religious, charitable, scientific, literary or educational, etc., purposes. In meeting this requirement, an organization's purposes, as stated in its articles, may be as broad as, or more specific than, the exempt purposes mentioned in Code Sec. 501(c)(3). Reg. § 1.501(c)(3)-1(b)(1)(i) indicates that the following statements in the articles will meet the description rule:

(1) a statement that the organization is formed for "literary and scientific purposes within the meaning of Code Sec. 501(c)(3)";

(2) a statement that the organization is created to receive contributions and pay them over to Code Sec. 501(c)(3) organizations;

(3) a statement that the organization is formed for "charitable purposes" will ordinarily suffice; and

(4) a statement that sets forth the purpose of the organization (such as a school for adult education) and that describes in detail the manner of operation.

→ Third, the articles of organization also must not expressly permit the organization to carry on activities which do not further the organization's exempt purpose, except where these nonexempt activities are an insubstantial part of the organization's activities. Under this rule, an organization that is permitted by its articles "to engage in a manufacturing business," or "to engage in the operation of a social club" will not be treated as a Code Sec. 501(c)(3) organization, even though its articles may otherwise state that such organization is created for charitable purposes within the meaning of Code Sec. 501(c)(3). See Reg. § 1.501(c)(3)-1(b)(1)(iii). In addition, an organization will not be treated as being organized exclusively for exempt purposes if its articles of organization provide that the purposes for which the organization is created are broader than the purposes specified in Code Sec. 501(c)(3). Under this test, it does not matter that the organization is actually operated

## Religious, Charitable, etc., Institutions and Community Chests

## ● ● CCH Explanation

only for exempt purposes or that the organization produces evidence or statements from the members that the organization will be operated only for exempt purposes. See Reg. § 1.501(c)(3)-1(b)(1)(iv).

The above set of rules has caused more litigation than any other, and the courts have not strictly applied the standards contained in the above regulations. See .085, below, for details.

→ Fourth, an organization's articles of organization must not authorize it:

(1) to devote more than an insubstantial part of its activities to influence legislation by propaganda or otherwise;

(2) to directly or indirectly participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of or in opposition to any candidate for public office; or

(3) to have objectives and to engage in activities which will characterize it as an "action" organization.

→ Finally, the organization's articles of organization must provide that its assets must be dedicated to an exempt purpose. Under this test, the articles of organization must provide for the distribution of the organization's assets to another organization that is exempt under Code Sec. 501(c)(3) or to a government (federal, state or local) for public purposes. Such a distribution can be achieved under operation of law including court decisions. See Reg. § 1.501(c)(3)-1(b)(5).

State law also governs in interpreting the articles of organization in general and specifically in defining the rights, duties, powers, and immunities of the parties. Where an organization contends that a term has an unusual meaning under state law, the organization must substantiate this contention by means of clear legal authority. See Reg. § 1.501(c)(3)-1(b)(5).

~~9202 Hospitals.~~ In order for a hospital to establish that it is exempt under Code Sec. 501(c)(3) it need not provide free medical care to indigents or provide care to needy persons at reduced rates (Rev. Rul. 69-545, 1969-2 CB 117, .30, below).

In a suit brought by a group of health and welfare organizations and by indigent persons to have Rev. Rul. 69-545, noted above, declared invalid, the U.S. Supreme Court ruled that the suit should have been dismissed by the lower court because the organizations showed no injury to themselves and the indigents failed to show that the hospitals had their tax status in mind when they refused to admit the indigents (*Eastern Ky. Welfare Rights Organization*, 76-1 USTC ¶ 9439, 426 US 26, .30 below).

Further, the Sixth Circuit has held that a group of plaintiff-indigents did not have standing to challenge the tax-exempt status of hospitals under that Revenue Ruling (*Luga v. Miller*, 81-1 USTC ¶ 9160, 640 F2d 823, .30, below).

The U.S. Supreme Court (*HCSC Laundry*, SCt, 81-1 USTC ¶ 9202, 101 SCt 836) resolved the conflict between cooperative hospital laundry service organizations and the IRS over the question of whether such organizations qualify for tax-exempt status. The Court held that such organizations are not exempt and that the application of Code Sec. 501(c)(3) is subordinate to that of Code Sec. 501(e). Therefore, the failure of Code Sec. 501(e) to mention laundry services meant that joint hospital laundry service organizations were not tax-exempt. See .312, below.

## Religious, Charitable, etc., Institutions and Community Chests

## ● ● CCH Explanation

which exceeds any of the expenditure limitations in a taxable year will incur an excise tax of 25% of its excessive lobbying expenditures. See Code Sec. 4911 at ¶ 4952.

Once an election is made, it can be revoked only prospectively—that is, it cannot be revoked for a taxable year after that year has begun. The election is made by filing Form 5768.

The following public charitable tax-exempt organizations may make the election: (1) educational institutions; (2) hospitals and medical research organizations; (3) organizations supporting government schools; (4) organizations publicly supported by charitable contributions; (5) Code Sec. 509(a)(2) organizations publicly supported by admissions, sales, etc.; and (6) certain Code Sec. 509(a)(3) organizations supporting certain types of public charities. A church or a convention or association of churches (or an integrated auxiliary or a member of an affiliated group which includes a church, etc.) may not make the election. Private foundations may not make the election. Also, organizations which are public charities because they are support organizations (under Code Sec. 509(a)(3)) of certain types of social welfare organizations (Code Sec. 501(c)(4)), labor unions, etc. (Code Sec. 501(c)(5)), or trade associations (Code Sec. 501(c)(6)) are ineligible to make the election.

If an electing organization's lobbying expenditures normally (that is, on the average over a four-year period) exceed 150 percent of the limitations described above, the organization will lose its exempt status under Code Sec. 501(c)(3). See ¶ 3097.01.

The disparate treatment of lobbying between Code Sec. 501(c)(3) organizations and Code Sec. 501(c)(19) organizations (veterans' organizations) was ruled upon in 1983 by the Supreme Court (*Taxation With Representation of Washington*, Sup. Ct., 83-1 USTC ¶ 9365, 103 S.Ct. 1997, at 416 below). The Court held that the Code does not unconstitutionally discriminate between tax-exempt organizations that may not receive tax-deductible contributions if they engage in substantial lobbying activities and Code Sec. 501(c)(19) veterans' organizations that may receive tax-deductible contributions and engage in substantial lobbying activities. The decision to subsidize the lobbying activities of veterans' groups neither infringes First Amendment rights nor violates equal protection because it is rationally related to the government's legitimate interest of compensating veterans for their past contributions.

→ .0208 Inurements to private individuals.—Under Code Sec. 501(c)(3), an organization will lose its tax-exempt status if any part of the organization's net earnings inure to the benefit of any private stockholder or individual. The term "private stockholder or individual" refers to persons having a personal and private interest in the activities of the organization (Reg. § 1.501(a)(1)(c) at ¶ 3024). The term "inurement" does not mean that no payments may be made to stockholders or individuals. Rather, the inurement prohibition of Code Sec. 501(c)(3) is generally directed at payments that are made to stockholders or individuals for purposes other than as reasonable compensation for goods or services.

In addition, the Internal Revenue Service has ruled that, in the case of organizations other than trusts, an organization's exempt status will not be affected if the organization accepts an income-producing asset from a donor and agrees to pay the donor the income from the asset for life or a lifetime annuity specifically payable from the asset (Rev. Rul. 69-176, 1969-1 CB

## Religious, Charitable, etc., Institutions and Community Chests

## ● ● CCH Explanation

150). However, in the case of trusts, such payments are not permitted. In addition, see the rules for charitable remainder trusts under Code Sec. 664 at ¶ 3670A.

The "inurement" prohibition is, however, directed at many types of transactions. Annotations dealing with the many types of transactions covered by the prohibition are at .43, below.

.021 Relationship between Sec. 501(c)(3) and Sec. 170.—Presumably the phrase "religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals" means the same thing in Sec. 501(c)(3), which provides for tax exemption, as it does in Sec. 170(c)(2), which authorizes a contribution deduction. Therefore, in determining what organizations are exempt under Sec. 501(c)(3), the annotations at ¶ 1864.058 and following should be consulted in addition to those which follow this discussion. However, it is important to note that the classes of organizations contributions to which may be deducted are substantially fewer in number than the classes of organizations which are entitled to tax exemption. See ¶ 1864.0122 for a discussion on the relationship between tax exemption and deductibility of contributions.

→ .022 Organization must be operated "exclusively" for specified purposes.—The law requires that an organization claiming exemption under Sec. 501(c)(3) be organized and operated "exclusively" for the prescribed purpose.

Under the "operational" test of Reg. § 1.501(c)(3)-1(c), an organization is regarded as operated exclusively for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of the following purposes: religious, charitable, scientific, testing for public safety, literary, educational, or prevention of cruelty to children or animals. As in the "organizational" test, an organization is not regarded as exempt "if more than an insubstantial part of its activities is not in furtherance of an exempt purpose."

→ .0221 Organizations carrying on trade or business.—Reg. § 1.501(c)(3)-1(e) provides that a religious, educational, charitable, etc. organization will be accorded exempt status even though it operates a trade or business as a substantial part of its activities, if the operation of such trade or business is in furtherance of the organization's exempt purpose or purposes and if the organization is not organized or operated for the primary purpose of carrying on an unrelated trade or business, as defined in Code Sec. 513. This primary purpose is determined by taking into account all circumstances, including the size and extent of the trade or business and the size and extent of the activities which are in furtherance of one or more exempt purposes. The regulation also provides that "an organization which is *organized and operated for the primary purpose of carrying on an unrelated trade or business is not exempt* under [Code Sec.] 501(c)(3) even though it has certain religious purposes, its property is held in common, and its profits do not inure to the benefit of individual members."

Thus, there are two possible tax consequences that may arise if an organization conducts a trade or business. First, the organization may be subject to the unrelated business income tax. (See Code Secs. 511-514, beginning at ¶ 3231.) Second, the organization may be denied tax-exempt status altogether if the trade or business is carried on in such a volume that it

## Religious, Charitable, etc., Institutions and Community Chests

## ● ● CCH Explanation

is the primary purpose of the organization. The case law dealing with this second rule is at ¶ 3033.12.

.0223 "Scientific" defined.—Reg. § 1.501(c)(3)-1(d)(5) grants exempt status to a scientific organization if it is organized and operated in the public (rather than a private) interest. In other words, it qualifies if it engages in nonpartisan research and makes the results available to the public. An organization would not qualify if it made public only that part of its research results which supported a particular viewpoint or position, or if its principal function were the mere presentation of unsupported opinion.

The terms "scientific" and "research" are not synonymous, according to the definition. For research to be scientific, it has to be carried on for scientific (as opposed to educational, charitable, etc.) purposes. The determination as to whether research is scientific does not depend on whether it is "fundamental" or "basic" as contrasted with "applied" or "practical." (However, organizations primarily operated for purposes of carrying on "fundamental" research are eligible for the unrelated business income exclusion granted by Code Sec. 512(b)(9).)

"Research" is defined as the "endeavor to discover, to develop, and to verify knowledge." The ordinary testing or inspection of materials or products or the designing or construction of equipment and buildings is not included in the meaning of "research."

Research is considered as being directed toward promoting and benefiting the public (rather than toward promoting private gain) if the research results are freely available to the general public. This requirement would be met if the research results—including patents, copyrights, formulas, etc.—are made available to the interested public in a practicable manner and on a nondiscriminatory basis.

A Code Sec. 501(c)(3) organization would not lose its exempt status even though it carries on research which does not further its exempt purpose. However, it does have to meet the "organizational test" (Reg. § 1.501(c)(3)-1(b)) and cannot be operated for the *primary* purpose of carrying on this kind of research ("operational test" of Reg. § 1.501(c)(3)-1(c)).

Contract research expenses are one type of qualified research expenses. Of the amount paid or incurred to any person other than an employee of the taxpayer for qualified research, 65% qualifies for the credit. Included in this 65% are amounts paid by a corporation under a written research agreement to any qualified organization for basic research. The term "qualified organization" includes Code Sec. 501(c)(3) organizations that are organized and operated primarily to conduct scientific research and that are not private foundations.

The above rule also applies to certain post-1981 corporate grants to qualified funds. Such grants must also be made pursuant to a written research agreement between the corporation and the fund, and must be disbursed from the fund to a college or university for purposes of basic research.

A qualified fund is a Code Sec. 501(c)(3) exempt organization operated and organized exclusively for purposes of making grants to colleges or universities for basic research. Additionally, the fund must be established and maintained by a Code Sec. 501(c)(3) organization which is not a private foundation.

## Religious, Charitable, etc., Institutions and Community Chests

## ● ● CCH Explanation

.023 Private foundations.—A series of excise tax sanctions is imposed on certain acts by private foundations. These acts are listed in Code Secs. 4940 to 4945. For details, see ¶ 4953 and following.—CCH.

## ● ● ● Annotations by Topic

Abortion lobbying	025	Educational survival school	198
Accumulation of income (reference to § 3097)		Educational television	1984
"Action" organization	03	Employee benefit organizations:	
Adjunct	031	Apprentice and job training	203
Adoption agency	0314	Convenience of employees	205
Aiding other organizations	032	Sick and accident benefit association	231
Alcoholic half-way house	033	Subordinate welfare corporation	24
Alternative purpose charitable	035	Employment discrimination	20
Alumni association	04	Engineering society	245
Animal protection	043	Environmental education and conservation	246
Anti-discrimination in employment	044	Evidence of local exemptions	25
Apprehension and conviction of criminals	0441	Exempt organizations	26
Architectural preservation society	0442	Exempt purpose defined	262
Arts and crafts promotion	045	Film festival sponsorship	271
Athletic association	05	Financial assistance to exempt organizations	273
Banking instructions	055	Financial management information	275
Bar association	06	Foreign corporations	278
Biased publications	065	Foreign country activities	2785
Blood bank	066	Foreign student center	283
Boat safety	068	Forest preserve	28
Book, newspaper and periodical publishing	069	Founder's benefit	282
Burden of proof, Constitutionality of	07	Fraternity house	284
Bus transportation	071	Garden club	286
Business school fund	072	Gem and mineral clubs	2862
Career planning	075	Genealogical research	2866
Ceramics, promotion of	078	Golf	288
Change in character, etc	08	Government assistance organizations	289
Charter's declaration of purposes	085	Half-way house for mental patients	29
Child protection	09	Health-care organizations	291
Childbirth education	093	Home construction and sale	292
Chiropractic research	0934	Home delivery of meals to elderly and handi-	
Church newspaper	0935	capped	293
Civic awards	097	Home for the aged	294
Civil War study	098	Home health care	296
Commercial enterprise operated	12	"Home show" promoter	297
Commissioner's Advisory Committee	14	Homosexual understanding and tolerance	298
Communist Party	15	Hospitals	30
Community improvement	152	Hospital service organizations	312
Community land-use plan	153	Housing assistance and education	315
Computer users	1531	Housing discrimination	3156
Constitutional rights	154	Housing for low-income families	316
Consulting, management firm	155	Housing for the handicapped	3165
→ Counseling services	1551	Individuals receiving charitable distributions	317
County fair	156	Injunctive relief	3172
Court reform study	16	Insurance policy	3174
Creative arts grants	162	International cooperation	3175
Credit education organization	163	International exposition	3176
Dancing school	165	Job Corps	318
Day care center	17	Jury finding	32
Discussions and counseling	185	Legal aid society	33
Dissolution payments—Effect (reference to ¶ 3041.037)		Legislative activity	03, 416
Distributions to state	192	Library	336
Dog owners club	194	Machinery	34
Drug strip	196	Marketing of cooking and needlework	35
→ Drug victim aid	1965	Marriage counselling	353
Education system improvement	1983	Media education	354
Educational accreditation organization	1966	Medical association	355
Educational organization to aid immigrants	1975	Medical clinic	356

is an integral part thereof, without jeopardizing their exempt status, provided such distributions are in furtherance of the exempt purposes of the donor organizations

Rev. Rul. 62-78, 1962-1 CB 86

A grant to a city transit authority for the purpose of maintaining a mass transportation system qualifies as a charitable disbursement in furtherance of an organization's exempt purposes in that the grant lessens the burdens of government and confers a benefit on the entire community.

Rev. Rul. 71-29, 1971-1 CB 150

**.194 Dog owners' club.**—A dog owner's club, exempt as a social club under Code Sec. 501(c)(7) and formed to promote the ownership and training of purebred dogs and for conducting obedience training classes, could not be reclassified as an educational organization under Code Sec. 501(c)(3).

Rev. Rul. 71-421, 1971-2 CB 229

A nonprofit corporation organized to promote and instruct dog owners in dog obedience did not qualify as an exempt organization because a substantial purpose of the corporation is to give dogs obedience training. Although dog owners receive some incidental education, the corporation is not operated primarily for the purpose of training individuals.

*Ann Arbor Dog Training Club, Inc.*, 74 TC 207, Dec. 36, 925

The exempt status granted to a nonprofit organization established to promote and conduct classes for the training of dogs and their handlers was retroactively revoked by the National Office for the years following 1980. The National Office found that the training school solicited apprentice members through newspaper advertisements and circulars placed in locations likely to be frequented by new dog owners. Fees charged to apprentice members for dog training classes were approximately one-half the amount charged for similar classes by for-profit trainers in the general area. The apprentice memberships were not held to be true memberships but a subterfuge for doing business with the public.

IRS Ruling 8541008, June 28, 1985

See ¶ 3037.03 and 3041.04.

**.196 Drag strip.**—An organization operating a drag strip in order to reduce juvenile delinquency was exempt.

*Lions Associated Drag Strip*, DC 64-1 USTC ¶ 9283.

**.1965 Drug victim aid.**—A nonprofit organization operating a clinic to aid victims of mind-affecting drugs and providing information concerning such drugs qualifies for exemption under section 501(c)(3) of the Code.

Rev. Rul. 70-590, 1970-2 CB 116.

**.1966 Educational accreditation organization.**—A nonprofit organization of accredited educational institutions, whose membership includes a small number of proprietary schools, and whose activities include the preparation of

accreditation standards, identification of schools and colleges meeting these standards, and the dissemination of accredited institution lists qualifies as an exempt organization.

Rev. Rul. 74-146, 1974-1 CB 129.

**.1975 Educational organization to aid immigrants.**—A nonprofit organization formed to aid immigrants in overcoming social, cultural, and economic problems by providing personal counseling, referrals to helpful agencies, social and recreational activities, instruction in English, and distributing a newsletter containing information on attaining citizenship, securing housing, and obtaining medical care is operated exclusively for charitable and educational purposes and qualifies for exemption under Code Sec. 501(c)(3).

Rev. Rul. 76-205, 1976-1 CB 154.

**.198 Educational survival school.**—An organization exempt from tax under Code Sec. 501(c)(3) that has full-time instructors who regularly conduct a 26-day survival course, mostly out-of-doors, to teach young persons how to survive in a natural environment is an education organization within the meaning of Code Sec. 170(b)(1)(A)(ii), and, therefore, is not a private foundation by reason of Code Sec. 509(a)(1).

Rev. Rul. 73-434, 1973-2 CB 71.

**.1983 Education system improvement.**—A nonprofit organization acting as a clearinghouse and course coordinator by bringing together instructors and interested students in a community for purposes of instruction is exempt under Code Sec. 501(c)(3).

Rev. Rul. 71-413, 1971-2 CB 228.

The taxpayer, a nonprofit organization organized to promote alternative educational possibilities, did satisfy the operational test for exemption. The taxpayer was operated exclusively for educational purposes and for public rather than private interests.

*National Associations for the Legal Support of Alternative Schools*, 71 TC 118, Dec. 35, 501.

**.1984 Educational television.**—An otherwise qualifying organization that produces and distributes free (or at small cost defraying fees) educational, cultural and public interest programs for public viewing via public-educational channels of commercial cable television companies is operated exclusively for educational purposes and is exempt under Code Sec. 501(c)(3).

Rev. Rul. 76-4, 1976-1 CB 145.

A nonprofit organization that makes facilities and equipment available to the general public for the production of noncommercial educational or cultural television programs for the public is exempt under Code Sec. 501(c)(3).

Rev. Rul. 76-443, 1976-2 CB 149.

**.20 Employment discrimination.**—A nonprofit organization that seeks to eliminate discrimination in employment may be exempt from tax under Code Sec. 501(c)(3).

Rev. Rul. 68-70, 1968-1 CB 248.

An otherwise exempt organization of exempt colleges and universities that devises, operates, and provides the organizational structure for a regional network of member owned or leased computers to collect and disseminate scientific and educational information to exempt members' faculties and students is operated exclusively for charitable purposes and is exempt under Code Sec. 501(c)(3).

Rev. Rul. 74-614, 1974-2 CB 164.

A library network organization that operates a computer network to facilitate the exchange of bibliographic information among member libraries, some of which are not tax-exempt, may qualify for exemption under Code Sec. 501(c)(3).

Rev. Rul. 81-29, 1981-1 CB 329, amplifying Rev. Rul. 74-614, 1974-2 CB 164.

**.154 Constitutional rights.**—Direct appeal from a district court to the U.S. Supreme Court is permitted when an Act of Congress is declared unconstitutional "as a whole" or simply "as applied" by any U.S. court in any civil action, suit, or proceeding to which the United States is a party. Where the district court did not hold Code Sec. 501(c)(3) unconstitutional in either of these ways, the Supreme Court lacked jurisdiction to hear an appeal from the district court decision. The case was remanded for entry of a fresh decree so that the appeal could be taken to the Tenth Circuit (see annotation immediately below).

*Christian Echoes National Ministry, Inc.*, Sup. Ct., 404 U.S. 561 (1972).

In the later appeal to CA-10 (see annotation immediately above), the court held that the limitations in Code Sec. 501(c)(3) are constitutionally valid and that such provisions, in withholding tax exemption from nonprofit organizations under certain circumstances, do not deprive such organizations of the constitutionally guaranteed right of free speech. The court also held that the government's denial of tax-exempt status to an organization did not violate the Fifth Amendment due process clause. In order to establish discrimination violating the due process clause, the organization has to show discrimination based on differences of religion, race, politics, or an unacceptable classification. Further, the fact that the IRS had not proceeded against other organizations similar to the taxpayer did not amount to denial of due process.

*Christian Echoes Nat'l Ministry, Inc.*, CA-10, 73-1 USTC ¶ 9129, 470 F.2d 849, Cert. denied, 414 U.S. 864.

A deficiency notice and letter of revocation of exempt status issued by the IRS to the Church of Scientology were not in violation of the church's First and Fifth Amendment rights to the free exercise of religion and equal protection of the laws. The church was not "singled out" for harassment and IRS actions were not motivated by contempt for the church's religious views. Also, the conditions for tax exemptions expressed in Code Sec. 501(c)(3) do not violate the free exercise and establishment clauses of the First Amendment and are not overly broad to the point of

stifling the commercial activities of struggling, newly formed churches. Finally, the rule that the burden of proof in resolving a tax dispute is on taxpayers does not violate due process when a church is charged with a deficiency by the IRS and threatened with revocation of its tax exemption. Due regard for religious liberty does not require shifting of the burden to the IRS, since the matter of a tax exemption is not aimed at restraining or fostering religious liberty.

*Church of Scientology of California*, 83 TC 381, Dec. 41,506.

**.155 Consulting, management firm.**—An organization formed to provide managerial and consulting services for unrelated tax-exempt organizations for the purpose of improving administration of their charitable programs did not qualify as a Code Sec. 501(c)(3) organization. The furnishing of services at cost fell short of the donative element necessary to classify the activities as charitable. But see annotation immediately below.

Rev. Rul. 72-369, 1972-2 CB 245.

An organization controlled by a group of exempt organizations and providing them investment, management, and other services for a charge *substantially less than cost* qualified for charitable organization status under Sec. 501(c)(3).

Rev. Rul. 71-329, 1971-2 CB 234.

A corporation that planned on offering consulting services for a fee to nonprofit, limited resource organizations engaged in various rural-related activities was not entitled to tax-exempt status because it did not operate exclusively for charitable, educational or scientific purposes. In addition, the court determined that the taxpayer had completely failed to show that its own services, or the services performed by its consultants, would not be in competition with commercial businesses such as personnel agencies, consulting referral services, real estate agents, housing rental services, banks, loan companies, trash disposal firms or environmental consulting companies.

*B.S.W. Group, Inc.*, 70 TC 352, Dec. 35,175.

An organization was not exempt under Code Sec. 501(c)(3) because more than an insubstantial part of its activity was devoted to providing tax advice related to charitable giving to wealthy individuals referred to the organization by various charitable organizations.

*Christian Stewardship Assistance, Inc.*, 70 TC 1037, Dec. 35,422.

**.1551 Counseling services.**—A nonprofit organization formed to provide individual and group counseling to widows to assist them in legal, financial, and emotional problems caused by the death of their husbands and that provides the widows with information on available benefits and services is considered to be operated exclusively for educational purposes and qualifies for exemption under section 501(c)(3) of the Code.

Rev. Rul. 78-99, 1978-1 CB 152.



507(b)(1)(B)(i) during its own 60-month termination period.

Rev. Rul. 78-386, 1978-2 CB 179.

**.047 Controlled foundation.**—A private foundation transferred an excess qualifying distribution carryover to another private foundation, that second foundation being controlled by the same persons that controlled the transferor foundation. The second foundation, the transferee, was treated as if it were the transferor foundation for purposes of reducing its "distributable amount" by the amount of the carryover under Code Sec. 4942.

Rev. Rul. 78-387, 1978-2 CB 270.

**.05 Distribution of assets to public charity.**—A private foundation may terminate its private foundation status under Code Sec. 507(b)(1)(A) by distributing its total net assets to a public charity, in existence 20 months, formed from the consolidation of two public charities each of which would have been in existence for 60 months at the time of distribution had they not been consolidated.

Rev. Rul. 75-289, 1975-2 CB 215.

**.10 Exempt status after termination.**—A corporation that remains in existence after terminating its private foundation status under Code Sec. 507(b)(1)(A) must, unless specifically

excepted by Code Sec. 508(c), file an Application for Recognition of Exemption if it wishes to be treated as an organization described in Code Sec. 501(c)(3).

Rev. Rul. 74-490, 1974-2 CB 171.

A private foundation that gave notice that it was terminating its private foundation status by operating as a public charity for a 60-month period beginning with the first day of its next taxable year and that it was changing its annual accounting period from a calendar to a fiscal year pursuant to section 1.442-1(c)(2) of the regulations may begin the 60-month period on the earlier fiscal year date.

Rev. Rul. 77-113, 1977-1 CB 152.

**.50 Substantial contributor.**—An organization that is a nonexempt charitable trust described in Code Sec. 4947(a)(1) that has made contributions to a private foundation in excess of the limitation in Code Sec. 507(d)(2) is not a "substantial contributor" within the meaning of that section for purposes of the tax on self-dealing under Code Sec. 4941. The exception provided in Reg. § 1.507-3(a)(2) for Code Sec. 501(c)(3) organizations also applies to nonexempt charitable trusts described in Code Sec. 4947(a)(1).

Rev. Rul. 73-455, 1973-2 CB 187.

## [¶ 3111]

## SPECIAL RULES WITH RESPECT TO SECTION 501(c)(3) ORGANIZATIONS

Sec. 508 [1986 Code]. (a) **NEW ORGANIZATIONS MUST NOTIFY SECRETARY THAT THEY ARE APPLYING FOR RECOGNITION OF SECTION 501(c)(3) STATUS.**—Except as provided in subsection (c), an organization organized after October 9, 1969, shall not be treated as an organization described in section 501(c)(3)—

(1) unless it has given notice to the Secretary, in such manner as the Secretary may by regulations prescribe, that it is applying for recognition of such status, or

(2) for any period before the giving of such notice, if such notice is given after the time prescribed by the Secretary by regulations for giving notice under this subsection.

(b) **PRESUMPTION THAT ORGANIZATIONS ARE PRIVATE FOUNDATIONS.**—Except as provided in subsection (c), any organization (including an organization in existence on October 9, 1969) which is described in section 501(c)(3) and which does not notify the Secretary, at such time and in such manner as the Secretary may by regulations prescribe, that it is not a private foundation shall be presumed to be a private foundation.

## (c) EXCEPTIONS.—

(1) **MANDATORY EXCEPTIONS.**—Subsections (a) and (b) shall not apply to—

(A) churches, their integrated auxiliaries, and conventions or associations of churches, or

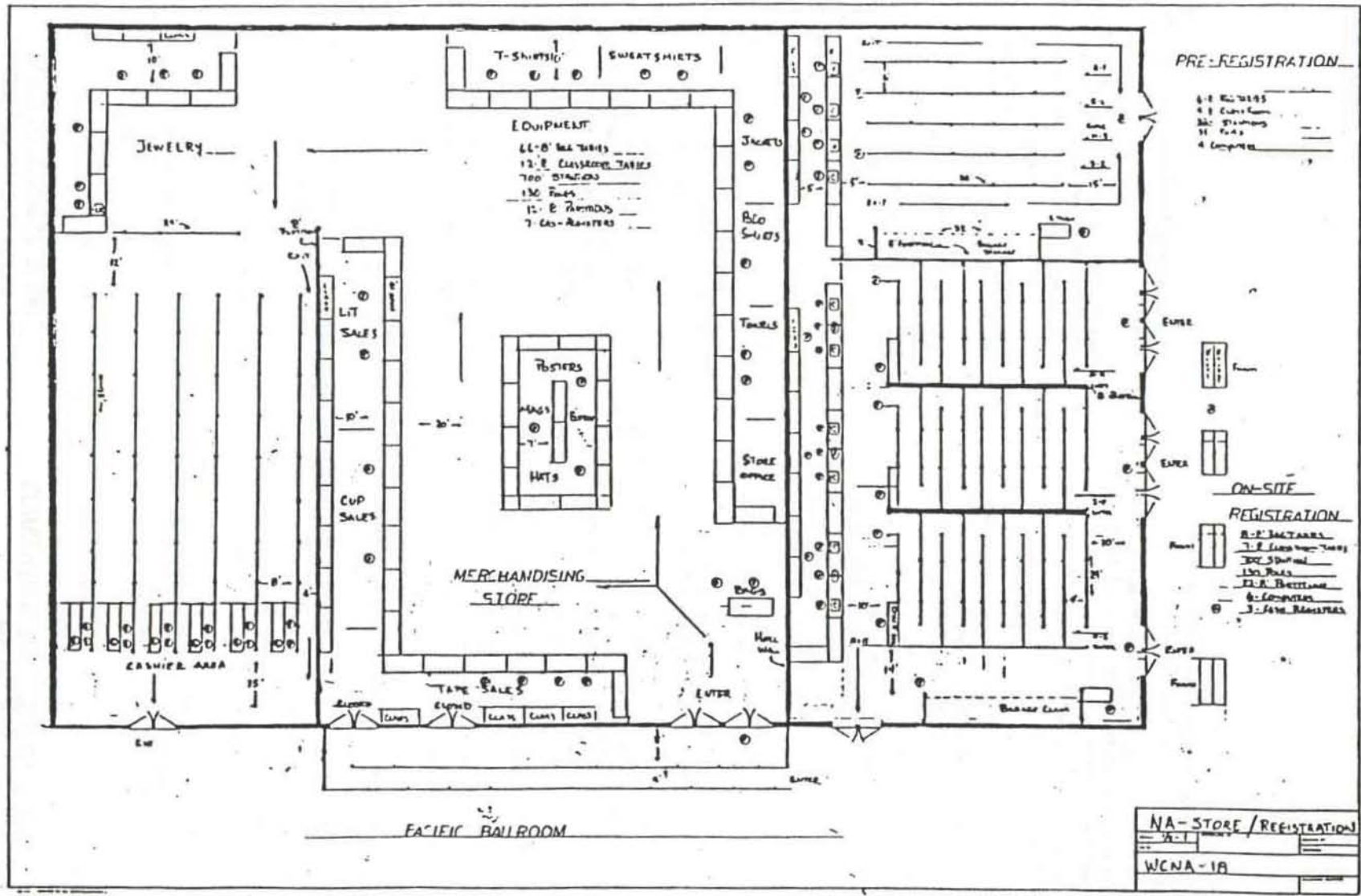
(B) any organization which is not a private foundation (as defined in section 509(a)) and the gross receipts of which in each taxable year are normally not more than \$5,000.

(2) **EXCEPTIONS BY REGULATIONS.**—The Secretary may by regulations exempt (to the extent and subject to such conditions as may be prescribed in such regulations) from the provisions of subsection (a) or (b) or both—

(A) educational organizations described in section 170(b)(1)(A)(ii), and

(B) any other class of organizations with respect to which the Secretary determines that full compliance with provisions of subsections (a) and (b) is not

## **IMPLEMENTATION EXAMPLES**



NA-STORE/REGISTRATION	
NA-1	
WCNA-18	

**WCNA-18  
HOTEL RESERVATION REQUEST FORM**

Please send form and check or money order to:

WCNA-18 HOUSING  
P.O. BOX 4270  
ANAHEIM, CALIFORNIA 92803

Name \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Arrival Date \_\_\_\_\_ Departure Date \_\_\_\_\_  
Name(s) of additional adult(s) sharing room:  
\_\_\_\_\_  
\_\_\_\_\_

Special WCNA-18 room rates:

	Main	Lanai*	Towers*
Single	\$63.00	\$83.00	\$ 93.00
Dbl./Twin	\$73.00	\$93.00	\$103.00

\*upgraded rooms  
(The above rates are subject to state and local taxes.)

To assure proper reservations, please complete this reservation request and return it before August 1st, 1988. Requests received after this date will be accepted based on availability. Reservations can be guaranteed by submitting the first night's deposit.

Send check, money order, or the following credit card information: American Express, Diner's Club, Visa, MasterCard.

Cardholder's Name \_\_\_\_\_  
No. \_\_\_\_\_ Exp. Date \_\_\_\_\_  
Phone ( ) \_\_\_\_\_  
Signature \_\_\_\_\_

- All hotel accounts are subject to credit arrangements at the time of registration and payable at the time of departure.
- Check-in time is 3:00 p.m.; check-out time is 12:00 noon.
- The hotel will retain the first night's deposit plus tax on guaranteed and deposited reservations not claimed on the date of arrival.
- To cancel a reservation, call the hotel 48 hours prior to the date of arrival. Ask for and retain your cancellation number until you receive a refund of your deposit.
- For information not contained on this form, please contact the Anaheim Convention Bureau at (714) 999-8939.

**WCNA-18  
CONVENTION REGISTRATION FORM**

Please send registration form and check or money order to:

WCNA-18 c/o WSO  
P.O. BOX 9999  
VAN NUYS, CALIFORNIA 91409  
(Make checks payable to WCNA-18)

Name \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Country \_\_\_\_\_  
Telephone ( ) \_\_\_\_\_

If registering for more than one person, please list names of other registrants:  
\_\_\_\_\_  
\_\_\_\_\_

No. of convention registrations  
\_\_\_\_\_ @ \$20.00 per person TOTAL \$ \_\_\_\_\_  
Donation for Newcomer TOTAL \$ \_\_\_\_\_  
No. of Saturday night banquet tickets  
\_\_\_\_\_ @ \$25.00 per person TOTAL \$ \_\_\_\_\_  
[ ] Meat [ ] Fish [ ] Vegetarian  
No. of Sunday morning breakfasts  
\_\_\_\_\_ @ \$15.00 per person TOTAL \$ \_\_\_\_\_  
No. of Comedy Show tickets  
\_\_\_\_\_ @ \$5.00 per person TOTAL \$ \_\_\_\_\_  
No. of Live Oldies Show tickets  
\_\_\_\_\_ @ \$10.00 per person TOTAL \$ \_\_\_\_\_  
No. of Bus Tour Tickets  
\_\_\_\_\_ @ \$7.00 per person TOTAL \$ \_\_\_\_\_  
GRAND TOTAL \$ \_\_\_\_\_

- If you wish to speak at or chair a meeting, send a tape to: WCNA-18 Program Committee c/o WSO at the address above. (Minimum of 5 yrs. clean time.)
- Tapes must be received by May 1, 1988.
- Come share your talents at the convention talent showcase — if performing, specify form of entertainment. \_\_\_\_\_
- If you are physically limited in any way and have special requirements, please specify. \_\_\_\_\_

**Mail-in Registration Deadline — August 1st**

DETACH AND MAIL

DETACH AND MAIL

ROOM UTILIZATION PLAN

WCNA - 18

ANAHEIM, CA. SEPTEMBER 1-4 1988

Tuesday

Hilton

Registration Set-up - Pacific Ballroom B 2:00 pm  
WCC Office - Conference Rooms 13 & 14 9:00 am  
Sub-Committee Offices - Conference Rooms 1-10 5:00 pm  
Merchandising Storage - Balboa A - C, Coronado 9:00 am  
Avila/San Siemeon - Tape Duplicating/Tape Storage 9:00 am  
El Capitan/Pre-Convention Logistics 9:00 am  
WCC Board Meeting - Executive Board Room 9:00 am - 3:00pm

Marriott

Play Set Up - Grand Ballroom A-E  
Talent Show Set Up - Grand Ballroom F-K

WEDNESDAY

Hilton

Same as above  
Registration - Pacific Ballroom A (ASAP)  
Merchandising - Pacific Ballroom C - D 2:00 pm [ earlier if possible ]  
Live Performance Set-up - California Pavilion C .. 5:00 pm

Marriott

Hospitality Set-up - Marriott Hall [ Center ] 5:00 pm

.....

THURSDAY

Hilton

Marathon Meeting - Huntington Room 9:00 am  
Registration - Pacific Ballroom A-B 9:00am  
Merchandising - Pacific Ballroom C-D 10:00 am  
Hospitality Room - Laguna\Capistrano 9:00am  
Dance California Ballroom C-D \*10:00 pm  
2nd Floor Registration Area for Tape Sales 9:00 am  
\*(The room to be set up with Stage in the C section for use with Paid Events).

Convention Center

Main Meeting - Could be set up in Main Hall or the Pacific Room (should be set in 2 sections)

Marriott

Marathon Meeting - Orange Room 9:00 am  
Talent Show - Grand Ballroom F-K 12:00 pm  
Hospitality - Poolside Suite/Foyer 9:00 am  
Play Dress Rehearsal - Grand Ballroom A-F 12:00 pm

.....

FRIDAY

Hilton

Registration - Pacific Ballroom 9:00 am - 11:00pm  
Merchandise - Pacific Ballroom C-D 10:00am - 1:00am  
Marathon Meeting - Huntington [ 24 hours ]  
Comedy Show - California Ballroom 10:30 pm - 12:00am  
Hospitality - Laguna/Capistrano Schedule  
Workshop #1 - California Ballroom A-B 1000 (9am-4:30pm)  
Workshop #2 - California Ballroom D 1000 (9am-4:30pm)

Convention Center

Workshop #3 - A (1500) Pacific (9am-4:30pm)  
Workshop #4 - B (800) Pacific (9am-4:30pm)  
Alternate meeting A (1500) Pacific (11pm-1am)  
General Session South Exhibition Hall.....8:00 pm

Marriott

Marathon Meeting - Orange County 1-5 [ 24 hours ]  
Talent Show - Grand Ballroom F-K [ 24 hours ]  
Play - Grand Ballroom A-F 1:00pm  
Hospitality - Poolside Suite/Foyer [ 24 hours ]  
Dance #1 - South Hall 10:00 pm - 2:00 am  
Dance #2 - North Hall 10:30 pm - 2:00 am  
Workshop #5 - Center Hall (will turn into Hospitality Room in evening).

.....

**SATURDAY**

**Hilton**

Registration - Pacific Ballroom A-B 9:00 am - 5:00 pm  
Merchandise - Pacific Ballroom C-D 10:00 am - TBA  
Marathon Meeting - Huntington [ 24 hours ]  
Hospitality - Laguna/Capistrano [ 24 hours ]  
Oldies Show - California Pavilion 10:30 pm - 12:30 am  
Workshop #1 - California A-B (1000) 9:00 am - 4:30 pm  
Workshop #2 - California D (1000) 9:00 am - 4:30 pm

**Convention Center**

Workshop #3 - A Pacific Room  
Workshop #4 - B Pacific Room  
International Meeting - Pacific Room A 9:30 am - 11:00 am  
Banquet - South Exhibition Hall 6:00 pm - 8:00 pm - 10:00 pm  
General Session - South Exhibition Hall 8:00 pm - 10:00 pm

**Marriott**

Marathon Meeting - Orange County Room 1-5 [ 24 hours ]  
Talent Show - Grand Ballroom F-K [24 hours]  
Play - Grand Ballroom A-F 1:00 pm  
Hospitality - Poolside/Foyer [ 24 hours ]  
Dance #1 - South Hall 10:00 pm - 2:00 am  
Dance #2 - North Hall 10:30 pm - 2:00 am  
Workshop #5 - Center Hall (1000) (9am-4:30pm) Hospitality  
after 4:30 pm

**SUNDAY**

**Hilton**

Store Regional - Pacific A-B  
Merchandising - Pacific C-D  
Marathon - Huntington (9:00) Close

**Marriott**

Marathon Close - Orange County Ballroom

**Convention Center**

Breakfast - South exhibition Hall 9:00 am -11:00 am  
Closing Meeting - South Exhibition Hall 11:00 am - 1:00 pm

.....

**MONDAY**

Store - Pacific C-D ( until 1:00 pm )  
WCC Offices - Conference Rooms 13 -14  
Storage - Balboa A-C [until 3:00 pm Tuesday]  
Taping - Avila, San Simeon [ until 3:00 pm Tuesday]  
(All miscellaneous offices) [ until 9:00am Tuesday]

wcna18lp.doc/wcna.dir



**SAMPLE HOTEL CONTRACTS**

**COPY FOR  
REFERENCE ONLY**

S U M M A R Y   R E P O R T  
I N C O M E

WORLD CONVENTION #18

ENDING AUGUST 03, 1988

Income	Total Number	Unit Price	Total
Registration	1903	\$20.00	38,060.00
Banquet	1559	\$25.00	38,975.00
Breakfast	1099	\$15.00	16,485.00
Bus Trip	401	\$7.00	2,807.00
Comedy Show	1158	\$5.00	5,790.00
Oldies Show	828	\$10.00	8,280.00
Newcomer			2,691.17
Total			\$113,088.17

JUN 17 1987

THE ANAHEIM HILTON  
AND Towers

June 15, 1987

Mr. Robert Stone  
Executive Director  
NARCOTICS ANONYMOUS  
P.O. Box 9999  
Van Nuys, California 91409

Dear Bob:

What a pleasure it was meeting with you and Anthony recently and discussing the arrangements for future Annual Meetings for Narcotics Anonymous. We are of course excited with the good news that Anaheim and the Anaheim Hilton and Towers has been selected to host your 1988 Program.

Accordingly, we are pleased to submit the following revised proposal for your review and approval.

DATES AND GUEST ROOMS/SUITES

As you requested, a block of 1500 deluxe guest rooms, including 10 suites has been set aside, on a tentative basis, as noted below.

Tuesday	August 30, 1988	400 rooms	
Wednesday	August 31, 1988	<del>1165 rooms</del>	400 rooms
Thursday	September 1, 1988	<del>1500 rooms</del>	1165 rooms
Friday	September 2, 1988	1500 rooms	
Saturday	September 3, 1988	<del>750 rooms</del>	1500 rooms
Sunday	September 4, 1988	240 rooms	
Monday	September 5, 1988	55 rooms	
Tuesday	September 6, 1988	Departure	

The above is based upon the actual arrival/departure pattern of your upcoming meeting in New Orleans and further, taking into consideration the anticipated growth factors. We will review the above pattern and block periodically and make any adjustments necessary, subject to availability. The above block of guest rooms and suites will be held until thirty (30) days prior to the scheduled arrival. All reservations received after this cut-off date of August 1, 1988 will be accepted, subject to availability. A deposit in the amount of the first night's guest room rental will be required to confirm individual reservations.

Mr. Robert Stone  
NARCOTICS ANONYMOUS

June 16, 1987  
Page 2

It is our understanding that all of your housing will be handled by the Anaheim Area Convention and Visitor Bureau, and further that you will be directing the Bureau to funnel the first 1500 reservations to the Anaheim Hilton and Towers. In as much as the Convention and Visitor Bureau will be handling the housing, we will not be accepting reservations direct to our hotel.

\*Reservation procedure to be determined by August 17, 1987.

#### GUEST ROOM AND SUITE RATES

At this time, we are pleased to confirm your special convention rates, to apply over the above dates, as follows.

	<u>Main</u>	<u>Lanai</u>	<u>Towers</u>
Single	\$63.00	\$83.00	\$ 93.00
Double/Twin	\$73.00	\$93.00	\$103.00

Bob, as you know, these rates are substantially discounted from our published/prevaling range of rates applicable at this time. For comparison, we have outlined below our 1987 prevailing range of rates.

				<u>Towers</u>
Single:	\$92	\$102	\$112	\$142
Double:	\$108	\$118	\$128	\$158

#### COMPLIMENTARY GUEST ROOMS AND SUITES

The Anaheim Hilton and Towers will be pleased to provide one complimentary room night for each fifty (50) room nights actually occupied over the above dates. Our standard suite parlors will be counted as one complimentary room and a suite consisting of a standard parlor and one connecting bedroom, will be counted as two (2) complimentary rooms. Our larger specialty suites will be counted based upon the unit size of the parlors.

In addition to the above and for the privilege of serving as your headquarters hotel, we will also provide our Presidential Suite on a complimentary basis for arrival on August 30 and continuing through September 6, 1988. Located on our "Towers" level, the parlor alone measures almost 1400 square feet and connects with two deluxe bedrooms.

10/15/87  
P.S.

Mr. Robert Stone  
NARCOTICS ANONYMOUS

June 16, 1987  
Page 3

#### PROGRAM

Based on our understanding of your program requirements, space has been set aside with an all space hold beginning at 3:00PM on Wednesday, August 31 and continuing through 12:00 Noon on Sunday, September 4, 1988. Additionally, a tentative outline of events will be required no later than nine months prior to your actual convention dates.

It is our pleasure to provide the above space to accommodate your meeting/banquet requirements without a rental charge based upon your group actually occupying 80% of the guest rooms as blocked above. However, we do reserve the right to charge for meeting room rental/labor if less than 80% of the guest rooms are actually occupied as blocked. Meeting room rental will be based upon the space blocked per this agreement, or the actual space utilized, whichever is greater. Actual potential meeting room rental/labor charges will be confirmed approximately six months in advance of your meeting.

#### COFFEE PRICES

As a special consideration, we have agreed to discount our coffee prices by approximately 50%. At this time, we are very pleased to confirm a per gallon coffee price of \$15.00, inclusive of tax and gratuity.

#### MASTER ACCOUNT AND BILLING

At your request, and subject to prior credit approval, we will be pleased to establish a Master Account to which we will post all charges for your set functions, per your program. It is our understanding, unless notified otherwise, that all individuals will be responsible for payment of their own charges for guest rooms, tax and incidentals.

#### CONFIRMATION OF AGREEMENT

Bob, I believe that I have covered all of the arrangements that we discussed with regard to your specific requirements. If I have left anything out or should you require any changes, etc., please contact me immediately in order that I may insure that everything is as it should be. If, however, the arrangements as outlined above meet with your approval and you would like to confirm them on a definite basis, please sign and return the enclosed copy of this letter. This letter will then serve as our contract and will include the following standard arbitration clause:

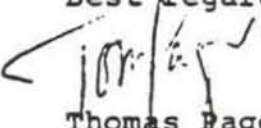
Mr. Robert Stone  
NARCOTICS ANONYMOUS

June 16, 1987  
Page 4

"Any controversy or claim arising out of or relating to this contract, or the breach hereof, shall be settled by arbitration in accordance with the Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction in the County of Orange, State of California."

Once again, thank you for your consideration of the Anaheim Hilton and Towers. All of us here look forward to working with you and your staff in the months to come to make this convention one of your very best.

Best regards,

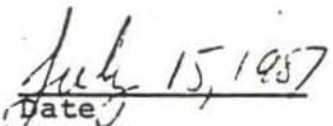
  
Thomas Page  
Sales Manager

TP/lp  
#NC4142

cc: Jack Readey, Anaheim Area Visitor and Convention Bureau  
Pam Menne, Hilton National Sales - Los Angeles

Confirmed on a definite basis for  
NARCOTICS ANONYMOUS  
August 30 - September 6, 1988

  
\_\_\_\_\_  
Signature

  
\_\_\_\_\_  
Date

## ANAHEIM MARRIOTT HOTEL

### LETTER OF AGREEMENT

July 31, 1987

We are hopeful that the information listed below, while constituting an agreement between the Anaheim Marriott and Narcotics Anonymous, will be helpful in the planning of your final program. We believe that by specifying conditions and services relative to your meeting in advance, we can insure a successful program to the credit of both Narcotics Anonymous and the Anaheim Marriott Hotel.

Subject Group: Narcotics Anonymous  
File Number: LL-1890  
Contact: Mr. Robert Stone  
President  
WORLD SERVICE OFFICE INC.  
P.O. Box 9999  
Van Nuys, CA 91409  
(818) 780-3951

Headquarters Hotel: Anaheim Hilton & Towers  
Official Dates: August 31-September 4, 1988  
Anticipated Attendance: 1,000  
Sleeping Room Commitment:

#### August/September

Day:	Wed	Thurs	Fri	Sat	Sun
Date:	8/31	9/1	9/2	9/3	9/4
Rooms:	150	775	775	775	150

Check-In Time: 4:00 pm      Check-Out Time: 12:00 noon



2625/2100

PAGE: 2  
TO: Mr. R. Stone  
FROM: E. Svitak  
DATE: July 31, 1987

Room Rates:

We are pleased to confirm the following special net group rates:

Singles: \$63.00  
Doubles: \$63.00  
Triples: \$63.00  
Quads: \$63.00

Tax:

All guest rooms are subject to state and local taxes, which are currently 10% total.

Reservation Procedures:

We understand that your organization will be utilizing the Anaheim Housing Bureau for reservation requests. It is our understanding that the Anaheim Hilton and Towers will be the "fill first" hotel by the bureau, and that the Anaheim Marriott will be the hotel to "fill second" once the Hilton has filled their block. The Housing Bureau will not refer other overflow hotels until the Hilton and Marriott have filled their respective blocks.

Cut-Off Date:

We request all reservations be received twenty-eight (28) days prior to your major arrival date. This cut-off date would be August 4, 1988. Thirty-five (35) days prior to your arrival we will review with you any unsatisfied portion of your room commitment. After discussion, we will release for sale any uncommitted rooms.

Reservations accepted after the cut-off date will be available at your convention rate.

Complimentary Rooms:

You will be entitled to one complimentary room (unit) for every 50 rooms actually occupied on an overall basis. A room night is one room occupied for one night, i.e., two rooms occupied for three nights equals six room nights. Suites are rated as follows:



PAGE: 3  
TO: Mr. R. Stone  
FROM: E. Svitak  
DATE: July 31, 1987

<u>Suite Type</u>	<u>Accumulative Rooms</u>
Parlor Suite + 1 connector	100 room nights
Hospitality Suite + 1 connector	150 room nights
Bi-Level Suite (includes bedroom)	150 room nights
Governor's Suite + 1 connector	200 room nights
Vice Presidential Suite + 1 connector	200 room nights
Presidential Suite + 1 connector	250 room nights
Marriott Suite + 1 connector	250 room nights

Credit Arrangements:

A master account will be established upon approval of our credit manager. All charges to be posted to this account will be verified in writing and made for a formal record as part of the convention resume. All billing instructions for the master account should be received no later than three weeks prior to your convention dates to insure proper posting.

Late Payment Charge:

Payment is due immediately upon receipt of statement. In the event such payment is not made within 25 days after receipt of the original statement, the Hotel may immediately impose a late payment charge at the rate of 1 1/2% per month (annual rate 18%), or the maximum allowed by law, on the unpaid balance, and the reasonable cost of collection, including attorney fees.

Billing:

All room, tax and incidental charges are to be billed on an individual basis. Meeting related charges will be billed to the master account. Payment is due within 30 days of the receipt of the invoice.

Public Space Requirements:

We appreciate your giving us a detailed outline of your program requirements. Meeting space has been protected according to the specifications on the following agenda. We do require a tentative program, including updated attendance figures, six months prior to your meeting dates.

AGENDA:

DAY/DATE/TIME	ROOM
<u>Thurs. 9/1</u> 5:00PM-24 Hours	Entire Marriott Hall, Registration areas, Grand Ballroom, Orange County Ballroom, 6 California Rooms

PAGE: 4  
TO: Mr. R. Stone  
FROM: E. Svitak  
DATE: July 31, 1987

Fri. 9/2  
24 Hours

Entire Marriott Hall,  
Registration areas,  
Grand Ballroom, Orange County  
Ballroom, 6 California Rooms

Sat. 9/3  
24 Hours

Entire Marriott Hall,  
Registration areas,  
Grand Ballroom, Orange County  
Ballroom, 6 California Rooms

Sun. 9/4  
Until 2:00PM

Entire Marriott Hall,  
Registration areas,  
Grand Ballroom, Orange County  
Ballroom, 6 California Rooms

Public Space Release Policy:

After mutual agreement, six months prior to your meeting dates we will release space, that has not been committed, for sale to any local catering functions. 3/1/88

Facilities/Meeting Room Set-Up Fee:

The following arrangements are based upon your total guest room commitment and meeting/banquet itinerary. We are pleased to waived all meeting room set-up fees. Should the number of rooms actually utilized be considerable less than your room block commitment, which is the following sliding scale for your meeting room set-up fees will apply:

775-620 rooms	No charge
620-500 rooms	\$ 5,000 per day
500-400 rooms	\$ 8,000 per day
400 and under	\$10,000 per day

Amplification:

We will provide a permanent P.A. system in each of our major meeting facilities. A microphone will be made available on a complimentary basis in each room.

In-House Equipment:

The Anaheim Marriott will provide, at no charge, a reasonable amount of meeting equipment, i.e., chairs, blackboards, etc. The complimentary arrangement does not include special set-ups or extraordinary format that would exhaust our present in-house equipment to the point of requiring rental of additional equipment. If additional equipment is needed, it will be charged to your master account.

PAGE: 5  
TO: Mr. R. Stone  
FROM: E. Svitak  
DATE: July 31, 1987

Convention Service Operation:

Twelve months prior to your meeting, we will contact you to introduce our Convention Service Manager. The Convention Service Manager will be responsible for coordinating your overall program requirements from that point on.

Food and Beverage:

We are pleased to confirm banquet prices six months prior to your actual convention dates. Coffee will be available at a cost of \$15 per gallon including tax + service charge for your convention.

Regarding food and beverage consumed in any of our Hospitality Suites, all food and beverage must be purchased from our Catering and/or Room Service Departments.

You will be assigned a Catering Manager whose primary responsibility is to coordinate all phases of your banquet requirements at least three months prior to your meeting.

Cancellation Policy:

In the event your organization cancels this agreement with less than 6 months prior written notice, Narcotics Anonymous agrees to pay the Anaheim Marriott Hotel an amount equal to one night's room rate multiplied by the maximum number of rooms anticipated on any one night as specified. 3/10

The Anaheim Marriott Hotel agrees the above specified terms shall constitute full settlement of any and all obligations arising out of the non-performance of this agreement.

PAGE: 6  
TO: Mr. R. Stone  
FROM: E. Svitak  
DATE: July 31, 1987

Acceptance:

Enclosed is a duplicate copy for your convenience. By signing and returning the duplicate by August 15, 1987, you will enable us to establish these arrangements on a definite basis.

ORGANIZATION: Narcotics Anonymous  
NAME: Mr. Robert Stone  
TITLE: Executive Director  
SIGNATURE: Robert B Stone  
DATE: \_\_\_\_\_

HOTEL: ANAHEIM MARRIOTT HOTEL  
NAME: Ed Svitak  
TITLE: Sales Manager  
SIGNATURE: Ed Svitak  
DATE: 7/31/87

Addendum to page 4, paragraph I - Public Space Release Policy: by substituting the following language:

After mutual agreement, three months prior to your meeting dates we will release space, that has not been committed, for sale to any local catering functions. In the event that any or all of the released space is being sold for the dates of your meeting, we will notify you prior to the space being sold.

Addendum to page 4, paragraph II - Facilities/Meeting Room Set-Up Fee: by substituting the following language:

The following arrangements are based upon you total guest room commitment and meeting/banquet itinerary. We are pleased to waive all meeting room set-up fees. The Marriott will allow you the opportunity to modify the room commitment figure no less than forty-five (45) days in advance of your event. Should the number of rooms actually utilized be

considerably less than your final room block commitment, the following sliding scale for meeting room costs will be utilized:

775-620 rooms	No charge
620-500 rooms	\$ 5,000 per day
500-400 rooms	\$ 8,000 per day
400 and under	\$10,000 per day

Addendum to page 5, paragraph I by adding the following paragraph:

We agree, in an effort to prevent any potential space conflicts, not to book another major convention type activity in our facility that could possibly conflict with the meeting space requirements for your event, forty-eight (48) hours prior to the first date of your meeting, or twenty-four (24) hours after the last date of your meeting.

**SAMPLE MUNICIPAL FACILITY AGREEMENTS**

# ANAHEIM CONVENTION CENTER

## AGREEMENT

THIS AGREEMENT, made and entered into this 25TH day of NOVEMBER, 19 87, by and between the CITY OF ANAHEIM, a municipal corporation, hereinafter referred to as "CITY,"

A World Convention Corporation  
 N 16155 Wyandotte Street  
 D Van Nuys, CA 91406

CHECK RECEIVED

JAN 23 1987

AMOUNT: Waived

hereinafter referred to as "TENANT."

### WITNESSETH:

WHEREAS, CITY owns and operates the Anaheim Convention Center, located at 800 West Katella Avenue, in the City of Anaheim; and

WHEREAS, TENANT desires to rent said Anaheim Convention Center.

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE FOLLOWING PROMISES, COVENANTS AND CONDITIONS, THE PARTIES HERETO AGREE AS FOLLOWS:

1. CITY hereby agrees to grant TENANT a license to enter into and use the following areas of the Anaheim Convention Center located at 800 West Katella Avenue, in the City of Anaheim:

- SOUTH EXHIBITION HALL & ENTIRE PACIFIC ROOM -

for a period of four (4) days, commencing at 8:00 o'clock A. M., on the 1st day of September, 19 88, and ending at 11:59 o'clock P. M., on the 4th day of September, 19 88, for the purpose of holding meetings of the World Convention Corporation event not open to the general public;

and for no other purpose. The daily rental rate for the area of the Anaheim Convention Center described above will be: WAIVED

~~At the rate of \_\_\_\_\_ per show day, and 12% (twelve and one-half percent) of the gross paid admission receipts per show day, which are not negotiable.~~

~~By \_\_\_\_\_ per net square foot of exhibit space used per show day in the \_\_\_\_\_~~ One (1) meeting room setup per room per show day, and one (1) microphone (where needed) per room per show day will be provided at no cost to TENANT, as quoted by Anaheim Area Visitor & Convention Bureau. If chairs required to set up for the meeting in the

South Exhibition Hall are in excess of 4,000 chairs, charge will be made for the cost of labor required to set and remove all additional chairs at the prevailing wage  
~~this estimated \_\_\_\_\_ of exhibit space will be used. Final rental payment will be computed on actual square footage used. Corporation will be made during event by CITY account and on his responsibility with an appointed officer of Tenant.~~

2. TENANT agrees to pay a ~~flat fee of~~ twenty five (25) percent of the cost of the event ~~and space footages for~~ for exhibits as shown on the basic rental for the total period of this agreement as set forth in Paragraph No. 1 ~~and~~ signing this agreement and the entire balance of said basic rental not later than ~~\_\_\_\_\_ days prior to the opening day of event.~~ \_\_\_\_\_ days prior to the opening day of event. If this agreement is not returned to the General Manager's office for countersignature ~~within~~ by 12/15/87 ~~days~~, it is to be considered null and void.

3. TENANT agrees to protect, indemnify and hold harmless CITY from any and all liability, loss, damage or expense resulting from TENANT'S use of the licensed premises, automobile parking areas and streets owned by CITY and used in connection with this event. Tenant further agrees to assume all risk in the event of damage to property and loss by theft or otherwise of the fixtures, appliances or other property or his exhibitors, contestants and their employees and no claim shall be made upon the City because of such loss, except in cases where CITY or it's agent(s) are solely responsible for said loss, liability or damage.

4. TENANT, at its own cost and expense, shall procure and maintain in full force and effect during TENANT'S occupancy of the premises a policy of public liability and property damage insurance from an insurance company authorized to transact business in the State of California. The CITY, its officers and employees, Community Center Authority, and Anaheim Union High School District shall be named assureds in said policy, and the policy shall contain a provision to the effect that in the event of one of the assureds incurring liability to any other of the assureds, the policy shall cover the assureds against whom claim is or may be made in the same manner as if separate policies had been issued to each. Said policy shall contain not less than the following limits of liability. \$1,000,000.00 Combined Single Limit for Death, or Bodily Injury or Personal Injury Liability for loss sustained by one or more persons, or for damage to or loss of Property Damage Liability sustained by one or more persons in any one occurrence. The policy shall provide that the same shall not be cancelled prior to the termination of this permit or until the CITY shall have received a ten-day written notice of such proposed cancellation. TENANT shall deliver a copy of said policy of insurance to the CITY, subject to the approval of the City Attorney as to form, and not later than four (4) weeks prior to the first day of this permit, including move-in days, if any.

In lieu of the presentation of a copy of the insurance policy, the TENANT may file a certificate of insurance to which is attached an endorsement in a form approved by the City Attorney. The endorsement shall provide that liability assumed by the TENANT under this license is covered by the policy, that the CITY, its officers and employees, Community Center Authority, and Anaheim Union High School District are named additional assureds under said policy, and that in the event any one of the assureds incurring liability to any other of the assureds, the policy shall cover the assured against whom claim is or may be made in the manner as if separate policies had been issued to each. The endorsement shall also provide that the policy shall not be cancelled prior to the termination of the permit or until the CITY shall have received a ten-day notice, in writing, of such proposed cancellation, and that such endorsement controls over all other provisions of the policy, or endorsements thereto, which are inconsistent therewith.

5. It is understood and agreed that CITY licenses to TENANT the space in the Anaheim Convention Center "as is," and that TENANT will make, at his own expense, all changes, alterations, installations and decorations therein that are previously agreed to by CITY; and that TENANT will restore, at his own expense, the building to the same condition in which it existed prior to any alterations made therein for his account, including final cleanup.

6. CITY agrees to furnish general overhead lighting from permanent fixtures installed in the building and heat and air-conditioning during the hours the premises are open to the public, if requested. Heat and light will also be supplied when necessary during the move-in and move-out periods. CITY will provide general maintenance of aisles, ~~concessions~~ rest rooms, and meeting rooms.

7. If TENANT desires additional electrical equipment, compressed air, gas, steam, water, etc., and if CITY is in a position to furnish same, the rates for such services are on file in the office of the Manager of the Anaheim Convention Center. Before any additional facilities are furnished or extra services rendered, the TENANT must furnish to Manager a written request describing the additional facilities to be furnished or extra services to be performed by the CITY. TENANT shall, upon demand, pay to CITY any sum which may be due to CITY for additional facilities to be furnished or extra services to be performed.

8. CITY will provide, at TENANT'S cost and expense, ~~ticket takers~~, ticket takers, fire door guards, sound-light console operator, additional custodians and custodial services, guards, watchmen, personnel to man first-aid facilities (which first-aid facilities must be manned during event hours), ushers, CITY police or firemen. TENANT agrees to give the Convention Center Manager at least fourteen (14) days' written notice as to said personnel requirements. TENANT shall file with the Manager at least fourteen (14) days prior to the holding of event authorized by this permit a full and detailed outline of the facilities required, including the MEETING ROOM AND exhibit floor plan, seating, staging, sound and light requirements, and such other information as may be required by the Manager. If requirements are not made fourteen (14) days prior to event, CITY will act in behalf of TENANT at TENANT'S expense.

9. CITY reserves to itself the right to provide, at the expense of TENANT, any additional chairs, furniture, water coolers, booths, platforms, stages, electrical services and other equipment that may be required or desired by TENANT, unless otherwise specified.



10. CITY will provide ~~the box office manager for use of~~ ~~APRIL TENANT may, if he desires,~~ provide an additional man to work ~~in the CITY box office manager in the event~~ ~~TENANT~~ ~~provides~~ ~~additional~~ personnel to work with the box office manager. ~~TENANT~~ ~~his~~ ~~authorized~~ ~~representative~~ ~~is~~ ~~not~~ ~~authorized~~ ~~to~~ ~~access~~ ~~to~~ ~~the~~ ~~box~~ ~~office~~ ~~records~~ ~~for~~ ~~this~~ ~~event~~ ~~and~~ ~~the~~ ~~box~~ ~~office~~ ~~manager~~ ~~will~~ ~~operate~~ ~~from~~ ~~TENANT'S~~ ~~designated~~ ~~general~~ ~~ticket~~ ~~printing~~ ~~house~~ ~~and~~ ~~will~~ ~~be~~ ~~responsible~~ ~~for~~ ~~all~~ ~~funds~~ ~~resulting~~ ~~from~~ ~~sale~~ ~~of~~ ~~said~~ ~~tickets~~ ~~will~~ ~~be~~ ~~banked~~ ~~by~~ ~~the~~ ~~CITY~~ ~~and~~ ~~a~~ ~~daily~~ ~~audit~~ ~~shall~~ ~~be~~ ~~provided~~ ~~TENANT~~ ~~Percent~~ ~~age~~ ~~of~~ ~~any~~ ~~due~~ ~~CITY~~ ~~will~~ ~~be~~ ~~deducted~~ ~~from~~ ~~box~~ ~~office~~ ~~receipts~~ ~~and~~ ~~checks~~ ~~for~~ ~~TENANT'S~~ ~~share~~ ~~as~~ ~~usually~~ ~~carried~~ ~~by~~ ~~TENANT~~ ~~and~~ ~~Convention~~ ~~Center~~ ~~Manager~~. Final accounting will be made with TENANT no later than Friday, 9/16/88. Other fees due CITY by TENANT for additional services including, but not limited to, ushers, custodians, ~~ticket~~ ~~sales~~, ticket takers, fire door guards, maintenance services, etc., will be presented, ~~and~~ ~~deducted~~ at the final accounting. ~~All~~ ~~unpaid~~ ~~tickets~~ ~~that~~ ~~are~~ ~~held~~ ~~by~~ ~~the~~ ~~CITY~~ ~~may~~ ~~(30)~~ ~~days~~ ~~before~~ ~~the~~ ~~event~~ ~~and~~ ~~with~~ ~~them~~ ~~be~~ ~~destroyed~~ ~~unless~~ ~~other~~ ~~arrangements~~ ~~are~~ ~~made~~ ~~by~~ ~~TENANT~~.

11. TENANT assumes all risk in the event of damage to property and loss, by theft or otherwise, of the fixtures, appliances or other property of TENANT or his exhibitors, contestants and their employees, and no claim shall be made upon CITY because of any such loss. TENANT agrees to indemnify and hold harmless CITY from all damages, costs and expenses incurred because of any such loss, except in cases where CITY or it's agents(s) are solely responsible for said loss, liability or damage.

12. TENANT shall remove from the facilities on or before 11:59 o'clock P. M., on the 5<sup>th</sup> day of September, 19 88, all property, goods and effects belonging to TENANT, his exhibitors, or caused by him to be brought upon the premises. If such property is not removed within the above-stated time, the Convention Center Manager may store or cause to be stored any such property, for which TENANT shall pay a reasonable fee, and all expenses incurred therefor. In the event said property is not claimed and storage fees not paid, the CITY shall then have the right to sell said property, goods or effects in such a manner as it may deem advisable and apply proceeds thereof toward rental liability thus incurred by TENANT.

13. TENANT shall observe and comply with all laws, statutes, ordinances, rules or regulations of the Government of the United States, State of California, County of Orange and the City of Anaheim. (See attached licensing ordinance.)

14. TENANT assumes all costs arising from the use of patented, trademarked, copyrighted, or service-marked materials, equipment, devices, processes or dramatic rights used on or incorporated in the conduct of this event; and TENANT agrees to indemnify and hold harmless CITY from all damages, costs and expenses in law or equity for or on account of the use of any patented, trademarked, copyrighted or service-marked materials, equipment, devices, processes or dramatic rights furnished or used by TENANT, or its contestants and its exhibitors, in connection with this agreement.

15. CITY reserves the right to operate and receive all income from concessions and parking operations for the events to be covered by this agreement. Such concessions shall include, but not be limited to, the dispensing or sale of food, drink, tobacco products, programs, souvenirs and novelties. TENANT, his exhibitors or persons caused by him to come on the premises, may distribute free samples of foodstuffs, or beverages only upon receipt of written permission from the Manager of the Anaheim Convention Center.

16. The TENANT shall have no rights to radio broadcasting, live television, television transcriptions, or recording rights in connection with events staged at the Anaheim Convention Center without obtaining written permission and making prior arrangements therefore with the CITY.

17. TENANT will not permit nor otherwise conduct any advertising or any solicitation of persons attending this event except as permitted by CITY. TENANT shall not display any advertising matter of any description inside or in front of, or on any part of, the premises, except upon regular billboards provided for such purpose. Any such advertising matter and placement of same shall be approved by the Convention Center Manager and shall relate to the event being held on the premises. Any unauthorized advertising matter will be removed by the Manager.

18. TENANT is to have the use of the permanently installed public address systems in the \_\_\_\_\_ of the \_\_\_\_\_ of the Anaheim Convention Center if suitable for his purposes, without cost to him, but TENANT agrees to pay CITY for the operators and any added equipment necessary for its operation.

19. CITY employees and officials shall have the right at all times to enter upon the premises in the performance of their duties and will be issued proper identification credentials, as needed, by the Convention Center Manager's office, which TENANT will honor. TENANT agrees to furnish the Convention Center Manager at his request ~~and~~ ~~select~~ at least fifty (50) ~~reserved~~ ~~seats~~ ~~for~~ ~~each~~ ~~performance~~ ~~and~~ ~~one~~ ~~hundred~~ ~~(100)~~ ~~ticket~~ ~~or~~ ~~admission~~ ~~credentials~~ ~~as~~ ~~required~~ ~~for~~ ~~performances~~ ~~including~~ ~~radio~~ ~~shows~~ ~~and~~ ~~with~~ ~~and~~ ~~shows~~ ~~for~~ ~~the~~ ~~use~~ ~~of~~ ~~the~~ ~~CITY~~. These ~~reserved~~ ~~seats~~ ~~and~~ ~~credentials~~ shall be furnished without cost of CITY, as soon as they are ready for distribution, but not later than two (2) days prior to the opening day of the event.

20. It is understood and agreed by and between the parties hereto that no verbal representation or promise of any nature, not covered by this document, has been made by either party to the other; and that any agreements not provided for in the printed section of this agreement will be covered by an addendum, which addendum will be signed by both parties hereto.

21. In the event of a breach by the TENANT of the terms or conditions of this agreement, the CITY may thereupon, with reasonable notice to the TENANT, declare the terms of this agreement ended, and enter into possession of all parts of said Convention Center covered by this agreement, and may retain all monies received by CITY under the terms of this agreement, and, in addition thereto, may recover all rents and damages due under the terms of this agreement, or arising out of the default or violation of the conditions hereof; or, it may sue for and recover the rents due under this agreement and also due for all damages sustained, without declaring this agreement void, and without entering into possession of all parts of said Convention Center covered by this agreement, as CITY may elect. Should this license be terminated as above, on account of TENANT'S default, CITY may re-enter the premises, either by force or otherwise without being liable to any prosecution therefor, and may, at its own option, re-let the use of said premises as the agent of TENANT and receive the rent therefor, applying the same, first, to the payment of such expenses as it may be put to in re-entering and re-letting the use of said premises, and then to the payment of the rent due hereunder. TENANT covenants and agrees to pay to CITY on demand the deficit, if any, representing the difference between the rental, less expenses, resulting from such re-letting, and the rental herein agreed to be paid. But nothing herein contained shall be construed as imposing any obligation on CITY to so re-let, or to so attempt to re-let, the use of said premises, nor as in any way affecting the obligation of TENANT to pay the full amount of said rental in case the use of said premises shall not be so re-let.

22. CITY reserves the right to terminate the license granted by this agreement for good cause (which does not include subsequent scheduling of a more preferred event). In the event CITY exercises the right retained by it hereunder, it shall refund, or, as the case may be, release TENANT from liability for payment of an amount bearing the same proportion to the total payment provided for in Paragraph No. One hereof as the period in which the facilities are in fact not utilized bears to the total duration of license. Should the CITY exercise said right to terminate the license granted by this agreement, TENANT agrees to forgo any and all claims for damages against CITY and further agrees to waive any and all rights which might arise by reason of the terms of this license; and TENANT shall have no recourse of any kind against CITY.

23. CITY reserves the right to eject or cause to be ejected from the premises any objectionable person or persons; and neither CITY nor any of its officers, agents, or employees shall be liable to TENANT for any damages that may be sustained by TENANT through the exercise by CITY of such right.

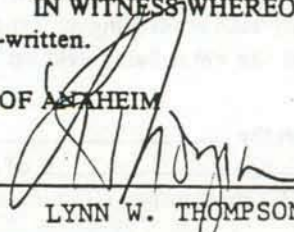
24. TENANT agrees that if CITY or any of its employees should receive, handle, have in their care or custody property of any kind shipped or otherwise delivered to the premises either prior to, during, or subsequent to the use of the facilities by any TENANT hereunder, CITY and its officers, agents, and employees shall act solely for the accommodation of TENANT; and neither CITY nor its officers, agents or employees shall be liable for any loss, damage or injury to such property.

25. TENANT shall not mar or deface any part of the Anaheim Convention Center, nor shall it display any signs, pictures, notices or advertisements, either on the outside or inside, without written consent of the CITY.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed as of the day and year first above-written.

CITY OF ANAHEIM

By

  
LYNN W. THOMPSON

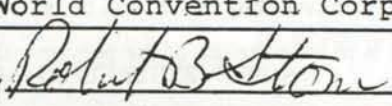
General Manager, Anaheim Convention Center

"CITY"

"SEAL"

World Convention Corporation

By

  
Robert B. Stone

(Name)

Executive Director

(Title)

"TENANT"

# Lease Of The Orange County Convention/Civic Center

CONTRACT NUMBER 86-573/8908010 (2)  
 LEASE FILE NUMBER CC-351  
 DATE PREPARED 8/8/88

Orange County, Florida, doing business as the Orange County Convention/Civic Center, and

World Convention Corporation

ATTN: Anthony Edmondson

ADDRESS P. O. Box 9999, Van Nuys, CA 91409

PHONE 818/780-3951

("Lessee"), hereby agrees as follows:

1. Lessee, in consideration of the rents and charges hereinafter provided, the other agreements, covenants, conditions and terms hereinafter stated, the Center hereby leases to the Lessee and the Lessee hereby leases from the Center the following space within the Orange County Convention/Civic Center ("Premises") at the times indicated below:

SPACE	USE	DATE	HOURS
Hall A (48,600 g.s.f.)	Move-In	8/31/89	8 AM
Hall A	General Session	8/31-9/3/89	8 AM - 8 PM
Hall A	Move-Out	9/3/89	by midnight
Halls D,E (101,540 g.s.f.)	Food Function	9/2/89	8 AM - 11 PM
Rooms 11,12,13,20,21,22,23	Meetings	8/31-9/2/89	8 AM - 8 PM
Registration Office #3		8/31-9/2/89	8 AM - 11 PM

The Center reserves the right to designate certain space within the Premises for the use of portable concession stands. Lessee shall have reasonable right of ingress and egress through public halls and corridors and the grounds, but Lessee shall have no rights in any other part of the building or grounds.

2. Term. The Term of this lease shall be from August 31 1989 at 11:59 o'clock PM to September 8 1989 at 11:59 o'clock PM, which includes move-in and move-out.

3. Purpose. Lessee may use the premises only for the following purposes:  
**Narcotics Anonymous Convention**

4. Rent. For the privilege of using the premises, Lessee shall pay the following to the Center:

(a) Rent to be calculated according to the Center's "Rate Schedule" III. A copy of same is attached to this lease as Exhibit A.

However, notwithstanding that rate schedule, Lessee's rent shall be no less than 20,100.00

of this minimum rent, 1,600.00 shall be paid upon Lessee's execution of this lease, 5,550.00 shall be paid not later than

August 31 1989 and the balance of the minimum rent 12,950.00 shall be paid not later than 9/12/88

The balance, if any, of the total rent shall be paid upon demand by the Director. ALSO, AT THE TIMES INDICATED FOR PAYMENT OF RENT,

LESSEE SHALL PAY ANY APPLICABLE TAXES, CURRENTLY, FLORIDA SALES TAX IS 6% OF THE TOTAL RENT CHARGED.

(b) A "Security Deposit" in the amount of 20,000.00 shall be deposited with the Center no later than 9/12/88

This Security Deposit shall be held subject to paragraph 11 of this Agreement.

(c) Additional utility charges, if any, as provided by paragraph 11 of this Agreement. Such additional utility charges shall be paid by Lessee upon demand.

(d) Any charges for "support personnel" or "support services" furnished by the Center. Such charges for personnel and services shall be paid by Lessee upon demand.

(e) Any additional charges or costs required by this Agreement shall be paid by the Lessee upon demand.

(f) All sums due and owing to Center under this Agreement shall be paid by certified check, cashier's check, or cash and shall bear interest at the rate of 17% from the date due until the date of payment.

5. Special Conditions. The following special conditions (if any) apply:  
N/A

6. Notices. All notices required or permitted under this contract may be given to a party personally or by certified mail, with return receipt, postage prepaid, addressed to such party at the address herein or at such other address as one party may from time to time notify the other in writing. If intended for the Director, to: DIRECTOR, ORANGE COUNTY CONVENTION/CIVIC CENTER, 9800 International Drive, Orlando, Florida 32819-8199. If intended for Lessee, to Lessee at the address outlined above.

7. Time for Execution. This lease may be void if not fully executed and received by the Director by August 31, 1988

8. Insurance. Lessee shall obtain and retain throughout the Term the following insurance coverage:

(a) Broad form comprehensive general liability insurance including (i) Premises/operations, (ii) Products/completed operations/hazard, (iii) Broad form contractual and (iv) personal injury. This general liability insurance shall include limits of liability of not less than \$1,000,000 combined single limits for bodily injury and property damage.

(b) Comprehensive automobile liability insurance for all owned and non-owned vehicles in amounts not less than \$1,000,000 for bodily injury and property damage, and including loading and unloading hazards.

(c) Worker's compensation insurance with statutory limits of liability.

(d) Such additional insurance which the Director may require in his discretion from time to time.

Certificates of insurance in form acceptable to the Director shall be filed with the Director at least thirty (30) days prior to the commencement of the Term. The insurance policies shall name the Center as an additional insured, shall provide that the policies may not be cancelled or materially altered until at least thirty (30) days prior written notice has been given to the Center, and shall cover occurrences on any part of the premises. Insurance underwriters providing such insurance shall have no less than an "A" rating according to A.M. Best's rating and shall be authorized to do business in Florida.

LESSEE: Anthony Edmondson ORANGE COUNTY CONVENTION/CIVIC CENTER  
 By David P. O'Neal  
 Title World Convention Corp. Coordinator Director

Executed by Lessee on 9/7/88 Executed by Director on SEPTEMBER 12 1988





MAY 8 1989



# Orange County Convention/Civic Center

David P. O'Neal, Executive Director

May 5, 1989

Anthony Edmondson  
World Convention Corporation  
P.O. Box 9999  
Van Nuys, CA 91409

Reference: 8908010-CC-351

Dear Mr. Edmondson:

Enclosed is the fully executed copy of the Addendum to your Lease with the Orange County Convention/Civic Center. This will become part of your contract and will govern in case of a conflict.

If you have any questions, please contact our office.

Sincerely,

A handwritten signature in cursive script, appearing to read 'DPO' followed by a flourish.

David P. O'Neal

DPO/bm  
Enc.

ADDENDUM NUMBER 01  
CONTRACT NUMBER 8000017  
LEASE FILE NUMBER CC-391  
DATE PREPARED 4/20/89

LEASE OF THE ORANGE COUNTY CONVENTION/CIVIC CENTER

ADDENDUM

THE TERMS AND PROVISIONS SET FORTH BELOW ARE INCORPORATED IN THE LEASE REFERENCED ABOVE. LESSOR AND LESSEE EXPRESSLY AGREE THAT IN THE EVENT OF CONFLICT, THESE PROVISIONS SHALL GOVERN:

ADD:

Room 8 9/1-3/89 Meetings 8 AM - 8 PM

No additional rental due.

CHANGE:

DELETE:

SIGN AND RETURN BOTH COPIES PRIOR TO: 5/1/89

LESSEE: World Convention Corporation

ORANGE COUNTY CONVENTION/CIVIC CENTER

BY: Jonathan Edwards

BY: David P. O'Neal  
David P. O'Neal, DIRECTOR

TITLE: Office Coordinator

DATE: 4/24/89

DATE: \_\_\_\_\_

**CONTRACTS**

## CONTRACTS

This section is about contracts. Contained are sample contracts that you may use for the different needs you find. Contracts are binding agreements and after signed are hard to end. If you sign a contract and later have problems, you may have to use an attorney to terminate the contract, recover loss, prevent the other party from doing things described in the contract or other problems.

**DO NOT ENTER INTO A CONTRACT THAT MAKES REFERENCE TO USE OF THE LOGO WITHOUT FIRST SENDING A COPY OF THE CONTRACT TO THE WSO FOR REVIEW.**

Although these contracts have places where you fill in the blanks or add language specific to your needs, if you otherwise substantially alter one of these agreements, you might consider sending it to the WSO before you sign it or offer it to the vendor. You may use an attorney to assist you in contracts. It is imperative that you convey to any attorney working on an agreement concerning merchandise or use of the logo that only the World Service Office has final legal control over its use.

### N.A. SERVICE OFFICE

#### MERCHANDISE AGREEMENT

This agreement is entered into on this \_\_\_\_\_ day of \_\_\_\_\_,  
19\_\_\_ between \_\_\_\_\_ (hereafter referred to  
as SPONSOR) whose address is: \_\_\_\_\_,  
and \_\_\_\_\_  
(hereinafter referred to as Vendor), whose address is  
\_\_\_\_\_.

WHEREAS, SPONSOR is conducting an event known as the  
\_\_\_\_\_ Convention on  
\_\_\_\_\_, at \_\_\_\_\_ hereinafter  
referred to as (the Event);

WHEREAS, SPONSOR owns by right of other agreements a Limited  
Nonexclusive License to use the trademark and copyright intellectual  
properties of the World Service Office, Inc., a photocopy of which are shown  
at the end of this paragraph. SPONSOR has authority from World Service  
Office Inc., to extend this limited nonexclusive license to VENDOR to



produce and sell exclusively to SPONSOR the Items listed on Exhibit A hereto that are pre-approved as to design, quality, and workmanship by SPONSOR and that include the trademark(s) or the likeness thereof or artistic representation thereof:

WHEREAS, SPONSOR desires to have available for sale by SPONSOR at the Event the items listed in Exhibit A and;

WHEREAS, VENDOR desires to provide such items;

NOW THEREFORE,

**1. Limited License.** This agreement grants a limited license to VENDOR to produce such items for SPONSOR in such designs, quantities and qualities ordered WCC for sale and delivery to SPONSOR. The items shall include the trademark(s) and other intellectual properties.

**2. Marking Requirements:** All such items will include the symbol of trademark registration (a capitol R in a circle) immediately to the right and at the bottom adjacent to the trademark(s) or the likeness thereof or artistic representation thereof.

**3. Order.** VENDOR will provide the specific items set forth an Exhibit A hereto at the cost set forth thereon.

**4. Reorders.** At the same price set forth on Exhibit A hereto, SPONSOR may reorder items if needed during the Event provided such items are available for immediate delivery. Any such order must be in writing.

**5. (OPTION 1) Packing List:** At delivery, VENDOR will provide a detailed packing list of all items delivered to SPONSOR. The list will

include a description of each item (or photo of the item) along with the catalog number or name for identification purposes, the value of each item and a description of the characteristics of each item ( T-shirts made of 100% cotton, nylon web, satin, etc., or such other description as may be appropriate). (Each item being made should be identified specifically...)

**5. (OPTION 2) Packing List:** At delivery, VENDOR will provide a detailed packing list of all items delivered to SPONSOR. The list will include a description of each item (or photo of the item) along with the catalog number or name for identification purposes, the value of each item and a description of the characteristics of each item (silver plated, gold plated, solid gold, etc., or such description as may be appropriate). (Each item being made should be identified specifically).

**6. Time and Place of Delivery.** Delivery of all items ordered will take \_\_\_\_\_ place \_\_\_\_\_ at \_\_\_\_\_ the \_\_\_\_\_, before \_\_\_\_\_ (am) (pm) on \_\_\_\_\_, 198 \_\_\_\_\_.

**7. Risk of Loss.** Upon verification and approval of packing list, workmanship and markings, SPONSOR will be responsible for risk of loss of such items. SPONSOR will, a) pay to VENDOR the price of such items within twenty (20) days after the close of the Event, OR b) return such items as are unsold to VENDOR for credit in usable condition within ten days after the close of the Event.

**8. Mode of Payment.** VENDOR shall be paid by check drawn on SPONSOR account.

**9. Acknowledgment of Limited License.** The agreement contains a limited license permitting VENDOR to make and sell the items

to only to SPONSOR for and during the Event. The license terminates at the end of the Event. VENDOR acknowledges that after the Event, VENDOR has no right to sell, give or otherwise transfer any item that reflects any of World Service Office trademarks or other intellectual properties licensed hereunder except as specifically permitted under this agreement.

**10. Attorneys fees and Jurisdiction.** In the event that any dispute arises between SPONSOR and VENDOR, the prevailing party shall be entitled to recover its reasonable expenses as an additional element of cost. Any dispute shall be adjudicated by the American Arbitration Association.

**11. Additional Requirements.** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**12. Addenda Attached.** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**ACCEPTED AND AGREED TO:**

**SPONSOR**

**VENDOR**

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
**SERVICE OFFICE**

**PERSONAL SERVICE AGREEMENT**

THIS AGREEMENT is entered into on this \_\_\_\_\_ day of \_\_\_\_\_  
1988 between the \_\_\_\_\_ (N.A.)

service office), (hereafter referred to as The Office or Sponsor), whose address \_\_\_\_\_ is

and \_\_\_\_\_ (hereafter referred to as VENDOR), whose address is:

WHEREAS, The Office is conducting an event known as the \_\_\_\_\_ Convention on \_\_\_\_\_, 1988, at the \_\_\_\_\_ Hotel, hereinafter referred to as (the Event);

**NOW THEREFORE;**

1. **Time and Place of Delivery.** Delivery of all equipment ordered will take place at a time and location to be specified by a representative of the Office. This representative will notify VENDOR with the specific details of delivery and service.

2. **Payment.** VENDOR shall be paid \$\_\_\_\_\_ at the signing of this agreement by both parties. This amount will constitute full payment for services to be provided and will be made by a check drawn on a the Office account.

3. **Union Considerations.** If VENDOR is a member of any VENDORS guild and is required by virtue of that membership to participate in a work action that affects or prohibits their ability to perform their services at the time and place of the Event; VENDOR will immediately return to SPONSOR any and all advance payments.

**4. Default.** If either party is in default of any portion of this Agreement, the non-defaulting party shall provide written notice of default to the defaulting party setting forth with particularity the nature and extent of the default. The defaulting party shall then have a period of fifteen (15) days to cure the default completely. If the default is not completely cured within said fifteen (15) day period, then at the option of the non-defaulting party, this Agreement shall be terminated, and all licenses, obligations and rights granted hereunder shall be terminated, except outstanding obligations of accounting and payment. The non-defaulting party shall maintain all other rights at law and in equity it may have.

**4. Attorneys fees and Jurisdiction.** In the event that any dispute arises between SPONSOR and VENDOR, the prevailing party shall be entitled to recover its reasonable attorneys fees as an additional element of cost. Any dispute shall be settled by the American Arbitration Association.

**Additional Requirements.** The attached addendum is a part of this agreement. \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Addendums Attached.**

(LIST EACH ADDENDUM BY TITLE)  
ACCEPTED AND AGREED TO:

SPONSOR \_\_\_\_\_

VENDOR \_\_\_\_\_

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

(ADDENDUM TO ENTERTAINMENT AGREEMENTS)

ADDENDUM I

This addendum is a part of the agreement between \_\_\_\_\_ hereafter referred to as **PERFORMER** and the \_\_\_\_\_ hereafter referred to as **SPONSOR**, dated \_\_\_\_\_.

The event that **SPONSOR** is sponsoring is considered a "private party" and, as such, **SPONSOR** is not engaged in any publicity of the event outside direct contact with the members of the N.A. Fellowship. **SPONSOR** desires that no publicity of this event be made privately or publicly by anyone associated with this event. In recognition of the desires of **SPONSOR**, **PERFORMER** agrees not to publicize this engagement in any manner, specifically to avoid listing this engagement in news releases or posted notices of "dates" where **PERFORMER** will appear and avoid reference to this engagement at other events **PERFORMER** appears at that are prior to this event.

The membership of the association of individuals for which **SPONSOR** is conducting this event has as its primary purpose the maintenance of a lifestyle that is abstinent from all drugs that are considered mind or mood altering. Because participants of this event are all members and is in furtherance of their goals, it is the expectation by the members and therefore **SPONSOR**, that all persons associated with the event also be abstinent from all mind or mood altering drugs while attending or performing at this event. It is further understood and agreed that **PERFORMER** and their agents and guests will not arrive at the event

while in a condition considered by **SPONSOR** to be, "under the influence", further that **PERFORMER** and their agents and guests will not bring onto the property where the event is to be held, any drugs that are mind or mood altering, nor will **PERFORMER** and their agents and guests consume mind or mood altering substances of any kind during the engagement. This measure is included in this agreement to affirm **SPONSOR's** philosophy regarding the use of such substances and as a protection for the **SPONSOR** and **SPONSOR's** members or guests.

Personal anonymity is an element of the basic participation philosophy of the association of individuals for whom this event is intended. Accordingly **SPONSOR** desires that no photography or video photography or film photography be permitted, except by specific written permission of **SPONSOR**. As a protection for the members of the association, **PERFORMER** and **PERFORMER** agents and guests are not authorized to photograph by film or video this event or members attending the event.

**ACCEPTED AND AGREED TO:**

**SPONSOR**

**PERFORMER**

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**ADDENDUM 2  
MUSICAL EQUIPMENT  
AGREEMENT**

(BE specific and list each item of equipment that you are ordering or will be accepting responsibility or liability for. If you fail to list items, you may become responsible for additional equipment and have to pay additional costs.)(The following list is only a sample.)

EQUIPMENT	QUANTITY
Complete Public Address System	1
Standard Drum Set ( to include but no limited to ) -	
Floor Tom	1
Rack Toms	2
Kick Drum	1
Snare Drum	1
Cymbals	
Bass Amplifier ( Acoustic )	1
Roland Guitar Amplifier #JC120	1
Marshall Guitar Amplifier	1
Roland JUNO-60 Keyboard	1
Microphones	TBD
16 Channel Sound Board w/ cassette capabilities.	1

All necessary wiring and cables

### SERVICES

Delivery and set-up of all equipment at Hotel.  
 Engineering of all equipment in package on site.  
 Break Down & Pick-Up of Equipment at the Hotel.

### ADDENDUM 3

#### MUSICAL EQUIPMENT

#### AGREEMENT

The following are to be considered a part of the agreement between the \_\_\_\_\_ Sponsor and \_\_\_\_\_ Vendor, (\_\_\_\_\_).

1. After set-up in at the hotel, Vendor will verify that all equipment is un-damaged and in good working order.

2. Sponsor/Vendor)[specify one or the other throughout the agreement] agrees to provide adequate security for all equipment provided under this agreement during periods of inactivity. Additionally, (Sponsor/Vendor) agrees to assume responsibility for any equipment covered



in this agreement that is damaged during its use at the event. Said responsibility shall apply to situations where (Sponsor/Vendor), its agents, employees, volunteers, or guests are solely responsible for said damage. Vendor agrees to provide a listing of the cost of each piece of equipment at the time of delivery.

Sponsor's Initials \_\_\_\_\_

Vendor's Initials \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

### RECORDING AGREEMENT

IT is hereby agreed that \_\_\_\_\_

hereinafter known as the SPONSOR, and \_\_\_\_\_  
hereinafter known as CONTRACTOR, have entered into a contract for services for the purpose of the recording on audio tape all or part of the SPONSOR'S (activity)(convention meetings)

(proceedings) to be held at the \_\_\_\_\_

whose address is \_\_\_\_\_, \_\_\_\_\_,

\_\_\_\_\_ on the following dates \_\_\_\_\_.

THE WORK - CONTRACTOR will record on audio tape all speeches, lectures, seminars, discussions and all other presentations that are specified by SPONSOR and make duplicate copies to be sold at the (convention) (activity) (proceedings) by SPONSOR or CONTRACTOR as is specified in this agreement.

The SPONSOR will provide an adequate space within the meeting area or any other site deemed appropriate for CONTRACTOR activities. CONTRACTOR will have such equipment and personnel available and ready for operation not later than \_\_\_\_\_:\_\_\_\_\_ (am)(pm) on \_\_\_\_\_, 198\_\_\_\_ and continue to be available for performing the work until \_\_\_\_\_:\_\_\_\_\_ (am)(pm) on \_\_\_\_\_, 198\_\_\_\_. CONTRACTOR must remove all equipment, supplies, etc., and vacate the premises not later than \_\_\_\_\_:\_\_\_\_\_ (am)(pm) on \_\_\_\_\_, 198\_\_\_\_ unless notified of another time or date by SPONSOR. CONTRACTOR will label each tape in accordance with verbal instructions from SPONSOR. Each tape recording will be enclosed in a clear plastic protective case.

OWNERSHIP OF RECORDINGS - Ownership of the recordings of speakers and meetings or other events of the convention is retained by SPONSOR. SPONSOR does not release to CONTRACTOR the right to copy or sell copies of recordings at any time or circumstance other than specified in this agreement.

COPYRIGHT OF RECORDINGS - The SPONSOR will obtain a copyright release from each speaker. The copyright release will vest the ownership of the recordings with the SPONSOR.

**TAPE SALES:** One of the following optional paragraphs will be selected by SPONSOR as the mechanism SPONSOR desires to utilize for the sales of tapes. The paragraph not used will be lined through and initialed by SPONSOR and CONTRACTOR.

**Option A** - SPONSOR will periodically notify (as soon as possible) the CONTRACTOR of the number of each tape that has been ordered. CONTRACTOR will duplicate the tapes according to such instructions and deliver them to the person or work area designated by the SPONSOR. SPONSOR will have responsibility to handle all financial transactions relating to the sale of tapes. At the conclusion of the event, not later than \_\_\_\_\_ (am)(pm) on \_\_\_\_\_, 198 \_\_\_\_\_, SPONSOR will pay to CONTRACTOR sum of \$\_\_\_\_\_ for each tape produced. In the event CONTRACTOR is unable to complete duplication of all copies of tapes that have been ordered as of the time specified for vacating the premises, CONTRACTOR will complete the work at their normal place of business during the seven days following the last day of the event and mail the copies at CONTRACTORS expense to SPONSOR. SPONSOR will mail the copies to the persons who purchased them at SPONSORS expense. SPONSOR does not release to CONTRACTOR the right to reproduce or copy any recordings for sale, gift or other transfer to any other party or person than SPONSOR.

**Option B** - CONTRACTOR will be responsible for duplication and sales of all tapes as directed by SPONSOR. CONTRACTOR agrees to maintain and deliver an accurate accounting to SPONSOR of total number of tapes sold. CONTRACTOR will pay to SPONSOR not later than \_\_\_\_\_ (am)(pm) on \_\_\_\_\_, 198 \_\_\_\_\_ the amount of \$\_\_\_\_\_ for each tape sold. In the event CONTRACTOR is unable to complete duplication of all copies of tapes that have been ordered as of the time specified for vacating the premises, CONTRACTOR will complete the work at their normal place of business during the seven days following the last day of the event and mail the copies at CONTRACTORS expense to SPONSOR along with addresses. SPONSOR will mail the copies to the persons who purchased them at SPONSORS expense. As of the close of the event, the sales and distribution rights of CONTRACTOR to the recordings made at this event shall cease and will be re-vested with SPONSOR.

**EXPENSES** - There will be no direct cost to the SPONSOR. CONTRACTOR will assume all responsibilities for the technical arrangements for the recordings, with the exception of payment of any Union and patch fees, which are reimbursable from the SPONSOR.

**MASTER TAPE** - The SPONSOR will receive, free, one complete set of audio tapes, referred to as the "master tapes" of all sessions recorded by CONTRACTOR. SPONSOR will retain the master tape copy.

**RELEASE FORMS** - Tape recordings of an individual speaker or meeting will not be released for sale without the consent of the designated speaker(s). The SPONSOR, will be responsible for the preparation of speaker release forms for this purpose. The SPONSOR will be responsible for obtaining consents for the purpose of releasing recorded presentations for sale. SPONSOR will retain all release forms as part of permanent records of the Fellowship.

**REPLACEMENTS** - CONTRACTOR agrees to replace defective recordings or reimburse the SPONSOR for the cost of replacement of defective recordings, no matter what the cause of damage, during the first ninety days after the closing day of the event, if SPONSOR is required to

make replacements for purchases made of tapes produced or provided by CONTRACTOR. All damaged tapes will be returned to CONTRACTOR at SPONSORS cost. CONTRACTOR will ship replacement recordings, if replacements are made by CONTRACTOR, at CONTRACTOR expense.

ATTORNEY FEES AND JURISDICTION - In the event that any dispute shall arise between SPONSOR and CONTRACTOR that may result in litigation, a provision of this agreement shall be that all reasonable legal fees, including SPONSOR attorney costs shall be paid by CONTRACTOR. Should litigation become necessary, both SPONSOR and CONTRACTOR agree that any action shall be initiated in the State where SPONSOR is incorporated.

ADDITIONAL REQUIREMENTS - \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

ADDENDUMS ATTACHED - \_\_\_\_\_

\_\_\_\_\_

ACCEPTED AND AGREED TO:

SPONSOR

CONTRACTOR:

By: \_\_\_\_\_

By: \_\_\_\_\_

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

### COPYRIGHT RELEASE AGREEMENT

This is a Copyright Release Agreement between the \_\_\_\_\_

\_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ and \_\_\_\_\_

(Name) \_\_\_\_\_ of \_\_\_\_\_

(Address) \_\_\_\_\_

\_\_\_\_\_ (hereinafter "the MEMBER").

The \_\_\_\_\_ is conducting a convention and has invited the **MEMBER** to be a speaker or participate in a meeting which the \_\_\_\_\_ intends to tape record. Copies of the tape recording will be offered for sale. The proposed tape(s) will contain the personal experiences of the **MEMBER** as he/she shares his/her experience, strength and

hope in recovery. The **MEMBER**, in electing to sign this Copyright Release Agreement, consents to do so as a means of permitting the \_\_\_\_\_ to share his/her personal experience, strength and hope in recovery with others through the use of the audio tape recording that is made. In so doing the **MEMBER** helps other addicts and assists the \_\_\_\_\_ in fulfilling its part of the overall responsibility to the Fellowship of Narcotics Anonymous to carry the message of recovery and be self supporting by their own efforts.

The **MEMBER** receives consideration from this agreement, through the satisfaction of having been able to share his/her experience, strength and hope and assist the \_\_\_\_\_ in carrying the message of recovery and remaining self supporting.

For this consideration received, the **MEMBER** hereby transfers all of his or her rights to the tape recording made during the meeting that is taped to the \_\_\_\_\_. This transfer is made for the purpose of allowing the \_\_\_\_\_ to utilize the member's personal recovery in tape recording only. The **MEMBER** is transferring all of his or her rights to copyright, reissue, or make excerpts from the audio tape or to renew or extend any copyrights thereon.

The \_\_\_\_\_ assures the member that \_\_\_\_\_ will protect the member's taped message of recovery from Non-Fellowship commercialization.

The **MEMBER** agrees to hold the \_\_\_\_\_ harmless from any liability arising from its use or sale of the audio tape.

This is the only agreement between the \_\_\_\_\_ and the **MEMBER** regarding the audio tape. This agreement can only be changed by the written consent of the parties hereto. This agreement binds the **MEMBER'S** heirs and assigns. The \_\_\_\_\_ agrees to use all reasonable caution to protect the member's anonymity.

**READ, UNDERSTOOD, AND VOLUNTARILY SIGNED** on this \_\_\_\_ day of \_\_\_\_\_, 198\_\_.

Member's signature \_\_\_\_\_ By: \_\_\_\_\_

Member's name \_\_\_\_\_ By: \_\_\_\_\_

### DRAFT TAPE RECORDING AGREEMENT INFORMATION

It is desirable that effort be exerted to find a common understanding pertaining to tape recordings of N.A. meetings, particularly convention meetings, and have that policy applied throughout the Fellowship.

The basis for our understanding should be predicated on the reality that a member sharing his recovery in an N.A. meeting is the spiritual property of that individual and the sponsoring board or committee. The right of participants in meetings should not be abridged by the convenience modern technology has put upon us by enabling the tape recording of meetings.

If we were able to remove the technical convenience of being able to record, this entire discussion would not exist. We should base, therefore, our discussion on how and under what circumstances, tape recordings at meetings are used on the spiritual principles that exists without any consideration given to the technical competence of our society.

Meetings are held for the opportunity of our spiritual enrichment and benefit. If we allow tape recording to occur, it should be for the purpose of allowing the opportunity for those who were present at the meeting to rehear the messages that were shared at the meeting as that may help their personal recovery. As a secondary consideration, it allows individuals who were not present at the meeting to be able to share the same message as though they were present. These two benefits should be the basis for recording meetings.

At meetings where no recording occurs, the people who "own" what was shared are those who shared, and the sponsoring body. If we apply this principle to meetings that are recorded, the ownership should not change.

This is accomplished at conventions by having convention committee speakers sign a copyright release form. This in legal effect transfers the ownership of what is said at the meeting to the sponsoring service committee. This is done in order accommodate the legal process of protecting those rights by copyrighting each tape.

It is entirely permissible for a person to refuse to sign a copyright release form, and under such circumstances they signal they are retaining the rights to their presentation. Where this occurs, a convention committee would be violating the rights of the person speaking if copies of the recording of that presentation were sold.

It is not necessary or desirable that service committees relinquish or transfer control or ownership of the rights to anyone outside of the Fellowship regardless of the tape recording arrangement used.

Tape recording of conventions can be accomplished by nearly any creditable recording company, or by N.A. members of the committee. In either case, it would be consistent with the previously discussed spiritual principles that the ownership be retained by the service committee.

As recognition of the practical matters involved with tape recording conventions, we have from convenience turned to commercial companies who record meetings like this as a means of making money for their company. This seems to be an acceptable practice where the performance of this service does not infringe on the spiritual rights of the members present or alter the ownership of the recordings that are made. Every legitimate taping company would be pleased to accept a contract from a service committee to record meetings providing there is opportunity for the tape company to make reasonable profit. The matter of their reasonable profit should be upon a mutual agreement between the sponsoring committee and the taping company. It is not necessary or desirable, to transfer the ownership rights to a commercial company in order for the commercial company to make reasonable profit from such events.

Accordingly, we have included in the following attachment, a sample agreement that can be used by convention committees when contracting

with private companies to have the tape recordings prepared and made available for sale, but not transferring the rights of ownership from the Fellowship to an outside party.

Narcotics Anonymous is a society of people who have recognized their addiction as a slow, but certain death. We have joined together to form this society of recovering addicts as a way of renewing our lives and returning to being productive members of our society. We all take this commitment to be very personal, and very strong. We attend meetings, we work the steps, we share our recovery with others, because it is the way we have found the program works for us--and how it works for others, when they themselves begin to understand that the program works.

We find in our Twelve Steps and Traditions, and also particularly in the first pages of the Little White Booklet the very principles upon which our individual and collective recovery is based. These principles need no elaboration, but they do need to have application to one aspect of an activity occurring in N.A., and that is the tape recording and use of tape recordings of members sharing their recovery.

We have not had a comprehensive policy based on principles for the appropriate recording and distribution of recordings of members sharing their recovery. There have been various occasions when members have taken issue with the practices or policies of one service board or committee concerning tape recordings made of recovery stories of our members. It seems logical and desirable that we remove this item of conflict and evolve a clearer understanding of tape recordings of recovery and how they are appropriate and where they are not appropriate.

We generally make a distinction between open meetings and closed meetings. We identify them as such in our directories and usually as a meeting begins, we make an announcement of the meeting being open or closed. We use this as a signal post to have people acknowledge that, particularly in closed meetings, what they hear at the meeting should stay at the meeting. We allow ourselves the bit of latitude with open meetings, that we permit non-addicts to attend and although we would prefer to have what is said at the meeting, remain at the meeting, we have much less control over what is shared as result of an open meeting, than we do with respect to what is shared at a closed meeting.

Even though we may make this distinction, we must always remain true to the principles of recovery meetings, that they are indeed opportunities for members to share their recovery. We should always be sensitive to this, as it exposes each of us to the dangers of misuse of that information pertaining to our personal experience and our feelings. The bottom line to this issue is that as a Fellowship our policies should be geared to continuing to protect the integrity of our meetings and the non-disclosure of information about our members gained at meetings, so as not to cause them injury or discomfort.

This is accomplished by every member participating in the meeting in a spiritual sense, leaving the meeting with the spiritual recovery that is gained from it, but discarding the specifics and the names that were involved in the sharing by ourselves or other members.

This conscience and spiritual effort on our part to gain from our meetings the experience, strength and hope for our recovery, is altered significantly when we use tape recording devices to take from the meeting all of the words in a permanent form that were shared with us at the meeting. This raises a new element for us to consider as the tape recording becomes a permanent and very mobile device. Tape recordings provide the

opportunity for much wider distribution of the recovery dialogue of a particular meeting. It is a very practical and convenient way to continue to spread the opportunity for others who were not at the meeting to gain from what was said at a particular meeting.

Although this presents us with a positive, spiritual opportunity, it presents us also with the conflict that such recordings present to the spiritual integrity and anonymity of our members and their participation.

We evolved into the practice of recording speakers at conventions very early in the conduct of conventions. Although there may have been serious spiritual discussions concerning the appropriateness of tape recording these early meetings, it did not result in the development of a clear Fellowship-wide conscience on the issue. This has left us, many years down the road, with a unclear policy and many conflicts.

The process and principles described above are consistent with the principles involved with the development and approval of Narcotics Anonymous literature. Narcotics Anonymous literature is the property of the Fellowship at large and approved by the World Service Conference. The World Service Conference has as an element of its service a board known as the World Service Office Board of Directors. The Conference transfers the responsibility for protecting the spiritual Fellowships written words to this special board, where it is copyrighted, printed and distributed.

The same principles should be applied to tape recordings. If a convention committee desires to have recordings made during a convention or after a convention, it is the service committee that should retain all rights and control over production and distribution and should not freely give those things which are the property of the spiritual Fellowship to non-Fellowship companies.

The sample contract provided contains a practical and appropriate way to give this recognition and retain for the spiritual Fellowship the control and ownership of recordings made of our spiritual recovery meetings.

### **CURRENT WSO TAPE RECORDING POLICY**

The tape approval policy provides for a two step review process. There is an Advisory Committee composed of members of the Fellowship selected by the World Service Conference and volunteers who request to be involved in the tape review process. All members of the Advisory Committee will receive from the World Service Office, copies of each tape as received by the World Service Office that are proposed for inclusion in the inventory. The Advisory Committee members will review and evaluate the tapes according to the general criteria discussed in a later section.

From time to time, (usually where there are sufficient number of participants) the Advisory Committee may be divided into smaller working teams. When this procedure is followed, each Advisory Committee team has the ability to reject or recommend for approval specific tapes.

In order to take advantage of the number of committee members, and to adjust to changes in availability of members the membership composition of Advisory Committee teams may change from time to time. Every effort will be exercised to keep teams together for as long as possible in order to achieve consistency and cohesiveness within each team.

Because the availability of members to participate in this process changes for each member and varies from time to time, it is necessary to have a selection and replacement process that permits addition of new

members on a regular basis. Accordingly volunteers for this committee are accepted at all times. A special effort is made to add new participants at the direction of the World Service Conference. Accordingly nominations are accepted particularly at the Conference meeting each year.

Advisory Committee members will discuss these matters among themselves and make recommendations for approval or rejection of each proposed tape. If two-thirds of the Advisory Committee members (an individual team if teams are being used) recommend approval of the tape, it will then be included in the next review step. Tapes that are not recommended will not be further considered. Tapes that pass this first hurdle will be reviewed by a committee known as the Review Committee.

The Review Committee will have at least one member of the Board of Trustees, members selected by the World Service Conference and volunteers who ask to be on the committee.

The Review Committee will receive copies of the tapes that are recommended for approval by the advisory committee. This committee will then determine which of the numerous tapes that are recommended for approval will actually "be included in the inventory."

This member review process by trusted servants will be balanced geographically and the membership on the committees will overlap one year in order to develop consistency. In order to return tapes to the inventory as soon as possible, work will begin immediately to get the committees operational.

A copyright release will be required before any tape can be considered. Copyright release forms can be obtained from the World Service Office. If tapes are received without a signed copyright release, the sending party will be sent a copyright release form and the tape held for further consideration pending receipt of the signed release.

#### GUIDELINES FOR TAPE EVALUATION

Welcome to the Tape Review Committee. If you find yourself somewhat confused as to how we evaluate these tapes, relax, it's really quite simple.

#### THE REVIEW

Many of us find ourselves feeling somewhat uncomfortable at the mere thought of reviewing another's presentation; especially when the soul purpose is to judge that presentation and not just simply listen for personal enjoyment.

Often, when listening to a tape, we find ourselves so attuned to the message, that we forget to give equal attention to the presentation as a whole.

How we relate or don't relate to the speaker; whether we like or dislike their speaking manner; and whether we agree or disagree with their experience, strength and hope, is in reality, only a small part of how we gauge these tapes.

The question that is really put before us when we evaluate these tapes is: "Does the speaker truly reflect the recovery process in Narcotics Anonymous?" In other words, does this tape coincide with the other approved material we have (Basic Text, pamphlets, and service manuals)?

#### REPRODUCTION QUALITY

Many of our older tapes were done by members with personal tape recorders



(and sometimes hank held in the audience). Many of these have so much background noise that they can easily become too great of a strain to listen to.

If you just sent an order to the WSO for some tapes, and they cost you, say five dollars each, how do you think you would feel if you put a tape in your player that sounded like the microphone had been lodged in the speakers mouth from time to time, or someone was sandpapering the mike while the speaker was talking, or perhaps like the speaker broke into speaking in tongues every so often? Do you think that you might feel a bit cheated?

There is a vast difference between a tape being recorded and a tape being mastered. Although some reproduction defects can be doctored up, a recording laden with such defects many be beyond feasible repair.

## CONTENT

The importance of maintaining a somewhat logical sequence and organization is naturally needed to maintain a "flow" to the speakers presentation. This is important both in understanding the recovery process (as interpreted through the speaker), and also in keeping the tape interesting.

## RELEVANCE TO RECOVERY

This in essence, it the reality of what we are trying to achieve, to find tapes that reflect the process of recovery. Drug-a-logs reflecting primarily the getting and finding ways and means to get and use more, should be only a very minute part of the dialog - only to exhibit the progression of the disease of addiction.

## RELEVANCE TO THE TWELVE STEPS AND TWELVE TRADITIONS

What's important here, is not so much a step by step recount of personal recovery, but rather enough talk that exhibits the walk.

## OVERALL EVALUATION

- There are just a couple of things we need to keep in mind here:
- A. In total, is this tape poor, fair, good or exceptional?
    - B. If good or exceptional, is there offensive language that would make this not acceptable to those who wish not to have such language invade their homes (this is very important, for each person that orders a tape from the WSO should be assured that they can trust that they will not have to suffer embarrassment through foul language coming in un-invited).

## NON-MEMBERS

The strong statement in B (in the above paragraph), is perhaps mostly in regards to the P.I. that these tapes might perform. If these tapes are to be sold to anyone, either a member or not, then we must expect that family and friends of addicts will be ordering. We must also expect that professionals from all walks that deal with addicts will also be interested in listening to these tapes. It is for these reasons that we have to assure that

the tapes that the WSO opens up to the public at large, are in good taste, in a manner acceptable to anyone that wishes to listen.

### ADDITIONAL NOTES

In order to arrive at a suitable mix of tapes, avoid controversy in the selection of speakers and always be able to present new messages there are some simple guidelines that are logical for us to follow.

1. In order to avoid the appearance of favoritism or undesirable influence in the selection process the number of tapes from of the following people that will be included in the inventory will be limited: members of WSO staff and WSO Board. Although we should not subject ourselves to reverse discrimination, there are many opportunities for WSO Staff and Board members to express themselves and share their recovery that are not generally available to other members. This balance is reasonable, especially when we recognize that there are a great many other addicts with equally valuable messages of recovery.
2. Because some members are asked to speak at more events than others, we have received a large number of tapes made by just a few members. In order to provide fairness in the variety of speakers we will introduce into the inventory not more than two tapes of one individual when the subject of the tape is their personal story. One or more additional tapes by a single person may be added if the additional tapes are on specific subject (traditions, history, steps, etc) and the members personal story identification is minimal.
3. In order to encourage a variety of tapes to be included in the inventory we will limit the number of tapes added in any year and have a rotation system. So as to avoid having hundreds of tapes in the active inventory, we will add not more than twelve new tapes in a given year. The year starting period will coincide with the publication date of the WSO catalog. The newly approved tapes will be added to those tapes approved in the two previous years. Tapes approved in previous years will not be shown in the catalog but will be available for sale upon specific request. Each year the WSO will publish a list of all approved tapes including those not currently in the catalog and make the list available only upon request.

We have developed a system to keep track of which year the tapes were approved in for rotational purposes. Each year, as new tapes are approved, the labels will all be printed in a given color. The tapes will be kept in stock for a period of three years, after which time they will be rotated. The oldest tapes will be removed from the inventory and the newly approved ones will be added.

This system will apply to all regular speaker tapes. It will not apply to special purpose tapes, such as the N.A. literature tapes or those on a specific topic (like the N.A. history tape).

The Fellowship is invited to send speaker tapes to the World Service Office for consideration. Care should be exercised to make sure that those tapes sent are of the highest quality sound recording available. Every tape submitted should be appropriately identified as to who the speaker is, when the presentation was made and who the recording was made by.

*The following paragraphs are an excerpt from the World Convention Corporation policy on tape recordings made at the World Convention. It is provided for your information and guidance.*

## TAPING SPEAKERS OF THE WORLD CONVENTION

This statement shall serve as an interim policy for the Convention Corporation on the matter of sales of speaker tapes. The general philosophy is that the practice of making tapes of convention speakers should not, in effect, alter the accessibility of a speaker's presentation by enlarging the audience beyond those who were present to hear the speaker or were at the convention at the time and could have chosen to hear the speaker.

This concept is essentially based on the idea that each person in the audience has the option of leaving a meeting, in progress, if they do not want to continue to hear the message that a speaker is presenting. By doing so, the individual can find another program activity to experience. A person not attending the convention and purchasing the tapes later does not have the same options. Leaving a meeting and "missing what the speaker said" allows speakers who may be offensive in some manner to have their presentations forgotten. Making tapes of convention speakers available to those not present at the convention implies an endorsement that the content of the speakers message is consistent with an approved standard of the Fellowship.

A person purchasing a tape from the Fellowship after the convention does not have the same option as the person present at the convention. They would, at that point, have invested innocently in what should be a quality N.A. presentation when they may in fact not receive that. After receiving the tape they then have a permanent record even if the message is inappropriate or inconsistent with N.A. philosophy. A person should have the confidence that every tape they purchase from the WSO is of the quality and consistent philosophy expected of the authorized tape review process.

Based on these concepts, the Convention Corporation will sell speaker tapes only to those persons present at the convention having purchased or ordered the tapes while at the convention. If it is not possible to complete the taping of all orders at the convention they will be completed later and mailed. However, orders or requests for tapes received after the last day of the convention will not be honored.

The Convention Corporation will automatically turn all tapes over to the WSO tape review process for consideration to be included in the inventory of tapes available through the WSO.

(This policy was adopted by the Board of Directors on June 20, 1987)

## ADDENDUM TO HOTEL AGREEMENT

The World Convention Corporation would to forward the following addendum to the agreement with the Orlando Stouffer Hotel:

1. pg 1 section - Guest Room Rates.

Change **three** to five (5) in both places in the last sentence.

2. pg 2 section - Release Date

Change date from **July 31, 1989** to **August 12, 1989**.

3. pg 2 section - Special Considerations

Delete **Complimentary champagne at check-in.**

4. pg 2 section - Meeting and Function Space

Change **...we require a tentative program one (1) year prior...** to **...we require a tentative program nine (9) months prior....**

Insert the following language:

5. pg 2 section - Set-Up Charges

Delete **...or should any of the anticipated food and beverage functions fail to materialize, set-up fees will be charged based upon attached schedule.**

6. pg 2 section - Convention Services and Catering Depts.

Insert after last sentence the following: **The Stouffer Orlando Resort will allow the Convention Corporation to prepare limited amounts of coffee in their designated hospitality area for the sole use of their members that will be present in that area.**

7. pg 3 section - Cancellation

Substitute the following:

**Any controversy or claim arising out of or related to cancellation of this contract for the sole purpose of holding said convention/meeting in another location or facility shall be settled by a decision of the American Arbitration Association. Any judgement awarded by the arbitrator(s) shall be used in lieu of litigation in state or municipal court.**

**General insertion: It is agreed and understood that actual utilization of guest rooms is the factor upon which meeting room rental is computed. It will be based on actual room use on the nights of the event. Additionally, if the Stouffer Hotel experiences an occupancy rate on the nights of the event above 95% of rooms available, regardless of rooms related to WCC event, then shall be no meeting room rental due from WCC.**

Drafted 10/88

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**COPY FOR  
REFERENCE ONLY**

**WORLD CONVENTION CORPORATION  
PERSONAL SERVICE AGREEMENT**

**NOT FOR  
DISTRIBUTION**

This agreement is entered into on this \_\_\_\_\_ day of \_\_\_\_\_  
19\_\_\_\_ between SAN JOSE UNITY ACTOR COMMITTEES (hereafter referred  
to as PERFORMER) whose address is: \_\_\_\_\_

\_\_\_\_\_ and the WORLD CONVENTION CORPORATION, (hereafter referred to as WCC),  
a subsidiary of the World Service Office Inc., whose address is 16155 Wyandotte  
Street, Van Nuys, California, 91406.

WHEREAS, WCC is conducting an event known as the World Convention #18  
on September 1,2,3,&4,1988, at Anaheim Convention Center, Anaheim Hilton Hotel  
and Anaheim Marriott Hotel hereinafter referred to as (the Event);

WHEREAS, WCC desires to have entertainment at this event and Performer  
desires to provide services as part of that entertainment,

1. **Performance.** The length of time of the performance will be determined  
by later addendum to this agreement. The specific details of the order of  
performance will be handled by SPONSOR's representative.

2. **Time and Place of Performance .** Performance will take place at the  
time and place stipulated in Addendum Two when it is completed.

3. **Payment.** PERFORMER shall be paid One Thousand Five Hundred  
Dollars, by agreement at the time the contract is signed.

4. **Union Considerations.** If PERFORMER is a member of any Performers  
Guild or Union and is required by virtue of that membership to participate in a  
work action that affects or prohibits their ability to perform their services at the  
time and place of the Event; PERFORMER will immediately return to SPONSOR  
any and all advance payments.

5. **Recording.** There will be no audio or video recording of the performance rendered at this event without the written permission of the SPONSOR.

6. **Attorneys fees and Jurisdiction.** In the event that any dispute arises between SPONSOR and PERFORMER, the prevailing party shall be entitled to recover its reasonable attorneys fees as an additional element of cost. Any dispute shall be adjudicated in the courts of the State of California, County of Los Angeles.

6. **Additional Requirements** may be added later.

7. **Addenda Attached? YES.** Addendum 1, personal comportment and video/audio taping stipulation. Addendum 2, will be added later when the length of the performance is determined, when the time and location of the performance are determined.

**ACCEPTED AND AGREED TO:**

By: Robert B. Storn **SPONSOR**

By: Frank. Gai **PERFORMER**

Date: June 16, 1988

Date: 6/18/88

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WORLD CONVENTION CORPORATION  
ADDENDUM TO ENTERTAINMENT AGREEMENTS

ADDENDUM I

This addendum is a part of the agreement between SAN JOSE UNITY ACTORS COMMITTEE hereafter referred to as PERFORMER and the World Convention Corporation hereafter referred to as SPONSOR.

The event that SPONSOR is sponsoring is considered a "private party" and, as such, SPONSOR is not engaged in any publicity of the event outside direct contact with the members of the N.A. Fellowship. SPONSOR desires that no publicity of this event be made privately or publicly by anyone associated with this event. In recognition of the desires of SPONSOR, PERFORMER agrees not to publicize this engagement in any manner, specifically to avoid listing this engagement in news releases or posted notices of "dates" where PERFORMER will appear and avoid reference to this engagement at other events PERFORMER appears at that are prior to this event.

The membership of the association of individuals for which SPONSOR is conducting this event has as its primary purpose the maintenance of a lifestyle that is abstinent from all drugs that are considered mind or mood altering. Because participants of this event are all members and is in furtherance of their goals, it is the expectation by the members and therefore SPONSOR, that all persons associated with the event also be abstinent from all mind or mood altering drugs while attending or performing at this event. It is further understood and agreed that PERFORMER and their agents and guests will not arrive at the event while in a condition considered by SPONSOR to be, "under the influence", further that PERFORMER and their agents and guests will not bring onto the property where the event is to be held, any drugs that are mind or mood altering, nor will

PERFORMER and their agents and guests consume mind or mood altering substances of any kind during the engagement. This measure is included in this agreement to affirm SPONSOR's philosophy regarding the use of such substances and as a protection for the SPONSOR and SPONSOR's members or guests.

Personal anonymity is an element of the basic participation philosophy of the association of individuals for whom this event is intended. Accordingly SPONSOR desires that no photography or video photography or film photography be permitted, except by specific written permission of SPONSOR. As a protection for the members of the association, PERFORMER and PERFORMER agents and guests are not authorized to photograph by film or video this event or members attending the event.

**ACCEPTED AND AGREED TO:**

By: Robert B. Stone **SPONSOR**

By: Frank Hill **PERFORMER**

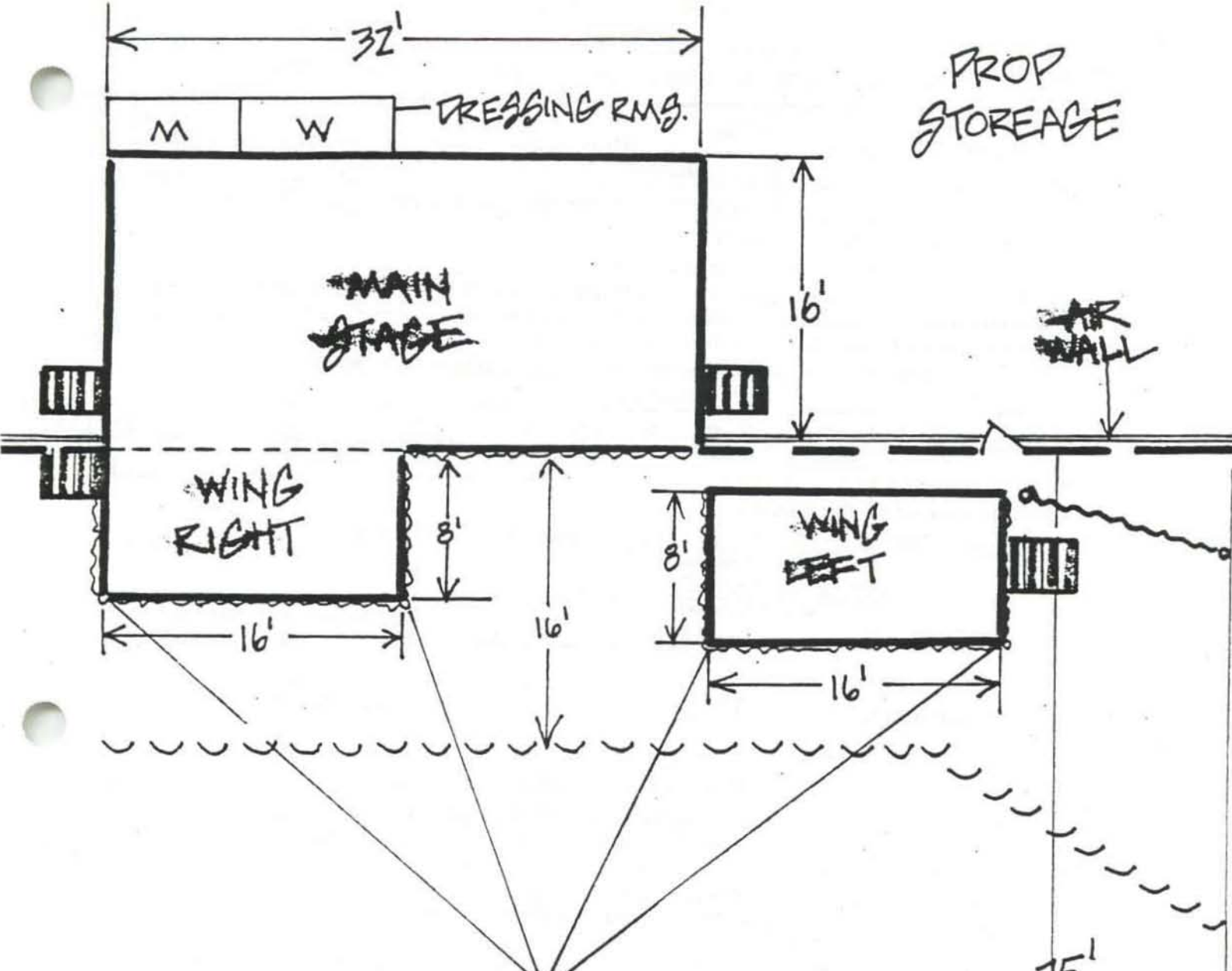
Date: June 16, 1988

Date: 6/18/88

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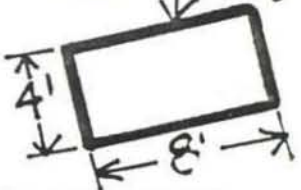


NOTE: BACKSTAGE - 3 TABLES / 16 CHAIRS



ALL STAGE-FRONT'S DRAPED

FOLLOW SPOT PLATFORMS



NOTE: SPOT PLATFORMS TO BE LOCATED ON BOTH SIDES OF HALL...

17530 Ventura Blvd. / Suite 105 / Encino, CA 91316 Phone (818) 981-6500

AC 5/11/88

ATTACHED ADDENDUM & ATTACHED RIDER IS HEREBY MADE PART OF THIS CONTRACT.

AGREEMENT made this 27TH day of APRIL, 1988 between THE COASTERS PER: BILLY RICHARDS (hereinafter referred to as "PRODUCER") and ~~NARCOTICS ANONYMOUS PER: PEGGY BRUNA~~ World Convention Corp. (hereinafter referred to as "PURCHASER").

It is mutually agreed between the parties as follows:

The PURCHASER hereby engages the PRODUCER and the PRODUCER hereby agrees to furnish the entertainment presentation hereinafter described, upon all the terms and conditions herein set forth, including those on the reverse side hereof entitled "Additional Terms and Conditions."

1. PRODUCER agrees to furnish the following entertainment presentation to PURCHASER:

THE COASTERS

PURCHASER TO FURNISH BACK-UP BAND (THE MONTE CARLOS) AT NO COST TO ARTIST.

for presentation thereof by PURCHASER:

- (a) at ANAHEIM HILTON BALLROOM, ANAHEIM, CALIFORNIA (PLACE OF ENGAGEMENT);
(b) on FRIDAY, SEPTEMBER 2, 1988 (DATE OF ENGAGEMENT);
(c) at the following time(s) to be mutually determined between Purchaser and Artist in writing no less than forty five (45) days prior to engagement.
(d) rehearsals:

2. FULL PRICE AGREED UPON: THREE THOUSAND DOLLARS (\$3,000.00)

All payments shall be paid by certified check, money order, bank draft or cash as follows: Rec. 5-25-88 H.W.

DEPOSIT OF (a) \$1,500.00 shall be paid by PURCHASER to PRODUCER JIM WAGNER, INC not later than WITH RETURN OF SIGNED CONTRACT BY CASHIER'S CHECK Corporation Check

BALANCE OF (b) \$1,500.00 shall be paid by PURCHASER to PRODUCER not later than PRIOR TO SHOW, DAY OF ENGAGEMENT IN CASH OR BY CASHIER'S CHECK, PAYABLE TO BILLY RICHARDS.

(c) Additional payments, if any shall be paid by PURCHASER to PRODUCER no later than

PURCHASER shall first apply any and all receipts derived from the entertainment presentation to the payments required hereunder: All payments shall be made in full without any deductions whatsoever.

3. SCALE OF ADMISSION N/A

THE COASTERS PER: BILLY RICHARDS (PRODUCER)

By [Signature] NARCOTICS ANONYMOUS/PEGGY BRUNA World Convention Corp. (PURCHASER)

Address: 6254 WHITSETT AVE., #3 P.O. BOX 9999

N. HOLLYWOOD, CA 91606 VAN NUYS, CA 91409

Phone: (818) 505-8505 (818) 780-3952

THIS RIDER IS HEREBY ATTACHED AND MADE PART OF THE CONTRACT  
DATED April 27, 1988 BETWEEN World Convention Corp. (AC) 5/4/88  
~~Narcotics Anonymous/Peggy Bruna~~  
(HEREINAFTER REFERRED TO AS "PURCHASER" AND The Coasters per:  
Billy Richards (HEREINAFTER REFERRED TO AS "ARTIST").

Purchaser to provide the following at no expense to Artist.

- 5/11/88 (AC) 1. ~~First class sound and lighting system in perfect working~~ order. arrangements between Purchaser and Producer. equal
2. Artist to receive 100% headline billing.
- 5/11/88 (AC) 3. No part of the show may be taped, filmed, reproduced or otherwise recorded without the prior approval of the Artist, and Purchaser.
4. Adequate dressing room facilities.
5. Refreshments, such as soft drinks, coffee, tea and deli tray would be appreciated.
6. In the event this show is not presented because of inclement weather, the Artist must still be paid in full, provided Artist is ready to perform at the designated time as specified in this contract.
7. ~~Artist has the right to sell merchandise at this engagement, and any monies received from the sale of these items become the sole property of the Artist.~~ (AC) 5/6/88
- 5/11/88 (AC) 8. Artist agrees to use the same sound & lights system that is being provided for all of the acts associated with this event.

AGREED TO AND ACCEPTED:

C. L. H. B. H.  
PURCHASER

[Signature]  
ARTIST

STANDARD ADDENDUM  
TO  
ENTERTAINMENT AGREEMENTS

This addendum is a part of the agreement between Billy Richards F/S/O  
The Coasters hereafter referred to as **ARTIST** and the World  
Convention Corporation hereafter referred to as **CONTRACTOR**.

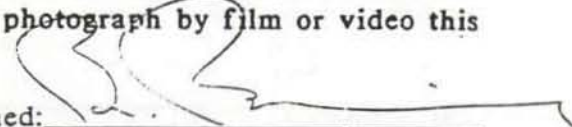
The event that **CONTRACTOR** is sponsoring is considered a "private party" and, as such, **CONTRACTOR** is not engaged in any publicity of the event outside direct contact with the members of the N.A. Fellowship. **CONTRACTOR** desires that no publicity of this event be made privately or publicly by anyone associated with this event. In recognition of the desires of **CONTRACTOR**, **ARTIST** agrees not to publicize this engagement in any manner, specifically to avoid listing this engagement in news releases or posted notices of "dates" where **ARTIST** will appear and avoid reference to this engagement at other events **ARTIST** appears at that are prior to this event.

The membership of the association of individuals for which **CONTRACTOR** is conducting this event has as its primary purpose the maintenance of a lifestyle that is abstinent from all drugs that are considered mind or mood altering. Because participants of this event are all members and is in furtherance of their goals, it is the expectation by the members and therefore **CONTRACTOR**, that all persons associated with the event also be abstinent from all mind or mood altering drugs while attending or performing at this event. It is further understood and agreed that **ARTIST** and their agents and guests will not arrive at the event while in a condition considered by **CONTRACTOR** to be, "under the influence", further that **ARTIST** and their agents and guests will not bring onto the property where the event is to be held, any drugs that are mind or mood altering, nor will **ARTIST** and their agents and guests consume mind or mood altering substances of any kind during the engagement. This measure is included in this agreement to affirm **CONTRACTOR**'s philosophy regarding the use of such substances and as a protection for the **CONTRACTOR** and **CONTRACTOR**'s members or guests.

Personal anonymity is an element of the basic participation philosophy of the association of individuals for whom this event is intended. Accordingly **CONTRACTOR** desires that no photography or video photography or film photography be permitted, except by specific written permission of **CONTRACTOR**. As a protection for the members of the association, **ARTIST** and **ARTIST** agents and guests are not authorized to photograph by film or video this event or members attending the event.

Signed: \_\_\_\_\_  
WORLD CONVENTION CORPORATION

Date: May 19 1988

Signed:   
Billy Richards

Date: 5-31-88



BOOKING CONTRACT

NAME OF ORGANIZATION W.C.N.A. 17 TELEPHONE: 242-8835

RESPONSIBLE PARTY X TELEPHONE: \_\_\_\_\_

BILLING ADDRESS Dennis Bradley EVENT ADDRESS Sheraton New Orleans  
4674 Gabriel Pontchartrain Room  
New Orleans, LA 70127 New Orleans, LA 70130

EVENT DAY, DATE Thurs. Sept. 3, 1987 TYPE OF EVENT Reception  
EVENT TIME 10 p.m. - 2 a.m. TYPE FACILITY Hotel  
TYPE OF MUSIC Oldies/Contemporary AGE GROUP Adult

ACCESS TO PREMISES is required TWO HOURS before event and ONE HOUR after event for equipment set up/breakdown. Make sure facility is open and available during those times.

— TERMS AND CONDITIONS —

This AGREEMENT entered into this \_\_\_\_\_ day of April, 1987, between Daniel M. Karpelman d/b/a OLDIESMOBILE and DISCOMAGIC Mobile Sound, hereinafter referred to as "Talent" and X \_\_\_\_\_ as authorized agent for W.C.N.A. 17, herein referred to as "Contractors".

Contractors agree to be bound severally and individually by the herein stated terms and conditions.

- 1) Upon submission of this Contract, fifty percent (50%) of the performance fee shall be rendered by Contractors to Talent. It is understood this is a non-refundable deposit except in the herein mentioned conditions of non-performance in Paragraph 2. Balance of performance fee shall be paid to Talent the day of event prior to performance.
- 2) Performance of these terms and conditions are subject to death, serious illness, accidents, unexpected mechanical delays or failures, inclement weather (in the event of outdoor performance) and other unforeseeable events or Acts of God. In the event Talent is unable to perform due to these conditions, the extent of liability shall be limited to that portion of the performance fee already rendered by Contractors to Talent.
- 3) For outdoor performance, Contractors shall provide adequate overhead sheiter and normal 110 volt electrical hookup. Should Talent be forced to terminate performance after setup due to intense inclement weather that provided shelter cannot adequately protect equipment, Contractor shall be liable for the total performance fee.
- 4) ~~Talent shall not be liable to Contractor, its agents or contractees, or to any other party for damage to person or property caused by any act, omission or neglect by Talent. Contractor agrees to indemnify Talent against any and all claims resulting from such damage.~~ Further, Contractor shall assume full responsibility for damages caused by its agents or guests to Talent's sound, lighting or related equipment through accident or neglect by Contractor, its agents or guests at herein described event.
- 5) Mileage charge shown below (if any) is calculated from point of origin to location of performance. Figure shown below is an estimate; actual odometer reading will be rendered day of event and different added to or subtracted from contract balance due.

OTHER CONDITIONS:

N  
O  
N  
E

THIS BOOKING RESERVATION MADE 4/1/87 SHALL BE CANCELLED UNLESS APPROVED CONTRACT AND DEPOSIT ARE RECEIVED BY TALENT ON OR BEFORE 4/15/87. Having carefully read the above terms and conditions, our signatures below constitute our mutual acceptance.

PERFORMANCE FEE \$300.00  
MILEAGE CHARGE -0-  
LESS DEPOSIT (\$150.00)  
BALANCE DUE \$150.00

x Robert Bittow  
Authorized agent, Contractors  
[Signature]  
Authorized agent, Talent.

MAKE YOUR CHECK PAYABLE TO:  
"Daniel M. Karpelman"

6758 Canal Boulevard, New Orleans, Louisiana 70124 (504) 283-4726 04



ENTERTAINMENT CONTRACT

Hawthorne, Ca. 90250  
(213) 644-9189

Agreement made this 13 th day of August, 19 88 between The People's Choice D.J.'s (hereinafter referred to as "producer") and:  
(name of client) World Convention Corp ( Mr. Anthony Edmondson )  
(address) 16155 Wyandotta St. Van Nuys, Ca. 91406  
(phone number) work 818 780-3951 home \_\_\_\_\_  
(hereinafter referred to as "sponsor")

It is mutually agreed between the parties as follows:

The sponsor hereby engages the producer to perform at the location provided, upon all terms and conditions herein set forth.

1. Name and address of place of engagement: \_\_\_\_\_

2. Date(s) of engagement: Sept 1, 2, 3, nd 1988

3. Hours of engagement: \_\_\_\_\_

4. Type of engagement: U.S. World Convention

5. The producer agrees to provide the following services:

- Disc Jockey Earl Peoples
- Musical format and records \_\_\_\_\_
- Top quality sound system Light Show
- Other \_\_\_\_\_

6. Agreed price for engagement: \$1,000 for 3 night engagement plus 3 night accommodation

(a) A non-refundable deposit of \$, fifty percent (50%) of agreed price for engagement is required upon signing of this agreement to secure date. The balance of payment is due in cash prior to start of the engagement.

(b) All payments payable by money order, cashier's check or cash only. All payments should be made payable to "The People's Choice D.J.'s"

7. If sponsor must cancel and does so 14 days prior to the engagement date, they may either:

- (a) forfeit deposit \_\_\_\_\_
- (b) reschedule the engagement within sixty (60) days of the cancelled date provided that substitute date chosen does not conflict with prior scheduled events.

If the cancellation is made in less than 14 days from the engagement date, the sponsor forfeits deposit.

8. If technical problems occur during your engagement and the problem cannot be resolved, the producer agrees to repay to the sponsor at a per hour rate for hours not performed.

9. Producer's obligations hereunder are subject to detention or prevention by sickness, inability to perform, accident, means of transportation, acts of God, riots, strikes, labor difficulties, epidemics, any acts or order of any public authority or any other cause, similar or dissimilar, beyond the producer's control. Producer reserves the right to substitute an equal act upon approval of sponsor in the event that any of the above-mentioned causes occur.

10. The producer assumes no liability for engagement guests who are injured from their contact with sound equipment.

11. This constitutes the sole, complete and binding agreement between the parties hereto. This agreement supersedes all other conditions, understandings, representations, and statements, expressed or implied not specifically stated herein, nor shall this agreement be subject to modifications or iteration by any verbal statement whatsoever.

SEE ATTACHED ADDENDA AE

World Convention Corporation

THE PEOPLE'S CHOICE D.J.'s

sponsor  
Anthony Edmondson  
signature

producer  
Earl Peoples  
signature

8/13/88  
date

Aug 13 1988  
date

**WORLD CONVENTION CORPORATION**  
**ADDENDUM TO ENTERTAINMENT AGREEMENTS**

**ADDENDUM I**

This addendum is a part of the agreement between THE PEOPLES CHOICE DJ \_\_\_\_\_ hereafter referred to as PERFORMER and the World Convention Corporation hereafter referred to as SPONSOR.

**SPECIFIC CONTRACT MODIFICATIONS**

1. Addendum to Item 6a --

**Union Considerations.** If PERFORMER is a member of any performers guild and is required by virtue of that membership to participate in a work action that affects or prohibits their ability to perform their services at the time and place of the Event; PERFORMER will immediately return to SPONSOR any and all advance payments.

**Default.** If either party is in default of any portion of this Agreement, the non-defaulting party shall provide written notice of default to the defaulting party setting forth with particularity the nature and extent of the default. The defaulting party shall then have a period of fifteen (15) days to cure the default completely. If the default is not completely cured within said fifteen (15) day period, then at the option of the non-defaulting party, this Agreement shall be terminated, and all licenses, obligations and rights granted hereunder shall be terminated, except outstanding obligations of accounting and payment. The non-defaulting party shall maintain all other rights at law and in equity it may have.

2. Addendum to Item 6b --

**Payment.** The agreed sum for this event is \$1,000.00. PERFORMER shall be paid 50% of the agreed price upon consummation of this agreement, with the

balance to be paid at the completion of service by a check drawn on a WCC account. Additionally, WCC agrees to provide one room for three nights beginning Thursday September 1, 1988 through Saturday September 3, 1988.

**ACCEPTED AND AGREED TO:**

**SPONSOR**

**PERFORMER**

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

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WORLD CONVENTION CORPORATION  
ADDENDUM TO ENTERTAINMENT AGREEMENTS

ADDENDUM II

This addendum is a part of the agreement between Peoples Choice DJ  
\_\_\_\_\_ hereafter referred to as **PERFORMER** and the  
World Convention Corporation hereafter referred to as **SPONSOR**.

The event that **SPONSOR** is sponsoring is considered a "private party" and, as such, **SPONSOR** is not engaged in any publicity of the event outside direct contact with the members of the N.A. Fellowship. **SPONSOR** desires that no publicity of this event be made privately or publicly by anyone associated with this event. In recognition of the desires of **SPONSOR**, **PERFORMER** agrees not to publicize this engagement in any manner, specifically to avoid listing this engagement in news releases or posted notices of "dates" where **PERFORMER** will appear and avoid reference to this engagement at other events **PERFORMER** appears at that are prior to this event.

The membership of the association of individuals for which **SPONSOR** is conducting this event has as its primary purpose the maintenance of a lifestyle that is abstinent from all drugs that are considered mind or mood altering. Because participants of this event are all members and is in furtherance of their goals, it is the expectation by the members and therefore **SPONSOR**, that all persons associated with the event also be abstinent from all mind or mood altering drugs while attending or performing at this event. It is further understood and agreed that **PERFORMER** and their agents and guests will not arrive at the event while in a condition considered by **SPONSOR** to be, "under the influence", further that **PERFORMER** and their agents and guests will not bring onto the property where the event is to be held, any drugs that are mind or mood altering, nor will

**PERFORMER** and their agents and guests consume mind or mood altering substances of any kind during the engagement. This measure is included in this agreement to affirm **SPONSOR's** philosophy regarding the use of such substances and as a protection for the **SPONSOR** and **SPONSOR's** members or guests.

Personal anonymity is an element of the basic participation philosophy of the association of individuals for whom this event is intended. Accordingly **SPONSOR** desires that no photography or video photography or film photography be permitted, except by specific written permission of **SPONSOR**. As a protection for the members of the association, **PERFORMER** and **PERFORMER** agents and guests are not authorized to photograph by film or video this event or members attending the event.

**ACCEPTED AND AGREED TO:**

**SPONSOR**

**VENDOR**

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

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**FISCAL EXAMPLES**



**NOT FOR  
DISTRIBUTION**

WCNA -- 18  
REVISED BUDGET

**COPY FOR  
REFERENCE ONLY**

Wednesday, July 6, 1988

Income	Sale Price	Host Units	WCC Units	Host Total	WCC Total
Banquet	25.00	3,790	3,000	94,750.00	75,000.00
Breakfast	15.00	3,000	2,000	45,000.00	30,000.00
Registration	20.00	6,000	5,000	120,000.00	100,000.00
Merchandise B-T	8.00	2,500	2,500	20,000.00	20,000.00
B-T Long	10.00	2,500	2,500	25,000.00	25,000.00
Sweatshirt	15.00	1,000	1,000	12,000.00	15,000.00
Satin Jackets	30.00	750	750	22,500.00	22,500.00
Polo Shirts	12.00	500	500	6,000.00	6,000.00
Beach Towels	15.00	600	600	9,000.00	9,000.00
Baseball Hats	5.00	400	400	2,000.00	2,000.00
Coffee Mugs	5.00	3,000	3,000	15,000.00	15,000.00
Posters	3.00	2,000	200	6,000.00	600.00
Refrig. Magnets	1.00	1,000	1,000	1,000.00	1,000.00
Key Chains	4.50	250	350	1,125.00	1,575.00
Buttons	1.00	1,000	1,000	1,000.00	1,000.00
Jewelry Profit	0.00			10,000.00	10,000.00
Tapes	5.00	3,000	3,000	15,000.00	15,000.00
Entertainment					
Comedy Show	5.00	3,220	3,220	16,100.00	16,100.00
Oldies Show	10.00	3,220	3,220	32,200.00	32,200.00
Bus Tours	7.00	350	350	2,450.00	2,450.00
<b>Total Income</b>				<b>\$476,625.00</b>	<b>\$401,475.00</b>

Expense	Host Projections	WCC Revisions
Executive Committee	3,710.00	3,710.00
Art & Graphics	5,320.00	7,970.00
Convention Information	1,945.00	845.00
Entertainment	22,420.00	21,820.00
Hotels & Hospitality	201,600.00	135,000.00
Program Committee	9,450.00	5,950.00
Registration	19,756.00	17,656.00
Merchandising	72,974.00	68,986.00
<b>Total Expense</b>	<b>\$337,115.00</b>	<b>\$261,437.00</b>
Total Income	\$476,475.00	\$401,475.00
<b>WCNA-18 NET</b>	<b>\$139,360.00</b>	<b>\$140,038.00</b>

**Arts & Graphics**

	Host Projections	WCC Revisions
Fliers--Art & Typesetting	800.00	800.00
Display Boards & Reg. Form	200.00	500.00
Program--Typesetting & Layout	1,500.00	3,500.00
Artwork--Merchandising	400.00	400.00
Banner	700.00	700.00
Tickets, Banquet, Shows; etc.	0.00	500.00
Sign	500.00	500.00
Maps	20.00	20.00
Mailing	200.00	200.00
Phone	50.00	50.00
<b>Total</b>	<b>\$4,870.00</b>	<b>\$7,970.00</b>

**Executive Committee**

	Host Projections	WCC Revisions
Minutes, Copies	360.00	360.00
Host Committee Report	120.00	120.00
Postage	400.00	400.00
Office Supplies	80.00	80.00
Office Equipment	350.00	350.00
Walkie Talkies	200.00	200.00
Phone	1,100.00	1,100.00
Ribbons	100.00	100.00
Security	1,000.00	1,000.00
<b>Total</b>	<b>\$3,710.00</b>	<b>\$3,710.00</b>

**Convention Information**

	Host Projections	WCC Revisions
Stamps	220.00	220.00
Printing	100.00	100.00
Envelopes	15.00	15.00
Return Address Stamp	40.00	40.00
Signs	100.00	100.00
Walkie Talkies	100.00	50.00
Display Boards & Reg. Form	500.00	100.00
Press Packets	400.00	100.00
Literature (for dist.)	350.00	0.00
Rent	120.00	120.00
<b>Total</b>	<b>\$1,945.00</b>	<b>\$845.00</b>

**Entertainment Committee**

	Host Projections	WCC Revisions
DJ (3 nights)	1,000.00	1,000.00
Live Band (Sat night)	2,500.00	2500.00
Country Western Band	900.00	900.00
Play	1,500.00	1,500.00
Comedy Show	3,000.00	3,000.00
Talent Showcase	1,500.00	1,500.00
Live Oldies Show	7,500.00	7,500.00
Meeting Rent	120.00	120.00
Signs	200.00	200.00
Phone	100.00	100.00
Printing Tickets	500.00	0.00
Lighting Sound	1,500.00	1,500.00
Bus Tour	1,750.00	1,750.00
Reimbursement Expense	250.00	250.00
<b>Total</b>	<b>\$22,420.00</b>	<b>\$21,820.00</b>

**Hotels & Hospitality**

	Host Projections	WCC Revisions
Meeting Rent	120.00	120.00
Hotel Coffee	54,000.00	30,000.00
Hospitality Coffee	9,000.00	4,000.00
Sign	450.00	150.00
Banner	500.00	0.00
Info Flyers	100.00	100.00
Parking	100.00	100.00
Walkie Talkies	250.00	150.00
Video Screen	6,000.00	6,000.00
Banquet	79,590.00	63,000.00
Breakfast	33,000.00	33,000.00
Decorations	9,000.00	5,000.00
Security	4,500.00	2,000.00
Nurses	1,000.00	500.00
Sound Reinforcement	3,000.00	2,000.00
<b>Total</b>	<b>\$200,610.00</b>	<b>\$135,070.00</b>

**Program Committee**

	Host Projections	WCC Revisions	Mutually Adopted
Meeting Rent	200.00	200.00	
Transportation, Speakers	4,000.00	3,000.00	
Printing Programs	3,000.00	0.00	
Phone	1,000.00	1,000.00	1,500.00
Registration Packets, Speakers	500.00	500.00	

**Program Committee (cont'd.)**

	Host Projections	WCC Revisions
Walkie Talkies	250.00	250.00
Meeting Signs	200.00	200.00
Postage & Stationary	200.00	200.00
Parking	100.00	100.00
<b>Total</b>	<b>\$9,450.00</b>	<b>\$5,450.00</b>

**Registration**

	Host Projections	WCC Revisions	Mutually Adopted
Registration Packets	6,900.00	6,900.00	
Color Fliers	3,500.00	3,500.00	
B/W Fliers	2,186.00	3,500.00	
Display Boards & Reg Forms	500.00	0.00	
Registration Forms	400.00	400.00	
Registration Banner & Signs	400.00	400.00	
Tickets	300.00	0.00	
Postage	440.00	440.00	
Phone	100.00	100.00	
Meeting Rent	120.00	120.00	
Walkie Talkies	100.00	50.00	
Tele-Credit	250.00	0.00	
Computer Rental	3,500.00	3,500.00	
Meeting Directories			60.00
Security	1,000.00	0.00	
<b>Total</b>	<b>\$19,756.00</b>	<b>\$17,656.00</b>	

**Merchandising Committee**

	Unit Cost	Host Units	Host Projection	WCC Units	WCC Revisions
Hanes Beeley T Shirts					
Short Sleeve	3.83	2500	9,575.00	2500	9,575.00
Long Sleeve	5.50	2500	13,750.00	2500	13,750.00
Hanes 50/50	7.80	1000	7,800.00	1000	7,800.00
Satin Jackets	24.00	750	18,000.00	750	18,000.00
Polo Shirts	7.95	500	3,975.00	500	3,975.00
Beach Towels	10.25	600	6,150.00	600	6,150.00
Baseball Caps	2.03	400	812.00	400	812.00
Coffee Mugs	1.90	3000	5,700.00	3000	5,700.00
Posters	1.16	2000	2,320.00	200	232.00
Refrig. Magnets	0.41	1000	410.00	1000	410.00
Key Chains	2.25	250	562.50	250	562.50
Plastic Bags	0.15	3000	450.00	3000	450.00
Postage, Mailing, Shipping, Tubes			800.00		200.00



Merchandising Committee (cont'd.)

	Unit Cost	Host Units	Host Projection	WCC Units	WCC Revisions
Buttons	0.50	1000	500.00	1000	500.00
Cash Registers	50.00	8	400.00	8	400.00
Walkie Talkies	50.00	2	100.00	1	50.00
Sign for Stone			200.00		200.00
Meeting Rent			120.00		120.00
Tele-Credit			250.00		0.00
Order Form			150.00		150.00
Security			1,000.00		0.00
<b>Total</b>			<b>\$73,024.50</b>		<b>\$69,036.50</b>

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WORLD CONVENTION FOR NARCOTICS ANONYMOUS  
STATEMENT OF ASSETS AND LIABILITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 1987

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DISTRIBUTION

ASSETS

CASH IN BANKS	\$57,568
INVENTORY	2,359
OFFICE EQUIPMENT	4,940
ACCUMULATED DEPRECIATION	(412)
TOTAL ASSETS	\$64,455
	=====

LIABILITIES AND FUND BALANCE

FUND BALANCE	\$64,455
TOTAL LIABILITIES AND FUND BALANCE	\$64,455
	=====

SEE ACCOUNTANT'S COMPILATION REPORT

WORLD CONVENTION FOR NARCOTICS ANONYMOUS  
STATEMENT OF REVENUE AND EXPENSES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 1987

REVENUE:	
MERCHANDISING	\$105,468
REGISTRATION	73,212
BANQUET	61,686
JEWELRY	25,671
BRUNCH	24,065
BOAT RIDE	14,830
WCNA-17	6,448
NEWCOMER	4,108
MISCELLANEOUS	1,169
INTEREST	<u>1,863</u>
 TOTAL REVENUE	 <u>\$318,520</u>
 CONVENTION EXPENSES:	
COST OF MERCHANDISE	\$ 43,389
FOOD AND BEVERAGES	91,135
FACILITIES	10,643
HOTELS AND HOSPITALITY	43,451
CONTRACT LABOR	19,341
TRAVEL	9,142
PRINTING	13,509
ENTERTAINMENT	9,641
REGISTRATION REFUNDS	7,036
REFUNDS & ALLOWANCES	6,541
EQUIPMENT RENTAL	5,857
EXPENDABLE SUPPLIES	1,472
MISCELLANEOUS	<u>358</u>
 TOTAL CONVENTION EXPENSES	 <u>\$261,515</u>
 ADMINISTRATIVE EXPENSES	 <u>45,234</u>
 TOTAL EXPENSES	 <u>306,749</u>
 EXCESS REVENUES OVER EXPENSES	 <u>\$ 11,771</u> =====

SEE ACCOUNTANT'S COMPILATION REPORT

SUPPLEMENTARY INFORMATION

WORLD CONVENTION FOR NARCOTICS ANONYMOUS  
SCHEDULE OF ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1987

ACCOUNTING AND LEGAL	\$11,306
BAD DEBTS	1,847
BANK CHARGES	224
DEPRECIATION	412
LAWSUIT SETTLEMENT	8,533
OFFICE EXPENSE	6,955
POSTAGE AND SHIPPING	2,882
TELEPHONE	2,735
TRAVEL	8,526
MISCELLANEOUS	66
WCNA-16	<u>1,748</u>
TOTAL ADMINISTRATIVE EXPENSES	\$45,234 =====

SEE ACCOUNTANT'S COMPILATION REPORT

WORLD CONVENTION FOR NARCOTICS ANONYMOUS  
STATEMENT OF REVENUE AND EXPENSES - WCNA-17 - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 1987

REVENUE:	
MERCHANDISING	\$105,468
REGISTRATION	73,212
BANQUET	61,686
JEWELRY	25,671
BRUNCH	24,065
BOAT RIDE	14,830
WCNA-17	6,448
NEWCOMER	4,108
MISCELLANEOUS	<u>20</u>
 TOTAL REVENUE	 <u>\$315,508</u>

CONVENTION EXPENSES:	
COST OF MERCHANDISE	\$ 41,897
FOOD AND BEVERAGES	91,135
FACILITIES	10,643
HOTELS AND HOSPITALITY	42,790
CONTRACT LABOR	19,341
TRAVEL	9,142
PRINTING	13,395
ENTERTAINMENT	9,641
REGISTRATION REFUNDS	6,941
REFUNDS & ALLOWANCES	6,500
EQUIPMENT RENTAL	5,857
EXPENDABLE SUPPLIES	1,472
MISCELLANEOUS	<u>118</u>
 TOTAL CONVENTION EXPENSES	 <u>\$258,872</u>

ADMINISTRATIVE EXPENSES:	
BAD DEBTS	\$ 1,247
BANK SERVICE CHARGES	117
OFFICE EXPENSE	6,621
POSTAGE & SHIPPING	2,849
TELEPHONE	2,735
MISCELLANEOUS	<u>66</u>
 TOTAL ADMINISTRATIVE EXPENSES	 <u>13,635</u>
 TOTAL EXPENSES	 <u>272,507</u>
 EXCESS REVENUES OVER EXPENSES	 \$ 43,001 =====

SEE ACCOUNTANT'S COMPILATION REPORT

**GENERIC AGREEMENTS & ADDENDEM'S**

---

**MERCHANDISE AGREEMENT**

This agreement is entered into on this \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_\_\_ between \_\_\_\_\_ (hereafter referred to as VENDOR) whose address is: \_\_\_\_\_ and the \_\_\_\_\_, (hereafter referred to as \_\_\_\_\_), a service committee of the \_\_\_\_\_, (hereinafter referred to as \_\_\_\_\_) whose address is \_\_\_\_\_.

**WHEREAS,** \_\_\_\_\_ is conducting an event known as the \_\_\_\_\_ on \_\_\_\_\_, at \_\_\_\_\_ hereinafter referred to as (the Event);

**WHEREAS,** \_\_\_\_\_ desires to have available for sale by \_\_\_\_\_ at the Event a variety of items that contain variations and representations of WSO's trademarks and other intellectual properties;

**WHEREAS, VENDOR** desires to provide such items;

**NOW THEREFORE,**

**1. Limited License.** This agreement grants a limited license to VENDOR to produce such items for \_\_\_\_\_ in such designs, quantities and qualities ordered for sale and delivery to \_\_\_\_\_. The items shall include the trademark(s) and other intellectual properties of WSO.

**2. Marking Requirements:** All such items will include the symbol (R) immediately adjacent to the trademark(s).

**3. Order.** VENDOR will provide the specific items set forth an Exhibit A hereto at the cost set forth thereon.

**4. Packing List:** At delivery, VENDOR will provide a detailed packing list of all items delivered to \_\_\_\_\_. The list will include a description of each item along with the catalog number or name for identification purposes, the value of each item and a description of the characteristics of each item ( 100% cotton, nylon web, satin,etc., or such description as may be appropriate).

**5. Time and Place of Delivery.** Delivery of all items ordered will take place at a time and place to be mutually determined by \_\_\_\_\_ and VENDOR



**6. Reorders.** At the same price set forth on Exhibit A hereto, \_\_\_\_\_ may reorder items if needed during the Event provided such items are available for immediate delivery. Any such additional order must be in writing.

**7. Mode of Payment.** VENDOR shall be paid by check drawn on \_\_\_\_\_ account.

**8. Acknowledgment of Limited License.** The agreement contains a limited license permitting VENDOR to make the items for \_\_\_\_\_ only for and during the Event. The license terminates at the end of the Event. VENDOR acknowledges that after the Event, VENDOR has no right to sell, give or otherwise transfer any item that reflects any of World Service Office trademarks or other intellectual properties licensed hereunder except as specifically permitted under this agreement.

**9. Attorneys fees and Jurisdiction.** In the event that any dispute arises between SPONSOR and VENDOR, the prevailing party shall be entitled to recover its reasonable attorneys fees as an additional element of cost. Any dispute shall be resolved by the American Arbitration Association in the State of \_\_\_\_\_, County of \_\_\_\_\_.

**10. Product Quality.** VENDOR agrees to replace or refund any item(s) that are defective in materials or workmanship within a predetermined period of time to be mutually agreed upon by the SPONSOR and the VENDOR.

**11. Additional Requirements.** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**12. Addenda Attached.** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**ACCEPTED AND AGREED TO:**

**SPONSOR**

**VENDOR**

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## RECORDING AGREEMENT

IT is hereby agreed that \_\_\_\_\_

hereinafter known as the **SPONSOR**, and \_\_\_\_\_  
hereinafter known as **CONTRACTOR**, have entered into a contract for services for the purpose of the recording on audio tape all or part of the **SPONSOR'S** (activity)(convention meetings)

(proceedings) to be held at the \_\_\_\_\_

whose address is \_\_\_\_\_,

\_\_\_\_\_, on the following dates \_\_\_\_\_.

**THE WORK** - **CONTRACTOR** will record on audio tape all speeches, lectures, seminars, discussions and all other presentations that are specified by

**SPONSOR** and make duplicate copies to be sold at the (convention) (activity) (proceedings) by or **CONTRACTOR** as is specified in this agreement.

The will provide an adequate space within the meeting area or any other site deemed appropriate for **CONTRACTOR** activities. **CONTRACTOR** will have such equipment and personnel available and ready for operation not later than \_\_\_ : \_\_\_ (am)(pm) on \_\_\_\_\_, \_\_, 198\_\_ and continue to be available for performing the work until \_\_\_ : \_\_\_ (am)(pm) on \_\_\_\_\_, \_\_, 198\_\_. **CONTRACTOR** must remove all equipment, supplies, etc., and vacate the premises not later than \_\_\_ : \_\_\_ (am)(pm) on \_\_\_\_\_, \_\_, 198\_\_ unless notified of another time or date by **SPONSOR**. **CONTRACTOR** will label each tape in accordance with verbal instructions from **SPONSOR**. Each tape recording will be enclosed in a clear plastic protective case.

**OWNERSHIP OF RECORDINGS** - Ownership of the recordings of speakers and meetings or other events of the convention is retained by **SPONSOR**. **SPONSOR** does not release to **CONTRACTOR** the right to copy or sell copies of recordings at any time or circumstance other than specified in this agreement.

**COPYRIGHT OF RECORDINGS** - The **SPONSOR** will obtain a copyright release from each speaker. The copyright release will vest the ownership of the recordings with the **SPONSOR**.

**TAPE SALES:** One of the following optional paragraphs will be selected by **SPONSOR** as the mechanism **SPONSOR** desires to utilize for the sales of tapes. The paragraph not used will be lined through and initialed by **SPONSOR** and **CONTRACTOR**.

**Option A** - **SPONSOR** will periodically notify (as soon as possible) the **CONTRACTOR** of the number of each tape that has been ordered. **CONTRACTOR** will duplicate the tapes according to such instructions and deliver them to the person or work area designated by the **SPONSOR**. **SPONSOR** will have responsibility to handle all financial transactions relating to the sale of tapes. At the conclusion of the event, not later than \_\_\_ (am)(pm) on \_\_\_\_\_, \_\_, 198\_\_, **SPONSOR** will pay to **CONTRACTOR** sum of \$ \_\_\_ for each tape produced. In the event **CONTRACTOR** is unable to complete duplication of all copies of tapes that have been ordered as of the time specified for vacating the premises, **CONTRACTOR** will complete the work at their normal place of business during the seven days following the last day of the event and mail the copies at **CONTRACTOR'S** expense to **SPONSOR**. **SPONSOR** will mail the copies to the persons who purchased them at **SPONSOR'S** expense. **SPONSOR** does not release to **CONTRACTOR** the right to reproduce or copy any recordings for sale, gift or other transfer to any other party or person than **SPONSOR**.

**Option B - CONTRACTOR** will be responsible for duplication and sales of all tapes as directed by **SPONSOR**. **CONTRACTOR** agrees to maintain and deliver an accurate accounting to **SPONSOR** of total number of tapes sold. **CONTRACTOR** will pay to **SPONSOR** not later than \_\_\_\_\_ (am)(pm) on \_\_\_\_\_, 198\_\_ the amount of \$ \_\_\_\_\_ for each tape sold. In the event **CONTRACTOR** is unable to complete duplication of all copies of tapes that have been ordered as of the time specified for vacating the premises, **CONTRACTOR** will complete the work at their normal place of business during the seven days following the last day of the event and mail the copies at **CONTRACTORS** expense to **SPONSOR** along with addresses. **SPONSOR** will mail the copies to the persons who purchased them at **SPONSORS** expense. As of the close of the event, the sales and distribution rights of **CONTRACTOR** to the recordings made at this event shall cease and will be re-vested with **SPONSOR**.

**EXPENSES** - There will be no direct cost to the **SPONSOR**. **CONTRACTOR** will assume all responsibilities for the technical arrangements for the recordings, with the exception of payment of any Union and patch fees, which are reimbursable from the **SPONSOR**.

**MASTER TAPE** - The **SPONSOR** will receive, free, one complete set of audio tapes, referred to as the "master tapes" of all sessions recorded by **CONTRACTOR**. **SPONSOR** will retain the master tape copy.

**RELEASE FORMS** - Tape recordings of an individual speaker or meeting will not be released for sale without the consent of the designated speaker(s). The **SPONSOR**, will be responsible for the preparation of speaker release forms for this purpose. The **SPONSOR** will be responsible for obtaining consents for the purpose of releasing recorded presentations for sale. **SPONSOR** will retain all release forms as part of permanent records of the Fellowship.

**REPLACEMENTS** - **CONTRACTOR** agrees to replace defective recordings or reimburse the **SPONSOR** for the cost of replacement of defective recordings, no matter what the cause of damage, during the first ninety days after the closing day of the event, if **SPONSOR** is required to make replacements for purchases made of tapes produced or provided by **CONTRACTOR**. All damaged tapes will be returned to **CONTRACTOR** at **SPONSORS** cost. **CONTRACTOR** will ship replacement recordings, if replacements are made by **CONTRACTOR**, at **CONTRACTOR** expense.

**ATTORNEY FEES AND JURISDICTION** - In the event that any dispute shall arise between **SPONSOR** and **CONTRACTOR**, a provision of this agreement shall be that, in the event of a judgement on behalf of the **SPONSOR**, all reasonable legal fees, including **SPONSOR** attorney costs shall be paid by **CONTRACTOR**. Both **SPONSOR** and **CONTRACTOR** agree that any dispute shall be resolved by the American Arbitration Association in the State where **SPONSOR** is incorporated.

**ADDITIONAL REQUIREMENTS** - \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**ADDENDUMS ATTACHED** - \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**ACCEPTED AND AGREED TO:**

**SPONSOR**

**CONTRACTOR:**

By: \_\_\_\_\_

By: \_\_\_\_\_

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

## COPYRIGHT RELEASE AGREEMENT

This is a Copyright Release Agreement between the \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ and  
(Name) \_\_\_\_\_ of  
(Address) \_\_\_\_\_  
\_\_\_\_\_, (hereinafter "the **MEMBER**")

The \_\_\_\_\_ is conducting a convention and has invited the **MEMBER** to be a speaker or participate in a meeting which the \_\_\_\_\_ intends to tape record and offer copies of the tape recording for sale. The proposed tape(s) will contain the personal experiences of the **MEMBER** as they share their experience, strength and hope in recovery. The **MEMBER**, in electing to sign this Copyright Release Agreement consents to do so as a means of permitting the \_\_\_\_\_ to share their personal experience, strength and hope in recovery with others through the use of the audio tape recording that is made. In so doing the **MEMBER** helps other addicts and assists the \_\_\_\_\_ fulfill its part of the overall responsibility to the Fellowship of Narcotics Anonymous to carry the message of recovery and be self supporting by our own efforts.

The **MEMBER** receives consideration from this agreement, through the satisfaction of having been able to share their experience, strength and hope and assist the \_\_\_\_\_ to carry the message of recovery and remain self supporting.

For this consideration received, the **MEMBER** hereby transfers all of his or her rights to the tape recording made during the meeting that is taped to the \_\_\_\_\_. This transfer is made for the purpose of allowing the \_\_\_\_\_ to utilize the members personal recovery in tape recording only. The **MEMBER** is transferring all of his or her rights to copyright, reissue, or make excerpts from the audio tape or to renew or extend any copyrights thereon.

The \_\_\_\_\_ committee assures the member that \_\_\_\_\_ will protect the members taped message of recovery from Non-Fellowship commercialization.

The **MEMBER** agrees to hold the \_\_\_\_\_ harmless from any liability arising from its use or sale of the audio tape.

This is the only agreement between the \_\_\_\_\_ and the **MEMBER** regarding the audio tape. This agreement can only be changed by the written consent of the parties hereto. This agreement binds the **MEMBER'S** heirs and assigns. The \_\_\_\_\_ agrees to use all reasonable caution to protect the member's anonymity.

**READ, UNDERSTOOD, AND VOLUNTARILY SIGNED** on this \_\_\_\_\_ day of \_\_\_\_\_, 198\_\_\_\_\_.

Member's signature

By: \_\_\_\_\_

Member's name

By: \_\_\_\_\_

\_\_\_\_\_  
**ADDENDUM TO \_\_\_\_\_ AGREEMENT**  
**ADDENDUM I**

The following conditions are to be considered a part of the agreement between the \_\_\_\_\_ (hereafter referred to as \_\_\_\_\_), a service committee of the \_\_\_\_\_ (hereinafter referred to as \_\_\_\_\_), whose address is \_\_\_\_\_ and \_\_\_\_\_ (hereafter referred to as VENDOR).

1. It is agreed and understood that \_\_\_\_\_ is in no way responsible for any accidents or other situations which may result in damages being sought; and as such, \_\_\_\_\_ will indemnify and hold harmless \_\_\_\_\_, the \_\_\_\_\_, their officers, directors, agents, employees and volunteers for any and all claims for damages, of any kind, arising from any negligent acts or omissions of vendor in the execution of this agreement. The exception being such cases where \_\_\_\_\_ or its officers, directors, agents, employees or volunteers are solely responsible for said claims.

2. It is further understood and agreed that \_\_\_\_\_ has adequate personal injury and property damage insurance coverage, to protect the individuals who participate in this excursion. \_\_\_\_\_ will provide \_\_\_\_\_ with a true copy of said insurance coverage and attach it to this addendum.

3. It is agreed and understood that VENDOR will notify \_\_\_\_\_ within seventy-two (72) hours of receiving notice of any cancellation of insurance coverage. Further \_\_\_\_\_ reserves the right to cancel this agreement, without cost to \_\_\_\_\_, if insurance coverage will not be or is not in affect at the time of the event.

ACCEPTED AND AGREED TO:

\_\_\_\_\_  
By: \_\_\_\_\_  
Date: \_\_\_\_\_

VENDOR  
By: \_\_\_\_\_  
Date: \_\_\_\_\_