

Return of Organization Exempt From Income Tax

1998

Department of the Treasury
Internal Revenue Service

Under section 501(c) of the Internal Revenue Code (except black lung benefit trust or private foundation) or section 4947(a)(1) nonexempt charitable trust

Note: The organization may have to use a copy of this return to satisfy state reporting requirements.

This Form is Open to Public Inspection

A For the 1998 calendar year, OR tax year period beginning _____, 1998, and ending _____, 19

B Check if:

Change of address

Initial return

Final return

Amended return (required also for state reporting)

Please use IRS label or print or type. See Specific Instructions.

C Name of organization
NARCONON INTERNATIONAL

Number and street (or P.O. box if mail is not delivered to street address) Room/suite
7060 HOLLYWOOD BLVD. 220

City or town, state or country, and ZIP+4
LOS ANGELES, CA 90028

D Employer identification number
95-2769582

E Telephone number
323-962-2404

F Check if exemption application is pending

G Type of organization Exempt under 501(c) (3) (insert number) OR section 4947(a)(1) nonexempt charitable trust

Note: Section 501(c)(3) exempt organizations and 4947(a)(1) nonexempt charitable trusts MUST attach a completed Schedule A (Form 990).

H(a) Is this a group return for affiliates? Yes No

(b) If "Yes," enter the number of affiliates for which this return is filed: _____

(c) Is this a separate return filed by an organization covered by a group ruling? Yes No

I If either box in H is checked "Yes," enter four-digit group exemption number (GEN) _____

J Accounting method: Cash Accrual Other (specify) _____

K Check here if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS; but if it received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

Note: Form 990-EZ may be used by organizations with gross receipts less than \$100,000 and total assets less than \$250,000 at end of year.

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances

Revenue	1	Contributions, gifts, grants, and similar amounts received:				
	a	Direct public support	1a	392,218.		
	b	Indirect public support	1b	1,004,410.		
	c	Government contributions (grants)	1c			
	d	Total (add lines 1a through 1c) (attach schedule of contributors) (cash \$ 1,395,628. noncash \$ 1,000.)		STMT 2	1d	1,396,628.
	2	Program service revenue including government fees and contracts (from Part VII, line 93)			2	2,581,757.
	3	Membership dues and assessments			3	
	4	Interest on savings and temporary cash investments			4	
	5	Dividends and interest from securities			5	9,361.
	6a	Gross rents	6a			
	6b	Less: rental expenses	6b			
	6c	Net rental income or (loss) (subtract line 6b from line 6a)			6c	
7	Other investment income (describe _____)			7		
Revenue	8a	Gross amount from sale of assets other than inventory	(A) Securities	(B) Other		
			8a	3,500.		
	b	Less: cost or other basis and sales expenses	8b	4,244.		
	c	Gain or (loss) (attach schedule)	8c	-744.		
d	Net gain or (loss) (combine line 8c, columns (A) and (B))		STMT 3	8d	-744.	
Revenue	9	Special events and activities (attach schedule):				
	a	Gross revenue (not including _____ of contributions reported on line 1a)	9a			
	b	Less: direct expenses other than fundraising expenses	9b			
9c	Net income or (loss) from special events (subtract line 9b from line 9a)			9c		
Revenue	10a	Gross sales of inventory, less returns and allowances	10a	63,211.		
	b	Less: cost of goods sold	10b	40,735.		
	c	Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)		STMT 4	10c	22,476.
11	Other revenue (from Part VII, line 103)			11	5,285.	
12	Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)			12	4,014,763.	
Expenses	13	Program services (from line 44, column (B))			13	2,440,541.
	14	Management and general (from line 44, column (C))			14	519,068.
	15	Fundraising (from line 44, column (D))			15	114,711.
	16	Payments to affiliates (attach schedule)		SEE STATEMENT 5	16	95,560.
	17	Total expenses (add lines 16 and 44, column (A))			17	3,169,880.
Net Assets	18	Excess or (deficit) for the year (subtract line 17 from line 12)			18	844,883.
	19	Net assets or fund balances at beginning of year (from line 73, column (A))			19	791,140.
	20	Other changes in net assets or fund balances (attach explanation)			20	0.
	21	Net assets or fund balances at end of year (combine lines 18, 19, and 20)			21	1,636,023.

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Part II Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others.

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising	
22	Grants and allocations (attach schedule)					
	cash \$186,115. noncash \$	186,115.	186,115.	STATEMENT 11		
23	Specific assistance to individuals (attach schedule)	14,980.	14,980.	STATEMENT 12		
24	Benefits paid to or for members (attach schedule)					
25	Compensation of officers, directors, etc.	173,875.	108,339.	46,664.	18,872.	
26	Other salaries and wages	824,281.	594,248.	194,169.	35,864.	
27	Pension plan contributions					
28	Other employee benefits					
29	Payroll taxes	83,275.	56,066.	24,248.	2,961.	
30	Professional fundraising fees					
31	Accounting fees	13,104.		13,104.		
32	Legal fees	64,272.	40,340.	17,365.	6,567.	
33	Supplies	24,640.	12,325.	11,145.	1,170.	
34	Telephone	135,738.	106,288.	22,965.	6,485.	
35	Postage and shipping	57,889.	42,761.	13,675.	1,453.	
36	Occupancy	621,977.	514,009.	104,539.	3,429.	
37	Equipment rental and maintenance	26,930.	23,199.	3,607.	124.	
38	Printing and publications	48,008.	45,516.	2,368.	124.	
39	Travel	77,423.	54,728.	17,192.	5,503.	
40	Conferences, conventions, and meetings					
41	Interest	7,674.	5,927.	1,747.		
42	Depreciation, depletion, etc. (attach schedule)	89,653.	65,801.	21,801.	2,051.	
43	Other expenses (itemize):					
a		43a				
b		43b				
c		43c				
d		43d				
e	SEE STATEMENT 6	43e	624,486.	569,899.	24,479.	30,108.
44	Total functional expenses (add lines 22 through 43) Organizations completing columns (B)-(D), carry these totals to lines 13-15	44	3,074,320.	2,440,541.	519,068.	114,711.

Reporting of Joint Costs. - Did you report in column (B) (Program services) any joint costs from a combined educational campaign and fundraising solicitation? Yes No

If "Yes," enter (i) the aggregate amount of these joint costs \$ _____; (ii) the amount allocated to Program services \$ _____; (iii) the amount allocated to Management and general \$ _____; and (iv) the amount allocated to Fundraising \$ _____

Part III Statement of Program Service Accomplishments

What is the organization's primary exempt purpose?	Program Service Expenses (Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts; but optional for others.)
REHABILITATION AND PREVENTION OF SUBSTANCE ABUSE. <small>All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)</small>	
a SEE STATEMENT 7 (Grants and allocations \$ 31,268.)	2,000,010.
b SEE STATEMENT 8 (Grants and allocations \$ 13,415.)	13,438.
c SEE STATEMENT 9 (Grants and allocations \$ 141,432.)	259,174.
d SEE STATEMENT 10 (Grants and allocations \$)	167,919.
e Other program services (attach schedule) (Grants and allocations \$)	
f Total of Program Service Expenses (should equal line 44, column (B), Program services)	2,440,541.

Part IV Balance Sheets

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

		(A) Beginning of year		(B) End of year	
Assets	45 Cash - non-interest-bearing	242,486.	45	270,854.	
	46 Savings and temporary cash investments		46	84,961.	
	47 a Accounts receivable		47a		
	b Less: allowance for doubtful accounts		47b		
				47c	
	48 a Pledges receivable		48a		
	b Less: allowance for doubtful accounts		48b		
				48c	
	49 Grants receivable			49	
	50 Receivables from officers, directors, trustees, and key employees (attach schedule)			50	
	51 a Other notes and loans receivable		51a		
	b Less: allowance for doubtful accounts		51b		
				51c	
	52 Inventories for sale or use	31,387.	52		28,797.
53 Prepaid expenses and deferred charges	16,808.	53		7,510.	
54 Investments - securities (attach schedule)			54		
55 a Investments - land, buildings, and equipment: basis		55a			
b Less: accumulated depreciation (attach schedule)		55b			
			55c		
56 Investments - other			56		
57 a Land, buildings, and equipment: basis	2,531,796.	57a			
b Less: accumulated depreciation	STMT 13 1,048,835.	57b			
			57c	1,482,961.	
58 Other assets (describe ► SEE STATEMENT 14)	14,145.	58		13,425.	
59 Total assets (add lines 45 through 58) (must equal line 74)	1,022,978.	59		1,888,508.	
Liabilities	60 Accounts payable and accrued expenses	5,173.	60	30,925.	
	61 Grants payable		61		
	62 Deferred revenue		62		
	63 Loans from officers, directors, trustees, and key employees	4,000.	63		
	64 a Tax-exempt bond liabilities		64a		
	b Mortgages and other notes payable	221,728.	64b		213,346.
	65 Other liabilities (describe ► CLIENT FUNDS HELD)	937.	65		8,214.
66 Total liabilities (add lines 60 through 65)	231,838.	66		252,485.	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74				
	67 Unrestricted		67		
	68 Temporarily restricted		68		
	69 Permanently restricted		69		
	Organizations that do not follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 70 through 74				
	70 Capital stock, trust principal, or current funds	0.	70		0.
	71 Paid-in or capital surplus, or land, building, and equipment fund	0.	71		0.
	72 Retained earnings, endowment, accumulated income, or other funds	791,140.	72		1,636,023.
	73 Total net assets or fund balances (add lines 67 through 69 OR lines 70 through 72; column (A) must equal line 19 and column (B) must equal line 21)	791,140.	73		1,636,023.
	74 Total liabilities and net assets / fund balances (add lines 66 and 73)	1,022,978.	74		1,888,508.

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

Part IV-A Reconciliation of Revenue per Audited Financial Statements with Revenue per Return

a	Total revenue, gains, and other support per audited financial statements	a	N/A
b	Amounts included on line a but not on line 12, Form 990:		
(1)	Net unrealized gains on investments \$		
(2)	Donated services and use of facilities \$		
(3)	Recoveries of prior year grants \$		
(4)	Other (specify): \$		
	Add amounts on lines (1) through (4)	b	
c	Line a minus line b	c	
d	Amounts included on line 12, Form 990 but not on line a:		
(1)	Investment expenses not included on line 6b, Form 990 \$		
(2)	Other (specify): \$		
	Add amounts on lines (1) and (2)	d	
e	Total revenue per line 12, Form 990 (line c plus line d)	e	

Part IV-B Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

a	Total expenses and losses per audited financial statements	a	N/A
b	Amounts included on line a but not on line 17, Form 990:		
(1)	Donated services and use of facilities \$		
(2)	Prior year adjustments reported on line 20, Form 990 \$		
(3)	Losses reported on line 20, Form 990 \$		
(4)	Other (specify): \$		
	Add amounts on lines (1) through (4)	b	
c	Line a minus line b	c	
d	Amounts included on line 17, Form 990 but not on line a:		
(1)	Investment expenses not included on line 6b, Form 990 \$		
(2)	Other (specify): \$		
	Add amounts on lines (1) and (2)	d	
e	Total expenses per line 17, Form 990 (line c plus line d)	e	

Part V List of Officers, Directors, Trustees, and Key Employees (List each one even if not compensated.)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (if not paid, enter -0-)	(D) Contributions to employee benefit plans & deferred compensation	(E) Expense account and other allowances
LAURIE ZURN 6331 HOLLYWOOD BLVD. LOS ANGELES, CALIF. 90028	VOTING MEMBER AS NEEDED	0.	0.	0.
KEVIN BURKE 206 S. BRAND BLVD. GLENDALE, CALIF. 91204	DIRECTOR AS NEEDED	0.	0.	0.
DR. MEGAN SHIELDS 5336 FOUNTAIN AVE. LOS ANGELES, CALIF. 90028	DIRECTOR AS NEEDED	0.	0.	0.
CLARK CARR 7060 HOLLYWOOD BLVD. LOS ANGELES, CALIF. 90028	VOTING MEMBER/DIR./PRES 45	30,646.	0.	0.
JEANNE TRAHANT 7060 HOLLYWOOD BLVD. LOS ANGELES, CALIF. 90028	TREASURER 45	46,947.	0.	0.
PHIL HART 7060 HOLLYWOOD BLVD. LOS ANGELES, CALIF. 90028	DIRECTOR 45	43,108.	0.	0.
GARY SMITH 1000 WEST JUDO RD NEWKIRK, OK 74647	KEY EMPLOYEE 45	29,429.	0.	0.
BARBRO A. CHALMERS 7060 HOLLYWOOD BLVD, STE. 220 LOS ANGELES, CALIF. 90028	SECRETARY 40+	23,745.	0.	0.
JOANNE TAKANO IRWIN 7060 HOLLYWOOD BLVD. SUITE 200 LOS ANGELES, CALIF. 90028	VOTING MEMBER AS NEEDED	0.	0.	0.
SCOTT TREGURTHA 7060 HOLLYWOOD BLVD. STE 220 LOS ANGELES, CALIF. 90028	VOTING MEMBER AS NEEDED	0.	0.	0.

75 Did any officer, director, trustee, or key employee receive aggregate compensation of more than \$100,000 from your organization and all related organizations, of which more than \$10,000 was provided by the related organizations? If "Yes," attach schedule. Yes No

Part VI Other Information

Yes No

76	Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity	76		X
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes.	77		X
78 a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?	78a		X
b	If "Yes," has it filed a tax return on Form 990-T for this year? N/A	78b		
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement;	79		X
80 a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?	80a	X	
b	If "Yes," enter the name of the organization SEE STATEMENT 15 and check whether it is <input type="checkbox"/> exempt OR <input type="checkbox"/> nonexempt.			
81 a	Enter the amount of political expenditures, direct or indirect, as described in the instructions for line 81	81a	0.	
b	Did the organization file Form 1120-POL for this year?	81b		X
82 a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?	82a		X
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions for reporting in Part III)	82b	N/A	
83 a	Did the organization comply with the public inspection requirements for returns and exemption applications?	83a	X	
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	83b	X	
84 a	Did the organization solicit any contributions or gifts that were not tax deductible? N/A	84a		
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? N/A	84b		
85	501(c)(4), (5), or (6) organizations. - a Were substantially all dues nondeductible by members? N/A	85a		
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? N/A	85b		
	If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.			
c	Dues, assessments, and similar amounts from members	85c	N/A	
d	Section 162(e) lobbying and political expenditures	85d	N/A	
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices	85e	N/A	
f	Taxable amount of lobbying and political expenditures (line 85d less 85e)	85f	N/A	
g	Does the organization elect to pay the section 6033(e) tax on the amount in 85f? N/A	85g		
h	If section 6033(e)(1)(A) dues notice were sent, does the organization agree to add the amount in 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year? N/A	85h		
86	501(c)(7) organizations. - Enter:			
a	Initiation fees and capital contributions included on line 12	86a	N/A	
b	Gross receipts, included on line 12, for public use of club facilities	86b	N/A	
87	501(c)(12) organizations. - Enter: a Gross income from members or shareholders	87a	N/A	
b	Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.)	87b	N/A	
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership? If "Yes," complete Part IX	88		X
89 a	501(c)(3) organizations. - Enter: Amount of tax imposed during the year under: section 4911 <u>0.</u> ; section 4912 <u>0.</u> ; section 4955 <u>0.</u>			
b	501(c)(3) and 501(c)(4) organizations. - Did the organization engage in any section 4958 excess benefit transaction during the year? If "Yes," attach a statement explaining each transaction	89b		X
c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958			0.
d	Enter: Amount of tax in 89c, above, reimbursed by the organization			0.
90 a	List the states with which a copy of this return is filed <u>CALIFORNIA</u>			
b	Number of employees employed in the pay period that includes March 12, 1998	90b		50
91	The books are in care of <u>BARBRO ANDERSSON-CHALMERS</u> Telephone no. <u>(323) 962-2404</u> Located at <u>7060 HOLLYWOOD BLVD. SUITE 220 L. A. CA.</u> ZIP +4 <u>90028</u>			
92	Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041. - Check here <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the tax year	92		N/A

Part VII Analysis of Income-Producing Activities

Enter gross amounts unless otherwise indicated.

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclu- sion code	(D) Amount	
93 Program service revenue:					
(a) DRUG REHABILITATION					2,347,838.
(b) DRUG REHAB. TRAINING					6,656.
(c) TRADEMARK LICENSE FEES					227,263.
(d)					
(e)					
(f) Medicare/Medicaid payments					
(g) Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments					
96 Dividends and interest from securities			14	9,361.	
97 Net rental income or (loss) from real estate:					
(a) debt-financed property					
(b) not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					-744.
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					22,476.
103 Other revenue:					
a MISC. INC.			01	5,285.	
b					
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))		0.		14,646.	2,603,489.
105 TOTAL (add line 104, columns (B), (D), and (E))					2,618,135.

Note: (Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.)

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).
93A	PAYMENTS RECEIVED FOR DRUG REHABILITATION & EDUCATION SERVICES.
93B	TRAINING & EDUCATION ON DRUG REHABILITATION & DETOXIFICATION DELIVERY.
93C	TRADEMARK LICENSE FEES PAID BY NARCONON CENTERS FOR USE OF DRUG EDUCATION & REHABILITATION TECHNOLOGY.
102	SALE OF BOOKS REGARDING DRUG ABUSE AND OTHER MATERIALS PROMOTING DRUG FREE LIFESTYLES.

Part IX Information Regarding Taxable Subsidiaries (Complete this Part if the "Yes" box on 88 is checked.)

Name, address, and employer identification number of corporation or partnership	Percentage of ownership interest	Nature of business activities	Total income	End-of-year assets
N/A	%			
	%			
	%			
	%			

Please Sign Here: Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature of officer: *Barbro Chalmers* | Date: 11-15-99 | Type or print name and title: BARBRO CHALMERS, SECRETARY

Paid Preparer's Use Only: Preparer's signature: *[Signature]* | Date: 11/15/99 | Check if self-employed: | Preparer's SSN: []

Firm's name (or yours if self-employed) and address: BLAKESLEE CPA GROUP | 814 N. MICHELTORANA ST. | LOS ANGELES, CA | EIN: [] | ZIP + 4: 90026-2702

**SCHEDULE A
(Form 990)**

Organization Exempt Under Section 501(c)(3)

OMB No. 1545-0047

(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or Section 4947(a)(1) Nonexempt Charitable Trust
Supplementary Information

1998

Department of the Treasury
Internal Revenue Service

▶ **Must be completed by the above organizations and attached to their Form 990 or 990EZ.**

Name of the organization **NARCONON INTERNATIONAL** Employer identification number **95 2769582**

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees

(See instructions. List each one. If there are none, enter "None.")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
NONE				
Total number of other employees paid over \$50,000 ▶	0			

Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services

(See instructions. List each one (whether individuals or firms). If there are none, enter "None.")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
ALEXANDER S. MACNABB		
10600 SUNLIT ROAD OAKTON, VIRGINIA	LEGAL	52,828.
GENE ROSS		
1221 W. COAST HWY, #12, NEWPORT BEACH, CA 92663	LANDLORD	171,370.
Total number of others receiving over \$50,000 for professional services ▶	2	

Part III Statement About Activities

	Yes	No
1 During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities. ▶ \$ _____ Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes," must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities.		X
2 During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any of its trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary:		
a Sale, exchange, or leasing of property?		X
b Lending of money or other extension of credit?		X
c Furnishing of goods, services, or facilities?		X
d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? <u>SEE PART V, FORM 990</u>	X	
e Transfer of any part of its income or assets? If the answer to any question is "Yes," attach a detailed statement explaining the transactions.		X
3 Does the organization make grants for scholarships, fellowships, student loans, etc.?		X
4 a Do you have a section 403(b) annuity plan for your employees?		X
b Attach a statement to explain how the organization determines that individuals or organizations receiving grants or loans from it in furtherance of its charitable programs qualify to receive payments. (See instructions.)		

Part IV Reason for Non-Private Foundation Status (See instructions.)

The organization is not a private foundation because it is (Please check only ONE applicable box):

- 5 A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
- 6 A school. Section 170(b)(1)(A)(ii). (Also complete Part V, page 4.)
- 7 A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
- 8 A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
- 9 A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state ▶ _____
- 10 An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the **Support Schedule** in Part IV-A.)
- 11a An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 11b A community trust. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 12 An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the **Support Schedule** in Part IV-A.)
- 13 An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in: (1) lines 5 through 12 above; or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2). (See section 509(a)(3).)

Provide the following information about the supported organizations. (See instructions on page 4.)

(a) Name(s) of supported organization(s)	(b) Line number from above

- 14 An organization organized and operated to test for public safety. Section 509(a)(4). (See instructions on page 4.)

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12 above.) Use cash method of accounting.
 Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting.

Calendar year (or fiscal year beginning in) ▶	(a) 1997	(b) 1996	(c) 1995	(d) 1994	(e) Total
15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)	724,261.	381,830.	363,178.	657,777.	2,127,046.
16 Membership fees received					
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is not a business unrelated to the organization's charitable, etc., purpose	2,087,239.	2,277,559.	2,092,445.	2,409,782.	8,867,025.
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975	8,721.	6,118.	5,648.	3,760.	24,247.
19 Net income from unrelated business activities not included in line 18					
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge					
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets					
23 Total of lines 15 through 22	2,820,221.	2,665,507.	2,461,271.	3,071,319.	11,018,318.
24 Line 23 minus line 17	732,982.	387,948.	368,826.	661,537.	2,151,293.
25 Enter 1% of line 23	28,202.	26,655.	24,613.	30,713.	
26 Organizations described in lines 10 or 11: a Enter 2% of amount in column (e), line 24					26a 43,026.
b Attach a list (which is not open to public inspection) showing the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 1994 through 1997 exceeded the amount shown in line 26a. Enter the sum of all these excess amounts					26b SEE STATEMENT 16 286,457.
c Total support for section 509(a)(1) test: Enter line 24, column (e)					26c 2,151,293.
d Add: Amounts from column (e) for lines: 18 24,247. 19 286,457. 22 226,457. 26b 286,457.					26d 310,704.
e Public support (line 26c minus line 26d total)					26e 1,840,589.
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))					26f 85.5573%
27 Organizations described on line 12: a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," attach a list to show the name of, and total amounts received in each year from, each "disqualified person." Enter the sum of such amounts for each year. N/A					
(1997) (1996) (1995) (1994)					
b For any amount included in line 17 that was received from a nondisqualified person, attach a list to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11, as well as individuals.) After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year: N/A					
(1997) (1996) (1995) (1994)					
c Add: Amounts from column (e) for lines: 15 16 17 20 21					27c N/A
d Add: Line 27a total and line 27b total					27d N/A
e Public support (line 27c, total minus line 27d total)					27e N/A
f Total support for section 509(a)(2) test: Enter amount on line 23, column (e)					27f N/A
g Public support percentage (line 27e (numerator) divided by line 27f, (denominator))					27g N/A %
h Investment income percentage (line 18 column (e) (numerator) divided by line 27f (denominator))					27h N/A %
28 Unusual Grants: For an organization described in line 10, 11, or 12, that received any unusual grants during 1994 through 1997, attach a list (which is not open to public inspection) for each year showing the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not include these grants in line 15. (See instructions.)					NONE

Part V Private School Questionnaire
(To be completed ONLY by schools that checked the box on line 6 in Part IV)

N/A

		N/A	
		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?		
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?		
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves?		
	If "Yes," please describe; if "No," please explain. (If you need more space, attach a separate statement.)		
		
		
32	Does the organization maintain the following:		
a	Records indicating the racial composition of the student body, faculty, and administrative staff?		
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?		
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?		
d	Copies of all material used by the organization or on its behalf to solicit contributions?		
	If you answered "No" to any of the above, please explain. (If you need more space, attach a separate statement.)		
		
33	Does the organization discriminate by race in any way with respect to:		
a	Students' rights or privileges?		
b	Admissions policies?		
c	Employment of faculty or administrative staff?		
d	Scholarships or other financial assistance?		
e	Educational policies?		
f	Use of facilities?		
g	Athletic programs?		
h	Other extracurricular activities?		
	If you answered "Yes" to any of the above, please explain. (If you need more space, attach a separate statement.)		
		
		
34 a	Does the organization receive any financial aid or assistance from a governmental agency?		
b	Has the organization's right to such aid ever been revoked or suspended?		
	If you answered "Yes" to either 34a or b, please explain using an attached statement.		
35	Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If "No," attach an explanation		

Part VI-A Lobbying Expenditures by Electing Public Charities

(To be completed ONLY by an eligible organization that filed Form 5768)

N/A

Check here a If the organization belongs to an affiliated group.

Check here b If you checked "a" above and "limited control" provisions apply.

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred)		(a) Affiliated group totals	(b) To be completed for ALL electing organizations
		N/A	
36	Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	
37	Total lobbying expenditures to influence a legislative body (direct lobbying)	37	
38	Total lobbying expenditures (add lines 36 and 37)	38	
39	Other exempt purpose expenditures	39	
40	Total exempt purpose expenditures (add lines 38 and 39)	40	
41	Lobbying nontaxable amount. Enter the amount from the following table -		
	If the amount on line 40 is - The lobbying nontaxable amount is -		
	Not over \$500,000	20% of the amount on line 40	
	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	
	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	
	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	
	Over \$17,000,000	\$1,000,000	
42	Grassroots nontaxable amount (enter 25% of line 41)	42	
43	Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36	43	
44	Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38	44	

Caution: If there is an amount on either line 43 or line 44, you must file Form 4720.

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 45 through 50.)

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4-Year Averaging Period				N/A (e) Total
	(a) 1998	(b) 1997	(c) 1996	(d) 1995	
45	Lobbying nontaxable amount				0.
46	Lobbying ceiling amount (150% of line 45(e))				0.
47	Total lobbying expenditures				0.
48	Grassroots nontaxable amount				0.
49	Grassroots ceiling amount (150% of line 48(e))				0.
50	Grassroots lobbying expenditures				0.

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A)

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:	Yes	No	Amount
a Volunteers		X	
b Paid staff or management (include compensation in expenses reported on lines c through h)		X	
c Media advertisements		X	
d Mailings to members, legislators, or the public		X	
e Publications or published or broadcast statements		X	
f Grants to other organizations for lobbying purposes		X	
g Direct contact with legislators, their staffs, government officials, or a legislative body		X	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means		X	
i Total lobbying expenditures (add lines c through h)			0.

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities.

Part VII Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations

51 Did the reporting organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?

a Transfers from the reporting organization to a noncharitable exempt organization of:

(i) Cash

(ii) Other assets

b Other transactions:

(i) Sales of assets to a noncharitable exempt organization

(ii) Purchases of assets from a noncharitable exempt organization

(iii) Rental of facilities or equipment

(iv) Reimbursement arrangements

(v) Loans or loan guarantees

(vi) Performance of services or membership or fundraising solicitations

c Sharing of facilities, equipment, mailing lists, other assets, or paid employees

d If the answer to any of the above is "Yes," complete the following schedule. Column (b) should always indicate the fair market value of the goods, other assets, or services given by the reporting organization. If the organization received less than fair market value in any transaction or sharing arrangement, show in column (d) the value of the goods, other assets, or services received.

Table with 3 columns: Question, Yes, No. Rows include 51a(i), a(ii), b(i), b(ii), b(iii), b(iv), b(v), b(vi), and c.

N/A

Table with 4 columns: (a) Line no., (b) Amount involved, (c) Name of noncharitable exempt organization, (d) Description of transfers, transactions, and sharing arrangements.

52 a Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527?

Yes No

b If "Yes," complete the following schedule.

N/A

Table with 3 columns: (a) Name of organization, (b) Type of organization, (c) Description of relationship.

FORM 990 GAIN (LOSS) FROM SALE OF OTHER ASSETS STATEMENT 3

DESCRIPTION	DATE ACQUIRED	DATE SOLD	METHOD ACQUIRED			
SALE/DISPOSAL OF MOTOR VEHICLE	12/31/94	02/25/98	PURCHASED			
NAME OF BUYER	GROSS SALES PRICE	COST OR OTHER BASIS	EXPENSE OF SALE	DEPREC	NET GAIN OR (LOSS)	
JACK BOWKER FORD	3,500.	14,147.	0.	9,903.	-744.	
TO FM 990, PART I, LN 8	3,500.	14,147.	0.	9,903.	-744.	

FORM 990

INCOME AND COST OF GOODS SOLD
INCLUDED ON PART I, LINE 10

STATEMENT 4

INCOME

1. GROSS RECEIPTS	63,211	
2. RETURNS AND ALLOWANCES		
3. LINE 1 LESS LINE 2		63,211
4. COST OF GOODS SOLD (LINE 13)	40,735	
5. GROSS PROFIT (LINE 3 LESS LINE 4)		22,476

COST OF GOODS SOLD

6. INVENTORY AT BEGINNING OF YEAR	31,387	
7. MERCHANDISE PURCHASED	38,145	
8. COST OF LABOR		
9. MATERIALS AND SUPPLIES		
10. OTHER COSTS		
11. ADD LINES 6 THROUGH 10		69,532
12. INVENTORY AT END OF YEAR	28,797	
13. COST OF GOODS SOLD (LINE 11 LESS LINE 12).		40,735

FORM 990 PAYMENTS TO AFFILIATES STATEMENT 5

AFFILIATE'S NAME	AFFILIATE'S ADDRESS	AMOUNT
ASSOCIATION FOR BETTER LIVING & EDUCATION	6331 HOLLYWOOD BLVD. #700, LOS ANGELES, CA. 90028	95,560.
PURPOSE OF PAYMENT		
TRADEMARK LICENSE FEES		95,560.
TOTAL TO FORM 990, PART I, LINE 16		95,560.

FORM 990 OTHER EXPENSES STATEMENT 6

DESCRIPTION	(A) TOTAL	(B) PROGRAM SERVICES	(C) MANAGEMENT AND GENERAL	(D) FUNDRAISING
PROMOTION	142,710.	137,892.	4,372.	446.
STAFF TRAINING	6,213.	3,486.	1,480.	1,247.
COMMISSIONS	95,399.	66,994.		28,405.
PROGRAM DELIVERY COSTS	347,282.	347,282.		
LICENSES, FEES AND DUES	2,006.	856.	1,140.	10.
COURSE MATERIALS	13,389.	13,389.		
BANK CHARGES	17,487.		17,487.	
TOTAL TO FM 990, LN 43	624,486.	569,899.	24,479.	30,108.

DESCRIPTION OF PROGRAM SERVICE ONE

NARCONON INTERNATIONAL ESTABLISHED A NARCONON DRUG REHABILITATION PROGRAM IN AN ADULT PRISON IN TAIPEI, TAIWAN, WHICH HAS TO DATE FREED 20 HEROIN ADDICTS FROM ADDICTION. THE FIRST NARCONON JUVENILE DRUG REHABILITATION PROGRAM OPENED IN UTAH AND STARTED PROVIDING FULL NARCONON PROGRAM SERVICES TO 100 JUVENILES UNDER A CONTRACT WITH THE FOURTH DISTRICT COURT OF THE STATE OF UTAH. WITH HELP FROM NARCONON INTERNATIONAL, 11 NEW NARCONON GROUPS OR ACTIVITIES WERE STARTED IN AUSTRALIA, BOLIVIA, BRAZIL, CANADA, THE CZECH REPUBLIC, HUNGARY, MEXICO AND THE UNITED STATES. ADDITIONALLY, CROATIANS WERE HELPED TO FORM THEIR OWN DRUG REHABILITATION GROUP IN THEIR HOMELAND.

IN ALL, NARCONON INTERNATIONAL PROVIDED ASSISTANCE WITH REGARD TO DRUG REHABILITATION AND DRUG PREVENTION SERVICES TO OVER 45 CENTERS IN 17 COUNTRIES. THESE CENTERS COMBINED TO REHABILITATE A TOTAL OF 532 ADDICTS IN 1998.

	<u>GRANTS</u>	<u>EXPENSES</u>
TO FORM 990, PART III, LINE A	<u>31,268.</u>	<u>2,000,010.</u>

FORM 990

STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS

STATEMENT

8

DESCRIPTION OF PROGRAM SERVICE TWO

THE NARCONON ORGANIZATIONS SERVICE THE COMMUNITY WITH DRUG EDUCATION LECTURES TO IMPROVE PUBLIC KNOWLEDGE CONCERNING THE IMPORTANT TRUTHS ABOUT DRUGS.

IN 1998, THE POPULAR NARCONON DRUG PREVENTION PROGRAM WAS PROVIDED TO OVER 130,000 SCHOOL CHILDREN, TEACHERS AND PARENTS WORLDWIDE INCLUDING 48,000 INDIVIDUALS IN THE US. NARCONON ALSO SHOWED THE "TRUTH ABOUT DRUGS" VIDEO EXTENSIVELY IN THE UNITED STATES AND INTERNATIONALLY.

NARCONON INTERNATIONAL ALSO PRINTED A BOOKLET FOR THE GENERAL PUBLIC ENTITLED "HOW DRUGS AFFECT THE MIND". OVER 21,000 COPIES HAVE BEEN DISTRIBUTED IN LOS ANGELES AND THOUSANDS MORE IN ITALY, INCLUDING TO GOVERNMENT OFFICIALS, JUDGES, THE MILITARY, POLICE AND CIVIC GROUPS. ITALIAN NARCONON GROUPS GAVE OVER 120 LECTURES BASED ON THIS BOOKLET TO COMMUNITIES THROUGHOUT THE ITALIAN PENINSULA.

TO FORM 990, PART III, LINE B

GRANTS	EXPENSES
13,415.	13,438.

FORM 990 STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS STATEMENT 9

DESCRIPTION OF PROGRAM SERVICE THREE

NARCONON'S CRIMINAL REHABILITATION PROGRAM, CRIMINON, ASSISTS PRISON INMATES THROUGH A SERIES OF EDUCATIONAL LIFE SKILLS COURSES IN A TOTAL OF 860 PRISONS THROUGHOUT THE UNITED STATES. DURING 1998, NEARLY 300 PRISONERS COMPLETED THE FULL CRIMINON PROGRAM. A FOR EFFPRISON PROGRAM IN ENSENADA, MEXICO HAS INCREASED THE INMATES RECEIVING DAILY ASSISTANCE IN THESE LIFE SKILLS COURSES TO OVER 150 INMATES.

	GRANTS	EXPENSES
TO FORM 990, PART III, LINE C	141,432.	259,174.

FORM 990 STATEMENT OF PROGRAM SERVICE ACCOMPLISHMENTS STATEMENT 10

DESCRIPTION OF PROGRAM SERVICE FOUR

IN AMERICA AND OTHER PARTS OF THE WORLD, THE NARCONON ORGANIZATIONS CONDUCT CONTINUING CAMPAIGNS THROUGH DIRECT LECTURES, TELEVISION, RADIO, PRINT MEDIA AND THE INTERNET IN ORDER TO RAISE PUBLIC AWARENESS ON THE EXTENT OF THE PROBLEM OF SUBSTANCE ABUSE AND THE NEED FOR EFFECTIVE DRUG ABUSE PREVENTION AND DRUG REHABILITATION.

NARCONON INTERNATIONAL WROTE 4 NEWSLETTERS WHICH DESCRIBED THE RESULTS OF NARCONON'S EFFORTS TOWARDS A DRUG-FREE WORLD AND DISTRIBUTED THEM TO OVER 11,000 PEOPLE INTERNATIONALLY.

A BROADSHEET ENTITLED "THE TRUTH ABOUT DRUGS" WAS DISTRIBUTED TO OVER 100,000 PEOPLE IN THE NEW ENGLAND AREA. OVER 350 RADIO INTERVIEWS WERE BROADCAST WITH THE PRESIDENT OF NARCONON BOSTON, ROBERT WIGGINS (AN EXPERT IN THE FIELD OF DRUG EDUCATION) AND OTHER NARCONON SPOKESPERSONS SPEAKING OUT AGAINST DRUG EXPERIMENTATION AND IN FAVOR OF LIVING A DRUG-FREE LIFE. OVER 100 MILLION PEOPLE IN THE US ALONE WERE REACHED WITH THIS MESSAGE.

	GRANTS	EXPENSES
TO FORM 990, PART III, LINE D		167,919.

FORM 990 CASH GRANTS AND ALLOCATIONS STATEMENT 11

<u>CLASSIFICATION</u>	<u>DONEE'S NAME</u>	<u>DONEE'S ADDRESS</u>	<u>DONEE'S RELATIONSHIP</u>	<u>AMOUNT</u>
GENERAL SUPPORT	REENCUENTRO CON LA VIDA	ENSENADA, MEXICO	N/A	139,932.
GENERAL SUPPORT	CRIMINON FLORIDA	FLORIDA	N/A	1,500.
GENERAL SUPPORT	NARCONON BOSTON	459 BROADWAY STE. 102, EVERETT, MA 02149	N/A	947.
GENERAL SUPPORT	NARCONON NORTH GERMANY	GERMANY	N/A	30,310.
GENERAL SUPPORT	NARCONON BRAZIL	BRAZIL	N/A	958.
GENERAL SUPPORT	ASSOC FOR BETTER LIVING & EDUCATION	6331 HOLLYWOOD BLVD., SUITE 700, LOS ANGELES, CA	N/A	12,468.
TOTAL INCLUDED ON FORM 990, PART II, LINE 22				<u>186,115.</u>

FORM 990 SPECIFIC ASSISTANCE TO INDIVIDUALS STATEMENT 12

<u>DESCRIPTION</u>	<u>AMOUNT</u>
DRUG ABUSE & DETOXIFICATION COURSE MATERIALS AND OTHER SERVICES	14,980.
TOTAL TO FORM 990, PART II, LINE 23	<u>14,980.</u>

FORM 990 DEPRECIATION OF ASSETS NOT HELD FOR INVESTMENT STATEMENT 13

DESCRIPTION	COST OR OTHER BASIS	ACCUMULATED DEPRECIATION	BOOK VALUE
COMPUTER/OFFICE EQUIPMENT	4,716.	4,716.	0.
COMPUTER/OFFICE EQUIPMENT	6,881.	6,881.	0.
COMPUTER/OFFICE EQUIPMENT	7,093.	6,385.	708.
COMPUTER/OFFICE EQUIPMENT	8,507.	6,205.	2,302.
FURNITURE & EQUIPMENT	24,787.	24,787.	0.
FURNITURE & EQUIPMENT	4,121.	4,121.	0.
FURNITURE & EQUIPMENT	1,903.	1,903.	0.
FURNITURE & EQUIPMENT	27,128.	27,128.	0.
FURNITURE & EQUIPMENT	166,719.	166,719.	0.
FURNITURE & EQUIPMENT	273,612.	273,612.	0.
FURNITURE & EQUIPMENT	3,168.	3,168.	0.
FURNITURE & EQUIPMENT	100,375.	100,374.	1.
FURNITURE & EQUIPMENT	1,916.	1,724.	192.
FURNITURE & EQUIPMENT	10,296.	6,619.	3,677.
FURNITURE & EQUIPMENT	4,401.	2,149.	2,252.
LEASEHOLD IMPROVEMENTS	14,214.	5,971.	8,243.
LEASEHOLD IMPROVEMENTS	210,445.	83,302.	127,143.
LEASEHOLD IMPROVEMENTS	616,945.	228,002.	388,943.
LEASEHOLD IMPROVEMENTS	104,591.	35,656.	68,935.
LEASEHOLD IMPROVEMENTS	9,922.	2,350.	7,572.
SAUNA	8,190.	4,095.	4,095.
FURNITURE & EQUIPMENT	3,790.	3,517.	273.
FURNITURE & EQUIPMENT	2,200.	2,200.	0.
FURNITURE & EQUIPMENT	7,489.	7,489.	0.
LEASHOLD IMPROVEMENT	8,750.	4,375.	4,375.
FURNITURE & EQUIPMENT	952.	340.	612.
EQUIPMENT & FURNITURE	594.	212.	382.
AUTO	825.	688.	137.
COMPUTER EQUIPMENT	3,864.	1,932.	1,932.
COMPUTERS	3,683.	1,105.	2,578.
COMPUTERS	7,375.	2,213.	5,162.
COMPUTERS	4,397.	1,319.	3,078.
COMPUTERS	3,855.	1,157.	2,698.
FURNITURE AND EQUIPMENT	6,751.	2,025.	4,726.
FURNITURE AND EQUIPMENT	2,006.	416.	1,590.
FURNITURE AND EQUIPMENT	1,874.	402.	1,472.
LEASEHOLD IMPROVEMENTS	4,101.	373.	3,728.
LEASEHOLD IMPROVEMENTS	651.	195.	456.
NEWPORT COMPUTERS	4,539.	454.	4,085.
MEDITERANNEO BUILDING	800,055.	16,001.	784,054.
COMMUNITY CENTER FURNISHINGS	6,087.	609.	5,478.
CRIMINON INT/NARCONON INT			
COMPUTERS	5,170.	517.	4,653.
CHILOCCO FURNITURE	6,348.	635.	5,713.
CHILOCCO COMPUTERS	14,009.	1,401.	12,608.
CHILOCCO VEHICLES	17,150.	2,858.	14,292.

1998

Attachment Sequence No. 67

Depreciation and Amortization (Including Information on Listed Property) 990

See separate instructions. Attach this form to your return.

4562

Form Department of the Treasury Internal Revenue Service (99)

Name(s) shown on return

Business or activity to which this form relates

Identifying number

NARCONON INTERNATIONAL

FORM 990 PAGE 2

95-2769582

Part I Election To Expense Certain Tangible Property (Section 179) (Note: If you have any "listed property," complete Part V before you complete Part I.)

Table with 5 columns: Line number, Description, and Amount. Includes lines 1-13 for Section 179 election details.

Note: Do not use Part II or Part III below for listed property (automobiles, certain other vehicles, cellular telephones, certain computers, or property used for entertainment, recreation, or amusement). Instead, use Part V for listed property.

Part II MACRS Depreciation For Assets Placed in Service ONLY During Your 1998 Tax Year (Do Not Include Listed Property.)

Section A - General Asset Account Election

14 If you are making the election under section 168(i)(4) to group any assets placed in service during the tax year into one or more general asset accounts, check this box. See instructions

Section B - General Depreciation System (GDS) (See instructions.)

Table with 7 columns: (a) Classification of property, (b) Month and year placed in service, (c) Basis for depreciation, (d) Recovery period, (e) Convention, (f) Method, (g) Depreciation deduction. Includes rows for 3-year, 5-year, 7-year, 10-year, 15-year, 20-year, 25-year property, Residential rental property, and Nonresidential real property.

Section C - Alternative Depreciation System (ADS) (See instructions.)

Table with 7 columns: (a) Class life, (b) Month and year placed in service, (c) Basis for depreciation, (d) Recovery period, (e) Convention, (f) Method, (g) Depreciation deduction. Includes rows for 12-year and 40-year class life.

Part III Other Depreciation (Do Not Include Listed Property.) (See instructions.)

Table with 3 columns: Line number, Description, and Amount. Includes lines 17-19 for other depreciation details.

Part IV Summary (See instructions.)

Table with 3 columns: Line number, Description, and Amount. Includes lines 20-22 for summary of depreciation.

LHA For Paperwork Reduction Act Notice, see the separate instructions.

Form 4562 (1998)

Part V

Listed Property - Automobiles, Certain Other Vehicles, Cellular Telephones, Certain Computers, and Property Used for Entertainment, Recreation, or Amusement

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 23a, 23b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A - Depreciation and Other Information (Caution: See instructions for limits for passenger automobiles.)

23a Do you have evidence to support the business/investment use claimed? Yes No 23b If "Yes," is the evidence written? Yes No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost
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24 Property used more than 50% in a qualified business use:

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	: :	%						
	: :	%						
	: :	%						

25 Property used 50% or less in a qualified business use:

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	: :	%				S/L -		
	: :	%				S/L -		
	: :	%				S/L -		

26 Add amounts in column (h). Enter the total here and on line 20, page 1 26

27 Add amounts in column (i). Enter the total here and on line 7, page 1 27

Section B - Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person.

If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle		(b) Vehicle		(c) Vehicle		(d) Vehicle		(e) Vehicle		(f) Vehicle	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
28 Total business/investment miles driven during the year (DO NOT include commuting miles)												
29 Total commuting miles driven during the year												
30 Total other personal (noncommuting) miles driven												
31 Total miles driven during the year. Add lines 28 through 30												
32 Was the vehicle available for personal use during off-duty hours?												
33 Was the vehicle used primarily by a more than 5% owner or related person?												
34 Is another vehicle available for personal use?												

Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons.

	Yes	No
35 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
36 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See instructions for vehicles used by corporate officers, directors, or 1% or more owners		
37 Do you treat all use of vehicles by employees as personal use?		
38 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
39 Do you meet the requirements concerning qualified automobile demonstration use?		

Note: If your answer to 35, 36, 37, 38, or 39 is "Yes," you need not complete Section B for the covered vehicles.

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
40 Amortization of costs that begins during your 1998 tax year:	: :				
41 Amortization of costs that began before 1998				41	
42 Total. Enter here and on "Other Deductions" or "Other Expenses" line of your return				42	

Asset Number	Description of property					Cost or other basis	Basis reduction	Accumulated depreciation/amortization	Current year deduction
	Date placed in service	Method/IRC sec.	Life or rate	Line No.					
	LEASEHOLD IMPROVEMENTS								
16		88SL	25.00	19	14,214.		5,402.	569.	
17		89SL	24.00	19	210,445.		74,533.	8,769.	
18		90SL	23.00	19	616,945.		201,178.	26,824.	
19		91SL	22.00	19	104,591.		30,902.	4,754.	
20		94SL	19.00	19	9,922.		1,828.	522.	
26		063096SL	5.00	19	8,750.		2,625.	1,750.	
38		070197SL	16.00	19	4,101.		117.	256.	
39		070197SL	5.00	19	651.		65.	130.	
42		070198SL	5.00	19	6,087.			609.	
	** 990 PAGE 2 TOTAL - LEASEHOLD IMPROVEMENTS					975,706.		316,650.	44,183.
	FURNITURE & EQUIPMENT								
5		86SL	5.00	19	24,787.		24,787.	0.	
6		87SL	5.00	19	4,121.		4,121.	0.	
7		88SL	5.00	19	1,903.		1,903.	0.	
8		89SL	5.00	19	27,128.		27,128.	0.	
9		90SL	5.00	19	166,719.		166,719.	0.	
10		90SL	7.00	19	273,612.		273,612.	0.	
11		91SL	5.00	19	3,168.		3,168.	0.	
12		91SL	7.00	19	100,375.		93,204.	7,170.	
13		94SL	5.00	19	1,916.		1,341.	383.	
14		94SL	7.00	19	10,296.		5,148.	1,471.	
15		95SL	7.00	19	4,401.		1,520.	629.	
23		92SL	7.00	19	3,790.		2,976.	541.	
24		92SL	5.00	19	2,200.		2,200.	0.	
25		93SL	5.00	19	7,489.		6,741.	748.	
27		063096SL	7.00	19	952.		204.	136.	

Asset Number	Description of property					Cost or other basis	Basis reduction	Accumulated depreciation/amortization	Current year deduction
	Date placed in service	Method/ IRC sec.	Life or rate	Line No.					
28	EQUIPMENT & FURNITURE								
	070196	SL	7.00	19		594.		127.	85.
35	FURNITURE AND EQUIPMENT								
	070197	SL	5.00	19		6,751.		675.	1,350.
36	FURNITURE AND EQUIPMENT								
	070197	SL	5.00	19		2,006.		15.	401.
37	FURNITURE AND EQUIPMENT								
	070197	SL	7.00	19		1,874.		134.	268.
44	CHILOCCO FURNITURE								
	070198	SL	5.00	19		6,348.			635.
48	COMMUNITY CENTER FURNISHINGS								
	070198	SL	5.00	19		5,351.			535.
** 990 PAGE 2 TOTAL - FURNITURE & EQUIPMENT									
						655,781.		615,723.	14,352.
COMPUTER									
1	COMPUTER/OFFICE EQUIPMENT								
		92	SL	5.00	19	4,716.		4,716.	0.
2	COMPUTER/OFFICE EQUIPMENT								
		93	SL	5.00	19	6,881.		6,192.	689.
3	COMPUTER/OFFICE EQUIPMENT								
		94	SL	5.00	19	7,093.		4,966.	1,419.
4	COMPUTER/OFFICE EQUIPMENT								
		95	SL	5.00	19	8,507.		4,504.	1,701.
30	COMPUTER EQUIPMENT								
	063096	SL	5.00	19		3,864.		1,159.	773.
31	COMPUTERS								
	070197	SL	5.00	19		3,683.		368.	737.
32	COMPUTERS								
	070197	SL	5.00	19		7,375.		738.	1,475.
33	COMPUTERS								
	070197	SL	5.00	19		4,397.		440.	879.
34	COMPUTERS								
	070197	SL	5.00	19		3,855.		386.	771.
40	NEWPORT COMPUTERS								
	070198	SL	5.00	19		4,539.			454.
43	CRIMINON INT/NARCONON INT COMPUTERS								
	070198	SL	5.00	19		5,170.			517.
45	CHILOCCO COMPUTERS								
	070198	SL	5.00	19		14,009.			1,401.
** 990 PAGE 2 TOTAL - COMPUTER									
						74,089.		23,469.	10,816.
VEHICLE									
29	AUTO								
	063096	SL	3.00	19		825.		413.	275.
46	CHILOCCO VEHICLES								
	070198	SL	3.00	19		17,150.			2,858.
47	(D)VEHICLE								
	010194	SL	5.00	19		14,147.		9,902.	0.
** 990 PAGE 2 TOTAL - VEHICLE									
						32,122.		10,315.	3,133.
TECHNICAL									

FORM 990, PART V
LIST OF OFFICERS, DIRECTORS, TRUSTEES AND KEY EMPLOYEES

OFFICERS, DIRECTORS AND TRUSTEES WHO ARE ALSO
EMPLOYEES ARE COMPENSATED ONLY FOR THEIR EMPLOYMENT
DUTIES, NOT FOR THEIR DUTIES AS OFFICERS, DIRECTORS AND
TRUSTEES.