

Form **990**

Return of Organization Exempt From Income Tax

OMB No. 1545-0047

1999

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

This Form is Open
to Public Inspection

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

A For the 1999 calendar year, OR tax year period beginning and ending

- 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, INC.

D Employer identification number
04-2606410

Number and street (or P.O. box if mail is not delivered to street address) Room/suite **E** Telephone number
459 BROADWAY #102 **(617) 389-1107**

City or town, state or country, and ZIP+4 **F** Check if exemption application is pending
EVERETT, MA 02149

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 filed for affiliates? Yes No **I** If either box in H is checked "Yes," enter four-digit group exemption number (GEN) **2595**

(b) If "Yes," enter the number of affiliates for which this return is filed: **J** Accounting method: Cash Accrual

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

1 Contributions, gifts, grants, and similar amounts received:					
a Direct public support	1a	120,138.			
b Indirect public support	1b				
c Government contributions (grants)	1c				
d Total (add lines 1a through 1c) (attach schedule of contributors) (cash \$ 120,138. noncash \$ _____)		1d	120,138.		
2 Program service revenue including government fees and contracts (from Part VII, line 93)			2	38,501.	
3 Membership dues and assessments			3		
4 Interest on savings and temporary cash investments			4		
5 Dividends and interest from securities			5		
6 a Gross rents	6a				
b Less: rental expenses	6b				
c Net rental income or (loss) (subtract line 6b from line 6a)			6c		
7 Other investment income (describe _____)			7		
8 a Gross amount from sale of assets other than inventory	(A) Securities		(B) Other		
	8a				
	8b				
	8c				
d Net gain or (loss) (combine line 8c, columns (A) and (B))			8d		
9 Special events and activities (attach schedule)					
a Gross revenue (not including \$ _____ of contributions reported on line 1a)	9a				
	9b				
	9c				
10 a Gross sales of inventory, less returns and allowances	10a	866.			
	10b	406.			
	10c	460.			
11 Other revenue (from Part VII, line 103)			11		
12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)			12	159,099.	
Expenses	13 Program services (from line 44, column (B))			13	85,091.
	14 Management and general (from line 44, column (C))			14	50,812.
	15 Fundraising (from line 44, column (D))			15	15,875.
	16 Payments to affiliates (attach schedule)			16	
	17 Total expenses (add lines 16 and 44, column (A))			17	151,778.
18 Excess or (deficit) for the year (subtract line 17 from line 12)			18	7,321.	
19 Net assets or fund balances at beginning of year (from line 73, column (A))			19	24,726.	
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	32,047.	

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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 \$ _____ noncash \$ _____				
23	Specific assistance to individuals (attach schedule)				
24	Benefits paid to or for members (attach schedule)				
25	Compensation of officers, directors, etc.	46,074.	21,852.	14,533.	9,689.
26	Other salaries and wages	21,017.	21,017.		
27	Pension plan contributions				
28	Other employee benefits				
29	Payroll taxes	5,319.	3,466.	1,112.	741.
30	Professional fundraising fees				
31	Accounting fees	1,600.		1,600.	
32	Legal fees				
33	Supplies	1,279.	512.	512.	255.
34	Telephone	4,185.	1,423.	1,381.	1,381.
35	Postage and shipping	4,382.	2,629.	438.	1,315.
36	Occupancy	11,001.		11,001.	
37	Equipment rental and maintenance	881.		881.	
38	Printing and publications	6,574.	5,917.		657.
39	Travel	8,319.	7,653.	666.	
40	Conferences, conventions, and meetings				
41	Interest				
42	Depreciation, depletion, etc. (attach schedule)	2,094.		2,094.	
43	Other expenses (itemize):				
a					
b					
c					
d					
e		39,053.	20,622.	16,594.	1,837.
44	Total functional expenses (add lines 22 through 43). Organizations completing columns (B)-(D), carry these totals to lines 13-15.	151,778.	85,091.	50,812.	15,875.

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? DRUG EDUCATION FACILITY		Program Service Expenses (Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts; but optional for others.)
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.)		
a	THE ORGANIZATION OPERATES A DRUG EDUCATION FACILITY WHICH EDUCATES THE PUBLIC DIRECTLY AND HOLDS EDUCATIONAL SEMINARS IN SCHOOLS REACHING OVER 40,000 STUDENTS IN 1999. (Grants and allocations \$ _____)	85,091.
b	_____ (Grants and allocations \$ _____)	
c	_____ (Grants and allocations \$ _____)	
d	_____ (Grants and allocations \$ _____)	
e	Other program services (attach schedule) _____ (Grants and allocations \$ _____)	
f	Total of Program Service Expenses (should equal line 44, column (B), Program services) _____	85,091.

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	17,971.	25,074.
	46 Savings and temporary cash investments	20.	
	47 a Accounts receivable	1,825.	
	b Less: allowance for doubtful accounts		
	48 a Pledges receivable		
	b Less: allowance for doubtful accounts		
	49 Grants receivable		
	50 Receivables from officers, directors, trustees, and key employees		
	51 a Other notes and loans receivable		
	b Less: allowance for doubtful accounts		
	52 Inventories for sale or use	2,719.	2,588.
	53 Prepaid expenses and deferred charges		
	54 Investments - securities		
	55 a Investments - land, buildings, and equipment: basis		
	b Less: accumulated depreciation		
56 Investments - other			
57 a Land, buildings, and equipment: basis	10,468.		
b Less: accumulated depreciation STMT 4	7,473.		
58 Other assets (describe >)			
59 Total assets (add lines 45 through 58) (must equal line 74)	27,799.	32,482.	
Liabilities	60 Accounts payable and accrued expenses	1,125.	435.
	61 Grants payable		
	62 Deferred revenue		
	63 Loans from officers, directors, trustees, and key employees		
	64 a Tax-exempt bond liabilities		
	b Mortgages and other notes payable		
	65 Other liabilities (describe >)	1,948.	
66 Total liabilities (add lines 60 through 65)	3,073.	435.	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.		
	67 Unrestricted	24,726.	32,047.
	68 Temporarily restricted		
	69 Permanently restricted		
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74		
	70 Capital stock, trust principal, or current funds		
	71 Paid-in or capital surplus, or land, building, and equipment fund		
	72 Retained earnings, endowment, accumulated income, or other funds		
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)	24,726.	32,047.	
74 Total liabilities and net assets / fund balances (add lines 66 and 73)	27,799.	32,482.	

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

Table with 2 columns: Description and Amount. Rows include Total revenue, gains, and other support per audited financial statements (N/A), Amounts included on line a but not on line 12, Form 990, and Total revenue per line 12, Form 990.

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

Table with 2 columns: Description and Amount. Rows include Total expenses and losses per audited financial statements (N/A), Amounts included on line a but not on line 17, Form 990, and Total expenses per line 17, Form 990.

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

Table with 5 columns: (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. Lists Susan Birkenshaw, Robert Wiggins, and Gregory Hancock.

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

Table with columns for question number, question text, and Yes/No columns. Includes questions 76 through 91 regarding organizational activities, financials, and employee information.

91 The books are in care of SUSAN BIRKENSHAW Telephone no. 617-389-1107
Located at 459 BROADWAY, EVERETT, MA ZIP +4 02149

92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041-Check here and enter the amount of tax-exempt interest received or accrued during the tax year

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) PUBLIC SCHOOL EDUCATION					38,501.
(b)					
(c)					
(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					
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					
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					460.
103 Other revenue:					
a					
b					
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))		0.		0.	38,961.
105 TOTAL (add line 104, columns (B), (D), and (E))					38,961.

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

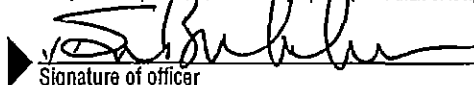
Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes

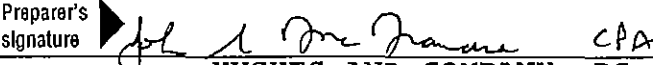
Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).
93A	THE ORGANIZATION PROVIDES INFORMATION TO STUDENTS REGARDING THE HARMFUL EFFECTS OF DRUGS. IT FURTHERS IT'S EXEMPT PURPOSE BY PROMOTING AND EDUCATING ON A DRUG FREE SOCIETY.
102	THE ORGANIZATION'S BOOK AND VIDEO SALES FURTHER IT'S EXEMPT PURPOSE BY PROVIDING EDUCATIONAL MATERIALS TO THE PUBLIC.

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	%			
	%			
	%			
	%			

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. (Important: See General Instruction U.)

Please Sign Here:  Date: 1/8/00 Type or print name and title: JUE BIRKENSHAW TREASURER

Paid Preparer's signature:  Date: 8/14/00 Check if self-employed: Preparer's SSN or PTIN: _____

Preparer's Use Only: Firm's name (yours): HUGHES AND COMPANY, PC if self-employed: ONE WEST FOSTER STREET and address: MELROSE, MA EIN: _____ ZIP+4: 02176-3852

**SCHEDULE A
(Form 990)**

Department of the Treasury
Internal Revenue Service

Organization Exempt Under Section 501(c)(3)

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

Supplementary Information
▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ.**

OMB No. 1545-0047

1999

Name of the organization **NARCONON, INC.** Employer identification number **04-2606410**

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
NONE		

Total number of others receiving over \$50,000 for professional services ▶	0	

LHA For Paperwork Reduction Act Notice, see page 1 of the Instructions for Form 990 and Form 990-EZ.

Schedule A (Form 990) 1999

Part III Statements 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)? SEE PART V, FORM 990	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.)
- 6 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 page 4 of the instructions.)

(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 page 4 of the instructions.)

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) 1998	(b) 1997	(c) 1996	(d) 1995	(e) Total
15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)	120,326.	111,267.	85,895.	89,697.	407,185.
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	28,172.	29,341.	21,965.	30,212.	109,690.
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					
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	148,498.	140,608.	107,860.	119,909.	516,875.
24 Line 23 minus line 17	120,326.	111,267.	85,895.	89,697.	407,185.
25 Enter 1% of line 23	1,485.	1,406.	1,079.	1,199.	
26 Organizations described in lines 10 or 11: a Enter 2% of amount in column (e), line 24					26a 8,144.
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 1995 through 1998 exceeded the amount shown in line 26a. Enter the sum of all these excess amounts					26b 0.
c Total support for section 509(a)(1) test: Enter line 24, column (e)					26c 407,185.
d Add: Amounts from column (e) for lines: 18 _____ 19 _____ 22 _____ 26b _____					26d
e Public support (line 26c minus line 26d total)					26e 407,185.
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))					26f 100.0000%
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 (1998) _____ (1997) _____ (1996) _____ (1995) _____					
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 (1998) _____ (1997) _____ (1996) _____ (1995) _____					
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 1995 through 1998, 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

		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) 1999	(b) 1998	(c) 1997	(d) 1996	
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)

N/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			
b Paid staff or management (include compensation in expenses reported on lines c through h)			
c Media advertisements			
d Mailings to members, legislators, or the public			
e Publications, or published or broadcast statements			
f Grants to other organizations for lobbying purposes			
g Direct contact with legislators, their staffs, government officials, or a legislative body			
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means			
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:

Table with 3 columns: Question, Yes, No. Rows include 51a(I) Cash, a(II) Other assets, b(I) Sales of assets, b(II) Purchases of assets, b(III) Rental of facilities, b(IV) Reimbursement arrangements, b(V) Loans or loan guarantees, b(VI) Performance of services, and c Sharing of facilities.

- (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:

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 (X) 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

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

STATEMENT 2

INCOME

1. GROSS RECEIPTS	866	
2. RETURNS AND ALLOWANCES		
3. LINE 1 LESS LINE 2		866
4. COST OF GOODS SOLD (LINE 13)	406	
5. GROSS PROFIT (LINE 3 LESS LINE 4)		460

COST OF GOODS SOLD

6. INVENTORY AT BEGINNING OF YEAR	2,719	
7. MERCHANDISE PURCHASED	275	
8. COST OF LABOR		
9. MATERIALS AND SUPPLIES		
10. OTHER COSTS		
11. ADD LINES 6 THROUGH 10		2,994
12. INVENTORY AT END OF YEAR	2,588	
13. COST OF GOODS SOLD (LINE 11 LESS LINE 12)		406

FORM 990 OTHER EXPENSES STATEMENT 3

DESCRIPTION	(A) TOTAL	(B) PROGRAM SERVICES	(C) MANAGEMENT AND GENERAL	(D) FUNDRAISING
CONSULTING EXPENSE	2,290.	2,290.		
INSURANCE	520.		520.	
MAILINGS & PROMOTION	18,371.	16,534.		1,837.
MISCELLANEOUS	2,247.	1,798.	449.	
OUTSIDE SERVICES	171.		171.	
TRADEMARK LICENSE FEE	15,454.		15,454.	
TOTAL TO FM 990, LN 43	39,053.	20,622.	16,594.	1,837.

FORM 990 DEPRECIATION OF ASSETS NOT HELD FOR INVESTMENT STATEMENT 4

DESCRIPTION	COST OR OTHER BASIS	ACCUMULATED DEPRECIATION	BOOK VALUE
MACHINERY & EQUIPMENT	9,968.	7,273.	2,695.
COPIER	500.	200.	300.
TOTAL TO FORM 990, PART IV, LN 57	10,468.	7,473.	2,995.

Application for Extension of Time To File Certain Excise, Income, Information, and Other Returns

OMB No. 1545-0148

Department of the Treasury
Internal Revenue Service

► File a separate application for each return.

Please type or print. File the original and one copy by the due date for filing your return. See instructions on back.

Name **Narconon, Inc.**

Employer identification number
04-2606410

Number, street, and room or suite no. (or P.O. box no. if mail is not delivered to street address)

459 Broadway #102

City, town or post office, state, and ZIP code. For a foreign address, see instructions.

Everett, MA 02149

Note: Corporate income tax return filers must use Form 7004 to request an extension of time to file. Partnerships, REMICs, and trusts must use Form 8736 to request an extension of time to file Form 1065, 1066, or 1041.

1 I request an extension of time until Aug 15, 2000 to file (check only one):

- | | | | |
|--|---|---|------------------------------------|
| <input type="checkbox"/> Form 706-GS(D) | <input type="checkbox"/> Form 990-T (sec. 401(a) or 408(a) trust) | <input type="checkbox"/> Form 1120-ND (sec. 4951 taxes) | <input type="checkbox"/> Form 8612 |
| <input type="checkbox"/> Form 706-GS(T) | <input type="checkbox"/> Form 990-T (trust other than above) | <input type="checkbox"/> Form 3520-A | <input type="checkbox"/> Form 8613 |
| <input checked="" type="checkbox"/> Form 990 or 990-EZ | <input type="checkbox"/> Form 1041 (estate) (see instructions) | <input type="checkbox"/> Form 4720 | <input type="checkbox"/> Form 8725 |
| <input type="checkbox"/> Form 990-BL | <input type="checkbox"/> Form 1041-A | <input type="checkbox"/> Form 5227 | <input type="checkbox"/> Form 8804 |
| <input type="checkbox"/> Form 990-PF | <input type="checkbox"/> Form 1042 | <input type="checkbox"/> Form 6069 | <input type="checkbox"/> Form 8831 |

If the organization does not have an office or place of business in the United States, check this box.

2a For calendar year 99, or other tax year beginning and ending

b If this tax year is for less than 12 months, check reason: Initial return Final return Change in accounting period

3 Has an extension of time to file been previously granted for this tax year? Yes No

4 State in detail why you need the extension Additional time is needed for review of this return by accountants and legal counsel.

5a If this form is for Form 706-GS(D), 706-GS(T), 990-BL, 990-PF, 990-T, 1041 (estate), 1042, 1120-ND, 4720, 6069, 8612, 8613, 8725, 8804, or 8831, enter the tentative tax, less any nonrefundable credits. See instructions. \$ _____

b If this form is for Form 990-PF, 990-T, 1041 (estate), 1042, or 8804, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit \$ _____

c Balance due. Subtract line 5b from line 5a. Include your payment with this form, or deposit with FTD coupon if required. See instructions \$ _____

Signature and Verification

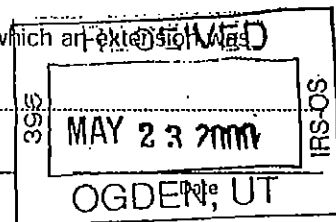
Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete; and that I am authorized to prepare this form.

Signature ► [Signature] Title ► Certified Public Accountant Date ► 15 May 00

FILE ORIGINAL AND ONE COPY. The IRS will show below whether or not your application is approved and will return the copy.

Notice to Applicant—To Be Completed by the IRS

- We HAVE approved your application. Please attach this form to your return.
- We HAVE NOT approved your application: However, we have granted a 10-day grace period from the later of the date shown below or the due date of your return (including any prior extensions). This grace period is considered to be a valid extension of time for elections otherwise required to be made on a timely return. Please attach this form to your return.
- We HAVE NOT approved your application. After considering the reasons stated in item 4, we cannot grant your request for an extension of time to file. We are not granting the 10-day grace period.
- We cannot consider your application because it was filed after the due date of the return for which an extension was requested.
- Other: _____



Director _____ By: _____

If you want a copy of this form to be returned to an address other than that shown above, please enter the address to which the copy should be sent.

Please Type or Print	Name
	Number, street, and room or suite no. (or P.O. box no. if mail is not delivered to street address)
	City, town or post office, state, and ZIP code. For a foreign address, see instructions.