

## Exhibit 2

### Narconon Action Plan - Chilocco Indian School Written Sometime Before July 1988

1. Mr Leroy Bridges of the State Mental Health Department has said that no Oklahomans except for a few indigent Indians would be treated at Narconon Chilocco.

Page 3 of this document shows that Narconon does indeed plan to market their services to Local Customers.

2. Mr. Bridges has said that Narconon-Chilocco has voluntarily placed themselves under state regulation.

Page 1 of this document shows that it is imperative that Narconon be state approved in order to collect insurance and state contract money. It is to Narconon's advantage to do so.

3. Why, one wonders, is it important to be able to collect on state insurance policies and state contracts, when, if as Mr. Bridges has told us, no state clients will be solicited?

4. Page 9 of this document shows that Narconon does not intend to pay the five Indian tribes \$16 million over 25 years as we have been led to believe. Instead, it suggests that the tribes will receive 10% of the gross, which Narconon will undoubtedly control.

5. It is also interesting to note, on page 9, that Medical expenses are expected to run about \$3,000 per month, while Promotion will be \$20,000. The national average advertising expense for all businesses is from 3% to 5% of gross sales.

NARCONON ACTION PLAN  
CHILOCCO INDIAN SCHOOL

This plan will outline the implementation steps that are needed to start a Narconon program at the Chilocco Indian School.

Based on signed Letter of Intent between the Chilocco Committee and Narconon International we have researched what it will take to establish a 60 bed alcohol, drug rehabilitation program at Chilocco. Committee members Cynthia Stoner, Dave Baldwin and Charles Norman helped Narconon gather all the necessary information.

The first step we must take to set up Narconon at Chilocco is to apply for a Certificate of Need from the Oklahoma Health Planning Board in Oklahoma City. This is a process in which the State of Oklahoma must approve any health services program being established in the State of Oklahoma, if we are going to deliver alcohol and drug rehabilitation services to any persons who are not Native Americans.

The next step is to then get Narconon at Chilocco licensed by the State of Oklahoma. This is essential because we will be providing services to both Indian and Non-Indian people paid through a fee for service, insurance coverage and possible state contracts. State licensing is mandatory for us to be able to accept Non-Indian clientele.

Applying for and getting a certificate of need and a state license are mandatory for use to be able to open up Narconon at Chilocco. The certificate of need is a pre-requisite to receiving a state license.

CERTIFICATE OF NEED

The State of Oklahoma has procedures for project review under the state certificate of needs law. We have received application forms from the Oklahoma Health Planning Commission at the State Department of Health. The form is titled APPLICATION FORM FOR CERTIFICATE OF NEED AND SECTION 1122 REVIEW.

Our application for certificate of need to establish a 60 bed facility at Chilocco must receive approval prior to being State licensed by the Oklahoma State Department of Health.

Our plan is to have the application completed by the 20th of July, 1988. This will meet the 25th of July, 1988 deadline to submit the application to the Oklahoma Health Planning Commission for their August meeting.

It will take an estimated 60 to 90 days for approval to be received once the Health Planning Commission takes up our submitted application.

There is an application fee involved of three fourth of one percent of the total cost of the proposed project. There is a minimum of \$1,500 and a maximum of \$10,000.

In addition Narconon is currently assessing the need to hire a local representative in Oklahoma City to help see the application process through to completion.

#### STATE LICENSING

Once our certificate of need application has received an approval from the Health Planning Commission we next need to renovate the selected buildings at Chilocco so that they will pass State Fire Marshall and State Department of Health inspections.

We have received a copy of the MINIMUM STANDARDS FOR LICENSURE OF ALCOHOLISM TREATMENT CENTERS. Both the State Fire Marshall and Health Department have agreed to help with a courtesy inspection and a summary report on the buildings that we are proposing to use.

Chilocco Committee member Dave Baldwin is an engineer and is helping us assess what renovations are necessary to get started with and what the possible expenses will be.

This will involve electrical & plumbing repair, painting, any glass replacement, fire alarms, etc. We are using the report by Garry Smith Consulting Engineers for estimates of what repairs will be needed.

When the buildings meet the necessary fire, health and building codes we will receive our license to operate and then we can open our doors to clientele.

#### STATE CERTIFICATION OF PROGRAM

The next step is to get the Narconon program at Chilocco certified by the Oklahoma State Department of Mental Health. Certification is based on the STANDARDS AND CRITERIA FOR ALCOHOL, DRUG, DOMESTIC VIOLENCE AND MENTAL HEALTH PROGRAMS IN OKLAHOMA, seventh edition, revised June 14, 1987.

In order to obtain government contracts with the State of Oklahoma, we need to be certified.

There is an application submitted to the State Department of Mental Health and in the event full certification is not granted, provisional certification can be granted while any deficiencies are corrected.

(Note. The process of certification is not started until we have received our state license and have begun operation at Chilocco. Certification is not a requirement for opening our door for operation.)

### MARKETING OF THE NARCONON PROGRAM

Marketing is one of the most if not the most critical areas of concern. Initial marketing will start as soon as a lease is obtained and the establishment of Narconon Chilocco begins.

There are several immediate sources of paying clientele for the program including the following:

1. Local clientele covered by insurance
2. Local clientele covered by fee for service
3. Oklahoma clientele covered by insurance
4. Oklahoma clientele covered by fee for service
5. Business clientele referred to Narconon Chilocco and covered by insurance
6. Out of State referrals from all Narconon offices in the United States and Canada that are covered by fee for service or insurance
7. State contracts that pay for beds

(Important Note. There is an interest in Oklahoma City to contract with Narconon at Chilocco for beds to rehabilitate inhalant abusers.)

(Important Note. In addition to paying public, Narconon will reserve the right to offer Native Americans selection to work/study programs if income is insufficient. This will provide up to 15 out of 60 beds for Native Americans in Oklahoma.)

Preliminary research will need to be done with each groups mentioned above and contacts made to set up referral lines of communication.

Local, state and out of state business's can be approached for contracts with Narconon to handle there addicted employees that are covered by employer insurance.

A scholarship fund can be started that can be applied to by those who cannot pay and when all of the work beds are filled.

Brochure, posters and flyers will need to be produced and distributed. Public Service Announcements on radio and TV aired. Media interviews about alcohol, drugs and inhalant abuse, the Narconon program and Chilocco will be scheduled and done.

These steps can begin to occur as the buildings are being renovated and will insure that the program is full.

### SEED MONEY

The finances necessary to get Narconon established at Chilocco will approximate \$250,000. These costs include the renovation costs, initial staff costs, materials, phone set-up, certificate of need fee, travel expenses and a consultant in Oklahoma City for Narconon. Some of these costs have more immediate needs than others.

Narconon International will raise these funds over the next four months through donations, fundraisers and Narconon International accounts.

Listed below are the various financial needs.

### Renovations

Listed below are the buildings that we are currently looking at starting with and the estimated renovation costs based on the report from Garry Smith Consulting Engineers.

1. Building 180 - Center Floor  
Estimated renovations cost \$116,192  
(see attachments)
2. Student Union  
Estimated renovation costs \$3,273  
(see attachments)
3. Building 60 - 3 Unit Apartment  
Estimated renovations costs \$34,485  
(see attachments)

The total estimated renovation costs for the above three buildings is \$153,950.

### List of needed materials

60 beds  
60 chest of drawers  
100 chairs  
60 small tables  
25 large dining tables  
10 desks  
10 office chairs  
several couches  
xerox machine  
FAX line & equipment  
computer & modem  
typewriters  
phones & set-up

blankets, sheets, pillows & towels  
kitchen supplies, i.e. pots, pans, dishes, toasters, etc.  
food  
van for transportation  
curtains  
washer & dryer  
cleaning supplies

Ideally we could raise much of these materials as tax deductible donations to Narconon. The Estates Director would spend part of his time working on materials donations. Some of our seed money will have to be spent on the above items.

#### Staff

We are estimating we will need a minimum of \$29,352 in payroll expenses for the initial group of staff during the renovation phase, approximately a 3 month period.

#### Certificate of Need fee

The fee for the certificate of need application is between \$1,500 and \$10,000.

#### Consultant for Narconon

We are going to hire a local consultant in Oklahoma City to work with us in getting our certificate of need and state license. The cost is being negotiated.

#### EMPLOYMENT

The initial staff will come from existing Narconon offices who have experience in Narconon's administration and rehabilitation procedures.

Hiring of additional staff will come from the local population and graduates of the Narconon program at Chilocco. Hiring will be geared to filling positions in administration, treatment and estates areas.

Native Americans from the 5 nations will be given first preference in hiring.

STAFFING  
10      ial Staff

EXECUTIVE DIRECTOR

ADMINISTRATOR

PROGRAM  
DIRECTOR

COMMUNITY  
RELATIONS  
DIRECTOR

EXEC DIV	ADMIN DIV	INTAKE DIV	FINANCE DIV	REHAB SERVICES DIV	QUALITY CONTROL DIV	PR DIV
7	1	2	3	4	5	6
EXEC DIR OFFICE ESTATES	ETHICS OFFICER	INTAKE COUNSEL	HFA	COURSE SUP COUNSELOR PURIFICATION I/C	HFA	HFA

DIVISIONAL FUNCTIONS

- 1) Administration - staff hiring, training of staff, organizational communications, reception, ethics section
- 2) Intake - intake counseling & registration of students into the program, work with probation and the courts if needed, books & materials, program magazines and promotional material
- 3) Financing - income, disbursements, records, assets & material
- 4) Rehab Services - student testing, drug detoxification, Purification program, counseling, courses
- 5) Quality Control - case supervisor overseas and programs all cases, tests on completion of courses or program steps, staff training, program corrections as necessary
- 6) Public Relations/Community Relations - public referral communication lines, corporate contracts, government and Community relations, etc.
- 7) Executive Director - oversees the running of the whole program, liaise with state officials, courts, probation, etc.

## OPERATING BUDGET

The cost of the Narconon program will probably be between \$3,000 and \$4,000 a month, so we will use the figure of \$3,500. If we open a 60 bed facility with 45 paid beds and 15 work beds the estimated potential income per month would be \$157,500.

(Note. Once negotiations begin to occur for contracts with industry on handling addicted employees there will probably be a corporate rate and individual rate. The corporate rate might be \$3,500 and the individual rate \$4,000 or something along this line.)

The potential monthly income would be \$157,500. 15% of this amount would be \$23,625.

## LEASE AGREEMENT WITH CHILOCCO COMMITTEE

It is important to Narconon International to complete our agreement and sign a contract with the Chilocco Committee for a Long term lease so that our fundraising may begin. We will need to raise the seed money immediately to cover the start up costs.

## CONTINUED EXPANSION

Renovation would first occur with building 180, the Student Union, building 60. As the Narconon program is expanding we will want to renovate Home 5 and other housing facilities along with the main school building & auditorium, gym, pool, football field, tennis courts and golf course. Also begin the farm projects with chickens, cows, cattle, horses, etc. and start some farming.

The order we progress in will be determined by need and existing finances from the program.

In addition to the above we would like to put the wood shop and print shops back into working order and add a metal shop and arts & crafts workshop.

One idea that we have come up with has to do with the use of the armory. The individuals from different tribes that have attended Chilocco all have very fond memories of the school so we would like to eventually make the armory an Indian Museum including the history of Chilocco. We also would like it to be a gallery for Indian artist and a gift shop or shops. This site would also be an office for public information about Narconon and the facility. This would provide a center for cultural exchange.

we could also provide the auditorium for annual school reunions, cultural events and tribal or community meetings.



The long range goal would be for Chilocco to become known as one of the best alcohol and drug rehabilitation communities in the world. In addition it will show the world how the Indian Nations came together to do something about the drug problem, not only for the Indian nations but people from all cultures.

Our dream is a 1,000 bed alcohol, drug and inhalant rehabilitation community with 400 trained staff making an impact on the the drug problem. Clientele will be local, state and out of state covered by a fee for service, insurance, state contracts or they are in the work program.

Special attention will be given to providing our services to the Indian nations along with first consideration to members of the five tribes in our employment activities.

The time frame in which to accomplish a fully renovated and staffed facility would be 3 to 5 years.

John S. Duff  
President

for

Board of Directors  
NARCONON International

OPERATING BUDGET BREAKDOWN

<u>GROSS INCOME</u>	<u>\$157,500</u>
10% CHILOCCO COMMITTEE	\$15,750
5% RENOVATION ACCOUNT	\$7,375
10% ADMINISTRATIVE COSTS (legal, marketing & administrative)	\$15,750
3% to 10% REFERRAL COMMISSIONS	\$10,238
<u>CORRECTED INCOME</u>	<u>\$107,867</u>
PAYROLL (up to 30 staff)	\$50,000
PROMOTION COSTS	\$20,000
BILLS	\$14,487
UTILITIES	\$5,000
PHONE	\$2,500
MEDICAL	\$3,000
TRANSPORTATION (vehicles & expenses)	\$10,000
MISC.	\$2,900

Chilocco Campus buildings to open up with:

Home 5  
Student Union  
Building 60  
Staff Houses

Priorities of renovation of other buildings and facilities:

1. Building 180
2. additional Staff Housing
3. Pool
4. Building 8 (Auditorium & Classrooms)
5. Gym
6. Cafeteria
7. Home 6 (needed for expansion of number of beds)
8. Home 4 (needed for expansion of number of beds)
9. Various workshops

(Note. Armory is being looked at as the Museum & giftshop)