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NAVY LEAGUE OF THE UNITED STATES

Serving the Sea Services since 1902

2300 WILSON BOULEVARD
ARLINGTON, VIRGINIA 22201

January 22, 2001

Mr. J.M. Holmes, President
NLUS-Placer County Council
P.O. Box 1206
Rocklin, California 95677

Dear Mr. Holmes:

We have received all of the materials from your council that are necessary to participate in the Group Exemption (that is, as an organization exempt from federal income tax under sections 501 (a) and 501 (c) (3) of the Internal Revenue Code) which was approved by the Internal Revenue Service (IRS) on November 6, 1990. The council has been added to the list of participating subordinate councils.

A four-digit group exemption number (GEN) 3276 was assigned by the IRS Service Center in Philadelphia on January 14, 1991. This number must be used in order to identify the Group Exemption when corresponding with the IRS. Do not confuse it with your council's Employer Identification Number (EIN).

A copy of the IRS letter recognizing the Group Exemption, and the letter assigning the GEN are attached. This letter provides you with important information about the Group Exemption granted to the Navy League of the United States (Navy League) and its subordinate councils.

RIGHTS

A significant benefit of being included in the Navy League's Group Exemption is that your council may receive contributions deductible by the donor as provided for in section 170 of the Code. Additionally, bequests, legacies, devises, transfers, or gifts to or for your council's use are generally deductible for federal estate and gift tax purposes under sections 2055, 2106, and 2522 of the Code.

Should you ever encounter a situation where a potential donor requests proof that your council is a member of the Group Exemption, you may send them a copy of the Determination Letter.

RESPONSIBILITIES

Your council (though now exempt as a member of the Group Exemption) is still required to file an annual information Return of Organization Exempt from Income Tax Form 990, by May 15, if its gross receipts normally exceed \$25,000 annually. Moreover, if your council conducts any activities that give rise to the unrelated business income tax, the council must file and Exempt Organization Business Income Tax Return (Form 990-T).

As you may know, the law imposes a penalty of \$10 a day (with maximum penalty of the lesser of 5 percent of your council's gross receipts for the year in question or \$5,000) when a return is filed late or incomplete, unless there is a reasonable cause for the delay. Please be advised that even if your council does not meet the \$25,000 filing minimum, if you receive a Form 990 from the IRS, you should file. This will allow the IRS to update its records regarding whether or not your council should be sent a Form 990 in future years.

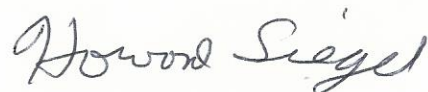
As you are probably aware, your council is liable for FICA (social security) taxes on remuneration of \$100 or more paid to any council employee during a calendar year. However, your council is not liable for the FUTA (unemployment) tax.

In addition to your filing responsibilities with regard to the IRS, your council must promptly provide the Navy League with information regarding any changes in the following areas so that the Navy League is able to fulfill its responsibilities under the Group Exemption:

1. Any material changes in the purposes, character or method of operation of your council; and /or
2. Any changes in the name or address of your council.

Please call this office, at the Navy League, if you have any questions about the rights and responsibilities of your council as a member of the Navy League Group Exemption.

Sincerely,



Howard B. Siegel
Senior Director of Finance