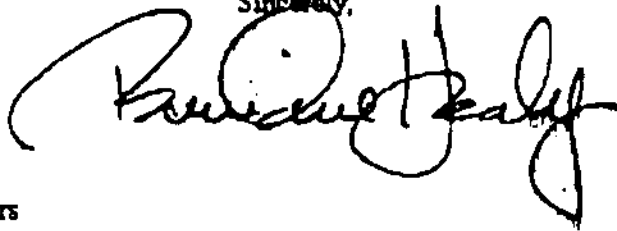


4. The external auditor (KPMG) engaged by the Corporation has not been overseeing the process of auditing chapters, the Headquarters review of the chapter external audit reports, or the periodic chapter audits done by our own internal audit team. Moreover, the KPMG reviews of our form 990 filings are inadequate. This appears to be a major business and legal risk, and would impact many of KPMG's certifications. On this issue, chapter boards engage external auditors at the local level and Headquarters does not have assurance that these audits are performed adequately. Most "reporting" is voluntary.

Other issues that have been festering and are widely known include the lack of accountability of chapters for annual performance; a reluctance of Headquarters to exercise hiring and firing authority over chapter executives; and a tendency of Headquarters to relegate its authority to an advisory role as it relates to chapters. We have limited organization-wide systems to ensure compliance.

We are the steward of the resources entrusted to us by the American public and have an obligation to address these issues urgently. With others in management, I continue to handle the Hudson County Chapter matter and am underway with plans to address system-wide vulnerabilities.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard H. Kelly". The signature is written in a cursive style with a large, prominent initial "R".

cc: Mr. David T. McLaughlin, Board of Governors
Mr. John D. Campbell, Chief Financial Officer