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December 30, 1998

VIA FEDERAL EXPRESS

Department of the Treasury
Internal Revenue Service
Philadelphia, PA 19255

Re: **Employer ID No.:** 52-1918327
Document Locator No.: 89839-045-46696-7
FUTA – Tax Year Dec. 31, 1996

Dear Sir or Madam:

This firm represents Hamilton Securities Group, Inc. ("Hamilton") in connection with the above-referenced matter. We are in receipt of a Notice dated November 17, 1998 from the Internal Revenue Service which proposes a federal unemployment tax increase in light of information received the District of Columbia employment insurance agency. Please treat this letter as a response to the aforementioned Notice.

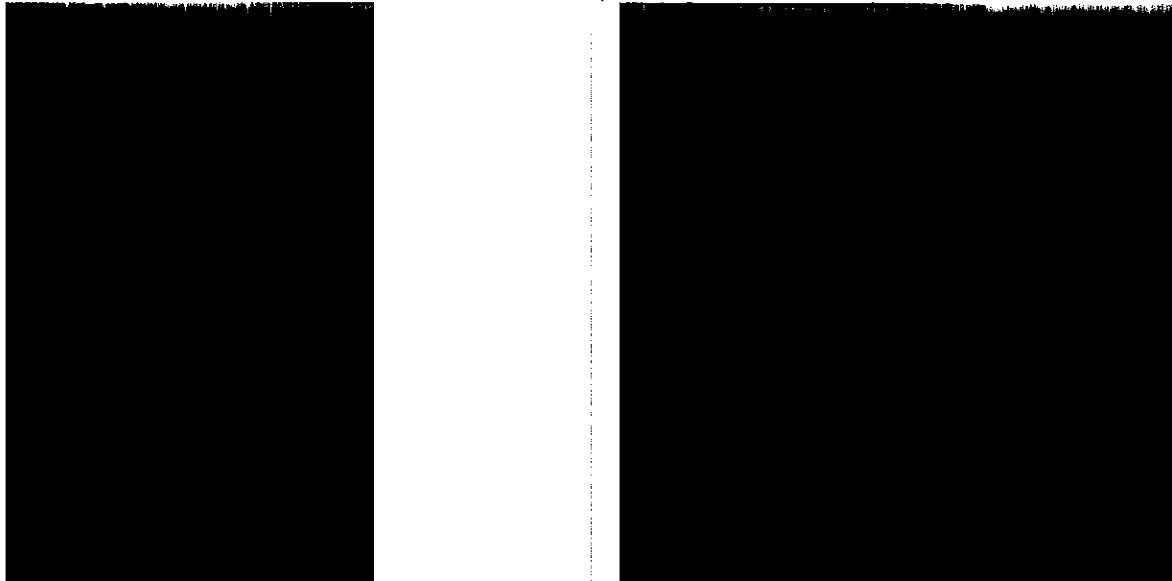
According to the Notice, information received by the IRS from the District of Columbia does not show that Hamilton paid its District of Columbia unemployment taxes for the 1996 tax year. The Notice proposes a tax increase in the amount of \$10,679.62, which represents a 90% federal tax credit for Hamilton's state contributions, rather than the 100% credit permitted when state unemployment tax contributions are paid by the Form 940 due date.

In fact, as the attached information demonstrates, Hamilton did pay its District of Columbia unemployment tax contributions by the Form 940 due date. The error can be traced to the fact that the state reporting number used by Hamilton – 057253 – differs from the state reporting number listed on the Notice (000000).

In conformity with the instructions given in the Notice, I am enclosing copies of the four quarterly forms filed on Hamilton's behalf for the 1996 tax year, as well as copies of both sides of the canceled checks which show that the tax was paid. I am also enclosing an original Employer Account Abstract completed by the District of Columbia Department of Employment Services which certifies that the contributions were paid in a complete and timely fashion.

I trust you will work with the District of Columbia to ensure that this error will not be repeated. The root of the error may be that the District has continuously and mistakenly referred to Hamilton Securities Group, Inc. by its prior corporate name, Fitts Davis & Co.

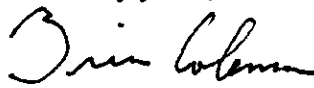
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If you require further information, or if you have any questions, please contact Carolyn Betts at (202) 483-3004 or at the address given on the Notice.

Sincerely yours,



Brian A. Coleman

Enclosures

cc: Ms. Jewel Harper (Hamilton Securities Group, Inc.)

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