TT&L
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ABN·AMRO

C/M 9/21/99

Thomas C. Heagy
Chief Financial Officer

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September 14, 1999

Ms. Cynthia L. Johnson, Director
Cash Management Policy & Planning Division
Financial Management Service
401 14th Street, SW Room 420
Washington, DC 20227

Dear Ms. Johnson:

The use of LBNA's investment securities as collateral for the investment component of the Treasury Tax and Loan (TT&L) program is currently only marginally profitable for the bank.

- The average utilization of 25% of the TT&L ceiling means that 75% of the time the collateral that is specifically reserved for this program is not used. In other words, the Bank could significantly increase secured purchased funds (and reduce our funding costs) if we did not participate in this program.

- TT&L investment balances are volatile. 100% "C" calls can fully deplete large TT&L deposits without any advanced warning, forcing the Bank into the interbank market at the same time that other depositories are losing TT&L balances. Unanticipated direct deposits can increase our level of liabilities beyond the point where we need them.

The current rate for TT&L investments is attractive. However, Fed Funds –25 only marginally compensates us for Treasury's free option to increase or decrease TT&L balances.

If the Treasury adopts the new proposal and increases our borrowing cost to Fed Funds –2 basis points, we will no longer participate in the program.

Sincerely,

Thomas C Heagy

CC: Mr. Ron Piatek, Manager
Treasury Tax & Loan Dept, Chicago Branch

Mr. Harrison Tempest, Chairman & Chief Executive Officer
ABN AMRO North America, Inc.