ABN·AMRO ROTHSCHILD

January 12, 2000

Re: **ABN AMRO Rothschild LLC**

Mr. Michael A. Macchiaroli
Associate Director
Division of Market Regulation
Securities and Exchange Commission
450 5th Street, N.W.
Washington, D.C. 20549

Dear Mr. Macchiaroli:

We are writing to request your confirmation of the proposed treatment for net capital purposes of certain securities purchases and sales by ABN AMRO Rothschild LLC ("AAR"), which is in the process of registering as a broker-dealer with the Securities and Exchange Commission (the "Commission") pursuant to Section 15 of the Securities Exchange Act of 1934 (the "Exchange Act"). In particular, we seek your assurance that the Division of Market Regulation (the "Division") will not object if, in computing its "net capital" for purposes of Exchange Act Rule 15c3-1 (the "Rule"), AAR does not deduct the "haircuts" specified in paragraph (c)(2)(viii) of the Rule for "open contractual commitments" in respect of securities purchased by AAR and immediately resold pursuant to the Securities Purchase Agreement described below.

AAR is a joint venture between ABN AMRO Incorporated ("AAI") and Rothschild Inc. ("RINC"). Each of AAI and RINC is registered as a broker-dealer with the Commission under Section 15 of the Exchange Act, is a member of the New York Stock Exchange Inc. and of the National Association of Securities Dealers, Inc. (the "NASD"). Each of AAI and RINC is subject to the $250,000 minimum net capital requirement under applicable to broker-dealers that engage in underwriting and other principal activities. AAI and RINC are not affiliated with one another.

The parent and affiliated companies of AAI and RINC are parties to a global joint venture arrangement, and certain subsidiary local joint venture arrangements, through which they conduct jointly certain equity capital markets activities in the United Kingdom, the Netherlands, France and elsewhere throughout the world. The parties now wish to extend the venture to the United States, where the joint venture will be conducted through AAR, a limited liability company in which each of AAI and RINC will own a 50% equity interest. AAR will register as a broker-dealer with the Commission and will become a member of the NASD (it will not become a member of any securities exchange).

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In furtherance of AAI's and RINC's capital market activities, AAR will from time to time enter into underwriting agreements and other agreements to purchase securities, including block purchases of securities in the secondary market. Prior to, or at the same time, that AAR enters into any such purchase agreement with an issuer or other seller of securities, AAR will also enter into an agreement (a "Securities Purchase Agreement") to resell those securities to AAI and RINC on the identical price, volume and timing terms under which AAR will purchase the securities. The obligations of AAI and RINC, pursuant to a Securities Purchase Agreement, to purchase securities that AAR has purchased for resale to them will be absolute and unconditional and AAI and RINC will be jointly and severally liable to issuers and other counterparties for all obligations undertaken in the name of AAR. Each Securities Purchase Agreement will specify the number of shares that each of AAI and RINC is obligated to purchase from AAR. In every case, the total number of shares to be purchased by AAI and RINC will equal 100% of the shares (including any green shoe or similar amount) to be purchased by AAR.

AAI and /or RINC will bear the entire responsibility and risk associated with the securities that each individually purchases from AAR pursuant to a Securities Purchase Agreement. At the closing for the relevant underwriting or other securities purchase, AAI and RINC will pay for all securities committed for by AAR, will take delivery of such securities, and will be solely responsible for distributing or selling such securities to their customers or other counterparties. In respect of the securities positions that they purchase from AAR, each of AAI and RINC will take the appropriate "haircut" from its net capital, in accordance with paragraph (c)(2)(viii) of the Rule. Any such haircut will be taken on the same date AAI and RINC will have been required to take the haircut had they purchased the securities directly.

As a consequence of the arrangements described above, AAR will bear no principal risk associated with any securities that are the subject of a Securities Purchase Agreement nor with any obligations to customers of AAI and RINC. Thus, we believe it should be sufficient if AAR were subject to a $100,000 minimum net capital requirement under the Rule and that AAR should not be required to take any capital charge pursuant to paragraph (c)(2)(viii) of the Rule in respect of securities that are subject to a Securities Purchase Agreement. Because AAI and RINC will be irrevocably bound to purchase all securities committed for by AAR that are subject to a Securities Purchase Agreement and will each maintain the required net capital in respect of their commitments to purchase such securities, no regulatory purpose would be served by having AAR separately take an additional capital charge in respect of the same securities.

The Commission has previously granted relief where a party that has an underwriting or other similar commitment enters into an arrangement with an affiliate pursuant to which the affiliate is obligated to purchase and distribute the entire amount of the other party's underwriting commitment. See Chicago Dearborn Co. (available May 12, 1993) (the "CD Letter); Smith Barney, Incorporated (available November 24, 1989) (the "SB Letter"). Each of these letters is more fully described below.

CD Letter. This letter involved a partnership, Chicago Dearborn Company (the "Partnership"), which was owned 49% by Chicago Dearborn Holdings, Inc. ("CDH") and 51% by

Chicago Dearborn Corp. ("CDC"). CDH was a wholly-owned subsidiary of Chicorp, Inc., which also owned The Chicago Corporation ("TCC"), a registered broker-dealer.

The Partnership acted as manager and syndicate member for firm commitment underwritings. Like AAR, the Partnership had no customers of its own and did not distribute securities. Upon the effectiveness of any registration statement for securities to be purchased by the Partnership, TCC was legally obligated, pursuant to a securities purchase agreement, to purchase from the Partnership all securities as to which the Partnership had a purchase commitment. The staff of the Division advised in the CD Letter that so long as TCC took the capital charges that would otherwise have been taken by the Partnership, it would not recommend enforcement action to the Commission pursuant to paragraph (c)(2)(viii) of the Rule if the Partnership did not also take the specified deductions.

SB Letter. The SB Letter concerned a limited partnership ("LP") that provided interim financing to facilitate the completion of corporate transactions where repayment would be derived from the proceeds of subsequent placements of permanent financings or asset sales. A newly formed broker-dealer ("Newco") acted as co-managing underwriter of the underwriting or private placement of permanent financing. LP was irrevocably committed to act as stand-by purchaser of any unsold securities resulting from any underwriting commitments of Newco with the intent that LP would purchase any securities that Newco was unable to sell to the general public. The staff of the Division concluded in the SB Letter that LP's irrevocable commitment to repurchase securities from Newco made it unnecessary for Newco to take capital charges in respect of its open contractual commitments.

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The underwriting and securities purchase arrangements among AAR, AAI and RINC are substantially similar to those described in the CD Letter and the SB Letter. Accordingly, we request assurance that you will grant AAR similar relief from taking capital charges in respect of any open contractual commitments to purchase securities that are the subject of a Securities Purchase Agreement as described above. If you have any questions concerning this letter or the proposed arrangements, please do not hesitate to contact Steven Lofchie (212) 450-4075 of Davis Polk & Wardwell, counsel to AAR. We would also be happy to meet with the staff if you have any further questions regarding the proposed arrangements.

Very truly yours,

John M. Kramer
General Counsel
ABN AMRO Inc.

Judith R. MacDonald
Managing Director/Counsel
Rothschild Inc.