

Jay Timmons

Executive Vice President

May 10, 2010

Dear Senators:

The National Association of Manufacturers (NAM), the nation's largest industrial trade association representing small and large manufacturers in every industrial sector and in all 50 states, urges your support for the Chambliss/Shelby Substitute Amendment (SA 3816) to S. 3217, the Restoring American Financial Stability Act.

While the NAM supports initiatives to prevent excessive speculation and improve transparency and stability in the derivatives market, it is critical that policymakers preserve the ability of responsible companies to access over-the-counter (OTC) derivative products. Manufacturers of all sizes use customized OTC derivatives to manage the cost of borrowing or other risks of operating their businesses, including fluctuating currency exchange, interest rates and commodity prices. In today's challenging economy, these risk management tools help businesses keep operations going, invest in new technologies, build new plants and retain and expand workforces.

NAM members believe strongly that any derivatives reform effort should ensure business end-users' continued access to OTC derivatives, providing them with greater financial certainty and allowing them to allocate resources to core business activities. In addition, we have called for clear exemptions from central clearing, bilateral margining and exchange-trading requirements for business end-users to avoid drawing large amounts of capital from business operations, including job creation.

We have serious concerns, however, that the current end-user exemption in S. 3217 (and in the pending Dodd Substitute) is not strong or clear enough. In addition, other provisions in the derivatives title could effectively eliminate the exemption for many companies and, in some cases, subject them to capital and margin requirements or higher costs.

Conversely, the Chambliss/Shelby Substitute includes:

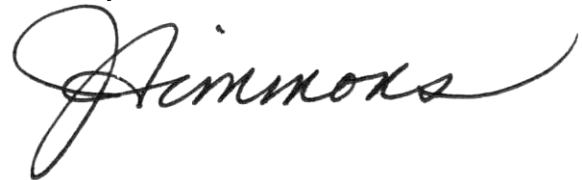
- Clear exemptions from central clearing, bilateral margining and exchange-trading requirements;
- A clear and strong end-user exemption that appropriately exempts businesses that use OTC derivatives to hedge business risk from the regulatory scheme applicable to swap dealers;
- Clarification that any increases to capital charges on swap dealers are based on actual risk of loss and designed to promote the safety and soundness of the financial system rather than to penalize the use of OTC derivatives; and

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- Prospective application recognizing that market participants negotiated current derivatives contracts with an understanding as to their potential obligations based on the laws and market practices in place at that time.

The NAM's Key Vote Advisory Committee has indicated that all votes related to the Shelby/Chambliss Substitute Amendment (SA 3816), including procedural motions, may be considered for designation as Key Manufacturing Votes in the 111th Congress. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "J Timmons", with a long, sweeping flourish extending to the right.

Jay Timmons