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*Senior Vice President and General Counsel*

*Law Department*

March 16, 2005

The Honorable Arlen Specter  
United States Senate  
Washington, DC 20510

Dear Senator Specter:

Enclosed please find the responses to the questions sent to Governor John Engler, President and CEO of the National Association of Manufacturers following his testimony before the Senate Judiciary Committee on January 11, 2005. Please accept my apology for the delay in sending these responses but I thought they had been forwarded to you. Again I apologize for my oversight.

If you have additional inquiries or need additional information please let me know and I will promptly respond. Thank you for your understanding of this delayed response.

Sincerely,

A handwritten signature in cursive script that reads "Jan S. Amundson". The signature is written in black ink and is positioned to the right of the word "Sincerely,".

*Manufacturing Makes America Strong*

Questions for Gov. Engler (NAM)

1. **Senator Frist's July 2004 trust fund proposal to Senator Daschle would have required \$140 billion in total contributions with \$15 billion coming from defendant participants within the first five years of the fund. I understand from your testimony that NAM supports \$140 billion for overall trust funding. Does NAM still support Senator Frist's proposal regarding the \$15 billion in upfront funding coming from defendant participants?**

Yes.

2. **At the hearing you testified that with the Frist proposal and the borrowing capacity, the trust fund administrator would have access to approximately \$60 billion to pay the claims that are received at the "front end." What is the basis for this statement?**

In the first five years, defendants will contribute \$15 billion, insurers nearly \$21 billion, existing trusts \$4 billion and we estimate the fund's borrowing capacity to be at least \$20 billion.

3. **Do you have written commitments or letters from financial institutions regarding the availability of \$20 billion in front-end funding from the bill's borrowing authority? If so, please provide to the committee.**

We do not have written opinions from financial institutions in deliverable form yet. NAM's financial advisor, Chilmark Partners, has been working with several major banks. At such time as a bill is introduced, we expect to have available for the Committee written opinions as to the fund's borrowing capacity. The opinions cannot be written in advance of published language regarding the Administrator's obligation to repay and his authority to fulfill that obligation.

4. **Finally, do you have any estimate of the interest costs that will be paid out if the fund needs to borrow \$20 billion?**

The fund is likely to be a high-quality borrower, and should be able to finance at a narrow premium to Treasuries. Funds will probably be raised in the securitization market. The precise spread and interest rate will be determined by the capital markets at the time of borrowing. The aggregate interest cost to the fund will depend on rate and the amounts borrowed during specific time periods. That depends, in turn, on the size and timing of benefit payments. Also, the fund will earn offsetting investment income, similarly related to its cash flows.

5. **At the hearing you testified about the inclusion of silica claims into the asbestos legislation. Please provide me with any legislative proposal by NAM to include silica claims in this asbestos trust fund legislation.**

A proposal for dealing with silica and mixed dust claims was included as section 403(b) of Senator Specter's discussion draft of January 20, 2005. We generally support this proposal.