



TO: NAM Board of Directors

FROM: John Engler

Manufacturing in the U.S. is in recession. Companies face extremely difficult choices as they cope with reduced revenues, tight credit and lower margins. As the voice of manufacturing in Washington, the National Association of Manufacturers (NAM) faces the challenge of doing more for our member companies on a range of complex issues that will confront the new Administration and new Congress. Yet, the economic realities facing our members are impacting our budget and projections for the coming year.

My experience has been that out of challenging economic times, the best-run companies emerge stronger with their foundations for success enhanced. Likewise, the NAM (and other non-profits) must adjust and prepare for the future while being vigorous advocates for our pro-manufacturing agenda.

So, today, I am announcing difficult but necessary actions to ensure that the NAM will remain your strong voice for manufacturing in the Capitol during this critical period of economic distress, policy reassessment and legislative activity.

This morning, I informed the Executive Committee of the following actions to realign our structure, reduce costs, and protect our core functions.

- 2009 salaries have been frozen to save \$ 0.5M;
- 2009 operating expenses including travel, outside services and other budget line items have been reviewed and cut to save \$1.1M;
- Positions and functions have been consolidated, streamlined or eliminated; resulting in a net reduction of 17 FTE's to save \$1.3M.

Together, these actions mean that the total budget and headcount of the NAM, in 2009, will be cut by approximately 10%.

Today's actions have been difficult but necessary. Reducing personnel is never easy. However, by acting now to reduce costs, we preserve our ability to provide you, our members, with critical services. We will continue to execute our strategic plan. We will focus on core issues – the next stimulus package, card check, healthcare, energy, pension relief, trade, climate and the environment, taxes and others – that are vital to manufacturers.

In this time of unprecedented political change and economic turmoil, our manufacturing agenda is essential to our nation's recovery. The NAM remains dedicated to its success.

Today has been a difficult day; however your NAM is stronger because we have acted.

Thank you for your support.

John Engler