



AIR TRACTOR INC.

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May 6, 2015

To the Texas Delegation (Senators Cornyn and Cruz; United States House of Representatives Gohmert, Poe, Johnson, Ratcliffe, Hensarling, Barton, Culberson, Brady, Green, McCaul, Conaway, Granger, Thornberry, Weber, Hinojosa, O'Rourke, Flores, Jackson-Lee, Neugebauer, Castro, Smith, Olson, Hurd, Marchant, Williams, Burgess, Farenthold, Cuellar, Green, Johnson, Carter, Sessions, Veasey, Vela, Doggett and Babin)

Dear Ladies and Gentlemen:

I am writing you concerning the Congressional need for re-authorization of the Export-Import Bank of the United States ("Ex-Im"). I ask your support for a multi-year re-authorization (Ex-Im will currently cease if affirmative Congressional action is not taken by June 30, 2015) at a level to allow portfolio growth. This is the foremost desire of the employees of Air Tractor, Inc. ("Air Tractor"). Additionally, I would ask that you work to allow this issue to be decided by votes on the floors of Congress.

As a Texan and as an employee of Air Tractor, I wish to emphasize the importance of Ex-Im to our business as it helps create and sustain jobs in Olney, TX. I truly believe our experience is a microcosm of the benefits that Ex-Im brings to entities located all over the United States. There is no substitute should Ex-Im not be re-authorized.

There are many positive considerations and aspects of Ex-Im as relates to Air Tractor (and other U.S. businesses). Also, in the current debate concerning Ex-Im, opponents have used rhetoric that is inconsistent with our knowledge and experience. The attached Exhibit A details our experience, and said Exhibit is an integral part of this letter.

Air Tractor has used the Ex-Im Medium Term Credit Insurance product successfully for twenty (20) years. This product has helped us increase and sustain employment and made for good middle class jobs for the people of Olney and the surrounding area. Using the Ex-Im products, the work of Air Tractor employees helps to foster better lives for our families. This work (made possible with Ex-Im products) also increases our contribution to the economic vitality of our Country. Failure to re-authorize Ex-Im puts the accomplishment of these goals at risk. As Texans, we ask that you support Ex-Im.

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Failure to re-authorize Ex-Im is a blow to middle class families. Opposing Ex-Im is not a stance against "corporate cronyism". Opposing Ex-Im is a stance against the middle class workers whose jobs are put at risk by the elimination of the one tool that helps their companies compete on the world stage.

If you have any questions, please contact me.

Sincerely,



David Ickert
Vice President - Finance

cc: Senators McConnell, Reid, Shelby, Brown, House Members Boehner, Pelosi and Waters

Exhibit A

1. Ex-Im Bank supports “crony capitalism”
 - Air Tractor, Inc. (“Air Tractor”) has 270 hardworking employees, taxpayers, and proud citizens of Texas who are anything but “crony.” We are not Washington “insiders” and do not have a team of lobbyists. We are citizens of rural America who make a middle class living by manufacturing quality products for use around the globe.
2. Ex-Im Bank is “corporate welfare”
 - Air Tractor, Inc. has paid \$4,843,430.67 to Ex-Im Bank over the prior four years for the use of their Medium Term Credit Insurance program. This is not a cheap program and most definitely is not welfare or subsidies. Additionally, all loans must be paid back in full with interest. In 20 years (200+ transactions) Air Tractor has never filed a Medium Term Credit Insurance claim with the Ex-Im Bank. U.S. taxpayers have benefitted from Air Tractor’s use of Ex-Im Bank for 20 years. That’s not a subsidy or welfare; that’s a financial service.
3. Ex-Im Bank only helps the big companies
 - Air Tractor had nowhere to turn in 1995 when our domestic market was saturated and we needed export financing to grow. As a small business, we do not have the capacity to hold financed paper for the extended period of time (5-7 yrs) that our foreign customers need. It was Ex-Im Bank who gave our U.S. commercial bank the support it needed to purchase that paper from a small business. We exported no more than 10% when we began using Ex-Im Bank, but now we export roughly 50% annually. We are not a big company; we are a small business in a small Texas town, and we have found a way to grow jobs through exports.
4. Ex-Im Bank picks winners and losers
 - For as long as this argument has been made we haven’t heard of a business being hurt by Ex-Im Bank besides claims made by Delta Airlines (which have recently been discredited by a federal district court). Any U.S. company wanting to export can use Ex-Im Bank. There is no favoritism, only a set of strict qualifications that must be met to prevent any negative impact on the U.S. economy or its businesses. The only people who lose in an Ex-Im Bank transaction are the heavily subsidized foreign competitors of U.S. businesses. If you know of any Texas companies hurt by Ex-Im Bank I would encourage you to tell us who these companies are and how they have been hurt. Ex-Im Bank did not pick Air Tractor; we knocked on doors until somebody finally listened to a small business.

5. If the Ex-Im Bank used fair value accounting they would be costing taxpayers billions
 - FCRA accounting is the law of the land set by Congress in 1990 and every government agency is required to adhere to it. The Congressional Budget Office issued a report in May 2014 that analyzed Ex-Im Bank using private sector risk premiums (fair value accounting). However, there are no comparable loans between Ex-Im Bank and the private sector and no comparable risk premiums, thus making this report questionable. The CBO even states this in their report. One thing that is not up for debate are the U.S. Treasury receipts from Ex-Im Bank for \$675 million in 2014 (over \$6.9 billion in the past two decades). FCRA is legislated to be used by all U.S. government agencies so it seems illogical that an accounting method not required by Congress would be used to justify the expiration of Ex-Im Bank's charter.
6. If it was good credit, then private commercial banks would take the business
 - We have not found a single commercial bank that will lend to our end user customer in emerging markets without Ex-Im Bank credit insurance and, given that Ex-Im Bank has not lost a dime on an Air Tractor transaction, it definitely is not because it's bad credit. Most of our export customers are small businesses in areas that lack a robust banking system, and where a commercial bank has no prior experience. In addition, commercial banks will not take foreign receivables as collateral, especially from a small business. This creates a gap in available commercial financing. Air Tractor's first Ex-Im Bank transaction was for 2 firefighting aircraft exported to Spain, but since that time we have exported over 80 aircraft to Spain without the need of Ex-Im Bank assistance. Ex-Im Bank filled a critical financing gap in a new market for Air Tractor sales that still remains lucrative today. Simply put, if commercial banks would take our business without Ex-Im Bank we would already be doing that. Without Ex-Im Bank our commercial banking partner could not, and would not, be involved, leaving Air Tractor with no alternative.
7. Ex-Im Bank crowds out the private market players
 - Private sector lenders were involved in 98% of Ex-Im Bank's transactions during FY2014, and the story is the same for Air Tractor. Our commercial bank, Wells Fargo, has been involved in virtually every single Ex-Im Bank transaction in Air Tractor's 20 year history using Ex-Im Bank. Ex-Im Bank does not crowd out the private sector; it is brought in by the private sector to do the business. Many of the private sector financial services firms have publicly stated this. Most recently the Bankers Association for Finance and Trade (BAFT) & the Financial Services Roundtable (FSR), two of the largest representatives of private export finance, sent a letter dated April 29, 2015 to House and Senate leadership urging Congress to reauthorize the Ex-Im Bank. In it they stressed the relationship they have with Ex-Im Bank and reiterated their inability to fill export financing gaps.

There is not a private sector alternative for Ex-Im Bank, and without it 25% of our sales would not happen, putting 67 jobs at risk in a town of only 3,200 people.

8. The U.S. should set an example for the rest of the world by disarming our ECA

- The world does not care to play by the rules of the United States. The only example we will be setting is an unfriendly business environment, causing the export of American jobs and the relocation of businesses to more business friendly countries. The foreign businesses that we compete with on a daily basis will gladly take the sales we lose if Ex-Im Bank shuts down and we're left with no alternative. There are over 60 other official Export Credit Agencies ("ECA") operating throughout the world offering assistance much greater than that of Ex-Im Bank.
- While the U.S. is busy trying to shut down our ECA, our major trading partners are strengthening their own ECAs. China recently unveiled plans to pump \$62 billion into 2 of its 3 ECAs to help its manufacturers export. These 3 ECA's have offered more assistance volume to Chinese exporters in the past 2 years than Ex-Im Bank has in its 80 year existence. Our top trading partners are not interested in shrinking their ECAs; rather they are growing their ECAs at a pace that affords them the ability to offer export assistance over 18x greater than that of the Ex-Im Bank. To unilaterally disarm our own ECA would not set an example for the rest of the world; rather, it would be a practice of isolationism and would further restrain the U.S. from being a global economic leader as we used to be.

9. Ex-Im Bank places undue risk on the taxpayer like Fannie and Freddie

- Ex-Im Bank operates at zero cost to the taxpayer. Ex-Im Bank's default rate in FY2014 was 0.175%. In fact, if you consider every single loan disbursement by Ex-Im Bank since their establishment in 1934, their default rate is not even 1%. Fannie Mae and Freddie Mac did business in a single sector in a single geographic area, U.S. housing. Ex-Im Bank has a portfolio more diverse than most of the largest commercial lenders in the world, resulting in excellent risk hedging. The simple fact is that the American taxpayer has profited from the money made by Ex-Im Bank lending activities (>\$2 billion over the last 5 years) and the good paying (taxpaying) export jobs created and sustained by Ex-Im Bank support. We would also assert that the U.S. has always been bold and aggressive on the global economic stage. Many rewards result from well-placed risk.

10. Ex-Im Bank only supports 2% of U.S. exports so it doesn't make a difference

- The United States has never experienced a drop in exports of 2% except during a recession. Would it be wise to artificially recreate that economic effect? In 2014, that 2% of exports represented \$27.5 billion in exported goods and 164,000 American jobs it took to produce those goods. That DOES make a difference, and

it definitely makes a difference to the 1,525 companies and 152,982 jobs in the State of Texas that have been supported by Ex-Im since 2007.

11. The Ex-Im Bank has failed to adopt previous reforms

- As a frequent user of Ex-Im Bank, we have seen changes in policy and procedure since the last reauthorization, and we have been told by bank officials that the requested reforms have been addressed. We would also caution against imposing reforms to the point that the Ex-Im Bank would be forced to reallocate government resources towards unnecessary administrative expenses. Please inform us as to which of the recommendations have not been adopted.

12. Ex-Im Bank funds overseas companies with direct loans and government subsidies

- Ex-Im Bank does not fund Air Tractor nor our foreign customer. We fund our foreign customers and our U.S. commercial bank funds us. This process only takes place through the Ex-Im Bank Medium Term Credit Insurance product. These are loans made by the private sector and are paid back in full plus interest. At no point in the process is Air Tractor receiving any handouts from Ex-Im Bank.

13. Ex-Im Bank sends money to foreign entities

- Similar to the above, any direct lending to foreign entities is a loan that is fully obligated to be paid back in principal plus interest. Ex-Im Bank financing products help sell U.S. products overseas, strengthen the "Made in America" brand for the good of all U.S. businesses, and create jobs for small businesses in rural Texas.

14. Ex-Im Bank adds to an already unprecedented national debt

- On the contrary, Ex-Im Bank reduces our national debt with the money it regularly sends to the U.S. Treasury from profitable operations. On top of this, it is helping to constantly reduce our national trade deficit by promoting the export of U.S. goods across the globe. The U.S. national deficit would increase the moment Ex-Im Bank expired.

15. Some in Congress have made the general comment "...the best way to boost exports, economic growth, and unemployment is to increase economic freedom at home."

- The relationship of credit to allow purchases is the fundamental basis for a sound and vibrant economy and has no substitute. How does this general belief about economic freedom supplant the necessity for lending to enable our planes (and other products & services) to be sold to our foreign customers? Without Ex-Im, this fundamental basis goes away and actually shrinks our business and the American economy.

16. Ex-Im Bank is riddled with fraud and should be shut down to prevent abuse

- The vast majority of open fraud investigations involving Ex-Im Bank have resulted from external companies attempting to defraud the Ex-Im Bank. Very few of these cases involved Ex-Im Bank employees being investigated for alleged fraudulent activities. The U.S. government is an extremely large employer, and

will occasionally become victim to profit seeking and self-centered employees as the inevitable nature of having such a large employee base. Unfortunately, we have seen this over the years in many government entities including the Navy, the IRS, and even members of the U.S. House of Representatives as of late. Yet, we have not seen a great push to shut the doors of these particular parts of government. We would hope the actions of a very few would not be used as an excuse for the closure of an entire agency.

17. Some in Congress have asserted that Ex-Im Bank asked Congress for a \$3 billion bailout in 1987

- We have no knowledge of a bailout ever being requested by Ex-Im Bank, and we have had discussions with Ex-Im Bank officials who assured us that the bank has never received a government bailout. This assertion by some is a result of misinformation extrapolated from a December 21, 1987 article in the New York Times that incorrectly claimed the Ex-Im Bank would be seeking a \$3 billion bailout. Then Ex-Im Bank President, John A. Bohn Jr., wrote a letter to the editor of the NYT on December 31, 1987 refuting that claim and stating no such request had been made. The claim that Ex-Im Bank has received a bailout is simply false.

18. Ex-Im Bank does not create jobs, it only transfers jobs from one sector to another

- Since using Ex-Im Bank, Air Tractor has increased our employee base from 120 to 270 employees. That is Main Street job creation in its most genuine form. This is also particularly important in the current Texas economy. Air Tractor's recent hires have included several prior employees of the oil industry. This is a perfect example of what would seem like a job transfer but is actually a job creation for someone who was preparing to be laid off. In a time when the oil industry is taking a hit, Texas needs exports now more than ever. Exports provide higher paying jobs and are more resilient during economic downturns like the one Texas faces today. Air Tractor's export success has allowed us to increase our salary base to employees who live and buy in the State of Texas, as well as pay taxes to the U.S. government. Ex-Im Bank helps Air Tractor contribute to the success of Texas as it has become a consistent economic leader in the U.S. Texas has consistently been the largest exporting state and the largest beneficiary of sound Ex-Im Bank financing tools. Thus, Texas, and its hardworking citizens, have the most to lose if the Ex-Im Bank fails to be reauthorized.

19. As per Speaker Boehner, there are "thousands of jobs on the line." Please act for jobs in Texas and the United States. Please act for the middle class that fills these jobs. Please re-authorize the Export-Import Bank of the United States.