

MEMORANDUM

To: Beth Myers, National Campaign Manager
Spencer Zwick, National Finance Director
Darrell Crate, National Treasurer
National Finance Co-Chairs
National Finance Committee

From: Benjamin L. Ginsberg, National Counsel, and Katie Biber Chen, General Counsel
Alex Castellanos, Senior Adviser

Date: June 29, 2007

Subject: A Guide to Second Quarter FEC Reports

With the second quarter FEC filing deadline on Saturday, Romney for President and the other campaigns will once again be releasing fundraising totals. You will see much reporting on the numbers and their meaning, especially in comparison to the first quarter. As we did in March, we would like to provide you with some guidance on what to expect.

First, the coverage will no doubt fixate on the "horserace numbers." This tells only part of the story given this cycle's unprecedented nature, and the competing needs of less well-known candidates, such as Governor Romney, for both fundraising dollars and political exposure. For example, we should expect Governor Romney's total for the quarter will be very strong but less than the first quarter total. Our total will reflect the campaign's strategic decision to include more political travel days in this quarter than in the first. For example, Governor Romney spent 8 days in New Hampshire and 12 days in Iowa this quarter, which was double the number of days he spent in those states during the first quarter. He also spent time preparing for and participating in three Republican presidential candidate debates. This resulted in important political strides (as increasingly recognized in the media, most recently by Dan Balz's piece in *The Washington Post*), but there has been a tradeoff with time spent fundraising.

Second, our overall fundraising total, and what the campaign has been able to do with the money, is more significant than just a snapshot of the amount raised for the second quarter. During this past quarter, the campaign succeeded in significantly expanding its political and financial base as Governor Romney continued to introduce himself to voters through aggressive campaigning and impressive debate performances. As you know, we should expect to see a doubling of the number of grassroots activists donating to our campaign. This is due in part to the success of events such as Sign Up America that brought more than 10,000 new donors into the fold.

Third, the totals raised will highlight that the field has split into two tiers – one that will be able to raise the funds to compete with the Democrats in the general election and one that will not. If history proves any guide, the issue of "electability" will surface in the media. Remember that any campaign accepting taxpayer funding for the primary (and that will be tempting for any candidate who cannot show at least \$15 million raised from January through June 30) is limited to spending about \$50 million until the 2008 Conventions in September. Such a campaign will simply not be able to compete against Hillary Clinton, Barack Obama or John Edwards, who will be able to raise and spend unlimited amounts through their own convention.

Fourth, like in the first quarter, some campaigns will report totals that include funds raised for the general election. Since money raised for the general election cannot be used in the primary, this money is meaningless and should not be used as a factor in determining a campaign's strength. As you are aware, since January, Romney for President has raised no general election funds, while the McCain, Giuliani, Clinton, Obama and Edwards campaigns have raised both. Remember also that all their costs for raising this money must be paid for with

primary, not general, election funds so it also has a negative impact on their cash-on-hand totals with no concurrent primary election investment benefit.

Fifth, some attention will be focused on Governor Romney's personal loan to the campaign treasury. Just as in 1994 and 2002, Governor Romney is committed to ensuring that the campaign continues to expand and that he can spread his message. Governor Romney is matching the level of commitment exhibited by supporters and contributors who are providing the campaign with the resources it needs to win in this very new type of campaign.

In conclusion, this memorandum should provide a better understanding of some of the reporting and analysis we can expect to see during the coming days.

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