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NAME OF COMMITTEE (In Full)
CITIZENS FOR FREE ENTERPRISE

FEC IDENTIFICATION NUMBER
C00749671

Mailing Address 1395 S. PLATTE RIVER DRIVE

City State ZIP Code
DENVER CO 80223

February 23, 2021

VIA ELECTRONIC FILING
Federal Election Commission
Attention: Michael Beckman
Campaign Finance Analyst
Reports Analysis Division
1050 First Street, NE
Washington, DC 20463

Dear Mr. Beckman:

The following hypothetical is offered in connection with the PAC's response a Request for Additional Information (RFAI) dated January 18, 2021, regarding its Amended 12 Day Pre-General Report and an RFAI dated January 18, 2021 regarding its 30 Day Post-General Report. Due to the character limitation of the Miscellaneous 99 Form, this hypothetical is filed under separate cover.

To explain the complexity of reporting when using a marketing mix, it may be helpful to consider the below oversimplified hypothetical for federal IEs for Office1 in CA, Office2 in NC and Office3 in FL with the general election date of 11/3/2020. In the hypothetical, the PAC uses one media consultant/vendor corporation (Vendor Inc) who had a pricing model that does not directly pass-through costs from its subcontractors, i.e., there is not a basis for reporting "ultimate vendors." The PAC's budget for IEs is \$340K:

9/30 - For each of the 3 offices/states, the PAC, though Vendor Inc, disseminates social media digital ads (smda) at an aggregate cost \$50K per office/state; and disseminates other digital ads (oda) at an aggregate cost of \$9K per office/state; and disseminates email marketing ads at an aggregate cost of \$11K per office/state. The ads will run until 10/31. Vendor Inc. is paid \$210K by wire the same day.

10/1 - An IEN is filed for each office/state disclosing IEs for 3 ad markets for a total of \$70K Calendar Year-To-Date Per Election for Office Sought.

10/13 - The PAC finds out that the inventory profile purchased for the smda for Office2/NC 9/30 cannot be fully filled. Consequently, the total the PAC will spend for Office2/NC smda will be less than \$50K. The exact refund due to the PAC will not be available for some time because the "publisher" must still calculate the total and forward the final data to Vendor Inc.

10/14 - Results from ad analytics, i.e., computational analysis of data or statistics for the IEs, and results of research and polling are reviewed by the PAC to evaluate the efficacy of its ad spending. The PAC decides to spend an additional \$33K on smda for Office2/NC and wires \$33K to Vendor Inc. the same day. The dissemination date for the \$33K smda is 10/14.

10/15 - The PAC files its October Quarterly Report and it includes the IEs reported on 10/1 but paid for on 9/30. The total reported spend on all IEs by the PAC year to date is reflected as \$210K. The PAC files an IEN for Office2/NC disclosing the additional smda. The Calendar Year-To-Date Per Election for Office Sought for Office2/NC reflects a total of \$103K.

10/16 - Based on the ad analytics, research and polling, the PAC cancels the remaining ad run for Office3/FL for all 3 products, i.e., smda, oda, and email marketing ads. With the cancelation of these ads, the PAC now has an unofficial estimated additional budget \$30,870 (using a very over-simplified pricing model). The exact refund due to the PAC will not be available for some time because the "publisher," a company that displays ads on their digital space, must still

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calculate the total and forward the final data to Vendor Inc.

10/20 - The PAC files its 12 Day Pre-General Report. The IEN filed on 10/15 for Office2/NC is included. The total reflected on the periodic reports for PAC's IEs and the total paid to Vendor Inc. year to date is \$243K. At the time of filing, the PAC has not received any notice, information or check regarding the refund due related to the unfulfilled smda order purchased on 9/30 or for the refund for the termination of the IEs for Office3/FL.

10/21 - Based on the ad analytics, research and polling, the PAC decides to reduce the initial inventory purchase for the smda (\$50K) for its IEs in Office1/CA and use an unofficial estimate of the savings from reducing the initial inventory purchase for smda of \$22K and the \$18K from the canceled ads for Office3/FL and reallocate it to buy new IEs for Office1/CA. The PAC decides to increase its spending for oda by \$20K for Office1/CA and to buy texting ads for \$20K Office1/CA. The new ads for Office1/CA have a dissemination date of 10/21. No refund check is received from Vendor Inc.; instead, the "credit" on Vendor Inc.'s books from the cancellation of the Office3/FL ads and the reallocation of the Office1/CA ads is used to cover the cost for the new ads.

10/23 - The PAC files an IEN for Office1/CA disclosing the increased expenditure for oda and new expenditure for the texting ads. The Calendar Year-To-Date Per Election for Office Sought for Office1/CA reflects a total of \$110K.

10/25 - Based on new analytics, research and polling, the PAC decides to cancel the remaining smda ordered on 10/14 for \$33K, and to buy and disseminate for Office 2/NC texting ads at a cost of \$10K and over the top (OTT) ads for \$50K. The dissemination date for each new ad buys for Office2/NC is 10/25. Additionally, the PAC cancels the remaining ad run for Office1/CA and Office2/NC reported on 10/1 for the email marketing ads (which was to end on 10/31), and substantively revises the message of the ad for smda and the other digital media ads for Office1/CA previously reported on an IEN on 10/1, and extends the ad buy for revised smda and revised other oda to continue through 11/3 at a cost of \$40K for the work to do the ad revisions and for the additional ad run dates 10/25 - 11/3. The dissemination date for the revised ads for Office1/CA is 10/25. A payment to Vendor Inc. is wired on 10/25 for a total of \$100K.

10/26 - The PAC files IENs for: i) Office1/CA disclosing the revised smda and revised other digital media ads; the Calendar Year-To-Date Per Election for Office Sought for Office1/CA reflects a total of \$150K; ii) Office2/NC disclosing the texting ads and the OTT ads; the Calendar Year-To-Date Per Election for Office Sought for Office2/NC reflects a total of \$163K. At the time of filing, the PAC has not received any notice, information or check regarding the refund due related to the unfulfilled smda order purchased on 9/30 for the refund for the termination of the IEs for Office3/FL, or for the other changes/reallocations made.

10/27 - As of this date, the PAC has reported a Calendar Year-To-Date Per Election for Office Sought for Office1/CA, Office2/NC, and Office3/FL as \$150K, \$163K and \$70K, respectively, for a total of \$383K.

12/3 - Having received the information and data for the cancellations and reallocations, the PAC reconciles its IE budget, its bank account and the Vendor Inc.'s records for all the IEs. The PAC files: i) an amended October Quarterly Report reflecting the adjustments/refunds/other income on Schedule A with appropriate memos for the total resulting from the cancelation of the remaining Office3/FL IEs (see date 10/16) and new resulting COH; ii) an amended 12 Day Pre-General Report reflecting the Schedule A entry for the cancellation of the remaining smda for Office2/NC (see date 10/23) and the other cancellations and reallocations with appropriate memos, and the new resulting

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COH; and, iii) its 30

Day Post-General Election Report reflecting a Line 24, Column B total spent on IEs as \$383K and the Column B total received due to cancelations and reallocations on Schedule A as \$40K.

In light of the forgoing, it is easy to understand the complexity of reporting faced by a PAC such as CFE with a budget of more than 6 Million Dollars (compared to the hypothetical PAC budget of \$340K) over 6 elected offices in 5 states using several vendors/consultants across multiple types of advertising on various pricing schedules. Other methods of reporting IE activity would have been unlikely to increase the transparency of CFE's activity or the public's understanding of it. That said, guidance from the Commission that takes into account the sophisticated process of non-traditional advertising and marketing mix models would be welcome.

Sincerely,
Mike Slanker
Treasurer