

2008 Election Scorecard & Analysis

TO: IFA Members

FROM: David French, Vice President, Government Relations

RE: 2008 Election Overview

DATE: November 5, 2008

Thank you for your ongoing support of the International Franchise Association's government relations efforts. Through generous participation from members like you, FranPAC has been able to invest approximately \$456,500 during this election cycle to support over 156 franchise-friendly federal candidates.

This election season has truly been one for the history books. Rarely has our nation seen a presidential election with as many unexpected twists and turns. The surprises started during the primary season as both Senator Barack Obama and Senator John McCain came from far behind to win the nomination of their respective parties. When the campaigns kicked off in spring 2006, the war in Iraq was the top issue for most Americans; consumer confidence had reached a four-year high and the Dow Jones industrial average bumped along comfortably above 11,000. Fast forward to today, and we see quite a different story.

The following is a brief synopsis of the November 4th election results of the Presidential race, along with critical races for the U.S. House of Representatives and Senate.

Results:

Late last night, President-elect Barack Obama won the Electoral College with 364 votes out of 538 total, and won the popular vote over Senator John McCain by a margin of 52% to 46%. While Senator McCain kept the race competitive until the very end, Senator Obama's campaign displayed an overwhelming combination of message, grassroots strength and fundraising power. This election was also conducted in an environment with public sentiment running very strongly against GOP candidates. One standard measure of public attitudes gauges whether voters feel the country is headed in the right direction or off on the "wrong track." By Election Day, polling showed that less than 10% of voters felt the country was headed in the right direction—a very ominous sign for GOP candidates and incumbents across the board.

Last night also proved to be a critical election for both the U.S. House and Senate. There were roughly one-third of the Senate seats up, with 23 of them belonging to Republican members. Of the dozen most closely contested Senate races, Democrats prevailed in five races, capturing four GOP-held seats and also returning Louisiana Democrat Mary Landrieu by a narrow margin. Three tough races were won by Republican incumbents—Senate GOP Leader Mitch McConnell of Kentucky, Susan Collins of Maine, and Roger Wicker of Mississippi. Four seats remain "too

close to call” at this time; Alaska, Minnesota, Oregon and Georgia, all are within the margin of error. Georgia Republican Senator Saxby Chambliss may be forced into a December run-off election if the final tally shows that he failed to garner 50% of the vote last night. Senate Majority Leader Harry Reid of Nevada has minimum of 56 Democrat seats in the Senate, only four shy of the 60 votes necessary to procedurally overcome a filibuster.

In the House, the Democrats picked up at least 15 more seats to bring their total to 251, with 11 seats still remaining in the undecided category. While the Democrats have a substantial advantage on paper, it is very likely that Speaker Nancy Pelosi will face some modest challenges in constructing an effective majority on certain issues. This election continues the rise of Democrats who tend to be more socially and fiscally conservative than many of the established party leaders. Most of the seats picked up by the majority party were moderate Democrats who come from conservative districts and won by narrow margins. Speaker Pelosi will have to reconcile differences between these new moderate members and members from the liberal wing of the Democrats.

IFA Involvement:

IFA got involved in several key open seat and challenger races. For example, FranPAC made an early decision to back UPS and Subway franchisee John Fleming in his hotly contested primary for an open House seat in Louisiana-04. The election schedule was pushed back in Louisiana’s congressional races due to Hurricane Gustav, and Fleming won his primary last night. He now heads to a general election on December 4, where he appears to be the favorite to win in this strongly GOP seat. Other early FranPAC choices who won close races last night were State Representative Erik Paulsen in the Minnesota-03 open seat and State Senator Steve Stivers in the Ohio-15 open seat. FranPAC also invested in nearly all of the hotly contested Senate seats this cycle.

Later this week, as the impact of the changes on Capitol Hill become more apparent, we will prepare a more detailed look at the election results and present some information on newly elected officials and anticipated committee assignments.

What does it mean?

With an unprecedented amount of money spent by labor unions and trial lawyers—approaching \$1 billion dollars since 2006—to elect more Democrats, the business community faces an uphill battle on Capitol Hill. The trial bar and the labor unions expect results from their investment. Legislation such as the Employee Free Choice Act (or “card check”), further increases in the minimum wage, and measures to spur more lawsuits will receive top billing for action early next year. Look for many of these issues to be advanced under the banner of “strengthening the middle class.” Following the first hundred days of the Obama Administration, we can expect Congress to turn to more challenging national policy issues—such as the future of health care in this country, prescriptions for comprehensive immigration reform as well as a debate over taxes.

The one lesson every member of the IFA should take away from the 2008 elections is how critically important your political involvement will become in 2009 and beyond. Increasing participation in FranPAC will be essential in preparation for the 2010 midterm elections. Active involvement in the growth of IFA's "Franchise Congress" grassroots program will also prove vital in a political atmosphere where many pieces of anti-business legislation are expected to come before Congress. Your involvement and your ability to help tell the story of franchising will likely be the difference in these coming legislative battles.

Overview:

Below is an overview of FranPAC's spending in the 2007-2008 election cycle. Also provided for comparison is a breakdown of FranPAC expenditures from past election cycles. Over the past three years, we have shifted our focus slightly. While still emphasizing support for franchise-friendly candidates, we have maximized our support for key congressional leaders, as well as congressional committees that are particularly important to IFA, notably the House and Senate Judiciary Committees and the Small Business Committees. We have also tried to build bridges with key pro-business Democrats and members of the Congressional Black Caucus who are particularly interested in promoting minority business opportunities.

Total FranPAC Expenditures

2007 -2008 election: \$456,500

2005-2006 election: \$350,500

2003-2004 election: \$157,705

Ratio of Support Republican/Democrats

2007 -2008 election: 84.0% / 16.0%

2005-2006 election: 86.8% / 13.2%

2003-2004 election: 92.2% / 7.8%

House Small Business Committee Members

2007 -2008 election: \$40,000

2005-2006 election: \$22,000

2003-2004 election: \$18,000

Senate Small Business & Entrepreneurship Committee Members

2007 -2008 election: \$15,000

2005-2006 election: \$12,000

2003-2004 election: \$4,000

House Judiciary Committee Members

2007 -2008 election: \$31,500

2005-2006 election: \$39,000

2003-2004 election: \$15,205

Senate Judiciary Committee Members

2007 -2008 election: \$10,000

2005-2006 election: \$8,000

2003-2004 election: \$7,000

Leadership PAC's & National Party Committees (i.e. Blue Dog PAC, NRCC, etc.)

2007 -2008 election: \$60,500

2005-2006 election: \$25,000

2003-2004 election: \$11,000

Congressional Black Caucus Members

2007 -2008 election: \$7,500

2005-2006 election: \$4,500

2003-2004 election: \$0

Blue Dog Democrats

2007 -2008 election: \$34,000

2005-2006 election: \$25,000

2003-2004 election: \$5,000

2008 Election Results

U.S. House of Representative

<u>Party</u>	<u>Current</u>	<u>New</u>
Democrats	236	251
Republicans	199	173

*11 seats remain undecided/too close to call

U.S. Senate

<u>Party</u>	<u>Current</u>	<u>New</u>
Democrats	49	54
Republicans	49	40
Independents	2	2

*4 seats remain undecided/too close to call: AK, GA, MN, OR

Governorships

<u>Party</u>	<u>Current</u>	<u>New</u>
Democrats	28	29
Republicans	22	21