



Running with the PAC

Becoming politically connected requires careful attention to federal rules and regulations

by Pamela V. Rothenberg

For real estate companies and their employees, engaging in political activities can often be a complex and delicate endeavor.

Compliance with the maze of campaign finance laws and regulations is more crucial than it was a decade ago, especially for companies with political action committees (PACs). The Department of Justice and the Federal Election Commission are taking a more aggressive approach to campaign finance regulation and enforcement because of recent campaign finance and corruption scandals. Consequently, even legitimate activity is being put under a microscope by regulators and the press.

Political campaign fundraisers often ask officers and employees of companies to make sizable financial contributions. Some companies have established PACs to distribute funds to campaigns. While not all companies need a PAC, if company executives want to be politically connected, they should consider forming one to protect themselves and their company from unintended campaign finance violations.

Even without a PAC, companies should become familiar with the basic requirements of campaign finance law since regulators are closely monitoring PACs and campaign contributions for compliance with current government

rules. In some cases, noncompliance can lead to criminal penalties.

Red flags triggering stricter scrutiny include specific types and amounts of political contributions. Companies need to monitor employees' time and corporate resources

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for the solicitation or distribution of federal campaign contributions and cannot reimburse their employees for contributing to the PAC, or for making direct contributions to a candidate's committee.

Other concerns include the need for PACs to ensure all contributions are voluntary and do not come from a laundered or other illegal source. Additionally, individuals, companies or PACs must not make contributions above statutory limits and must avoid even the mere appearance of contribu-

tions being made to induce a government official's authorized actions.

Campaign finance regulation is complicated and full of pitfalls. However, companies need not stay away from political activity or advise their executives and employees to avoid getting involved. Companies should simply take reasonable steps to ensure they are in compliance with campaign finance laws and regulations and implement internal controls to educate their workforce regarding political activity.

Additionally, companies with PACs should take a fresh look at their operations and regulatory filings to ensure they are fully compliant with both the letter and spirit of FEC regulations. Operating through a connected PAC is a clean way of participating in the political process and a good way to insulate the company from legal liability. □

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