

# Domestic Subsidiary of Foreign Corporation Pays Fine for State Candidate Contributions

---

September 2009

A recently released Federal Election Commission (FEC) enforcement matter, MUR 6203, highlights the campaign finance perils faced by U.S. subsidiaries of foreign corporations. Federal law prohibits foreign corporations and other foreign nationals from making contributions, directly or indirectly, at any level—federal, state or local. Such subsidiaries, then, must be especially careful when participating in American elections, for the original source of their funds can be an issue.

This particular matter was self-reported by Itinere North America, LLC and its parent entities, an LLC that was formed under Maryland law and develops proposals for road concession projects in the United States. It made a total of \$55,500 in contributions to Virginia candidates and committees between June 2007 and January 2008. As a domestic entity, the campaign finance issue arose because the LLC used funds that came from its ultimate Spanish parent through its immediate Maryland parent to make these contributions. The LLC did not use revenues generated from U.S. operations that had been properly segregated. Thus, the LLC indirectly used foreign funds for such contributions.

An article in *The Washington Post* about a possibly similar issue involving a competitor tipped off the company to potential campaign finance issues. Accordingly, the company took remedial actions and turned itself into the FEC. The FEC, for its part, fast tracked the *sua sponte* submission and imposed only a \$10,000 civil penalty against the family of companies.

## Authors

---

Carol A. Laham  
Partner  
202.719.7301  
claham@wiley.law

D. Mark Renaud  
Partner  
202.719.7405  
mrenaud@wiley.law