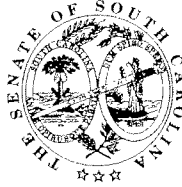


Senate Ethics Committee

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**In the Matter of the South Carolina)
Senate Ethics Committee's Complaint)
Against Senator John M. Knotts, Jr.)
_____)**

PUBLIC REPRIMAND

PROCEDURAL BACKGROUND

In April 2010, Senator John M. Knotts, Jr. ("Senator Knotts") informed the South Carolina Senate Ethics Committee (the "Committee") that he had opened a campaign certificate of deposit account ("CD account") and requested guidance on how interest earned on the CD account should be reported on his Campaign Disclosure Reports. Per the Committee's instruction, Senator Knotts reported this interest as a contribution on his April 2010 Campaign Disclosure Report. Subsequently, during the Committee's routine audit of the April 2010 Campaign Disclosure Reports, it appeared that Senator Knotts had insufficient campaign funds on hand to generate the amount of interest that he had reported.

Upon inquiry, Senator Knotts explained that he had \$40,000 remaining in a campaign CD account that he initially opened in 2005. The Committee then recognized that there was a discrepancy between the amount of campaign funds that Senator Knotts indicated was in his campaign banking accounts (approximately \$47,000) and the amount reflected on hand on his April 2010 Campaign Disclosure Report (approximately \$3,100). The Committee then requested copies of Senator Knotts' campaign banking records to reconcile this discrepancy.

Senator Knotts cooperated fully with the Committee during the audit and produced copies of his campaign banking records from December 2001 through March 2010, including copies of contributors' checks that had been deposited into his campaign banking account. The audit of Senator Knotts' campaign banking records enabled the Committee to reconcile the discrepancy between his campaign banking statements and his Campaign Disclosure Reports; however, these banking records also revealed other potential campaign related violations.

After a preliminary investigation, the Committee met in executive session on June 29, 2010, and concluded that certain alleged violations had merit. Pursuant to the Constitution of South Carolina, Art. III, § 12, Senate Rule 44, and S.C. Code Ann. § 8-13-540 (Supp. 2009), the Committee issued a Complaint against Senator Knotts for the alleged violations that occurred during the reporting periods covered by Campaign Disclosure Reports due July 10, 2006, through April 10, 2010 (the "Periods Involved"). The Complaint alleged the following:

1. Upon information and belief, during the Periods Involved, Senator Knotts accepted and deposited into his campaign checking account campaign contributions from individuals and entities that were in excess of the statutory limit.
2. Upon information and belief, during the Periods Involved, Senator Knotts reported on his Campaign Disclosure Reports certain campaign contributions in a manner that was inconsistent with the actual name of the contributor and the actual amount of the contribution.
3. Upon information and belief, during the Periods Involved, Senator Knotts failed to report on his Campaign Disclosure Reports numerous contributions from individuals and entities.
4. Upon information and belief, during the Periods Involved, Senator Knotts made cash withdrawals from his campaign checking account and failed to report these withdrawals and the subsequent expenditure of these funds on his Campaign Disclosure Reports.
5. Upon information and belief, during the Periods Involved, Senator Knotts earned interest on his campaign's certificate of deposit accounts and failed to report such interest as a contribution on his Campaign Disclosure Reports.
6. Upon information and belief, during the Periods Involved, Senator Knotts held campaign funds in certificate of deposit accounts with his spouse in the capacity of joint tenants with a right of survivorship.
7. Upon information and belief, during the Periods Involved, Senator Knotts failed to report on his Campaign Disclosure Reports various campaign loans and campaign loan repayments.
8. Upon information and belief, during the Periods Involved, on Senator Knotts' Campaign Disclosure Reports he reported numerous campaign contributions and expenditures in duplicate, failed to report various campaign expenditures, failed to reconcile his Campaign Disclosure Reports with his campaign banking account records, and made numerous and other substantial reporting errors.

On August 9, 2010, the Committee met in executive session and held a hearing on its Complaint against Senator Knotts. The Committee presented its evidence, and Senator Knotts and his attorney offered explanations for each of the alleged violations. The Committee accepted their explanations as a true and accurate accounting of the facts. After the hearing, the Committee deliberated and concluded that, based on competent and substantial evidence presented at the hearing, Senator Knotts committed each of the alleged violations. The Committee then determined that appropriate disciplinary action for these violations is to issue a public reprimand.

FINDINGS OF FACT

Based on competent and substantial evidence presented at the hearing, and accepting Senator Knotts' and his attorney's explanations as a true and accurate accounting of the facts, the Committee hereby makes the following findings of fact:

1. The Committee found no evidence that Senator Knotts had converted any campaign funds to personal use. The Committee found no evidence of any campaign funds missing from Senator Knotts' campaign checking or CD accounts.
2. During the Periods Involved, Senator Knotts had no system or other procedures in place to identify when a campaign contributor had made contributions in excess of the statutory limits during an election cycle.
3. During the Periods Involved, Senator Knotts' system for campaign accounting and record-keeping was inadequate and insufficient to maintain proper compliance with the law.
4. During Senator Knotts' 2008 Primary Election Cycle (January 1, 2005 - June 17, 2008), Senator Knotts accepted and deposited into his campaign checking account \$23,850 of contributions in excess of the statutory limits from 29 individuals, entities, and other organizations. Senator Knotts also accepted \$1,000 in excessive contributions during the 2008 General Election Cycle (July 2, 2008 - December 31, 2008).
5. During the Periods Involved, Senator Knotts accepted several campaign contribution checks where the face amount of each check exceeded the statutory \$1,000 limit. Senator Knotts reported these contributions on his Campaign Disclosure Reports in a manner that was inconsistent with the name of the account holder listed on the check. For example, in one instance, Senator Knotts accepted and deposited a campaign contribution check in the amount of \$3,000 from a corporation. Senator Knotts explained that he was told that \$1,000 of the contribution was from the corporation, and the other \$2,000 represented personal contributions from two of the corporation's shareholders. Senator Knotts reported the contributions accordingly even though the check was drawn upon the corporation's checking account. In another instance, Senator Knotts accepted a \$2,000 check from a LLC and reported the contribution as two separate personal contributions from two of the LLC's members (\$1,000 each). Subsequently, those two LLC members made separate \$1,000 campaign contributions from their personal accounts to Senator Knotts during the same election cycle. Senator Knotts reported one of those personal contributions as being from another person residing at the same address.
6. During the Periods Involved, Senator Knotts failed to report on his Campaign Disclosure Reports 40 campaign contributions totaling \$26,750 from various individuals, entities, and organizations. Two of these unreported contributions each were for amounts in excess of the statutory limits, and eight of these unreported contributions resulted in excessive contributions by the contributor during the 2008 Primary Election Cycle.

Senator Knotts explained that the unreported contributions resulted from an oversight of not making copies of the checks before they were deposited into his campaign account.

7. On January 9, 2009, Senator Knotts withdrew \$425 cash from his campaign checking account via a counter withdrawal. Senator Knotts explained that he used the cash to pay five students \$20 each to serve as chaperons for each of the four skate parties (\$400 total) that he sponsored for Honor Roll students in his Senate District. Senator Knotts explained that the remaining \$25 cash was used to purchase pizza for the students. Senator Knotts also failed to report the withdrawal and the subsequent expenditure of these funds on his Campaign Disclosure Reports.
8. Senator Knotts received a Form 1099-INT from First Community Bank for 2006 reflecting interest in the amount of \$3,737.91 earned on three campaign CD accounts. Senator Knotts received a Form 1099-INT from First Community Bank for 2007 reflecting interest in the amount of \$3,873.56 earned on two campaign CD accounts. Senator Knotts received a Form 1099-INT from First Community Bank for 2008 reflecting interest in the amount of \$6,064.29 earned on three campaign CD accounts. Senator Knotts received a Form 1099-INT from First Community Bank for 2009 reflecting interest in the amount of \$3,151.96 earned on one campaign CD account. Senator Knotts failed to report this interest as a contribution on his Campaign Disclosure Reports.
9. During the Periods Involved, Senator Knotts held campaign funds in six CD accounts jointly with his spouse in the capacity of joint tenants with a right of survivorship. Only one signature was required to withdraw funds from the CD account. Senator Knotts explained to the Committee that he listed his spouse as a co-owner of the CD accounts so that she could properly close out his campaign CD account in the event of his death. Senator Knotts explained that his instructions to his spouse were to contact the Senate Ethics Committee or the President Pro Tempore of the Senate upon his death for instructions on closing out the CD accounts. Senator Knotts' campaign checking account has at all times remained solely in the campaign's name. On May 14, 2010, at the Committee's instruction, Senator Knotts transferred the \$40,000 remaining in the jointly owned CD account to a new CD account that is solely in his campaign's name.
10. Senator Knotts failed to report on his January 2009 Campaign Disclosure Reports an \$8,000 loan from First Community Bank to his campaign on November 3, 2008. Senator Knotts also failed to report the subsequent expenditure of these loan proceeds as expenses on his Campaign Disclosure Report. Senator Knotts also failed to report on his April 2009 Campaign Disclosure Report his campaign's repayment of the \$8,000 loan to First Community Bank on March 2, 2009, as well as accrued interest in the amount of \$179.81. Senator Knotts also failed to report on his October 2008 Campaign Disclosure Report a \$25,000 loan payment that his campaign made on September 2, 2008, to First Community Bank. This payment was on a \$60,000 loan made to Senator Knotts' campaign on June 17, 2008, which he reported on his July 2008 Campaign Disclosure Report.

11. During the Periods Involved, Senator Knotts failed to report approximately \$11,000 in campaign expenditures and other miscellaneous banking service charges.
12. During the Periods Involved, the Committee finds that Senator Knotts' insufficient and inadequate campaign accounting and record-keeping system contributed to numerous and other substantial reporting errors. For example, Senator Knotts' October 2008 General Pre-Election Report duplicated \$32,933.34 of expenses that previously were reported on his 2008 Primary Pre-Election Campaign Disclosure Report. Senator Knotts' October 2008 General Pre-Election Report also duplicated \$2,221.30 of expenses that previously were reported on his July 2008 Campaign Disclosure Report.

CONCLUSIONS OF LAW

1. The Committee has jurisdiction over this matter pursuant to the Constitution of South Carolina, Art. III, § 12, South Carolina Senate Rule 44, and S.C. Code Ann. § 8-13-530 (Supp. 2009).
2. S.C. Code Ann. § 8-13-540(3) (Supp. 2009) provides that if the Committee finds, based on competent and substantial evidence, that a member has violated Chapter 13 of Title 8 or Chapter 17 of Title 2, the Committee shall take the appropriate action allowed by law.
3. S.C. Code Ann. § 8-13-1314(A)(1)(b) (Supp. 2009) provides, generally, that within an election cycle, no candidate shall accept and no person shall give or offer to the candidate for any office, other than a statewide office, a contribution that exceeds \$1,000. Section 8-13-1300(25) defines the term "person" to mean "an individual, a proprietorship, firm, partnership, joint venture, joint stock company, syndicate, business trust, an estate, a company, committee, an association, a corporation, club, labor organization, or any other organization or group of persons acting in concert." S.C. Code Ann. § 8-13-1344(D) (Supp. 2009) provides that a person may not, directly or indirectly, reimburse another person for a contribution to a candidate, except for immediate family members. Therefore, \$1,000 is the maximum amount that a candidate for office, other than a statewide office, can accept from a person during an election cycle. Because the law prohibits a person from reimbursing another person for a campaign contribution made on their behalf, except in the limited case of immediate family members, a person cannot make a contribution to a candidate on behalf of another person. The Committee concludes that the instrument upon which the contribution is made, and not the intent of the contributor, is controlling for purposes of ascertaining a contributor's identity. Thus, the actual contributor of a campaign contribution can only be the name of the account holder listed on the check. The only exception is where a husband and wife have only one name on a checking account, and the spouse who is not listed on the account desires to make a contribution. The Committee finds that Senator Knotts violated these provisions by accepting \$23,850 of contributions in excess of the statutory limits from 29 individuals, entities, and organizations during his 2008 Primary Election cycle and \$1,000 of contributions in excess of the statutory limit from one entity during his 2008 General Election cycle.

4. S.C. Code Ann. § 8-13-1308(F)(2) (Supp. 2009) provides that certified campaign reports must contain “the name and address of each person making a contribution of more than one hundred dollars and the amount and date of receipt of each contribution.” Senator Knotts violated Section 8-13-1308(F)(2) by reporting certain entity contributions as personal contributions made by individuals. Senator Knotts also violated Section 8-13-1308(F)(2) by reporting certain individual contributions as being from a different individual contributor.
5. Senator Knotts also violated Section 8-13-1308(F)(2) by failing to report on his Campaign Disclosure Reports 40 contributions totaling \$26,650 made between March 2007 and January 2009. Additionally, although addressed separately herein, the unreported interest earned on Senator Knotts’ campaign CD accounts and the unreported loan to his campaign also constitute unreported contributions. Inclusive of the unreported interest earned on the CD accounts and the unreported loan, Senator Knotts omitted a total of \$51,477.72 of contributions from his Campaign Disclosure Reports during the Periods Involved.
6. S.C. Code Ann. § 8-13-1348(E) (Supp. 2009) states that “[a] candidate . . . may not withdraw more than one hundred dollars from the campaign account to establish or replenish a petty cash fund for the candidate . . . and at no time may the fund exceed one hundred dollars.” The statute further limits expenditures from such cash to “office supplies, food, transportation expenses, and other necessities and may not exceed twenty-five dollars per expenditure.” The Committee finds that Senator Knotts violated S.C. Code Ann. § 8-13-1348(E) by withdrawing \$425 cash from his campaign checking account via counter withdrawal on January 9, 2009. Senator Knotts also violated S.C. Code Ann. § 8-13-1308(F)(4) (Supp. 2009) by failing to report on his April 2009 Campaign Disclosure Report the cash withdrawal and subsequent expenditures made with the cash.
7. S.C. Code Ann. § 8-13-1360(B) (Supp. 2009) requires a candidate to disclose all information required to be reported on a Campaign Disclosure Report. Section 8-13-1360(A)(7) requires the reporting of “the total amount of all refunds, rebates, interest, and other receipts not previously identified during the reporting period, and their year-to-date total . . . the date and amount of each refund, rebate, interest, or other receipt not previously identified of more than [\$100] in the aggregate from one source, and the name and address and the year-to-date total for each source.” The Committee finds that Senator Knotts violated Section 8-13-1360(B) (Supp. 2009) by failing to report on his Campaign Disclosure Reports interest in the amount of \$16,827.72 as it was earned from First Community Bank on his campaign CD accounts and reported to him on Form 1099-INTs.
8. S.C. Code Ann. § 8-13-1312 (Supp. 2009) governs campaign bank accounts, and it states, in pertinent part, that “[t]he candidate . . . must maintain the accounts in the name of the candidate” The Committee finds that Senator Knotts violated Section 8-13-1312 during the Periods Involved by jointly holding campaign funds in six CD accounts with his spouse in the capacity as joint tenants with a right of survivorship.

9. Section 8-13-1360(B) requires a candidate to disclose all information required to be reported on a Campaign Disclosure Report. Section 8-13-1360(A)(5) requires that a candidate report on the Campaign Disclosure Report “the total amount of all loans received during the reporting period and the total amount of loans for the year to date.” The statute also requires the report to “include the date and amount of each loan from one source during the reporting period, the name and address of each maker and guarantor of each loan, the year-to-date total of each maker or guarantor of each loan, and the terms of the loan, including the interest rate, repayment terms, loan payments, and existing balances on each loan.” Senator Knotts violated Section 8-13-1360(B) by failing to report the following: (1) an \$8,000 loan on his January 2009 Campaign Disclosure Report; (2) an \$8,000 loan payment and a \$179.81 interest expense on his April 2009 Campaign Disclosure Report; and (3) a \$25,000 loan payment on his October 2008 Campaign Disclosure Report. The Committee further finds that Senator Knotts’ insufficient and inadequate campaign accounting and record-keeping system contributed largely to these particular violations.
10. S.C. Code Ann. § 8-13-1308(F)(4) (Supp. 2009) states that a certified campaign report must contain “the name and address of each person to whom an expenditure is made from campaign funds, including the date, amount, purpose, and beneficiary of the expenditure.” Senator Knotts violated these statutes by failing to report approximately \$11,000 of campaign expenditures on his Campaign Disclosure Reports during the Periods Involved. The Committee further finds that Senator Knotts’ insufficient and inadequate campaign accounting and record-keeping system contributed largely to these particular violations.

CORRECTIVE ACTION REQUIRED

1. With the Committee’s guidance, Senator Knotts shall promptly amend his most current Campaign Disclosure Report filing to accurately reflect the amount of cash on hand in his campaign banking accounts and account for the errors discovered by the Committee during the audit. Rather than amending each individual Campaign Disclosure Report, one adjustment shall be made to balance the current Campaign Disclosure Report with the campaign’s current banking records. The Committee will make available publicly a schedule of the necessary adjustments, including a list of any prior unreported contributors, required to bring Senator Knotts’ Campaign Disclosure Reports into compliance with the law.
2. Senator Knotts shall develop and maintain a system to identify whether a contributor has made campaign contributions to his campaign in excess of the statutory limits for an election cycle before depositing the contribution check into his campaign account. Senator Knotts also shall henceforth return all contribution checks that are issued in an amount greater than the statutory limits for an election cycle or result in that contributor exceeding the statutory limit for an election cycle.

3. Senator Knotts shall develop and maintain a system of record keeping and accounting that will enable him to accurately report all contributions, expenditures, interest, loans, loan payments, interest payments, bank service charges, and all other items required to be reported on his quarterly Campaign Disclosure Reports. Senator Knotts also shall reconcile, at least quarterly, his Campaign Disclosure Reports with his campaign banking statements.
4. Senator Knotts shall henceforth report all contributors based upon the individual(s) or entity's name listed on the check despite contrary instructions from the contributor.
5. Senator Knotts shall reimburse those individuals or entities for their respective share of the \$24,850 of excessive contributions erroneously accepted and deposited by Senator Knotts' campaign during the Periods Involved. Senator Knotts shall record these reimbursements as expenditures on his Campaign Disclosure Report for the respective quarter in which such reimbursements occur.
6. Senator Knotts shall not withdraw cash from his campaign banking accounts in excess of \$100 and shall maintain a record of all expenditures with such funds and properly report them on the applicable Campaign Disclosure Report.
7. Senator Knotts shall report as a contribution on future Campaign Disclosure Reports all interest earned on campaign checking, savings or CD accounts in accordance with the annual Form 1099-INT issued by his bank.
8. Senator Knotts shall not open any campaign banking account, whether checking, savings, or CD account, in any name other than the name of his campaign.

ORDER OF PUBLIC REPRIMAND

Now therefore, pursuant to the Constitution of South Carolina, Article III, § 12, South Carolina Senate Rule 44, and S.C. Code Ann. § 8-13-540(3) (Supp. 2009), the South Carolina Senate Ethics Committee hereby orders that Senator John M. Knotts, Jr., be and is hereby PUBLICLY REPRIMANDED for the hereinabove violations of Article 13 of South Carolina's Ethics, Government Accountability, and Campaign Reform Act, and that the corrective actions required above promptly be taken.

Senator Robert W. Hayes, Jr., Chairman

R. W. Hayes, Jr.

Hugh K. Leatherman, Sr.

Senator Hugh K. Leatherman, Sr.

Senator Glenn F. McConnell

Glenn F. McConnell

Senator John E. Courson

John E. Courson

Senator Phil P. Leventis

Phil Leventis

Senator J. Yancey McGill

J. Yancey McGill

Senator John C. Land III

John C. Land III

Senator Harvey S. Peeler, Jr.

Harvey S. Peeler, Jr.

Senator Glenn G. Reese

Glenn G. Reese

Senator C. Bradley Hutto

Brad Hutto

September 1, 2010