

Senate Ethics Committee

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ORDER OF PUBLIC REPRIMAND AND FINES

The Senate Ethics Committee (the "Committee") met on July 7, 2015, to review allegations of noncompliance stemming from Representative Cezar E. McKnight's ("Representative McKnight") unsuccessful campaign for Senate District 32 in the Special Primary Election that was held on September 2, 2014. Although Representative McKnight now is a member of the House of Representatives (elected in a Special Election for House District 101 on November 4, 2014), the Committee has jurisdiction in this matter, because these allegations pertain to his Senate campaign.

Representative McKnight also was an unsuccessful candidate for Senate District 32 in the 2012 Primary Election, from which he has outstanding fines totaling \$6,190 for his failure to timely file quarterly campaign disclosure reports. Representative McKnight's 2012 Senate campaign records were not a part of this investigation.

The allegations of noncompliance are as follows: (1) Representative McKnight failed to report on his Senate Campaign Disclosure Reports a total of 31 campaign expenditures for his 2014 Senate Special Primary Election campaign; and (2) Representative McKnight failed to report on his Senate Campaign Disclosure Reports a total of 23 campaign contributions for his 2014 Senate Special Primary Election campaign. Based on a thorough review of the applicable campaign disclosure reports, banking statements (campaign, personal and business), and Representative McKnight's written admissions, the Committee finds substantial evidence to support a finding that probable cause exists to support each of the alleged violations on its face.

This matter originated when Representative McKnight indicated that he had maintained only one campaign banking account for his three separate campaigns (two campaigns for the Senate and one campaign for the House of Representatives). A cursory comparison of Representative McKnight's most recent campaign disclosure reports revealed beginning and ending contributions on hand for his Senate and House campaigns that were inconsistent with that of a single banking account.

By letter dated April 23, 2015, the Committee requested copies of Representative McKnight's campaign banking statements for the period January 1, 2014, through December 31, 2014, and again reminded him of the outstanding fines. Representative McKnight timely submitted to the Committee, via letter dated May 12, 2015, copies of his campaign banking statements but disputed the accuracy of the outstanding fines and requested copies of the

supporting documentation. The Committee submitted copies of its documentation supporting the fines to Representative McKnight on May 19, 2015.

Upon review of the campaign banking statements, it was discovered that seven expenditures totaling \$8,182.80 had been paid from the campaign account between July 2, 2014, and September 11, 2014, but none were listed on the campaign disclosure reports. The Committee found that a majority of these expenditures were made electronically via internet and mobile transfers to two other banking accounts. The Committee also discovered numerous unreported contributions (including transfers from a PayPal account). The Committee then requested that Representative McKnight provide a written explanation for the electronic fund transfers and supply copies of the following: (1) banking records for the accounts to which the electronic fund transfers were made; (2) canceled checks for his campaign banking account; and (3) PayPal transaction records.

Representative McKnight timely complied with the Committee's requests for the additional records. Additionally, in a letter dated May 28, 2015, Representative McKnight stated, in relevant part:

The reason for not detailing the electronic transfer of funds from my campaign banking account to these other banking accounts and my not reporting the transactions was simply inadvertent oversight on my part.

The Special Election for Senate District 32 was totally unexpected. The campaign apparatus that I was able to establish during my first campaign in 2012 I was not able to establish in 2014. Most importantly, I had to self-finance the vast majority of my campaign. So in my haste to pay for items for campaign activities, I would write checks from either my personal bank account or my law practice's General Account to pay for items for the campaign. Then I would subsequently reimburse myself for some of my personal money that I expended. I realize now that the rules require that I should have documented for those transfers properly. For this oversight I most sincerely apologize and humbly ask that the Ethics Committee subject me to further penalty and sanctions. I can assure the Committee that these transfers were not done for any illegal or otherwise nefarious reasons.

The committee has responded in writing to my dispute of the outstanding fines that I now face for not timely filing reports. I withdraw my dispute to this fine. I ask the Committee review the amount of the fine and I humbly ask for a significantly large reduction in the amount of the fine. I acknowledge and accept responsibility for not properly filing these reports in a timely manner.

Upon review of Representative McKnight's personal banking records and the banking records for his law practice, it was difficult to identify all of the campaign purchases made from those accounts. As a result, the Committee requested, via letter dated May 29, 2015, that Representative McKnight supply an itemized list of the expenditures made from these accounts that corresponded with the reimbursements made via electronic transfer. In that letter, the Committee also replied that campaign fines are mandatory and not subject to reduction.

On June 12, 2015, Representative McKnight timely complied with the Committee's request and submitted a spreadsheet itemizing the campaign expenditures paid from his personal account and his law firm's operating account. The spreadsheet encompassed the time period July 1, 2014, through November 5, 2014, and the Committee recognized that some of these expenditures were attributable to Representative McKnight's campaign for the House of Representatives. To accurately distinguish between the Senate and House campaign expenditures, the Committee treated September 17, 2014, as the cut-off date. This date is when it was known with certainty that a Special Election for House of Representatives District 101 was necessary. The Committee also identified from the banking records additional campaign expenditures paid from these accounts that were omitted from the spreadsheet.

Bank records for the Law Office of Cezar E. McKnight LLC (operating account) established that at least 20 campaign expenditures totaling \$14,706.42 were paid from that account via checks and debit card transactions between July 1, 2014, and September 12, 2014. Bank records for Cezar E. McKnight's personal checking account establish that at least four campaign expenditures totaling \$2,992.00 were paid from that account via checks between July 10, 2014, and August 14, 2014. None of these expenditures have ever been reported.

The Committee also determined that Representative McKnight accepted and deposited into his campaign banking account 15 contributions totaling \$4,961.70 between June 23, 2014, and August 27, 2014, and failed to report these contributions on his Senate campaign disclosure reports. The Committee also discovered that Representative McKnight accepted and deposited into his campaign banking account eight additional contributions between August 15, 2014, and September 11, 2014, totaling \$4,400, that were intended for his Senate campaign. Representative McKnight also failed to report these eight contributions on his Senate campaign disclosure reports. Instead, he reported them on his 2014 Initial/Pre-Election/October 10 Campaign Disclosure Report for the House of Representatives.

In determining the appropriate penalty for these violations, the Committee takes notice of the fact that Representative McKnight is an attorney licensed to practice law in South Carolina. As such, he reasonably should have known and appreciated the importance of maintaining adequate records of checks and balances on his campaign banking account and complying with the campaign disclosure reporting obligations. Further, the Committee takes notice that this was not Representative McKnight's first experience with South Carolina's campaign reporting requirements.

The Committee also takes notice of the fact that Representative McKnight has been fined numerous times by the Committee since his 2012 Senate campaign and has never paid any of those fines. Therefore, the Committee concludes that Representative McKnight must be held to a higher

standard than other candidates that lack his professional education and experience. The details of the Committee's findings and its Orders are addressed below for each of the violations.

VIOLATION #1: FAILING TO REPORT CAMPAIGN EXPENDITURES

Representative McKnight never reported on his Senate Campaign Disclosure Reports any expenditures attributable to his 2014 Special Primary Election for Senate District 32. The Committee's investigation identified at least 31 campaign-related expenditures totaling \$25,881.22 that went unreported. S.C. Code Ann. Section 8-13-1308(F) (Supp. 2014) requires, generally, that the name and address of each person to whom an expenditure is made, along with the date, amount, purpose and beneficiary of the expenditure, be reported on the campaign disclosure report.

The following seven Senate campaign expenditures, totaling \$8,182.80, were made from Representative McKnight's Senate campaign banking account between July 2, 2014, and September 11, 2014:

Payee	Transaction Date	Amount
Williamsburg Sign Co.	July 2, 2014	\$3,573.80
Law Office of Cezar E. McKnight LLC	July 10, 2014	940.00
SC Democratic Party	July 17, 2014	208.00
Bank Overdraft Fee	July 17, 2014	36.00
Law Office of Cezar E. McKnight LLC	July 23, 2014	1,000.00
Cezar E. McKnight	August 13, 2014	1,000.00
Law Office of Cezar E. McKnight LLC	September 11, 2014	1,425.00
TOTAL		\$8,182.80

The following 20 Senate campaign expenditures, totaling \$14,706.42, were made from Representative McKnight's law office's operating account (Law Office of Cezar E. McKnight LLC):

Payee	Transaction Date	Amount
Facebook	July 1, 2014	\$ 397.87
Velvetex	July 11, 2014	550.80
Pirate's T-Shirts	July 7, 2014	324.00
Williamsburg Sign Co.	July 11, 2014	2,059.75
Unistar Billboards	July 31, 2014	475.00
WTUA	July 16, 2014	315.00
The News	July 22, 2014	130.00
Velvetex	July 18, 2014	52.00
Vital Aging	July 28, 2014	240.00
Glory Communications	July 22, 2014	180.00
Derek Alston	July 28, 2014	250.00
Facebook	August 1, 2014	514.02
Pirate's T-Shirts	August 4, 2014	648.00
Tobacco Row	August 20, 2014	700.00

Facebook	August 22, 2014	750.10
Glory Communications	August 28, 2014	495.00
McIntosh Consulting	August 25, 2014	2,500.00
McIntosh Consulting	August 29, 2014	2,540.00
Facebook	September 2, 2014	161.52
McIntosh Consulting	September 12, 2014	1,423.36
TOTAL		\$14,706.42

Additionally, S.C. Code Ann. Section 8-13-1314 (Supp. 2014) limits campaign contributions within an election cycle to \$1,000 for candidates involved in a non-statewide race. Section 8-13-1300(7) defines the term “contribution” to include an “in-kind contribution or expenditure.” Section 8-13-1300(20) defines the term “in-kind contribution or expenditure” as “goods or services which are provided to or by a person at no charge or for less than their fair market value.” Section 8-13-1300(25) defines the term “person” to include entities such as “a proprietorship,” “firm,” “partnership,” or “company.” Thus, the \$14,706.42 of Senate campaign expenditures advanced by the Law Office of Cezar E McKnight LLC exceeded the statutory maximum \$1,000 contribution limit and resulted in Representative McKnight’s Senate campaign receiving an excessive contribution of \$13,706.42.

The following four Senate campaign expenditures, totaling \$2,992.00, were made from Representative McKnight’s personal banking account between July 10, 2014, and August 14, 2014:

Payee	Transaction Date	Amount
Nathaniel Myers	July 10, 2014	\$ 300.00
North 52 Seafood Market	August 4, 2014	340.00
Vital Aging	August 7, 2014	300.00
Velvetex	August 14, 2014	2,052.00
TOTAL		\$ 2,992.00

The Committee concludes that Representative McKnight’s failure to report any campaign expenditures misled the public, as well as the other candidates in the Special Primary Election for Senate District 32. The Committee hereby imposes a **fine of \$1,000 for each of the 31 unreported campaign expenditures, which totals \$31,000.**

VIOLATION #2: FAILING TO REPORT CAMPAIGN CONTRIBUTIONS

The Committee’s investigation revealed that Representative McKnight accepted and deposited into his campaign banking account Senate campaign contributions totaling \$12,286.70, but he only reported \$2,925.00. Representative McKnight failed to report the 15 following contributions totaling \$4,961.70:

Contributor	Amount	Check Date	Deposit Date
Anthony B. O’Neill, Sr. Atty at Law	\$ 250.00	June 1, 2014	June 23, 2014
Cezar E. McKnight	2,166.70	n/a	June 23, 2014
Fidelis Financial	150.00	June 23, 2014	July 2, 2014

Law Office of Cezar E. McKnight	200.00	n/a	July 1, 2014
(PayPal transfer)	325.00	n/a	July 3, 2014
Marlon Kimpson	250.00	July 7, 2014	July 18, 2014
Eddie A. Woods, Jr.	500.00	July 14, 2014	July 18, 2014
Lorneval or Hope Evans, Jr.	500.00	July 15, 2014	July 18, 2014
The Phipps Law Firm, LLC	250.00	August 1, 2014	August 8, 2014
Linda B. Huell	50.00	August 26, 2014	August 27, 2014
Pressley DBA T & L Laundromat	100.00	August 23, 2014	August 27, 2014
Anita James	20.00	July 26, 2014	July 27, 2014
Jerry L. Dicks	100.00	August 23, 2014	August 27, 2014
Jacinez Holdings LLC	50.00	August 22, 2014	August 27, 2014
Pamela Knight (via PayPal)	50.00	n/a	August 21, 2014
TOTAL	\$4,961.70		

Representative McKnight also accepted and deposited into his campaign banking account eight additional contributions totaling \$4,400 intended for his Senate campaign and failed to report them on his Senate Campaign Disclosure Reports. Instead, Representative McKnight reported these contributions on his 2014 Initial/Pre-Election/October 10 Campaign Disclosure Report for the House of Representatives. The Committee determined that these contributions were intended for Representative McKnight's Senate campaign, because such intent was either designated on the check and/or the check was deposited before September 17, 2014. Those eight contributions are as follows:

Contributor	Amount	Check Date	Deposit Date
Johnny F. Driggers Atty at Law	\$1,000.00	Sept. 4, 2014	Sept. 8, 2014
Kenneth or Doris Kennedy	1,000.00	Sept. 5, 2014	Sept. 8, 2014
Carl or Angie Pierce	1,000.00	Sept. 4, 2014	Sept. 8, 2014
Allan P. Sloan III	1,000.00	Sept. 3, 2014	Sept. 8, 2014
Julia B. McFadden	50.00	August 8, 2014	Sept. 11, 2014
Levi W. Wilson	50.00	August 24, 2014	Sept. 11, 2014
Ralph or Mary O'Neal	150.00	August 15, 2014	Sept. 11, 2014
Leroy or Stacey Nesmith	150.00	August 30, 2014	Sept. 11, 2014
TOTAL	\$ 4,400.00		

The Committee finds that Representative McKnight's failure to report his Senate campaign contributors misled the public and the other candidates in the Special Primary Election for Senate District 32. The Committee further finds that Representative McKnight's act of reporting contributions intended for his Senate campaign as contributions for his House campaign also misled the public, as well as the other candidates in the Special Primary Election for Senate District 32. Therefore, the Committee hereby imposes a **fine of \$1,000 for each of the 23 unreported Senate campaign contributions, which totals \$23,000.**

COMMITTEE ORDERS

1. The Committee hereby Orders that Representative Cezar E. McKnight be and is hereby **PUBLICLY REPRIMANDED** for the hereinabove violations of Article 13 of South Carolina's Ethics, Government Accountability, and Campaign Reform Act.
2. The Committee hereby Orders the following fines be imposed against Representative Cezar E. McKnight: (1) a fine of \$31,000 for failing to report Senate campaign expenditures; and (2) a fine of \$23,000 for failing to report Senate campaign contributions. These fines total **\$54,000** and should be remitted to the Senate Ethics Committee **on or before September 30, 2015**. These fines are in addition to, and do not replace, the outstanding \$6,190 of fines previously imposed by the Committee against Representative McKnight for his failure to timely file quarterly campaign disclosure reports.

cc: VIA HAND-DELIVERY
The Hon. Kenny Bingham
Chairman, House of Representatives Ethics Committee
Blatt Building, Room 519
Columbia, SC 29201

VIA HAND-DELIVERY
The Hon. Alan M. Wilson
Attorney General
Dennis Building
Columbia, SC 29211

AND IT IS SO ORDERED, this 17th day of August, 2015.

Senator Luke A. Rankin, Chairman	
Senator Nikki G. Setzler	<u>S/ Signature on File</u>
Senator John W. Matthews, Jr.	<u>S/ Signature on File</u>
Senator Hugh K. Leatherman, Sr.	<u>S/ Signature on File</u>
Senator Harvey S. Peeler, Jr.	<u>S/ Signature on File</u>
Senator John E. Courson	<u>S/ Signature on File</u>
Senator Robert W. Hayes, Jr.	<u>S/ Signature on File</u>
Senator Glenn G. Reese	<u>S/ Signature on File</u>
Senator Darrell Jackson	<u>S/ Signature on File</u>
Senator C. Bradley Hutto	<u>S/ Signature on File</u>