



STATE ETHICS COMMISSION

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JOHN M. TYSON
CHAIRMAN

PERRY Y. NEWSON
EXECUTIVE DIRECTOR

January 21, 2014

The Honorable Patrick L. McCrory
Governor of North Carolina
20301 Mail Service Center
Raleigh, NC 27699-0301

Via email

Re: Evaluation of Statement of Economic Interest Filed By Ms. Karla Hammer Knotts
Sedimentation Control Commission

Dear Governor McCrory:

Our office is in receipt of Ms. Karla Hammer Knotts' 2013 Statement of Economic Interest as a prospective appointee to the **Sedimentation Control Commission** ("the Board"). We have reviewed it for actual and potential conflicts of interest pursuant to Chapter 138A of the North Carolina General Statutes ("N.C.G.S."), also known as the State Government Ethics Act.

We did not find an actual conflict of interest, but found the potential for a conflict of interest. The potential conflict identified does not prohibit service on this entity.

The Sedimentation Control Commission was established to develop and administer a comprehensive State erosion and sedimentation control program. The Commission also assists local and state governmental agencies in developing erosion and sedimentation control programs, and prepares publications and other materials dealing with sedimentation control techniques.

The State Government Ethics Act establishes ethical standards for certain public servants, including conflict of interest standards. N.C.G.S. §138A-31 prohibits public servants from using their positions for their financial benefit or for the benefit of a member of their extended family or a business with which they are associated. N.C.G.S. §138A-36(a) prohibits public servants from participating in certain official actions from which the public servant, his or her client(s), a member of the public servant's extended family, or a business or non-profit with which the public servant or a member of the public servant's immediate family is associated may receive a reasonably foreseeable financial benefit.

Ms. Hammer Knotts will fill the role of an NC Home Builders Association member on the Board. She is the co-owner of Knotts Development Resources, a residential development company, which is regulated by the Sedimentation Control Commission. In addition, she and her spouse own threshold amounts of interest in multiple real estate-related LLCs. As such, Ms. Hammer Knotts has the potential for a conflict of interest and should exercise appropriate caution in the performance of her public duties should issues regarding Knotts Development Resources or any entity in which she has a financial interest come before the Commission for official action.

In addition to the conflicts standards noted above, N.C.G.S. §138A-32 prohibits public servants from accepting gifts, directly or indirectly (1) from anyone in return for being influenced in the discharge of their official responsibilities, (2) from a lobbyist or lobbyist principal, or (3) from a person or entity which is doing or seeking to do business with the public servant's agency, is regulated or controlled by the public servant's agency, or has particular financial interests that may be affected by the public servant's official actions. Exceptions to the gifts restrictions are set out in N.C.G.S. §138A-32(e).

Pursuant to N.C.G.S. 138A-15(c), when an actual or potential conflict of interest is cited by the Commission under N.C.G.S. 138A-24(e) with regard to a public servant sitting on a board, the conflict shall be recorded in the minutes of the applicable board and duly brought to the attention of the membership by the board's chair as often as necessary to remind all members of the conflict and to help ensure compliance with the State Government Ethics Act.

Finally, the State Government Ethics Act mandates that all public servants attend an ethics and lobbying education presentation. Please review the attached document for additional information concerning this requirement.

Please contact our office if you have any questions concerning our evaluation or the ethical standards governing public servants under the State Government Ethics Act.

Sincerely,

A handwritten signature in cursive script that reads "Beth Carpenter".

Beth Carpenter
SEI Unit

cc: Ms. Karla Hammer Knotts

Attachment: Ethics Education Flyer