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SC Court of Appeals

THE STATE OF SOUTH CAROLINA
In The Court of Appeals

APPEAL FROM HORRY COUNTY
Court of Common Pleas

William H. Seals, Jr., Circuit Court Judge
Case Number 2018-CP-26-03173

Appellate Case No. 2022-001529

Frederick E. Brown, Charles O. Pakosta, Conrad A. Calvano, Gayle N. Scott, and Phillip D. Cox, individually and derivatively on behalf of Myrtle Beach Resort Homeowners' Association, Inc., and on behalf of all other similarly situated Co-owners, and Lori Niedzwiecki, and Robert S. Rosencrans, individually and derivatively on behalf of the Myrtle Beach Resort Homeowners' Association, Inc. for its right and benefit, Appellants,

v.

Jeffery L. Richardson and Nancy L. Moore, individually and as current members of the Board of Directors for Myrtle Beach Resort Homeowners' Association, Inc., and Peter A. Grusauskas and Jim Perkins, individually and as former members of the Board of Directors for Myrtle Beach Resort Homeowners' Association, Inc. Respondents.

and

Myrtle Beach Resort Homeowners' Association, Inc., Nominal Respondent.

FINAL BRIEF OF RESPONDENTS

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STATEMENT OF THE CASE

The question for this Court is whether the Respondent Association has discretion to perform certain duties under its governing documents as set forth in Section 4.1 Article IV of the Declaration. The Association does have discretion.

Appellants assertion that this language mandates certain actions is not supported by the facts, governing documents or applicable law. Appellants commenced this action on behalf of themselves and the Myrtle Beach Homeowners' Association, Inc., ("MBRHOA") on May 24, 2018, by filing a Verified Complaint. The Verified Complaint seeking relief from the Court for *ultra vires* and breach of contract claims ("Personal Claims") against Respondents. The Third Cause of Action alleged in the Verified Complaint seeks a Declaratory Judgment that Defendants owe affirmative, mandatory duties under MBRHOA's governing documents regarding administration and management of the Myrtle Beach Property (the "Complaint"). Respondents Richardson and Grusaskas answered the Complaint on July 13, 2018, denying all allegations of wrongdoing (Richardson and Grusauskas Answer, pp. 1-11). Nominal Defendant MBRHOA answered on July 30, 2018, asserting insufficient knowledge or information to form a belief as to the truth of the allegations contained in the Complaint. Respondents Moore and Perkins answered the Complaint on August 24, 2018 denying all wrongdoing. (Moore and Perkins' Answer, pp. 1-11).

On February 17, 2020, Appellants amended their Complaint to add a cause of action for judicial dissolution. The cause of action for dissolution requests the Court either involuntary dissolve MBRHOA or employ the statutory alternatives to dissolution (the "Amended Complaint"). On March 16, 2020, Respondents answered the Amended

Complaint, denying the allegations of wrongdoing (Richardson and Grusauskas Amended Answer, pp. 1-13) (Moore and Perkins' Amended Answer, pp. 1-13).

Appellants moved for Partial Summary Judgment on March 24, 2020. Appellants' motion for partial summary judgment asserted the powers of the MBRHOA Board of Directors under Section 4.1, Article IV of the Declaration for MBRHOA are affirmative, mandatory obligations binding on each of the board members. Appellants filed their memorandum in support of their Motion for Partial Summary Judgment on April 30, 2021.

Before a hearing could be held on Appellants' Motion for Partial Summary Judgment, on April 24, 2020, this case was assigned to the Business Court for Horry County and to the Honorable R. Markley Dennis, Jr., presiding. On March 22, 2021, Respondents filed a Motion for Partial Summary Judgment as to the Third Cause of Action alleged in the Amended Complaint. Respondents' Motion for Partial Summary Judgment requested the Court grant Respondents judgment as a matter of law as to the Third Cause of Action in the Amended Complaint, and declare the powers enumerated in Section 4.1, Article IV of MBRHOA's Declaration were discretionary powers and not mandatory obligations given to the MBRHOA Board of Directors. Respondents filed a memorandum in support of their Motion for Partial Summary Judgment on April 28, 2021.

The Court conducted a hearing on the cross Motions for Partial Summary Judgment and issued a written Order dated January 10, 2022, granting Respondents' Motion and denying Appellants' Motion. The Court held that the Section 4.1, Article IV powers were discretionary and did not mandate the MBRHOA Board of Directors undertake the actions listed therein. (Order dated January 10, 2022).

Appellants filed a Motion to Reconsider on January 18, 2022. Judge Dennis informed the parties to this case of his decision to deny the Appellants' Motion to Reconsider by email dated April 6, 2022. (Email from Judge Dennis). Respondents prepared and submitted a proposed order to Judge Dennis' chambers on April 7, 2022. Judge Dennis then retired without issuing a final order, and Court Administration assigned the case to Judge William H. Seals, Jr. By Order dated October 5, 2022, the Court denied Appellants' Motion to Reconsider. (Order dated October 5, 2022). This appeal followed.

FACTS

Appellants alleged several facts in the Amended Complaint that actually corroborate that Section 4.1, Article IV of the Declaration of Covenants, Conditions, and Restrictions for the Myrtle Beach Homeowner's Association (the "Declaration") grants additional discretionary powers to the Board of Directors, but does not mandate their use. MBRHOA was created as an umbrella or "Master Association" governed by certain written and recorded Declaration of Covenants, Conditions, and Restrictions for the Myrtle Beach Homeowner's Association (the "Declaration"). It is charged with administering certain affairs of the Myrtle Beach Resort, a resort community made up of four individual condominium regimes in Horry County, South Carolina. (Amended Complaint, ¶¶ 22-24). The MBRHOA, made up of the four condominium regimes, is bound by the Declaration and its By-laws. (*Id.*, ¶ 27). Appellants alleged a justiciable controversy exists between the parties regarding their rights, status, and legal relations under MBRHOA's Declaration and By-Laws. (*Id.*, ¶45).

STANDARD OF REVIEW

“The purpose of summary judgment is to expedite disposition of cases which do not require the services of a fact finder.” *George v. Fabri*, 345 S.C. 440, 452, 548 S.E.2d 868, 874 (2001). Summary judgment is appropriate when “the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law.” SCRCP 56(c). On appeal, the court reviews a grant of summary judgment under the same standard applied by the circuit court. See *Guinan v. Tenet Healthsystems of Hilton Head, Inc.*, 383 S.C. 48, 53, 677 S.E.2d 32, 35 (Ct. App. 2009); *Turner v. Milliman*, 392 S.C. 116, 121-22, 708 S.E.2d 766, 769 (2011). “[T]o resist a motion for summary judgment, the nonmoving party must come forward with specific facts showing genuine issues necessitating trial. Once a party moving for summary judgment carries the initial burden of showing an absence of evidentiary support for the nonmoving party’s case, the nonmoving party may not simply rest on mere allegations or denials contained in the pleadings.” *Nationsbank v. Scott Farm*, 320 S.C. 299, 303, 465 S.E.2d 98, 100 (Ct. App. 1995). “When plain, palpable, and indisputable facts exist on which reasonable minds cannot differ, summary judgment should be granted.” *USAA Prop. & Cas. Ins. Co. v. Clegg*, 377 S.C. 643, 653–54, 661 S.E.2d 791, 796 (2008).

ARGUMENT

I. THE COURT CORRECTLY CONCLUDED THAT SECTION 4.1 OF THE DECLARATION, WHEN READ IN CONJUNCTION WITH THE LANGUAGE OF THE AMENDED BY-LAWS AND HORIZONTAL PROPERTY REGIME ACT, GRANTS THE BOARD CERTAIN ADDITIONAL DISCRETIONARY POWERS.

The heart of Appellants' challenge of the trial court's decision is whether the language of Section 4.1 of the Declaration grants discretionary powers to or mandates certain actions by the Board of the MBRHOA. Section 4.1 Article IV of the Declaration states in relevant part:

4.1 The Association, acting through the Board of Directors, shall also have the power to: (a) maintain all streets and roads within the Property, including cleaning and periodic resurfacing; (b) provide for all refuse collection (c) obtain, for the benefit of the Property, by purchase, lease or otherwise, as deemed proper by the Board of Directors, cable or master television service and telephone service; (d) maintain the oceanfront area; (e) grant easements, rights-of way or strips of land, where necessary, for utilities, and sewer facilities and other services over the Common Areas to service the Property; (f) maintain such policy or policies of liability and fire insurance with respect to property owned by the Association; (g) employ or contract with a management company to perform all or any part of the duties and responsibilities of the Association, including further duties and responsibilities which may be delegated to the Association by the Individual Condominium Associations and to equitably apportion assessments of same; (h) install and maintain security devices, detectors and communication facilities and contract for employment of security services, guards and watchmen for the project; (i) take such other reasonable action as the Board shall deem advisable with respect to the Myrtle Beach Resort for the benefit of the overall Property.

(Declaration at 7-8). Both Appellants and Respondents agree that the language of Section 4.1 of Article IV of the Declaration is clear and unambiguous. Moreover, both parties agree that the rules of construction for contracts apply to the resolution of this dispute. The parties disagree as to the interpretation of Section 4.1. The Declaration

states South Carolina law controls the interpretation of the Master Association's Declaration and By-laws. See Declaration §6.4, at p. 12.

Under South Carolina law, “[c]ontract interpretation begins with the plain language of the agreement.” *Stevens Aviation, Inc. v. DynCorp Int'l LLC*, 407 S.C. 407, 756 S.E.2d 148, 152 (2014) (citation omitted) (internal quotation marks omitted). Where the contract's language is clear and unambiguous, the language alone determines its effect. *Schulmeyer v. State Farm Fire & Casualty Ins. Co.*, 353 S.C. 491, 579 S.E.2d 132, 134 (2003). The contract should be read as a whole, not in a piecemeal fashion, to avoid reading ambiguity into the contract. *S.C. Dep't of Nat. Res. v. Town of McClellanville*, 345 S.C. 617, 550 S.E.2d 299, 302–03 (2001). Further, “an interpretation that gives meaning to all parts of the contract is preferable to one which renders provisions in the contract meaningless or superfluous.” *Stevens Aviation*, 407 S.C. at 417, 756 S.E.2d at 153.

Section 4.1 of the Declaration begins, “[t]he Association, acting through the Board of Directors, shall also have the power to ...”. (See Declaration Article IV, §4.1, pp. 7-8). Section 4.1 goes on to enumerate several powers of the Board. As the Court pointed out in its Order Granting Defendant's Motion for Partial Summary Judgment, Appellants ask the Court to ignore the words “also have the power to” and determine that Section 4.1 of the Declaration mandates the exercise of each enumerated power. (Order Granting Respondents' Motion for Partial Summary Judgment, pp. 4). Respondents ask the Court to read the phrase “also have the power to” in conjunction with the Declaration's use of similar phrases to determine Section 4.1 of the Declaration grants additional, *discretionary* powers. (*Id.*) In their Initial Brief, Appellants state that Appellants have not asked the Court to ignore the words “also have the power to”, but instead ask the Court

to read the phrase “shall also have the power to” in conjunction with other sections of the Declaration such as Article IV subsection 8(e) of the Amended By-Laws and Section 3.2 of Article III of the Declaration. (Appellants’ Initial Brief, pp. 17-18). However, as the Court held in its Order, these sections use similar but not identical language. (Order Granting Respondents’ Motion for Partial Summary Judgment, p. 4).

Section 3.2 of Article III, which appears immediately before Section 4.1 in the Declaration, states, “This Board of Directors shall act in accordance with the By-Laws.” Clearly absent from the language in Section 3.2 are the words “also have the power to”. The trial court correctly noted the absence of the phrase “also have the power to” demonstrates the Declarant’s intention to differentiate between the mandatory and discretionary powers of the Board. (*Id.*).

By contrast, Section 2.1 of Article II of the Declaration contains language similar to section 4.1. Section 2.1 states the Association has “the power to grant and accept easements to and from any private and public authority...”. (Declaration at §2.1, p. 5). Section 2.1 of the Declaration goes on to state, “Such easements may be granted or accepted by the Association...”. (*Id.*). The trial court correctly found that the language of Section 2.1 “tracks the language of Section 4.1(e), again indicating the Declarant’s intent to create discretionary powers for the Board.” (Order Granting Respondents’ Motion for Partial Summary Judgment, p. 5). Notably, at no point in Appellants’ Initial Brief do Appellants discuss or even acknowledge the language Section 2.1 of the Declaration. Instead, Appellants ignore Section 2.1 by omitting any mention of the language in their interpretation of the Declaration. In reconciling these two sections of the Declaration, the trial court correctly held that it could not “interpret the language in 4.1 as mandatory where

Section 2.1 clearly grants discretion in the use of one of those powers. To do as [Appellants'] intend would ignore the language of Section 2.1 completely." (*Id.*). The laws of contract interpretation in South Carolina require the court to reconcile language to give meaning to all parts of the contract. *Stevens Aviation, supra*.

Appellants further contend that Section 8 of Article IV of the Amended By-Laws support Appellants' position that the Section 4.1 powers are mandatory. The trial court disagreed and instead stated that the language in Section 8 of the By-Laws reinforced the trial court's conclusion that the Section 4.1 powers are discretionary. (Order Granting Respondents' Motion for Partial Summary Judgment, p. 5). Section 8 of the By-Laws states in relevant part:

Consistent with these By-Laws and applicable Declarations, the Board shall: (a) transact all Association business ...; (b) annually set a budget for the Association; (c) fix, impose, and remit penalties for violations of these By-Laws and the rules and regulations of the Association; (d) elect from the Board... the President, Vice-President, Secretary and Treasurer; (e) carry out all other duties and obligations imposed and exercise all rights granted it by these By-Laws, the Declaration, and the Act.

(By-Laws at Article IV, §8(a), p. 5). While both parties agree that Section 3.2 of Article III of the Declaration and Section 8 of the By-Laws mandate certain conduct by the Board, Appellants contend that these two sections demonstrate that the Section 4.1 powers in the Declaration also must be mandatory. (Appellants' Initial Brief, p. 20). Conveniently, this interpretation ignores the absence of the phrase "also have the power to" in Section 3.2 of Article III and Section 8 of the By-Laws which exists in Section 4.1, Article IV of the Declaration. (Order Granting Respondents' Motion for Partial Summary Judgment, pp. 5). Given the absence of the differentiating language, the trial court correctly found "that subsection 8(e) of the By-Laws, when read in conjunction with the By-Laws and the

Declaration as a whole, corroborates the discretion granted to the Board in Section 4.1”. (*Id.*). “Any other interpretation eviscerates Section 4.1(i) of Article IV of the Declaration, which grants the Board the power to ‘take other such reasonable action as the Board shall deem advisable with respect to the Myrtle Beach Resort for the benefit of the overall Property.’” (*Id.* pp. 6).

A. The Master Deeds do not reference Section 4.1 of the Declaration.

Appellants next argue that Article XVIII of the Master Deeds of the individual condominium regimes states that the Declarant intended for the MBRHOA’s Board to have mandatory duties under Section 4.1. (Appellants’ Initial Brief, p. 20). Appellants’ argument is misplaced. At no point in Article XVIII of the Master Deeds is Section 4.1 referenced. Rather, Article XVIII addresses a unit owner’s obligations to pay certain assessments to the Master Association for “Resort Expenses” “as such exist from time to time.” (Order Denying Plaintiff’s Motion to Reconsider, Alter, or Amend, pp. 3) (See Article XVIII of the Master Deed for Renaissance Tower, pp. 907-908; Article XVIII of the Master Deed for Ocean Front Spa, pp. 382-385; Article XVIII of the Master Deed for Five Seasons Centre, pp. 676-679). The trial court properly found that the language of Article XVIII of the Master Deeds did not persuade the Court to a different conclusion. (Order Denying Plaintiff’s Motion to Reconsider, Alter, or Amend, pp. 3).

B. The Horizontal Property Regime Act does not support the assertion that the Section 4.1 powers are mandatory duties of the Board.

Appellants cite S.C. Code Ann. §§ 27-31-150, 160, 170, and 240 in their initial brief to support their contention that the powers enumerated in Section 4.1 of the Declaration are mandatory duties of the Board. (Appellants’ Initial Brief, pp. 24-30). Appellants’ reliance on these statutes is misplaced. First, S.C. Code Sections §27-31-150 and 170

require that horizontal property regimes be governed by by-laws and that the owners within those regimes comply with the by-laws set in place. These statutes do not mandate any specific action by the Board. Similarly, S.C. Code §27-31-160 only requires that by-laws include certain topics. Certainly, this code section does not require that the Section 4.1 powers of the Declaration be considered mandatory powers of the MBRHOA Board.

Finally, S.C. Code Ann. § 27-31-240 provides that “the council of co-owners shall insure the property against risks...”. *Id.* Under the Act, the term “council of co-owners” means all owners who own an apartment in the building. See S.C. Code Ann. § 27-31-20(d) and (e). On Page 27 of their brief, however, Appellants improperly add the phrase “and/or Board” into the statutory language of Section 27-31-240 to persuade the Court of an interpretation that is unwarranted. In addition to omitting the term “board of directors” in S.C. Code Ann. § 27-31-240, the term “board of directors” is absent from the entire Horizontal Property Regime Act. As such, S.C. Code Ann. § 27-31-240 cannot be interpreted to require action on the part of the MBRHOA Board.¹

C. Sections 6.2 and 6.4 of the Declaration do not impact the discretionary nature of the Section 4.1, Article IV powers of the Board.

The language of Sections 6.2 and 6.4 of the Declaration does not alter the interpretation that the Section 4.1 powers are discretionary powers. Section 6.2 provides that the enforcement of the provisions of the Declaration, the By-Laws and the other relevant rules and regulations of the MBRHOA are essential to the protection of the

¹ Appellants first raise S.C. Code Ann. § 27-31-160 and §27-31-240 in their Motion to Reconsider, Alter, or Amend after the trial court had ruled on Respondent’s Motion for Partial Summary Judgment. It is improper to raise these arguments for the first time in a Rule 59(e) motion. *Johnson v. Sonoco Prod. Co.*, 381 S.C. 172, 177, 672 S.E.2d 567, 570 (2009); *Commercial Credit Loans, Inc. v. Riddle*, 334 S.C. 176, 186, 512 S.E.2d 123, 129 (Ct.App.1999).

individual owners. Section 6.4 governs interpretation of the language of the Declaration; nowhere does it state the Section 4.1 powers of the Board are mandatory. In fact, it actually provides discretion to the Board to construe the Declaration in the manner “which, *in the opinion of the Board of Directors*, will best effect the intent of the general plan of development.” *Id.* (emphasis added). Neither of these provisions are thwarted by the interpretation that the powers of Section 4.1 of the Declaration are discretionary powers to be used when the Board sees fit.

The trial court correctly found that the Declaration and By-Laws, when read as a whole, may only be properly reconciled by interpreting that the powers granted in Section 4.1 of the Declarations are discretionary and not mandates for the Board to act.

II. THE COURT CORRECTLY CONCLUDED THAT THE LANGUAGE OF SECTION 4.1 OF THE DECLARATION AND SUBSECTION 8(E) OF THE AMENDED BY-LAWS ARE NEITHER CONTRADICTORY NOR REPUGNANT TO EACH OTHER.

As stated in the previous section, the language in subsection 8(e) of the Amended By-Laws does not require the Court to draw a different conclusion than that reached by the trial court. *See supra* pp. 9-10. Subsection 8(e) states the Board “shall ... exercise all rights granted it by these By-Laws, the Declaration and the Act.” The trial court correctly ruled that this language, read in conjunction with the Declaration as a whole, corroborates the discretion granted to the Board in the Section 4.1 powers. *See supra* pp. 9-10; (see also Order Granting Defendants’ Motion for Partial Summary Judgment, pp. 5). Going further, the court correctly held that “any other interpretation eviscerates the Board’s ability to take other reasonable action as it deems advisable with respect to the Myrtle Beach Resort for the benefit of the overall property.” *See supra* pp. 9-10; (see also Order Granting Defendants’ Motion for Partial Summary Judgment, pp. 5)

III. THE COURT CORRECTLY FOUND THAT THE EMPLOYMENT OF SOME OR ALL OF THE POWERS FOUND IN SUBPARAGRAPHS (A) THROUGH (H) OF SECTION 4.1 OF THE DECLARATION OVER TIME DEMONSTRATED THE DISCRETIONARY NATURE OF THOSE POWERS.

Appellants argue that Respondents voluntarily undertook or assumed a continuous duty by performing one or more of the powers in Section 4.1 of the Declaration at some point in time since the inception of the MBRHOA. (Appellants' Initial Brief p. 40). In making their argument, Appellants attempt to support their contention by citing *Walbeck v. I'On Co., LLC* which states, "[When] an act is voluntarily undertaken, however, the actor assumes the duty to use due care." *Walbeck v. I'On Co. LLC*, 426 S.C. 494, 514, 827 S.E.2d 348, 358 (Ct. App. 2018). Appellants' interpretation of the case law is misguided.

Respondents agree with what the case law actually says that if the Board were to act pursuant to its powers, the Board would assume the duty to use good care in taking that action. Appellants' contention is nonsensical and is not supported by the cited case law. They effectively are asserting that should the Board use its discretion and decide to act according to its powers, the Board would thenceforth be forever bound to continually do that act or acts, effectively converting any discretionary power to an ongoing mandatory obligation.

Appellants' argument improperly restricts the discretion granted to the Board in Section 4.1(i) of the Declaration which gives the Board the power to, "take other such reasonable action **as the Board shall deem advisable** with respect to the Myrtle Beach Resort for the benefit of the overall Property." (Order Granting Defendants' Motion for Partial Summary Judgment, pp. 5) (emphasis added). The plain language of the Declaration which states "as the Board shall deem advisable" clearly affords the Board

the opportunity to choose not to act when action would be inadvisable.² The trial court correctly held that “even assuming the Board undertook to employ one or more of those powers enumerated in Section 4.1, such assumption does not make those powers mandatory.” (Order Denying Plaintiffs’ Motion to Reconsider, Alter, or Amend, pp. 4). Rather, the employment of some or all of the powers over time demonstrates the discretionary nature of such powers. *Id.*

CONCLUSION

For the reasons set forth above, this Court should dismiss Appellants’ appeal on the basis that the trial court correctly found that the language of section 4.1 of the Declaration, when read in conjunction with the whole Declaration, Amended By-Laws, and all other relevant documents grants the MBRHOA Board discretionary powers.

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² See *supra* p. 7. (Where the contract’s language is clear and unambiguous, the language alone determines its effect. *Schulmeyer v. State Farm Fire & Casualty Ins. Co.*, 353 S.C. 491, 579 S.E.2d 132, 134 (2003)).

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Myrtle Beach Resort Homeowners' Association, Inc., Nominal Respondent.

CERTIFICATION OF COMPLIANCE

Undersigned counsel hereby certified that the foregoing Final Brief of Respondents complies with Rule 211(b), SCACR.

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