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SC Court of Appeals

THE STATE OF SOUTH CAROLINA
In the Court of Appeals

APPEAL FROM CHARLESTON COUNTY
Court of Common Pleas

Carmen T. Mullen, Circuit Court Judge

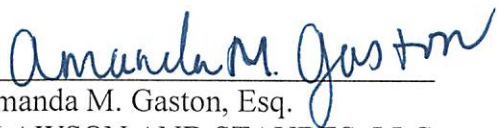
Appellate Case No.: 2025-002543

Delores Walker, Respondent,

v.

RE Carroll Management Company,
Harborstone LLC, d/b/a Harborstone
Apartments.....Appellants.

FINAL BRIEF OF APPELLANTS


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Statutes

9 U.S.C. §§ 1–16 (Federal Arbitration Act)

S.C. Code Ann. § 15-48-10

STATEMENT OF ISSUES ON APPEAL

- I. Did the Circuit Court err in denying Appellants' Motion to Dismiss and/or Compel Arbitration pursuant to Paragraph 42 of the parties' Lease Agreement and the Federal Arbitration Act?

STATEMENT OF THE CASE

This appeal arises from an Order entered on October 24, 2025, by the Charleston County Court of Common Pleas denying Appellants' Motion to Dismiss and/or Compel Arbitration pursuant to Paragraph 42 of the parties' Lease Agreement and the Federal Arbitration Act ("FAA"). (R. pp. 114-122.)

Respondent Delores Walker ("Respondent") commenced this action on May 20, 2025, against Appellants RE Carroll Management Company and Harborstone, LLC (collectively, "Appellants"), asserting claims for negligence, gross negligence, and premises liability. (R. pp. 2-10.) Respondent alleges she sustained personal injuries on March 7, 2023, while disposing of trash in a compactor located at Harborstone Apartments in Ladson, South Carolina. (R. p. 4., lines 8-9.)

Prior to the incident, on November 21, 2022, Respondent executed an Apartment Lease Agreement titled "Apartment Lease Agreement – South Carolina" for Unit 1202 at 3825 Ladson Road, in Ladson, South Carolina. Paragraph 42 of the Lease Agreement contains a mandatory arbitration provision requiring that any and all claims arising out of or relating to the Lease Agreement or the landlord-tenant relationship be resolved through binding arbitration pursuant to the FAA. Respondent separately initialed this provision, evidencing knowing and voluntary assent. (R. p. 83.)

On June 26, 2025, Appellants filed an Answer and, contemporaneously, a Motion to Dismiss and/or Compel Arbitration. (R. pp. 11-28; 29-36.) The Circuit Court heard oral arguments on September 11, 2025.

During the hearing, the Court made no factual findings concerning unconscionability, adhesion, or the parties' relative bargaining power, nor did it reject the applicability of the FAA based on evidentiary insufficiency. At the hearing, counsel for the Respondent was instructed to prepare a proposed Order Denying Appellants' Motion. Upon reviewing the proposed Order, counsel for the Appellants objected to the inclusion of legal analysis and factual findings not articulated by the Court on the record. (R. pp. 89-106; 107-113.) That Order was signed by the Court over Appellants' express objection on October 24, 2024. (R. pp. 114-122.)

On October 30, 2025, Appellants timely moved for reconsideration pursuant to Rule 59(e), SCRCP, submitting an Affidavit further substantiating the Lease Agreement's nexus to interstate commerce. (R. pp. 123-126.); Affidavit of Associate General Counsel Adam Spivey (R. pp. 136-137.) Following a hearing on November 24, 2025, the Circuit Court denied Appellants' Rule 59(e) Motion. (R. p. 153) This appeal followed.

STANDARD OF REVIEW

The appellate court reviews the denial of a motion to compel arbitration de novo. *Wellman, Inc. v. Square D Co.*, 366 S.C. 61, 67, 620 S.E.2d 86, 89 (Ct. App. 2005). Absent an agreement by the parties to the contrary, the question of arbitrability of a claim is an issue reserved for judicial determination. *Zabinski v. Bright Acres Assocs.*, 346 S.C. 580, 596, 553 S.E.2d 110, 118 (2001).

SUMMARY OF THE ARGUMENT

The Circuit Court erred in denying Appellants' Motion to Dismiss and/or Compel Arbitration. Paragraph 42 of the Lease Agreement is governed by the Federal Arbitration Act ("FAA") by its express terms and because the Lease Agreement evidences a transaction involving interstate commerce. The Lease Agreement was executed as part of a multistate property management enterprise operated by RE Carroll Management Company, a North Carolina-based

commercial entity engaged in the interstate management of multifamily residential properties, including Harborstone Apartments. Harborstone, LLC owned the subject property and conducted its operations within that interstate commercial framework. These facts establish that the Lease Agreement was not a purely intrastate transaction but one that affects interstate commerce, bringing the arbitration clause within the FAA's scope. *Citizens Bank v. Alafabco, Inc.*, 539 U.S. 52, 56 (2003).

The arbitration provision is neither procedurally nor substantively unconscionable. It is mutual, conspicuous, and was separately acknowledged by Respondent. Its broad language indisputably encompasses the claims asserted in this action, all of which arise from the landlord-tenant relationship created by the Lease Agreement.

Rather than applying the strong presumption in favor of arbitrability, the Circuit Court relied upon post-hearing findings and legal analysis drafted by Respondent's counsel. The resulting Order contains factual findings and legal conclusions that were neither articulated nor contemplated by the Court during oral arguments. To the extent the Order purports to resolve factual matters not developed on the record, those determinations are not entitled to deference and cannot support the denial of arbitration.

Finally, the Circuit Court erred in denying Appellants' Rule 59(e) Motion, thereby allowing factual findings and analysis central to the applicability of the FAA to remain uncorrected. Under these circumstances, reversal is required.

ARGUMENT

I. The FAA Governs the Arbitration Clause in the Lease Agreement

The Federal Arbitration Act ("FAA") applies in both federal and state courts to written arbitration agreements involving interstate commerce. *Munoz v. Green Tree Fin. Corp.*, 343 S.C.

531, 538–39, 542 S.E.2d 360, 363 (2001). The United States Supreme Court has interpreted the FAA’s “involving commerce” language broadly, reflecting Congress’s intent to exercise the full breadth of its Commerce Clause authority. Accordingly, the FAA extends even to intrastate contracts whose aggregated economic activity substantially affects interstate commerce. *Allied-Bruce Terminix Cos., Inc. v. Dobson*, 513 U.S. 265, 277–81, 115 S. Ct. 834, 130 L. Ed. 2d 753 (1995). South Carolina courts have adopted this expansive interpretation, applying the FAA to residential lease agreements where the underlying transaction bears a sufficient nexus to interstate commerce. *Dean v. Heritage Healthcare of Ridgeway, LLC*, 408 S.C. 371, 381, 759 S.E.2d 727, 732 (2014).

South Carolina courts have consistently held that an arbitration agreement will be enforced unless a party “could not possibly have agreed” to arbitrate claims arising from wholly unexpected tortious conduct. *Aiken v. World Fin. Corp.*, 373 S.C. 144, 151, 644 S.E.2d 705, 709 (2007). The arbitration provision in the Lease Agreement expressly states that it is governed by the Federal Arbitration Act, demonstrating the parties’ intent to invoke and be bound by the FAA. (R. p. 83.) Independent of this express designation, the Lease Agreement satisfies the FAA’s “involving commerce” requirement. It was executed as part of a multistate property-management enterprise operated by RE Carroll Management Company, a North Carolina-based entity engaged in the ownership and management of multifamily residential properties across state lines. Harborstone, LLC’s ownership and operation of Harborstone Apartments in Ladson, South Carolina, forms an integral part of this interstate commercial framework. Harborstone, LLC further engages in interstate commerce through its use of national financial institutions, out-of-state vendors and service providers, and contractors, including those responsible for the trash compactor repairs at

issue in this case. These operational interconnections establish the requisite nexus to interstate commerce, placing the Lease Agreement squarely within the FAA's ambit.

The Circuit Court's conclusion that the Lease Agreement does not implicate interstate commerce reflects an unduly narrow construction of the FAA, inconsistent with binding precedent.

II. The Arbitration Clause is Valid, Enforceable, and Encompasses Respondent's Claims

Section 2 of the FAA provides that written agreements to arbitrate shall be valid, irrevocable, and enforceable, save upon such grounds as exist at law or in equity for the revocation of any contract. 9 U.S.C. § 2. Any doubts concerning the scope of arbitrable issues shall be resolved in favor of arbitration. *Zabinski*, 346 S.C. at 597, 553 S.E.2d at 118.

Paragraph 42 of the Lease Agreement prescribes that:

“[a]ny and all claims, disputes or controversies arising out of and relating to this Lease, or arising out of and relating to the relationship of the Landlord and Resident created by this Lease ... will be resolved by binding arbitration conducted pursuant to the Federal Arbitration Act.”

This broad, unambiguous language encompasses Respondent's claims, which arise directly from the landlord-tenant relationship created by the Lease Agreement.

In *Landers v. FDIC*, the South Carolina Supreme Court held that “[a] clause which provides for arbitration of all disputes ‘arising out of or relating to’ the contract is construed broadly.” 402 S.C. 100, 109, 739 S.E.2d 209, 213 (2013). The Court further emphasized the “heavy presumption of arbitrability,” holding that “when the scope of the arbitration clause is open to question, a court must decide the question in favor of arbitration.” *Id.* at 109, 739 S.E.2d at 214. Respondent's claims relate directly to the tenancy, the terms of the Lease Agreement, and the parties' respective rights and obligations thereunder, and therefore fall squarely within the scope of the arbitration clause.

The agreement is not unconscionable. The mere fact that the Lease Agreement is standardized does not render it unenforceable. *Munoz v. Green Tree Fin. Corp.*, 343 S.C. 531, 542 S.E.2d 360 (2001). Respondent separately initialed the arbitration provision, which was neither hidden nor surprising. The provision binds both parties equally and preserves limited judicial remedies customary in residential leasing.

Reliance on S.C. Code Ann. § 15-48-10 cannot defeat enforcement of an arbitration agreement governed by the FAA, which preempts state statutes imposing heightened notice or formatting requirements. *AT&T Mobility LLC v. Concepcion*, 563 U.S. 333, 341-42 (2011).

III. The Circuit Court's Reliance on Post-Hearing Findings Warrants No Deference

Although the Circuit Court's written Order purports to rest on findings of unconscionability and a lack of connection to interstate commerce, those determinations were neither articulated nor contemplated at the September 11, 2025 hearing and were not the product of fact-finding by the Court. Rather, the Order was drafted by Respondent's counsel and submitted over Appellants' objection, and it incorporates legal conclusions and factual assertions not developed on the record at the hearing.

To the extent the Order contains analysis or findings beyond those expressed by the Court during oral arguments, such material cannot insulate the ruling from appellate review. Appellate consideration turns on whether the denial of arbitration is legally sustainable, not on post-hoc rationalizations supplied by a prevailing party.

IV. The Circuit Court Erred in Denying Appellants' Rule 59(e) Motion

Rule 59(e) relief is appropriate to correct clear errors of law, prevent manifest injustice, or supplement an incomplete record. *Robinson v. Wix Filtration Corp. LLC*, 599 F.3d 403, 411 (4th Cir. 2010). Appellants' Rule 59(e) Motion sought to supplement the record with evidence

addressing the transaction's nexus to interstate commerce and the applicability of the FAA, both central to the Circuit Court's ruling.

CONCLUSION

For the foregoing reasons, Appellants respectfully request that this Court reverse the Circuit Court's Order denying Appellants' Motion to Dismiss and/or Compel Arbitration and remand this matter with instructions to compel arbitration pursuant to Paragraph 42 of the Lease Agreement and the Federal Arbitration Act.

Respectfully submitted,

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August 6, 2026