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SC Court of Appeals

**IN THE STATE OF SOUTH CAROLINA
COURT OF APPEALS**

APPELLATE CASE NO.: 2026-001562

ST. STEPHEN FAMILY DENTISTRY, LLC,

Respondent,

v.

LINDA GREGG and DOUGLAS ALLEN KAUFMAN,

Defendants,

of whom LINDA GREGG is,

Appellant.

Appeal from Berkeley County Court of Common Pleas,
Honorable J. Camden West, Master-in-Equity, Presiding
Civil Action Case No.: 2013-CP-08-00149

RESPONDENT'S INITIAL BRIEF

ROSEN HAGOOD, LLC

Oana D. Johnson, Attorney at Law
South Carolina Bar No.: 100373
40 Calhoun Street, Suite 450
Charleston, SC 29401
Telephone 843.266.8109
ojohnson@rosenhagood.com
Attorney for Respondent

HOPKINS LAW FIRM, LLC

J. Clay Hopkins, Attorney at Law
South Carolina Bar No.: 102053
William E. Hopkins, Jr., Attorney at Law
South Carolina Bar No.: 66474

12019 Ocean Highway
P.O. Box 1885
Pawleys Island, SC 29585
Telephone 843.314.4202
clay@hopkinsfirm.com
bill@hopkinsfirm.com
Attorneys for Appellant

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STATEMENT OF ISSUES ON APPEAL

- 1. Whether the Master in Equity correctly determined that the doctrine of unclean hands applied to bar Appellant from benefiting from the statutory homestead exemption when the evidence showed that Appellant used embezzled funds to pay for the mortgage on the property.**
- 2. Whether the Master in Equity correctly determined that the evidence supports a finding that there is a nexus between the embezzled funds and the homestead claimed.**

STATEMENT OF THE CASE

This appeal arises out of a judgment against Linda Gregg. Linda Gregg was employed as an office manager for St. Stephens Family Dentistry when she embezzled over \$250,000. On January 22, 2013, Plaintiff filed its Complaint alleging that Defendant Gregg, aided and abetted by Defendant Kaufmann, converted large sums of money belonging to Plaintiff for the benefit of the Defendants. Plaintiff sought monetary damages and requested that this Court set aside the transfer of property from Defendant Linda Gregg to Defendant Douglas Allen Kaufmann, executed on June 13, 2012. (RA ____)

Appellant failed to answer or otherwise plead and on December 4, 2013, this Court entered an Order awarding Plaintiff \$284,371.47 in actual damages and \$285,000 in punitive damages. The Court also set aside the property transfer as fraudulent (RA ____), finding that the Appellant used embezzled funds to pay her own debt, including the mortgage (RA ____). Defendants appealed and the South Carolina Court of Appeals affirmed the trial court's decision.

Respondent filed a Motion Opposing Homestead Exemption on May 16, 2017 (RA ____); Respondent's Motion was heard by The Honorable Judge Jennifer McCoy who referred it to the Master in Equity for determination on the merits. (RA ____). Respondent executed the judgment but agreed to allow the Sheriff to hold \$67,100 in trust pending the determination of the homestead exemption issue (RA ____). Respondent specifically reserved the right to argue that the homestead amount is \$50,000.

An evidentiary hearing was held by the Master in Equity on January 13, 2026 and the Master issued its Order on June 16, 2026, finding that Respondent resided at the Property but she

was precluded from claiming homestead exemption by the doctrine of unclean hands. (RA ____). This appeal followed.

STATEMENT OF THE FACTS

Respondent adopts the factual findings of the trial court at pages 2 through 4 of the December 2013 Order *in toto* as follows:

Respondent, St. Stephen Family Dentistry, LLC, is a dental practice located in St. Stephen, South Carolina, and owned by Tristan Cordray, DDS (Dr. Cordray). Gregg had been employed by Plaintiff from 2007 when St. Stephen's Family Dentistry was purchased by Dr. Cordray, until January 20, 2011. Gregg was the office manager for Plaintiff and stood in a position of trust and confidence to Respondent.

On January 20, 2011, Dr. Cordray opened a letter from Chase Cardmember Services addressed to St. Stephen Family Dentistry, enclosing a check from The SC State Employees Dental Benefit Plan made to St. Stephen Family Dentistry and endorsed to a Chase account (RA ____). The letter indicated that Chase does not accept third party checks. Dr. Cordray called Chase Cardmember Services and learned that the account used on the endorsement belonged to Gregg. When Dr. Cordray confronted Gregg with this information she asked, "Do you think I should leave?" Gregg then left and never returned to the practice and refused to accept any phone calls from Dr. Cordray. (RA ____)

Alarmed, Dr. Cordray retained the services of an attorney and subsequently, the services of an expert, to perform an investigation regarding possible misappropriation of funds by Gregg. Using documents obtained by a search warrant issued in a criminal proceeding commenced against Gregg, the expert's forensic investigation revealed that Gregg developed a scheme whereby she

intercepted checks payable to the St. Stephens Family Practice and endorsed them for deposit directly to pay her living expenses. In this way Gregg misappropriated funds for her benefit and that of Kaufman in an amount of at least \$139,363.20. (RA _____) The documents reviewed during the forensic investigation revealed that Gregg and Kaufman were using credit cards in part to take lavish vacations to Pebble Beach, California, Disney World, and other locations, and to make payments on Defendant Gregg's personal vehicle, personal cell phone account, mortgage, and personal credit card accounts. (RA _____).

As part of the forensic investigation Mr. Livingston reviewed Gregg's real and personal property records available at the Berkeley County Register of Deeds. The review revealed that in June 2012, after her scheme was discovered, Gregg conveyed her residence to her fiancé, Kaufman, through a Quit Claim Deed for \$5.00 (RA _____). The court reversed the Quit Claim Deed and awarded damages to Respondent. This finding remains the law of the case as that order has been appealed and affirmed.

At the hearing in front of the Master in Equity, Gregg testified that she used the funds to live on (RA _____). Dr. Cordray testified that Respondent's expert was able to trace some of the embezzled funds to the mortgage payments.

ARGUMENT

Standard of Review

The review for a case heard by a Master-in-Equity who enters a final judgment is the same as that for review of a case heard by a circuit court without a jury. *Wigfall v. Fobbs*, 295 S.C. 59, 60–61, 367 S.E.2d 156, 157 (1988). An appellate court may review the evidence to determine facts in accordance with its own view of the preponderance of the evidence. While this permits the Court a broad scope of review, the court cannot disregard the findings of the Master, who saw and heard

the witnesses and was in a better position to evaluate their credibility. *Duckett v. Payne*, 279 S.C. 94, 96, 302 S.E.2d 342, 343 (1983); *Klutts Resort Realty, Inc. v. Down'round Development Corp.*, 268 S.C. 80, 91, 232 S.E.2d 20, 26 (1977). *Tiger, Inc. v. Fisher Agro, Inc.*, 301 S.C. 229, 237, 391 S.E.2d 538, 543 (1989).

I. THE TRIAL COURT PROPERLY DENIED APPELLANT'S REQUEST FOR HOMESTEAD EXEMPTION

The thrust of Appellants' argument appears to be that the Master found that Appellant resided at the property. That is not an issue in front of this court. Appellant spends pages of her brief arguing that she resided at the property. That issue has been tried, ruled upon and has not been appealed.

The doctrine of unclean hands precludes a plaintiff from recovering in equity if he acted unfairly in a matter that is the subject of the litigation to the prejudice of the defendant. The decision to grant equitable relief is in the discretion of the trial judge. *First Union Nat. Bank of S.C. v. Soden*, 333 S.C. 554, 568–69, 511 S.E.2d 372, 379 (Ct. App. 1998)

While South Carolina Courts have not addressed the issue of unclean hands in reference to the homestead exemption, the Bankruptcy Court, interpreting S.C. Code Ann. § 15-41-30 (1) found that debtor can lose his or her entitlement to a homestead exemption under S.C. Code Ann. § 15-41-30 (1) if they transfer the property to others with the wrongful intent to defraud a creditor and avoid its judgment. *In re Lafferty*, 469 B.R. 235 (Bankr. D.S.C. 2012).

In *Lafferty*, the debtors transferred the property to their paramours with the wrongful intent to defraud the creditor and avoid its judgment, the court found that both debtors lost their entitlement to a homestead exemption under the unclean hands doctrine as a result of their conduct prior to and during the bankruptcy proceedings.

Here, this Court already held that Defendant Gregg transferred the property fraudulently and with the intent to defraud Plaintiff and avoid Plaintiff's judgment. (RA _____) Court specifically held in its December 4, 2013 Order that the conveyance of Property is *fraudulent* and held the Quit Claim Deed void.

Furthermore, like in Lafferty, the Master specifically found that Gregg was aware at the time of the fraudulent conveyance to her paramour that St. Stephen would pursue its claims and rather than listing the house on the market she chose to fraudulently transfer it to Kauffman.

The law is clear; a debtor that comes to Court with unclean hands cannot benefit from the homestead exemption. *In re Riley*, 486 B.R. 711 (Bankr. D.S.C. 2013). A determination is not necessary to prove transfer as fraudulent in light of the Order, therefore by virtue of her conduct, Linda Gregg comes to Court with unclean hands, seeking extraordinary relief and is thus barred from receiving the benefit of a homestead exemption.

Respondent relies on *Scholtec v. Est. of Reeves*, 327 S.C. 551, 490 S.E.2d 603 (Ct. App. 1997) to argue that the defense of unclean hands is not permitted by the statute. *Scholtec* is inapposite because in that case the question was whether the homestead exemption right terminated at the time of the debtor's death. The court held that it did and, even though the estate's only property was comprised of funds recovered as a result of a claim for bodily injury, since the debtor was deceased, the statutory exemption did not apply.

II. THE EVIDENCE IN THE RECORD SUPPORTS THE TRIAL COURT'S FINDING THAT THERE IS A CLOSE TRANSACTIONAL NEXUS

Despite Appellants' insistence that the Master's finding did not establish the proper nexus, the record entirely supports the Court's finding. The doctrine of "unclean hands" precludes a

plaintiff from recovering in equity if he acted unfairly in a matter that is the subject of the litigation to the prejudice of the defendant. *Ingram v. Kasey's Assocs.*, 340 S.C. 98, 531 S.E.2d 287 (2000). Surprisingly, Appellant cites to *Ingram* to support its argument that there is no nexus between the homestead exemption and Appellant's use of the embezzled funds for the purposes of paying the mortgage on the Property for which it now seeks to claim homestead exemption. In *Ingram*, the court found that the doctrine of unclean hands applies to bar a finding of specific performance. The court specifically held that "Ingram is estopped from seeking specific performance because he acted with unclean hands by misleading both Kasey's and Prescott, and because he acted with the improper ulterior motive to force Prescott to pay him \$40,000." *Id.*

Appellant argues that she has owned the home since 1997, prior to being employed by St. Stephen. This is irrelevant. The issue here is not whether she only used embezzled funds to purchase the property but, as the Master found, used embezzled funds to pay for and manage the property.

A. The record contains sufficient evidence to support the nexus between the embezzled funds and homestead

The Master, in a detailed order, found that Gregg used embezzled funds to make mortgage payments.

Gregg herself testified that she used the funds to "live on" (RA ____). Dr. Cordray testified that some of the checks Respondent signed over to her creditors were sent to Bank of America, the mortgage holder for her property. However, Respondent did not need to present any evidence that the funds were used to purchase or pay for the Property as that fact had already been decided by the trial court in the original proceedings. (RA ____).

Under the law-of-the-case doctrine, a party is precluded from relitigating, after an appeal, matters that were either not raised on appeal, but should have been, or raised on appeal, but

expressly rejected by the appellate court. *Judy v. Martin*, 381 S.C. 455, 458, 674 S.E.2d 151, 153 (2009)

In its December 3, 2013 Order, the court specifically found that Respondent used the embezzled funds to pay for her property amongst other things. (RA _____) Respondent cannot relitigate that issue today when it has already been affirmed by this court in its previous opinion affirming the trial court's order.

Appellant's argument that the statute does not permit the application of unclean hands when there is a nexus fails. By her logic, one could embezzle funds, purchase a home and still maintain the benefit of the embezzled funds as a result of the homestead exemption.

CONCLUSION

It is undisputed that Appellant Gregg embezzled funds from Respondent St. Stephens Family Dentistry, and that she used some of those funds to make mortgage payments on her home, the real property located at 3142 North Highway 52, St. Stephen, South Carolina. Respondent does not debate the Master-in-Equity's finding that Respondent used this property as her residence. South Carolina courts have not addressed the doctrine of unclean hands specifically in relation to the application of homestead exemption. It is instructive that the Bankruptcy Court has, and has interpreted South Carolina statute to rule that a debtor can lose her entitlement to a homestead exemption if they transfer the property in order to avoid judgment and defraud a creditor. This is precisely what caused the Court to void the 2013 Quit Claim deed to co-defendant Kaufman, it was deemed fraudulent. The law grants the judge discretion to grant equitable relief, and the law is clear that no party shall be able to recover when she has acted unethically and deceitfully in the specific matter of the lawsuit. Here the direct connection, the nexus between Gregg's fraud against

St. Stephen Family Dentistry and her financing the upkeep of the property has already been demonstrated and upheld. Accordingly, this Court should uphold the ruling of the Master-in-Equity, denying Appellant the benefit of the homestead exemption.

Respectfully submitted,

ROSEN HAGOOD, LLC

s/ *Oana D. Johnson*

Oana D. Johnson, Attorney at Law

Federal ID No.: 11392

40 Calhoun Street, Suite 450

Charleston, SC 29401

Telephone 843.266.8109

ojohnson@rosenhagood.com

This 13th day of October 2026
Charleston, South Carolina

Attorney for Respondent