

THE STATE OF SOUTH CAROLINA
In the Court of Appeals

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APPEAL FROM GEORGETOWN COUNTY
Court of Common Pleas

SC Court of Appeals

Diane S. Goodstein, Circuit Court Judge

Appellate Case No. 2015-000331
Case #2012-CP-22-1004

Nadene Holliday, Individually and as Personal Representative
of the Estate of David Holliday,Appellant,

vs.

Waccamaw Community Hospital and
Kent M. McGinley, M.D.,Defendants,

of whom

Waccamaw Community Hospital isRespondent.

RESPONDENT'S FINAL BRIEF

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STATEMENT OF ISSUES ON APPEAL

1. THE GENERAL ASSEMBLY BY ENACTING S.C. CODE ANN. 44-7-390 (4) (2012) HAS REJECTED A CAUSE OF ACTION FOR NEGLIGENT CREDENTIALING.

2. WHEN THE PUBLIC POLICY OF THE STATE IS TO ENCOURAGE THOSE WITH CHEMICAL DEPENDENCY TO SEEK TREATMENT AND RETURN TO PRODUCTIVE LIFE, SHOULD A HOSPITAL BE SUBJECT TO LIABILITY FOR CREDENTIALING A DOCTOR WHO HAS SUCCESSFULLY BEEN TREATED WHEN THERE IS NO EVIDENCE HE WAS IMPAIRED WHEN HIS ALLEGED MALPRACTICE TOOK PLACE?

STATEMENT OF CASE

On October 1, 2012 Appellant brought suit against Waccamaw Community Hospital (Respondent), Kent H. McGinley, M.D., Winyah Surgical Specialists, P A., Anthony H. DeHaas, M.D., and Matthew J. Metz, M.D. alleging that Dr. McGinley was an employee of Respondent and that his negligence along with that of the two surgeons was the proximate cause of Mr. Holliday's death due to cancer. (Appellant's 2nd Am. Compl. dated July 24, 2014). (R. pp. 19-37).

On July 24, 2014, Respondent was successful in establishing that Dr. McGinley was not an agent or employee but rather, a contract pathologist, however, Appellant was allowed to amend her Complaint to allege negligent credentialing against Respondent for granting or failing to revoke Dr. McGinley's staff privileges. The two surgeons and their practice were voluntarily dismissed from the suit by the Appellant prior to trial

On January 13, 2015, the Trial Court dismissed Respondent on a Rule 12(b)(6), SCRCPP, motion finding that South Carolina does not recognize a cause of action for corporate negligence/negligent credentialing. (Order filed February 3, 2015) (R. pp. 1-2).

The Appellant and Defendant McGinley then took a Rule 40(j) dismissal. This appeal followed.

Dr. Kent M. McGinley is an experienced board certified contract pathologist having hospital staff privileges at Respondent Waccamaw since 1996.

On October 18, 2005, Dr McGinley was arrested by Drug Enforcement personnel and charged with fraudulently obtaining a quantity of hydrocodone by writing prescriptions to a named individual then posing as that individual at a local pharmacy. (Final Order, S.C. Board of Medical Examiners) (R. p. 65, lines 3-8, pp. 134-144).

On October 19, 2005, Dr. McGinley took a voluntary leave of absence from his pathology practice which, pursuant to the hospital's By-Laws, automatically revoked his hospital staff privileges at Respondent hospital. (Waccamaw Medical ByLaws, p 6) (R. p 183).

On October 26, 2005, Dr McGinley was admitted to Talbott Recovery Campus, Atlanta, Georgia (Talbott) where he underwent and successfully completed 15 weeks of inpatient therapy. He was discharged from Talbott on February 4, 2006 Upon discharge, Talbott made 10 continuing care recommendations, all of which were adopted by the S. C. Board of Medical Examiners (Board) and the S. C Recovery Professionals Program (R.P.P.), an intervention and monitoring program for professionals, operated by Lexington-Richland Alcohol and Drug Addiction Commission (LRADAC). The Board directed that Dr McGinley comply with all Talbott recommendations. One of the 10 recommendations was for Dr. McGinley to return to work on or after February 27, 2006. (Final Order, S C Board of Medical Examiners, p. 9) (R. p. 142)

However, Respondent did not allow Dr. McGinley to return to work until he agreed to the terms of a Return to Practice Agreement which he did on April 5, 2006. His hospital staff privileges were then restored and he has been practicing at Respondent hospital as a contract pathologist since that time. (Return to Practice Agreement) (R. pp. 124-133).

It is alleged by the Appellant that Dr. McGinley, 15 months after returning to practice, misread a cancerous gall bladder pathology slide involving Mr. Holliday. The alleged misread occurred on July 19, 2007. (Appellant's Second Amended Compl. dated July 24, 2014) (R. pp. 19-37).

It is undisputed that Dr. McGinley, after his successful treatment and discharge from Talbott on February 4, 2006, did everything required of him by the Board, the R.P.P and the Respondent pursuant to the Return to Practice Agreement. (R. pp. 124-133). He was ultimately released by the Board on August 17, 2011 from the various terms and conditions imposed by it upon him. (Board Order dated August 17, 2011) (R. p. 145) The Appellant admitted the lack of evidence that Dr. McGinley was impaired on July 19, 2007 when he read the Holliday gall bladder slide. (R. p. 66, lines 8-13, p. 84, lines 19-24, p. 110, lines 24-25, p. 111, lines 1-7). Nor is there any contention that Dr McGinley was impaired at any time after February 4, 2006 when he was discharged from Talbott (R. p. 81, lines 18-22) Dr McGinley successfully completed Pre-Trial Intervention and all criminal charges against him were expunged on January 3, 2007. (R. p. 69, lines 13-14])

In short this is not a case of contested facts, but whether or not an action for negligent credentialing exists in South Carolina based on the facts and current law.

Argument I

THE GENERAL ASSEMBLY HAS REJECTED A CAUSE OF ACTION FOR NEGLIGENT CREDENTIALING IN SOUTH CAROLINA

In 2012 the South Carolina General Assembly enacted S.C. Code Ann. 44-7-390 (2012) entitled, “No liability or cause of action against hospital for certain acts or proceedings.”

S.C. Code Ann 44-7-390 (2012) reads:

“ There is no monetary liability on the part of, and no cause of action for damages arising against, a hospital licensed under this Article, its parent, subsidiaries, healthcare system, physician practices owned by the hospital (its parent or subsidiaries), directors, officers, agents, employees, medical staff members, external reviewers, witnesses, or a member of any committee of a licensed hospital, whether permanent or ad hoc, including the hospital’s governing body, for any act or proceeding undertaken or performed, without malice, made after reasonable effort to obtain the facts, and the action taken was in the belief that it is warranted by the facts known, arising out of or related to:

(1) sentinel event investigations or root cause analyses, or both, as prescribed by the joint commission or any other organization under whose accreditation a hospital is deemed to meet the Centers for Medicare and Medicaid Services’ conditions of participation;

(2) investigations into the competence or conduct of hospital employees, agents, members of the hospital’s medical staff or other practitioners, relating to the quality of patient care, and any disciplinary proceedings or fair hearings related thereto, provided the medical staff operates pursuant to written bylaws that have been approved by the governing body of the hospital;

(3) quality assurance reviews,

(4) the medical staff credentialing process, provided the medical staff operates pursuant to written bylaws that have been approved by the governing body of the hospital. (Emphasis added).

(5) Reports by a hospital to its insurance carriers;

(6) reviews or investigations to evaluate the quality of care provided by hospital employees, agents, members of the hospital’s medical staff, or other practitioners; or

(7) reports or statements including, but not limited to, those reports or statements to the National Practitioner Data Bank and the South Carolina Board of Medical Examiners, that provide analysis or opinion (including external reviews) relating to the

quality of care provided by hospital employees, agents, members of the hospital's medical staff, or other practitioners.”

This Section was effective June 26, 2012. The Plaintiff concedes in her Brief that the credentialing process at Respondent Hospital is regulated by the hospital's own bylaws. (R. p. 68, lines 7-9). *See also* S.C Code Ann. 44-7-392(d)(2012) which prevents even the discovery or subpoena of the medical staff credentialing process in a civil action.

Respondent submits that even though S.C Code Ann 44-7-390 (2012) was enacted after Dr. McGinley misread the Holliday gall bladder pathology slide on July 19, 2007, it was enacted before Mr. Holliday died on November 13, 2012 and before the Plaintiff filed her Second Amended Complaint dated July 24, 2014, which was filed July 24, 2014, and was the first time the Appellant alleged negligent credentialing. Further, the enactment of S.C. Code Ann. 44-7-390 (2012) represents the public policy of South Carolina.

Since the South Carolina General Assembly has spoken rejecting a cause of action for negligent credentialing against a hospital, that should end the matter as to Respondent and the Appellant should simply proceed with her medical negligence case against Dr. McGinley.

ARGUMENT II

SOUTH CAROLINA'S PUBLIC POLICY ENCOURAGES CHEMICAL DEPENDENCY TREATMENT WITHOUT RECRIMINATION

South Carolina has clearly stated its public policy regarding encouraging treatment of chemical dependency in S.C. Code Ann 44-52-5 (1986).

“It is the policy of the State to assist individuals with chemical dependency problems in ways consistent with the dignity, rights and responsibilities of all South Carolina citizens. Within available resources, it is the duty of the State, in coordination with its local counter-parts, to treat, reduce, eliminate and prevent the abuse of alcohol and drugs through a service delivery system structured to meet the needs of the clients in the most therapeutic setting, and to maximize their quality of life

The State shall develop a public service system designed to provide a continuum of services for client at the State and local level while considering the availability of services in the private sector.”

In addition to the public policy articulated in S.C. Code Ann. 44-52-5 (1986), the South Carolina Code is replete and expressly provides for the encouragement of persons suffering from chemical dependency to seek treatment without concern of recrimination or adverse consequence. This is precisely the purpose of Talbott and the R.P.P. In particular, S.C. Code Ann. 44-53-140 (1962) provides that whenever a holder of the privilege¹ shall seek counseling, treatment or therapy for any drug problem from a confidant,² no statement made by such holder and no observation or conclusion derived from such confidant shall be admissible against such holder in any proceeding. The results of any examination to determine the existence of Illegal or prohibited drugs in the holder’s body shall not be admissible in any proceeding against such holder.

As Appellant begrudgingly admits, there is no evidence that Dr McGinley was under the influence of any substance when he allegedly misread a slide of Appellant’s spouse. (R. p. 84, lines 19-24, p. 110, lines 24-25, p. 111, lines 1-7).

Notwithstanding this lack of evidence, Appellant contends that Dr. McGinley’s character and ethics were so fundamentally flawed by his past impairment that Respondent should be found liable in negligence for granting privileges to him³. This argument is without merit.

¹ “Holder of the privilege” means “a person with an existing or a potential drug problem who seeks counseling, treatment, or therapy regarding such drug problem.” See S C Code Ann 44-53-110(21) (1962)

² “Confidant” means “ any professional or paraprofessional staff member of a drug treatment, education, rehabilitation, or referral center who has received a communication from a holder of the privilege.” See S C Code Ann 44-53-110(5) (1962)

³ Although Appellant asserts several alleged negligent acts by Respondent vis-à-vis Dr McGinley, e.g., failure to supervise Dr McGinley upon return to work, all are premised upon the past chemical dependency of Dr McGinley. In other words, but for the prior chemical dependency of Dr McGinley, none of the other requirements Appellant seeks to place upon Respondent would be required.

Argument III

EVEN IF THE COURT IS INCLINED TO CREATE A CAUSE OF ACTION FOR NEGLIGENT CREDENTIALING AND TO GIVE IT RETROSPECTIVE EFFECT, THE TRIAL COURT'S DISMISSAL SHOULD BE AFFIRMED BECAUSE THE HARM THAT OCCURRED HAD NO CONNECTION TO THE CONDUCT THAT ALLEGEDLY SHOULD HAVE CAUSED THE HOSPITAL TO DENY PRIVILEGES NOR WAS IT A SUBSTANTIAL FACTOR IN ANY INJURY ALLEGED TO HAVE BEEN SUFFERED BY THE APPELLANT

Appellant cites a series of cases for the proposition that because some states have created a cause of action for negligent credentialing, South Carolina should do likewise. However, Appellant overlooks the fact of S.C. Code Ann. 44-7-390 (2012).

Furthermore, only one of the string of cases, namely, Domingo by and through Domingo v Doe, 985 F. Supp. 1241 (D. Haw. 1997) aff'd sub nom. Domingo v. T. K., 289 F3d. 600 (9th Cir 2002) involves substance abuse issues. In Domingo the action against the hospital was dismissed for lack of causation. Additionally, several of the cases cited by Appellant support Respondent's position that the harm caused must be connected to the conduct that should have caused Respondent to deny privileges to Dr. McGinley. Diaz v. Feil, 118 N M. 385, 881 P.2d 745 (1994) (Hospital did not breach duty to plaintiff because it did not have notice of doctor's alleged incompetence in providing prenatal care;) Rodrigues v Miriam Hosp., 623 A.2d 456 (R.I. 1993) (Hospital did not breach duty to plaintiff because customary investigation would not have revealed doctor's incompetence in performing tracheostomies;) Crumley v. Memorial Hosp., Inc., 509 F. Supp 531 (E.D. Tenn 1979) aff'd, 647 F.2d 164 (6th Cir. 1981) (Hospital did not breach duty to plaintiff because prior instances of similar conduct were not enough to show that doctor was an incompetent anesthesiologist;) Hull v. North Valley Hosp, 159 Mont. 375, 498 P.2d 136 (1972) (Hospital did not breach duty to plaintiff because prior revocation of privileges were not enough to put hospital on notice that doctor was incompetent surgeon;) Bost v. Riley, 44 N.C. App. 638, 262 S.E.2d 391 (1980); (Hospital's alleged breach of duty in taking no action against surgeons' failure to keep progress notes was not shown to be a contributing factor to the patient's death;) Ferguson v. Gonyaw, 64 Mich. App. 685 (1975) (Hospital not liable because no evidence that a reasonable check of qualifications would have resulted in a denial of credentials

since doctor was qualified as an osteopathic neurosurgeon.) Taylor v. Singing River Hosp., 704 So.2d 75 (Miss. 1997) (Hospital not liable because no causal connection between hospital's failure to discover doctor's falsification of her credentials and death of patient.) Respondent submits that its alleged credentialing negligence, which is denied, must be a substantial factor in bringing about the harm to the Appellant. Thompson v Nason Hosp., 527 Pa. 330, 591 A.2d 703 (1991).

Therefore, we submit the earlier chemical dependency of Dr McGinley was not a substantial factor in the injury suffered by the Appellant. The trial court's dismissal of Respondent from the case should be affirmed.

Argument IV

EVIDENCE OF PRIOR CHEMICAL DEPENDENCY IS IRRELEVANT ABSENT EVIDENCE THAT DEFENDANT DOCTOR WAS UNDER THE INFLUENCE OF DRUGS AT THE TIME OF THE ALLEGED MALPRACTICE

As a general rule, character evidence is not admissible to prove that a person acted in conformity therewith on a particular occasion. Rule 404(a), SCRE. Rule 404(a), SCRE does have exceptions which are not applicable in this instance. Likewise, evidence of other wrong acts is "not admissible to prove the character of a person in order to show action in conformity therewith" Rule 404(b) SCRE⁴

The Appellant desires to paint Respondent and Dr. McGinley with a stigma of incompetence based upon prior acts of poor judgment, i.e., drug use. As noted, there is no evidence of his being impaired at the time of the alleged malpractice at issue. In this

⁴ Numerous professions are regulated in South Carolina and have as a requirement for admission a showing of good character. See e.g., 402(c)(2)SCRAP, "No person shall be admitted to the practice of law in South Carolina unless the person is of good moral character." A prospective accountant must not have a history of dishonest or felonious acts. S.C. Code Ann. 40-2-35(A)(5) (2004). "A prospective insurance agent cannot have a conviction involving moral turpitude." S.C. Code Ann. 38-43-100 (F)(2) (2008). "The insurance company employing the agent must investigate the character and record of the prospective agent and vouch to the Insurance Commission that he or she is trustworthy and intends to hold himself or herself out in good faith as an insurance agent." S.C. Code Ann. 38-43-50 (1987). Merely because good character is a prerequisite to entering the profession does not ipse dixit place character at issue whenever a professional is accused of malpractice. To hold otherwise would put general character at issue for all professionals rather than limiting it to those rare cases where the alleged character failing is causative of the injury suffered by the Plaintiff.

case, the alleged character evidence is only intended to create undue prejudice against the hospital and the physician without any probative value at all.

When the General Assembly has so clearly spoken as to the public policy, S.C. Code Ann. 44-52-5 (1986), in encouraging drug treatment and has additionally spoken on the absence of liability for credentialing decisions, S.C. Code Ann. 44-7-390(4) (2012), the Court should affirm the Lower Court. This is particularly so in order to promote the willingness of those suffering from chemical dependency to seek treatment.

In the case of McVay v. Rich, 255 Kan. 371, 874 P.2d 641 (1994), the Kansas Supreme Court was faced with a similar question, i.e., whether a legislative enactment should bar certain medical claims against a hospital. The Appellant contended that the Respondent hospital should be liable for injuries suffered by the patient when the allegedly negligent surgeon committed malpractice and Plaintiff was injured. The Kansas statute, although different from the South Carolina statute, provided that there was no liability for a hospital when the alleged malpractice was committed by a person who was not an employee or agent of the hospital. The Court reviewed the statute and an associated statute regarding funding and determined that when the legislature had made its policies clear, they would not second guess the wisdom of the decision and affirmed the grant of the summary judgment in favor of the hospital.

In the case of Paulino v. QHG of Springdale, Inc., 386 S.W.3d 462 (2012), the Arkansas Supreme Court upheld the decision of the lower court to the effect that the Arkansas Medical Malpractice Act did not confer a cause of action for negligent credentialing. The lower court also found the absence of a causative link between the hospital and the injury claimed by the Plaintiff.

Additionally, South Carolina has recognized that the introduction of evidence concerning prior chemical dependency is irrelevant when there is not causation between the alleged chemical dependency and the alleged wrong act. In State v. Atchison, 268 S.C. 588, 235 S.E.2d. 294 (1977), the Defendant in a murder case desired to introduce testimony regarding the decedent's use of drugs. The alleged grounds were to prove the decedent was violent when on drugs. The Trial Court excluded the evidence and on

appeal the conviction was affirmed. The Court quoted with approval People v. Moretti, 6 Ill (2d) 494, 129 N E.2d 709 (1955), *cert den* 356 U.S. 947, 78 S.Ct. 794, 2 L.Ed.(2d) 822 wherein the Defendant sought to introduce evidence that the victim had been addicted to drugs fourteen months before an alleged homicide. The Court in Moretti analogized that case involving drugs to an earlier case, State v. Ricks, 170 La. 507, 128 So. 293 (1930) which involved alcohol addiction. The Court found that “Even if the habit of the deceased as to drinking and proof of specific facts were admissible, such evidence in the present case would be wholly irrelevant and immaterial, as there is no proof that the deceased was intoxicated at the time of the homicide. His alleged turbulent and dangerous character, when under the influence of liquor on other occasions, is therefore beside the question.” The Court in Moretti excluded the evidence because there was no proof that the decedent was under the influence of drugs at the time the homicide occurred Likewise, in State v. Atchison, the Court noted that there was no evidence that the decedent was under the influence of drugs at the time he was killed and found no error in exclusion of the evidence.

Consequently, in the present case the introduction of past chemical dependency of Dr. McGinley serves no purpose other than a character attack for a trait which is not at issue in this action, i.e., his soberness at the time of the alleged malpractice. The admission is also contrary to the public policy of the state to encourage chemical dependency treatment without recrimination. Therefore, because there is no causation associated with Dr. McGinley’s prior chemical dependency, the dismissal by Judge Goodstein was appropriate in this action.

Argument V

THE APPELLANT CANNOT ESTABLISH PROXIMATE CAUSE IN THIS CASE

The Plaintiff argues that Respondent should have revoked or not reappointed Dr. McGinley to its medical staff after learning of his drug use prior to and during the month of October, 2005.

This argument has no merit. Since there is no evidence of impairment on the part of Dr. McGinley on July 19, 2007, even if negligent credentialing was a recognized cause of action in South Carolina, which it is not, the required proof of proximate cause is lacking. Neither the required but for nor foreseeability test of proximate cause can be established by the Appellant in this case. Having been monitored for fifteen months without incident, we submit it was not possible for the Respondent to have foreseen that Dr. McGinley would have misread the Holliday pathology slide. We submit that Appellant cannot prove either legal or in fact causation in this case. Dr. McGinley's alleged deficiency was purely of a personal nature. There is no evidence that any other patient was negligently impacted by Dr. McGinley's chemical impairment either before or after his treatment. This is not a case which is often seen in credentialing cases such as numerous prior botched surgeries and malpractice suits.

We note that Judge Goodstein was also concerned about proximate cause (R. pp. 75-77). However, since she found no cause of action, she did not have to reach the issue of proximate cause.

ADDITIONAL SUSTAINING GROUNDS

Even if the Court creates the new cause of action of negligent credentialing the holding must apply prospectively only.

The general rule regarding retroactive application of judicial decisions is that decisions creating new substantial rights have prospective effect only. Prospective application is required when liability is created where formerly nonexistent. Osborne v. Adams, 346 S.C. 4, 550 S.E.2d 319 (S.C. 2001); Ludwick v. This Minute of Carolina, 287 S.C. 219, 337 S.E.2d 213 (1985).

There is no current cause of action for negligent credentialing in South Carolina. Should the Court establish negligent credentialing by a hospital as a valid cause of action,

it would, we submit, be creating a new substantive right that does not currently exist, and the application of the holding should be prospective.

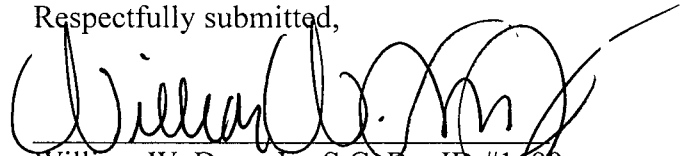
FURTHER ADDITIONAL SUSTAINING GROUNDS

With due respect to the Court of Common Pleas and the Court of Appeals, the Respondent submits that only the General Assembly or the Supreme Court can establish a new cause of action in South Carolina. Langley v. Boyter, 286 S.C. 85, 332 S.E.2d 100 (S.C. 1985). And the General Assembly has spoken. S.C. Code Ann. 44-7-390(4) (2012).

CONCLUSION

In conclusion, the Respondent prays that this Court in light of the public policy of South Carolina as declared by the General Assembly, affirm the decision of the Lower Court.

Respectfully submitted,



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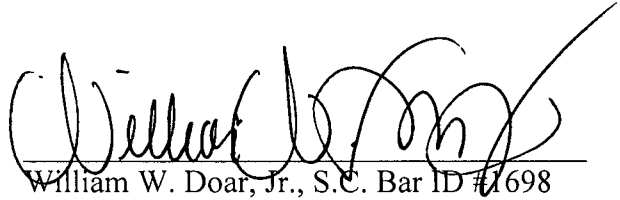
of whom

Waccamaw Community Hospital is Respondent.

RESPONDENT'S CERTIFICATE OF COMPLIANCE

I certify that the enclosed Respondent's Final Brief complies with South Carolina
Appellate Court Rule 211(b).

(Signature on following page)

A handwritten signature in black ink, appearing to read "William W. Doar, Jr.", written over a horizontal line.

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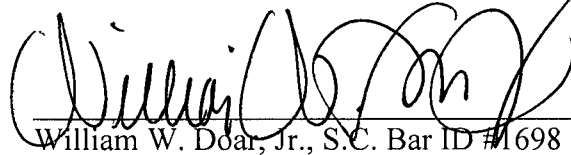
Waccamaw Community Hospital isRespondent.

PROOF OF SERVICE

I do hereby certify that I have served all counsel of record in this action with a
copy of **Respondent's Certificate of Compliance** by mailing a copy of the same by
United States mail, postage prepaid, to the following addresses.

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Waccamaw Community Hospital

Pawleys Island, S C ,
April 22nd, 2015

THE STATE OF SOUTH CAROLINA
In the Court of Appeals

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SC Court of Appeals

APPEAL FROM GEORGETOWN COUNTY
Court of Common Pleas

Diane S. Goodstein, Circuit Court Judge

Appellate Case No. 2015-000331
Case #2012-CP-22-1004

Nadene Holliday, Individually and as Personal Representative
of the Estate of David Holliday,Appellant,

vs.

Waccamaw Community Hospital and
Kent M. McGinley, M.D.,Defendants,

of whom

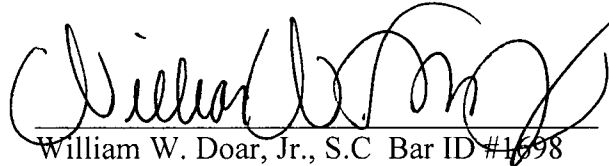
Waccamaw Community Hospital isRespondent

PROOF OF SERVICE

I do hereby certify that I have served all counsel of record in this action with a
copy of **Respondent's Final Brief** by mailing a copy of the same by United States mail,
postage prepaid, to the following addresses:

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A handwritten signature in black ink, appearing to read "William W. Doar, Jr.", written over a horizontal line.

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Pawleys Island, S.C.,
April 22nd, 2015

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SC Court of Appeals

The Honorable Jenny Abbott Kitchings
Clerk, S. C. Court of Appeals
Post Office Box 11629
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