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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

The Honorable R. Markley Dennis, Jr., Circuit Judge

Case No.: 2010-CP-10-9158

Johnson Koola

Appellant

v.

Cambridge Two, LLC, Albert V. Estes, individually,
Cambridge Lakes, LP, Stephen R. Heape, individually
and as General Partner of Cambridge Lakes, LP,
Cambridge Lakes Apartment Homes, a/k/a
Cambridge Lakes Apartment Homes, LP, Classic
Properties of Charleston, Inc., Cambridge
Contracting, LP, Trademark Properties, Inc.,
Carolina One Charleston Home Team Properties,
LLC, Charleston Homes Team, LLC, Carolina
One, and William E. Jenkinson, IV, individually

Of Whom

Trademark Properties, Inc. and Carolina One Are . . .

Respondents

**INITIAL BRIEF OF RESPONDENT
CAROLINA ONE**

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FACTS

Appellant Johnson Koola purchased a condominium unit in 2004 at a development known as the Cambridge Lakes Apartments. The property was originally built as apartments; it was converted into condo units by Respondent Cambridge Two, LLC in 2002. The Cambridge Lakes Horizontal Property Regime was established on February 24, 2003, when the Master Deed was recorded in the Office of the RMC of Charleston County. Initially, Respondent Trademark was retained as the exclusive listing agent. Trademark was succeeded in June, 2003, by Respondent Carolina One Real Estate.

At the time of the original conversion, the developers of Cambridge Lake provided Trademark with the Disclosure of Physical Condition of Building required by S.C. Code § 27-31-430. At the same time, the developers sent a letter to all persons then resident in the apartments that were being converted, notifying them of the conversion itself and of the fact that Trademark, in addition to marketing the units, would be providing all of them with the Disclosures. Appellant Johnson Koola purchased a unit at Cambridge Lake in January, 2004. By that time, the sales were being handled by Carolina One, which properly acted as a dual agent for the purposes of this transaction. Carolina One provided Koola with copies of the South Carolina Residential Property Disclosure Statement and of the Master Deed.

Koola alleged that he attempted to sell his unit in mid-2008. At approximately the same time, the Cambridge Lakes Homeowners Association filed suit against a number of defendants, including the developers and contractors, asserting the existence of a number of construction defects at the property. The HOA alleged in its complaint that repairs would cost a total of \$8 million. Koola has broken down this figure – he has not explained the mathematics – into an assertion that the specific unidentified defects, and the cost of repairs, attributable to his unit

totals \$92,307. As a direct result, he claims, he was unable to sell his condo and was forced to declare bankruptcy.

Appellant further claims that shortly after he commenced the bankruptcy proceeding, he became unable to make any payments associated with the maintenance of his unit. As a result, the Homeowners Association filed a lien on the property, and his attempts to sell at short sale were unsuccessful. He filed his separate complaint against the developers and the real estate agencies involved in the sale of the condominium units in 2010. The Trial Court granted the Motions for Summary Judgment of both Trademark, the original selling agency, and Carolina One in late 2014.

Koola, who has been proceeding *pro se* for some time, filed his Initial Brief in this Court on April 6, 2015. Despite the simultaneous filing of a Certificate of Service, no service was made upon Respondent Carolina One. This Respondent became aware that Appellant's Initial Brief had been filed only when it received a Motion from Appellant requesting that this Court take appropriate action as a result of its failure to answer. Respondent promptly filed a Motion seeking leave to file its Initial Brief out of time.

STANDARD OF REVIEW

The Court of Appeals reviews the grant of a motion for summary judgment in accordance with the standard used by the Trial Court and established by S.C.R.C.P. 56(c). *Pye v. Estate of Fox*, 369 S.C. 555, 633 S.E.2d 505 (2006). Under Rule 56, 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." S.C.R.C.P. 56(c); *see also Tupper v. Dorchester County*, 326 S.C. 318, 487 S.E.2d 187 (1997). Under Rule 56(c), the party seeking

summary judgment has the initial burden of demonstrating the absence of a genuine issue of material fact. *Baughman v. American Tel. & Tel. Co.*, 306 S.C. 101, 410 S.E.2d 537 (1991). Once the party moving for summary judgment meets the initial burden of showing an absence of evidentiary support for the opponent's case, the opponent cannot simply rest on mere allegations or denials contained in the pleadings. Rather, the non-moving party must come forward with specific facts showing there is a genuine issue for trial. S.C.R.C.P 56(e); *SSI Med. Servs., Inc. v. Cox*, 301 S.C. 493, 392 S.E.2d 789 (1990); *NationsBank v. Scott Farm*, 320 S.C. 299, 465 S.E.2d 98 (Ct. App. 1995). In determining whether any triable issues of fact exist, the evidence and all reasonable inferences therefrom must be viewed in the light most favorable to the non-moving party. *Summer v. Carpenter*, 328 S.C. 36, 492 S.E.2d 55 (1997); *Hamiter v. Retirement Div. of South Carolina*, 326 S.C. 93, 484 S.E.2d 586 (1997); *City of Columbia v. American Civil Liberties Union*, 323 S.C. 384, 475 S.E.2d 747 (1996).

ARGUMENT

I. THE TRIAL COURT CORRECTLY RULED THAT APPELLANT HAS NO CAUSE OF ACTION AGAINST RESPONDENT CAROLINA ONE, THE LISTING AGENT.

Appellant's causes of action, which sound in breach of fiduciary duty, fraud, negligence, and violation of the Unfair Trade Practices Act, all rely on one principal issue: Appellant's claim that Respondent Carolina One violated the Horizontal Property Regime Act, S.C. Code § 27-31-10 *et seq.* Appellant's claim can be boiled down to a single assertion. Specifically, he alleges that Carolina One, as the listing agent for the condominiums being sold and as his agent for the purchase of one of them, had a duty to provide all prospective purchasers with a written disclosure, including an engineer or architect's report, of the condition of all of the common areas, and including "a good faith estimate of the remaining useful life to be expected for each item reported on, together with a list of any notices of uncured violations of building codes or

other county or municipal regulations, together with the estimated cost of curing those violations.” S.C. Code § 27-31-430.

The Trial Court correctly determined that, by its own plain language, the Horizontal Property Regime Act imposes duties on the “lessee, sole owner, or co-owner of a building” that is being converted into condominiums. It found that Carolina One, as the listing agent, was none of these, and consequently could not have violated the Act. Appellant’s sole argument to the contrary rests on his erroneous conclusion that the owner of such a property can delegate its duties under the Act to its real estate agent.

Although Appellant now raises issues regarding the purported interaction between the general duties of real estate agents and the duties of owners under the Act, he provides no support of any kind for this contention. Furthermore, Appellant’s conflation of the law of agency, the law of negligent misrepresentation, and various statutory duties, especially when combined with his treatment of both Trademark – the original listing agent, with whom Appellant had no contact – and Carolina One as being identical, makes it difficult to respond to his Initial Brief in any coherent manner.

A. The Trial Court Correctly Determined that Respondents Are Not Joint Tortfeasors

Although there is no liability to Appellant on the part of either Respondent, and the Trial Court properly granted summary judgment in favor of both, Appellant continues to argue that their duties to him are the same as Appellants Trademark and Carolina One are “joint tortfeasors.”

Under South Carolina law, joint tortfeasors are “those who act together in committing wrong, or whose acts if independent of each other, unite in causing single injury.” Integral to the determination that parties are joint tortfeasors is the concept that each must be responsible for the

same wrong; only if the defendants own the same duty of care to the injured party can they be joint tortfeasors. *Scott v. Fruehaf Corp.*, 302 S.C. 364, 396 S.E.2d 354 (1990); *Vermeer Carolina's, Inc. v. Wood/Chuck Chipper Corp.*, 336 S.C. 53, 518 S.E.2d 301 (Ct. App. 1999).

The requirement of the same duty is significant, as there can be no tort in the first instance unless the actor owes a duty to the injured party. A tort is defined as being a civil wrong for which the injured party is entitled to compensation. In order to qualify, however, it is imperative that there be a violation of a duty. "The three elements of every tort action are: existence of legal duty from defendant to plaintiff, breach of duty, and damage as approximate result." *Black's Law Dictionary*, 5th Ed. It is abundantly apparent that Respondent Trademark owed no duty to Appellant, with whom it never had any contact of any kind. Appellant's contention that Trademark and Carolina One are "joint tortfeasors" appears to be circular: Trademark is liable for the breach of a duty to him because it is a joint tortfeasor, and it is a joint tortfeasor because it is liable to him.

The conclusion that there is no possibility that Respondents herein are joint tortfeasors is significant in that Trademark, which had a role in the condo conversion process, might arguably have had some duty under the Horizontal Property Act to make disclosures at the time of the recording of the Master Deed. Section 27-31-430 of the South Carolina Code does not specifically identify the duties, if any, of a developer; the record is not sufficiently developed to permit this Respondent to determine whether or not Trademark was a co-owner of some or all of the complex.

Regardless of the length of Appellant's argument that Respondents are joint tortfeasors, there are no facts to show that they acted in concert, or that they owed the same duties to any given purchaser of any of the units at Cambridge. Trademark had no contact of any kind with

Appellant. It did not market or sell to him. It owed him no duty, just as it owed no duty to any other member of the public at large with whom it had no dealings. To the extent that Appellant now attempts to argue that the Respondents had joint duties, and that the duties owed to or contacts made with others by one Respondent of necessity are imputed to the other, Appellant's arguments must be dismissed. Each of the Respondents stands alone. They are not joint tortfeasors, and the responsibilities, if any, of Trademark cannot be placed at the feet of Carolina One. To the extent that the Court might determine that Trademark may have violated some element of the Act, such a violation, if any, is totally separate from any act, of whatever nature, taken by Carolina One. The two Appellants cannot be lumped together as though they were a single entity.

B. The Horizontal Property Act Imposes Duties on Owners and Developers, Not Real Estate Agents

Because of Appellant's on-going insistence that the Respondents be treated as though they were one entity, or that their alleged wrongs flow freely from one to the other, it is difficult to comprehend, let alone respond to, Appellant's arguments. However, it is clear that the Trial Court correctly determined that a real estate agent does not assume the duties of the owner of a condominium conversion.

Appellant cites to no authority for his proposition that the Horizontal Property Act, S.C. Code § 27-31-10 *et seq.*, applies to a remote seller of a converted condominium unit. The definitional section, S.C. Code § 27-31-20, defines "owner," "co-owner," and "person." It makes no mention of real estate agents or others not involved in the actual ownership of the property. Section 27-31-30 provides for the establishment of a horizontal property regime; the section again discusses only lessees, owners, and co-owners. Once the regime has been established, individual units may be conveyed in any manner conveyance is permitted for any

real property. S.C. Code § 27-31-40. The duties of real estate agents with respect to the sale of such units are presumed to be identical to their duties with regard to any other property they might list for sale.

As noted by the Trial Court, the language of the statute is clear: it applies to lessees, owners, and co-owners. It applies to nobody else. These are not duties that can be delegated. By law, they fall exclusively on those who are named in the statute. Appellant did, in fact, originally bring suit against those who might have breached the statutory duties imposed by the Act; unfortunately, he was found to be well outside the applicable Statute of Limitations and these defendants were dismissed on those grounds. Regardless of their presence or absence from this litigation, however, the duties they are required to fulfill at the time of the conversion of apartments to condominiums do not fall on Carolina One, which was retained well after the conversion was completed for the sole purpose of selling individual units. The Trial Court correctly found that Respondent Carolina One owed no duty to Appellant or any other individual to comply with the requirements of the Horizontal Property Act.

C. The Trial Court Properly Found that Respondent Breached No Fiduciary Duty

A number of Appellant's arguments, including negligent or intentional misrepresentation and fraud, are generally all part of Appellant's claim that Carolina One breached its fiduciary duty to him. In this context, Appellant persists in attempting to merge together the requirements of an owner or lessee under the Horizontal Property Act and those of a real estate agent imposed by S.C. Code § 27-50-10 *et seq.*, the Residential Property Condition Disclosure provisions of the Code, and S.C. Code § 40-57-10 *et seq.* the chapter regulating real estate agents.

As the Trial Court pointed out in its Order, there is no question but that Respondent Carolina One provided Appellant with all of the disclosures required by the Residential Property

Condition Disclosure Act. The duty to provide the statutory disclosures regarding the individual unit being transferred does not equate to an identical duty to provide documentation available only to the owner. Furthermore, although Appellant contends the mere existence of an agency relationship between Respondent Carolina One and the developers of Cambridge Lakes automatically makes Carolina One an agent for all purposes, this is simply not a correct statement of the law.

Agency can not only be either disclosure or undisclosed, it can also be an agency for a single purpose. An agent such as Respondent Carolina One can become an agent for a particular purpose – in this instance, selling condominium units – while not being an agent for all purposes. *See, e.g., Spence v. Spence*, 368 S.C. 106, 628 S.E.2d 869 (2005)(agent to sell property is not given authority within the scope of the agency to alter deeds). Although Appellant contends that the agent “stands in the shoes of the Principal,” this is not necessarily correct. An agent is given authority to perform acts within the scope of the agency relationship. Conferring upon Respondent herein the authority to show and sell condominium units does not place Respondent in the place of the owner or developer. Statutory duties of the latter remain the latter’s responsibility, and are not undertaken by the agent simply as a result of the creation of a limited agency relationship.

Appellant cites to *State v. C&L Corp.*, 280 S.C. 519, 313 S.E.2d 334 (1984) for the general proposition that a subdevelopment’s developer and his agent are liable under the Unfair Trade Practices Act for the misrepresentations made by the salesmen of the lots. *C&L* is factually distinguishable. The developer, his agent, the salesmen, and the various corporations owned and managed by the various parties, were all so inter-related as to be indistinguishable from one another. Furthermore, both the trial court and this Court found that the salesmen “told

prospective buyers whatever they felt the buyers wished to hear in order to conclude a sale.” *Id.* at 524, 313 S.E.2d at 337. Additionally, this Court noted that whether or not the principal was aware of the specific misrepresentations being made by the salesmen, those misrepresentations were made precisely within the scope of the agency that had been created. The rationale of *C&L*’s conclusion that both the agent and the principal are liable for misrepresentations made within the scope of the agency has no relevance to the instant action. Preparation and distribution of the particular disclosure form Appellant alleges he did not receive is and remains a statutory duty of the owner/principal. It is not one that can be delegated, and Respondent is not alleged to have made any material misrepresentations within the scope of their agency relationship.¹

Appellant has not established any of the elements necessary to transfer responsibility for the disclosure required by the Horizontal Property Act to Respondent, has not demonstrated any fraud, and has failed to show that the agency created in order to permit Respondent to show units to prospective purchasers extends so far as to cover statutory duties of the principal. The Trial Court correctly granted summary judgment in favor of Respondent on these claims.

D. The Law of the Case Has No Application in this Action

As his final major point, Appellant contends that the law of the case mandates a conclusion that both Respondents are liable to him, as the issue of responsibility for providing the requisite disclosure has already been decided in his favor. This is clearly an improper application of the doctrine.

¹ Appellant does claim that Respondent told him when he looked at the unit he purchased that it was “excellent price for quality product.” This does not, in and of itself, rise to the level of constituting a material misrepresentation, and Appellant has presented no evidence to show that Respondent’s personnel did not believe the statement to be true at the time it was made. It is, furthermore, classic puffery.

In Case No. 2008-CP-10-3506, the Homeowners Association of Cambridge Lakes brought suit against a number of parties, including Trademark, alleging, *inter alia*, the existence of defective construction in some of the common areas. Respondent Carolina One was not a party to that case, and neither was Appellant herein.

The doctrine of the law of the case derives from the principle of res judicata, which “bars a subsequent suit by the same parties on the same issues.” *Sub-Zero Freezer v. R.J. Clarkson Co.*, 308 S.C. 188, 190, 417 S.E.2d 569, 571 (1992); *see Johnson v. Bd. of Comm’rs of Police Ins. & Annuity Fund of State*, 221 S.C. 23, 25, 68 S.E.2d 629, 633 (1952)(“The rulings in a case even though admittedly wrong become the law of the case and [are] res judicata between the parties.”). As this Court noted in *Prof’l Bankers Corp. v. Floyd*, 285 S.C. 607, 619, 331 S.E.2d 362, 365 (Ct. App. 1985), “[a]n appealable order from which no appeal is taken becomes the law of the case in all subsequent proceedings involving the same parties on the same subject matter.”

Because it was not a party to the Homeowners Association action, this Respondent has no knowledge with which to affirm or deny Appellant’s claim that a different court found another party responsible for failing to deliver to someone else the disclosures mandated by S.C. Code § 27-31-430. Whether or not that occurred has no bearing on the claims alleging that Respondent Carolina One, not previously a party, is liable to Appellant, not previously a party. The doctrine of the law of the case applies exclusively in those situations in which a court has heard the same parties with respect to the same issue. It is not applicable to this action.

E. Appellant’s Allegations of Fraud and Unfair Trade Practices Were Properly Dismissed

As a final matter, Appellant asserts that both Respondents committed actual and intentional fraud upon him by failing to provide the owner disclosures. It is impossible to reply to any of these claims, which both confuse the two Respondents and rely heavily on Appellant’s

implication that he knows what was in the minds of the salesmen with whom he dealt. Furthermore, the fraud claims confuse the issue of providing disclosures with the alleged damages suffered by Appellant. It may be that, as Appellant claims, he would not have purchased this unit had he received the disclosure. However, the fact that he lost the unit to the bank which financed it does not demonstrate fraud; this is a circular argument that is presented in reverse.

Appellant has conflated various sections of the South Carolina Code of Laws in order to attempt to create a duty on the part of one or both Respondents. He has combined the parties themselves in order to attempt to establish that the duties, statements, and obligations of one are by definition the duties, statements, and obligations of the other, and has tried to show that by agreeing to sell properties the owners and developers of Cambridge Lakes turned all of their duties, including those created by statute, over to this Respondent. He has tried to show the existence of a duty by showing that he has suffered an injury, without ever properly demonstrating that there was a duty or that the failure to perform was the proximate cause of his alleged loss.² The Trial Court properly granted summary judgment in favor of Respondent Carolina One, finding that there were no genuine issues of material fact and that it owed no duty to Appellant or any other individual to provide paperwork required to be provided by the owner, lessee, or co-owner of the Cambridge Lakes project.

² This Respondent cannot formulate any response adequate to deal with the final argumentative statement made by Appellant, that "National Security is endangered when a terrorist entity Principal hires an Agent to perform an illegal activity endangering National Security and neither of them owes liability." This Respondent will represent to the Court, however, that it is not a terrorist entity, nor is it performing any illegal activities.

CONCLUSION

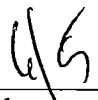
For the reasons set forth above, Respondent Carolina One would respectfully request that this Court affirm the court below in all respects, and dismiss this action.

Respectfully submitted,




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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and accurate copy of the foregoing Initial Brief and Designation of Matter to Be Included in Record on Appeal of Respondent Carolina One was served upon all parties via hand delivery or United States mail this ____ day of June, 2015.



David A. Collins

6/5, 2015
Charleston, SC

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