

**STATE OF MAINE
SUPREME JUDICIAL COURT
SITTING AS THE LAW COURT**

LAW DOCKET NO. BCD-25-555

SEAL COVE AUTO MUSEUM,

Plaintiff-Appellant,

v.

JOHN J. SANFORD ET AL.,

Defendants-Appellees.

**ON APPEAL FROM THE SUPERIOR COURT, BUSINESS AND
CONSUMER DOCKET (CUMBERLAND COUNTY)**

BRIEF OF APPELLANT SEAL COVE AUTO MUSEUM

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TABLE OF CONTENTS

TABLE OF AUTHORITIES.....	3
STATEMENT OF THE FACTS AND PROCEDURAL HISTORY.....	4
STATEMENT OF THE ISSUES PRESENTED.....	15
ARGUMENT.....	16
I. The trial court’s reading of “corpus” is wrong.....	16
II. The trial court erred in limiting the scope of the hearing to exclude evidence that the Trustees made the Owls Head gift in order to take back the consideration Seal Cove had received under the Settlement Agreement.....	19
III. The trial court erred in basing its decision exclusively on the fact that the value of the Trust had increased between the end of 2020, when the Settlement Agreement and Amended Relationship Agreement were signed, and the end of 2021, when the first \$500,000 was given to Owls Head.....	27
CONCLUSION.....	34
CERTIFICATE OF SERVICE.....	36

TABLE OF AUTHORITIES

Cases

<i>Att’y Gen. v. Sanford</i> , 2020 ME 19, 225 A.3d 1026.....	4, 21, 29
<i>Coastal Ventures v. Alsham Plaza, LLC</i> , 2010 ME 63, 1 A.3d 416.....	17
<i>Estate of Barrows</i> , 2006 ME 143, ¶ 13, 913 A.2d 608.....	17
<i>Noveletsky v. Metro. Life Ins. Co.</i> , 49 F. Supp. 3d 123 (D. Me. 2014).....	22
<i>Vargas v. Riverbend Mgmt. LLC</i> , 2024 ME 27, 314 A.3d 241.....	16
<i>Villas by the Sea Owners Ass’n v. Garrity</i> , 2000 ME 48, 748 A.2d 457.....	17

Statutes

18-B M.R.S. §§ 101-1104.....	5
18-B M.R.S. § 801.....	21
18-B M.R.S. § 801(1).....	21
18-B M.R.S. § 804.....	21
18-B M.R.S. § 809.....	21
18-B M.R.S. § 902(1).....	21
13 M.R.S. § 5104(7).....	21

Other Authorities

Black’s Law Dictionary.....	18
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STATEMENT OF THE FACTS AND PROCEDURAL HISTORY

This Court described the parties to this appeal—Seal Cove Auto Museum (“Seal Cove” or “the Museum”), the Richard C. Paine, Jr. Automobile Collection Charitable Trust (the “Trust”), and John J. Sanford and John Peabody Monks Higgins (the “Trustees”)—and their relationship in *Att’y Gen. v. Sanford*, 2020 ME 19, 225 A.3d 1026:

Richard Paine Jr. established Seal Cove in 1963 and the [Trust] in 1986. The Trust and Seal Cove were established to maintain and display Paine’s large collection of antique automobiles. Following Paine’s death in 2007, the Trust acquired most of Paine’s automobiles and an endowment to support maintenance and display of the automobile collection. Sanford and Higgins presently serve as trustees of the Trust.

Id. ¶ 4. “The Declaration of Trust expressly permits, but does not require, the Trustees to make distributions of Trust income or principal to Seal Cove.” *Id.* ¶ 5.

The Trust’s collection of antique automobiles has been displayed at Seal Cove for many years. In 2008 and 2014, Seal Cove and the Trust entered into contracts that allowed the continued display of the Trust’s collection at Seal Cove. Pursuant to these contracts, the Trust pa[id] Seal Cove at least \$200,000 per year to support the museum’s operations.

Id. ¶ 6 (footnote omitted).

Seal Cove initiated the *Sanford* litigation with a complaint that alleged, primarily, that the Trustees had received excessive fees for their services and had engaged in self-dealing. For relief, Seal Cove sought, among other things, a declaratory judgment

that it is a “qualified beneficiary” of the Trust pursuant to the Maine Uniform Trust Code (MUTC), 18-B M.R.S. §§ 101-1104 (2018), and injunctions (1) barring the Trustees from receiving excessive fees and from engaging in self-dealing and (2) requiring the Trustees to repay excessive fees they had already received from the Trust.

Id. ¶ 7. “The Attorney General filed a pleading that made similar allegations against the Trustees and requested similar relief.” *Id.*

The Trustees moved to dismiss Seal Cove’s complaint, “arguing that Seal Cove lacked standing because it is not a qualified beneficiary of the Trust.” *Id.* ¶ 8. That motion was granted, so “the case proceeded with the Attorney General as plaintiff.” *Id.* The Attorney General’s position, like Seal Cove’s had been, was that “the Trustees engaged in self-dealing and paid themselves excessive fees.” *Id.* In 2019 the Business and Consumer Docket “approved a consent decree that limited the Trustees’ yearly pay to \$62,500 plus \$5,000 in travel costs and prohibited the Trustees from engaging in self-dealing without the Attorney General’s consent.” *Id.* ¶ 9. “Seal Cove . . . appealed the judgment approving the consent decree, arguing that the court. . . had erred in dismissing its complaint for lack of standing” and that “the judgment should be vacated and the case remanded so that it can seek the relief it sought in its initial complaint.” *Id.* Seal Cove won the appeal: this Court held that “[b]ecause Seal Cove possesses the rights of a qualified beneficiary, the [trial] court erred in 2017 when it dismissed Seal Cove’s

complaint for lack of standing.” *Id.* ¶ 22 (“Accordingly, we vacate the judgment and remand for Seal Cove to pursue the relief it sought in its original complaint.”).

At the end of 2020, Seal Cove, the Trust (and Sanford and Higgins as trustees) and the Attorney General executed a General Release and Settlement Agreement (the “Settlement Agreement”). The key terms of the Settlement Agreement included that the Trust would transfer \$700,000 from its Acquisition Fund (used to acquire tangible assets) to its Endowment Fund (used to fund Seal Cove and the Trust’s primary purpose to display the Paine Collection at Seal Cove) and that the Trustees would make an additional payment into the Endowment Fund of \$350,000. (A. 108, 110.) The parties also agreed that the provisions of the 2019 consent decree, including the provisions limiting the trustees’ pay and travel expenses, would remain in force. (A. 108-109.)

At the same time, Seal Cove and the Trustees executed an Amended Relationship Agreement. Two provisions of the Amended Relationship Agreement are relevant here. First (in paragraph 4), “the Trustees agree to make investment decisions consistent with the goal of providing the Museum at least \$200,000 of annual support during the term of this Agreement while at the same time *reasonably protecting and maintaining*

the value of the corpus of the Charitable Trust.” (A. 93) (emphasis added). Second (in paragraph 6), the “Trust will provide to the Museum annually the greater of (1) \$200,000.00 or (2) 4.5 percent of its ‘Endowment Assets’ as averaged over the past twelve fiscal quarters for use as the Museum may determine for the Museum’s corporate and legal purposes.” *Id.*

In September 2022, Seal Cove filed the Motion to Enforce, the denial of which is the subject of this appeal. The Motion to Enforce focused on the fact that, soon after settling Seal Cove’s lawsuit against them by moving \$1.05 million into the Endowment Fund that funds Seal Cove’s operations, the Trustees proceeded to in effect nullify those transfers by giving \$1 million from the Endowment Fund to a third party:

In December 2021, the Trustees committed to donate \$1 million from the Trust’s endowment fund to Owls Head Transportation Museum’s (“[Owls Head]”) capital campaign. The Trustees donated \$500,000 to [Owls Head] in December 2021, and pledged an additional \$100,000 over each of the next five years. The Museum contends that this commitment violates the Settlement Agreement, and in March 2022, demanded that the Trustees withdraw their donation and pledge to [Owls Head]. The Trustees have refused to comply with the Museum’s demand. Accordingly, the Museum files this Motion to Enforce the Settlement Agreement, requesting an Order directing the Trustees to seek return of the funds already donated to [Owls Head] and to cancel its pledge of future donations to [Owls Head].

(A. 57-58.)

A dispute soon emerged over the scope of the evidence to be presented at trial. The Trustees' position was that the trial should be limited to what the Trustees characterized as "the only issue raised in [the] Motion [to Enforce]: whether the Court should enter 'an order directing the Trustees to seek return of the funds already donated to [Owls Head] and to cancel its pledge of future donations to [Owls Head].'" (A. 61)(citation omitted). The Trustees sought to exclude evidence related to five issues relevant to that inquiry that Seal Cove had explored in discovery and planned to present evidence on at trial. This evidence supported Seal Cove's position that the Owls Head donation should be reversed because the Trustees' decision to nullify the central relief Seal Cove had obtained in the Settlement Agreement by giving away more than 95 percent of the money the Trustees had agreed to add to the Endowment Fund was part of an overarching pattern of bad faith misconduct by the Trustees that breached their contractual and fiduciary duties to the Trust. The evidence the Trustees sought to exclude concerned whether the Trustees breached their contractual and fiduciary duties to the Trust by:

- 1) failing to make Seal Cove an additional insured on their comprehensive liability and property damage policies (Pretrial Joint Statement at 2);
- 2) (a) failing to comply with the notification and planning process set forth in the Amended Relationship Agreement after purchasing an

antique Hood Steamer car in 2020 and immediately loaning it to Owls Head and (b) taking approximately \$25,000 from the Endowment Fund, rather than the Acquisition Fund, to fund a post-purchase video of the restoration and uniqueness of the Hood Steamer, in violation of the Amended Relationship Agreement (*id.* at 2);

- 3) failing to include Endowment funds held in a Camden National Bank checking account in the calculation of the 4.5% of the Endowment Fund to be given to Seal Cove under the Amended Relationship Agreement and failing to provide copies of statements for the account on request (*id.* at 3);
- 4) filing a single tax return for the Endowment Fund and Acquisition Fund using funds just from the Endowment Fund notwithstanding Seal Cove's requests that they reimburse the Endowment Fund for the Acquisition Fund's share of the taxes as had been done in the past (*id.* at 3); and
- 5) using Trust funds to pay for Sanford's membership in the Royal Automobile Club of Great Britain (*id.* at 3).

The Trustees had been aware that Seal Cove was pursuing these issues from the start of the matter: they were discussed at the initial status conference with the trial court in August 2022. The only reason they were not expressly raised in the Motion to Enforce was that counsel for the Trustees requested that they not be included in the motion so as to avoid needlessly antagonizing their clients in advance of a pending judicial settlement conference. *See* Pretrial Joint Statement at 3-4.

Evidence on these issues was crucial to Seal Cove's argument that the payments to Owls Head were part of a general pattern of wrongdoing by the

Trustees in violation of the Settlement Agreement and Amended Relationship Agreement and the fiduciary duties the Trustees owed Seal Cove. However, the trial court granted the Trustees' motion in limine. In the trial court's view, "the only issue for hearing is whether the Court should enter an Order directing the Trustees to seek return of the funds already donated to Owls Head . . . and to cancel its pledge of future donations" (A. 25.) The Court explained:

The five collateral issues not included in the MTE [Motion to Enforce] are minor, arose after the MTE was filed, and/or are clearly outside the scope of the MTE and not related to the issues presented by the MTE. The Court is not persuaded that through the course of discovery practice and associated conferences the Defendants consented to litigating these collateral issues. Addressing these collateral issues at a hearing on the MTE, when the collateral issues have not been properly prepped for trial, would prejudice Defendants. Finally, once the issues properly presented on the MTE are resolved, there should be a likelihood that the collateral issues can be resolved through negotiation.

(A. 25.) As detailed below, this analysis is wrong.

At the start of the hearing, the trial court reiterated its view that it was "not particularly interested in other aspects of the trustees' behavior" beyond the Owls Head gift: "None of that, to me, is for trial today and tomorrow." (Mot. Tr. 10 (Aug. 19, 2025)). The trial court's view was that "it's more of a numbers case, not a fiduciary" case. *Id.* at 166 ("I don't agree that this is a fiduciary duty case, so I'm going to continually constrain

where you're going with it. . . . This is a numbers case."). Seal Cove's counsel explained the case his client was trying to put on:

there's also duties here as a qualified beneficiary that have to be factored in when you're looking at the contract. . . . We believe that means duty of loyalty, honestly et cetera. . . . [A]ll those related to this decision, as opposed to simply look[ing] at these two contractual provisions, and that's it; we're not considering anything else. I respectfully disagree with that.

Id. at 164 ("the circumstances matter"). To understand and assess the Owls Head gift, Seal Cove's counsel explained, it matters "what the motives, why they were doing it – that all relates to those duties that are owed to my client, as the rights of a qualified beneficiary." *Id.* at 167 (urging the trial court to consider "the holistic picture" of "the whole relationship"). The Attorney General agreed, telling the trial court that "[i]t's unreasonable and difficult to completely separate out as entirely discrete this amended relationship agreement as being entirely discrete from the general duties and management of the trust." *Id.* at 169. The trial court was unmoved. *See id.* at 169-70 ("I just see this case . . . as much more limited. . . . We've got a limited motion to enforce one component of the settlement agreement."); *see also id.* at 85 ("[T]his case is all about was the gift too large or not. Everything else is relatively superfluous.").

The trial court also sustained objections to Seal Cove's attempts to introduce evidence concerning the Trustees' decision-making process in

connection with the Owls Head gift, the wisdom of their decision to make the gift, and the fiduciary duties they owed the Trust. *Id.* at 123-25 (sustaining objection to questions about the process the Trustees followed in making the Owls Head decision as “not relevant”); *id.* at 163 (sustaining objection to questions about how Owls Head would use the gift); *id.* at 191-93 (sustaining objections to questions about Sanford’s longstanding plan to donate the Trust’s car collection to Owls Head and use the Trust’s funds to build a wing for the collection at Owls Head); *id.* at 194 (sustaining objection to question about whether, in order for Owls Head to accept a car in its collection, it has to come with an endowment of money to maintain it); *id.* at 233-34, 236, 237 (sustaining objections to question about whether Seal Cove has the rights of a qualified beneficiary vis-à-vis the Trust and whether the Trust owed fiduciary duties to Seal Cove and has set written goals for the Trust); *id.* at 237 (sustaining objection to question about whether Trustees had discussed the idea of moving the Trust’s collection from Seal Cove to Owls Head at far back as 2018 or earlier); *id.* at 238 (sustaining objection to question about whether Trustees had discussed the idea of selling the Trust’s most valuable asset and whether the Trustees were aware of a 2018 valuation of the Trust’s tangible assets done by the Maine Attorney General); *id.* at 251 (sustaining objection to question about

whether, when they were considering the Owls Head donation, the Trustees were aware of an allegation that an Owls Head employee had misappropriated funds from Owls Head in 2016).

On the issue of the value of the Trust, Seal Cove sought to introduce evidence that the Trustees had overvalued its tangible assets based on a 2016 valuation that put the value at \$20 million despite the existence of a 2018 valuation of \$9 million and a 2023 valuation of \$12 million. *Id.* at 212. In Seal Cove’s view, this large discrepancy in different assessments of the value of the tangible assets was relevant in evaluating whether the million-dollar gift to Owls Head was consistent with “protecting and maintaining the value of the corpus of the Charitable Trust” as required by the Amended Relationship Agreement. But when Seal Cove tried to introduce evidence on this issue the Court excluded it on the ground that “[i]t opens up a whole can of worms and a whole other piece of litigation that we’re just not going to get into.” *Id.* at 213 (“But I understand the record you made. . . . You proffered your offer and your objection.”). Despite preventing Seal Cove from presenting evidence on the issue, the trial court wrote in its Order Entering Judgment that while Seal Cove “has repeatedly objected to the valuation of the . . . Tangible Assets, arguing the Trustees used an inflated

value based on an outdated appraisal,” Seal Cove “was unable to actually prove this claim” (A. 22 n.9.)

In its Order Entering Judgment, the trial court first ruled that the “corpus” of the Trust that the Trustees were required to reasonably protect and maintain under the Amended Relationship Agreement was the entire trust (including the Endowment Fund, the Acquisition Fund, and the tangible assets), not just the portion of the Trust that is relevant to Seal Cove and the Amended Relationship Agreement (the Endowment Fund). *Id.* at 4 (the Amended Relationship Agreement “unambiguously states that the value of the corpus refers to the value of the entire Trust”).

The trial court then declared that “[t]he sole question . . . is whether the Donation [to Owls Head] unreasonably depleted the value of the Trust.” (A. 22.) The trial court determined that it did not, based exclusively on the fact that the value of the Trust had increased between the end of 2020, when the Settlement Agreement and Amended Relationship Agreement were signed, and the end of 2021, when the first \$500,000 was given to Owls Head:

Between the time the parties entered the [Amended Relationship Agreement] (December 31, 2020, with the effective date of January 1, 2021) and the following year, after the Trustees made the first \$500,000 donation to [Owls Head], the value of the Trust increased by \$685,467.76. That is more than sufficient to compensate for the amount of the donation.

(A. 22) (footnotes and record citation omitted). The Court noted that while Seal Cove “repeatedly objected to the valuation of the Museum’s [should be the Trust’s] tangible assets,” it was unable to actually prove this claim” (A. 22 n.9.) The trial court neglected to note that this was because it did not let Seal Cove introduce evidence on the issue. *See supra*. The trial court also said the value of the tangible assets was “immaterial,” because “[e]ven if the tangible assets were overvalued . . . there is no question the corpus of the Trust increased between 2020 and 2021.” *Id.* And that “[e]ven using the Museum’s preference to solely use the value of the Endowment fund as the corpus, the Endowment fund increased by \$1,409,898 between December 13, 2020 and December 31, 2021.” (A. 22 n.10.)

The trial court also ruled that the timing of the Trustees’ decision to make the Donation in relation to when the parties entered the Settlement Agreement” was “irrelevant” because “[n]either the Settlement Agreement nor the [Amended Relationship Agreement] places any restriction on how the settlement funds are to [be] used.” (A. 22 n.11.)

STATEMENT OF THE ISSUE PRESENTED

1. Did the trial court err when it ruled that the term “corpus” was unambiguous and refused to hear evidence on its meaning?

2. Did the trial court err in limiting the scope of the hearing to exclude evidence that the Trustees breached the Settlement Agreement and Amended Relationship Agreement by making the Owls Head gift as a means to take back the consideration Seal Cove had received from the Trustees under the Settlement Agreement and refusing to consider evidence Seal Cove sought to present that the Trustees were operating in bad faith?

3. Did the trial court err in basing its decision exclusively on the fact that the value of the Trust increased between the end of 2020 and the end of 2021?

ARGUMENT

This Court “review[s] the court’s factual findings for clear error and its legal conclusions de novo.” *Vargas v. Riverbend Mgmt. LLC*, 2024 ME 27, ¶ 15, 314 A.3d 241 (quotation marks omitted).

I. The trial court’s reading of “corpus” is wrong.

The trial court was wrong to rule that the “corpus” the Trustees were required to reasonably protect and maintain under the Amended Relationship Agreement was the entire Trust—including the Endowment Fund, the Acquisition Fund, and the tangible assets—not just the portion of the Trust that is relevant to Seal Cove under the Amended Relationship

Agreement (the Endowment Fund). Order at 4. “Whether a contract term is ambiguous is a question of law that [this Court] review[s] de novo.” *Coastal Ventures v. Alsham Plaza, LLC*, 2010 ME 63, ¶ 26, 1 A.3d 416. “[A] contractual provision is considered ambiguous if it is reasonably possible to give that provision at least two different meanings.” *Id.* (quoting *Villas by the Sea Owners Ass’n v. Garrity*, 2000 ME 48, ¶ 9, 748 A.2d 457). “[I]t is a well established principle that a contract is to be interpreted to give effect to the intention of the parties as reflected in the written instrument, construed in respect to the subject matter, motive and purpose of making the agreement, and the object to be accomplished.” *Id.* (quoting *Est. of Barrows*, 2006 ME 143, ¶ 13, 913 A.2d 608).

The trial court determined that the Amended Relationship Agreement “unambiguously states that the value of the corpus refers to the value of the entire Trust.” (A. 21.) The agreement does no such thing: it refers to “the corpus of the Charitable Trust,” but is silent on whether that means “the entire Trust” or the relevant portion of the Trust. Because, at a minimum, “it is reasonably possible to give that provision at least two different meanings,” *Villas by the Sea*, 2000 ME 48, ¶ 9, 748 A.2d 457, the trial court erred in ruling that it unambiguously means the entire Trust.

The trial court should have ruled that “corpus” unambiguously means the Endowment Fund. The “motive and purpose” of the parties in entering into the Amended Relationship Agreement was to govern the provision of financial support by the Trust to Seal Cove, and it is the Endowment Fund specifically that is the source of that financial support. When paragraph 4 says “the Trustees agree to make investment decisions consistent with the goal or providing the Museum at least \$200,000 of annual support . . . while at the same time reasonably protecting and maintaining the value of the corpus,” (A. 93) it means the Trustees will support Seal Cove at a certain level while preserving the Trust’s ability to continue to do so going forward. The Acquisition Fund and the Tangible Assets are not relevant to any of this. Indeed, Trustee Sanford specifically testified that it would not have been appropriate to use assets from the Acquisition Fund, or funds generated by selling tangible assets, to make the Owls Head donation; it had to come from the Endowment Fund. (Mot. Tr. 224-25 (Aug. 19, 2025)).

The trial court relied on Black’s Law Dictionary’s generic definition of “corpus” as “[t]he property for which a trustee is responsible; the trust principal.” (A. 21 n.4.) But the relevant corpus here is not *everything the Trust owns*; it is the Endowment fund that benefits Seal Cove. The Trust’s ability to continue to support Seal Cove going forward is a function of the

state of the Endowment Fund, separate and apart from whatever other assets the Trust may hold. The corpus that matters to Seal Cove is the Endowment Fund, and that is obviously the corpus the parties had in mind when they entered into the Amended Relationship Agreement. At a minimum, the meaning of “corpus” is ambiguous, and the case should be remanded for the trial court to hear evidence on what it means.¹

II. The trial court erred in limiting the scope of the hearing to exclude evidence that the Trustees made the Owls Head gift in order to take back the consideration Seal Cove had received under the Settlement Agreement.

Under the Settlement Agreement, the Trustees agreed to transfer \$1.05 million into the Endowment Fund that provides support for Seal Cove. Seal Cove alleged in the Motion to Enforce that the Trustees breached the Settlement Agreement when, less than a year later, they agreed to give away nearly all of that money to a recipient other than Seal Cove. Seal Cove’s position is that it was obviously contrary to the Settlement Agreement for the Trustees to agree to settle Seal Cove’s claims by transferring \$1.05 million into the Endowment Fund that funds Seal Cove’s operations, and then, less than a year later, give all but \$50,000 of that

¹ The trial court was “not all that interested in any purported parol evidence about what the amended relationship agreement means” as “[t]he language in [the trial court’s] view, is not ambiguous. Clear as the day -- as clear as day.” (Mot. Tr. 10 (Aug. 19, 2025)).

money away to a third party, a move that erased over 95 percent of the monetary benefit Seal Cove had won in the Settlement Agreement.

The trial court’s overarching error was to focus its analysis exclusively on the Amended Relationship Agreement, as if that agreement existed separate and apart from the Settlement Agreement out of which it emerged and that was the subject of the Motion to Enforce. The Motion to Enforce sought specifically to enforce the Settlement Agreement. (A. 57-60.) But the trial court inexplicably insisted on reading the Amended Relationship Agreement in a vacuum, as if it existed in a different universe than the Settlement Agreement.² That missed the point of Seal Cove’s motion, which was not just that giving \$1.05 million to Owls Head *standing alone* was contrary to the Trustees’ commitment to “reasonably protect[] and maintain[] the value of the corpus of the Charitable Trust,” (A. 93) but that doing this in the specific context of a settlement that had transferred that same amount of money into the Trust for Seal Cove’s benefit constituted a breach of the Settlement Agreement. This overarching error made it next to

² And even with this narrowed focus, the Court ignored plain language in the Amended Relationship Agreement demonstrating that giving away substantial portions of the Endowment Fund was inconsistent with the expressly stated understanding in the Amended Relationship Agreement that the Trust’s primary purpose is to display the Paine Collection at Seal Cove. (*See, e.g.*, A. 88); *see also* (Mot. Tr. 224 (Aug. 19, 2025)) (Trustee Sanford agreeing that “it would not have been appropriate for the Payne trust to donate to Owls Head by selling a car from the collection”).

impossible for Seal Cove to prove its case that the Trustees had breached the Settlement Agreement.

Seal Cove sought to introduce evidence of other misdeeds by the Trustees in support of its position that giving away more than 95 percent of the money the Trust had agreed, in settlement, to add to the Endowment Fund was part of an overarching pattern of bad faith misconduct by the Trustees that breached the Settlement Agreement, the Amended Relationship Agreement, and their fiduciary duties to the Trust. Because it has the rights of a qualified beneficiary of the Trust, *see Sanford*, 2020 ME 19, ¶ 22, 225 A.3d 1026, the Trust owed Seal Cove statutory duties to:

- “administer the trust in good faith” (18-B M.R.S. § 801) and “solely in the interests of the beneficiaries” (*id.* § 801(1));
- “administer the trust as a prudent person would, by considering the purposes, terms, distributional requirements and other circumstances of the trust” and to “exercise reasonable care, skill and caution” in doing so (*id.* § 804);
- “take reasonable steps to . . . protect the trust property” (*id.* § 809); and
- “invest and manage trust assets, as a prudent investor would” (*id.* § 902(1)).³

³ The Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) provides that “[t]he appropriation, for expenditure, in any year of an amount greater than 7% of the fair market value of an endowment fund . . . creates a rebuttable presumption of imprudence.” 13 M.R.S. §5104(7). While the Endowment Fund may not be an institutional fund subject to the UPMIFA, the prudence standard of UPMIFA is derived from the prudent investor rule of the Uniform Prudent Investor Act (of which 18-B M.R.S. § 902 is a part), which reflects the view that common standards of prudent investing apply to all charitable institutions. *See National*

Maine common law likewise “imposes various fiduciary duties on trustees,” including “a duty to administer the trust . . . in accordance with the terms of the trust” and “solely in the interest of the beneficiaries” *Noveletsky v. Metro. Life Ins. Co.*, 49 F. Supp. 3d 123, 140 (D. Me. 2014) (quotation marks omitted). The Amended Relationship Agreement requires the Trust, *inter alia*, to “reasonably protect[] and maintain[] the value of the corpus of the Charitable Trust.” A 93.

Given that the Trustees’ state of mind in connection with the Owls Head donation was key to Seal Cove’s theory that they violated their contractual and fiduciary duties in making it, Seal Cove sought to introduce evidence of five other instances of bad behavior by the Trustees after the Settlement Agreement and Amended Relationship Agreement were executed. This evidence would have established that:

- The Trustees failed to make Seal Cove an additional insured on their comprehensive liability and property damage policies in violation of Section 8(f) of the Amended Relationship Agreement and their duties and obligations as Trustees of the Trust.
- The Trustees breached the Settlement Agreement and their fiduciary duties to the Trust by failing to comply with the notification and planning process set forth in Sections 3(a-c) of the Amended Relationship Agreement after purchasing an antique

Conference of Commissioners on Uniform State Laws, *Prefatory Note, Uniform Prudent Management of Institutional Funds Act*, at 14 (2006). As such, even if the UPMIFA is not strictly applicable here, its rebuttable presumption, enacted six years after the Uniform Prudent Investor Act, is illustrative of the Maine legislature’s view that large expenditures relative to the size of a charitable fund merit scrutiny.

Hood Steamer car in 2020 and immediately loaning it to Owls Head, and by taking approximately \$25,000 from the Endowment Fund, rather than the Acquisition Fund, to cover the cost to make a post-purchase video of the restoration and uniqueness of the Hood Steamer, in violation of Section 10 of the Amended Relationship Agreement.

- The Trustees breached the Settlement Agreement and their fiduciary duties to the Trust by failing to include Endowment funds held in a Camden National Bank checking account in the calculation of the 4.5% of the Endowment Fund to be given to Seal Cove under the Amended Relationship Agreement and failing to provide copies of statements for the account on request.
- The Trustees breached the Settlement Agreement and their fiduciary duties to the Trust by filing a single tax return for the Endowment Fund and Acquisition Fund using funds just from the Endowment Fund, notwithstanding Seal Cove's requests that they reimburse the Endowment Fund for the Acquisition Fund's share of the taxes as had been done in the past.
- The Trustees breached the Settlement Agreement and their fiduciary duties to the Trust by using Trust funds to pay for Sanford's membership in the Royal Automobile Club of Great Britain.

This evidence of numerous additional breaches of the Settlement Agreement and Amended Relationship Agreement by the Trustees would have supported Seal Cove's position that the Owls Head gift was made in bad faith to nullify the cash transfers Seal Cove had won in the Settlement Agreement. The excluded evidence also would have illuminated the Trustees' decision-making process in connection with the Owls Head gift, the wisdom of their decision to make the gift, and the fiduciary duties they

owed the Trust. *See supra* at 8-10 (the trial court sustained objections to questions about how Owls Head would use the gift; Trustee Sanford's longstanding plan to donate the Trust's car collection to Owls Head and use the Trust's funds to build a wing for the collection at Owls Head; whether, in order for Owls Head to accept a car in its collection, it has to come with an endowment of money to maintain it; whether Seal Cove has the rights of a qualified beneficiary vis-à-vis the Trust and whether the Trustees owed fiduciary duties to Seal Cove and have set written goals for the Trust; whether the Trustees had discussed the idea of moving the Trust's collection from Seal Cove to Owls Head at far back as 2018 or earlier; whether the Trustees had discussed the idea of selling the Trust's most valuable asset; whether the Trustees were aware of a 2018 valuation of the Trust's tangible assets done by the Maine Attorney General; and whether, when they were considering the Owls Head donation, the Trustees were aware of an allegation that an Owls Head employee had misappropriated funds from Owls Head in 2016). By excluding this evidence, the trial court severely undermined Seal Cove's ability to prove its case.

The trial court's reasons for excluding the evidence just described do not withstand scrutiny. The trial court found the issues to be "outside the scope of the [Motion to Enforce]" and found that the Trustees had not

“consented to litigating” them. (A. 25.) However, the trial court neglected the fact that the Trustees knew full well that these issues were put into play by the Motion to Enforce, and were not expressly raised in the motion *at the request of counsel for the Trustees*, who believed their inclusion would upset the Trustees going into the judicial settlement conference. The issues were discussed at the initial status conference with the trial court in August 2022. Discovery was conducted on the issues: the Trustees answered without objection Interrogatory No. 9, seeking information about insurance policies on the Trust’s tangible assets where Seal Cove is named as an additional insured, and agreed to provide copies of such policies. (A. 74.)

The Trustees also agreed to produce copies of “all documents pertaining to disbursements from the Endowment Fund used to pay for any repairs or restoration of [vehicles acquired since August 2020] in preparation for their initial display,” a response that appears to have been specifically crafted to include the Hood Steamer (A. 74-75); documents regarding the monthly value of the Endowment Fund that relate directly to the issue of the Camden National Bank Account (A. 75); and documents “pertaining to disbursements from the Endowment Fund . . . for dues or expenses to any private club with lodging and/or golf and/or tennis and/or swimming facilities[,]” such as the Royal Automobile Club of Great Britain

(A. 75.). Finally, the Trustees affirmatively sought written discovery “relating to or concerning insurance coverage for automobiles and other property currently stored” at the Museum. (A. 75-76.) These issues have been part of the case from the outset, and Seal Cove should have been permitted to present evidence on them.

The issues are not “minor,” or “not related to the issues presented by the [Motion to Enforce],” as evidence on them would have demonstrated a consistent pattern of misconduct by the Trustees that supports Seal Cove’s position that the Owls Head donation was made in bad faith to subvert the Settlement Agreement. It is no consolation to Seal Cove that these issues could be “resolved through negotiation” now that the issue of the Owls Head gift has been decided against it; Seal Cove needed to present evidence on these issues in order to make an effective case on the question of the Owls Head gift in the first place.

In framing the case as “more of a numbers case, not a fiduciary” case, (Mot. Tr. 166 (Aug. 19, 2025)), the trial court missed the point of the Motion to Enforce, which was that in making a gift to a third party that all but undid the monetary benefit Seal Cove had won in the Settlement Agreement, the Trustees violated their fiduciary duties to the Trust and to Seal Cove as its qualified beneficiary. Looked at this way, evidence of how

the Trustees behaved more generally under the Settlement Agreement is key to evaluating whether the Owls Head gift constituted a breach. As the Attorney General put it, “[i]t’s unreasonable and difficult to completely separate out as entirely discrete this amended relationship agreement as being entirely discrete from the general duties and management of the trust.” *Id.* at 169. The trial court erred in not letting Seal Cove present the evidence it needed to prove its case.

III. The trial court erred in basing its decision exclusively on the fact that the value of the Trust had increased between the end of 2020, when the Settlement Agreement and Amended Relationship Agreement were signed, and the end of 2021, when the first \$500,000 was given to Owls Head.

The trial court based its ruling that the Owls Head donation was consistent with the Trustees’ obligation to “reasonably protect[] and maintain[] the value of the corpus of the Charitable Trust” on one single fact:

Between the time the parties entered the [Amended Relationship Agreement] (December 31, 2020, with the effective date of January 1, 2021) and the following year, after the Trustees made the first \$500,000 donation to OTHM, the value of the Trust increased by \$685,467.76. That is more than sufficient to compensate for the amount of the donation.

(A. 20.) There are several problems with this.

First, as explained above, the effect of the Owls Head donation was to nullify the benefit to Seal Cove of the increase in the Endowment Fund it had won in the Settlement Agreement. The “reasonably protect[] and maintain[] the value of the corpus” language at issue in this case is found in a contract between Seal Cove and the Trustees that was executed at the same time as the Settlement Agreement. Common sense would indicate that when Seal Cove entered into a contract that required the Trustees to reasonably protect and maintain the value of the corpus, the parties must have understood that it would not be reasonable for the Trustees to turn around and give away 95% of the money they had added to the Trust to settle Seal Cove’s claims against them to an entity other than the Trust’s qualified beneficiary, Seal Cove. By ignoring this crucial context in favor of a mechanical exercise in mathematics, the trial court failed to ground its reasonableness analysis in the relevant context.

The value of the Endowment Fund (the relevant “corpus,” as explained *supra*) at the time of the Owls Head donation includes the \$1.05 million the Trustees added to the Endowment Fund in January 2021 (A. 201-211) pursuant to the Settlement Agreement as a remedy for their misconduct and to settle Seal Cove’s claims against them. To let the Trustees use the existence of those funds to justify giving a corresponding

amount of money away to an entity other than the Trust’s qualified beneficiary, and with which Sanford has had a longstanding relationship as a board member and clerk or registered agent, (Mot. Tr. 209 (Aug. 19, 2025)), and close personal ties (A. 137-164; Joint Stipulated Facts 8-14), would let the Trustees use the fruits of their misconduct to their own advantage. That is what the trial court did when it wrote that, “[e]ven using the Museum’s preference to solely use the value of the Endowment Fund as the corpus, the Endowment fund increased by \$1,409,898 between December 31, 2020 and December 31, 2021.” (A. 22 n.10.) The trial court erred in ignoring that most of the increase it relied on was due to the money that was added to the Endowment Fund under the Settlement Agreement. In effect, the trial court rewarded the Trustees for their own wrongdoing.⁴ Under these circumstances, the fact that the value of the trust increased is not enough to establish that the Trustees’ decision was reasonable.

The problem with what the Trustees did goes beyond the “timing” of the Owls Head donation. (A. 22 n.11.) The case Seal Cove intended to put on

⁴ Setting aside that the Trustees entered into the Settlement Agreement in bad faith, it is true that the trial court noted that the Trustees disclaimed wrongdoing in the Settlement Agreement (A. 22 n.11), as is customary in such agreements. But the Court ignored the Trustees’ repeated, past wrongdoing that led the Attorney General to conclude that removing the Trustees was necessary to prevent further waste of assets and to request the trial court’s assistance to achieve their removal. *See, e.g., Att’y Gen. v. Sanford et al.*, Kenn. Cnty. Super. Ct. Docket No. CV-07-328, Complaint, Consent Decree and Order. The trial court further ignored the fact that the Trustees’ willingness to pay hundreds of thousands of dollars toward the settlement from their own pockets is strong evidence that they engaged in wrongdoing. (A. 110.)

would have established, *inter alia*, that when the Trustees entered into the Settlement Agreement and agreed to designate funds to benefit Seal Cove they did so with the bad faith intention of redirecting those funds to Owls Head. The trial court denied Seal Cove the opportunity to make its case.

Second, the donation was simply too large to be reasonable. It represents by far the largest gift the Trust has ever given to anyone other than Seal Cove—indeed it is 30 times larger than the next largest gift (\$33,000 to Owls Head in 2019). (Mot. Tr. 195-96 (Aug. 19, 2025)). In 2021 the Trustees approved disbursements of more than \$1.37 million (A. 125-135); *see also* (Mot. Tr. 118-19 (Aug. 19, 2025)), including the initial \$500,000 payment to Owls Head. This amounted to more than 16% of the value of the Endowment Fund. Obviously, the corpus of a trust that does not receive new donations and gives away 16 percent of its assets each year is not going to be protected and maintained for very long. Once again, the trial court ignored crucial context in favor of a sterile, decontextualized comparison of the size of two numbers. That was error.

Third, the fact that this unprecedented, massive gift was made by the Trustees without first securing independent expert advice or conducting any other meaningful process is further evidence of its unreasonableness. Trustee Higgins testified that he made the decision based on a “back-of-the-

envelope” stress test of the Endowment Fund’s resilience to market fluctuations that he performed largely “in [his] head,” with “possibly a scribble or two on paper.” (Mot. Tr. 246-47 (Aug. 19, 2025)). No formal due diligence was conducted, no written record of a decision-making process was created, and no independent experts were consulted—despite the potential conflict-of-interest problem created by Trustee Sanford’s close ties to Owls Head (A. 137-164; Joint Stipulated Facts 8-14; Mot. Tr. 248 (Aug. 19, 2025)). Sanford has a long-standing and multifaceted relationship with Owls Head, having served both as a director and as its clerk or registered agent. (A. 137-164; Mot. Tr. 209 (Aug. 19, 2025)). These circumstances required that the Trustees evaluate a potential large gift to Owls Head out of the fund of which Seal Cove is a qualified beneficiary with heightened scrutiny. The evaluation should have included a careful assessment of Owls Head’s financial situation and the viability of the campaign the gift would be used to fund. Instead, the evaluation consisted of dusting off some documents, conducting a back-of-the-envelope analysis during a two-hour meeting, and looking at Owls Head’s promotional materials. Given the magnitude of the donation, a more rigorous process than this would have been required to ensure that the Owls Head donation

was consistent with the Trustees' obligation to Seal Cove to protect and maintain the corpus of the Trust. The trial court ignored all of this.

Fourth, the trial court found that the relevant "corpus" included the tangible assets but then prevented Seal Cove's counsel from introducing evidence that the tangible assets were overvalued. The trial court declared in its order that "[t]he Museum was unable to actually prove" its claim that the tangible assets were overvalued, but that their value was "immaterial" in any event because "there is no question the corpus of the Trust increased between 2020 and 2021." It was unfair of the trial court to fault Seal Cove for being "unable to actually prove" something that the trial court did not let its counsel try to prove. (A. 22 n.9.) It was further unfair for the trial court to include findings and dicta regarding topics the trial court itself excluded from the scope of the trial. *See, e.g., id.* (discussing asset values without making factual finding despite excluding evidence of same at trial and finding that it was immaterial); (A. 22 n.8) (noting in dicta that "the ARA does not impose any obligation on the Trustees to grow the value of the Trust"); (A. 22 n.11) (noting that timing of donation was irrelevant but offering commentary on some of Seal Cove's arguments involving timing); (A. 22-23) (making findings regarding investment guidelines despite holding they "have no relevance here"); (A. 22) (essentially crediting

Trustees with the stock market increasing after the decision to donate to Owls Head without considering evidence of the state of the stock market *prior* to the decision or explaining the relevance of the future state of the stock market, which was unknown at the time of the decision).

Fifth, the fact that the value of “the corpus of the Trust” as the trial court understood it “increased between 2020 and 2021” does not mean make the real value of the tangible assets irrelevant. Having ruled that the relevant “corpus” included the tangible assets, the trial court erred in not letting Seal Cove inquire into the true value of the tangible assets in support of its case that the Trustees had failed to reasonably protect and maintain the value of the corpus.

Sixth, the trial court ignored evidence demonstrating that the Owls Head donation was made in bad faith and constituted an act of bad faith under the Settlement Agreement. As detailed above, the Trustees made the decision to give \$1 million to Owls Head out of the Endowment Fund less than a year after settling Seal Cove’s lawsuit against them by putting \$1.05 million into the Endowment Fund. Owls Head was discussing the capital campaign the Trustees’ gift is funding as early as September 2020 (A. 174-175), months before the Settlement Agreement and Amended Relationship Agreement were signed. Given Sanford’s longstanding relationship with

Owls Head, (Mot. Tr. 209 (Aug. 19, 2025)), and his evident continuing interest in Owls Head, Sanford must have become aware of Owls Head's capital campaign by the time he and Higgins settled their dispute with Seal Cove. An obvious inference is that the Trustees entered into the Settlement Agreement and Amended Relationship Agreement with the intention of taking back from Seal Cove what the museum appeared to have won in the Settlement Agreement by making an offsetting gift to Owls Head. In any event, whatever their state of mind at the time of the Settlement Agreement may have been, the Trustees could not have failed to grasp that what they were doing would have the effect of nullifying what Seal Cove had won with the Settlement Agreement. The trial court erred in refusing to consider this evidence and instead treating the case like a sterile math problem.

CONCLUSION

For the foregoing reasons, the trial court's Order Entering Judgment in Favor of Defendant's Following Bench Trial on Motion to Enforce should be vacated and the case remanded for a new hearing where Seal Cove is permitted to put on its case.

Dated at Portland, Maine, this 25th day of March, 2026

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CERTIFICATE OF SERVICE

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