

**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)**

REPLY BRIEF OF APPELLANT SEAL COVE AUTO MUSEUM

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ARGUMENT

I. The Trustees breached their obligation to reasonably protect and maintain the value of the corpus.

In response to Seal Cove’s argument that the word “corpus” in the Amended Relationship Agreement (“ARA”) must refer to the Endowment Fund—that is, the portion of the Trust that Seal Cove cares about and to which key Trustee obligations under the ARA are tied—the Trustees declare that Seal Cove’s interpretation “would render meaningless the distinct use of ‘Endowment Fund,’ ‘Acquisition Fund,’ and ‘Tangible Assets’ elsewhere in the ARA” Red Br. 25. That is wrong: under Seal Cove’s interpretation the terms still have clear and distinct meaning. *See, e.g.*, A. 96, ¶ 9 (“The proceeds of any such sale [of Tangible Assets] would be deposited into the Endowment Fund, not the Acquisitions Fund.”); A. 97, ¶ 10 (“the Trustees . . . shall transfer \$700,000 from the Acquisitions Fund to the Endowment Fund.”). Their meaning is not changed by the fact that paragraph 4 of the ARA uses “corpus” to mean the Endowment Fund.

The Trustees note that the Museum argues that “evidence regarding the discrepancy in the appraisals of 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” Red Br. 26 (quotation marks omitted). The Trustees say this means Seal Cove

understands that the tangible assets are part of the corpus. *See id.* at 27. It does not: Seal Cove, realizing that the trial court might not agree with its position on the meaning of “corpus,” sought to present evidence that would be relevant under the Trustee’s understanding of the term in the event the trial court agreed with the Trustees as to its meaning.

The Trustees suggest that “the Black’s Law definition for this common legal term,” which the trial court cited, is dispositive. Red Br. 26; A. 21 n.4 (“The property for which a trustee is responsible; the trust principal.”). But this ignores that the relevant paragraph of the ARA where the word “corpus” appears deals with the Trust’s “intangible property” (money), and specifically with the intangible property that is available to support Seal Cove—that is, the Endowment Fund. *See* A. 93, ¶ 4 (“[T]he 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.”). The Trustees cite *Tondreau v. Sherwin-Williams Co.* for the unremarkable proposition that words should be given their generally prevailing meaning, but *Tondreau* offered a key caveat:

Where words or terms having a definite legal meaning and effect are . . . used in a written contract . . . , the parties thereto will be presumed to have intended such words or terms to have their

proper legal meaning and effect, *in the absence of any contrary intention appearing in the instrument.*

638 A.2d 728, 731 (Me. 1994) (quoting 17A Am.Jur.2d, Contracts § 362) (emphasis added). Assuming *arguendo* the Trustees are right about the default meaning of “corpus,” the context in which the word appears here (paragraph 4) demonstrates an intention that it means something more specific.¹ While “corpus” may sometimes mean everything a trust holds, in this context it means the funds the trust holds for the benefit of Seal Cove.²

The Trustees argue there is no breach because the Endowment Fund “grew from \$6.7 million in 2020 to \$8.1 million in December 2021—after the Trustees made the initial \$500,000 payment to Owls Head.” Red Br. 28; *see also* Red Br. 41 (“The Trustees knew when they agreed to make the Donation in December 2021 that the Endowment had appreciated about 20% that year.”). Here the Trustees ignore the point made in Seal Cove’s opening brief, namely, that this timeframe includes January 2021, when the Trustees added \$1.05 million to the Endowment Fund pursuant to the Settlement Agreement to settle Seal Cove’s claims against them (Blue Br. 28), and Seal Cove’s

¹ Seal Cove’s expert was prevented from testifying to this point, however, as it was “not of interest to [the trial court] what [the expert thought was] the proper way to interpret th[e] agreement.” Mot. Tr. 246-47 (Aug. 19, 2025).

² This also applies to the Trustees references to uses of the word by Seal Cove’s expert and in its brief (Red Br. at 26-27). The fact that “corpus” may mean different things in different contexts is not dispositive of what it means in the context that is relevant to this appeal.

argument that “[t]o let the Trustees use the existence of those funds to justify giving a corresponding amount of money away . . . would let the Trustees use the fruits of their misconduct to their own advantage.” Blue Br. 28–29. The Trustees object to the characterization of the \$1.05 million as a “remedy for their misconduct” (Blue Br. 28), claiming that “there was no misconduct proven or admitted” (Red Br. 39)—but whatever boilerplate disclaimers the Settlement Agreement may contain, common sense would indicate that the payments the Trustees agreed to make are evidence of their having done something wrong that needed to be remedied. The transfer of \$1.05 million to the Endowment Fund to benefit Seal Cove was the key piece of the remedy; it is just not true that “the only thing that [Seal Cove] ‘won’ in the settlement was reimbursement of its attorneys’ fees.” Red Br. 36.³ The Trustees further ignore Seal Cove’s point that the mere fact that unpredictable market returns increased the value of the Trust’s corpus does not mean that the Trustees’ decision-making process was appropriate or that the Owls Head gift was consistent with their obligation to “reasonably protect and maintain” the corpus. The Trustees should not be credited with the increase in the Endowment Account because the majority of that increase resulted from

³ The Trustees ignore that the settlement also, *inter alia*, capped future Trustee fees and expenses and limited new additional trustees. (A. 108-109).

transfers required by the Settlement Agreement, including transfers from the Acquisition Account and contributions from the Trustees' own funds, rather than from the Trustees' investment performance

The Trustees appear to believe they may do what they wish if the ARA does not specifically bar it. *See* Red Br. 39 (“If the Museum wanted new restrictions on the Trustees’ discretion, it should have bargained for them.”). The problem is that this would read the requirement to “reasonably protect[] and maintain[] the value of the corpus” out of the contract. It was not reasonable for the Trustees to believe that taking the \$1 million Seal Cove had secured for the Endowment Fund and giving it away to a third party—in effect nullifying the relief Seal Cove had won—could be consistent with their obligation to Seal Cove to reasonably protect and maintain the value of the corpus.⁴ Again, the Trustees are right that the ARA does not expressly say they cannot do the specific thing they did, but the trial court should have let Seal Cove make their case that the ARA was nevertheless breached.

II. The trial court improperly limited the hearing’s scope.

The first and overarching problem with the trial court’s narrowing of the scope of the issues at the hearing is the one just described: Seal Cove

⁴ Again, favorable market factors outside the Trustees’ control do not negate their unreasonable decision-making process and breaches of the agreements.

should have had the opportunity to put on a case that the Owls Head gift was made in bad faith to undo the benefit it had received under the Settlement Agreement and to establish that the gift therefore violated both the Settlement Agreement and the obligation of the Trustees under the ARA to reasonably protect and maintain the value of the corpus. This context is crucial in understanding and evaluating the Owls Head gift, and the trial court refused to consider it.

As additional context for understanding the Owls Head gift, Seal Cove sought to introduce evidence of the Trustees' other misdeeds showing a pervasive pattern of bad faith misconduct that breached the Settlement Agreement and ARA and their fiduciary duties to the Trust. *See* Blue Br. 21. In response to Seal Cove's argument that the trial court erred in limiting the scope of the hearing by excluding evidence on key issues the parties understood Seal Cove to be pursuing (*see id.* at 9–10, 19–27), the Trustees claim they “did not recall such an understanding” (Red Br. 33) and quote the trial court explaining its much narrower conception of the hearing's scope. *Id.* at 34. With all due respect to the trial court, its understanding of the hearing's scope was incorrect: that is the essential error this appeal aims to correct. The Trustees may not recall it, and it may not have been discussed “in the parties' email correspondence” (Red Br. 33), but the reason the issues

the trial court excluded from consideration at the hearing were not addressed in the Motion to Enforce is that “Defendants . . . stated during the August 18th conference with the Court that inclusion of what they described as ‘gratuitous’ claims may needlessly antagonize Defendants prior to the judicial settlement conference” Pretrial Joint Statement at 3–4. The Trustees knew the Motion to Enforce was about more than mathematically measuring the size of the Owls Head gift against other Trust assets.

The Trustees cite the Court’s references to “limited discovery” as evidence that the parties did not “expect[] to litigate all potential issues at the hearing” Red Br. 33. But discovery was obviously going to be “limited” in connection with a motion to enforce a settlement agreement, as opposed to the scope of discovery that would be available in a free-standing litigation. And as noted in Seal Cove’s opening brief, the Trustees engaged in discovery on issues beyond the narrow issue of the amount of money held by the Trust at different points in time. *See* Blue Br. 25–26. While “responding to a written discovery request” does not necessarily “constitute an agreement to allow additional issues for hearing” (Red Br. 35), it is strong evidence of the parties’ understanding of the scope of the issues.

In addition to their arguments about the scope of the hearing, the Trustees argue the merits of the issues Seal Cove sought to present evidence

on, claiming the evidence would have weighed in their favor. Whether the evidence would have supported the Motion to Enforce is something the trial court should have ruled on after receiving the evidence rather than excluding it. It is not a determination this Court should make on appeal.

The Trustees claim they could not secure a policy that named Seal Cove as an additional insured and suggest that Seal Cove must not have been able to find an insurer who would write such a policy either. Red Br. 29. These are factual questions that should have been explored at the hearing; the issue should not have been excluded altogether based on the Trustee's self-serving claims, which amount to little more than an attempt to convince Seal Cove to undertake the obligation to find an insurer. Further, Seal Cove would have presented evidence that it was previously responsible for insurance and was able to secure policies that would comply with the current agreement. *See* Plaintiff's Opposition to Defendants' Motion in Limine Regarding the Scope of Issues for Hearing ("MIL Opp."), 7/17/2025, at 8–9.⁵ Seal Cove should have been permitted to present this evidence in support of its case.

⁵ The Trustees suggest Seal Cove breached a reciprocal provision of the ARA requiring it to name the trust as an additional insured, and that "neither party is prejudiced by these circumstances." Red Br. 30 n.20. Seal Cove would have presented evidence that it did not breach the provision. *See* MIL Opp. at 9. As for prejudice, Seal Cove was entitled to have the Trustees uphold their contractual obligations and to offer breaches as evidence of the Trustees' general course of bad faith conduct.

The Trustees argue the 1900 Hood Steamer was purchased before the ARA's effective date, and Seal Cove released any claims about its purchase. Red Br. 30. The Trustees would have been free to assert these defenses at the hearing if the evidence had been admitted, but their potential existence was not proper grounds for excluding the evidence. Further, there was additional misconduct that occurred after the ARA's effective date and signing of the ARA, such as funds being improperly used for a post-purchase video and other services. *See, e.g.*, MIL Opp. at 15; Ex. 8, 11, & 12.

The Trustees dismiss Seal Cove's concern about the Camden National Bank account as *de minimis* but appear to concede that there was a breach. Red Br. 30–31. Seal Cove should have been permitted to present this evidence at the hearing in support of its position that the Trustees have not performed their agreements with Seal Cove in good faith.⁶ The same goes for the consolidated tax payments issue (Red Br. 32): the Trustees claim this provision was too insignificant to bother complying with, but that should have been for the trial court as finder of fact to decide based on the evidence Seal Cove proffered of what appears to be more admitted misconduct.⁷ This

⁶ Contrary to the Trustees' claim that it would cost more to calculate the average account balance, that information is available to them in quarterly statements.

⁷ The Trustees do not explain why it matters that "[t]he consolidated tax payments issue did not arise until after the Museum filed its Motion to Enforce" (Red Br. 35) and cite no authority in support of the odd proposition that it therefore could not have been within the motion's scope at the time of the hearing.

misconduct is evidence of the pattern of bad faith and misconduct that is directly relevant to whether the Endowment Fund was being properly maintained pursuant to the ARA, and the Trustees' decision that specific misconduct was unimportant does not change that fact.

As for the Royal Automobile Club membership dues, Seal Cove should have been permitted to present evidence that the decision by the Trustees to help themselves to this extravagance (*see* MIL Opp. at 11) was additional evidence of bad faith in their dealings with Seal Cove. Seal Cove did not raise this issue in 2020 negotiations that led to the Settlement Agreement and ARA. But the Trustees do not explain why it would make sense for the law to be that if a particular form of misconduct is not addressed in a settlement agreement, the party who engaged in the misconduct is then free to engage in the same misconduct in perpetuity. *See* MIL Opp. at 12.

The Trustees cite *Beckerman v. Pooler*, 2015 ME 80, 119 A.3d 74, to claim that “the Court risked issuing an advisory opinion if it heard issues beyond” what the Trustees claim is “the singular issue raised in the Motion to Enforce,” which in the Trustees' view was “whether the trustees should be ordered to reverse the donation.” Red Br. 34 & n.23. But the issue the trial court was found to have improperly addressed in *Beckerman* had no bearing on the resolution of the issue in the case. *See* 2015 ME 80, ¶ 11, 119 A.3d 74

(“To adjudicate the motion for contempt, the limited question before the court was whether the consent order prohibited the Conants from interfering with Beckerman’s use of their driveway. Once the court concluded that the consent order did not prohibit the Conants from doing so, the question of whether Beckerman had a deeded easement to the driveway became irrelevant to the disposition of the motion.”) (citations omitted). Here, Seal Cove sought to raise issues relevant to whether the Trustees breached their obligations under the Settlement Agreement and ARA. In addition, the *Beckerman* Court noted that “parties may expressly or impliedly agree to litigate issues not raised in the pleadings,” which did not happen in *Beckerman* (*see id.*), but did happen here. *See supra* at 9-10.

Also not on point is *Dolliver v. Dolliver*, 2001 ME 144, 782 A.2d 316, which the Trustees offer for the uncontroversial proposition that a trial court has discretion to control the presentation of evidence and to set and enforce time limits. Red Br. 29. In *Dolliver*, the appellant’s objection to the trial court’s decision not to let him testify was rejected because his counsel “had ample opportunity to present him to testify during the testimonial portion of the hearing,” but “chose to take his time presenting and questioning other witnesses instead.” 2001 ME 144, ¶ 12, 782 A.2d 316. Here, Seal Cove was denied the opportunity to present key evidence in support of its case.

III. The Trustees' other arguments are also meritless.

The Trustees assert that while “[t]he Museum’s brief lists a number of fiduciary duties it alleges the Trust breached,” the Motion to Enforce “asserted only a breach of contract” Red Br. 35. The Motion to Enforce was not a freestanding lawsuit; it was an invocation of the trial court’s authority under Paragraph 8(B) of the Settlement Agreement “to decide any disputes arising out of or related to” the Settlement Agreement or the ARA. A. 57. The Trustees’ bad faith intentions and motivations in making the Owls Head gift are directly relevant to their failure to reasonably protect and maintain the corpus, regardless of whether Seal Cove asserted a breach of fiduciary duty claim. Indeed, Seal Cove contends that the Trustees’ breaches of their fiduciary duties were one example of the Trustees violating the Settlement Agreement and ARA.⁸ The law on the fiduciary duties of trustees

⁸ The Trustees say Seal Cove “inexplicably cites to UPMIFA [Uniform Prudent Management of Institutional Funds Act] even though it acknowledges that the statute does not apply.” Red Br. 35 n.24. The citation is not “inexplicable.” *See* Blue Br. 21 n.3 (“While the Endowment Fund may not be . . . subject to the UPMIFA, the prudence standard of UPMIFA is derived from the prudent investor rule of the Uniform Prudent Investor Act . . . , which reflects the view that common standards of prudent investing apply to all charitable institutions. . . . [E]ven if the UPMIFA is not strictly applicable here, its rebuttable presumption . . . is illustrative of the Maine legislature’s view that large expenditures relative to the size of a charitable fund merit scrutiny.”).

is not “irrelevant to the Motion to Enforce” simply because the motion was not accompanied by a complaint with a breach of fiduciary duty claim.

The Trustees claim Trial Exhibit 17 shows that “when negotiating the ARA, the Museum decided not to try to cap” distributions to recipients other than Seal Cove. Red Br. 38. But the fact that the agreement does not expressly limit the size of gifts the Trustees may make to entities other than Seal Cove does not mean “the Trustees were free to do exactly what they did” (*id.*)—the Owls Head gift still has to comply with their contractual obligation to reasonably protect and maintain the value of the corpus.

The Trustees mischaracterize Seal Cove’s argument when they claim Seal Cove asserts “that the Trustees were required to seek out—and presumably pay for—independent advice.” Red Br. 41. That is not what Seal Cove argued. *See* Blue Br. 30 (“[T]he 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.*”) (emphasis added). Nor is the assertion that Trustee Higgins “is eminently qualified as a financial manager” (Red Br. 41) an answer to Higgins’ testimony that he made the decision based on a “back-of-the-envelope” stress test that he performed largely “in [his] head,” with

“possibly a scribble or two on paper.” Blue Br. 30–31; Mot. Tr. 246-47 (Aug. 19, 2025).⁹ The Trustees do not address Seal Cove’s actual arguments.

The Trustees claim that much of the evidence Seal Cove was precluded from presenting was irrelevant but point only to whether Owls Head had a policy that the donation of a car had to be coupled with an endowment sufficient to maintain it. Red Br. 37. The Trustees claim that any such policy is not germane because they did not plan to donate a car to Owls Head. But Seal Cove sought to introduce evidence of Trustee Sanford’s longstanding plan to donate the Trust’s car collection to Owls Head, which would further harm Seal Cove, especially if coupled with a policy requiring an accompanying endowment to Owls Head that could further deplete the Endowment Fund. The Trustees claim other evidence Seal Cove sought to introduce was hearsay or lacked a sufficient foundation but point only to a 2018 valuation. *Id.* The 2018 valuation was kept out because the Trial Court was not interested in it. (Mot. Tr. 213 (Aug. 19, 2025)). Even if it were hearsay, the 2018 valuation should at least have been admissible as evidence of the unreasonableness of the Trustees’ decision-making process in failing to consider updated valuations, even setting aside the truth of its precise

⁹ The assertion further ignores that an independent third-party’s analysis would not have been colored by the Trustees’ bad faith motives for the Owls Head gift.

valuation. Ironically, the Trustees also complain that the 2018 valuation “was seven years old” (*id.* at 37) even though, as Seal Cove attempted to show, the Trustees relied upon a valuation from 2016 in their decision-making process. *Id.* at 209-211, 242.¹⁰

Finally, the Trustee’s brush off evidence they knew about the Owls Head capital campaign when they entered into the ARA because, according to the Trustees, “the Museum failed to proffer any evidence of bad faith, just insinuations.” Red Br. 42. The facts speak for themselves: the Owls Head gift is almost identical to the amount the Trustees agreed to transfer into the Endowment Fund to settle their dispute with Seal Cove. It is not an “insinuation” to point out that it is hard to believe this was a coincidence.

CONCLUSION

For the foregoing reasons, and the reasons given in the opening brief, 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.

¹⁰ Valuations differing dramatically over several years further demonstrates why assets such as the collection were not meant to be included in the “corpus” for the ARA.

Dated at Portland, Maine, this 28th day of May, 2026

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CERTIFICATE OF SERVICE

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