Circuit Court for Prince George's County
Case No. C-16-CV-23-002597

UNREPORTED*

IN THE APPELLATE COURT

OF MARYLAND

No. 0487

September Term, 2024

LIFELINE, INC.

v.

CHRISTAL POYNER, ET AL.

Reed,
Ripken,
Kehoe, S.,

JJ.

Opinion by Ripken, J.

Filed: April 10, 2025

*This is an unreported opinion. This opinion may not be cited as precedent within the rule of stare decisis. It may be cited for its persuasive value only if the citation conforms to Rule 1-104(a)(2)(B).

This case concerns a real estate purchase agreement ("the Contract") between appellant, Lifeline, Inc. ("Lifeline") and appellee, Christal Poyner ("Poyner"). Pursuant to the Contract, Poyner agreed to sell a commercial property ("the Property") to Lifeline, after Lifeline provided a $75,000 deposit ("the Deposit") to the escrow agent handling the closing, AWO Title Inc. ("AWO"). Lifeline paid the Deposit to AWO, but subsequently failed to secure lender financing for the remainder of the purchase price. Pursuant to the Contract, Lifeline was allotted a specified time frame to procure lender financing to fund the purchase of the Property. Lifeline was unable to obtain financing, and accordingly, Poyner terminated the sale. Poyner sought the Deposit as liquidated damages pursuant to the Contract; AWO then filed an interpleader action in the Circuit Court for Prince George's County seeking a determination of the rightful recipient of the Deposit. The circuit court conducted a hearing in April of 2024, at which it determined that the rightful recipient of the Deposit was Poyner per the liquidated damages clause in the Contract. The court issued an order entering judgment in favor of Poyner and against Lifeline. Lifeline noted the instant timely appeal and presents the following issue for our review:[1]

> Whether the circuit court erred in awarding Poyner liquidated damages under the Contract.

For the following reasons, we shall affirm the judgment of the circuit court.

[1] Lifeline did not provide a question presented in its brief. In the argument section, Lifeline asserted that "the $75,000 liquidated damages was an unenforceab[le] penalty and should be have been returned to Lifeline, Inc." (capitalization omitted). Poyner provided a question presented, which stated: "Whether the circuit court erred in finding that the liquidated damages clause in the Contract was valid and enforceable."

FACTUAL AND PROCEDURAL BACKGROUND

The following facts were elicited at the circuit court hearing in April of 2024.

In December of 2022, Poyner and Lifeline entered the Contract, which Lifeline drafted. Pursuant to the Contract, Poyner agreed to sell the Property, located at 9000 Edgeworth Drive, Capitol Heights, Maryland, 20743, to Lifeline. The Property was a commercial building in which Poyner rented three units to four tenants. All the units were occupied at the time the Contract was executed.

The Contract contained these relevant provisions.

> 2. Purchase Price. The purchase price for the [P]roperty is Two Million, Two Hundred Thousand Dollars ($2,200,000.00) ("the Purchase Price") and shall be paid to [Poyner] at Settlement, subject to the prorations and adjustments described herein, as follows
>
> A. Deposit: [Lifeline] shall make a deposit of $75,000 to be held by [AWO] in the form of [cash] . . . within [two] days . . . after the date this Contract is fully executed by the parties.
>
> ***
>
> B. Balance. The balance of the Purchase Price shall be paid by [Lifeline] at Settlement in certified funds or bank wire (inclusive of any loan obtained by [Lifeline] to purchase the Property).
>
> ***
>
> 3. Settlement.
>
> A. Settlement of the Property. Settlement of the purchase and sale of the Property shall be made at [AWO] on 01/20/2023 ("Settlement"). Possession of the Property shall be delivered to [Lifeline] at Settlement[.]
>
> ***

4. Feasibility Period.

a. For a period of [t]wenty (20) days following the execution of this [Contract] by all parties ("the Feasibility Period"), [Lifeline and] its agents and contractors, shall have the right to: . . . (iii) *apply* for lender financing to acquire the Property. (emphasis added).

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c. If [Lifeline] is not satisfied in its sole and absolute discretion with all aspects of the Property . . . *or has not obtained financing* upon terms and conditions satisfactory to [Lifeline], *then [Lifeline] shall have the right, upon written notice to [Poyner] prior to the expiration of the Feasibility Period, to terminate this [Contract]*, in which event the Deposit shall be refunded in full to [Lifeline] and the parties shall have no further obligation or liability to one another." (emphasis added).

In early December of 2022, Lifeline signed the Contract and paid the Deposit to AWO. On December 26, 2022, Poyner signed the Contract, making it fully executed. The parties then entered the twenty-day Feasibility Period; Settlement was set to occur on January 20, 2023. Before the end of the Feasibility Period, Lifeline received a conditional pre-approval letter from a mortgage lender.[2]

In January of 2023, while Lifeline was still awaiting updates from the mortgage lender regarding funding, the parties executed an addendum ("the Addendum") to the Contract. The Addendum stipulated that the parties had agreed to extend the Feasibility Period from its initial twenty days to March 15, 2023. The Addendum also stated that the Feasibility Period could not be extended again unless both Poyner and Lifeline consented.

[2] During the hearing, counsel for Lifeline argued that the mortgage lender subsequently stayed the final approval because the IRS was claiming a federal tax lien on the Property. However, no testimony or exhibits were introduced regarding this topic, and it is unclear from the record what, if anything else, occurred regarding the tax lien.

During the period allowed for in the Addendum, Lifeline did not provide notice to Poyner that it had been unable to obtain financing. Neither did it exercise its right to terminate the agreement within the Feasibility Period on the basis of inability to obtain financing. In March of 2023, after the extended Feasibility Period from the Addendum had passed—and still having no resolution as to Lifeline's financing—Poyner notified Lifeline that she was anticipating Lifeline's default on the Contract. Poyner communicated to Lifeline via a letter, that pursuant to the Contract, she would: (1) proceed with a termination of the Contract if Lifeline did not complete the purchase of the Property; and (2) provide Lifeline ten days to cure the anticipated default before terminating the agreement, noting that time was of the essence.

The ten days Poyner provided to Lifeline passed. On April 7, 2023, Poyner notified Lifeline, again via a letter,[3] that she would be terminating the Contract because Lifeline had defaulted by not completing the purchase of the Property. Poyner also notified Lifeline that upon terminating the Contract, she was electing "to retain the Deposit as full and complete liquidated damages pursuant to Paragraph 13 of the [Contract]." Paragraph 13 of the Contract provides:

> 13. Default.
>
> a. Default by [Lifeline]. If [Lifeline] defaults under [the Contract], the damages suffered by [Poyner] would be difficult to ascertain. **Therefore, [Poyner] and [Lifeline] agree that, in the event of a default by [Lifeline], [Poyner's] sole and exclusive remedy, in lieu of all other remedies, shall be to terminate [the Contract] and retain the Deposit as full and complete liquidated damages.**

[3] At the hearing in April of 2024, Lifeline stipulated that it received both the March 2023 and the April 2023 letters from Poyner.

> b. Default by [Poyner]. If [Poyner] defaults under [the Contract], [Lifeline] shall have the option to terminate [the Contract], in which event the Deposit shall be promptly refunded to [Lifeline].
>
> c. Right to Cure Default. Prior to any termination of [the Contract], the non-defaulting party shall provide written notice of any default(s) to the defaulting party (the "Default Notice") permitting the defaulting party ten (10) days to cure any such defaults(s). If [the] defaulting party does not cure the default(s) or does not respond to the Default Notice, then the non-defaulting party may terminate the [Contract] by written notice to the defaulting party. Nothing herein shall prevent either party from seeking a judicial determination regarding any default; provided however, the court shall award expenses of attorney's fees and court costs to the prevailing party in any such action. (emphasis in original).

After notifying Lifeline that she intended to retain the Deposit as liquidated damages, Poyner contacted AWO and sought the Deposit.

In June of 2023, AWO filed a complaint as an interpleader, pursuant to Maryland Rule 3-221, against both Lifeline and Poyner. AWO alleged that it was "unable to safely determine for itself" who was entitled to receive the Deposit and requested an order from the court to resolve the dispute. Poyner filed an answer requesting a declaratory judgment from the court, and that the Deposit be provided to Poyner as liquidated damages. In August of 2023 Poyner filed a cross-claim against Lifeline for breach of contract, and again sought a declaratory judgment on the same issue.

At the conclusion of the April 2024 hearing, the circuit court recessed to consider the evidence, to include exhibits and testimony from Poyner. After reviewing the evidence, the court issued an oral ruling which the court subsequently reduced to a written order concluding that Poyner was entitled to the Deposit as liquidated damages. In making its findings, the court stated that it found that the Contract "clearly gave Lifeline the ability to

walk away from this deal" prior to the expiration of the Feasibility Period to be "most persuasive." The court also noted that pursuant to the Contract, if Lifeline had chosen to walk away during the Feasibility Period, it was "fully entitled to the [D]eposit at that point." The court found that Poyner "gave up her ability to sell [the Property] during this period of time." The court stated that Lifeline lost the opportunity to withdraw from the Contract, and that Lifeline should have made clear that it was "walking away from the deal prior to the expiration of the [F]easibility [P]eriod" if that is what it chose to do. The court continued that Lifeline's failure to walk away meant that it should suffer the loss of the Deposit. Subsequently, the court entered judgment against Lifeline and in favor of Poyner. This timely appeal followed.

DISCUSSION

Lifeline contends that the circuit court erred in awarding the Deposit to Poyner. Lifeline further contends that the award of liquidated damages clause was an unenforceable penalty and that the Deposit should have been returned to Lifeline. Poyner asserts the opposite, claiming that the circuit court did not err in awarding her the Deposit. Poyner further asserts that because the Deposit meets all the elements of a valid and enforceable liquidated damages provision, awarding the Deposit to her was not an unenforceable penalty.

"It has long been the rule in Maryland that valid liquidated damages provisions are enforceable." *Barrie School v. Patch*, 401 Md. 497, 508 (2007). "Whether a contract provision is a penalty[,] or a valid liquidated damages[,] clause is a question of law, reviewed *de novo* by this Court." *Id.* at 507 (citing *Hammaker v. Schleigh*, 157 Md. 652,

667 (1929) ("It is a question of law whether the [contractual] provision is penal or only a liquidation of damages.")). "[I]t is the challenger's burden to prove that the liquidated damages provision is invalid and unenforceable." *CAS Severn, Inc. v. Awalt*, 213 Md. App. 683, 701 (2013) (referencing *Barrie School*, 401 Md. at 507–08).

Liquidated damages are "a specific sum stipulated to and agreed upon by the parties at the time they entered into a contract, to be paid to compensate for injuries in the event of a breach of that contract." *Barrie School*, 401 Md. at 507. For a liquidated damages clause to be valid and enforceable, it must meet three "essential elements." *Bd. of Educ. of Talbot Cnty. v. Heister*, 392 Md. 140, 156 (2006). Those elements are: (1) a certain sum of money, stated in clear and unambiguous terms; (2) the sum "must reasonably be compensation for the damages anticipated by the breach"; and (3) the clause is, by its nature, a mandatory and binding agreement "which may not be altered to correspond to actual damages determined after the fact." *Id.* (referencing *Mass. Indem. & Life Ins. v. Dresser*, 269 Md. 364, 368–69 (1973)) (internal citations and quotation marks omitted). Courts may look to the language used by the parties and the circumstances surrounding the contract's execution as guidance "in determining the validity of a liquidated damages clause"; however, "'the decisive element is the intention of the parties[.]'" *Id.* (quoting *Traylor v. Grafton*, 273 Md. 649, 661 (1975)). In evaluating the intentions of the parties, courts examine whether the parties "intended that the sum be a penalty or an agreed-upon amount as damages in case of a breach[.]" *Id.* (quoting *Traylor*, 273 Md. at 661). Moreover, absent statutory provisions to the contrary, "the time of contract formation is the appropriate point from which to judge the reasonableness of a liquidated damages

provision." *Barrie School*, 401 Md. at 509 (referencing *Balt. Bridge Co. v. United Rys. & Elec. Co. of Balt.*, 125 Md. 208, 214–15 (1915)); *see id.* at 510–11 (collecting cases).

A liquidated damages clause will be deemed invalid as a penalty "where the amount agreed upon is 'grossly excessive and out of all proportion to the damages that might reasonably have been expected to result from such breach of the contract.'" *Barrie School*, 401 Md. at 509 (quoting *Balt. Bridge Co.*, 125 Md. at 215). If there is doubt as to whether a clause that provides for liquidated damages is valid and enforceable, or is instead a penalty, "the provision will be construed as a penalty[.]" *Goldman v. Conn. Gen. Life Ins. Co.*, 251 Md. 575, 581 (1968).

Here, the circuit court did not err when it found that the liquidated damages clause in the Contract was valid and enforceable. This is because the clause in question was created to achieve the general purpose of liquidated damages: to compensate Poyner for injuries in the event of Lifeline's breach. *See Barrie School*, 401 Md. at 508. Looking to the intent of Poyner and Lifeline, as instructed by precedent, we discern that the intent of the parties was for Poyner to keep the Deposit as liquidated damages in the event of a default. *See Heister*, 392 Md. at 156; *Traylor*, 273 Md. at 668–69 (explaining that it was clear from the language in the contract that the parties "mutually intended to liquidate the agreed upon damages in advance."). This is evident from the plain and unambiguous language of the Contract, which Lifeline drafted: "in the event of a default by [Lifeline], [Poyner's] sole and exclusive remedy, in lieu of all other remedies, shall be to terminate [the Contract] and *retain the Deposit as full and complete liquidated damages*." (emphasis added).

Additionally, the liquidated damages clause meets each of the three essential elements as required by *Heister*. The first element—a certain sum of money stated in clear and unambiguous terms—is met, as the parties agreed to the $75,000 Deposit. *See Barrie School*, 401 Md. at 501, 511 (holding that a specified sum of $13,490 as liquidated damages was clear and unambiguous because it was a "reasonable forecast of just compensation for potential harm caused by a breach of the [a]greement.").

Regarding the second element—that the sum of money reasonably compensates a party for the damages anticipated by the breach—the Deposit reasonably compensates Poyner for the damages anticipated by Lifeline's breach. Poyner testified at the April 2024 hearing that she incurred damages in the form of: preclusion from renting to new tenants; preclusion from re-signing leases of the current tenants; paying taxes and costs on the building; expiration of an opportunity to move into a different rental location; and removing the property from the real estate market from December of 2022 through March of 2023. Poyner also testified that had Lifeline reached Settlement, she would have received $2.2 million in proceeds, less closing costs, which would have earned interest. *See Awalt*, 213 Md. App. at 700 (upholding a liquidated damages clause as valid where the party seeking the damages presented sufficient testimony to satisfy the fundamental aspect of reasonableness); *Heister*, 392 Md. at 157–58 (finding that in a breach of contract case, a sum of money reasonably compensated a school system "for damages anticipated by the nature of an untimely resignation"). Moreover, the circuit court relied on this evidence in coming to its conclusion as evidenced by the court's oral ruling, wherein the court found that Poyner gave up her ability to sell the Property during this period.

Turning to the third element—that the clause is, by its nature, a mandatory and binding agreement "which may not be altered to correspond to actual damages determined after the fact"—Poyner never sought an alteration to the Deposit amount, nor did she attempt to determine actual damages. Rather, she agreed in the Contract to retain the Deposit in lieu of all other remedies. Poyner and Lifeline agreed to the Deposit because assessing actual damages suffered by Poyner would have been "difficult to ascertain." *See Heister*, 392 Md. at 156, 158–59 (upholding a liquidated damages clause when the parties were incapable of predicting the actual losses with reasonable certainty); *but see Lee Oldsmobile, Inc. v. Kaiden*, 32 Md. App. 556, 562–63 (1976) (rejecting a liquidated damages clause because the parties could estimate actual damages that would result from a possible future breach at the time the contract was executed). Thus, the liquidated damages clause also satisfies element three.

Although the Deposit of $75,000 is a significant sum, the amount is not unreasonable when considering that the total purchase price was $2.2 million. *See Awalt*, 213 Md. App. at 702–03; *Barrie School*, 401 Md. at 511 ("The sum . . . was a reasonable forecast of just compensation for potential harm caused by a breach of the [a]greement."). As Poyner notes in her brief, the Deposit was approximately three-and-a-half percent of the purchase price of $2.2 million. Notwithstanding that Lifeline drafted the Contract, Lifeline did not provide evidence that the $75,000 Deposit was grossly excessive and out of proportion to the damages that could have reasonably resulted from the Contract, as is required to show that a liquidated damages clause is an unenforceable penalty. Thus, Lifeline failed to meet its burden. *See Awalt*, 213 Md. App. at 702–03 (where the party

raising issue with the liquidated damages clause "failed to present evidence that the liquidated damages clause was unreasonable in any respect[,]" this Court found that the challenging party had failed to meet its burden). Moreover, Lifeline could have terminated the Contract and recouped the Deposit, prior to defaulting, during the extension of the Feasibility Period. Therefore, the circuit court did not err in finding that the liquidated damages provision of the Contract was valid, enforceable, and not a penalty.

Lifeline contends that "Poyner provided no evidence that Lifeline's default caused any damage to her whatsoever[,]" and thus she presented no evidence or argument that the liquidated damages clause in the Contract satisfies element two. In support of its contention, Lifeline primarily relies on *Willard Packaging Co., Inc. v. Javier*, 169 Md. App. 109 (2006). In *Willard*, an employer brought an action against a former employee for breach of a noncompetition clause, seeking $50,000 in liquidated damages. *Willard*, 169 Md. App. at 113–14. This Court found that the employer "attempted to rely on the four corners of the agreement" to support the $50,000 in liquidated damages, and that because there was no rational relationship to anticipated actual damages, "the liquidated damage amount was a *de facto* unenforceable penalty." *Id.* at 135–36. This Court further found that the liquidated damages clause "was merely meant to penalize and punish" the employee for taking a job with a competitor, rather than to compensate the employer for loss of "any particular skill or talent," which, if practiced for a competitor, would likely result in damage to the employer. *Id.* at 134–35.

Lifeline's reliance on *Willard* is misplaced. *Willard* is distinguishable because here, there was a rational relationship between the damages Poyner suffered—e.g., the loss of

tenants and preclusion from signing new leases—and the Deposit. *See Awalt*, 213 Md. App. at 700 (upholding a liquidated damages clause where there was testimony that satisfied the fundamental aspects of reasonableness and distinguishing *Willard*); *Goldman*, 251 Md. at 582 (holding that a contractual provision "will not be regarded as a penalty if the amount is a reasonable forecast of just compensation at the time the contract was made[.]").[4] Moreover, *Willard* is also distinguishable because there, the court found that a gross inequality of bargaining power existed between the parties, but here, no such inequality exists. *Willard*, 169 Md. App. at 130–31. Here, the Contract was a "commercial agreement between two sophisticated parties who negotiated a multi-million-dollar deal at arms-length." Thus, *Willard* is distinct, and Lifeline failed to meet its burden; Poyner provided sufficient evidence that the liquidated damages clause reasonably compensates her for the damages she suffered.

JUDGMENT OF THE CIRCUIT COURT FOR PRINCE GEORGE'S COUNTY AFFIRMED. COSTS TO BE PAID BY APPELLANT.

[4] Here, the Deposit was a reasonable forecast of just compensation at the time of formation as both parties acknowledged that assessing actual damages would have been "difficult to ascertain."