

Lawsuit Against the National Trust Over Preservation of Historic Home Dismissed

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Oatlands Historic House in Leesburg, VA was built in 1804 and is recognized as one of the finest federal-period country estate homes in the country. The home and approximately 400 surrounding acres were donated to the National Trust for Historic Preservation in 1965, and the property is managed by Oatlands, Inc. (Oatlands) under a series of co-stewardship agreements with the National Trust.

As detailed [here](#), the relationship between Oatlands and the National Trust has frayed in recent years over disagreements about the maintenance and upkeep of Oatlands House and the use of the endowment funds established to preserve the house. Those disagreements burst into public view in May, when Oatlands sued the National Trust, claiming breach of the co-stewardship agreements and asserting claims for “breach of trust” relating to the management of the endowments that benefit Oatlands House.

In a November 6 decision, however, EDVA District Judge Rossie Alston dismissed Oatlands’ complaint, finding that the parties’ agreements were not specific enough to support the relief Oatlands sought. *Oatlands, Inc. v. Nat’l Trust for Historic Preservation*, Civil Action No. 1:23-cv-344 (RDA/JFA), 2023 U.S. Dist. LEXIS 199327 (E.D.Va. Nov. 6, 2023).

Breach of Contract Claims

The first three of the seven counts of Oatlands’ complaint asserted claims in the alternative for breach of the co-stewardship agreements. According to Oatlands, the National Trust breached the parties’ mutual agreement to use their “best efforts” to reach a “mutually-acceptable conservation easement” under Virginia’s Land Preservation Tax Credit program.

The downfall of these claims, however, lay in the phrases “best efforts” and “mutually-acceptable.” That language, the court held, produced no more than “an agreement to agree” unenforceable under Virginia law. While contract law can be used to enforce an agreement by a party to use its “best efforts,” the co-stewardship agreements contained no terms or conditions of the “mutually-acceptable” easement, rendering the provision legally unenforceable.

In Counts IV and V of its complaint, Oatlands claimed that the National Trust breached the co-stewardship agreements when it unilaterally reduced the annual percentage payments to Oatlands from the endowments

established for Oatlands House. Again, the lack of specificity in the contract language doomed Oatlands' claim. The co-stewardship agreements did not specify any particular amount to be paid from the endowments. To the contrary, the agreements granted sole discretion to the National Trust to invest and manage those funds. Judge Alston ruled that the ordinary meaning of "manage" extended beyond investment management to encompass the right to exercise unilateral authority over the use of the funds.

The court also held that Count V of the complaint failed for the independent reason that it was duplicative of Count IV. Count V sought a declaration that the National Trust violated the co-stewardship agreements by reducing the endowment draw payments to Oatlands, while Count IV asserted a breach of contract claim for the same reduction in endowment draws. Where a declaratory judgment claim seeks the resolution of legal issues that will necessarily be resolved in the other causes of action, the court ruled, permitting it to proceed "will not serve a useful purpose."

Breach of Trust Claims

In addition to its contract claims, Oatlands asserted two claims for "breach of trust." The National Trust argued, however, that there was no trust relationship between the parties that could support such claims. Judge Alston agreed, holding that there was no beneficiary-trustee relationship between the parties.

The actions and decisions of nonprofit corporations, the court held, are governed by the principles of corporation law, not the Uniform Trust Code. The Uniform Trust Code applies only to an express trust created pursuant to a statute, judgment or decree, and no trust arises from the donation of funds by benefactors for a particular charitable purpose.

That the National Trust's board members had the title "general trustee" was of no moment, as the managing board members of a charitable corporation were not "trustees" because they did not hold title to the corporation's property. In addition, the individual members of the National Trust's board had statutory immunity under Virginia law from liability for actions taken in their official capacity.

Takeaways

Judge Alston's decision highlights the importance of specificity in drafting contract language. "Best efforts" clauses are potentially enforceable, but any ambiguity about contractual obligations to take place in the future will preclude enforcement of the provision. In *Oatlands*, the reference to a "mutually acceptable" agreement effectively rendered that portion of the parties' contract meaningless. While the parties appeared to have agreed in good faith to pursue a land conservation easement to provide additional funds to preserve Oatlands House, that agreement was thwarted by the failure to set out any parameters of the later agreement. Likewise, the lack of any specificity in the amounts of endowment draw payments effectively cut off any claim for failure to make those payments.

The *Oatlands* decision also reaffirms the limits on claims based on a nonprofit corporation's use of donations. The actions of nonprofit corporations are judged by the same standard as other corporations, and donor intent that contributions be used for a specific purpose will not create a trust relationship that could enforce that intent.

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