

## **GOOD FAITH UNDERSTANDING**

This Good Faith Understanding (“Understanding”) will outline human, land, infrastructure, stewardship, community, and financial duties for both 501(c)(3) Agrarian Land Trust (“Agrarian Trust” or “Trust”) and title holding corporations exempt from federal income tax under IRC 501(c)(2) or 501(c)(25) Agrarian Commons (“Agrarian Commons” or “Commons”). The Commons and The Trust acknowledge and agree that their performance under the terms of this Understanding and related Transaction Agreements, including property deeds, ecological stewardship standards, and leases, and all other dealings between the Commons and the Trust shall be governed by the principles of good faith and fair dealing.

Both the Trust and the Commons uphold commitments to fulfill aligned intentions and the shared mission of providing land access to diverse and marginalized groups of people. Each party agrees that it will perform its duties under this Understanding and related Transaction Agreements in cooperation.

## **VISION AND PRIORITIES**

Agrarian Trust protects farmland for sustainable agriculture and preserves its affordability for new and disadvantaged farmers. The Trust buys farmland and accepts donations or charitable discounted sales of land, real estate, and property. The Trust will transfer land and real estate to an Agrarian Commons that is local, allowing greater flexibility in land leasing and direct participation and determination by closely connected stakeholders.

The purpose of the Commons is to own and preserve ecologically significant agricultural land and associated agrarian real estate and assets for disenfranchised people, furthering the Trust’s mission of supporting land access for next generation farmers. The Commons permanently protects farmland in communities across the country. The Commons further conveys 99-year lease tenure and equity interest to farmers, shares in ecological stewardship investment, and supports farm viability and local agrarian economies.

Agrarian Trust and Agrarian Commons will identify, evaluate, and support land, real estate, and/or property opportunities for acquisition, investment, management, and stewardship. Agrarian Trust will raise capital to purchase land, and may also raise capital to invest back into the earth, toward farm viability, and to support community wealth.

The Trust may retain a perpetual conservation easement, an Option to Reacquire, and/or a right of first refusal on land and real estate transferred to the Commons, providing a layer of protection to ensure Agrarian Trust mission goals.

## **AGRARIAN COMMONS DUTIES**

The Agrarian Commons shall own agricultural land and assets and levy and collect rent and lease revenue from land, real estate, and property tenure agreements. The Commons shall engage and collaborate with Agrarian Trust to raise philanthropic and investment capital. The Commons will commit its financial and human resources and community capital to ensure proper support, investment, stewardship, and management of land, soils, ecosystems, buildings, infrastructure, housing, and other agrarian property assets.

At the time of property acquisition, the Commons shall complete a Baseline Report for each property to serve as a comprehensive assessment of all assets acquired into the Commons. The Commons is obligated to conduct yearly monitoring and reporting of all land, real estate, and property and provide a Monitoring Report to the Trust. The Commons, and leaseholders of each property, are committed to and responsible for maintaining the whole property beyond “normal wear and tear” throughout the term of the lease and based on the Baseline Report(s). The Commons must also submit property deed, survey, lease, the execution of conservation easement(s), farm practice certification, farm/ranch management plan, forest management plan, soil testing, and other related Transaction Documents and property management documentation to Agrarian Trust. All Commons are required to comply with The Trust’s capital building and grounds plan; however, each budget plan will vary for each Commons property.

The Commons shall report to and exchange with the Trust, and shall comply with requirements set forth by the Trust, IRS regulations, and State specific legal, financial, and reporting requirements. Commons roles and responsibilities will be guided by and shall adhere to structure and language requirements set forth by Agrarian Trust, including standards set forth for each Commons and in the Property Management Plan for each property.

## **AGRARIAN TRUST DUTIES**

Agrarian Trust shall oversee, guide, and support multiple local Commons, as they are structured as affiliated land-holding entities. The Trust shall provide legal and financial support, including raising and organizing human, network, philanthropic, and investment capital. The Trust will commit its financial and human resources and capital to ensure (1) acquisition, (2) investment in, and (3) stewardship and management of land, buildings, infrastructure, housing, and other agrarian property assets to the standards set forth in the Property Management Plan and in ways to align with and further Agrarian Trust

mission. Agrarian Trust may also raise capital for investments in soils, renewable energy, housing, and farm viability.

The Trust shall receive charitable contributions of capital and the Trust shall use capital to acquire and invest in land, property, and agrarian assets. The Trust shall convey land, property, and agrarian assets to the local Commons, subject to, at a minimum, an Option to Reacquire. The Trust shall convey property deed, survey, lease, the execution of conservation easement(s), farm practice certification, farm/ranch management plan, forest management plan, soil testing, and other related Transaction Documents and property management documentation at the time of conveying land, property, and/or other assets.

### **ABANDON PROPERTY**

Should Agrarian Commons fail to comply with the reporting or other requirements set forth by the Trust, IRS regulations, or the State, the Trust, after a 180-day notice and cure period, may determine that the Commons has abandoned the property and remedy such abandonment through such actions deemed necessary by the Trust, including exercising its Option to Reacquire.

### **LAND STEWARDSHIP**

The Trust, the Commons, and leaseholders shall jointly carry out ecological stewardship that includes soil regeneration and diverse ecosystems management for sustainable food production and wildlife habitat management. All stewardship practices shall be guided by Ecological Stewardship and Farm and Ranch Standards and shall be chemical-free, sustainable, diversified, and rotation-based.

No mineral, timber, soil, water, and/or natural resource extraction is allowed on each property unless to facilitate a Commons based sustainable management plan that is approved by the Commons and is of benefit to agricultural sustainability and soil and ecological restoration, regeneration, and health.

### **DISPUTE RESOLUTION**

The Trust and the Commons hereby agree that, in the event of any dispute between the Trust and the Commons relating to this Understanding, The Trust and The Commons shall first seek to resolve the dispute through informal discussions. In the event any dispute

cannot be resolved through informal discussions within sixty (60) calendar days, after being brought by a party to the attention of the other party, the Trust and the Commons agree that the dispute will be negotiated between the Trust and the Commons through mediation, if the parties can agree on a mediator. The costs of mediation shall be shared equally by the Trust and the Commons. Neither the Trust nor the Commons waives its legal rights to adjudicate this Understanding in a legal forum. Any criminal act is an exception to this clause.

## **NO FAULT and NEGLIGENCE**

Each party shall be completely released from all liability, claims, debts, and/or obligations to the other party, including all claims for incidental, special, or consequential damages. Neither the Trust nor the Commons acknowledges any fault or liability with respect to any claim or contention in connection with either the Trust's or the Common's performance. The Commons, the Trust, and any lessees agree to release, indemnify, and hold each other harmless, except in cases of gross negligence.

## **WASTE**

The Common is obligated to maintain lease agreements and ownership responsibilities so as not to allow or create waste (please see sections in Equitable Lease for more details). If the Trust determines that the Common is responsible for waste, the Trust may exercise the Option to Reacquire.

## **LIABILITY & INSURANCE**

### Lessee to Agrarian Commons

Please see Equitable Lease as to liability and insurance requirements.

### Agrarian Commons to Agrarian Trust

Each Commons shall carry property and liability insurance policies to cover all property and land. If some parcels of land or housing are not under a lease and/or in Commons ownership, the Commons must secure and maintain liability insurance for these properties. The Commons shall pay and keep current on property tax, fees, and assessments. The Commons shall pay and keep current and active accounts with basic

utilities (e.g. water, electric, sewer). Boards of Directors of Commons shall obtain directors and officers insurance.

### **IRS REQUIREMENTS OF 501(c)(3) and 501(c)(2) or 501(c)(25)**

Agrarian Trust is responsible for: (1) ensuring that the Commons continue to qualify for tax- exemption; (2) verifying that any new Commons are exempt; and (3) updating the IRS on an annual basis of new Commons, Commons no longer to be included in the Agrarian Trust group exemption letter, and Commons that have changed their names or addresses. Annual updates from Agrarian Trust to the IRS must include information about changes in purposes, character, or method of operation of Commons included in the group exemption letter.

The Trust has the option of filing a group 990 tax return that covers the Commons, to include aggregated data from all the Commons. However, each Commons must agree to be included in the group return, and not file its own return. If a Commons chooses not to file as part of a group 990 tax return, it will be responsible for filing its own 990 tax return each year and to provide a copy to the Trust.

### **ADDITIONAL LAND, REAL ESTATE, and/or PROPERTY**

After the Trust and the Commons execute this instrument, any and all future land, property, and/or real estate assets acquired as a part of the Commons will be obligated to adhere to the terms of this Understanding. For example, if a Commons' land is leased from a federal agency or another land trust the land involved in the transaction shall conform to the terms of this Understanding. All terms of this Understanding shall be considered retroactive.

### **AGRARIAN COMMONS TO AGRARIAN COMMONS**

Collaboration among Commons is essential to ensure long-term vitality and sustainability. Collaboration may include resource sharing, movement and awareness building, collective learning, collective marketing, and general solidarity-based networking.

**APPENDIX SHALL INCLUDE:** *Documents in Attachment will be specific to each Agrarian Commons and all land, real estate, and/or property*

Attachment A - Property Management Plans

Attachment B - Baseline Reports and Monitoring Report template

Attachment C - Equitable Lease template

Attachment D - Option to Reacquire template

Attachment E- Ecological Stewardship and Farm and Ranch Standards

Attachment F- Commons Bylaws