

## **GOOD FAITH UNDERSTANDING**

This Good Faith Understanding (“Understanding”) will outline human, land, infrastructure, stewardship, community, and financial duties of the Members (the “Parties”) of the Montana Agrarian Commons : 501(c)(3) Agrarian Land Trust (“Agrarian Trust” or “Trust”), 501(c)(3) Trust Montana, Inc. (“Trust Montana”), and 501(c)(3) Villicus Training Institute (“VTI”), and the title holding corporation exempt from federal income tax under IRC 501(c)(25) Montana Agrarian Commons (“Agrarian Commons” or “Commons”). The Parties 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 Parties of the Commons and the Trust shall be governed by the principles of good faith and fair dealing.

All Parties uphold commitments to fulfill aligned intentions and the shared mission of providing land access to diverse groups of people, with commitment to prioritize and stand with \_\_\_\_\_. 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.

Trust Montana is a statewide community land trust with a mission to promote community land trusts and hold land in trust to facilitate workforce housing, farmland affordability, and the preservation of vital community assets that keep rural and urban areas livable for Montanans of varied economic means.

Villicus Training Institute’s purpose is to inspire significant increases in the scope and scale of organic and biodynamic land management across the Northern Great Plains and areas of similar climate. The Corporation will cultivate new land stewards and circumstances supporting their prosperous stability. Supporting new land stewards to thrive will grow the capacity of the land, and the rural communities in which they live.

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 75-year lease tenure and equity interest to farmers, shares in ecological stewardship investment, and supports farm viability and local agrarian economies.

Agrarian Trust and Montana 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 to support the early stages of Montana Agrarian Commons operations, 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 Montana Commons, providing a layer of protection to ensure Agrarian Trust's mission and goals are successful.

### **MONTANA AGRARIAN COMMONS DUTIES**

The Agrarian Commons shall own agricultural land, property, and assets and levy and collect rent and lease revenue from land, real estate, and property tenure agreements. 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. The day-to-day actions of the Commons shall initially be undertaken by the employees of the Member organizations and shall be reimbursed as contractor services from the operating funds of the Commons. The Agrarian Commons Bylaws allow for the Commons BOD to engage employees, officers or agents to take over the day-to-day activities once the Commons is sufficiently capitalized and in a position to do so.

The Montana Commons shall engage and collaborate with Agrarian Trust to raise philanthropic and investment financial capital. The Commons shall engage community and network capital and will participate and support outreach, engagement, and communications efforts and activities of the Agrarian Trust in Montana. Agrarian Trust shall provide the human capital to lead, support, and partner on these activities and shall lead and be the sole member responsible for financial capital fundraising.

At the time of property acquisition, Agrarian Trust shall fund a baseline report, environmental Phase I testing, Title Report, and other due diligence needed as part of property acquisition prior to transferring the land into the Commons. The Baseline Report

for each property shall serve as a comprehensive assessment of all assets acquired into the Commons. Once in possession of the land, 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 Montana Commons property.

The Montana 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 the 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.

### **MEMBER DUTIES**

#### **Agrarian Trust shall**

Separate from its board duties, oversee, guide, and support multiple Agrarian Commons across the US that are established and operated at a local level, as they are structured as affiliated land-holding entities. Montana Agrarian Commons is one such Commons. The Trust shall provide legal and financial support, including raising and organizing human, network, philanthropic and investment financial, and land 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, in the Ecological Stewardship and Farm and Ranch Standards, and in ways to align with and further Agrarian Trust’s mission. Specifically, The Trust shall designate a portion of the financial capital raised for each Montana property transaction, between 8% and 10% for long term stewardship and endowment for property and between 3% and 5% for Montana Agrarian Commons operations. Additionally the Trust shall raise financial, human, and network capital to be used as start-up operating funds for each Agrarian Commons, anticipated to be between \$10,000 and \$20,000. After the initial years of operation (approximately 2-4 years), The Trust’s goal is for each Commons to become financially independent of the parent organization as each Commons takes ownership of land and

property capital, with the understanding that farm and ranch projects will vary in scope, circumstances, and quantity, and that these factors direct the growth of each Commons . Agrarian Trust may also raise capital for investments in soils and ecosystem, renewable energy, housing, farm viability, and community engagement. At no time shall Trust Montana nor Villicus Training Institute be required to contribute financial or operating capital to the Commons.

The Trust shall receive charitable contributions of capital and shall use capital to acquire and invest in land, property, and agrarian assets. The Trust shall convey land, property, and agrarian assets to the 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.

#### **Trust Montana, Inc. shall**

Separate from its board duties, Trust Montana, Inc. shall act as a contractor that fulfills day-to-day Commons duties as-needed, such as searching for properties that may be a good fit for the Commons, providing Commons outreach and education to farmers and ranchers via conferences, meetings, and printed materials, vetting potential farm and ranch projects, overseeing land transfer legal documents and processes for the first project, managing set-up of the first project, including ground lease signings, authoring of monitoring plans, and setting up systems for long term stewardship. Agrarian Trust shall provide financial capital to fund the contract role for up to five years at up to approximately \$10,000 per year. Once land and property capital is owned by the Commons the lease and rent revenues collected shall be allocated to fund the contractor role.

#### **Villicus Training Institute shall**

Separate from its board duties, Villicus Training Institute shall act as a contractor that fulfills day-to-day Commons duties as-needed, such as searching for properties that may be a good fit for the Commons, providing Commons-focused outreach and education to farmers and ranchers via conferences and meetings, assisting Trust Montana in vetting potential farm and ranch projects and potential lessee farmers, and working to prepare apprentice farmers and ranchers for long-term leases on Commons land, if applicable. Agrarian Trust shall provide financial capital to fund the contract role for up to five years at up to approximately \$10,000 per year. Once land and property capital is owned by the

Commons the lease and rent revenues collected shall be allocated to fund the contractor role.

## **ABANDON PROPERTY**

Should Agrarian Commons fail to comply with the reporting or other requirements set forth by the Trust, IRS regulations, or the State, after receiving written notice from the Trust, the Commons shall have a 365 day cure period. Should the Commons fail to cure the default described in the notice, the Trust may determine that the Commons has abandoned the property. In that instance, the Trust may remedy the abandonment through such actions as 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 and strive for a system of low or no off-farm inputs.

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 of people and planet..

## **DISPUTE RESOLUTION**

The Parties to this Good Faith Understanding hereby agree that, in the event of any dispute between the Parties relating to this Understanding, The Agrarian Trust, Trust Montana, Vilicus Training Institute, 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 ninety (90) calendar days, after being brought by a party to the attention of the other party, the Parties agree that the dispute will be negotiated between the relevant Parties through mediation, if the Parties can agree on a mediator. The costs of mediation shall be shared equally by the Trust and the Commons

and, if organizationally involved, Trust Montana and Vilicus Training Institute. 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 Commons Members nor the Commons acknowledges any fault or liability with respect to any claim or contention in connection with either the Trust's or the Commons'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 Commons is obligated to maintain lease agreements and ownership responsibilities so as not to allow or create waste (f). If the Trust determines that the Commons 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

The Commons shall carry property and liability insurance policies to cover all properties and lands. The Board of Directors of the Commons shall obtain directors and officers insurance through Agrarian Trust's insurance policy. Payment of insurance policies for the Commons shall be the responsibility of Agrarian Trust.

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 until a new lessee is in place. The Commons shall pay and keep current on property tax, fees, and assessments during this transition period. The Commons shall pay and keep current and active accounts with basic utilities (e.g. water, electric, sewer).

## **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 Montana Commons execute this instrument, any and all future land, property, and/or real estate assets acquired as a part of the Montana Commons will be obligated to adhere to the terms of this Understanding. For example, if a Montana Commons' land is leased from a federal or state agency or another land trust, the land involved in the transaction shall conform to the terms of this Understanding and/or have a transition plan under which conformance would be obtained. All terms of this Understanding shall be considered retroactive.

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

Collaboration between the Montana Commons with other established Commons across the United States 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 - template to include...

Attachment E- Ecological Stewardship and Farm and Ranch Standards

Attachment F- Commons Bylaws