

IROQUOIS VALLEY FARMLAND REIT PBC

Aeris® Impact Management Assessment

Assessment Date — December 31, 2018

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A E R I S

CERTIFICATION CATEGORY AND DESCRIPTION

CATEGORY I. The Fund has put into practice appropriate policies, practices, systems and leadership expertise to qualify investments aligned with its impact thesis. Investors can be confident their capital will be invested in a manner consistent with the Fund's impact thesis.

ASSESSMENT METHODOLOGY

Aeris evaluates a Fund's quality of operations related to its impact investment management activities along a continuum from origination through exit.

A Fund's Category is determined based on its operating model and scope of activities. Aeris Certification is awarded based on an evaluation of performance meeting quality standards of the applicable Category. Categories are not rankings.

Aeris applies a consistent scope and process to every assessment and addresses the following:

- Corporate and investment policies and practices and portfolio composition relative to the Fund's impact investment thesis.
- Metrics used to qualify investments and to measure and monitor the resulting impact in relation to the impact investment thesis.
- Information collection systems and ways in which data are used to improve impact alignment, management, and results.
- Relevant expertise of leadership, commitment to impact, and consideration of impact sustainability beyond investment exits.

IROQUOIS VALLEY FARMLAND REIT PBC

Aeris® Impact Management Assessment

Release Date

5/19

Impact Management Assessment

CATEGORY 1

Fund name:

Iroquois Valley Farmland REIT PBC

Impact management assessment:

Category I

Assessment date:

December 31, 2018

Parent or affiliated organization:

Iroquois Valley Farms LLC

Iroquois Valley Farmland TRS Inc.

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INTRODUCTION

IMPACT OVERVIEW

INVESTMENT INSTRUMENTS:

- Common stock in real estate investment trust (REIT)
- Debt security issued through Iroquois Valley Farms LLC

INVESTMENT HOLDINGS:

- Farmland, either certified organic or transitioning to certified organic
- Farmland mortgages, financing either certified organic or transitioning farmland

ALIGNMENT WITH UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGS):



IMPACT THEMES:

- Organic farming
- Soil restoration
- Clean water
- Farmland conservation
- Carbon sequestration
- Sustainable businesses and jobs
- Rural economic development
- Climate change reversal
- Human health

TARGET BENEFICIARIES:

- Organic farmers, with a focus on millennials
- Community workers employed by organic farms
- Human consumers of food

GEOGRAPHIC AREAS SERVED:

- Iroquois Valley's investments are available to serve the entire United States.



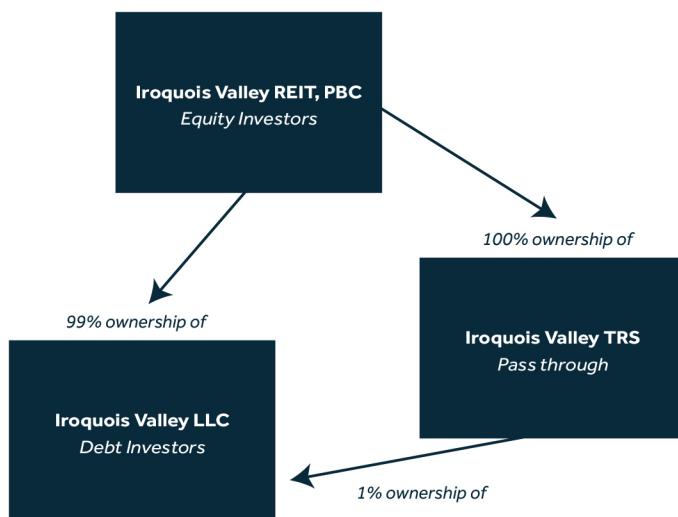
- At fiscal year-end (FYE) 2018, Iroquois Valley was directly supporting 37 organic farmers with properties located in 40 counties of these 14 states: Illinois, Indiana, Iowa, Kentucky, Maine, Michigan, Minnesota, Montana, New York, Ohio, Vermont, Virginia, West Virginia, and Wisconsin.

LEGAL STRUCTURE

Iroquois Valley Farmland REIT PBC ("Iroquois Valley" or "the company") is a Delaware Public Benefit Corporation. At FYE 2018, it had two wholly owned, consolidated subsidiaries:

- **Iroquois Valley Farms LLC** ("Iroquois Valley LLC"), an Illinois limited liability company¹; and
- **Iroquois Valley Farmland TRS Inc.** ("Iroquois Valley TRS"), a Delaware corporation, where "TRS" stands for "taxable REIT subsidiary." Iroquois Valley TRS was incorporated to maintain Iroquois Valley LLC's partnership tax status and to provide services and management that the company would not otherwise be permitted to provide as a REIT.

A. Legal Structure



This Aeris Impact Management Assessment applies to Iroquois Valley's consolidated family of entities, which work together with a common board of directors², management, and staff.

CAPITAL STRUCTURE AND BUSINESS MODEL

Iroquois Valley offers investment opportunities in the form of equity (through the REIT) and debt securities (through the LLC, a wholly owned subsidiary of the REIT). Investment funds are used to offer qualified organic farmers (1) leases of farmland that is owned in perpetuity by Iroquois Valley, or (2) mortgages to finance the farmers' own purchase of farmland.

At FYE 2018, Iroquois Valley had 327 equity investors, 124 promissory note issuances, and total assets of \$49.7 million. The "Summary of Financial Data" in this Assessment presents key financial performance data for fiscal years 2013 through 2018.

¹ The LLC (the operating company) was formed in 2007 to provide secure land access to organic family farmers. As described under "History," the company was reorganized in 2016 by its members, who contributed 99% of their membership interest to the REIT (the parent company) and 1% of their interest to the TRS subsidiary. Thus, Iroquois Valley REIT owns 100% of Iroquois Valley LLC. The company issues stock through the REIT and notes via the LLC.

² Iroquois Valley LLC does not have a board.



- Historically, Iroquois Valley's offerings have been open only to accredited investors, with a minimum investment of approximately \$25,000. In the first half of 2019, it intends to launch its first public offering through U.S. Securities and Exchange Commission (SEC) Regulation A+ for nonaccredited investors interested in making a minimum investment of approximately \$10,000.
- The REIT code requires a distribution of 90% of all taxable earnings to shareholders. Since fiscal year (FY) 2016, Iroquois Valley has made annual distributions of between \$4.00 and \$5.70 per share, that is, between 0.6% and 0.9% of the share price (see "Summary of Financial Data").
- At FYE 2018, holders of the LLC's promissory notes were earning between 2.5% and 3.0%.
- Additionally, Iroquois Valley borrows from traditional lenders to help fund investments: at FYE 2018, it had \$7.2 million in 14 mortgage notes payable on farmland it was leasing, representing 14.6% of total investment capital.³

Since the corporate structure of Iroquois Valley requires investors to sell or redeem shares⁴ instead of forcing asset liquidation, the company can hold the farmland in its portfolio in perpetuity and, in turn, make open-ended lease commitments to farmers. According to management, open-ended leases are far more attractive from the farmers' perspective, since they alleviate the worry of a land sale forced by exiting investors and incentivize farmers to manage the asset to its maximum future value for "eaters, farmers, and investors."

Iroquois Valley is a reactive investor in that it does not proactively seek farmland to purchase or finance. Instead, its land acquisition is responsive to the geographic and operational needs of existing organic or transitioning-to-organic farmers who have been introduced to Iroquois Valley through word of mouth, event sponsorship, community networking, and the company's newsletter and website.

Iroquois Valley invests in a variety of farms, diversified by operation type (e.g., grains, dairy, vegetables, and livestock), location, size, dollar value, and form of investment (purchase and lease, new purchase financing, refinancing).

HISTORY

- 2007: Iroquois Valley Farms LLC was established by David E. Miller (current Iroquois Valley chief executive officer (CEO)), Stephen P. Rivard, M.D. (current Iroquois Valley board chair), and eight family members and friends, with the acquisition and subsequent lease of one farm in Iroquois County, Illinois. A second farm was purchased in 2008.
- 2011: The limited liability company (LLC) became an open-ended fund, attracting 30 additional investors via its first private placement memorandum offering.
- 2012: Iroquois Valley LLC
 - was certified by B Lab as a B Corporation;
 - was selected by ImpactAssets as a member of the ImpactAssets 50, a list posted on ImpactAssets' website of its top 50 impact investment firms⁵, a designation Iroquois Valley LLC and then the subsequent Iroquois Valley REIT structure has held every year since; and
 - expanded outside Illinois with the purchase of a farm in Indiana.
- 2014: Iroquois Valley LLC was designated by B Lab as a "Best for Communities" company⁶.

³ **Subsequent event:** In April 2019, the board approved a \$2.5 million operating capital program to fund the seasonal operating needs of existing farmers in good standing.

⁴ Redemption policy is detailed in the Private Placement Memorandum dated March 23, 2018.

⁵ https://www.impactassets.org/publications_insights/impact50.

⁶ To earn designation on this list (<https://bthechange.com/2018-best-for-the-world-community-honorees-faaca749ca74>), a company must score in the top 10% of all B Corporations on the "Community" portion of the B Impact Assessment. This section evaluates a company's supplier relations, diversity, and involvement in the local community.



- 2016:
 - To simplify tax reporting and provide opportunities to effectively raise growth capital, Iroquois Valley LLC organized itself into the three-entity operating structure shown in Figure A. The most notable result was a change in tax status from that of a limited liability company, taxed as a partnership, to a real estate investment trust (REIT), taxed according to provisions of the Internal Revenue Code of 1986.
 - At the same time, Iroquois Valley declared itself a public benefit corporation, a legal designation under Delaware law, meaning that Iroquois Valley operates with “recognition and consideration for other stakeholders.”
 - Iroquois Valley was designated by B Lab as a “Best for the World: Overall” company⁷, a designation it also earned in 2017 and 2018.
 - Introduced mortgage loan financing to support organic farmers in states where corporate ownership of farmland is prohibited (i.e., Minnesota and Iowa).
- 2017: Conversion to REIT was effective January 1, 2017.

⁷ This B Lab designation identifies Iroquois Valley as in the top 10% of more than 2,500 impact investing firms, based on its “environmental performance, employee relationships, diversity, involvement in the local community, the impact a company’s product or service has on those it serves, and more” (<https://bthechange.com/2018-best-for-the-world-overall-honorees-2a957851876f>).



SUMMARY OF FINANCIAL DATA

	AUDIT 12/31/2014	AUDIT 12/31/2015	AUDIT 12/31/2016	AUDIT 12/31/2017	INTERNAL 12/31/2018
Capital					
Total Assets (\$)	20,339,095	24,762,026	29,869,295	42,806,531	49,707,684
Mortgages Payable	3,205,355	3,147,475	2,968,640	6,569,268	7,165,703
Notes Payable, Subordinated (a)	2,345,000	3,205,000	4,995,000	9,905,000	10,865,000
Stockholders' Equity	14,704,093	18,254,725	21,552,867	26,024,607	31,093,531
Financing Funds					
Total Debt	5,550,355	6,352,475	7,963,640	16,474,268	18,030,703
Stockholders' Equity (b)	14,704,093	18,254,725	21,552,867	26,024,607	31,093,531
Total Investment Capital	20,254,448	24,607,200	29,516,507	42,498,875	49,124,234
Stockholders' Equity / Total Assets	72.3%	73.7%	72.2%	60.8%	62.6%
Debt / Total Assets	27.3%	25.7%	26.7%	38.5%	36.3%
Investment Returns					
Share price	568	568	615	626	596
Adjusted share price (c)	568	568	619	636	611
Annual investment appreciation (%)	3.0%	0.0%	9.0%	3.0%	-3.8%
Annual distribution per share (d)	NA	NA	\$4.00	\$5.50	\$5.70
Annual distribution per share (%)	NA	NA	0.7%	0.9%	1.0%
Earnings					
Total Revenue	681,869	981,426	1,142,089	1,598,834	1,907,675
Operating Income	198,494	277,438	205,784	608,826	427,292
Net Income (e)	10,416	(221,197)	(4,252)	217,173	93,878
Cash Earnings	139,804	(22,449)	183,220	396,701	256,091
Investment Activity					
New Investments (Farmland Purchased; Mortgages)	6,382,012	4,844,870	7,289,343	13,303,113	7,496,619
Capital Raised (Debt and Equity)	7,466,704	4,816,048	6,677,098	9,553,779	7,536,571
Management					
Total Full-Time Equivalent Staff #	3.5	4.0	5.0	6.5	6.5

Notes:

NA = not applicable

(a) Net of fees and expenses.

(b) Prior to 2016, equity value represents market value as reported by investment company standards. Beginning in 2016 and after, equity value represents book value according to operating company standards.

(c) Includes dividends paid to investors.

(d) The company began making shareholder distributions in FY 2016.

(e) Prior to 2016, net income includes unrealized gains and losses from asset mark-to-market investment company accounting.



IMPACT MANAGEMENT ASSESSMENT

IMPACT INVESTMENT THESIS AND FUND LEVEL INVESTMENT CONTRIBUTION

Iroquois Valley's impact thesis mirrors its public benefit purpose to "enable healthy food production, soil restoration, and water quality improvement through the establishment of secure and sustainable farmland access tenures." It also believes that secure and sustainable farming can help strengthen rural economies through local job opportunities.

Iroquois Valley uses investment capital to provide farmland access to farmers who employ organic and sustainable practices. Iroquois Valley accomplishes this by (1) purchasing farmland that it owns in perpetuity and leases to qualified organic farmers, and (2) providing long-term mortgages on farmland to organic farmers.

CERTIFICATION CATEGORY AND ASSESSMENT SUMMARY

Aeris Certified, Category I: Iroquois Valley Farmland REIT PBC (Iroquois Valley) has put into practice appropriate policies, practices, systems, and leadership expertise to qualify investments aligned with its impact thesis. Investors can be confident their capital will be invested in a manner consistent with the Fund's impact thesis.

Iroquois Valley's investment and other organizational policies and practices strongly support its impact thesis. Impact metrics collected as part of the investment qualifying process are explicitly tied to its vision statement and guiding principles. At FYE 2018, 100% of Iroquois Valley's portfolio and pipeline of potential investments was composed of organic or transitional farmland. Given that the REIT is structured to hold farmland in perpetuity, its turnover rate of real estate investments between inception and FYE 2018 was 2.5%, providing a secure and stable resource for organic and sustainable food production. Iroquois Valley's lease and mortgage agreements require farmers to consistently maintain organic certification once it is issued, further reinforcing long-term sustainable practices.⁸

At this time, Iroquois Valley collects most of the impact data at investment closing and tracks a very limited number of data points on an ongoing basis, such as ensuring that the farms maintain organic certification (see "Post-Investment Impact Measurement and Monitoring"). However, it does use third-party research as an indicator of the positive environmental and social benefits of organic farming. Leadership is contemplating ways to add other key metrics to measure the post-investment impacts of the organic farming practices used by its tenants and mortgagees. In addition, Iroquois Valley is participating in a multiyear study on soil restoration and soil organic content, which could be a basis for ongoing monitoring of soil health.

Iroquois Valley's leadership team is highly skilled and committed to the impact thesis. These attributes, coupled with strong board oversight, position Iroquois Valley well to consistently achieve investment outcomes in line with its impact thesis. Given the small staff size, however, it would behoove the organization to develop a formal succession plan for key personnel to ensure Iroquois Valley's continued alignment with its impact thesis. Functional cross-training of staff members, combined with the founding board chair's interest in increasing his involvement and ability to do so, partially alleviate this risk.

⁸ Management stated that Iroquois Valley has made two exceptions to this requirement that are in its mortgage portfolio at FYE 2018, both involving farmers who employ sustainable practices and sell organic produce directly to local consumers.



In the first half of FY 2019, Iroquois Valley expects to launch an SEC Regulation A+ public offering, allowing it to attract capital from non-accredited investors for the first time. Capital raised via this offering will enable the company to expand its geographic reach across the United States with the purchase and financing of increasing numbers of organic farms.



ASSESSMENT COMPONENTS

INVESTMENT QUALIFICATION AND PORTFOLIO ALIGNMENT

INVESTMENT POLICIES AND PRACTICES

Iroquois Valley's investment policies derive from its bylaws, vision statement, and seven guiding principles, all of which management and the board created to support its impact thesis.

Bylaws: Iroquois Valley's bylaws state it will manage the company "in a manner that balances its shareholders' pecuniary interests [and] the best interests of those materially affected by the corporation's conduct, [with] the specific public benefit" described in "Impact Thesis."

Vision Statement: Iroquois Valley has adopted corporate ownership as the most generationally-focused, indefinitely scalable, and democratically-governed structure suitable to its vision of permanently impacting sustainable agriculture.

Seven Guiding Principles:

1. Enable the next generation of young farmers to positively impact world health.
2. Farm with healthy, humane, and organic practices without GMOs, toxic pesticides, herbicides, fungicides, synthetic fertilizers, or other harmful chemicals.
3. Keep the farmers on the land by indefinitely renewing their leases and preferentially selling to the farm tenant. Investors trade "stock," not land.⁹
4. Grow a broad-based membership, reaching thousands of like-minded investors concerned about the health of people, the health of the planet, and financial stability.
5. Transition traditional investment capital from conventional trading and extractive practices to renewable and regenerative practices.
6. Maintain a fairly valued, democratically governed enterprise, enabling both members and farmers to enjoy a stable and profitable return on their farming investment.
7. Protect farmland.

Management and the board ensure Iroquois Valley's adherence to its impact thesis primarily through the investment decision-making process; it does not approve investments that do not align with the public benefit statement incorporated in its bylaws (see "Investment Policies and Practices"). For example, Iroquois Valley

- disqualified a financially viable investment in a pasture-based beef farm because the enclosures were small and the farm operated too much like a feedlot, and
- chose to forgo another financially feasible investment in a farm because the irrigation system appeared to be depleting the aquifer.

Iroquois Valley's investment committee charter outlines the standard information to be included in each investment summary packet. In addition to the information outlined in Table B, each packet details the farm's environmental practices as well as social and community factors. The Aeris analyst reviewed a sample of investment summary packets to verify that the information provided was consistent with these policies.

⁹ Members are stockholders.

**B. Investment Policies for Impact Alignment**

POLICY	DESCRIPTION
Investment Committee Charter	<p>Sample Considerations to Ensure Impact Alignment</p> <p><i>The farmer:</i></p> <ul style="list-style-type: none"> • What are the farmer's visions and goals? • Does the farmer have experience with certified organic or grass-fed production? • Is the farmer rooted in place / committed to current geography? • Are farm workers treated fairly? <p><i>The land:</i></p> <ul style="list-style-type: none"> • Is this productive farmland? • Are the water and mineral rights intact? • Is the farmer involved in any environmentally questionable practices? • Can Iroquois make a real impact with this land (e.g., restoring soils, saving a conservation farm that might go under)? <p><i>The business:</i></p> <ul style="list-style-type: none"> • Does the farmer have identified, solid, and diverse markets? • Is there a business plan detailing production methods, long-term management plans, and alignment with the farmer's mission and goals? <p><i>Other factors:</i></p> <ul style="list-style-type: none"> • Does this investment increase the diversity of the Iroquois portfolio (e.g., gender, ethnicity, geography, crops, enterprises)?

PORTFOLIO COMPOSITION**C. Use of Financial Resources**

	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
Total Investment Capital (000s)	20,254,448	24,607,200	29,516,507	42,498,875	49,124,234
% Change from Prior Year	54.6%	21.5%	20.0%	44.0%	4.2%
Investments: Farmland (Land & Buildings)	18,711,083	23,243,935	25,656,105	34,498,718	36,514,966
Investments: Farmland Mortgages	-	-	3,598,641	7,688,090	12,275,582
Total Investments Aligned with Impact Theme (000s)	18,711,083	23,243,935	29,254,746	42,186,808	48,790,548
% Change from Prior Year	47.4%	24.2%	25.9%	44.2%	15.7%
<i>Impact-Aligned Investments / Total Investment Capital %</i>	92.4%	94.5%	99.1%	99.3%	99.3%



- Iroquois Valley's total investment capital increased each year during the Aeris reporting period.
- Starting in FY 2016, impact-aligned investments represented more than 99% of total investment capital.
- At FYE 2018, \$5.2 million¹⁰ in pipeline investments—which the company had screened for impact and portfolio diversification—were 100% aligned with the company's impact thesis, as has been the case historically.

In FY 2014, Iroquois Valley developed and implemented a set of “qualifying metrics” that enables leadership to assess and monitor the extent to which its investments align with its vision statement and the seven guiding principles. Table D lists these metrics, the guiding principle with which each metric aligns, and the corresponding portfolio investments. These “qualifying metrics” are primarily captured at investment closing and represent farmland and farmer characteristics.

In addition, Iroquois Valley continues to track and monitor the following:

- Status of farmland acres as transitional or organic
- Farmer retention rate
- Investor and investment statistics

D. Portfolio Alignment

IMPACT AND OTHER METRICS	GUIDING PRINCIPLE #	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Farms Owned (#)	7	21	27	32	36	37
Mortgage Loan Investments (#)	1,2,3,7	-	-	5	11	19
Total Farmland Investments (#)	1,2,3,7	21	27	37	47	56
Organic Acres under Lease or Mortgage (#)	2	1,125	2,239	3,836	4,100	5,539
Transitional Acres under Lease or Mortgage (#)	2	1,665	1,279	1,967	4,302	4,284
Total Acres under Lease or Mortgage (#)	2	2,790	3,518	5,803	8,402	9,823
Farmers (#)	1	14	18	26	34	41
Farmer Retention Rate (% of Original Farmers in Place at Year-End versus Beginning of the Year)	3	100%	88%	100%	100%	100%
Millennial Farmers, Born 1980–1995 (#)	1	9	13	15	18	20
First-Generation Farmers (#)	3	2	3	6	7	8
Second-Generation Farmers (#)	3	1	2	2	4	5

¹⁰ Of the \$5.2 million, \$2.3 million in four investments was under contract, and another five investments, totaling \$2.9 million, were being evaluated for credit quality.



IMPACT AND OTHER METRICS	GUIDING PRINCIPLE #	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Third- & Fourth-Generation Farmers (#)	3	9	9	12	14	15
Fifth-Generation+ Farmers (#)	3	2	4	6	9	13
Equity Members (#)	4	166	199	247	278	327
Note Issuances Outstanding (#)	4	24	40	77	107	124
Company Asset Value (\$ 000,000)	5	19	23	30	43	50
Price per Share (\$)	6	568	568	615	626	596
Adjusted Price per Share (\$)	6	568	568	619	636	611

- Table D illustrates that Iroquois Valley's investment portfolio aligns with each of the Seven Guiding Principles that support its impact thesis.
- Transitional acres under lease or mortgage (representing land transitioning from conventional to organic farming practices) grew significantly in FY 2017 in large part due to the purchase of a 960-acre farm in Montana, where the cost of farmland is approximately one-eighth the cost in other areas of the country (e.g., Illinois).¹¹
- In all years but one, Iroquois Valley maintained a 100% farmer retention rate. The lower rate in FY 2015 was due to difficulties encountered by two tenant farmers:
 - One farmer suffered a back injury after falling from a ladder. Although his family stepped in to temporarily run the farm as he recuperated, after nine months the farmer determined he was no longer capable of farming and worked with Iroquois Valley to identify another farmer, who took over his lease.
 - Another farmer declared bankruptcy and left the farm, leaving Iroquois Valley with the option of either selling or re-leasing the land. Given the company's strong preference to retain land for organic farming into the next generation, management successfully worked to attract another tenant farmer.¹²
- The adjusted price per share of Iroquois Valley's stock increased at its fastest rate of the review period (9.0%) in FY 2016, largely due to an increase in farmland property values. It fell by 4.8% in FY 2018 after the value of some farms decreased. Share valuation is based on a third-party market analysis of the company's asset base.

In addition to the metrics shown in Table D, Iroquois Valley gathers data on farmer gender and ethnicity, crop variety, farm location, and the percentage of farmland acres purchased that were under conventional farm management prior to purchase.

¹¹ The purchase of a 2,200-acre farm in Montana in January 2019 will lead to a marked increase in organic acres under lease or mortgage in FY 2019.

¹² It is also the company's policy to keep, whenever possible, all farms leased on long-term, renewable contracts. If a tenant is unable to pay, declaring a default and re-leasing the land to another tenant is the last resort, prior to which Iroquois Valley will generally try to improve the land or structures to support the tenant. Examples of improvements include drainage, storage, soil amendments, and so on.



QUALIFYING IMPACT DATA COLLECTION SYSTEMS

- Iroquois Valley collects qualifying impact data during the due diligence process and via a farmer survey it administers when transactions are closed. The chief financial officer (CFO) and chief operating officer (COO) then manually enter these data along with other investment-related statistics into a spreadsheet.
- The CFO shares the spreadsheet with the director of impact and other staff members, asking them to review it and verify its accuracy.
- The company's director of impact is responsible for generating the company's impact reports, including its public benefit impact report.¹³
- Management formally reports farm-specific impact data to the board on an as-needed basis, typically when the tenant/borrower is underperforming.

USE OF QUALIFYING IMPACT DATA

- Iroquois Valley produces annual impact reports that capture portfolio data for its investors, staff, and board, and the general public, while the CFO makes quarterly impact-related presentations to the board.
- The board, management, and staff use these data to ensure that company investments are aligned with its impact thesis, vision, and guiding principles.
- Management would like to use the company's demographic data to inform decisions that would enable it to increase portfolio diversity along gender, ethnicity, crop, and geographic lines. For now, however, Iroquois Valley remains reactive since its small staff size precludes it from seeking diversification via proactive calls on prospective farm tenants and borrowers.

POST-INVESTMENT IMPACT MEASUREMENT AND MONITORING

Iroquois Valley currently does not collect impact data post-investment beyond the following:

- It monitors farms to ensure they maintain their organic certification once received, as a condition of its farm leases and mortgages.
- It gathers a limited amount of farm production data.
- It tracks the rate at which transitional farms become fully organic.
- It tracks the rate of farmer retention.

Iroquois Valley does not yet have a formal tracking system to house postclosing metrics, so most of these data are collected on an informal basis via direct communication with farmers.

Leadership is contemplating ways it can measure the long-term impacts of the organic farming practices used by its tenants and mortgagees. Ideas under consideration include ways to gauge the following:

- The impact of organic foods on people's health (management stated it would likely need to cull data from third-party research and use them to extrapolate a proxy measure of the impact of its own portfolio)
- Iroquois Valley's impact on the food system (perhaps by measuring how many pounds of organic food are entering the food system from Iroquois Valley's farms)
- Carbon sequestration (many of the farmers are measuring soil carbon, and Iroquois Valley is reviewing studies on the subject)
- The impact of its farms on local communities (e.g., job creation, reduced poverty rates)
- Specific impacts generated by individual farms in the portfolio

¹³ Management believes it is important to produce a public benefit report; even though its state of incorporation, Delaware, does not require such a report of public benefit corporations, most other states do.



Iroquois Valley also uses third-party studies to understand its role in creating positive change, for example the following:

- A meta-analysis conducted by Oxford University's Department of Plant Sciences found that organic farms are home to, on average, 34% more species of plants, insects, and animals than conventional farms. The difference is greatest in the category of pollinators, such as bees, with the number of species 50% higher on organic farms.
- A University of Illinois study concluded that each 1% increase in soil organic matter allows soil to retain 20,000 more gallons of water per acre.

POST-INVESTMENT IMPACT DATA COLLECTION SYSTEMS

Not applicable.

USE OF POST-INVESTMENT IMPACT DATA

Not applicable.

INVESTMENT EXIT STRATEGIES AND IMPACT SUSTAINABILITY

As previously noted, Iroquois Valley intentionally operates with a "buy-and-hold," generational approach to farmland investment. With a corporate structure that requires investors to sell or redeem shares rather than force asset liquidation, Iroquois Valley makes open-ended lease commitments to farmers. Thus, the company purchases farmland it intends to hold in perpetuity.

LEADERSHIP AND CORPORATE RESPONSIBILITY

GOVERNANCE

Board of Directors and Officers

- **Stephen P. Rivard, M.D.**, board chair, founding board member. Dr. Rivard began his medical career with a focus on emergency medicine. In 2008, he founded Illinois Vein Specialists and began diversifying his investments to focus on health and organic farmland. Dr. Rivard works with physicians and health care professionals to bring attention to the varied illnesses associated with the nation's current food production system. He earned his medical degree from Loyola University Chicago.
- **David E. Miller**, president, founding board member. Miller serves as Iroquois Valley's CEO.
- **Arnold Lau**, secretary, board member since 2012. Lau serves as Iroquois Valley's COO.
- **Kevin Egolf**, treasurer. Egolf is the company's CFO. He serves on the board as a nonvoting, ex officio member.
- Iroquois Valley's board consists of nine members, in keeping with its bylaws, which call for between five and nine members.¹⁴
- A simple majority constitutes a quorum; average board attendance was 79% in FY 2018, an increase from 73% during FY 2017.
- Board members have backgrounds in, among other things, finance, real estate, organic farming, medicine, environmental law, private wealth management, regenerative investing¹⁵, strategic planning, and business ownership.

¹⁴ When the entity became a REIT in 2016, all nine LLC board members became REIT directors.

¹⁵ Regenerative investing directly supports the regenerative capacity of communities and ecosystems, for example, sustainable agriculture, clean and renewable energy, cooperative businesses.



- At each annual shareholder meeting, shareholders elect directors for terms ranging between one and five years. Although there are no term limits, board membership does turn over; for example, in June 2018, the company replaced two members who had resigned.
- The board meets monthly or bimonthly, typically nine or 10 times a year.
- The board had no committees until August 2018, when it established an investment committee to review investments up to \$1.0 million. That committee has five members: Iroquois Valley's CEO, COO, and CFO, and two tenant farmers (one of whom also serves on the board). Prior to the formation of the committee, all investment decisions were made by the full board.
- The CFO presents impact data to the board quarterly. The board also reviews the formal annual impact reports produced for investors and the public.
- A subset of board members engages annually in an informal review of the CEO. The CEO's five-year contract was up for renewal at the end of 2018.¹⁶
- Although Iroquois Valley does not have a succession plan, it recently hired a human resources (HR) consultant to help management develop HR policies and procedures that will likely include a written plan.

STAFFING

Senior Management

- David E. Miller, president and CEO, cofounded Iroquois Valley in 2007 after a 30-year career in corporate finance and real estate. His executive positions at Bank of America, Santa Fe Southern Pacific, and First Chicago Corporation included the management and oversight of real estate and capital equipment leasing portfolios. Miller earned his master's degree from Columbia University's Graduate School of Business.
- Arnold Lau, COO, began his work with Iroquois Valley when he joined the board in 2012. In 2015, he became the company's senior vice president of strategic planning and development, and he assumed his current role in 2016. Prior to joining the company, he served for nearly 25 years as a member of either the Chicago Board Options Exchange or the Chicago Board of Trade. Lau earned his M.B.A. from Northwestern University.
- Kevin Egolf, CFO, joined Iroquois Valley in 2013. Prior to that, he worked for several years in investment banking and private equity, most recently spending four years raising debt and equity financing—and completing an initial public offering for a restaurant firm—for Castle Harlan, a middle-market private equity firm.¹⁷

Staff

- At FYE 2018, Iroquois Valley had six full-time and two part-time employees. Staff members bring experience in such areas as organic farming; the food industry; education; and corporate branding, marketing, and sales.
- Staff turnover during the Aeris reporting period was due mainly to part-time employees' leaving for full-time work, or retirements. Management explained that the small staff size has necessitated a good amount of functional cross-training over the years, thus minimizing dependence on individual staff members.
- During FY 2019, management hopes to hire a property manager, a financial analyst or accountant, and an office manager.

¹⁶ **Subsequent event:** As of March 2019, the board was expecting to review a new contract once a recently hired human resource consultant prepares and submits it for approval.

¹⁷ **Subsequent event:** As of April 2019, Egolf announced his intention to resign as of June 28, 2019. Iroquois Valley was interviewing for a new CFO / vice president of finance. Although management expects some overlap between Egolf and the new hire, the CEO is poised to serve as interim CFO given his background in finance.



CORPORATE RESPONSIBILITY

Company Diversity

E. Company Diversity as of December 31, 2018

CATEGORY	TOTAL IN CATEGORY	PERSONS OF COLOR	WOMEN
Board	9	3	5
Management	3	1	0
Staff	5	0	2

- Iroquois Valley intentionally built its board with a majority of women members.
- Management expressed a desire to diversify its staff by hiring people of color.

Environmental Policies and Practices

Currently, Iroquois Valley does not have written policies to address environmental issues. However, it does seek to reduce its own environmental footprint in the following ways:

- To reduce energy consumption and carbon production, management supports employees who choose to work from home.
- Iroquois Valley recycles office waste.

Legal Risk

- Iroquois Valley's 2017 audit disclosed no pending legal actions, and management confirmed there were none at FYE 2018.
- Management explained it has been subject to only one past legal action, which was filed in small claims court by a farm vendor who asserted that one of the company's tenant farmers had not paid him for equipment repair. Because the tenant farmer had declared bankruptcy, Iroquois Valley settled with the vendor for \$5,000.



CORPORATE ACTIVITIES THAT CONTRIBUTE TO INVESTMENT IMPACT

Iroquois Valley engages in a number of noninvestment activities that support its impact thesis:

- Via its Soil Restoration Note, the company created a pool of funds available to reimburse farmers for expenses related to the transition from conventional to organic farmland, including rent. Instead of earning 3.0% like other Iroquois Valley noteholders, Soil Restoration Note holders earn 2.5% and allow Iroquois Valley to place the residual 0.5% in the pool of reimbursement funds.
- In September 2016, the U.S. Department of Agriculture (USDA) Natural Resources Conservation Service awarded Iroquois Valley a three-year grant to support its partnership with Delta Institute to (1) develop and launch an innovative investment vehicle for soil restoration efforts, the Soil Restoration Note mentioned previously, and (2) assess soil management practices and their relationship with increased soil health and carbon sequestration. A portion of the proceeds from a \$944,715 USDA grant will be used to measure the soil health and carbon sequestration of farms owned or financed by Iroquois Valley.
- Iroquois Valley sets up farmer-to-farmer calls, enabling farmers supported by the company to learn from one another.



LEADERSHIP STATEMENT

LEADERSHIP RESPONSE TO ASSESSMENT

"Iroquois Valley Farmland REIT, PBC is pleased to announce its latest social impact that will energize all that it has done before. We just spent 3 years planning to engage non-accredited investors through our first public offering, and were recently approved by the SEC. Our Company, for its first 12 years, has been primarily funded by accredited investors. We are immensely appreciative of this support from wealthy investors that have understood how our soils, water and the food we eat is critical to our health. As a public benefit company, we are now poised to engage public capital to do the same. We believe that connecting the public directly to our farmers will provide the capital needed to fund a more regenerative agriculture that cares deeply about the future of our planet. We invite the public to invest in our grass roots company and help us finance positive change down on the farm."

Dave Miller - CEO/co-founder

From our very beginning, we have uncompromisingly supported family farmers.

The ability to match the multi-generational time frame of family farmers is why, upon our 2007 founding, a corporate form was chosen. We then needed to gain farmers' trust that secure land tenures were being offered in exchange for their commitment to the difficult three-year organic transition. Reinvesting in our family farmers' expanding operations is core to our scalable business model.

Iroquois Valley re-incorporated in 2016 as a Public Benefit Corporation with the specific public benefit purpose of enabling healthy food production, soil restoration and water quality improvement through the establishment of secure and sustainable farmland access tenures. All farmland purchased or financed must be transitioned and maintained as USDA Certified Organic. Improving public health is our primary impact. "I've witnessed devastating declines in public health in over 30 years of practicing medicine," states co-founder/Board Chair, Dr. Stephen Rivard, "and concluded the cause is industrial agriculture. Reversing that is exactly why we started this Company."

Since our inception, we have taken a leadership role innovating financial support for the family farmer, understanding that strong family farm businesses are the foundation of thriving rural economies. Being awarded a Conservation Innovation Grant (CIG) from the USDA in 2016 recognizes our commitment to the broader social need to develop a truly healthy food system, as we further innovate farmland finance supporting best practices for organic/regenerative farming.

Iroquois Valley treats the production of healthy foods on living soils as an ongoing business, not as a fund or specialized trading operation. Growing demand for organic food and the price premium for certified organic products are fundamental to our business model. As more food consumers realize the multi-faceted benefits of consuming nutritious, sustainably produced food, the outlook improves for us, our farmer-partners, our stockholders, and public health.

John Steven Bianucci, Director of Impact



AERIS® IMPACT MANAGEMENT ASSESSMENT METHODOLOGY AND CERTIFICATION CATEGORIES

ASSESSMENT METHODOLOGY

Aeris evaluates a Fund's quality of operations related to its impact investment management activities along a continuum from origination through exit.

A Fund's Category is determined based on its operating model and scope of activities. Aeris Certification is awarded based on an evaluation of performance meeting quality standards of the applicable Category. Categories are not rankings.

Aeris applies a consistent scope and process to every assessment and addresses the following:

- Corporate and investment policies and practices and portfolio composition relative to the Fund's impact investment thesis.
- Metrics used to qualify investments and to measure and monitor the resulting impact in relation to the impact investment thesis.
- Information collection systems and ways in which data are used to improve impact alignment, management, and results.
- Relevant expertise of leadership, commitment to impact, and consideration of impact sustainability beyond investment exits.

CERTIFICATION CATEGORY DESCRIPTIONS

CATEGORY	DESCRIPTION
Category I	The Fund has put into practice appropriate policies, practices, systems and leadership expertise to qualify investments aligned with its impact thesis. Investors can be confident their capital will be invested in a manner consistent with the Fund's impact thesis.
Category II	The Fund appropriately qualifies investments that align with its impact thesis and has policies, practices, and systems in place to consistently measure and monitor the positive impacts created by its investments. The operating model includes active management of investments to realize benefits consistent with its impact thesis.
Category III	The Fund appropriately qualifies investments that align with its impact thesis and consistently measures and monitors both positive and negative impacts created by its investments. The operating model supports active investment management in pursuit of long-term net positive impacts. If applicable, when conducting exits, the effect on impact sustainability is considered in good faith and in a manner consistent with fiduciary responsibilities.

