

CHIRGWIN LARRETA PEÑAFIEL

Abogados

MEMO

From : Chirgwin Larreta Peñafiel Attorneys
To : Denny Jackson (and other first and second round founders)
CC : Ken Johnson, Martin Vaughn
Date : October 14, 2013
Ref. : Corporate Structure Galt's Gulch Chile Project

The following is a summary report regarding the current situation and structure to develop the Galt's Gulch Chile Project.

1. Current situation

The funding of the Project has been made by private contributions made from people and institutions from all around the world (all of the above, hereinafter, "Founders"). All contributions from the first and second round, the "Original Founders" and "Second Founders", have been destined to the first stage of the Project which includes the acquisition of lots and the financing of the current operations.

Founders and other stakeholders are pending the issuance of shares or equity in the final holding company when the structure is put in place.

Similarly, shareholders, management or other corporate governance regulation documents are still to be put in place at the holding company level.

At this moment the Project has three Chilean entities and one incorporated company in New Zealand.

a) The Chilean entities are:

- **Inmobiliaria Galt's Gulch S.A.;**
- **Asesorías y Servicios Galt's Gulch S.A.; and**
- **Agrícola y Comercial Galt's Gulch SpA**

The first company, hereinafter "Inmobiliaria", is a corporation with a real estate trade which owns all the properties that have been bought for the Project. This company does not have an active bank account and does not employ any workers.

CHIRGWIN LARRETA PEÑAFIEL

Abogados

The second entity, hereinafter “Asesorías”, is also a corporation but as opposed to the first, it has a service trade. This company runs all banking issues related to the Project through its bank account in Banco Itaú. This company employs and remunerates workers related to the Project and handles all the day-to-day transactions of the Project.

The third entity, hereinafter “Agrícola” is the company that will develop the farming project.

These companies have are currently owned, in escrow, by the following persons with the following amount of shares:

- In **Inmobiliaria Galt’s Gulch S.A.**, of a total of 10,000 shares, Kenneth Dale Johnson owns 9,999 shares of the company, equivalent to 99.9% of the property and Andrés Chirgwin Brown owns 1 share, equivalent to 0.1% of the property.
- Likewise, in **Asesorías y Servicios Galt’s Gulch S.A.** of a total of 10,000 shares, Kenneth Dale Johnson owns 9,999 shares of the company, equivalent to 99.9% of the property and Andrés Chirgwin Brown owns 1 share, equivalent to 0.1% of the property.
- In **Agrícola y Comercial Galt’s Gulch SpA**, 100% of the shares are owned by Asesorías y Servicios Galt’s Gulch S.A.

The legal representative of the companies is Kenneth Dale Johnson, who has broad powers of attorney in order to correctly represent them before third parties.

b) Foreign Entity

The New Zealand entity that will most likely be used is called **Galt’s Gulch Trustee Limited**, along with the Trust that such company would manage as Trustee.

c) Lots

The following lots have been purchased and are currently owned by Inmobiliaria:

1. “El Peñón” property, corresponding to lot number “ONE” of which Hijueta number four called El Durazno of the Carén land division was divided, which is located in the Curacaví Borough, Melipilla Province, Metropolitan Region, and has an approximate surface area of 1,714 hectares.

Such property is not affected by encumbrances, mortgages, prohibitions and interdictions, besides right of way for neighbor passing, located beyond the urban radius of the Curacaví

CHIRGWIN LARRETA PEÑAFIEL

Abogados

Borough. The property may not be expropriated and holds an agricultural purpose.

The sale included “the waters that by law pertain to the property”, referred to surface waters and currents from Tideland.

The purchase amount was CLP 555,126,742, equivalent to USD\$1,110,253, already paid in cash.

2. HIJUELA TRES LEPE NORTE property, created of the division made to Fundo Lepe, located in the Curacaví Borough, Provincia de Melipilla, Metropolitan Region, with a surface area of approximately 1,137 hectares.

The property is not affected by encumbrances, mortgages, prohibitions, or interdictions and is located beyond the urban radius of the Curacaví Borough. Likewise it may not be expropriated and holds an agricultural purpose.

3. HIJUELA DOS LAS CASAS property, created from the division made to Fundo Lepe, located in the Curacaví Borough, Provincia de Melipilla, Metropolitan Region, with an approximate surface area of 1,636 hectares, of which eighteen and half acres are watered.

Equally, the property is not affected by encumbrances, mortgages, prohibitions, and interdictions and is located beyond the urban radius of the Curacaví Borough. The property may not be expropriated and holds an agricultural purpose.

d) Water Rights

Inmobiliaria owns the following water rights which are currently accessing the properties singled out in numbers 2 and 3 above:

- a) Water rights whereupon the property is irrigated, surface waters of permanent and continuous exercise which are captured in the Pangué and Caren Tideland.
- b) Right to consumptive use of underground waters, permanent and continuous exercise, which may be collected from 53 wells.

The acquisition price of the real estate properties singled in numbers 2 and 3 above as well as water rights a) and b), is CLP\$3,426,500,000 (approximately USD\$6,853,000).

CHIRGWIN LARRETA PEÑAFIEL

Abogados

Such price must be paid in five installments of (i) CLP \$50,000,000 equivalent to USD\$100,000, which has already been paid (ii) CLP\$750,000,000 (approximately USD\$1,500,000), paid upon signature of the purchase contract (iii) CLP\$750,000,000 (approximately USD\$1,500,000) due September 14, 2013 (iv) CLP\$826,000,000 (approximately USD\$1,652,000) due October 16, 2013, and (v) CLP\$1,050,000,000 (approximately USD\$2,100,000) due April 14, 2013.

Along with the mentioned installments, the parties agreed as part of the purchase price 5% of the shares in the offshore entity in New Zealand of equivalent company.

e) Mining Rights

19 mining motions for Inmobiliaria on the relevant premises regarding the mentioned real estate named herein and on other property (named “El Tranque”) have already been filed. The total processing of these motions is expected to close in their judicial deadlines around the end of this year, at the latest.

From the application of these already presented motions, Inmobiliaria has priority over any other mining rights that third parties may try to establish in the area. Once granted by the corresponding court, the rights constitute a property right recognized by law in which the beneficiary may carry out exploration work for a two years term from the ruling date.

f) IP Property

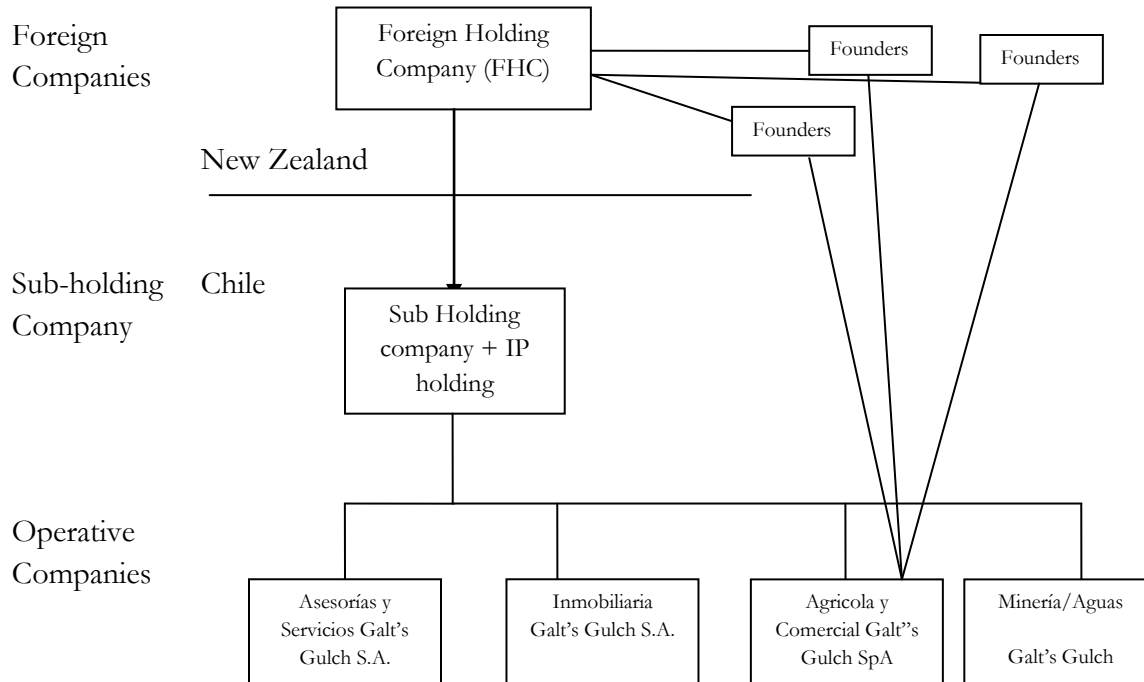
TRADEMARK	APPLICATION	CLASSIFICATION	STATUS
Galt's Gulch Chile	1055500	Class 36: Property Management	Application has been accepted for registration. Pending last payment, waiting for assignment.
Galt's Gulch Chile	1055506	Class 44: Horticulture	Opposition period has expired / INAPI is reviewing the substantive requirements
Galt's Gulch Chile	1055508	Class 37: Real estate projects.	Opposition period has expired / INAPI is reviewing the substantive requirements

CHIRGWIN LARRETA PEÑAFIEL

Abogados

Galt's Gulch Chile	1055509	Class 35: Association of property owners.	INAPI has objected the application. There are 30 days for presenting reconsideration.
Galt's Gulch	1056241	Class 35: Association of property owners.	INAPI had objected this application, and now is reviewing our reconsideration.
Galt's Gulch	1056269	Class 36: Property Management	Opposition period has expired / INAPI is reviewing the substantive requirements
Galt's Gulch	1056271	Class 44: Horticulture	Opposition period has expired / INAPI is reviewing the substantive requirements
Galt's Gulch	1056272	Class 37: Real estate projects.	Opposition period has expired / INAPI is reviewing the substantive requirements

2. Final Structure



There are three intervening levels; Foreign Companies, Sub-Holding Company and Operative Companies.

Foreign Holding Company

The Foreign Holding Company “FHC” will be used as shareholder of the Chilean Sub Holding company and of the group as a whole.

In this level, the ultimate shareholding distribution will take place. Also in this level, the shareholder/managing/trust agreements or other corporate governance documents should be implemented. This is the level where the Board of Directors should operate, and the rest of the levels would only implement decisions by the Board/Management of the holding company.

Chilean Sub Holding Company

A new Sub-Holding company which owns the shares of all the other Chilean entities must be incorporated. This entity can be a solely owned company, so that the FHC may be the single shareholder.

CHIRGWIN LARRETA PEÑAFIEL

Abogados

The purpose of this company are as follows:

- Provides an orderly structure for the project.
- Serve as holding company for all IP matters and other assets that may require special protection.
- Use withholding tax deferral and reinvestment of profit tax benefits. As long as the Sub Holding Company does not distribute dividends to its foreign shareholder, Withholding Tax payment will be deferred. Likewise, there are no limitations for the Sub Holding Company to re-invest in Chile or abroad, the dividends received from Inmobiliaria or other Operative Companies. This allows flexibility in the use of resources between the companies.

Once the Sub Holding Company is incorporated within the month of October, it will acquire all shares of the existing companies in Chile which are, at the moment, been held in escrow.

Operative Companies

These are the companies that carry out the different roles in the Project.

- **Inmobiliaria Galt's Gulch S.A.:** role: holder and seller of lots. Development of land and facilities.
- **Asesorías y Servicios Galt's Gulch S.A.:** role: provider of services to all companies involved in the group. Marketing and commercializing of lots. Intermediary with third parties for general commercial purposes.
- **Agrícola y Comercial Galt's Gulch SpA:** role: holding and exploiting of farm, commercializing of produce of the farm (the "Farm Project").

Other companies that may be incorporated in the future:

- **Minera GGC:** mining projects.
- **Aguas GGC:** commercializing water rights.

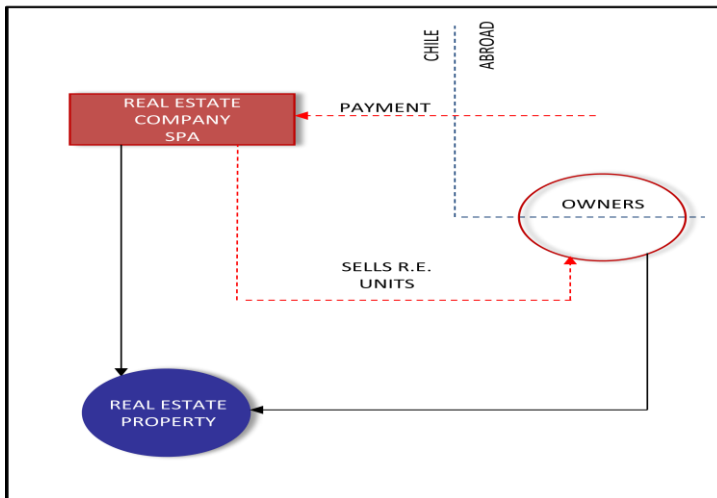
3. Tax treatment of the structure

All income that is produced by the Operative Companies is to be distributed to the Sub Holding company as dividends. Exceptionally, profit of Agrícola will also distributed to Founders that are granted equity in such company. Operative Companies are subject to Corporate Tax on their annual income in Chile at a 20% tax rate.

CHIRGWIN LARRETA PEÑAFIEL

Abogados

Inmobiliaria will receive payments for the sale of the lots from the new buyers. Annually, Inmobiliaria and the other Operative Companies will distribute dividends to the Sub Holding Company. This distribution is non taxable and the Sub Holding Company will register a tax credit for the 20% Corporate Tax paid by Operative Companies a in relation to their annual income.



After this, the Sub Holding Company may distribute dividends to the FHC. This distribution is subject to the Withholding Tax at a rate of 15% (35% minus a 20% tax credit).

As mentioned before, as long as the Sub Holding Company does not distribute dividends to its foreign shareholder, Withholding Tax payment will be deferred. Likewise, there are no limitations for the Sub Holding Company to re-invest in Chile or abroad, the dividends received from Operative Companies.

Considering that New Zealand has a holding companies tax regime, if FHC is subject to such regime, the dividends paid by Sub Holding Company should be tax exempted in New Zealand. Due to the latter, and subject to the confirmation that FHC is indeed registered under this tax regimen, the choice of using New Zealand as a holding jurisdiction appears to be an attractive decision.

4. Treatment of funds already received

The Founders have invested funds in the project, in exchange for the promise of lots and/or equity in the project and/or the commitment to return part or all the funds. The contractual/commercial situation of each type of Founder is under review, in order to determine the final formalization documents that each situation requires.

CHIRGWIN LARRETA PEÑAFIEL

Abogados

The purchased properties, with the exception of the Farm Project, must be divided in lots and the lots transferred to the Founders. The Founders may receive free lots or discounts on the lots in relation to the amounts they have already paid, all of which must be in accordance with the particular commitments made with each group of Founders.

A similar scheme has been used for the Farm Project to be developed by Agrícola, but in this case, a percentage in the property of the Farm or Farm Holding company (Agrícola) rather than a lot has been promised.

For this procedure, one of the steps that must be taken is to legally recognize the financing made by the Founders through a formalization of the loans that have been granted, by means of a legal instrument called “Acknowledgment of Debt”.

The amount owed to a Founder may be taken as part of the purchase price of the lot and/or part of the purchase price and equity in the FHC.

The payment for the purchase of the lots by the Founders may be compensated/set off with the amount present in each Acknowledgment of Debt.

It is advisable that the larger amount of the contributions made by the Founders is destined to payment of the price of the lots, in order to prevent or minimize the potential application of the “*Lesión Enorme*” Chilean property law unfair price protection provision.

If funds need to be paid back to the Founders, in accordance with the commercial agreements reached with them, such funds would fall under the general regulations applicable to loans.

We are at your disposition to clarify or complement any aspect of the present memo.