

Colorado State University (CSU) together with Colorado State University Research Foundation* (CSURF) entered into a Term Sheet with Tres Santos dated 24 July 2013.

On 07 October 2013, CSURF created its Mexican subsidiary called Colorado State University Research Foundation de México, A.C. (CSURF-MX)

On 07 March of 2014 a Trust was created that is comprised of CSURF-MX and two Tres Santos entities with the Bank of New York Mellon (Monterey, México) serving as the trustee. That document sets out obligations of all parties mentioned, in particular CSURF-MX promises and is committed to the attached clauses to the benefit of Tres Santos, all of which were referenced in the 24 July 2013 document.

The Trust has a requirement for the benefit of Tres Santos that if CSURF-MX did not apply for and obtain Mexican tax-exempt status that there were severe negative consequences in the Trust towards CSURF-MX.

The Constitution/Bylaws of CSURF-MX makes no mention of any of these commercially beneficial obligations to a developer. See the accompanying purpose and operational excerpts from this formation document.

CSURF-MX organized as a nonprofit for the benefit of local communities (note neither Todos Santos nor Baja California Sur is mentioned). Contrast that with the excerpts from the Trust where CSURF-MX has all of these obligations that serve a commercial purpose for which CSURF-MX received land and buildings. CSURF-MX is principally in a commercial relationship with primary obligations to Tres Santos that is counter to the distinct community benefit stated for local populations, not newcomers in a development nor CSU students from the United States or elsewhere.

Not available at this time is the material submitted by CSURF-MX to Hacienda, the Mexican equivalent of the United States IRS, therefore there might have been explanation to Hacienda. However, the corporate purposes are limited to altruistic community benefit which goes opposite to the commitments made to the commercial enterprise Tres Santos.

* CSURF was formed in 1941 around the issue of holding agricultural patents on behalf of the State of Colorado Agricultural Board. It has since grown into the real estate development arm of Colorado State University as more fully described in the Operating Agreement dated 19 June 2013 between CSU and CSURF.

FROM A NON-OFFICIAL TRANSLATION
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EXCERPTS FROM THE TRUST AGREEMENT BETWEEN
COLORADO STATE UNIVERSITY RESEARCH FOUNDATION DE MÉXICO, A.C.
(CSURF-MX) AND TRES SANTOS ENTITIES DATED 07 MARCH 2014
INDICATING CSURF-MX OBLIGATIONS

8.3 (b) Tres Santos shall have the right to certain uses of the “Colorado State University” name and marks in the marketing of CSU as a component of the Tres Santos Project.*

8.3 (c)(i) CSURF-MX and Tres Santos shall determine a mutually acceptable name for the research component of the CSU Campus, designed to enhance the branding of the town of Todos Santos and the Tres Santos Project, and all research papers, white papers, and other published documents based on research conducted at the CSU Campus will feature this name.

8.3(c)(iv) CSURF-MX shall offer educational programs and classes for undergraduate and graduate students in addition to continuing adult education classes at the Campus. Adult education classes shall include courses in connection with the Osher Lifelong Learning Institute. Continuing adult education classes shall be actively marketed to CSU alumni and shall be open to the residents and guests of the Tres Santos Project and the local Todos Santos community. CSSU shall use reasonable efforts to offer such continuing education classes to the Todos Santos Project’s residents and guests at discounted rates.

8.3 (c)(vii) CSURF-MX shall use reasonable efforts to offer educational courses at the Campus to the local Todos Santos community that shall focus on improving the quality of the local Todos Santos businesses and workforce, such as courses focused on hospitality services, food and beverage services, small business administration and entrepreneurship, which courses shall be targeted to those businesses that Tres Santos includes within the Tres Santos Project.

8.4 (a)(i) The Research Farm shall be designed to improve the Tres Santos Project’s open-space landscape. CSURF-MX shall cause the Research Farm to be maintained as an attractive landscape feature except to the extent that such obligation is inconsistent with its research objectives. CSURF-MX shall use its reasonable efforts in keeping areas not actively utilized for research projects well planted and maintained, and to have such landscape in bloom during peak tourist season (November through June) to the extent practicable and not inconsistent with its research objectives.

* The Trademark License Agreement provides that CSU grants to Tres Santos a fully paid-up, royalty-free license in the United States and Mexico in connection with the development, operation, marketing and promotion of a resort in Todos Santos, BCS, Mexico, owned or operated by Tres Santos (the “Resort”).

COLORADO STATE UNIVERSITY RESEARCH FOUNDATION DE MÉXICO, A.C.
B Y L A W S

ARTICLE 1.- The Civil Association that is hereby created shall be named COLORADO STATE UNIVERSITY RESEARCH FOUNDATION DE MÉXICO ...

ARTICLE 4.- The Civil Association shall be a nonprofit Association, without commercial purposes, being the beneficiaries of the Association solely all the people, sectors and regions of scarce resources and groups vulnerable by age, gender or disability, ... and the total income of the Association shall be applied to achieve the following social purpose:

A) The encouragement and organized participation of the population in actions that improve their own sustenance conditions to the community's benefit.

B) Offer job training through workshops with the purpose of improving the practices in agriculture including, but not limited to, the correct and efficient usage of the land, water, food safety and plague control.

C) Offer extracurricular education programs referring to the continuous education for adults, aimed towards farmers and the community in general, that seek the improvement in the quality of the businesses and services granted for the community and its work force, which shall include, but are not limited to, services aimed towards improving the health and hygiene of the community, their eating habits and the administration of their small businesses and sustainability.

F) Execute actions aimed towards the fulfillment of their social purpose as long as it is executed in a nonprofit manner, nor commercial speculation ...

H) Carry out social and community activities with the purpose of promoting and encouraging the sustainable economic growth of the regional agriculture, the relation between the community and education.

For any of the aforementioned non-profit activities the Association shall be able to: ...

9.- Leave a permanent legacy in the lives of each and every one of the people that benefit from our work and in everyone who participates and contributes in hope and help to the community.

15.- The Association in its various activities, shall not have commercial purposes ...

18.- The Association shall use the totality of its income for the purposes for which it was created, not being able to grant benefits from the divisible surplus to any person or any legal entity or its members, unless, that the legal entity in question is authorized to receive income tax deductible donations, or they are given as payment for services effectively received. This disposition shall be irrevocable.

25.- In general, the execution of all types of acts, legal actions, operations, contracts or agreements necessary and/or convenient for the achievement of the Association's purpose, bearing in mind that none of the acts executed shall have commercial purposes ...

ARTICLE 15. - ... This Association does not pursue commercial purposes.

(These excerpts were extracted from "La Constitucion de la Personal Moral Denominada: COLORADO STATE UNIVERSITY RESEARCH FOUNDATION DE MÉXICO, A.C., 07 Octubre 2013, Registered in Monterrey, Mexico by Lic. Sergid Elias Gutierrez Dominguez, Notario 104)