



a California joint powers agency

1776 Tribute Road, Suite 150
Sacramento, CA 95815
Office: 916.263.3346
www.calfairs.com

NOTICE
CALIFORNIA AUTHORITY OF RACING FAIRS
BOARD OF DIRECTORS MEETING
TOM MARTINEZ, CHAIR

11:00 A.M., TUESDAY, SEPTEMBER 1, 2026

Notice is hereby given that a meeting of the California Authority of Racing Fairs Board of Directors will commence at 10:00 A.M., Tuesday, September 1, 2026. The meeting will be held via teleconference. The call will originate from the CARF Office, 1776 Tribute Road, Sacramento, CA 95815.

Public and members of the California Authority of Racing Fairs Board of Directors may participate at the following locations:

Dial-In Number: 1-669-900-6833

Meeting ID: Meeting ID: 435 414 1156, Passcode: carf7223

Zoom Link: <https://us06web.zoom.us/j/4354141156?omn=89469748914>

California Authority of Racing Fairs
1776 Tribute Road, Suite 150
Sacramento, CA 95815

San Joaquin County Fair
1658 S. Airport Way
Stockton, CA 95206

Antelope Valley Fair
2551 West Ave. H, Suite 102
Lancaster, CA 93536

San Mateo Event Center
2495 S. Delaware Street
San Mateo, CA 94403

California Department of Food & Ag
1220 N Street
Sacramento, CA 95814

Solano County Fair
900 Fairgrounds Drive
Vallejo, CA 94589

California State Fair & Exposition
1600 Exposition Blvd.
Sacramento, CA 95815

Santa Clara County Fairgrounds
344 Tully Road
San Jose, CA 95111

Monterey County Fair
2004 Fairground Road
Monterey, CA 93940



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AGENDA
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AGENDA

- I. Attendance Roll Call.
- II. Public Comment.
- III. Board Member Comment.
- IV. Approval of Minutes: June 2, 2026.
- V. Board Chair Update.
- VI. New Business.
- VII. Report, Discussion and Action, of any, on General Liability Insurance.
- VIII. Report, Discussion and Action, if any, on Unemployment Insurance Charges Related to Golden State Racing and Settlement Agreement with Alameda County Fair.
- IX. Report, Discussion, and Action, if any, regarding the Appointment of a CARF Manager to Calypso Challenge LLC and Consideration of a Vote to Formally Dissolve the LLC.
- X. Financial Report.
- XI. Adjournment.

CALIFORNIA AUTHORITY OF RACING FAIRS
Board of Directors Meeting
Tuesday, June 2, 2026

MINUTES

A meeting of the California Authority of Racing Fairs (CARF) Board of Directors was held at 11:00 A.M., Tuesday, June 2, 2026. The meeting was held via teleconference originating from the CARF Office, 1776 Tribute Road, Sacramento, CA 95815.

CARF Board Directors joining by conference call: Armando Carlos, Dan Jacobs, Tom Keaney, Tom Martinez, Dana Stoeher and Kelly Violini.

Staff and Guests participating via conference call: Heather Haviland, Raechelle Gibbons and Raul Hernandez.

Agenda Item 1 – Attendance Roll Call. Quorum present.

Agenda Item 2 – Public Comment. None.

Agenda Item 3 – Board Member Comment. None.

Agenda Item 4 – Report, Discussion, and Action, if any, on 2024 Independent Audit Report by Gilbert CPAs. Mr. Hernandez of Gilbert CPAs presented the completed audit for the fiscal year ending December 31, 2024. Mr. Hernandez began by explaining that he had assumed responsibility for finalizing the audit following the retirement of Kevin Wong in December 2025. He provided an overview of the audit process, noting that although the opinion covers the 2024 financials, substantive audit work did not begin until late 2025 due to the timing of documentation and the complexity of several significant transactions related to Golden State Racing.

Mr. Hernandez reported that CARF received an unmodified (clean) opinion, the highest level of assurance an auditor can provide. He emphasized that there were no disagreements with management, no consultations with other auditors, and no difficulties in obtaining necessary information. He reviewed the management representation letter, confirming that management affirmed the completeness and accuracy of the financial statements.

Mr. Hernandez then discussed the most significant accounting estimates, including the collectability of receivables, net pension liability, and net OPEB liability. All estimates were found to be reasonable and consistent with industry standards.

A key finding involved a material weakness related to a \$3.2 million adjustment associated with Golden State Racing. Mr. Hernandez clarified that the weakness was not systemic but stemmed from a single, unusually large transaction that required correction to align with generally accepted accounting principles. He also noted that the audit identified conditions raising substantial doubt about CARF's ability to continue as a going concern. These concerns were mitigated by subsequent events, including loan forgiveness and the sale of capital assets, which were disclosed in expanded footnotes.

Following Mr. Hernandez's presentation, the board expressed appreciation for the thoroughness of the audit and Mr. Martinez called for questions. Hearing none, he called for a motion to adopt the audit.

ACTION: Ms. Stoehr moved to adopt the audit as presented. Mr. Keaney seconded.

YES VOTE: Mr. Carlos, Mr. Jacobs, Mr. Keaney, Mr. Martinez, Ms. Stoehr, Ms. Violini. **Motion passed unanimously as presented.**

Agenda Item 5 – Approval of Minutes: January 27, 2026. Mr. Martinez asked if there were any additions or corrections to the minutes provided in the meeting packet. Hearing none, he called for a motion to approve the minutes.

ACTION: Mr. Jacobs moved approval of the January 27, 2026 meeting minutes as presented. Mr. Keaney seconded.

YES VOTE: Mr. Carlos, Mr. Jacobs, Mr. Keaney, Mr. Martinez, Ms. Stoehr, Ms. Violini. **Motion passed unanimously as presented.**

Agenda Item 6 – Board Chair Update. Mr. Martinez provided updates on statewide fair industry trends. He noted declines in wine sales and California State Fair wine entries, as well as reduced attendance at major theme parks. Conversely, the Sacramento County Fair experienced strong attendance.

Mr. Martinez also shared legislative updates, including a bill introduced by Senator Angelique Ashby that would allocate \$20 million through GoBiz to support large festival promoters. Fairs hosting qualifying festivals may benefit from this funding.

Agenda Item 7 – New Business. Ms. Haviland reported that satellite applications continue progressing through the California Horse Racing Board (CHRB) process. Solano

County Fair's satellite was approved at the most recent meeting, and most remaining outstanding applications are awaiting fire clearance.

Agenda Item 8 – Report, Discussion, and Action, if any, on 2026 Agency Budget.

CARF Agency Budget – Ms. Gibbons joined the meeting and presented the proposed 2026 agency budget included in the meeting packet. Ms. Gibbons reported that dues revenue was projected at approximately \$304,000, with total income estimated at \$414,000 and total expenditures at \$397,000. This results in a positive margin of roughly \$16,000, excluding GASB pension adjustments.

Ms. Gibbons requested direction from the board regarding dues billing, noting that CARF had not met earlier in the year. She recommended issuing a single invoice covering January through June, then resuming standard quarterly billing for the remainder of the year.

The board reviewed the existing dues structure as well as year-to-date satellite performance based on handle. Ms. Stoehr recommended that the dues structure be revisited annually due to the volatility of racing operations. Specific adjustments for 2026 were discussed:

- Alameda County Fair's satellite handle increased by 28%, warranting a \$5,000 increase in dues.
- San Mateo County Fair's dues should be reduced by \$5,000, reflecting its already disproportionate contribution to the overall dues structure.
- Dues for smaller satellite fairs should remain unchanged.

ACTION: Mr. Keaney moved approval of the 2026 Agency Budget as presented, incorporating the discussed adjustments to the Alameda County Fair and San Mateo County Fair dues. Mr. Jacobs seconded.

YES VOTE: Mr. Carlos, Mr. Jacobs, Mr. Keaney, Mr. Martinez, Ms. Stoehr, Ms. Violini. **Motion passed unanimously as presented.**

Agenda Item 9 – Closed Session: Pending Litigation pursuant to Brown Act. Section 54956.9. Mr. Martinez reported no action was taken in closed session.

Agenda Item 10 – Adjournment. Mr. Jacobs moved to adjourn the meeting. The motion carried, and the meeting was formally adjourned.

Respectfully submitted,

Heather Haviland

[Draft] CARF unemployment charges (Q4,2025) - demand letter payment

From: heather@calfairs.net
Draft saved Thu 8/27/2026 1:13 PM

 2 attachments (201 KB)

California Authority of Racing Fairs Statement as of 07.15.2026.pdf; CARF - Settlement Agreement - executed 10.15.2025.pdf;

From: Jerome Hoban <jhoban@alamedacountyfair.com>
Sent: Wednesday, July 15, 2026 5:00 PM
To: Dana Stoehr <dstoehr@smcec.co>
Cc: Flores, Michael@CDFA <michael.flores@cdfa.ca.gov>; Vivian Wu <vwu@alamedacountyfair.com>; Raechelle Gibbons <rgibbons@cfsa.org>
Subject: FW: send to Dane with CARF - CARF unemployment charges (Q4,2025) - demand letter payment

Dana,

I hope you had a great fair. I was told you all did very well.

Related to the ongoing GSR/CARF Unemployment Charges:

We respectfully disagree that the October 15, 2025 Settlement Agreement bars ACAFA from seeking reimbursement for the specific post-October unemployment insurance charges at issue.

The Settlement Agreement did not contain a blanket release of all future, unknown, or later-received expenses. Rather, the agreement identified specific settled "Debts": (i) \$1,019,393 in accounts payable, and (ii) \$3,052,567 representing the golf course buyout balance Recital B. The agreement then states that the parties desired to compromise the "Debts" described in the agreement and release claims related to those Debts Recital D.

The operative waiver language is also limited. Section 1 provides that, upon receipt of the Settlement Amount, ACAFA would waive, forgive, and release claims for the golf course buyout and "any other financial obligations or accounts receivable CARF owes to ACAFA for invoiced as of October 15, 2025" §1. Although that sentence is not perfectly drafted, the limiting date is important: the waiver applies to obligations or accounts receivable that were invoiced as of October 15, 2025. It does not state that ACAFA was waiving reimbursement rights for expenses that were not yet known, had not yet been received, and had not yet been invoiced as of that date.

The release provision is consistent with that reading. Section 3 releases CARF from claims and obligations "arising out of, or in any way related to the Debts," except for the Settlement Amount §3. That language ties the release back to the defined "Debts" in the recitals; it does not independently release CARF from every later-arising or later-billed expense connected to GSR activities.

Nor does the Settlement Agreement contain any provision terminating all other obligations that may otherwise have existed between the parties. The agreement compromises and releases the defined "Debts" and certain financial obligations or accounts receivable invoiced as of October 15, 2025, but it does not state that all reimbursement, pass-through, operational, or other obligations between CARF and ACAFA are extinguished going forward. If the parties intended to terminate all such obligations, they could have said so expressly. They did not.

1. For that reason, ACAFA's position is that the settlement resolved the then-existing invoiced accounts payable and golf course buyout amounts, but it did not release CARF from reimbursement obligations for expenses that were not outstanding, known, received, or invoiced as of October 15, 2025. The [annual 2025](#) unemployment insurance charges fall into that latter category.

We also note that the agreement contains an integration clause. Section 9 states that the agreement constitutes the entire understanding between CARF and ACAFA, supersedes other oral or written understandings, and that no statement, representation, or promise outside the agreement is valid or binding unless contained in the agreement §9. Accordingly, while we understand CARF's position regarding the parties' general intent to resolve outstanding items, the written agreement controls, and the written agreement limits the waiver to the specified Debts and other obligations/accounts receivable invoiced as of October 15, 2025.

Accordingly, ACAFA maintains that the [annual 2025](#) unemployment insurance charges were not released by the Settlement Agreement and remain reimbursable by CARF. ACAFA remains willing to discuss a practical resolution, including a payment plan or netting the amount against other sums due, but ACAFA reserves all rights to collect the outstanding post-settlement charges.

Best Regards,

Jerome

Jerome P. Hoban
 Chief Executive Officer
 Direct | 925-426-7501



From: Dana Stoehr <dstoehr@smcec.co>
Sent: Tuesday, April 14, 2026 4:59 PM
To: Jerome Hoban <jhoban@alamedacountyfair.com>



4501 Pleasanton Ave.
Pleasanton, CA 94566

Account Statement

Bill to:

CALIFORNIA AUTHORITY OF RACING FAIRS
1776 TRIBUTE ROAD
SUITE 100 ATTN: Raechelle Gibbons
SACRAMENTO, CA 95815

Statement date: 07/15/2026

Customer ID: 00-CARF01

Date	Document	PO #	Days Due	Amount	Charges	Payments
11-14-2025	203229-IN		Overdue = 213	29,454.00	29,454.00	
03-31-2026	203440-IN		Overdue = 76	6,698.00	6,698.00	
05-20-2026	203607-IN		Overdue = 26	4,596.00	4,596.00	
					Total due	40,748.00

SETTLEMENT AGREEMENT AND GENERAL RELEASE OF CLAIMS

This Settlement Agreement and General Release of Claims ("Agreement") is entered into by and between California Authority of Racing Fairs, a joint powers authority ("CARF") and Alameda County Agricultural Fair Association, a California not for profit corporation ("ACAFA"). CARF and ACAFA may hereafter be referred to each as a "Party" and collectively as "Parties," as appropriate.

RECITALS

- A. CARF and ACAFA entered into a series of financial transactions in which ACAFA advanced or lent funds to CARF for racing operations on ACAFA's property.
- B. As of the date of this Agreement, CARF is indebted to ACAFA in the amount of \$1,019,393, for accounts payable and the amount of \$3,052,567, representing the balance owed for the golf course buyout. The accounts payable and the golf course buyout are collectively referred to as "Debts".
- C. The entire unpaid balance of the Debts is immediately due and owing.
- D. The Parties now desire to fully and finally reconcile the compromise the Debts as hereinafter described and to release the other Party from any and all claims related to the Debts.

AGREEMENT

NOW, THEREFORE, in consideration for the following terms, covenants, and conditions, the Parties agree as follows:

1. **Payment and Waiver.** In consideration of the promises and covenants contained in this Agreement, CARF agrees to pay ACAFA the gross sum of \$1,019,393 ("Settlement Amount") within 5 working days from full execution of this Agreement. The Settlement Amount shall be delivered to ACAFA at 4501 Pleasanton Ave., Pleasanton, CA 94566. Upon receipt of the Settlement Amount, ACAFA shall waive, forgive and release any and all claims for the golf course buyout in the amount of \$3,052,567 or any other financial obligations or accounts receivable CARF owes to ACAFA for invoiced as of October 15, 2025.

2. **Failure to Pay Settlement Amount.** If CARF fails to pay the Settlement Amount timely, the entire amount of the Debts, will be immediately due and owing. ACAFA shall be entitled to pursue all remedies at law and equity to collect the Debts without any delay or notice to CARF.

3. **Release of Claims.** In consideration of the covenants and promises set forth in this Agreement, and upon full payment of the Settlement Amount, ACAFA and its agents, representatives, successors in interest, predecessors in interest, assigns, and each of them, forever release and discharge CARF and its officers, directors, employees, agents, representatives, predecessors, successors, and related entities and assigns, and each of them (collectively the "Releasees"), from any and all actions, causes of action, claims,

liabilities, obligations, judgments, debts, rights, fees, damages, penalties, losses, attorneys' fees, and costs, whatsoever, whether in law or equity, arising out of, or in any way related to the Debts, save and except for the Settlement Amount.

4. Attorneys' Fees. The Parties acknowledge and agree that they shall bear their own costs, expenses, consultant and attorneys' fees, if any, arising out of and/or connected with the negotiation, drafting and execution of the Agreement, and all matters arising out of or connected therewith, except that, in the event any action is brought arising out of or in connection with this Agreement or any of its terms, the prevailing party shall be entitled to reasonable attorneys' fees, expenses and costs to all other relief to which that Party may be entitled.

5. Venue Selection. In the event that any action is commenced to enforce any of the terms of this Agreement, such action must be commenced in the Superior Court of California, County of Alameda.

6. Interpretation. This Agreement shall be construed as a whole, according to its fair meaning, and not in favor of or against any Party. By way of example and not in limitation, this Agreement shall neither be construed in favor of the Party receiving a benefit nor against the Party responsible for any particular language in this Agreement. Captions are used for reference purposes only and should be ignored in the interpretation of the Agreement.

7. Severability of Provisions. If any provision of this Agreement is determined to be invalid or unenforceable, then the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement and all other provisions shall remain in full force and effect.

8. Electronic Signature and Counterparts. Electronic signature of this Agreement shall have the same force and effect as an original signature. This Agreement may be executed in counterparts which, taken together, shall constitute one and the same instrument.

9. Entire Agreement. This Agreement constitutes the entire understanding between CARF and ACAFA and supersedes any other oral or written understanding or agreement. No person or party is authorized to make any representations, warranties, or promises except as set forth in writing in this Agreement. No statement, agreement, representation, or promise by any person which is not contained in this Agreement shall be valid or binding. No modification of this Agreement shall be of any force or effect, unless in writing and executed by CARF and ACAFA.

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By executing this Agreement below, the Parties understand that they are entering into a binding and enforceable contract subject to the above terms and conditions.

Date: 10/14/2025

California Authority of Racing Fairs

Signed by:
By: Dana Stoelch
2670494F2175410...

Date: 10/15/2025

Alameda County Agricultural Fair Association

DocuSigned by:
By: Sharon P. Adon
F76F40D9243A4CB...

IX.

Article VIII. Designation of Management

Article XIV. Successor Manager

Article XVI. Termination and Liquidation

OPERATING AGREEMENT
FOR CALYPSO CHALLENGE, LLC

Effective as of September 1, 2021

This OPERATING AGREEMENT FOR CALYPSO CHALLENGE, LLC (“**Operating Agreement**” or “**Agreement**”) is made and entered into effective as of September 1, 2021 (the “**Effective Date**”), by the Manager and by the applicable Class A Members and the Class B Member, all of whom are described on Exhibit “A” attached hereto and incorporated herein by this reference, with all of the foregoing to be referred to in each of their respective capacities as a “**Member**” of CALYPSO CHALLENGE, LLC (the “**Company**”), and collectively as the “**Members**” of the Company, who agree as follows:

W I T N E S S E T H :

WHEREAS, the Company’s Articles of Organization, California Secretary of State Form LLC-1, were filed with the California Secretary of State (“**Filing Office**”) on April 26, 2021, pursuant to the Beverly-Killea Limited Liability Company Act, California Corporations Code Section 17700 et seq., as may be amended from time to time (the “**Act**”);

NOW, THEREFORE, for good and valuable consideration, and for the covenants and agreements hereinafter set forth, the receipt and adequacy of which is hereby expressly acknowledged, the parties agree that the rights, obligations and interests of the Company’s Members are as follows:

ARTICLE I

Operation of Company

The Members unanimously agree by their execution hereof, to operate the Company pursuant to the provisions of this Agreement and the Act. The business and affairs of the Company shall continue to be conducted under the name "CALYPSO CHALLENGE, LLC" or such other name or names as may be designated from time to time by the Management.

ARTICLE II

Principal Place of Business: Agent for Service of Process

The principal place of business of the Company shall be 1776 Tribute Road, Suite 150, Sacramento, California, 95815, and/or such other places of business as may be designated by Management. The Company’s initial agent for service of process shall be Ann Grottveit, Kahn, Soares & Conway, LLP, 1415 “L” Street, Suite 400, Sacramento, California, 95814. Management from time to time may change the Company's agent for service of process.

ARTICLE III

Purposes and Powers of the Company

Section 3.1 Purpose

A. General. The purpose of the Company: (i) is to provide content and related collateral materials for fantasy sports contests in a California based para-mutual type setting, to include intra-state mobile and web applications and out of state entities and jurisdictions, when permitted, and/or to integrate or commingle such activities into California created contests, (ii) may include owning, holding, selling, constructing, leasing, transferring, exchanging, operating and/or managing properties or facilities; (iii) may include engaging in permitted lobbying efforts; (iv) may include contracting for labor on an independent contractor or other permitted basis; and (v) is to transact any and all lawful business that is incident, necessary and appropriate to accomplish the foregoing; and, (v) in general, to carry on any business activity permitted, and to exercise all the powers and rights granted a limited liability company, under the Act (the “**Business**”).

B. Business Purpose Limitations. However, notwithstanding any other provision of this Operating Agreement to the contrary, the Company shall not do any of the following:

(1) merge into or consolidate with any person or dissolve, terminate or liquidate in whole or in part, transfer or otherwise dispose of all or substantially all of its assets or change its legal structure, without receiving in each applicable case, consent from any of the Company's Lenders (if and as applicable), or any of the Company's prospective Lenders or any of such Lenders' assigns (if and as applicable);

(2) fail to preserve its existence as a limited liability company, validly existing and in good standing under the laws of the jurisdiction of its organization or formation; or, amend, modify, terminate or fail to comply with the provisions of this Operating Agreement, as the same may be further amended or supplemented, if such amendment, modification, termination or failure to comply would adversely affect the Company's ability to perform its obligations hereunder or as are otherwise owed to any Lenders;

(3) commingle its assets with the assets of any of its Members, or any other Person;

(4) incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation) other than any loans and trade payables incurred in the ordinary course of business, provided the same are paid when due and otherwise consistent with the terms and provisions of this agreement (but also see Sections 3.2.A.(3), 3.2.B., 7.1 and 7.2);

(5) fail to maintain its records, books of account and bank accounts separate and apart from those of its Members and Affiliates, the Affiliates of any of its Members, and any other Person;

(6) enter into any contract or agreement with any of its Members, or any Affiliates of any of its Members, except upon terms and conditions that are intrinsically fair and substantially similar to those that would be available on an arms-length basis with any non-Member third parties;

(7) seek its dissolution or winding up in whole, or in part without having satisfied or discharged all its obligations and liabilities;

(8) maintain its assets in such a manner that it will be costly or difficult to segregate, ascertain or identify its individual assets from those of any of its Members and Affiliates, the Affiliates of any of its Members, or any other Person;

(9) fail to timely file its state and federal tax returns;

(10) agree to, enter into or consummate any transaction which would render it unable to confirm that: (i) it is not an “employee benefit plan” as defined in Section 3(32) of the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), which is subject to Title I of ERISA, or a “governmental plan” within the meaning of Section 3(32) of ERISA; (ii) it is not subject to state statutes regulating investments and fiduciary obligations with respect to governmental plans; and (iii) less than twenty-five percent (25%) of each of its outstanding class of equity interests are held by “benefit plan investors” within the meaning of 29 C.F.R. § 2510.3-101(f)(2);

(11) fail either to hold itself out to the public as a legal Person separate and distinct from any other Person or to conduct its business solely in its own name in order not to mislead others as to the identity with which such other party is transacting business; or

(12) fail to maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations.

Section 3.2 Powers

A. In furtherance of the above purposes, but subject in all cases to Section 3.1 above and Section 8.2 below, the Company shall have the following powers:

(1) to acquire Property, real or personal, in fee or under lease, or any rights therein or appurtenant thereto, necessary or convenient for the business and operations of the Company;

(2) to enter into, perform and carry out contracts of any kind, including contracts with Affiliates, necessary to, in connection with, or incidental to, the accomplishment of the purposes of the Company;

(3) to borrow money and to issue evidence of indebtedness, and to secure the same by mortgage, pledge or other lien on any assets of the Company, in furtherance of any and all of the purposes of the Company;

(4) to repay in whole or in part, refinance, recast, increase, modify or extend any mortgages, pledges or liens affecting the Company's Property, and in connection therewith to execute any extensions, renewals or modifications of any such mortgages, pledges or liens; and

(5) to carry on any other activities necessary to, or in connection with, or incidental to, the accomplishment of the purposes of the Company, so long as such activities may be lawfully carried on or performed by a limited liability company under the Act and other applicable laws of the State.

B. The Members hereby designate CARF as it's Manager (also referred to herein as "**Management**", as applicable) as the Company's attorney-in-fact to manage the company and to execute all loan, operational, contractual and/or other type documents, schedules, plans and/or commitments on the Company's behalf with respect to all Company operations. However, notwithstanding the foregoing, neither Management nor any Manager may execute any guaranty or other document on behalf of any Member that imposes personal liability on any such Member without first obtaining the prior written approval thereof by both a majority Vote of the Membership Interests of the Class A Members of the Company and also such obligated Member.

C. Except as expressly provided herein, no Member shall have any authority to act for, or assume any obligations or responsibility on behalf of, any other Member or the Company.

ARTICLE IV

Term

The term of existence of the Company commenced on the effective date of the filing of Articles of Organization with the Filing Office and shall continue thereafter until December 31, 2050, unless sooner terminated by operation of law or in accordance with the provisions of this Agreement (the "**Term**").

ARTICLE V

Capital Contributions

Section 5.1 Initial Capitalization and Conditions Precedent

A. **Capital Contributions.** The Class A and Class B Members shall contribute capital and business opportunity to the Company in the aggregate amounts described in Exhibit "A" attached hereto and made a part hereof.

B. **Conditions Precedent.** The following conditions precedent ("**Conditions Precedent**") must be satisfied in full in order for this Operating Agreement to be deemed fully executed and effective:

All initial Capital Contributions of Class A Members must be delivered to the Company in their entirety, with the exception of contributions described as services in Exhibit A.

(1) Note, once a Class B Member, at the time of its admission (see Section 5.10.C. below), has made its required initial Capital Contribution, thereafter it shall not be obligated to make any further contributions pursuant to any other additional capital calls unless voluntarily agreed to by Management said such Class B Member.

(2) The finalization and/or delivery of any documents required or requested by Management as may be reasonably necessary to commence the Company's business; and

(3) This Agreement being executed (in whole or in counterpart) by all parties hereto.

C. Compliance Date for Formation. It is initially anticipated that the sum total of all the transactions herein described, as delineated by the Conditions Precedent described above in Section 5.1.B shall be completed on or before the close of business on September 30, 2021 ("**Compliance Date**"), or such later date as is agreed to by Management. However, it is acknowledged that Management may extend the Compliance Date as is reasonably necessary to effectuate this Agreement, the structuring of the Company and/or the admission of members to the Company, and to satisfy the Conditions Precedent hereinabove described in Section 5.1.B. If initial Capital Contributions are not completed by the established Compliance Date (unless further extended by Management), the same shall be deemed a failure of the Conditions Precedent, and this Agreement shall be null and void *ab initio* as to the Defaulting Member, or in its entirety if so elected by Management.

Section 5.2 Additional Capital Contributions

A. If Management determines that the Company does not have sufficient working capital to meet legal, regulatory and/or legislative challenges to a fantasy sports platform, then Management may make additional capital calls (each a "**Call**") to CARF, a Class A Member, with said Calls not occurring less often than monthly, in amounts of up to \$50,000.00 per Call, but with the total amount of the Calls not to exceed a total of \$250,000.00 per such Class A Member.

B. If the foregoing is insufficient to provide adequate operating and working capital for the Company, then Management may seek a majority vote of the Class A Members to obtain additional capital, in such amounts as may be required to continue the operations of the Company, which funding may include, but not be limited to, additional capital calls, Operating Loans, or other third party financing as Management may determine.

Section 5.3 No Interest on Capital Contributions

As of the effective date of this Agreement, upon the close of all required elements and concomitant satisfaction of Conditions Precedent, no interest shall be paid to the Members upon or with respect to any Capital Contributions.

Section 5.4 Failure to Make Capital Contributions

With respect to Section 5.1, Part B above set forth, in the event any Member shall fail to make any required initial Capital Contributions when due (a “**Defaulting Member**”):

A. On the occurrence of, and for the duration of, any default of this Operating Agreement by any Class A Member (“**Defaulting Class A Member**”) as to its obligation to make its initial Capital Contribution in accordance with Section 5.1.A (and per Exhibit “A” attached hereto), the Defaulting Member shall not have any right to Vote the Defaulting Class A Member’s Membership Interest or otherwise participate in the business and affairs of the Company and any and all provisions of this Agreement with respect to the same shall be determined without including the Membership Interest of the Defaulting Class A Member. The foregoing provision shall be in addition to the Company’s remedies under Corporations Code §17704.03. On satisfaction of a Defaulting Class A Member’s obligations (whether by enforcement of a remedy or otherwise), that Member shall be restored to membership status to the full extent of its Membership Interest.

B. With respect to Class B Members, if any there be, the Defaulting Class B Member will not have any right to Vote the Defaulting’s Member’s Membership Interests, if and where applicable, and any and all provisions of this Agreement with respect to the same requiring the consent of the Class B Member shall be determined without including the Membership Interests of the Defaulting Class B Member. The foregoing shall be in addition to the Company’s remedies under Corporations Code §17704.03. Further, the Defaulting Class B Member shall be liable for any and all damages, costs, fees, liabilities, charges or deficiencies incurred by the Company default by the Class B Member’s default, even if such indemnification exceeds the initial amount of the agreed upon Capital Contribution.

Section 5.5 Withdrawal of Capital

No Member shall have the right to withdraw any capital contributed to the Company except as may be specifically provided in this Agreement.

Section 5.6 Liability of Members

Except as specifically provided herein or in the Act, no Member shall be liable for Company obligations in an amount in excess of its aggregate Capital Contributions to the Company.

Section 5.7 Property Other Than Cash

No Member shall have the right to demand or receive Property other than cash in return for its Capital Contribution, as its interests may appear in the accounts of the Company; and, except as is provided below in Articles X, XI and XII, no Member shall have priority over any other Member, either as to contributions of capital or as to compensation by way of income.

Section 5.8 Capital Accounts

An individual Capital Account shall be established and maintained for each Member. The Capital Account of each Member shall be:

(i) credited with (a) the amount of cash or other assets each such Member has contributed to the Company, plus (b) the fair market value of any Property such Member has contributed to the Company net of any liabilities assumed by the Company or to which such Property is subject, plus (c) the amount of profits or gain of the Company allocated to such Member; and

(ii) charged with (a) the amount of losses and deductions of the Company allocated to such Member, (b) the amount of all cash distributed by the Company to such Member (but excluding in this provision any payments for fees for contracted, independent approved services that may be provided by a Member), (c) the fair market value of any Property distributed by the Company to such Member net of any liabilities assumed by the Company or to which such Property is subject, and (d) such Member's share of any other expenditures of the Company which are not deductible by the Company for Federal income tax purposes or which are not allowable as additions to the basis of the Company Property; and

(iii) subject to other such adjustments as may be required or permitted under the Code.

Section 5.9 Negative Capital Account Makeup Obligations

Subject to the Code, its Regulations and this Agreement, as applicable, in the event any Member has a negative balance in its Capital Account following the liquidation of the Company, or its interest in the Company, after taking into account all Capital Account adjustments for the Company's taxable year in which the liquidation occurs, and such Member(s) has/have executed a Limited Deficit Restoration Obligation Agreement, such Member(s) shall pay to the Company in cash the lesser of: (i) an amount equal to the negative balance in its Capital Account, or (ii) the amount reflected in the Limited Deficit Restoration Obligation Agreement.

Section 5.10 Classes of Membership - Ownership Interests – Admission of Class B Member

A. The Membership Interests of the Company shall be represented by the Class A Ownership Interests and the Class B Ownership Interests. No additional classes of Membership Interests of the Company shall be created or issued without the prior unanimous consent of all the Class A Members.

B. As described on Exhibit "A", at the time of formation of the Company the Member(s) holding the Class A and Class B Ownership Interests in the Company total one hundred percent (100%) as to the Class A Member(s); and zero percent (0.00%) as to any as-yet undefined Class B Members.

C. At any time after the execution of this Agreement by the Class A Members, the Class A Members, upon unanimous Vote, may admit one (1) or more Class B Members from time to time. The Class A Members agree that for the first Class B Member, CARF will allocate five percent (5.00%) of its respective ownership interests to the new Class B Member such that CARF immediately thereafter will hold a forty-six percent (46.00%) ownership interest in the Company, and Calypso Con, LLC will allocate five percent (5.00%) of its respective ownership interests to the new Class B Member such that Calypso Con, LLC immediately thereafter will hold a forty-four percent (44.00%) ownership interest in the Company, and the Class B Member will hold a ten percent (10.00%) ownership interest in the Company. Any further admission of other Class B Members shall require the unanimous Vote of all Class A Members. Upon the admission of a Class B Member to the Company, the parties will prepare an amendment to this Agreement reflecting such admission and the Class B Member's acknowledgment of the validity of this Operating Agreement and its agreement to abide by the terms of this Operating Agreement.

ARTICLE VI

Intentionally Omitted

ARTICLE VII

Loans

Section 7.1 Company Borrowings

If, at any time or from time to time, Management determines that additional funds are required to carry on the business of the Company in the manner contemplated hereunder, and that it is prudent and reasonable to do so, the Company may borrow, with the consent and direction of the Manager, in lieu of or in addition to obtaining funds from any other source, such funds as may be required by the Company, upon such reasonable terms and conditions as Management in its sole discretion may determine.

Section 7.2 Operating Loans

In lieu of or in addition to borrowing funds pursuant to Section 7.1 hereof, each Member, with Management's approval and direction, in Management's sole discretion, may be allowed to advance or cause to be advanced funds to the Company. Such advances (herein called "**Operating Loans**") shall be deemed to be loans rather than Capital Contributions and shall bear interest at Bank of America's Prime Rate posted for the first day of each calendar quarter plus one percent (1.0%). Operating Loans shall be evidenced by promissory notes of the Company ("**Operating Notes**") and shall be repaid in the manner and at the times specified below in Sections 11.2 and 12.1. If the Members so determine, and subject to the approval, if required, of any applicable Lenders or governmental authorities having any control, authorization rights or jurisdiction over the operations of the Company, such Operating Notes may be secured by a lien on some or all Property owned by the Company (as is prudent), or on the Company's beneficial interest therein (or so much thereof as is then owned by the Company), evidenced by a security instrument (which

may be, among other types, a mortgage, deed of trust, security agreement or collateral assignment of beneficial interest) in appropriate form with respect to the law of the jurisdiction in which such Property to be liened is located, subject to theretofore existing liens, if any, of mortgages granted by the Company or to which such Property was subject when acquired by the Company, and to any other liens theretofore granted by the Company. Such security instrument also shall contain provisions requiring its subordination by its holder to any lien thereafter granted by the Company or its successors in title to a recognized bank, savings and loan association or other lending institution.

Section 7.3 Benefit

The undertakings of the Members as described in Section 5.1.A and this Article VII are made for the benefit of the Members and the Company and shall not inure to the benefit of any creditor of the Company other than a creditor who also is a Member.

ARTICLE VIII

Rights, Duties and Powers

Section 8.1 Designation of Management

The number of Managers of the Company who shall constitute "**Management**" shall be one (1). Management may be changed as provided in Article XIV. The powers of the Company and the affairs of the Company will be exercised by or under the authority and direction of Management. The day-to-day activities of the Company shall be controlled by Management. CARF shall be the Manager of the Company.

Section 8.2 Composition, Rights and Responsibilities of Management

A. **Term.** A Manager will hold office until his/her/its successor has been appointed and qualified, or until the earlier of his or her death (in the case of a Manager who is a natural person), or its dissolution (in the case of a Manager that is a business organization), or his/her/its resignation or removal, all as provided in this Agreement.

B. **Vacancy.** Any vacancy occurring in Management may be filled as provided below in Article XIV.

C. **Responsibilities.** Subject to the limitations set forth herein, Management shall be solely responsible for the management of the Company's business with all rights and powers generally conferred by law or necessary, advisable or consistent in connection therewith. All decisions with respect to the management and control of the Company which are made by Management as aforesaid shall be binding on the Company and all Members. However, notwithstanding the foregoing, Major Decisions (as defined below in Article XVIII) shall require the unanimous consent of all the Members.

Section 8.3 Duties and Powers of Management

Management has full and sole authority to cause the Company to exercise the powers conferred on the Company in Article III. Management shall use reasonable efforts to carry out the purposes, business and objectives of the Company referred to in Article III, and shall devote to the Company business such time and effort as shall be reasonably required for the proper conduct of the business of the Company. Anything in this Agreement to the contrary notwithstanding, all Persons dealing with the Company may rely upon the authority of Management to execute, for and on behalf of the Company, any contract or other document pertaining to the business of the Company and every contract, deed, mortgage, lease and other instrument executed by Management shall be conclusive evidence in favor of every Person relying thereon or claiming thereunder that at the time of the delivery thereof the execution and delivery of such instruments were duly authorized by the Management in accordance with this Article VIII. No Member (except a Member who also is a Manager or an agent of Management, and then only in its capacity as Manager or agent) acting in its capacity as a Member shall be entitled to bind the Company. Management, however, is authorized and empowered to designate and appoint any agents and/or attorneys-in-fact to act for any one or more purposes for and on behalf of the Company, and any Person dealing with the Company may rely upon the efficacy of any such designation, appointment or power of attorney authorizing any such agent or attorney-in-fact to act for and on behalf of the Company to the same extent as if the action so authorized had been taken by Management. Every contract, agreement, or other instrument or document executed by Management or by any such agent and/or attorney-in-fact so designated by Management shall be conclusive evidence in favor of every Person relying thereon or claiming thereunder that at the time of delivery thereof: (i) the Company was in existence; (ii) Management or such agent or attorney-in-fact was duly authorized to execute such instrument; and (iii) this Agreement had not been terminated, canceled or amended in any manner so as to restrict such authority.

Section 8.4 Prohibited Acts and Limitations

Nothing contained in this Article VIII shall be construed as giving Management the power or right to possess Company Property for other than a Company purpose, nor to do any act prohibited by the terms of any statutes, ordinances, regulations or agreements applicable to the Company. All powers and rights of Management always shall be subject to the foregoing so long as the same continue in force and to be applicable to this Company as aforesaid.

Section 8.5 Compensation of Managers

Manager shall not be entitled to a guaranty payment or other compensation solely because of its role as a Manager.

Section 8.6 Indemnity of Managers

Managers shall be entitled to indemnity from the Company for any liability arising out of any act performed by them within the scope conferred upon them by this Agreement, provided that the Managers acted in good faith and in a manner reasonably believed to be in, or not opposed to, the best interests of the Company and its Members. Any indemnity under this Section 8.6 shall be

provided out of and to the extent of Company assets only, and no Member shall have any personal liability on account thereof.

Section 8.7 Removal of Managers

Managers may be removed for Cause, but only with the prior written consent of all Members, including Class B Members, if any, and including the Manager (if a Member) subject to removal and/or replacement. In such event, the removed Manager, if a Member, shall continue to be a Member and have voting rights with respect and in proportion to its Ownership Interest under this Agreement and will continue to receive its Profit and Loss allocations and cash distributions, consistent with the terms and provisions of the Agreement, and a new Manager shall be elected as provided below in Article XIV.

Section 8.8 Meetings

Neither the Members nor Management are required to hold formal meetings. Decisions requiring Member/Manager input or vote may be reached through one or more informal consultations followed by agreement among the appropriate vote of the Members/Managers, as applicable, provided that all Members are consulted, as is applicable or required (although all Members need not be present during a particular Member consultation), or by a written consent signed by the required majority of Members. In the event Members wish to hold a formal meeting (a “**Meeting**”) for any reason, the following procedures shall apply:

(a) Any Member may call a Meeting of the Members by giving Notice of the time and place of the Meeting at least one (1) week prior to the time of the holding of the Meeting. The Notice need not specify the purpose of the Meeting. The Meeting shall be held at the principal executive office of the Company.

(b) Members holding a Majority of Ownership Interests shall constitute a quorum for the transaction of business at any Meeting of the Members.

(c) The transactions of the Members at any Meeting, however called or noticed, shall be as valid as though transacted at a Meeting duly held after call and notice if a quorum is present and if, either before or after the Meeting, each Member not present signs a written waiver of notice, a consent to the holding of the Meeting, or an approval of the minutes of the meeting.

(d) Any action required or permitted to be taken by the Members under this Agreement may be taken without a Meeting if the Members holding sufficient Ownership Interests to approve the issue in question individually or collectively consent in writing to such action.

(e) Members may participate in the meeting through the use of a conference telephone or similar communications equipment, provided that all Members participating in the Meeting can hear one another.

(f) The Members shall keep or cause to be kept with the books and records of the Company full and accurate minutes of all Meetings, Notices, and waivers of Notices of Meeting, and all written consents in lieu of meetings.

ARTICLE IX

Independent Ventures - Self-Dealing Provisions

Section 9.1 Competition

A. Any of the Members, including any Manager, may engage in or possess an interest in other business ventures of any and every nature and description, either independently or with others, so long as the same is not in conflict with the business and purpose of the Company. Neither the Company nor the other Members shall have any right by virtue of this Agreement in and to such independent ventures or to the income, gain or profits derived therefrom by a Member.

Section 9.2 Business Arrangement with Members

The fact that a Member, including any Managers, or its stockholders, officers, directors or Affiliates, as the case may be, is employed by, or is directly or indirectly interested in or connected with, any person, firm, or corporation employed by the Company to render or perform a service, or to whom or which the Company shall convey any Property or lease any space, or from whom or which the Company shall acquire any Property or lease any space, shall not prohibit Management from contracting with or otherwise dealing with him or it so long as such activity is entered into upon terms and conditions that are intrinsically fair and substantially similar to those that would be available on an arms-length basis with any other non-member or third party. Neither the Company nor any of the other Members, as such, shall have any rights by virtue of this Agreement in or to any income or profits derived therefrom.

ARTICLE X

Profits and Losses

Section 10.1 Basic Ratio

Except as provided in Section 10.3, the Profits and Losses of the Company shall be allocated among the Members first, as to Profits, if and only if there is an actual distribution of cash reflecting the availability of distributable cash, all as described below in Section 11.4, in proportion to the respective Member's Ownership Interests (see Section 11.4 second).

The term "Profits and Losses" as used in this Agreement shall mean income and losses, and each item of income, gain, loss, deduction or credit entering into the computation thereof, as determined in accordance with the accounting methods followed by the Company and computed in a manner consistent with Treasury Regulation Section 1.704-1(b)(2)(iv). Profits and Losses for Federal income tax purposes shall be allocated in the same manner as Profits and Losses for purposes of this Article X and below in Article XI, except as provided in Section 10.3.B.

Section 10.2 Individual Items

Except as otherwise specifically provided herein, whenever a proportionate part of the Company's Profits or Losses is credited or charged to a Member's capital account, each item of income, gain, loss, deduction or credit entering into the computation of such Profits or Losses, or applicable to the period during which such Profits or Losses were realized, shall be considered credited or charged, as the case may be, to such account in the same proportion.

Section 10.3 Special Tax Provisions. To the extent necessary or otherwise required:

A. Section 704 of the Code and the Regulations issued thereunder, including but not limited to the provisions of such regulations addressing qualified income offset provisions, minimum gain chargeback requirements, partner nonrecourse debt minimum gain chargeback provisions and allocations of deductions attributable to nonrecourse debt and partner nonrecourse debt, are hereby incorporated by reference into this Agreement.

B. Income, gain, loss and deduction with respect to Company Property which has a variation (if any) between its basis computed in accordance with Treasury Regulation Section 1.704-(b) and its basis computed for Federal income tax purposes shall be shared among Members so as to take account of the variation in a manner consistent with the principles of Section 704(c) of the Code and Treasury Regulation Section 1.704-3.

ARTICLE XI

Gross Receipts, Required Payments and Cash Flow of the Company

Section 11.1 Payments of Vendors and Suppliers from Gross Receipts. Gross receipts first shall be used to pay all vendors, providers, suppliers, employees and other third parties for services provided to or for work contracted with the Company.

Section 11.2 Delivery of Guaranteed Payment.

A. **Guaranteed Payment in Year 1.** Calypso Con, LLC shall receive a guaranteed payment in year 1 (as defined below) of the operation of the Company in the amount of \$250,000 for the services it contributes as capital contributions. In consideration of these services, the timing for the delivery of such payments by the Company to Calypso Con, LLC shall be as follows: Company will provide a retainer of \$50,000 upon the effective date of this Operating Agreement, and Calypso Con, LLC shall invoice Company on a monthly basis at a rate of \$16,667, commencing September 1, 2021 and continuing for twelve (12) months total.

Year 1 is the period from September 1, 2021 through August 31, 2022.

B. **Guaranteed Payment in Year 2.** Calypso Con, LLC shall receive a guaranteed payment in year two (2) (as defined below) of the operation of the Company in the amount of \$250,000 for the services it contributes as capital contributions. In consideration of these services, the timing for the delivery of such payments shall be as follows: Calypso Con, LLC shall invoice

Company on a monthly basis at a rate of \$20,833, commencing September 1, 2022 and continuing for twelve (12) months.

Year 2 is the period from September 1, 2022 through August 31, 2023.

C. **Guaranteed Payment in Year 3.** In year three (3) and following, i.e., after September 1, 2023, there will be no requirement for a guaranteed payment to Calypso Con LLC, except by an amendment of this Operating Agreement. Manager and Calypso Con, LLC agree to meet and discuss provisions regarding Calypso Con, LLC's scope of work and services as described in Exhibits A and A.1 no later than March 1, 2023, and at the sole discretion of Manager, to amend the Operating Agreement if necessary.

D. Guaranteed Payments made to Calypso Con LLC under this Section 11.2 shall not be reduced, offset, or refunded by any Losses described in Section 11.5 B., below.

Section 11.3 Cash Flow

A. For all purposes of this Agreement, the term "**Cash Flow**" shall mean the profits or losses of the Company (as said profits and losses shall be determined for purposes of this Agreement in accordance with law and with sound fiscal planning), subject to any applicable requirement of any Lenders or governmental agencies, and further subject to the following:

(1) In determining Cash Flow for any year, there shall be added: (a) depreciation, amortization of prepaid items and deferred costs and other non-cash charges; (b) payments to the Company out of the proceeds of business interruption insurance; (c) amounts accrued for such year by the Company and expensed or deducted for such year in calculating Company profits and losses, but payable only from Cash Flow for such year pursuant to this Agreement; and (d) income amounts received during the year but accrued and reflected in profits and losses for another year.

(2) In determining Cash Flow for any year, there shall be subtracted: (a) principal payments on Company indebtedness, (b) payments to reserve accounts (and interest accruing thereon to the extent retained therein) required by any Lenders, (c) other reasonable payments to the Company reserve accounts determined by Management, (d) payments for capital expenditures, unless withdrawn from Company reserve accounts, (e) fees and other cash expenditures permitted by this Agreement to the extent actually paid by the Company in such year to the extent not expensed or deducted for such year in calculating Company profits and losses (except for any such payments of items referred to in this clause (2) made out of capital contributions, proceeds of a capital transaction or other sources not included in determining such profits and losses), (f) other payments made out of gross receipts as required, and (g) income amounts reflected in profits and losses for the year but actually received by the Company in another year; and

(3) Gain or losses from any sale, exchange, eminent domain taking, damage or destruction by fire or other casualty (whether or not insured) or other disposition of all or any part of the Property (other than the proceeds of any business or rental interruption insurance), capital

contributions to the Company and the proceeds of any mortgage and loan or refinancing proceeds shall not be included in such profits and losses in determining Cash Flow and may be retained for business operating purposes.

B. Cash Flow shall be determined separately for each fiscal year, and shall occur on or before May 15th of each such subsequent year after the Company's financial statement has been completed (or the following business day if it falls on a weekend), and shall not be cumulative.

Section 11.4 Cash Flow Distributions

The Cash Flow of the Company and such portions thereof as are to be distributed shall be determined by Management (and the Company's CPAs) for each fiscal year of the Company. Management shall make, to the extent funds reasonably are available and not otherwise required to be retained by the Company for reasonable commercial purposes, regular periodic distributions (and in no event less frequently than annually) to the Members of Company Cash Flow in the manner and amounts hereinafter provided:

First, to repay principal and applicable accrued interest on outstanding Operating Loans; and

Second, to all Members in accordance with their respective Ownership Interests in the Company. The distributions described in this Section 11.4, *part Second* to be made to the Members in each class shall be allocated to each of them in the ratio which the Ownership Interest of each such Member bears to the aggregate Ownership Interests of all the Members of the Company.

Section 11.5 Allocations and Distributions

A. All payments made to Calypso Con, LLC under Section 11.2 hereinabove set forth with regard to said Member's guaranteed payment shall be deemed an advance on distributions of allocable profits, and the amount of profits distributable to Calypso Con, LLC from any approved distribution to the Members shall be reduced by the guaranty amount previously so advanced.

B. All Profits and Losses, and allocations and distributions of the same to the Members, shall be credited or charged, as the case may be, to their Capital Accounts as of the date at which Profits and Losses are determined, as applicable.

C. Except as may be otherwise expressly provided to the contrary in this Agreement, the Members' Capital Accounts shall be maintained, both for book purposes and for federal income tax purposes in the manner provided in Treasury Regulations 1.704-1(b) (the "**Regulations**") and Profits and Losses and items thereof for book purposes, and all items of income, deduction, gain, loss or credit for Federal income tax purposes shall be allocated among the Members in a manner consistent with the Regulations, so that the allocations provided in this Agreement may, to the extent possible, have "substantial economic effect" within the meaning of the Regulations.

ARTICLE XII

[Intentionally Omitted]

ARTICLE XIII

Accounting

Section 13.1 Books and Reporting

A. Management shall keep or cause to be kept a complete and accurate set of books and supporting documentation of transactions with respect to the conduct of the Company's business. The books of the Company shall be kept on an accrual basis and at all times shall be maintained at the principal office of the Company or at such other location as Management may determine. Each of the Members and their duly authorized representatives shall have the right to examine the books of the Company and all other records and information concerning the operation of the Property at reasonable times.

B. Management shall determine and prepare or cause to be prepared a balance sheet, statement of profit and loss, statement of receipts and disbursements including its best estimate of Cash Flow available for distribution to the Members, statement of surplus (or deficit) cash, statement of loans payable and any other statements Management deems necessary to comply with the requirements of this Agreement. Said balance sheet and statement of profit and loss shall be prepared in accordance with generally accepted accounting principles applied consistently with prior periods and, to the extent required by law or any Lenders, shall be audited by auditors appointed by Management, which auditors shall provide to the Company, if and as required, a management letter which shall be distributed to all Members. As a note to the statement of loans payable, there shall be included a schedule of all loans to the Company from Affiliates or any other party, setting forth the section of this Agreement under which such debt was incurred, and the purpose for which such loan was applied by the Company. Such schedule shall demonstrate that loans have been made, used, carried on the books of the Company (and repaid, as applicable) in accordance with the provisions of this Agreement. Management, promptly upon preparation or receipt of such balance sheet and statements and in any event within one hundred four (104) days after the end of each fiscal year, shall transmit to all Members a copy thereof. Management shall cause the Company's certified public accountants ("CPAs") to prepare federal and state income tax returns of the Company, and Management shall use reasonable efforts to cause such CPAs to prepare such tax returns within one hundred four (104) days after the end of such fiscal year. Management shall cause such tax returns to be filed on a timely basis and shall promptly after the filing thereof transmit to all the Members a copy of such tax returns.

Such reports and estimates shall clearly indicate the methods under which they were prepared, and shall be made at the expense of the Company.

Section 13.2 Bank Accounts

The bank accounts of the Company shall be maintained in such banking institutions as Management shall determine, and withdrawals shall be made only in the regular course of Company business on such signature or signatures as Management so determines.

Section 13.3 Special Basis Adjustments

In the event of a transfer of all or any part of the interest of any Member (including a transfer by reason of death), the Company may elect, if prudent and beneficial to the Company, as applicable, pursuant to Sections 734, 743 and 754 of the Code (or corresponding provisions of succeeding law) and pursuant to similar provisions of applicable state or local income tax laws, to adjust the basis of the assets of the Company. Notwithstanding anything to the contrary contained in this Agreement, any such adjustments shall affect only the successor in interest to the transferring Member. Each Member will furnish the Company with all information necessary to give effect to such election.

Section 13.4 Fiscal Year

The fiscal year of the Company shall be the calendar year.

Section 13.5 Organizational Costs and Expenses

Management is authorized to approve and pay all organizational expenses incurred in the preparation and execution of this Agreement, including (but not limited to) obtaining any loans, and reasonable, related expenses of the organization and capitalization of the Company.

ARTICLE XIV**Withdrawal of Managers: New Managers****Section 14.1 Voluntary Withdrawal**

Except as provided in the Act, no Manager shall have the right to withdraw or retire voluntarily as a Manager from the Company. No Manager may sell, assign or encumber its Membership Interest without the consent of a majority of all Members.

Section 14.2 [Intentionally Omitted]**Section 14.3 Successor Manager**

A. Upon the occurrence of any Retirement of a Manager (see Definitions in Article XVIII below), the remaining Manager(s), if any, may designate a Person to become a Successor Manager to the Retired Manager. Any Person so designated, subject to the Approval a two-thirds (2/3) majority of all the Members, shall become a Successor Manager upon its written agreement to be bound by the provisions of this Agreement.

B. If any withdrawal or removal of a Manager or Retirement shall occur at a time when there is no remaining Manager, and no successor becomes a successor Manager pursuant to the preceding provisions of this Section 14.3, then fifty-one percent (51%) or more in interest of the other Members, in proportion to their respective total Ownership Interests, shall have the right, to designate a Person (or Persons) to become a successor Manager (or Managers) upon its written agreement to be bound by the provisions of the Agreement.

C. If the Members elect to reconstitute the Company and admit a successor Manager pursuant to this Section 14.3, the relationship of the parties in the reconstituted Company shall continue to be governed by this Agreement.

Section 14.4 Interest of Predecessor Manager

No assignee or transferee of all or any part of the interest of a Manager in the Company shall have the right to become a Manager because of such assignment or transfer, and any such assignee or transferee shall have only such rights as are afforded to such Person as a matter of law. Without limiting the generality of the foregoing, no such assignee or transferee shall have any rights to vote or consent with respect to any transactions involving the Company unless allowed to be admitted as a Member of the Company as is otherwise herein provided.

Section 14.5 Designation of New Managers

Management, with the consent of all other non-management Class A Members, at any time may designate new Managers with such interest in the Company as the then existing Management may specify, in Management's sole discretion.

Any new Manager shall agree, as a condition of receiving an interest in the Company, to be bound by the provisions of this Agreement to the same extent and on the same terms as any other Manager.

ARTICLE XV

Transfer of Member Interests

Section 15.1 Right to Assign

In order to transfer a Membership Interest in the Company, a Member first must give at least ninety (90) days prior written notice to the Company and must comply with Section 17.1 and with either Section 15.2.A or Section 15.3.A of this Agreement. Any attempted assignment without prior notification will be absolutely void and of no effect. Further, an assigning Member also must give written notice of the same to Management immediately after a permissible assignment is consummated. If the Company receives a request for transfer from a Member, then the Company and the other Members shall have the right to purchase the Membership Interest from the Transferring Member consistent and in accordance with the timing and notification and purchase price provisions set forth below in Section 15.6, Part A, Part D and Part E which are

applicable from and after the time the selling Member provides notice to the Company and the other Members of its intent to sell or assign its Membership Interest in the Company. If the Company approves a transfer by Calypso Con, LLC to a Transferee (and potential Substituted Member), such Transferee shall not be providing Fantasy Content to the Company unless preapproved by Management in Management's sole discretion.

Section 15.2 Permitted Transfers

A. An individual Member, or any principal of a non-individual Member, shall have the right to assign its Membership Interest in the Company to an inter vivos trust ("**Trust**") created for the benefit of that Member or the benefit of that Member and any combination between or among the Member and the Member's spouse, in which event the Member and the spouse, while married, are the sole trustees thereof (and such trustee(s), if and as applicable, shall be the Substituted Member owners of the interest in the Company), and the Member and spouse, as trustees, possess all the voting interest included in that Trust consistent with the terms and provisions provided below in Section 15.6 (a "**Permitted Assignee**"). However, the foregoing does not include any other transfer, assignment or sale (hereafter collectively referred to as an "**assignment**") out of the Trust to a beneficiary thereof or other third party without Management approval, in its sole discretion, and upon the death of the settlor Member, at the election of Management, in its sole discretion, such decedent's interests in the Company shall be acquired by the Company pursuant to Section 15.6, Part E. below set forth.

B. Any Permitted Assignee shall become a Substitute Member. Any Permitted Assignee, as a condition of receiving any interest in the Company assets, shall agree to be bound (to the same extent as his or her assignor was bound) by the provisions of this Agreement.

C. Management may require, as a condition of any such assignment to a Permitted Assignee of any Membership Interest in the Company, that the assignor furnish Management with an opinion of counsel satisfactory to counsel of the Company, in its reasonable discretion, that such assignment or transfer complies with applicable Federal and state security laws and with this Operating Agreement.

Section 15.3 Restrictions and/or Conditions.

A. Except as otherwise expressly provided in this Agreement or by operation of law, no Member has the right to transfer or assign its Ownership Interest in the Company until all Class A Members and Management (in Management's sole discretion) shall have given their prior written consent to the same, not to be unreasonably withheld or delayed.

B. Management may require, as a condition of any approved assignment (such approval to be given or withheld in Management's sole discretion) of any interest in the Company, that the assignor: (i) assume all costs incurred by the Company in connection therewith; and (ii) furnish the Company with an opinion of counsel satisfactory to counsel to the Company that such sale, transfer, exchange or other disposition complies with applicable Federal and state securities laws.

C. Any assignment in contravention of any of the provisions of Section 15.1 or this Section 15.3 may be declared (in Management's sole discretion) void and ineffective, in which event the same shall neither bind, nor be recognized by, the Company.

D. In the event that the Company elects to issue membership certificates to Members evidencing their respective Ownership Interests in the Company, such membership certificates shall bear restrictive legends stating that the Members' Ownership Interests have not been registered under the Securities Act of 1933.

E. The Company, if applicable, shall place a stop transfer instruction on its records with respect to Ownership Interest on any membership certificate issued to Members.

Section 15.4 Substitute Members

Except as is set forth above in Section 15.2, no assignee, transferee or purchaser (hereafter collectively referred to as "**assignee**") of a Membership Interest, if such assignment is approved, shall become a Substitute Member without the further consent of Management, which consent may be withheld by Management in its sole discretion. In this event, such permitted assignee shall hold only an economic interest in the Company, as described below in Section 15.5, but shall not have any voting rights in the Company. Any Substitute Member, as a condition of receiving any interest in the Company assets, shall agree to be bound (to the same extent as his assignor was bound) by the provisions of this Agreement.

Section 15.5 Assignees

A. A Member's permitted assignee who does not become a Substitute Member in accordance with Section 15.4 shall have, if such assignment is in compliance with the terms of this Agreement, the right to receive the same share of profits, losses and distributions of the Company to which the assigning Member would have been entitled if no such assignment had been made by such Member.

B. Any Member who permissively assigns all its interest in the Company shall cease to be a Member of the Company, and shall no longer have any rights or privileges or obligations of a Member except that, unless and until the assignee of such Member is admitted to the Company as a Substitute Member in accordance with Section 15.4, said assigning Member shall retain the statutory rights and be subject to the statutory obligations of an assignor Member under the Act as well as the obligation to make the Capital Contributions attributable to the interest in question, if any portion thereof remains unpaid.

C. In the event of any approved assignment of a Member's interest, there shall be filed with the Company a duly executed and acknowledged counterpart of the instrument making such assignment; such instrument must evidence the written acceptance of the assignee to all the terms and provisions of this Agreement; and if such an instrument is not so filed, the Company need not recognize any such assignment for any purpose.

D. An assignee of a Member's interest as a party who does not become a Substitute Member as provided in Section 15.4 and who desires to make a further assignment of its interest shall be subject to the provisions of this Article XV to the same extent and in the same manner as any Member desiring to make an assignment of its interest.

Section 15.6 Involuntary Transfers

Notwithstanding any other provisions of this Agreement:

A. If, by reason of the death of a spouse of an individual Member, any portion of a Membership Interest is transferred to a transferee other than: (i) that Member; or (ii) a trust created for the benefit of that Member (or the benefit of that Member and any combination between or among the Member and the Member's spouse, in which the Member is the sole trustee and the Member, as trustee or individually, possesses all of the voting interests included in that Membership Interest), then the Member shall have, as applicable, the right to purchase the Membership Interest or portion thereof from the estate or other successor of his or her deceased spouse or transferee of such deceased spouse, and the estate, successor, or transferee shall sell the Membership interest or portion thereof at the price(s) set forth in Part E of this Section 15.6. If the Member fails to consummate the purchase within one hundred eighty (180) days after the date of death (the "**Expiration Date**"), the Company and the other Members shall have the option for one (1) year thereafter to purchase from the estate or other successor of the deceased spouse the Membership Interest or a portion thereof pursuant to Part D of this Section 15.6; provided that, said option period shall commence on the later of: (i) the day following the Expiration Date; or (ii) the date of actual notice of the death.

B. If and upon the death of Michael Knapp, then, unless Management otherwise agrees in its sole discretion to a continuation of Calypso Con, LLC or another heir, beneficiary or potential transferee becoming a Transferee Member of the Company, the same shall be considered an involuntary transfer by Calypso Con, LLC and the Membership and/or the Company shall have the option, for one (1) year thereafter to purchase from the estate of Michael Knapp, or other successor of the decedent, the Membership Interest of Calypso Con, LLC, or a portion thereof pursuant to Parts D and E below, with the option period commencing on the date of receipt by the Company of actual notice of the death of Michael Knapp.

C. If and upon a change of management of Calypso Con, LLC, then, unless Management otherwise agrees, in its sole discretion, to a continuation of Calypso Con, LLC as a continuing Member of the Company, the same shall be considered an involuntary transfer by Calypso Con, LLC and the Membership and/or the Company shall have the option, for one (1) year thereafter, to purchase the Membership Interest of Calypso Con, LLC, or a portion thereof pursuant to Parts D and E below, with the option period commencing on the date of receipt by the Company of actual notice of the change of Management of Calypso Con, LLC.

D. On the receipt of notice by the other Members as contemplated by Part A, Part B or Part C of this Section 15.6, the Company shall have the option, for a period ending one hundred eighty (180) calendar days following the determination of the purchase price as provided below in Part E of this Section 15.6, to purchase the Membership Interest in the Company to which the

option relates, at the price and on the terms provided in Part E of this Section 15.6, and the other Members, pro rata in accordance with their prior Membership Interest in the Company, shall then have the option, for a period of one hundred eighty (180) days thereafter, to purchase the Membership Interest in the Company not purchased by the Company, on the same terms and conditions as apply to the Company. If all other Members do not elect to purchase the entire remaining Membership Interest in the Company, then the Members electing to purchase shall have the right, pro rata in accordance with their respective prior Ownership Interest in the Company to purchase the additional Membership Interest in the Company available for purchase. The potential transferee of the Membership Interest in the Company that is not so purchased, or Calypso Con, LLC as to its interest in the Company that is not so purchased, shall hold such Membership interest in the Company subject to all of the provisions of this Agreement.

E. The purchase price of a Membership Interest that is the subject of an option under this Agreement shall be the Fair Market Value of such Membership interest as determined under this Section 15.6, Part E. Each of the selling and purchasing parties shall use his, her, or its best efforts to mutually agree on the Fair Market Value. If the parties are unable to so agree within thirty (30) days of the date on which the option (or other right to purchase) is first exercisable (the “**Option Date**”), the selling party shall appoint, within forty (40) days of the Option Date, one appraiser, and the purchasing party shall appoint within forty (40) days of the Option Date, one appraiser. The two (2) appraisers, within a period of five (5) additional days thereafter, shall agree on and appoint an additional appraiser. The three (3) appraisers shall determine, within sixty (60) days after the appointment of the third appraiser, the Fair Market Value of the Membership Interest in writing and submit their report to all the parties. The Fair Market Value shall be determined by disregarding the appraiser’s valuation that diverges the greatest from each of the other two appraisers’ valuations, and the arithmetic mean of the retaining two appraisers’ valuations shall be the Fair Market Value. Each purchasing party shall pay for the services of the appraiser selected by it, plus one-half of the fee charged by the third appraiser. Said purchase price as so determined shall be payable pursuant to an unsecured Promissory Note payable in quarterly installments of interest and principal amortized over a ten (10) year period, utilizing the lowest permitted long term federal interest rate in effect as of the decedent’s date of death for such transfer of the interest, unless otherwise agreed by the Company, and/or purchasing party(ies), and/or the selling party(ies), as applicable, with the selling party(ies) being under no obligation to alter or receive any form of payment other than cash. The purchasing party(ies) can pay the obligation in full, or by other partial accelerated payments at any time without penalty.

Section 15.7 Wrongful Dissociation

Dissociation by a Member from the Company is not permitted and is wrongful, as described in California Corporations Code Section 17706.01(b), and such Member is liable for damages as described in California Corporations Code Section 17706.01(c). Further, the failure of Calypso Con, LLC to maintain its SPE status (see Definitions below), as approved by Management concurrently with Calypso Con, LLC’s admission into the Company, or it amends its SPE provisions in its operating agreement without first having such changes approved in advance by Management, in Management’s sole discretion, the same shall be deemed by Management as Calypso Con, LLC’s dissociation from the Company and also a default under this Agreement

entitling the Company, in addition to the statutory remedies hereinabove described, to exercise all other rights and remedies available to the Company at law or in equity.

ARTICLE XVI

Termination and Liquidation

Section 16.1 Events Causing Termination

The Company shall be terminated and its affairs wound up on the first to occur of the following:

- A. the election to dissolve the Company made in writing by a sixty-six and 2/3rds (66.6667%) Vote of Class A Members and the Manager; or
 - B. the sale or other disposition of all or a substantial part of the assets of the Company;
- or
- C. the expiration of the Company's Term; or
 - D. any other act or event causing a dissolution under the Act; or
 - E. pursuant to Section 5.1, Part C, due to a failure of a Class A Member to make its initial Capital Contribution, as determined by Management; or
 - F. the termination of CARF as a joint powers authority.

Section 16.2 Distributions Upon Termination

Unless the business of the Company is continued, upon the termination and dissolution of the Company, Management, or if there are no Managers, such other Person required by law to wind up the Company's affairs, shall proceed with the liquidation of the Company (including cancellation of the Certificate), and the net proceeds of such liquidation shall be applied and distributed in accordance with Section 11.2 above set forth.

Section 16.3 Distributions in Kind

If it becomes necessary to make a distribution of Company Property in kind, due to the economic impracticability of liquidating the assets of the Company, such Property shall be transferred and conveyed to the Members and their Assignees so as to vest in each of them as a tenant-in-common an undivided interest in the whole of said Property equal to its interest had there been a distribution of net cash proceeds made in accordance with Section 16.2.

Section 16.4 Period for Orderly Liquidation

A reasonable time shall be allowed for the orderly liquidation of the assets of the Company

and the discharge of liabilities to creditors so as to enable Management to minimize losses attendant upon a liquidation.

Section 16.5 Records of Liquidation

Each of the Members shall be furnished with a statement prepared by the Company's then accountants, which shall set forth the assets and liabilities of the Company as of the date of complete liquidation. Upon the consummation of the transactions contemplated in this Article XVI, Management shall execute, acknowledge and cause to be filed a writing to cancel the Certificate of Organization of the Company.

Section 16.6 Non-Liability of Managers

Managers shall not be personally liable for any distributions to the Members, including a return of invested capital, or any portion thereof, with all such distributions to be made solely from Company assets.

ARTICLE XVII

General

Section 17.1 Additional Restrictions on Transfer

A. Notwithstanding any other provision of this Agreement, except as otherwise provided in this Section 17.1, no sale or exchange of any Member's interest in the Company may be made if the interest sought to be sold or exchanged, when added to the total of all other interests in the Company sold or exchanged within the period of twelve (12) consecutive months prior to the proposed date of sale or exchange, would result in the termination of the Company under Section 708 of the Code.

B. Any sale, exchange or other transfer in contravention of any of the provisions of this Section 17.1 shall be void and ineffective, and shall not bind or be recognized by the Company.

Section 17.2 Notices

A. All notices, demands or requests provided for or permitted to be given pursuant to this Agreement must be in writing. All notices, demands and requests to be sent to a Member or to any assignee of the interest of a Member hereunder pursuant hereto shall be deemed to have been properly given or served by depositing the same in the United States mail, addressed to such Member, prepaid, and registered or certified with return receipt requested, at the business address of the Members they provide to Management.

B. All notices, demands and requests shall be effective upon being deposited in the United States mail. However, the time period in which a response to any such notice, demand or request must be given shall commence to run from the date of receipt on the return receipt of the notice, demand or request by the addressee thereof.

C. By giving to the other parties at least thirty (30) days' written notice thereof, the Members and their respective successors and assigns shall have the right from time to time and at any time during the term of this Agreement to change their respective addresses and each shall have the right to specify as its address any other address within the United States of America.

D. No transferee of any interest by any Member shall be entitled to receive a notice independent of the notice sent to the Member making such transfer. A notice sent or made to a Member shall be deemed to have been sent and made to all transferees, if any, of such Member.

E. All payments to be made pursuant hereto to any Member shall be made at the address set forth herein for such Member. All such payments shall be effective upon receipt.

Section 17.3 Obligations and Rights of Transferees

Any Person who acquires in any manner whatsoever any interest in the Company, irrespective of whether such Person has accepted and adopted in writing the terms and provisions of this Agreement, shall be deemed by the acceptance of the benefit of the acquisition thereto to have agreed to be subject to and bound by the same obligations under this Agreement that the predecessor in interest of such Person was subject to or bound by. However, no assignee of an interest in the Company shall be entitled to be admitted as a Member unless and until it has accepted and adopted in writing the terms and provisions of this Agreement to the same extent and on the same terms as the present Members.

Section 17.4 Governing Law

This Agreement and the rights and obligations of the Members hereunder shall be governed by and construed in accordance with the Act, as amended, and other applicable laws of the State of California. Venue for any action arising hereunder shall be in the State or Federal Courts, as applicable, located in the City of Sacramento, California.

Section 17.5 Entire Agreement and Amendments

This Agreement contains the entire agreement between the parties hereto relative to the formation and operations of the Company and, except as otherwise specifically provided herein, may be modified or amended only by a written document consented to by all Members.

Section 17.6 Separability of Provisions: Rights and Remedies: Arbitration

A. Each provision of this Agreement shall be considered separable and (i) if for any reason any provision or provisions herein are determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those portions of this Agreement which are valid, or (ii) if for any reason any provision or provisions herein would cause the Members to be personally bound for the obligations of the Company under the laws of the State as the same may now or hereafter exist, such provision or provisions shall be deemed void and of no effect.

B. Each of the parties hereto irrevocably waives during the Company's Term any right that such party may have to maintain any action for partition with respect to the Property of the Company.

C. The rights and remedies of any of the parties hereunder shall not be mutually exclusive, and the exercise of one or more of the provisions hereof shall not preclude the exercise of any other provisions hereof. Each of the parties confirms that damages at law may be an inadequate remedy for breach or threat of breach of any provisions of this Agreement. The respective rights and obligations hereunder shall be enforceable by specific performance, injunction, or other equitable remedy, but nothing herein contained is intended to limit or affect any rights at law or by statute or otherwise of any party aggrieved as against the other parties for a breach or threat of breach of any provisions hereof, it being the intention by this paragraph to make clear that under this Agreement the respective rights and obligations of the Members shall be enforceable in equity as well as at law or otherwise.

D. In any instance in which any matter is to be determined by Arbitration under the provisions of this Agreement, such matter shall be submitted to arbitration in the manner provided under the Commercial Arbitration Rules of the American Arbitration Association then in effect; such arbitration shall be conducted before one arbitrator, chosen in accordance with such rules in Sacramento, California, and shall be binding on all parties to the dispute; judgment on the award of such arbitrator may be rendered by any court having jurisdiction of such parties and the subject matter. Insofar as any action is required to be taken by the Members in respect of any such arbitration, such action may be taken by the vote or written consent of at least fifty-one (51%) in interest of the Members.

Section 17.7 Benefits and Obligations

Subject to the provisions of Articles XIV and XV hereof, this Agreement shall be binding upon and inure to the benefit of the undersigned Members and their respect heirs, executors, legal representatives, successors and assigns. Any Person succeeding to the interest of a Member shall succeed to all of such Member's rights, interests and obligations hereunder subject to and with the benefit of all terms and conditions of this Agreement.

Section 17.8 Word Meanings

The words such as "herein," "hereinafter," "hereof" and "hereunder" refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires. The singular shall include the plural and the masculine gender shall include the feminine and neuter, and vice versa unless the context otherwise requires. Any references to "Sections" or "Articles" are to Sections or Articles of this Agreement, unless reference is expressly made to a different document. References herein to a specified percentage "in interest" of the Members shall mean Members whose Ownership Interests in the Company equal such percentage of the aggregate Ownership Interests of all Members in the Company.

Section 17.9 Counterparts

This Agreement may be executed in several counterparts and all so executed shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties have not signed the original or the same counterpart, except that no counterpart shall be binding unless signed by Management.

Section 17.10 Adoption of Recitals

All recitals set forth at the beginning of this Agreement are incorporated in the terms and provisions of this Agreement as if fully set forth in the Articles of this Agreement.

Section 17.11 Force Majeure Issues

Notwithstanding anything else herein contained to the contrary, under no circumstances will any party be responsible for interruptions to, or failures to carry out this Agreement in any respect caused by the occurrence of any contingency beyond the reasonable control of the party affected thereby, including, but not limited to, strike or other labor disturbances, riots, acts of terrorism, theft, flood, lightning, any act of God, power failure, failure of cable or wires, telecommunication failure, war, national emergency, enactment of any law, statute, ordinance, order, rule or regulation heretofore or hereafter issued adverse or contrary to the business purposes of the Company, interference by any government or a government agency, refusal by employees of a party affected thereby to cross picket lines at premises of any customer or facility used for pursuing the Company's business purposes, willful or reckless misconduct or neglect of the other party, or said other party's agents or employees, or by embargo or seizure.

ARTICLE XVIII**Definitions**

Unless the context specifically requires otherwise, capitalized terms used in this Agreement and not otherwise defined shall have the meanings specified below:

"Act" means the Beverly-Killea Limited Liability Company Act (California Corporations Code §§17000-17705), including amendments from time to time.

"Affiliate" (whether capitalized or not) means any (i) Member, (ii) member of the Immediate Family of any Member, (iii) legal representative of any Person referred to in the preceding clauses (i) or (ii), (iv) trustee of a trust for the benefit of any Person referred to in the preceding clauses (i) or (ii), (v) Entity of which a majority of the voting interest is owned by any one or more of the Persons referred to in the preceding clauses (i) through (iv), (vi) Person who owns common stock of any corporate Member, or (vii) Person who is an officer, director, trustee, employee, stockholder or partner of any Entity or Person referred to in the preceding clauses (v) and (vi). The term "Affiliated with" shall mean related to in one or more of the foregoing ways.

"Agreement" means this Operating Agreement, as the same may be amended from time to time.

"Approved by the Members" means, except where otherwise specifically provided herein to the contrary, approved or consented to in writing by sixty-six and 2/3rds percent (66.6667%) in Ownership Interests of the Members, and "Approval of the Members" further means a writing evidencing such approval or consent. In any instance under this Agreement in which the consent or approval of a Member to any proposed action is required, such consent or approval shall be deemed to have been given unless written objection to such proposed action, stating with particularity grounds therefor, is sent by such objecting Member to the other Members within fifteen (15) days after receipt of a written request for such consent or approval.

"Arbitration" shall have the meaning set forth in Section 17.6.D.

"Assignee" (or "assignee") means the recipient of an Assignment of an Ownership Interest in the Company (see Article XV).

"Assignor" or "assignor" means the assignor of an Ownership Interest in the Company.

"Assignment" means, with respect to an Ownership Interest in the Company, or part thereof, any offer, sale, assignment, transfer, hypothecation, pledge, gift or any other disposition, whether voluntary or by operation of law.

"Auditors" means a firm of independent certified public accountants selected by Management to perform certain auditing services on behalf of the Company.

"Capital Account" means the capital account established for each Member under Section 5.8.

"Capital Contribution" means the amount of cash and the agreed value of Property contributed to the Company by a Member.

"CARF" means California Authority Racing Fairs, a joint exercise powers agency.

"Cash Flow" shall have the meaning set forth in Article XI.

"Cause" shall mean: (i) a Manager's fraud, gross negligence or intentional misconduct; or (ii) a material breach by a Manager of its obligations under this Agreement after notice has been given and the Manager has failed to cure such breach within ninety (90) days of receipt of such notice.

"Certificate" means the Articles of Organization, as recorded with the Secretary of State of the State of California as of the date first written above, as amended from time to time hereafter in accordance with the terms hereof and the Act.

“Class A Ownership Interests” means the limited liability company Ownership Interest held by those Members designated on Exhibit “A” as having Class A Membership in the Company.

“Class B Ownership Interests” means the limited liability company Ownership Interests held by those Members designated on Exhibit “A” as having Class B Membership in the Company.

“Code” means the Internal Revenue Code of 1986, as amended, or corresponding provisions of subsequent laws.

“Company” means CALYPSO CHALLENGE, LLC, the limited liability company formed and operated in accordance with the Certificate and this Agreement, as said limited liability company may from time to time be constituted.

“Conditions Precedent” has the meaning described in Section 5.1.B.

“CPAs” means the Company’s certified public accountants described in Section 13.1.B.

“Effective Date” has the meaning described in the Introduction paragraph of this Agreement.

“Entity” means any general partnership, limited partnership, corporation, limited liability company, limited liability partnership, joint venture, trust, business trust, association or other business entity.

“ERISA” shall have the meaning described in Section 3.1.B.(13).

“Event of Bankruptcy” or “Bankruptcy”, as the context may require, means as to a specified Person:

(a) the entry of a decree or order for relief by a court having jurisdiction in the premises in respect of such Person in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of such Person or for any substantial part of his or its Property, or ordering the winding-up or liquidation of his or its affairs and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(b) the commencement by such Person of a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or other similar law, or the consent by him or it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of such Person or for any substantial part of his Property, or the making by him or it of any assignment for the benefit of creditors, or the failure of such Person generally to pay his or its debts as such debts become due, or the taking off of action by such Person in furtherance of any of the foregoing.

“Fantasy Content” means developing a format whereby participants pay an entry fee to participate in a fantasy sports contest. Entries are submitted and participants can receive a pro-rata share of the entry fees paid by all participants in the game. The content for the contests comes from individual performance statistics of athletes in a sporting event or combination of sporting events common to fantasy sports, such as football, baseball and basketball. When selecting athletes, contestants would rely on publicly available performance statistics (past performances) and the participants’ ability to integrate, interpret and assess the relative value of the multitude of statistics, facts, and other variables such as: an athlete’s abilities and health, an opposing team’s defenses, weather forecasts, home field advantages, player surfaces, etc. This system is designed with the specific objective that a participant’s skill and not chance is the determining factor of success.

“Filing Office” means the Office of the Secretary of State of the State of California.

“Gross Receipts” means all cash (or cash-equivalent) receipts by the Company during the Company’s fiscal year, less any of such cash receipts (or equivalent cash receipts) to be reimbursed to third parties. Gross Receipts only means receipts from operations and does not include any loans of any type made to the Company or from sales of property.

“Immediate Family,” means with respect to any natural Person, his/her spouse, parents, parents-in-law, descendants, nephews, nieces, brothers, sisters, brothers-in-law, sisters-in-law, children-in-law and grandchildren-in-law.

“Lender” or “Lenders” means any non-Member Lender loaning funds for any authorized purpose to the Company.

“Limited Deficit Restoration Agreement” is as defined in Section 5.9.

“Major Decisions” means the following, each of which shall require the unanimous Vote of Members:

(a) removal or replacement of a Manager without Cause (which must be by Vote of all Members, including the Manager (if a Member) subject to removal and/or replacement);

(b) sell, lease, exchange, or otherwise dispose of all, or substantially all, of the Company’s property, with or without the goodwill, outside the ordinary course of the Company’s activities; and

(c) approve a merger or conversion under Article 10 of the Act (commencing with Section 17710.01).

“Management” means the Management of the Company as described in Article VIII.

“Manager” or “Managers” means any or all of the Persons designated as Managers in this Agreement or any Person who becomes a Manager as provided in this Agreement, in each such

person's capacity as such, and if there is only one Manager at any time, such term shall refer to the sole Manager alone.

"Member" or "Members" means any Person designated herein as a Member (including, without limitation, any Manager in its capacity as a Member) or any Person admitted to the Company as a Substitute Member in such Person's capacity as a Member of the Company.

"Member Interest" or "Membership Interest" means the entire interest and Membership in the Company held by each Member in its capacity as a Member.

"Operating Loan" means a loan by a Member to the Company pursuant to Article VII and evidenced by an "Operating Note."

"Operating Note" means a Promissory Note issued to evidence the debt of the Company to the parties making an Operating Loan (see Section 7.2).

"Ownership Interest" means the proportional ownership of each Member in the whole, plus the interest of a Member in the Profits and Losses of the Company, all as described in Exhibit "A".

"Person" means any individual or Entity and the heirs, executors, administrators, successors and assigns of such Person where the context so admits.

"Profits and Losses" means the net profits and losses of the Company as determined for purposes of Section 704(b) of Code as described in Section 10.1.

"Property" means any real and/or personal property owned by the Company.

"Retirement" (including the verb form Retire and the adjective form Retired only) means as to a Manager who is a natural person, and shall be deemed to have occurred automatically upon, the occurrence of death, adjudication of insanity or incompetence, resignation, expulsion, Bankruptcy, or a voluntary or involuntary withdrawal from the Company. "Retirement" (including the verb form Retire and the adjective form Retired only) means as to a Manager that is a business organization, and shall be deemed to have occurred automatically upon, the occurrence of a dissolution, or voluntary or involuntary withdrawal from the Company. Involuntary withdrawal shall occur whenever a Manager no longer may continue as a Manager by law, and also shall be deemed to have occurred when a Manager, by reason of illness or other mental or physical disability, shall have been unable to perform his obligations hereunder for a period of twelve (12) months. A voluntary withdrawal of a Manager shall be deemed to have occurred thirty (30) days after such Manager shall be given written notice to all Members of his intention to so withdraw; notwithstanding the foregoing, in no event shall any Manager have any right to withdraw voluntarily as such except as expressly permitted by this Agreement; in addition, a voluntary withdrawal also shall be deemed to have occurred upon the occurrence of any act constituting the withdrawal of a Manager as a matter of law (other than an involuntary withdrawal as described above).

"Sale Proceeds" means the net cash proceeds distributable under Article XII (see Section 12.1).

“SPE” means a single purpose entity. Calypso Con, LLC, a California limited liability company, a Class A Member, is and shall remain, so long as it is a Member of the Company, a single purpose entity as described, limited and defined in and by its approved operating agreement, as preapproved by the Company.

"State" means the State of California.

"Successor Manager" means the Assignee of a Manager who is admitted to the Company as a Manager.

"Substitute Member" means the Assignee of a Membership Interest who is admitted to the Company as a Member.

“Vote” means the vote of the Members in direct proportion that their Ownership Interests in the Company bears to the total Ownership Interests of all the Members so entitled to Vote on a given issue. The term "Vote" includes a written consent, a voice vote, and/or a vote by ballot or by proxy.

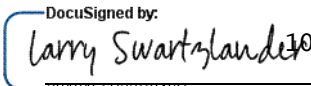
[signatures on page following]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement under seal as of the day, month and year first above written.

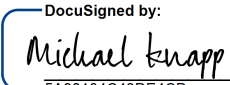
MEMBERS:

CLASS A

California Authority of Racing Fairs,
a joint exercise powers agency

By:  10/13/2021
DocuSigned by:
70A8AF5B23C046D...
Larry Swartzlander
Its: Executive Director

Calypso Con, LLC,
a California limited liability company

By:  10/13/2021
DocuSigned by:
5A98104C43DE46D...
Michael Knapp, a married individual
Its: Manager

CLASS B

[tbd – see Section 5.10 above and Exhibit “A”]

CALYPSO CHALLENGE, LLC CAPITALIZATION

Ownership Breakdown and Capital Contributions

Classes	Members	Contribution	Ownership Interests in Company
Class A Member	1) California Authority of Racing Fairs, a joint exercise powers agency ("CARF")	Creation of business opportunity, provision of future lobbying, knowledge of lobbying work, and related efforts, and an initial Operating Loan in the amount of \$500,000.00	51.00%
Class A Member	2) Calypso Con, LLC, a California limited liability company	The following services will be provided on a full time basis, continuing from week to week, subject to reasonable vacation time or unavailability due to illness: creation of business opportunity; daily production of tested fantasy sport content, and management of the same; collateral marketing, material production, business analysis and development; creation and/or management of broadcast production customer services and employee training; provision of accessible software; and IT experience. [See further descriptions of Calypso, Con, LLC's scope of work on the attached <u>Exhibit "A.1"</u> following which constitutes a part hereof.]	49.00%
	Class A Total: initial cash contributions	\$500,000.00	100%
Class B Member	1) None at the time of formation – see <u>Section 5.10</u> above ("_____ tbd _____")	\$ [tbd]	[tbd]%
	Class B Total:	\$ [tbd]	[tbd]%

Exhibit "A"

DETAILED SCOPE OF SERVICES BY CALYPSO CON, LLC

- To provide to the Company, as expeditiously and professionally as possible, strategic consulting services in the areas of sports wagering and out-of state simulcasting, including (but not limited to) the following:
 - SPORTS WAGERING. Providing consulting services for the purposes of preparing for and understanding sports betting-related activities in California, including, but not limited to, legislative proposals that arise at the California State Capitol; providing strategic review, analysis and planning, consistent with CARF objectives, relating to the California State Assembly or Senate's efforts to pass sports betting legislation; providing Fantasy Content to CARF; providing tactical and hands-on support to further develop relationships with private and public stakeholders; and developing additional related projects based on what Calypso Con, LLC has learned as a result of the aforementioned interactions.
 - SCOPE OF WORK. In addition to the foregoing, the scope of work of Michael Knapp/Calypso Con, LLC shall include (but not be limited to) the following:
 - (a) Develop and supply contest and development for all major sports to include formulation of athlete comparative values using contest rules.
 - (b) Manage and set up data for contest content for the totalizer system.
 - (c) Provide competitive surveys, and advise and suggest contest breakage and takeout.
 - (d) Set up interaction with Sport Wagering data centers.
 - (e) Develop and implement graphics support packages.
 - (f) Develop and finalize tote presentations for Amtote.
 - (g) Set up procedures (rules) for implementing contests.
 - (h) Assist and monitor marketing and promotional programs.
 - (i) Provide consulting support for day-to-day operations and establishment of the CARF Calypso Challenge Network Hub.

Exhibit "A.1"

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- (j) Strategic planning for Calypso Challenge, LLC.
- (k) Business development.
- (l) Expansion, including (but not limited to) platform development, additional contest development and mobile applications.
- (m) Advise on sports betting initiatives, opportunities.
- (n) Daily analysis of contest play and consumer demand.
- (o) Minimum daily prize determinations.
- (p) Pool seeding calculations, if necessary.
- (q) Advise on website content, design and contest calendar.
- (r) Assist in the development of collateral materials, daily entries and statistical data.
- (s) Create and communicate content for marketing promotions.
- (t) Facility design assistance.
- (u) Provide consulting services for the purposes of preparing for and understanding sports betting-related activities in California, including (but not limited to) legislative proposals that arise or are under discussion by California legislators.
- (v) Provide strategic review, analysis and planning relating to the California State Assembly's or the Senate's efforts to pass sports betting legislation consistent with or opposed to CARF objectives.
- (w) Provide tactical and hands-on support to further develop relationships with private and public stakeholders.
- (x) Developing additional related projects based on what Michael Knapp/Calypso Con, LLC has learned as a result of services rendered and/or the aforementioned interactions.

Exhibit "A.1"

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- NO LOBBYING EFFORTS BY CALYPSO CON, LLC. None of the above described services or scope of work will include lobbying efforts or similar political activities by Michael Knapp and/or Calypso Con, LLC.

Exhibit “A.1”
Page 3 of 3

Acknowledged for DocuSign Signatures:

Counsel for California Authority of Racing Fairs,
a joint exercise powers agency

DocuSigned by:
By: 
A0FE8CF07Z79467...
Ann Grottveit, Esq.
Kahn, Soares & Conway LLP

Counsel for Calypso Con, LLC,
a California limited liability company

DocuSigned by:
By: 
A845C41C8E1C40D...
Steve Nelson, Esq.



**CALIFORNIA AUTHORITY OF RACING FAIRS
STATEMENT OF NET POSITION**

July 31, 2026

	CURRENT YTD	PRIOR YTD
	07/31/26	07/31/25
ASSETS		
Cash - LAIF & Investments	11,641	11,641
Cash - Operating/Money Market	224,636	109,505
Cash - Trust	631,566	432,368
Cash - Paymaster	53,966	53,966
CHECKING - PPP PMB	0	0
Marketable Securities	0	0
A/R - Member Dues	58,945	253,783
A/R - Programs South	0	0
A/R - Racing Fairs & Settlements	3,942	952,648
A/R - Other Receivables ERF,Misc	50,223	1,033,431
A/R - PURSE OVERPYTS	0	0
RECEIVABLE FROM HORSEMEN UNSECURED	0	0
Prepays/Deposits	256	20,522
OPEB Assets	331,728	324,560
Total Current Assets	<u>1,366,902</u>	<u>3,192,424</u>
Fixed Assets		
AUTOMOBILE	0	0
FURNITURE & EQUIPMENT	0	0
COMPUTER HARDWARE/SOFTWARE	577	754
SIMULCAST EQUIPMENT	0	0
PRINTING EQUIPMENT	0	0
TRACK EQUIPMENT	0	0
Total CARF Fixed Assets (Net of Depr.)	<u>577</u>	<u>754</u>
GOLDEN STATE RACING EQUIPMENT	0	0
GOLF RIGHT OF USE	0	3,234,750
TOTAL ASSETS	<u>1,367,479</u>	<u>6,427,928</u>
DEFERRED OUTFLOWS - OPEB	193,361	260,742
DEFERRED OUTFLOWS - PENSION GASB68	287,966	287,966
TOTAL ASSETS	<u>1,848,806</u>	<u>6,976,636</u>
LIABILITIES		
A/P & Withholdings	78,915	1,149,694
Compensated Leave Accruals	21,710	15,787
A/P - Program Royalties to Host	0	0
PPP LOAN	0	0
LINE OF CREDIT GSR	0	2,935,236
Racing Distributions	19,157	15,544
Purses - FAIRS	171,407	571,407
Purses - GSR	66,184	66,184
AB460 1%/RTM	0	0
PROMOTIONAL MATERIALS	0	0
LOU-5 - Symposium Funds	0	0
Revenue Generating Project Funds	0	0
Racing Operations Augmentation Funds	0	0
Change Fund	0	0
FAIRS - Equipment Replacement Funds	3,009	5,377
NET PENSION LIABILITY, GASB68	1,215,092	1,215,092
NET OPEB LIABILITY	0	0
TOTAL CURRENT & NONCURRENT LIAB.	<u>1,575,473</u>	<u>5,974,321</u>
DEFERRED INFLOWS - OPEB	167,640	200,116
DEFERRED INFLOWS - PENSION GASB68	117,119	117,119
NET POSITION		
Equity CARF	2,656,659	1,762,554
Equity GSR	(1,948,075)	(4,814,399)
F&E Net Assets	0	0
Reserves - PENSION GASB68	(1,044,245)	(1,044,245)
Reserves, OPEB GASB 75	357,449	385,186
Net Income/(Net Loss) CARF	(33,214)	1,227,805
Net Income/(Net Loss) GSR	0	3,168,179
TOTAL NET POSITION	<u>(11,426)</u>	<u>685,080</u>
	<u>1,848,806</u>	<u>6,976,636</u>



**California Authority of Racing Fairs
Agency Income Statement
July 31, 2026**

	2024 Year End Actual	2025 Year End Actual	2024 Jan-July YTD	2025 Jan-July YTD	2026 Jan-July YTD	2026 Annual Budget	2026 Budget Variance	2026 % Budget
Revenue:								
Other Revenue/OPEB trust Reimb	(86,054)	1,342,893	21,803	1,536,378	69,870	110,000	(40,130)	64%
OTHER REV - SALE OF ASSETS	0	1,125,000	0	1,125,000	5,000	0	5,000	0%
Interest Income	191	45	156	5	57	0	57	0%
Member Dues	200,068	300,000	150,051	225,000	150,000	304,310	(154,310)	49%
Project Funds	901,493	0	0	0	0	0	0	0%
CARF Live Racing Agency Allocation	518,643	0	326,004	0	0	0	0	0%
Total Revenue	1,534,352	2,767,938	498,014	2,886,383	224,927	414,310	(189,383)	54%
Expenses:								
Salaries	172,350	170,402	97,104	119,133	61,836	107,182	45,346	58%
Employee Benefits	23,901	24,739	13,965	18,464	8,916	15,000	6,084	59%
Post Retirement Benefits	33,677	64,505	20,121	32,624	46,089	75,000	28,911	61%
Payroll Taxes	49,669	128,465	27,167	72,877	71,853	130,000	58,147	55%
Accounting Costs	18,881	65,674	11,043	44,840	27,917	35,000	7,083	80%
Advertising Expense	0	0	0	0	0	0	0	0%
Audit Services	18,325	39,350	14,875	0	7,300	5,000	(2,300)	146%
Automobile Expense	11,675	94	1,196	94	0	0	0	0%
Contracted Services	3,091	9,635	2,277	4,105	5,422	5,000	(422)	108%
Depreciation	1,526	568	1,149	441	51	500	449	10%
Dues & Subscriptions	99	0	99	0	0	200	200	0%
Insurance Expense	73,953	101,883	42,198	80,651	9,360	12,000	2,640	78%
Legal Expenses	520,600	38,326	268,229	39,862	13,549	5,000	(8,549)	271%
Legislative Expenses	45,410	7,540	26,455	7,540	0	0	0	0%
Meetings Expense	614	578	0	578	36	250	214	15%
Miscellaneous	187	577	114	572	7	200	193	3%
Loss on sale/disposal of assets	0	1,201,458	0	1,201,458	0	0	0	0%
Office Supp/Receptionist Labor	6,066	4,778	2,141	3,652	1,209	1,500	291	81%
Postage & Shipping	648	1,342	277	1,338	0	0	0	0%
Rent (Tribute Road)	13,414	7,060	7,825	5,290	2,478	4,300	1,822	58%
Repairs & Maintenance	0	0	0	0	0	0	0	0%
Telephone Expense	5,805	6,707	3,461	4,449	2,119	1,500	(619)	141%
Training	0	0	0	0	0	0	0	0%
Travel Expense	2,001	245	1,363	245	0	0	0	0%
Total Expenses	1,001,890	1,873,923	541,059	1,638,210	258,141	397,633	139,491	65%
Agency Income (Loss)	532,462	894,014	(43,045)	1,248,173	(33,214)	16,678	(49,891)	
Total Bal Sheet Net Income (Loss)	532,462	894,014	(43,045)	1,248,173	(33,214)	16,678	(49,891)	
GASB 68 PENSION EXPENSE	132,761	0	0	0	0	25,000		0%
GASB 75 OPEB EXPENSE	(5,736)	27,737	0	0	0	0		0%
Total Net Income after GASB68, GASB75	393,965	921,751	(43,045)	1,248,173	(33,214)	(8,323)		0



California Authority of Racing Fairs
Live Racing/Training Facility Income Statement
July 31, 2026

	2024	2025	2026	2026	2026	2026
	Year End	Year End	Jan-July	Annual	Budget	% Budget
	Actual	Actual	YTD	Budget	Variance	
Revenues:						
Reimb. From Live Racing Fairs	2,684,313	293,177	0	0	0	0%
3rd Party Lasik Reimb	88,575	0	0	0	0	0%
Racing Operations Augmentation Funds	0	0	0	0	0	0%
NCOTWINC Reimbursement	0	0	0	0	0	0%
RTM 1% Funds	0	0	0	0	0	0%
Revenue Sub-Totals	2,772,888	293,177	0	0	0	0%
Operating Expenses:						
Salaries	369,405	44,852	0	0	0	0%
Employee Benefits	54,293	3,859	0	0	0	0%
Payroll Taxes	113,194	10,638	0	0	0	0%
Accounting Costs	56,434	0	0	0	0	0%
Audit Services	80,553	0	0	0	0	0%
Automobile Expense	0	0	0	0	0	0%
Depreciation	0	0	0	0	0	0%
Dues & Subscriptions, NTRA	0	0	0	0	0	0%
Insurance Expense	0	0	0	0	0	0%
Legal Expenses	0	0	0	0	0	0%
Meetings Expense	17	0	0	0	0	0%
Misc. Exp (Storage,Bank fee)	0	0	0	0	0	0%
Telephone Expense	9,666	168	0	0	0	0%
Travel Expense	80,666	932	0	0	0	0%
Operatating Exp. Sub-Totals	764,226	60,449	0	0	0	0%
Racing Support Services:						
Announcer	23,865	0	0	0	0	0%
Condition Bk/Program Cover	8,414	0	0	0	0	0%
Racing Operations Support	213,620	15,077	0	0	0	0%
Simulcast Management	40,000	0	0	0	0	0%
RCN Broadcast	23,293	0	0	0	0	0%
Fitness Vet/TC02 Testing	200,809	66,060	0	0	0	0%
3RD Party Lasiks	42,599	0	0	0	0	0%
Marketing/Web Devel	8,180	0	0	0	0	0%
Network Management	0	0	0	0	0	0%
Paymaster Operations	5,723	0	0	0	0	0%
Incompass Racing Office	126,867	9,890	0	0	0	0%
Racing Office Expenses	9,836	0	0	0	0	0%
Recruitment	6,439	0	0	0	0	0%
Jumbo Screen	105,975	0	0	0	0	0%
Supplies	21,753	0	0	0	0	0%
Tattooing	11,080	0	0	0	0	0%
Timing/Clocker	0	0	0	0	0	0%
Transportation-silks	1,000	0	0	0	0	0%
TV Production/Simulcast	433,310	0	0	0	0	0%
RTM Allocation (Maintenance)	271,496	29,810	0	0	0	0%
RTM Transportation	124,622	1,196	0	0	0	0%
RTM Prior Year	0	0	0	0	0	0%
Stabling & Training	0	3,805	0	0	0	0%
RTM Support	329,780	106,800	0	0	0	0%
Racing Support Exp. Sub-Totals	2,008,661	232,638	0	0	0	0%
Total Gross Expenses	2,772,887	293,086	0	0	0	0%
Total Net Expenses	2,772,887	293,086	0	0		



**California Authority of Racing Fairs
Golden State Racing Income Statement
July 31, 2026**

	2024 Year End Actual	2025 Year End Actual	2026 Jan-July YTD	2026 Annual Budget	2026 Budget Variance	2026 % Budget
Revenues:						
B&M COMMISSIONS- GSR	953,638	0	0	0	0	0%
MISC RACING REVENUE - GSR	391,827	0	0	0	0	0%
ADW COMMISSIONS - GSR	1,662,352	0	0	0	0	0%
GRANDSTAND REV GSR @ ACF	0	0	0	0	0	0%
VANNING/STABLING REVENUE	564,879	0	0	0	0	0%
Total Revenue	3,572,696	0	0	0	0	
ACF Invoice Expense						
	3,356,021	0	0	0	0	0%
NCOT - ontrack labor						
	267,278	4,682	0	0	0	0%
Operating Expenses:						
Salaries	0	0	0	0	0	0%
Employee Benefits	0	0	0	0	0	0%
Payroll Taxes	0	0	0	0	0	0%
Accounting Costs	0	0	0	0	0	0%
Audit Services	31,638	0	0	0	0	0%
Automobile Expense	0	0	0	0	0	0%
Depreciation GSR	0	0	0	0	0	0%
Dues & Subscriptions, NTRA	0	0	0	0	0	0%
Insurance Expense	0	0	0	0	0	0%
Legal Expenses	0	0	0	0	0	0%
Meetings Expense	0	0	0	0	0	0%
GSR Misc LOC interest Exp	46,272	363,544	0	0	0	0%
GSR Loss on sale/disposal assets	3,538,805	(3,234,750)	0	0	0	0%
Telephone Expense	0	0	0	0	0	0%
Travel Expense	19,816	0	0	0	0	0%
Operating Exp. Sub-Totals	3,636,531	(2,871,206)	0	0	0	0%
Racing Support Services:						
Announcer	0	0	0	0	0	0%
Condition Bk/Program Cover	8,823	0	0	0	0	0%
Racing Operations Support	87,702	0	0	0	0	0%
Simulcast Management - GSR	25,000	0	0	0	0	0%
RCN Broadcast - GSR	9,987	0	0	0	0	0%
Fitness Vet/TC02 Testing	162,973	200	0	0	0	0%
3RD Party Lasiks	7,800	0	0	0	0	0%
Marketing/Web Devel	18,724	0	0	0	0	0%
Network Management	0	0	0	0	0	0%
Paymaster Operations	434	0	0	0	0	0%
Incompass Racing Office	80,848	0	0	0	0	0%
Racing Office Expenses	0	0	0	0	0	0%
Recruitment	767	0	0	0	0	0%
Jumbo Screen	0	0	0	0	0	0%
Supplies	54,632	0	0	0	0	0%
Tattooing	4,572	0	0	0	0	0%
Timing/Clocker	0	0	0	0	0	0%
Transportation-silks	0	0	0	0	0	0%
TV Production/Simulcast	267,444	0	0	0	0	0%
RTM Allocation (Maintenance)	21,690	0	0	0	0	0%
RTM Transportation	0	0	0	0	0	0%
RTM Prior Year	0	0	0	0	0	0%
Stabling & Training	0	0	0	0	0	0%
RTM Support	261,660	0	0	0	0	0%
Racing Support Exp. Sub-Totals	1,013,056	200	0	0	0	0%
Racing Billback Exp Allocation						
	114,160	0	0	0	0	0%
Total Gross Expenses						
	8,387,046	(2,866,323)	0	0	0	0%
Net of Revenue minus Expenses						
	(4,814,350)	2,866,323	0	0	0	