

**KEY LLC OPERATING
AGREEMENT PROVISIONS**

1

FORMAN & ASSOCIATES

OVERALL ORGANIZATION OF WEBSITE OWNER/OPERATOR

- WEBSITE OPERATING ENTITY: SITE WILL BE OWNED AND OPERATED BY CALIF. INTERNET POKER ASSOCIATION, A LIMITED LIABILITY COMPANY ("LLC") TO BE FORMED UNDER EITHER DELAWARE OR CALIFORNIA LAW.
- ASSOCIATION LLC TO BE OWNED 50/50 WITH TWO OTHER LLCs, ONE CONSISTING OF THE LICENSED CARD CLUBS AND THE OTHER CONSISTING OF ELIGIBLE TRIBES OR THEIR SUB-ENTITIES.
- JOINT TRIBAL-CARD CLUB LLC TO BE MANAGED BY COMMITTEE WITH EQUAL REPRESENTATION FROM CARD CLUB AND TRIBAL LLCs.
- CERTAIN DECISIONS, SUCH AS TO DISSOLVE THE JOINT LLC, WILL REQUIRE THE CONSENT OF BOTH OWNERSHIP LLCs.
- A DISPUTE OVER AN OPERATIONAL OR SIMILAR BUSINESS MATTER THAT CAN'T BE RESOLVED BY JOINT MANAGEMENT COMMITTEE WOULD BE SUBMITTED TO MEDIATION AND, IF NECESSARY, BINDING ARBITRATION.
- STARTUP AND OPERATING EXPENSES AND PROFITS OF JOINT LLC TO BE SPLIT EQUALLY BETWEEN THE CARD CLUB AND TRIBAL LLCs.
- CARD CLUB AND TRIBAL LLCs WOULD DECIDE FOR THEMSELVES HOW TO ALLOCATE THEIR RESPECTIVE SHARES OF PROFITS AND EXPENSES.

ELIGIBILITY CRITERIA FOR TRIBES

- **ORIGINALLY, CONCEPT WAS TO LIMIT MEMBERSHIP IN TRIBAL LLC TO TRIBES (OR WHOLLY OWNED TRIBAL SUB-ENTITIES) WITH COMPACTS AND CASINOS, IN ORDER TO MINIMIZE RISK OF EQUAL PROTECTION CHALLENGE.**
- **CURRENT PROPOSAL IS THAT ALL FEDERALLY-RECOGNIZED CALIFORNIA TRIBES BE ELIGIBLE FOR MEMBERSHIP IN TRIBAL LLC.**

MEMBERSHIP PROCEDURES

MORONGO RECOMMENDS THAT ALL ELIGIBLE TRIBES BE INVITED TO JOIN LLC AT NO COST.

MEMBER TRIBES MAY WITHDRAW, BUT NO PAYOUT OF MEMBER EQUITY.

CAN TRIBES JOIN LATER?

- **CURRENT PLAN IS THAT TRIBES THAT DO NOT JOIN AT OUTSET MAY JOIN LATER, BUT MAY BE ASSESSED A REASONABLE FEE TBD. THERE IS NOT YET A DEADLINE FOR JOINING.**

JOINT LLC MANAGEMENT

- **TRIBAL LLC'S REPRESENTATIVES ON THE JOINT LLC'S MANAGEMENT COMMITTEE TO BE DESIGNATED BY THE TRIBAL LLC MANAGEMENT COMMITTEE. AS PROPONENT, CREATOR AND FUNDER OF CONCEPT, MORONGO, WITH SECOND REPRESENTATIVE TO BE CHOSEN BY MAJORITY VOTE OF THE TRIBAL LLC MEMBERS.**

REIMBURSEMENT OF CONTRIBUTIONS

- **TRIBAL CONTRIBUTIONS OF MONEY AND IN-KIND SERVICES TO THE LEGISLATIVE EFFORT AND ASSOCIATION/LLC START-UP EXPENSES WILL BE REIMBURSED IN FULL AND WITH INTEREST FROM TRIBAL LLC'S SHARE OF NET PROFITS.**

RAISING TRIBAL STARTUP CAPITAL

- **START-UP COSTS ESTIMATED AT \$5-\$10 MILLION; 50% FROM TRIBES, 50% FROM CARD CLUBS. CONTRIBUTIONS FROM TRIBES WILL BE VOLUNTARY; NO LIMIT ON HOW MUCH ANY ONE TRIBE MAY CONTRIBUTE.**
- **EXCESS CONTRIBUTIONS TO BE REFUNDED PROPORTIONATE TO EACH TRIBE'S CONTRIBUTION.**

DISTRIBUTION OF PROFITS

- **AFTER QUARTERLY REPAYMENTS OF CONTRIBUTED CAPITAL AND INTEREST, AND DEDUCTION OF TRIBAL LLC OPERATING EXPENSES, THE TRIBAL LLC'S SHARE OF PROFITS WILL BE DISTRIBUTED EQUALLY AMONG ALL MEMBER TRIBES.**

TRIBAL AND JOINT LLC DEFENSE FUND

- A PERCENTAGE (PROBABLY 10%) OF ASSOCIATION LLC'S PROFITS, UP TO \$200 MILLION, WILL BE SET ASIDE TO PROTECT THE ASSOCIATION'S WEBSITE AND TRIBAL CLASS III EXCLUSIVITY AGAINST BALLOT MEASURES OR LEGAL ATTACK, AND TO MEET CAPITAL SHORTFALLS IN LIEU OF CAPITAL CALLS ON MEMBERS. TRIBES TO CONTROL FUND ON BALLOT MEASURES.

TRIBAL LLC GOVERNANCE

- FIVE-MEMBER MANAGEMENT COMMITTEE: ONE SEAT RESERVED FOR MORONGO, TWO RESERVED FOR THE NEXT-HIGHEST CAPITAL CONTRIBUTORS. TWO ELECTED FROM AMONG MEMBER TRIBES FOR THREE-YEAR TERMS.
- IF NEEDED, PROFESSIONAL MANAGER TO HANDLE DAY-TO-DAY AFFAIRS. MANAGEMENT COMMITTEE TO SERVE WITHOUT COMPENSATION.
- OPERATING EXPENSES TO BE DEDUCTED FROM TRIBAL LLC'S SHARE OF ASSOCIATION LLC'S DISTRIBUTABLE PROFITS. FORMAN & ASSOCIATES

