Special Board of Directors Meeting

Teleconference

December 3, 2020

Attendees: Wendy Pastrick, Tim Ford, Chris Yates, Grant Fritchey, Roberto Fonseca, Lori Edwards, Mindy Curnutt, Melody Zacharias, Hamish Watson, Asad Khan,

Not in attendance: Ramnik Gulati

PASSHQ Attendees: Judy Christianson, Sandy Cherry, Craig Ellis, Anika Poliseno, Elizabeth Jeffs, Janice Simpson, Vicki Van Damme

Agenda for Discussion:

1. Roll Call
2. Approval of November 9th Board Meeting Minutes
3. Presidents Message
4. Future of PASS

1. Roll Call

Quorum was achieved.

2. Vote to Approve November 9th Board Meeting Minutes

Tim Ford confirmed that the Board was ready to vote on the minutes from the November board meeting.

Motion: I move to approve the November 9th, 2020 Board meeting minutes that were sent to the Board on November 27th, 2020.

Motion: Tim Ford
Second: Roberto Fonseca

Wendy Pastrick Yes
Chris Yates Yes
Grant Fritchey Yes
Lori Edwards Yes
Mindy Curnutt Yes
Melody Zacharias Yes
Hamish Watson Yes
Asad Khan Yes
Ramnik Gulati Absent

Motion Passed (10 yes, 0 no, 0 abstain, 1 absent)

3. Presidents Message
Wendy Pastrick stated that Tim will be presenting a lot of information on the future of the PASS organization and asked the Board to keep any questions to the end when there will be time for a full discussion.

4. Future of PASS

Tim addressed the Board stating that this special meeting was called to discuss the PASS organization’s future. Tim thanked the Board for making the time to attend. Tim reiterated that the PASS Executive have met with each board member over the past week leading up to this meeting. He stated that nothing in this presentation should come as a surprise to anyone on the PASS Board. Tim reminded the Board to keep the information presented under NDA until it is public.

Tim gave a recap of the financial ask to Microsoft from PASS which outlined the range of the ask from the minimum of $800k to keep the PASS organization’s lights on, and up to $2.6m to maintain the current membership offerings. While the initial reaction from Microsoft seemed positive, the outcome was that Microsoft declined stating there was no cash investment or support available at any level at this time. Tim stated that with the debt PASS currently has, this investment was truly essential to save the PASS organization.

Tim presented a recap of the non-reconciled PASS Virtual 2020 Summit numbers, showing that only $1,973,031 was brought in falling short by $1,642,39 of the budgeted Summit revenue of $3,615,427. He went on to show that with the Summit shortfall and no prospect of funding support from Microsoft, that even if all other revenue was achieved, it puts PASS is a deficit of potentially $3.22m. the non-reconciled breakdown of registration and sales and the potential deficit of $3.22m if the remaining budgeted revenue is met.

Tim addressed the questions around why PASS held a Summit this year. Tim outlined that when the Board made the decision to cancel the in-person PASS Summit event, PASS had already generated $1.3M in revenue between sponsorship and registration for the event. If Summit had been cancelled completely PASS would have owed 100% of $1.3M in refunds and would have run out of cash overnight. The Board made the decision back in May to move ahead with a Virtual Summit to retain as much of the revenue as possible, while targeting additional revenue. Tim showed that Virtual Summit was successful in that PASS did retain nearly $2M in revenue, which provided cash flow for PASS to continue up to now. Tim added that PASS Virtual Summit was a quality event with the initial feedback showing 90% of respondents had their expectations met or exceeded for both educational content and the conference in general, with price being the number one reason for registration.

Tim outlined the overall financials showing refunds and credits due to the cancellation of the in-person Summit which amounted to $852k in total. All refunds for Summit 2020 have been completed, with $348k registration credits and 139k Expo credits transferred to Summit 2021 totaling $478k on the books as credits for Summit 2021. With this debt and no cash infusion from our partner Microsoft, PASS reserves and cashflow will be depleted in January, with no way of supporting deliverables or infrastructure. PASS has additional significant debt which includes ad hoc ongoing contracts, Summit 2021 credits, and funds owed to C&C, including the concessions made to support PASS this FY, which have not been invoiced and are only owed once PASS serves C&C notice to terminate the contract. Furthermore, PASS cannot fulfill the financial commitment of four months’ notice to C&C that is outlined in the contract, however PASS will be serving notice to C&C effective today. Tim outlined the outstanding debt as 1.87M with a total potential deficit of $3.2M. There is also future hotel and convention center cancellation fees at around $6M over the next 5 years.
Tim presented the PASS Executive’s recommendation outlining that with the magnitude of debt, no cash on hand, nor forecasted in person event for revenue generation, PASS has no choice but to move forward with insolvency. Tim added that this is a very challenging decision that needs discussion. Tim outlined the timeline aiming for full transparency to the community which outlined Board alignment and community communication on insolvency preparation in December and preparation towards insolvency in January up to January 15th when PASS will go dark. The team at C&C will be largely gone and PASS will execute on insolvency post January 15, 2021. Tim outlined that the Executive is working with legal to define PASS assets, if any. Tim outlined the projected rollout of the communications to the community that will lead up to PASS going dark and stated that once the communications go out, Board members can engage on social. Tim stated that if there were any changes with the plan the Board would be updated. Tim opened the floor for discussion.

The Board discussed the messaging that will go out to the community and the Board’s role in that messaging. The Board also discussed some of the financial implications that were presented by Tim in today’s meeting.

**Motion:** I move to approve the dissolution of PASS due to the financial debt PASS is unable to pay, the overwhelming future financial obligations, and the lack of cash flow.

| Motion: | Tim Ford |
| Second: | Grant Fritchey |
| Wendy Pastrick | Yes |
| Chris Yates | Yes |
| Grant Fritchey | Yes |
| Lori Edwards | Yes |
| Mindy Curnutt | Yes |
| Melody Zacharias | Yes |
| Hamish Watson | Yes |
| Asad Khan | Yes |
| Ramnik Gulati | Absent |

**Motion Passed (10 yes, 0 no, 0 abstain, 1 absent)**

Wendy stated that there is still work ahead and asked the Board to continue to check their PASS emails daily. Wendy thanked HQ and the Board.

Tim added that no one in the community is going to lose their job because of this decision, but there are people from HQ who have families that will. Tim asked the Board to demonstrate kindness in their communications, and remind the community of that as well.

Grant Fritchey asked if there was anything else the Board wanted to discuss? Mindy Curnutt asked if the entire Board would be involved in decisions regarding the order of dispersal of remaining funds? Wendy stated that any of those decisions would fall to the insolvency laws. Tim added that all communications with legal will be as transparent as possible to the full Board.
Hamish Watson added that PASS changed his life and he thanked the people he enjoyed working with at HQ. He added that he is sorry things have turned out this way adding that the PASS platform is awesome. Hamish thanked everyone that made a positive impact on all of those in the community.

Tim expressed his gratitude and asked everyone to keep doing what they do so well.

The meeting adjourned at 1:03pm Pacific Time.