

MINUTES
OF
THE FINANCE TASK FORCE
OF
THE BOARD OF DIRECTORS
OF
MAGFest, Inc.

A regular executive brainstorming session of the Finance Task Force of the Board of Directors of MAGFest, Inc., a Maryland corporation (the "**Company**"), was held electronically on August 1st at 2:05pm EST, pursuant to notice given in the ordinary course of business.

The following members were present electronically at the meeting: Eli Courtwright, Song Wang, Cody Wilson, and Travis Snoozy. Joel Attanasio, Emily Hickman, and Paul Birtel were also present as human guests. Tesla, Sylvanas, and Spaghetti were present as feline guests.

1. Cody explains that he's turning off his video until he's done eating pie.
 - a. Joel replies, "When you're done we'll be looking forward to your pie in the guy ideas."
 - b. Emily says, "I have to turn off my camera, Tesla is naked." Emily explained that "naked" for a cat means that she doesn't know where Tesla's collar is.
 - c. "Bagel bite pocket sand" was the name of PB's fake band for this meeting. I didn't write down the context, so I'm not sure if this was a continuation of the previous conversation or not.
2. Eli opens the meeting by explaining that in lieu of our normal meeting agenda we're asking the Finance Task Force to do a deep dive review of the Burn Rate scenarios. We don't expect specific feedback on things like when individual employees go on furlough, but we definitely want a high-level recommendation of how much money we should commit to raising through fundraising and loans. In particular, the difference between Scenario 2 and Scenario 3 is committing to raising \$125k vs \$250k respectively. However, we'd also appreciate sanity check feedback on the furlough schedules because the office has been living in those spreadsheets for awhile, and it would be nice to have an outside view to see whether there's anything which seems concerning to someone with an outside view.
 - a. Cody says he's good with those "asks" in particular. But he's going to need some additional clarifying data in order to make a recommendation here. Assuming that we're doing any sort of fundraising from charitable contributions and loans, then is there a proposed schedule for when that begins? Because right now we need to make a decision that has effects starting around Oct 1. But if the charitable contributions don't kick off in a real way until after that, and those require support from the paid staff.
 - b. Em explains that the plan is to align our "big ask" fundraising initiative with the public announcement about Super 2021 being canceled. A lot of it relies on

timing - we want to make sure that the volunteers know slightly ahead of the public, but not so far ahead that the information leaks out in public and is being discussed and widely disseminated on e.g. social media. We also want to know the attendee thoughts on in-person events before making the announcement because even if it doesn't affect canceling Super 2021 as the main event, it could affect what kind of in-person presence we're comfortable with while still under COVID.

- c. Cody notes that if furlough starts Oct 1, then that seems like it will affect our ability to fundraise. So how does the furlough schedule affect this rollout schedule?
- d. PB suggests that perhaps it would make sense for him to review the furlough schedules in-depth in order to answer that question.
- e. Cody says that he's had a lot of discomfort with our delay in not pulling the trigger on the decision to cancel Super. He understands that we needed to wait for data to come in and for contracts to be negotiated, but he wants to make sure that we're not succumbing to analysis paralysis. So as a sanity check: is there ANY scenario in which we DON'T attempt a fundraising push?
- f. PB explains, Scenario 1 is basically that case, because the office simply wouldn't be around to support it. Though that's not what the Board is leaning towards at the moment precisely because they want to be able to support fundraising efforts.
- g. Cody agrees that he doesn't like any plan without a fundraising push. He could see a world in which we don't take out loans (though the FTF has recommended that we pursue them) but soliciting online donations should definitely be a priority. He's not tuned into how the volunteer contributions to this have been going, but it seems to him like it'll require a lot of employee support. And therefore he doesn't see how he could support Scenario 1.
- h. PB agrees. He prepared Scenario 1 because it's important to show our work on what "no loans or fundraising" would look like - it wouldn't make sense to dismiss this out of hand. But we definitely need the office in order to support any fundraising effort. Though with that being said, we've never done this before, and one challenge is going to be that we don't know how much a virtual event will raise, and if we spend more money on that than we raise, then it's counterproductive.
- i. Em notes that along those lines, Otakon did a one-day virtual event. But the feedback she's heard from people who "attended" it is that it seemed really slapped together. And a "slapped together" event is what we'd definitely end up with if we left everything to the volunteers without the office around to coordinate the efforts.
- j. PB agrees, and explains that this is why Scenario 1 basically doesn't allow for an online Super.
- k. Cody says, that makes sense, and it seems like it's worth having PB walk through the scenarios. But the labeling doesn't make it clear what virtual events are happening, and he'd like to have that made explicit. Also, as a sanity check, some of these furlough schedules have people working part-time like 75%. Is that going to be feasible with the amount of work we expect we'll need from them? We want to make sure that we're not relying on people to work more hours than they're reporting while on partial furlough.
- l. PB agrees, and says that this is exactly why he's advocating for Scenario 3. For

both moral and HR/legal reasons we cannot have employees being paid for 75% of their time but then working more than that, which means we'd need to be more careful than normal about task tracking and time tracking. This would in turn mean that we'd need to do a lot more triage of what work we assign the employees in way which would make a lot of operations more difficult.

As a reminder to anyone who doesn't know or remember: employees **cannot** volunteer their time to do the same work they are paid to do. They can volunteer for unrelated responsibilities; for example Vicki is a contractor who does software development on Reggie, and she volunteers in the Staff Suite doing food prep during Super. This is perfectly okay, but it would not be okay for her to volunteer to do some software development tasks while being paid to do other software development tasks.

3. The FTF enters into an executive session to review the specifics of our financials, burn rate scenarios, and furlough schedules.
 - a. EDITOR'S NOTE: I'm including a few things below which are taken from the executive session because they're suitable for public release.
 - b. Cody asks, is there any projected decrease in sales for initial prereg for Super 2022 when it launches in ~August of 2021? Even pre-COVID we saw a big shift in people registering later in the year because they knew that even preregistering early wouldn't guarantee them a hotel room in one of the National Harbor hotels. He made projections last year about where we'd end up if we had an 18,000 person event. We don't know what Super 2022 will have in attendance, but it's probably too soon to assume that we'll be back to our normal 25k levels post-COVID. Hopefully we will but there are no guarantees. Do we have projections for what we expect we'll need to make Super 2022 work?
 - c. PB says not yet. The current scenarios have us being okay with any reasonable amount of money we'd pull in from Super 2022 prereg launch. But Cody is right that when the time comes to budget for Super 2022 then we can't just assume that we'll be able to use the same budgets we prepared after Super 2020 before COVID hit. But we haven't yet drawn up what those budgets actually look like for Super 2022 and that would happen in 2021 after employees come back from furlough.
 - d. Here's a high-level summary of the three scenarios we discussed:
 - i. Scenario 1 is "no loans and fundraising". Which means no employee support for a virtual Super, and no office support for any 2021 event until we launch pre-registration for Super 2022.
 - ii. Scenario 2 commits us to raising \$125k from a combination of fundraising and loans; basically we see what we can fundraise and then take out loans to make up the difference between that and \$125k. This allows us to do online Super but doesn't allow for much office support of any 2021 events until Super 2022. This does allow us to have an in-person West with a \$32k budgeted loss, but doesn't provide enough support for everything that we normally do to support our smaller events and West will need to make do with a lot less office support than usual.
 1. Cody points out that the \$32k number assumes a roughly as-successful-as-the-previous-event West. And we don't know if that will be the case.

2. PB agrees, but notes that by the time we need to launch prereg for West 2021 we expect that we'll have seen other events being run, and we'll have a sense of whether events which resumed after a year off get the same attendance they did before or if it's lower. And then we can make the call on how to handle West at that time, while planning until that happens to have West 2021 as normal.
 - iii. Scenario 3 is like Scenario 2 but with \$250k instead of \$125k. The goal is for the office to be able to support live Stock and live West. PB is advocating for this scenario.
- e. Eli points out that Scenario 2 has multiple "sub-scenarios" which consist of different furlough schedules and ways that it will use the top-line \$125k. Eli further points out that the plural of "Scenario 2" is "Scenarios 2".

4. Cody asks, do we have specific fundraising goals?
 - a. PB responds that it's hard to benchmark because we've never done this before. But this is why we have the date at which we make the final loan decision after January.
 - b. Em explains that the goals will partially depend on what Scenario we're shooting for.
 - c. Cody asks, do we have a timeline for when we expect to create those goals?
 - d. Em answers that there's a meeting on Friday where that will be discussed.
 - e. Cody says, that's good. All of our decisions revolve around all of our other decisions, which makes it hard to make any decisions! But that makes it even more important that we start to lay down hard numbers to plan around. If "only" 10% of our attendees bought a badge to a nonexistent event, then that's Scenario 3 paid for, end of story. However, as we've said, it's hard to know what is achievable, which is why he urges that we decide in the next 2-4 weeks what we're shooting for.
 - f. PB agrees, and the plan is indeed to come up with a solid plan in the next 2-3 weeks.
5. Eli asks if Emily is haunted. Because when she unmuted her microphone he thinks he heard a ghostly wail coming from her connection.
 - a. Emily replies, "I'm not haunted. I am the one haunting."
6. Eli asks, are we actually able to shift at the end of January? If we shoot for Scenario 3 and then we find that given our fundraising, we'd have to take out the vast majority of the \$250k amount in loans, would we at that point be able to downshift to Scenario 2 or even Scenario 1? He asks because the changes start happening well before then.
 - a. PB answers yes, and this has been communicated to the office.
 - b. Cody says that he'd like to see that plan actually laid out. Specifically:
 - i. We recommend a Scenario today.
 - ii. We set some breakpoints on what kind of fundraising targets would trigger a downshift.
 - iii. PB then creates the "downshift" plans for what we'll do if we do downshift, e.g. the specific furlough schedule.
7. The FTF enters into an executive session to discuss our hotel deposit and cash reserves.
8. Joel notes that he'll be keeping an eye on West to inform him about how much we should expect on Super fundraising.

- a. PB notes that the profile is probably different there - West is only 3 years old, whereas people have been coming to Super for 5, 10, 15+ years. The level of devotion is a lot different for a longstanding event and community like Super. And we're being careful to target that fundraising pitch to the West community because we want the Super community to tug the heartstrings.
- b. Cody agrees; he thinks the main lessons learned from West will be about infrastructure and how to run this kind of online event rather than being able to extrapolate estimates from the relative event sizes.
- c. Joel notes that there is to some extent a "shared market" for donations, and we expect to see other events between now and Super posting how much money they fundraised. This means we'll have a lot of data points going forward, and in some sense we may even be competing with those other events for donations! But regardless, that should definitely help inform our realistic goals when we decide what sort of targets to make.

9. The FTF entered into an executive session to discuss our participation in the League of Conventions.

10. The FTF resumes discussion of the different scenarios.

- a. Cody explains that his initial reaction is to lean towards Scenario 3 for the following reasons:
 - i. We expect we can potentially fundraise most or all of that.
 - ii. We have the money set aside for the hotel deposit which is enough of a buffer to keep the organization stable.
 - iii. We have the flexibility to downshift after January if any of our important assumptions are falsified.
 - iv. Building new online revenue streams should be a high priority for the organization, and Scenario 3 maximizes our growth in that direction.
- b. Song weighs in with his reaction. The quick simplification here is that, assuming that we get any traction on fundraising or deposit flexibility:
 - i. Scenario 1 is too austere.
 - ii. Scenario 2 is a reasonable base case.
 - iii. Scenario 3 is a good target. If we had better forecasts around our initiatives and/or find we're able to raise money like gangbusters then this seems like something we can upgrade to.
- c. Snoozy says, his default is always "spend nothing". He agrees that Scenario 1 is too austere. But he has difficulty moving up to Scenario 2. Planning to have a live West is sensible; we can pivot if it looks like we can't or shouldn't go with it. But from looking at things from a high level, it's work to spin up and down - the longer people are out, the harder it is to bring people back.
- d. Emily posts in the chat:

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- e. Joel announces, "Cats have arrived."
- f. Eli says, he agrees with Cody's analysis. But where he's floundering is, "How much money would we need to raise in September for our initial fundraising push

to still be comfortable with Scenario 3?" For example, if we manage to pull in \$7k from our initial big fundraising push, then that puts us squarely in a Scenario 2 world. But where does the line actually lie?

- g. Cody suggests, it sounds like the consensus right now is that we're no longer looking at Scenario 1. So the question is basically, what is the delta between Scenario 2 and Scenario 3 in terms of what we think we need to raise at various points:
 - i. By the end of our first big fundraising push.
 - ii. By the end of virtual Super.
 - iii. In loans around the beginning of February.
- h. Snoozy notes that if not for the fact that it involves people's livelihoods then he'd almost want to put "unlock staff member X" as a type of donation incentive. Because that's actually what we're talking about, e.g. we want office support for Stock, and whether we can provide it depends on how much we can fundraise. That level of transparency may not be possible because it's too detailed about people's furlough schedules and salaries, but we should keep it in mind with our own planning.
- i. PB responds that another concern is while we've been considering goal markers similar to that, we want to make sure we don't commit/promise something we end up not being able to provide. For example, if we promise a live West if we hit \$X in donations but then no COVID vaccine emerges and then we have to cancel West anyway.
- j. Eli notes that "murder hornets" are his go-to stand-in for "unknown new thing causing problems next year". Or sometimes their lesser cousin "manslaughter bees".
- k. Snoozy suggests "negligent discharge flies".
 - l. Cody suggests "Grand Larceny Gnats".

- 11. The FTF enters into an executive session to discuss the specifics of our warehouse lease.
- 12. Joel says, many of the things which people have been saying put him in the mindset of starting with Scenario 2 and then upshifting to Scenario 3. In particular, given our approach to loans with personal guarantees, loans increase our liquidity but not our runway.
 - a. Eli asks, what's the difference in spend between Scenario 2 and Scenario 3 between now and the end of January?
 - b. Cody rubs some math on this question and responds, about \$54k. He asks PB, how much more difficult would fundraising be at a Scenario 2 cost? In particular, how much does Scenario 2 sacrifice our ability to produce a kickass virtual Super event?
 - c. PB says, this is where we get into intangible vs tangible. He doesn't think it'll move the needle on our fundraising outcome, e.g. if we spend \$50k more in order to do Scenario 3, then he doesn't think an online Super would then raise >\$50k more. But he does think that the quality of the online event would be affected.
 - d. Cody says that if Scenario 2 means a drastically scaled back Super but still having a successful fundraising effort, then at this point he'd be in favor of scaling back to Scenario 2. And this means that hearing other people's inputs have changed his mind to thinking that we should have Scenario 2 be a baseline and let our fundraising outcomes "upgrade" us to a Scenario 3 if they raise a certain

amount.

And really, stepping back and looking at things holistically, his original pitch for streaming before COVID was a 3-year plan in order to get to the point where we'd have an online event we could justify charging money for. And that plan was ambitious! It's not clear that we can put on a virtual event which "justifies" whatever money people are giving us. Which is why it's good to phrase everything as a fundraiser with low expectations for what you get in return. "Buy a badge for an event which doesn't exist" is a much more reasonable expectation to live up to than putting the "Super MAGFest" name on a virtual event which is likely to fall short.

- e. Pb explains that we are currently planning on doing both "buy a badge to nothing" and a digital super with a fundraising aspect. The current scenario plans involve the office working toward both goals.
- f. Em says, "We can just stream my cats. I've said it before; just my cats chasing laser pointers."

13. Snoozy suggests that we spell out our thresholds in terms of money and dates for upshift/downshift.

- a. Eli agrees. If the initial fundraising push is in September, then how much money do we need to raise then in order to upgrade from Scenario 2 to Scenario 3?
- b. Cody says, to him the difference between Scenario 2 and Scenario 3 is \$125k, and to him that means that \$125k is what we should be able to raise in September in order to justify that upgrade. And really, if we're not able to raise that amount of money and upgrade to Scenario 2, then that means the office should be focusing on "December/January fundraising" rather than "coordinate a kickass online Super event". Because that \$125k is basically what we need to raise in order to support our efforts to make an event with the "Super MAGFest" name which doesn't hurt our relationship with the community. We shouldn't have a sub-par "Super MAGFest" event; if we don't think that we can put something on worthy of that name then we need to downgrade the public expectations. That doesn't mean we can't do any kind of online event, but we need to be really careful about maintaining our reputation and not being perceived as charging people for something "slapped together".
- c. Snoozy suggests that a sub-par MAGSuper would be MAGSubpar.
- d. Eli suggests that if we don't feel our event is worthy of the name MAGSuper then we could literally call it that in order to create reasonable expectations!
- e. PB suggests that while Cody's point is reasonable, \$100k makes for a better fundraising goal than \$125k, so we might want to set that as a threshold for that reason alone.

14. The FTF enters into executive session to discuss the specifics of employee efforts and how different furlough schedules would impact them.

15. Eli asks, given everything we've discussed, is the FTF comfortable with this: "We recommend Scenario 2, with an upgrade to Scenario 3 if the organization is able to raise \$100k with our initial fundraising push in September."

- a. Cody asks, with that in mind, should \$125k be a sensible stretch goal for a digital Super rather than an online fundraiser around the time Super would have happened?

- b. Snoozy asks, even with that amount, given Cody's concerns about our branding, is that \$25k difference really the thing that enables us to do that?
- c. Cody replies, he's no longer with the Stream Team, but based on his understanding as well as what PB has already said in this meeting, it seems like Scenario 3 is the minimum office staffing level that we'd need to put on a digital Super.
- d. PB suggests that maybe Scenario 2 has the expectation that January will be a MAGFest fundraiser, not a digital Super. But if we launch the cancellation announcement late August with a 100K thermometer that if we hit that by the end of September we could up shift to Scenario 3 and run a digital Super (which will still be a fundraising event) in January. Our goal of \$100k turns into a digital thermometer which tells the audience, if you want a digital Super we need to raise at least \$100k.

And to Cody's question, it's tough because there's not a clear line between "we're doing some streaming around the time Super would have happened" vs "digital Super MAGFest". But overall Cody is correct in his assessment.

- e. Snoozy suggests that if we like nice round numbers, \$0x2BEEF is a great hexadecimal number and is equal to \$179,951.

Also, if there's going to be a digital Super then we need to start getting estimates on bringing in the performers. West is a good baseline for that, but if we're considering doing a digital event then performer fees are going to be our main expense.

- f. PB agrees. He notes that he did put in some money for that in the Burn Rate, though he can't say for sure that it's enough.
- g. Cody says, putting that all together:
 - i. We need to direct the Stream Team to start producing estimates of what they expect it would cost as a baseline to support a virtual event in January?

This should include different versions:

1. A digital fundraiser with some associated content
2. A virtual even.
3. A 1-day event
4. A multi-day event

This allows us to know not only what our threshold is for "upshifting" but also what specifically we're upshifting to.

However, we don't need this information right now. We don't even need it by the end of September. Instead, we've set out a path which allows us to decide whether we're pursuing "online fundraiser" vs "digital Super" by the end of September, since that's basically the difference between Scenario 2 and Scenario 3.

- h. Snoozy asks, when can we start soliciting data on what we can actually do for digital Super and what attendees would be interested in?
- i. PB says, we've been discussing that with our dept heads for a few months already. And the office put together an attendee survey this week about it, which helps to inform what people expect and want in such an event.

- j. Snoozy says, "Remember marketing. It's not 'Super is canceled' it's 'guaranteed room and short commute'."

16. Cody asks if we have consensus on our recommendation to the Board.

- a. The official recommendation is:
 - i. We recommend moving forward with Scenario 2 for now.
 - ii. Based on our fundraising in September, if we are able to raise \$100-125k in September, then it allows us to upgrade to Scenario 3.
 - iii. We recommend that the office focus on a digital fundraiser in place of Super as a default course of action. If we find ourselves upgraded to Scenario 3, then we trust the office to adjudicate whether they are capable of running something we call a "digital Super MAGFest" based on its costs and our capabilities.
- b. Song and Snoozy and Eli all agree.
- c. Eli takes the action item to bring that recommendation to the Board.

17. Eli asks, when do we expect to need to meet again?

- a. Cody summarizes the things he's looking for:
 - i. Is the fundraising committee setting targets?
 - ii. Are there concerns about our digital events and the planning/budgeting around them?
 - iii. Are there surprise changes to our burn rate?

With that in mind: can PB and Emily surface any information on any of those topics which would require us to meet and either reassess anything or weigh in? And then the same thing goes for Jack and the Board - if they want FTF to convene then he will want to know about it and want to help. With all of that in mind, we should put a placeholder in place for 2 weeks from now in case there's anything, and then we can cancel if needed.

August 15th can be reserved and then freed on Thursday or Friday if nothing has come up. But at this point it can be needs based instead of the default assumption that we need to meet.

- b. Jack says that he manages the agendas for the Board meetings, and he can commit to making sure that at every single Board meeting we ask "is there anything we need to hand off to Finance". And he will definitely call Finance to meet for anything serious like "negotiations with the hotel fall through".
- c. Cody agrees, and says we should definitely meet in a month.
- d. Eli takes the action item to schedule both the placeholder meeting and the next definite meeting.

18. Eli expresses gratitude to the entire FTF for everything they've done this year. When we started these bi-weekly meetings there was so much uncertainty, and the TF has been invaluable in providing guidance. Even just being able to say in Board meetings, "the FTF has been reviewing this" takes a huge load off of the Board. And it's difficult to express how valuable it is to get official recommendations like at this meeting.

This group wasn't originally intended to take on the kind of workload they've shouldered this year, which makes the contribution even more impressive and appreciated.

19. There being no other business to consider, the meeting was adjourned at 5:30pm.