



Holding Conferences in the Face of Terror & Natural Disasters

What You Should Know When Planning Your Organization's Next Event



By Maria Spindel and Ben Tesdahl

The widespread damage caused by Hurricane Katrina reminds us how the forces of nature can disrupt events. A number of nonprofit leaders who had conferences planned in the New Orleans area have found that canceling those events isn't as easy as they first thought.

Certainly, organizations with contracts at hotels that were completely destroyed in certain parts of Louisiana and Mississippi should have no trouble canceling without liability if their conferences are planned for the near future. But what if a New Orleans conference

Canceling the event could cost you hundreds of thousands of dollars and put your organization on the brink of bankruptcy.

is scheduled for 2006 or 2007? Can you back out of your contract, or can the hotel rebuild its facility and force you to come?

And what about hotels on the fringes of a natural disaster that

have some structural damage but are otherwise open for business? Chances are that such hotels will want to hang on to all the conference business they can and won't let organizations back out of their agreements, even though conference attendees may be unwilling to travel to such areas. Even if you honor the hotel contract and hold your conference in the affected area, you may fail to meet the attendance requirements that are built into almost all such contracts, and your organization could face major fines.

In addition to natural disasters,

the July 2005 subway bombings in London make clear that we live in an age of man-made disasters and that the potential for terrorist attacks is always looming. The London bombings also highlight the fact that a terrorist attack *anywhere in the world* may cause the United States to raise its Homeland Security Advisory System threat level, making many people reluctant to travel.

Has your organization protected itself against the threat that a natural disaster or terrorist attack could disrupt your conference? Even if the threat doesn't materialize, many attendees may fail to come, subjecting you to large monetary penalties.

Dangers in the Basic Hotel Contract

Part of planning a conference at a hotel is signing the contract. You may not realize the hazards hidden in the hotel contract's fine type. For example:

There are ways to edit a hotel contract to avoid problems for your organization.

Hotel contracts typically require you to fill a certain number of rooms. If you don't satisfy that commitment, you're liable for the cost of those unsold rooms.

Hotel contracts may have food and beverage head counts, which require you to pay for a minimum amount of food and beverages based on an estimated number of attendees, regardless of how many people actually come to the event. If there's a shortfall in attendees, you pay the full amount of the food and beverage minimum.

Hotel contracts always contain a penalty for canceling the event. This penalty may be a fixed dollar amount, or it may be based on a

number of factors, such as what the hotel would have been paid for all rooms held for your organization on the night of highest expected attendance or, perhaps, the cost of all rooms reserved for the event.

Before signing the contract, you need to consider whether the penalties are reasonable and exactly how they're calculated. In case of a terrorist attack, news of a possible attack, or a natural disaster, many attendees may cancel at the last minute, or you may want to cancel the event. If you haven't confronted these issues in your hotel contract, you may need to pay a high penalty. This could cost you hundreds of thousands of dollars and put your organization on the brink of bankruptcy.

Problems with the Standard "Force Majeure" Clause

You may have heard of "force majeure" clauses in hotel contracts that allow either side to cancel in

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If you think you'll be protected by the "force majeure" clause, think again.

case of events beyond a party's control. If you think you'll be protected by such a clause, think again.

Force majeure clauses usually account for only the rarest of circumstances, such as actual war in the United States or acts of God, such as earthquakes and tornados. You're protected only if holding the conference would be "illegal or impossible," which is difficult to show if there's only the possibility of terrorism or the aftermath of a natural disaster.

So, what happens if there are threats of a terrorist attack that never materialize but force you to cancel the conference or cause many people to cancel their reservations? Or what if a natural disaster causes widespread destruction near your conference site and attendees decide that traveling there is too risky due to gas shortages, overcrowding, and other factors? Unless you know how to negotiate the force majeure clause before signing the contract, you'll be subject to many thousands of dollars in cancellation charges.

Other Common Problems

After you've signed the contract, you may find that your conference hotel has been sold to another company or is undergoing major renovations. Because the new owner has a bad reputation or the renovations will be intrusive, you may change your mind about holding the conference there. Will the contract let you cancel without penalty in such situations? Probably not.

The contract may also include information that you overlook or don't understand. For example, can the hotel cancel the contract without notice or penalty? What happens if the hotel overbooks and doesn't have enough rooms for attendees? Even seemingly insignificant provisions, such as clauses imposing room taxes on canceled or unfilled rooms, could lead to severe consequences for your organization if you don't address them in advance.

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How to Protect Your Organization

There are ways to edit a hotel contract to avoid problems for your organization, including potential terrorist attacks, natural disasters, and other events that might disrupt your conference (such as a SARS outbreak or anthrax attack). But unless you or someone on your staff has legal training, you won't know how to do so. By contrast, you can be sure that the hotel's contract is prepared by a lawyer and studied with terms that only a person with a law degree can understand.

It's penny wise and pound foolish to have staff members review contracts that were drafted by the hotel's lawyer. Doing so is much like sending a Little League baseball team to compete against a professional major league team: There's little question which side will win. You need to level the field by having experienced legal counsel review the contract before you sign it. Only when the hotel knows that you have a knowledgeable person watching out for your rights are you likely to walk away with a contract that will protect your organization in the event of unexpected calamity. ■

Marla Spindel (marla.spindel@ppsv.com) and Ben Tesdahl (ben.tesdahl@ppsv.com) are attorneys concentrating in nonprofit and corporate law with the law firm of Powers, Pyles, Sutter & Verville, P.C., in Washington, D.C. They are counsel to a wide variety of nonprofit organizations throughout the country and have reviewed and negotiated numerous hotel and convention contracts.





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