

Lancaster Host Auction - Part II

To the Membership:

The Lancaster Host Resort and Conference Center (the "Host") is going up for auction. The HMGS, Inc. Board of Directors concluded a teleconference Sunday, December 6, 2015, which addressed the upcoming potential sale of the Host, the site of Cold Wars and Fall-In. The discussion centered on our current contractual obligations and the alternatives available to us. While the situation is still developing and very unclear at this point, we would like to provide a brief update to the membership.

What we know:

On December 3, 2015 it was publicly announced that the Host was listed for auction. The auction starts on December 14, 2015 and ends on December 16, 2015. Representatives from the Host informed us of the pending auction on the same day that the public announcement was made. We were informed that they knew of the plans since Thanksgiving, but were not allowed to divulge this information. The bidding will start at \$2.7 million, but there is an undisclosed minimum sale price which also needs to be met. Several interested parties have already made site visits to the Host, and several more are scheduled this week.

Contract Background

HMGS, Inc. has been at the Host since 1992, almost 24 years, and this is not the first time the Host has experienced a change of ownership. The current convention contracts for Cold Wars 2016, Fall In! 2016, Cold Wars 2017, and Fall In! 2017 were all signed in November 2013. The language in these contracts includes a cancellation liability for both parties on a sliding scale, in which the penalty increases as the convention date approaches. With the exception of Fall In! 2017, all three other conventions are already in the penalty phase if a cancellation is initiated. We just renegotiated the Fall In! 2017 contract, and have until October 2016 to cancel Fall In! 2017 with no penalty.

Options and Alternatives

At this point, the Host has not cancelled Cold Wars 2016. HMGS, Inc. also cannot initiate a cancellation of the convention without incurring a substantial monetary penalty, something which this Board will not consider. While we hope for the best, we have planned for the worst. The Board has already been actively looking for viable alternative sites to the Host. In fact, some of these locations have already submitted proposals on future dates for us to consider. We will not know or have any clearer information until December 16th. Until that time, we will be calling each of the alternative sites on our short list to find out if they have any available convention dates in March or April 2016. Once we know the results of the auction, we will also need to re-evaluate the status of our contracts if indeed there is a new owner of the Host.

Our Goal

Our goal is to run an outstanding Cold Wars 2016 convention, whether it is at the Host, or another location. We have been thrown a curve ball, and time is short, but we have every intention, and will make every effort

to make this happen. In effect, this is one of the main purposes for our cash reserves. However, in the event that the convention cannot be held due to circumstances beyond our control, it should be made clear that any pre-registrations or pre-payments to HMGS, Inc. by attendees as well as vendors will be reimbursed.

We will have another update to the membership as soon as any new relevant information is received.

Respectfully,
John Spiess
HMGS, Inc. Director of Communications