

Md. warns it may seize Grand Prix firm's assets

by Luke Broadwater, *The Baltimore Sun*, November 21, 2011

The state has threatened to seize assets of the company that runs the Baltimore Grand Prix to recover nearly \$600,000 in unpaid taxes, the Maryland Comptroller's Office said Monday.

"We don't want to take anybody's business," said Caron Brace, a spokeswoman for Comptroller Peter Franchot. "We just want to get what we're owed."

Baltimore Racing Development Inc., the Grand Prix operator, is more than a month delinquent on \$567,594.19 in admissions and amusement taxes, and \$23,838.06 in sales and use taxes, Brace said. The comptroller's office filed a lien in Baltimore Circuit Court on any property that the company owns, she said.

Ryan O'Doherty, a spokesman for Mayor Stephanie Rawlings-Blake, said the comptroller's office is responsible for collecting the admissions and amusement taxes owed to the city. The sales and use taxes are owed to the state.

Jay Davidson, the former chief executive of Baltimore Racing Development and an investor in the company, said he thought that "escrowed ticket money" would be used to pay the taxes. "I'm not sure why it hasn't been paid to this point," he said.

Baltimore City Councilman William H. Cole IV, an ardent supporter of the Grand Prix, called the situation — the latest development in the company's financial troubles — "frustrating."

"There's not much choice in the matter," he said of filing the lien. "The government has to take seriously their debts to the taxpayers and their business partners."

Meanwhile, Davidson, who remains an employee of the company, said it is "very close" to hiring Felix J. Dawson, a former Constellation Energy Group executive, as the new CEO. Davidson said the company is finalizing a contract with Dawson.

Through an associate, Dawson declined to comment.

Dawson would be coming aboard as Baltimore Racing Development faces financial problems, including millions owed to city and state agencies, private vendors and investors after the inaugural auto race.

Earlier this month, Deputy Mayor Kaliope Parthemos ordered the racing group to restructure or sell itself, and to make good on \$1.5 million owed to the city in unpaid taxes and fees. Parthemos also said the group must pay the Maryland Stadium Authority a missed installment of \$480,000 on a \$2 million loan.

She warned that the city would sever its contract if Baltimore Racing Development failed to pay by a Dec. 31 deadline.

Several contractors have stepped forward in recent weeks claiming that the racing group failed to pay them hundreds of thousands of dollars for bleachers, concrete barriers and other services. Another company said Monday that it had an additional \$20,000 worth of unpaid bills.

Derek Swanson, the president of Strategic Services International, said his company performed an environmental impact study for the Grand Prix organizers. The Halethorpe-based company provided to The Baltimore Sun a series of emails asking for payment.

According to the emails, on April 19, after several unanswered emails, Davidson explained the delay by saying that the company's controller was on vacation. He wrote that his wife would have the "check cut" to Strategic Services the next day, adding, "Thanks for your patience."

Seven months later, the company is still waiting, said Swanson. He said Strategic Services' report estimated that 13,200 tons of carbon emissions would be released into the atmosphere during the event.

Now, he added, he doesn't have the money to pay subcontractors who helped with the study.

"It's unfortunate they weren't able to manage it properly," Swanson said. "This should have been a great event for the city."

Davidson said Monday that he didn't know enough about the status of the company's bills to comment on them.

If the deal with Dawson is finalized, it could be a good first step in reorganizing the company, city officials said.

Dawson, the founder of energy investment firm Wilkes Lane, has held several high-ranking positions with Constellation Energy Group, including CEO of Constellation Energy Commodities Group Inc. He was part of a Goldman Sachs team that created the energy investment and trading company in partnership with Constellation Energy Group.

He has a bachelor's degree in economics and a master's in accounting from Rice University.

The Grand Prix's chief financial officer, Walker Mygatt, is one of Constellation's top executives. Davidson said Mygatt had been negotiating with Dawson.

Keiffer Mitchell, a state delegate who owns a 1 percent stake in the company, said the company needs to make changes quickly. "If they're serious about restructuring, time is of the essence."

Cole said the company will need to do more reorganizing than simply changing personnel. He said it needs to generate revenue quickly — through either ticket sales or sponsors — to salvage the event for 2012 and beyond.

"I do think bringing in additional talent will help them tremendously," Cole said of potential new hires. "The racing industry wants to see this work. I still have hope they'll be able to right this and get it moving."