

## **Baltimore threatens to cut ties with Grand Prix organizer**

By Nicholas Sohr, *Daily Record*, November 7, 2011

City officials vowed on Monday to sever ties with the organizer of the Baltimore Grand Prix unless the company pays its bills and climbs out of the red and into profitability.

Baltimore Racing Development owes the city more than \$1.5 million, according to city figures, and has been beset by lawsuits from unpaid vendors since the inaugural race over Labor Day weekend.

The threat from Mayor Stephanie Rawlings-Blake to end the five-year contract four years early throws the future of the race into doubt even after Baltimore leaders continue to hail the event as a success.

The company “has not honored the terms of its contract with the city,” Deputy Mayor Kaliope Parthemos said in a statement Monday afternoon. “BRD must immediately restructure and recapitalize or sell itself to investors in order to make the event profitable in the future.”

The city set a Dec. 31 deadline for the money owed to Baltimore.

Organizers “must also work to repay any debts to vendors and present a restructured company and management team, or the city will terminate its contract with BRD,” Parthemos said.

BRD owes \$750,000 to reimburse for unspecified city services, \$487,971 in admissions and amusement taxes, a \$250,000 event fee and \$50,862 for parking at city-owned facilities during the race weekend.

According to the Parthemos’ statement, the service fee had been capped at \$500,000, but the city requested \$250,000 more because it picked up the slack when BRD failed to provide some race-related services it had agreed to earlier.

BRD has discussed its tax debt with the state comptroller’s office and has requested it be paid down on a plan that would include penalties and interest, according to the city.

And the mayor’s office received a \$250,000 check for the event fee on Sept. 4, the final day of the three-day race weekend, but did not deposit it. The city, according to the Mayor’s Office of Economic and Neighborhood Development, waited for BRD to “restructure its cash reserves,” but the company never did.

Baltimore Racing Development officials did not return phone messages seeking comment.

Councilman William H. Cole IV, one of the leading supporters of the race, said Monday he supported the mayor's ultimatum to race organizers.

"They've got to get their act together. It was a great inaugural event but if they want to have a second year, they're going to have to kick it into high gear quickly," Cole said. "We're not going to wait forever for this to get resolved.

"I know they're aware of it. It should come as no surprise for them. We are frankly just losing our patience."

Terminating the contract on Dec. 31 would complicate the future of the Grand Prix.

Baltimore has a contract with BRD to host the race and the American Le Mans Series and the IZOD IndyCar Series, to run the races. The city and race leagues do not have contracts with each other.

But, city officials said the inaugural race was successful enough to prove its viability and allow Baltimore Racing Development to raise money, or sell the rights to another company.

Parthemos said surveys of race-goers indicate "significant growth potential for the event with the right management. BRD must act immediately and restructure to make that a reality."

An economic impact study released Friday by Visit Baltimore, the city's tourism agency, found the race was responsible for \$27.6 million in direct spending and \$46.9 million in combined direct and indirect spending. Race attendance topped 160,000.

"They didn't do a great job of marketing this race," Cole said. "There's no reason to think they couldn't attract 175,000 going forward. I know both leagues desperately want to come back."

Fewer upfront costs — race organizers paid for concrete walls and metal fences to ring the course and shouldered some construction costs this year — will also help to make the race more profitable in coming years, Cole added.

But, he said, the company needs to be streamlined.

"They have to fix their management structure," said Cole. "The company itself has to have a structure that allows them to move swiftly to fix these issues."

Cole said he has been in contact with BRD executives since the September race weekend. He said Peter J. Collier, BRD's chief operating officer, has been in touch with vendors to tell them the company is still trying to pay off its debts.

“They understand that they’ve got to figure this out,” Cole said. “This is not a situation where the city can step in and solve it for them. It’s a private company and they have to figure it out for themselves.”