

# Power outage?

## Constellation deal could change face of Baltimore business

BUSINESS JOURNAL STAFF  
baltimorebusinessjournal.com

"All of sudden, everything seemed fine one day and the next day it isn't."

The Constellation Energy Inc. employee was heading into work Sept. 18 when she summed up her feelings about the imminent sale of her company. The morning at Constellation Way — the newly anointed name of Constellation's downtown headquarters complex — was abuzz over the looming deal. Some employees even joked about learning French on news that French energy company EDF was a suitor. One man greeted a fellow employee with a "bonjour."

Minutes later, EDF would be discounted. The acquirer would be homegrown. Iowa's MidAmerican

Energy Holdings Co. reached a tentative agreement Sept. 18 to buy market-battered Constellation for \$4.7

billion — some \$8 billion less than Constellation would have sold for two years ago. Des Moines, Iowa-based MidAmerican is owned by Berkshire Hathaway Inc., billionaire Warren Buffett's investment firm.

The deal means an end to Baltimore City's only Fortune 500 company. And while the impact to employees at Constellation — the company employs 5,150 locally — could be

great, the effects of a sale will have larger implications

for Greater Baltimore's business community for years to come.

Local businesspeople are bracing for the worst in an economy already battered by a soured real estate market and big losses at its largest banks and investment firms. Rumors swirl that Legg Mason Inc., Morgan Stanley and Wachovia — each of which have a Greater Baltimore presence — could be caught in the turmoil's wake. Meanwhile, bad memories of losing USF&G, the Rouse Co. and Maryland National Bank and the devastation it caused to the local work force, tax base, real estate and nonprofits came flooding back.

But as in those mergers, the true impact might not be felt for months, even years.

"We will have to wait and see how the ultimate impact is going to be," said Donald C. Fry, CEO of the **Greater Baltimore Committee**. "Uncertainty in the marketplace causes people to be more cautious and to take a step back before they make the final decision."

### The money trail

Constellation's financial impact hits both the private and public sector.

Baltimore advertising agency Trahan Burden and Charles counts Constellation as one of its largest account. Typically, a company that makes an acquisition will

not retain the advertising agency of the company it acquires.

**'UNCERTAINTY  
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**Donald C. Fry**  
Greater Baltimore  
Committee

"We never know what will happen with this," said TBC CEO Tom Hollerbach.

Constellation paid \$35.2 million in property taxes to Baltimore in fiscal year 2008. And it already has paid its taxes in full — \$35.6 million — for

the current fiscal year that started July 1 because that gave the company a dis-



Buffett



count, according to the city finance department.

But the state also counts on the income tax of its wealthiest residents — many who work for Constellation, Legg Mason, T. Rowe Price Group and the region's banks. Four of Baltimore's 10 highest-paid executives in 2007 worked at Constellation Energy Group.

Together, the Constellation heavy hitters made \$27 million in salary and bonus. And if a merger deal sucks that wealth out of the community, the effects will be felt far beyond the eight comfortably lined pockets of the executives in question, who include CEO Mayo A. Shattuck III and commodities head Thomas V. Brooks.

High-paying corporate jobs help fuel everything from commissions on the sale of spacious homes to retail sales. Corporate heavy hitters also appear on local nonprofit boards and raise their own paddle to make big donations at charity auctions. And their presence catalyzes other wealth, as Shattuck did when he helped a group of veteran money men link up in 2006 to do a major expansion of local investment bank Signal Hill Capital.

Those executive jobs are often some of the first to go when a company is acquired by an out-of-town buyer, as a higher layer of authority is grafted onto the corporate ladder.

## Real estate in flux

The market turmoil that engulfed Constellation, Legg Mason Inc. and investment bank Morgan Stanley also calls into question the fate of Greater Baltimore's most significant economic development projects.

Constellation, one of Baltimore's largest office tenants, occupies nearly 430,000 square feet in two downtown office buildings. It called off its search in July for as much as 100,000 feet of additional space, leaving one of the year's biggest commercial leases on the table.

The market remains focused on Legg Mason's new tower at Harbor East. The company has said its plans to move there next year haven't changed.

And Morgan Stanley, reported to be considering a merger with troubled commercial bank Wachovia Corp., has leased more than half of an office tower being built at Harbor Point by early 2010. The firm still plans to take that space and add 900 workers, the project's developer said.

## Helping hand

Constellation is Greater Baltimore's largest corporate giver, having contributed to nearly \$6 million last year.

Constellation gave more than \$3 million to the United Way in 2007, making it one of the top contributors to the charity.

"That kind of philanthropy has been part of their DNA," United Way Chief Operating Officer Mark Furst said.

But Furst said Constellation has given not just money, but employees' time.

Losing a corporate headquarters is devastating to local charities because they do not have local executives to approach about requesting donations, said Donald P. Hutchinson, CEO of the Maryland Zoo in Baltimore and former SunTrust Bank President.

"The decisions won't be made locally," he said.

Reporters SCOTT DANCE, JULIANA DASH, HEATHER HANLAN WARRICK, RACHEL SAMP, SUE SCHULTZ and DANIEL J. SERENOWITZ contributed to this report.

