

BUSINESS

AT A GLANCE

DOW 16,662.91, down 50.67 (-0.3%)
S&P 500 1,955.06, down 0.12 (0.0%)
OIL \$97.35, up \$1.77 (+1.9%)
NATURAL GAS \$3.776, down 13.0¢ (-3.3%)

Houston Chronicle @HoustonChron

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Section D ★★

Local job creators hit the gas

Construction, engineering and architectural sectors help keep region's engine revved up

By Andrea Rumbaugh

Houston's regional economic engine accelerated in July, sparked in part by the building construction and architectural, engineering and related services sectors.

In all, nonfarm employers added 112,200 jobs in the metropolitan area during the past year. This

gain, not adjusted for seasonal factors such as school schedules, represents a 4 percent increase from July 2013.

In June, jobs were up 3.1 percent from a year earlier.

"There are still a lot of opportunities for people to make money in Houston," Patrick Jankowski, vice president of research for the

Greater Houston Partnership, said of the jobs report released Friday.

Bill Gilmer, director for the Institute for Regional Forecasting at the C.T. Bauer College of Business at the University of Houston, said the region has clearly moved past any periods of weakness seen during the second half of last year.

The Houston-Sugar Land-Baytown metropolitan area's unemployment rate was 5.5 percent

Texas continues on D2



The construction of buildings sector posted the largest year-over-year percentage increase in the region.

Eric Kayne file

Fracking fakery alleged in SEC charges

By Collin Eaton

Federal regulators on Friday charged a Houston energy company and four individuals with securities fraud, alleging they pumped up the company's stock price with tall tales of a splashy — but fictional — water-free fracturing technology.

The Securities and Exchange Commission alleged Andrew Farmer, 36, of Houston, secretly took control of Chimera Energy, a shell company he created, and hawked \$4.6 million in shares as the firm unleashed a flurry of news releases about its made-up technology and phony business deals.

The alleged scheme, called a "pump-and-dump," ran for a three-month stretch in 2012 as Chimera issued more than 30 news releases and Farmer paid for an Internet advertising campaign touting a newfangled technology that used helium instead of water to fracture shale rock.

It was touted as a greener alternative to hydraulic fracturing, the well completion technology that has revolutionized U.S. oil and gas production.

In reality, the SEC said, Chimera never had any significant assets. Farmer sold off Chimera shares from three investment vehicles that controlled the company, including one called Infinite Funding. Farmer's name and his control over the company was never disclosed in Chimera's regulatory filings.

A phone number listed for Chimera was out of service Friday.

The alleged scheme involved three other individuals, including two figurehead chief executives and a person the SEC said helped sell the stock, and ended when regulators suspended Chimera from trading

SEC continues on D2



Johnny Hanson / Houston Chronicle

Instructor Annamarie Reader listens as a student practices at the Vivaldi Music Academy in Bellaire.

INSTRUCTION

Attendance crescendos at local music academy

Owner of school says quality of teachers helps his 400 students to aim high

By Sandra Bretting

Zeljko Pavlovic, a 14-year-old violinist and student living in Sarajevo, was there when the city fell in 1992.

For two days, Pavlovic and his parents hid in their basement while Serbian bombs fell.

"I remember my dad and I getting our instruments out when

they began to shell us," said Pavlovic, now 36. "Music is what got us through."

Pavlovic, who immigrated to this country in 1998, owns Vivaldi Music Academy in Bellaire. The school has 400 students studying not just violin but also piano, guitar, clarinet, voice, flute and cello. It opened last August.

"I was told by other academy

owners that if I could get 80 to 100 students a year, that would be great," Pavlovic said.

He decided to open a music school three years ago, when his young son began to ask for violin lessons.

"So I looked around for schools, and I realized Houston needs a music academy that's on the same level as New York, Chicago and L.A.," Pavlovic said. "Anything you can find in the big cities."

He and his physician wife, Uma

Vivaldi continues on D2

Rules on razing offshore facilities to get a rewrite

By Jennifer A. Dlouhy

WASHINGTON — With oil companies boring wells and building offshore facilities in ever-deeper water, federal regulators on Friday moved to update 20-year-old requirements to ensure the firms have enough money to dismantle the equipment once crude stops flowing.

The Bureau of Ocean Energy Management's decision to rewrite those bonding requirements comes as some of the oldest deep-water wells in the Gulf of Mexico reach the end of their lives and companies look to tear down the operations.

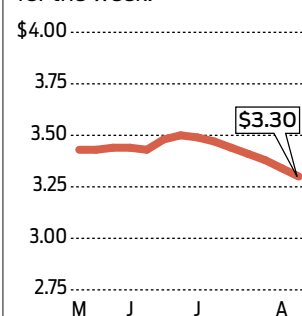
The mandates are designed to ensure that oil and gas companies pay to decommission their offshore facilities and that taxpayers aren't left with the bill if a firm goes under. But Walter Cruickshank, the bureau's acting director, suggested the current requirements don't match "the realities of aging offshore infrastructure, hazard risks and increasing costs of decommissioning."

"The ultimate goal," he said, is "ensuring that industry meets its decommissioning responsibilities and the burden of decommissioning a facility on the outer continental shelf does not fall to taxpayers."

The bureau's move is a recognition that decommissioning costs have soared as oil companies have installed pipelines and production platforms in deeper waters farther from shore. The way companies work offshore also has shifted dramatically since the current regulations were written; now, it is common to have several working interest partners involved in a single project, and to have small companies

At the pump

Gas prices averaged \$3.29 per gallon in Texas, according to AAA Texas Weekend Gas Watch. The average price of a gallon of regular gasoline in Houston as of Thursday was \$3.30, down 4 cents for the week.



Source: AAA Texas Houston Chronicle



Phelan M. Ebenhack / Associated Press file

Trainers work with killer whales Trua, front, Kayla, center, and Nalani during the Believe show in Shamu Stadium at SeaWorld Orlando.

THEME PARKS

Sea World plans to double size of habitats for killer whales

By Neal Morton

SAN ANTONIO — SeaWorld — under intense public scrutiny for its treatment of killer whales and other marine mammals — will undertake massive expansion and renovation projects at all three of its theme parks.

The Orlando, Fla., company announced Friday that it will nearly double the orca habitats at each park, with additional up-

grades planned for the California sea lion and dolphin exhibits in San Antonio. SeaWorld also will fund research on killer whales to protect ocean health and animals in the wild.

Jim Atchison, CEO of SeaWorld Entertainment, and Dan Decker, president of the company's park on San Antonio's West Side, said the renovations have been in the works for years — and that they aren't a response to the scathing

2013 documentary "Blackfish" or the criticism of the company that followed the film's release a year ago.

SeaWorld's shares, which are trading near their lowest point since the company went public last year, rose slightly on the news, up 66 cents to end trading Friday at \$18.66.

"Blackfish" explores the death of veteran SeaWorld trainer Dawn Brancheau, who was pulled off a plat-

SeaWorld continues on D2

FROM THE COVER

Texas oil, gas only major industry to see growth

Texas from page D2

in July, up slightly from 5.4 percent in June but down from 6.5 percent July 2013.

Across the state, non-farm employers added 46,600 jobs in July and 396,200 in the past year, the Texas Workforce Commission reported. These seasonally adjusted numbers were hailed by commission chairman Andres Alcantar.

"Texas employers continue to propel the Texas economy's expansion by adding 396,200 jobs over the last year, a 3.5 percent annual growth rate," he said in a written announcement. "The Texas economic engine is strong, with every major industry posting positive annual growth in July."

The statewide seasonally adjusted unemployment rate remained steady at 5.1 percent in July, below the national unemployment rate of 6.2 percent, the Workforce Commission said.

The commission reported that all of the state's major industries expanded during the month. Professional and business services added 10,600 jobs in July and, over the year, has grown by 72,300 jobs for an annual growth rate of 5 percent.

The only major industry to post a higher year-over-year statewide growth was oil and gas exploration and production with a 7.8 percent seasonally adjusted increase from July 2013 to July 2014.

Regionally, the construction of buildings sector posted the largest year-over-year percentage increase by adding 6,600 jobs for a 13.6 percent growth rate. It was closely followed by architectural, engineering and related services. That sector added 9,200 jobs for a 13.2 percent boost, based on data that are not seasonally adjusted.

"All in all, Houston is still doing quite well," said Parker Harvey, senior regional economist for Workforce Solutions, the public workforce system for the 13-county Houston-Galveston region.

He said the biggest growth sectors probably reflect the large number of commercial office space projects.

Jankowski said the Houston area is constructing about 16.3 million square feet of office, 2.7 million square feet of retail and 7.9 million square feet of industrial space, based on data from global real estate services company CBRE.

That's driving those construction numbers, he said, and engineering is benefiting from construction along the Houston Ship Channel and general needs of the oil and gas industry.

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Johnny Hanson photos / Houston Chronicle

Instructor Courtney Park works with Karel McMayon, 5, as he practices at the Vivaldi Music Academy.

Vivaldi's charitable work inspires name

Name from page D1

Kundu, took \$150,000 in personal savings to open the facility, which includes six practice rooms. He decided to name it for Antonio Vivaldi, a Baroque composer he admires because Vivaldi taught at an orphanage in Vienna.

According to Pavlovic, his music academy's teachers are what set it apart. Pavlovic has degrees from Serbia's University of Novi Sad and Belgium's Royal Conservatory of Liège.

He began perform-

ing concerts as a soloist at age 9 and has performed with the Louisiana Philharmonic Orchestra, the Houston Symphony, the Houston Grand Opera and others since coming to America.

"My husband and I moved from New York City, and I wanted to find a piano teacher for my daughter who'd keep her motivated and inspired," Trienet Del Valle said. "I talked to Zeljko, and he made me realize they could do that."

The school's 30 instructors work with all levels and ages, including adults. "Either they're parents



Vivaldi Music Academy owner Zeljko Pavlovic began performing as a soloist at age 9.

who come in with their children and realize they'd like to be practicing an

instrument again, too, or they're people who never had the chance to play as a child, and now they have the means," Pavlovic said.

The Vivaldi Music Academy now grosses about \$60,000 a month, Pavlovic said. He said that far exceeds his expectations.

"When we set out to do this, I was told that to get a hundred students a month would be fantastic," Pavlovic said. "And today we have a waiting list."

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Regulators eye tailoring assurance pacts

Regulators from page D1

nies take over aging facilities developed decades ago by major integrated oil firms.

Under the government's current approach, companies must put up at least \$50,000 in surety bonds for an offshore lease without planned or ongoing operations. The financial requirements escalate from there and are largely pegged to the stage of operations, be it initial exploration or eventual development of an offshore oil and gas lease.

For instance, when a lease is developed, the requirement climbs tenfold, to \$500,000 per lease. Companies can post bonds covering a single lease or all of the activity in the region, with the largest company areawide requirement now set at \$3 million.

Although regulators

are authorized to demand supplemental bonds on top of those baseline requirements — with calculations based on potential liabilities, royalties, rental fees and decommissioning costs — those additional requirements are frequently waived.

And the current program largely forces offshore operators to use costly surety bonds as a guarantee, rather than more flexible and affordable options, including insurance and other financial tools. In rewriting the current rules, Interior Department officials are aiming to give regulators the freedom to work with companies to design individually tailored financial assurance packages that meet the firms' needs while protecting taxpayers.

The ocean energy bureau is asking industry

representatives and other stakeholders for advice on how to identify, define and deal with all of the risks — from hazards in the field to financial risks in the boardroom — facing organizations that work offshore.

A new bonding program could empower the agency to proactively monitor corporate finances and the stages of oil and gas development to identify problems early and make sure that the risk management plan and guarantees are sufficient.

Companies working offshore must file audited financial statements with the agency each year. But regulators don't have the authority to adjust requirements using data from other services, including reports from credit-rating agencies such as Standard and Poor's Financial Services and Dun and Brad-

street.

Nicolette Nye, spokeswoman for the National Ocean Industries Association, said the 50-plus questions the ocean energy bureau posed to stakeholders underscores that "risk management, bonding and financial assurance are extremely important issues to offshore operators" and "are also very complicated issues."

"While we are not aware of any situations where general bonds have not been sufficient, we understand BOEM's desire to refresh regulations due to offshore infrastructure developments over the last two decades," Nye said. "We look forward to providing meaningful comments to BOEM on behalf of our members."

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SEC charges four with securities fraud

SEC from page D1

on penny stock exchanges in October of 2012. The SEC filed a complaint in Houston court on Thursday.

"Farmer and his accomplices secretly rigged the market for Chimera Energy stock and illegally profited by exaggerating the company's capabilities and technology," David Woodcock, director of the SEC's regional office in Fort Worth,

said in a written statement. "They seized on fracking as a topic of public discourse and aggressively touted an entirely fictitious business to attract unwitting investors."

Chimera had said it licensed its "non-hydraulic extraction" technology from a firm called China Inland, which didn't exist, the SEC said.

The company claimed the process was originally

developed to fracture shale in regions too cold for water, and told investors that a drought in the Midwest could be a boon for its water-free fracturing technology business, the agency alleged.

An SEC investigation found "the purported acquisition of a license to develop such technology and the license agreement itself are entirely fictitious."

The SEC said Chimera,

Farmer and three others involved in the alleged scheme are being charged with securities fraud, registration violations and reporting violations.

The agency is seeking financial penalties, disgorgement of profits and bars against securities activities by the four named in the complaint.

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STOCK MARKET

Activity this week

ASSOCIATED PRESS

Increased dividends

Briggs & Stratton .125 from .12
Broadridge Financial .27 from .21
CAE g .07 from .06
Connecticut Water .2575 from .2475
Green Plains Inc .08 from .04
Home Loan Servicing .18M from .16
ITC Holdings .1625 from .1425
Inteliquent .15 from .075
MGE Energy .2825 from .2717
Nordson .22 from .18
Old Point Financial .07 from .06
Scotts Miracle-Gro .45 from .4375
Service Corporation International .09 from .08
TriplePoint VentGr BDC .32 from .30
Weyerhaeuser Co .29 from .22
g- Canadian funds

Extra or special dividends

Havertys \$1.00
Havertys A .95
Scotts Mrcle-Gro \$2.00

Initial dividends

Ares Management .18Q

Suspended or omitted dividend

Winthrop Realty Trust

Declared stock splits

Amphenol 2-for-1

Stock splits this week

Kite Realty Group 1-4 reverse
Intellicheck Mobilisa 1-8 reverse
Sun Bancorp NJ 1-5 reverse

Announced spinoff

Liberty Ventures-1 share Liberty Trip Advisor Holdings

Annual earnings lower

Perrigo 1.77 vs 4.68

Called for redemption

Citizens Funding Trust I 7.5pc TRUPS Sep 26
Gramercy Property Trust 8.125pc pFA Sep 12

Acquisitions and mergers

Minimum value \$100 million
Coca-Cola-16.7 percent stake in Monster Beverage (\$2.15B)
Kinder Morgan Inc.-El Paso Pipeline Partners (\$9B)
Kinder Morgan Inc.-Kinder Morgan Energy Ptrs (\$29.3B)
Kinder Morgan Inc.-Kinder Morgan Management LLC (\$11.8B)

New stock listings

NYSE
C1 Financial (IPO)
Nasdaq Global and Global Select Markets
Otonomy (IPO)

Stocks removed from trading

Nasdaq Global and Global Select Markets
PLX Technology
Zip Realty

Corporate name changes

Rick's Cabaret Intl to RCI Hospitality Holdings

SeaWorld says new habitats to be more stimulating for orcas

SeaWorld from page D1

form and killed by a whale named Tilikum in 2010. The film argues that the whales become more aggressive toward humans and each other when they are kept in captivity.

Since the release of the film, entertainers including Willie Nelson and Trisha Yearwood have pulled out of planned performances at SeaWorld parks.

SeaWorld also recently said its longtime corporate partnership with Southwest Airlines will end at

year's end, and the company on Wednesday reported disappointing second-quarter financial results, which it largely attributed to the backlash.

"We do think these new habitats will have an effect on the financial side of the business," Atchison said during a conference call with reporters. "In addition to being habitats for our whales, these are going to be great attractions."

"We don't expect that this type of measure would appease the animal rights extremists, per se, but at

the same time that's not who we're trying to appease. That's not our market."

SeaWorld said it will build tanks that can hold 10 million gallons of water, almost twice the size of the existing tanks. The new environment will be called the Blue World Project. SeaWorld said it will include features that will be more stimulating for the killer whales.

Those include a "fast water current" — what Atchison called a "whale treadmill" — that will allow

the orcas to swim against moving water.

The first facility will open to the public at the San Diego park in 2018, with similar changes following at the parks in Orlando and San Antonio.

The company would not specify the exact budget, but said the cost of the project will be in the hundreds of millions of dollars.

Decker described a new dolphin exhibit as the largest capital investment in the San Antonio park's 26-year history.

Set to open in 2016,

changes to that habitat will include an enhanced natural environment with a coastal theme, and a viewing area where guests can watch the mammals underwater.

Aside from its capital investments, SeaWorld also pledged \$10 million in matching funds to support research focused on threats to killer whales in the wild. It announced an additional multimillion-dollar partnership focused on ocean health.

Jared Goodman, director of animal law for the PETA

Foundation, described Friday's announcement as a "drop-in-the-bucket move" to counter the public's concern over captive orcas.

SeaWorld's new orca habitats will have a maximum depth of 50 feet, surface area of nearly 1.5 acres and span more than 350 feet in length, according to a news release.

Still, Goodman noted that killer whales in the wild dive up to 1,000 feet and swim 100 miles a day.

The Associated Press contributed to this report.