



Department of Economic Development
INTEROFFICE MEMORANDUM

TO: Board of County Commissioners
VIA: Terry L. Shannon, County Administrator *TLS*
FROM: Linda S. Vassallo, Director *LV/lmv*
Tim Hayden, Director Finance & Budget *TH*
John Norris, County Attorney *JN*
DATE: October 31, 2013
SUBJECT: Ordinance Amendment Implementing Tax Credit and PILOT Authority
PILOT and Tax Credit Agreement with Dominion

Background:

The Governor and State Legislature granted the Board of County Commissioners authority to approve tax credits and accept a payment in lieu of taxes (PILOT) in certain circumstances (2013 Laws of Maryland Chapter 516). To implement that authority, a local ordinance exercising that authority must be passed after conducting a public hearing. The proposed Ordinance would enable the BOCC to consider agreements for a qualifying taxpayer to receive tax credits and enter into a PILOT. Dominion is a qualifying taxpayer and, by the information we have been provided by Dominion, is making a sufficient investment to qualify for a tax credit and PILOT if the BOCC wishes to grant one.

Discussion:

Dominion Cove Point LLC proposes to expand its capabilities at its Lusby, Md., facility. The expansion would allow the company to export liquefied natural gas. Dominion originally requested a 50 percent tax credit for 10 years. County staff have prepared the attached agreement for the Board's consideration. The proposed PILOT and tax credit agreement will be in place for 15 years. Highlights are as follows:

1. In FY 2018 the County will receive \$25 million before the new equipment is taxable. This represents consideration for entering into the Agreement.
2. Dominion Cove Point LLC will begin making payments on the expansion equipment when placed in service pursuant to a PILOT agreement. The PILOT will be five years in duration.
3. The PILOT locks in existing equipment value at \$15.1 million for the duration of the PILOT; the value of the existing equipment was projected to decline.
4. The tax credit would begin upon expiration of the PILOT, providing a 42 percent tax credit, versus the requested 50 percent requested by the Company, on new and repurposed equipment for the next 9 years.

Action Requested:

Staff recommends that the BOCC conduct the public hearing, consider public testimony, take action to close the record and approve the Ordinance that amends the local law, and approve the PILOT and tax credit agreement with Dominion Cove Point LLC.

County Government

Public Hearing

*Proposed Amendments to
the Code of Public Local Laws of Calvert County
and*

*Consideration of an Agreement for a
Payment in Lieu of Taxes (PILOT) and Tax Credit
for Dominion Cove Point LNG, LP*

November 5, 2013



Purpose

The purpose of this public hearing is to request the Board of County Commissioners' (BOCC) action:

- To amend the existing local ordinance to conform to the Payment in Lieu of Tax and Tax Credit authority granted by the State

and,

- To enter into a Payment in Lieu of Tax and Tax Credit Agreement with the owner of a facility for the liquefaction of natural gas.

Please note: Your decision on the above items affects neither the construction of nor the licensing of the facility.

Why Consider This....

- Economic Impact of Dominion's Cove Point LNG Plant:
 - Calvert County currently receives \$15.8M (FY13) in tax revenue annually
 - Plant employs approximately 100 people
 - Expansion creates approx. 3,000 construction jobs and at least 70 new permanent jobs
- With the Agreement in Place Calvert County:
 - Creates a business environment that makes the project economically feasible
 - Receives a one-time \$25 million fee in FY18, before the facility is operational, as consideration for entering into the Agreement
 - Receives an additional \$55 million (on average) per year in tax revenue once the facility is operational
 - Ensures significant increases in tax revenue through 2032 for our citizens
- Without the Agreement in Place Calvert County:
 - Faces the real risk of facility closure
 - Loss of approx. 100 existing, high-paying jobs in our community
 - Loss of significant tax revenue to the County

Existing Authority

- Tax Credits
 - The BOCC may grant a Tax Credit of up to 50%:
 - Of the County tax imposed upon real property owned by new or expanding business; or of the County tax imposed upon personal and real property for businesses that are engaged in the generation of electricity;
 - Provided that the business meets the following criteria:
 - Employs at least 25 new additional full-time employees, the salaries for which must be greater than the county annual average salary in the economic development target market sector, as determined by the county; and
 - Acquires at least \$2,500,000 in land, improvements to the land, or equipment in the county.
- Payment in Lieu of Tax (PILOT) Agreements
 - The BOCC also has authority to enter into a PILOT agreement with businesses engaged in the generation of electricity.

Proposed Amendment

- Tax Credits
 - Existing authority is expanded to include that the BOCC may grant a tax credit of up to 50% against the County tax imposed upon personal, real, operating personal and operating real property for businesses that are engaged in the liquefaction of natural gas and meet certain criteria.
- Payment in Lieu of Tax (PILOT) Agreements
 - Existing authority is expanded to include that the BOCC may enter into an agreement for the payment in lieu of the County tax imposed upon personal, real, operating personal and operating real property with the owner of a facility for the liquefaction of natural gas.

Requested Action

- Staff recommends that the BOCC :
 - Close the record
and;
 - Approve the Ordinance as submitted to amend Chapter 136 of the County Code to modify the County's authority to grant a property tax credit and enter into an agreement for the payment of County taxes with the owner of a facility for the liquefaction of natural gas.

Proposed Agreement

- Combined a 5-year PILOT and 9-year tax credit
 - The PILOT
 - Provides one-time fee of \$25 million before facility is placed in service
 - Removes risk of financial loss to the County on the depreciation of existing equipment
 - Locks in \$15.1 million on existing equipment for the duration of the PILOT
 - The Tax Credit
 - At the end of the 5-year PILOT, provides a 42% tax credit on new and repurposed equipment for 9 years
 - At the end of the Tax Credit period, the facility becomes taxable at 100% of its value

Requested Action

- Staff recommends that the Board take action to:
 - Close the record
and,
 - Approve and authorize the Commissioner President to sign the Agreement as submitted after the preceding Ordinance to amend Chapter 136 of the County Code is effective

RE: Amendments to the Tax Credit Program for new and expanding businesses meeting certain criteria and establishing a PILOT for certain facilities

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**PERTAINING TO THE AMENDMENT OF THE TAX CREDIT PROVISIONS
PERTAINING TO NEW OR EXPANDING BUSINESSES THAT MEET CERTAIN
CONDITIONS AND THE ESTABLISHMENT OF A PAYMENT IN LIEU OF TAXES
PROGRAM FOR CERTAIN FACILITIES**

WHEREAS, Section 9-306 of the *Tax-Property Article* of the Maryland Annotated Code, as amended by 2013 Laws of Maryland Chapter 516, modifies the authority of the Board of County Commissioners of Calvert County, Maryland to grant, by law, a property tax credit against the County property tax imposed on real property owned by an expanding or new business that: (1) employs at least 25 new additional full-time employees, the salaries for which must be greater than the County annual average salary in the economic development target market sector, as determined by the County; and (2) acquires at least \$2,500,000 in land, improvements to the land, or equipment in the County;

WHEREAS, Section 9-306 of the *Tax-Property Article* of the Maryland Annotated Code, as amended by 2013 Laws of Maryland, Chapter 516, further provides that, if the expanding or new business is engaged in the generation of electricity or liquefaction of natural gas, the credit under that section may be granted against the County property tax imposed on personal property, operating personal property, real property, or operating real property owned by the expanding or new business;

WHEREAS, Section 7-517 of the *Tax-Property Article* of the Maryland Annotated Code, created by 2013 Laws of Maryland Chapter 516, empowers the Board of County Commissioners of Calvert County, Maryland to enter into an agreement with the owner of a facility for the

RE: Amendments to the Tax Credit Program for new and expanding businesses meeting certain criteria and establishing a PILOT for certain facilities

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liquefaction of natural gas that is located or locates in the County for a negotiated payment by the owner in lieu of taxes on the facility;

WHEREAS, after due notice was published, the Board of County Commissioners conducted a public hearing on _____, 2013, to solicit public comments upon the adoption of amendments to *Article VIII* of Chapter 136 of the Code of Calvert County, being *Article VIII* of Chapter 136 of *Article 5* of the Code of Public Laws of Maryland (hereinafter, the “Code”); and

WHEREAS, after considering the evidence which had been presented at the public hearing and in furtherance of the public health, safety and welfare, the Board of County Commissioners of Calvert County, Maryland determined it is in the best interest of the citizens of the County to enact the amendments to *Article VIII* to Chapter 136 the Code as set forth herein.

NOW, THEREFORE, BE IT ORDAINED, by the Board of County Commissioners of Calvert County, Maryland that *Article VIII* of Chapter 136 of the Code of Calvert County, being *Article VIII* of Chapter 136 of *Article 5* of the Code of Public Laws of Maryland, be redacted and readopted and re-enacted as follows:

Article VIII
Property Tax Credit for Economic Development

§ 136-37. Establishment of Tax Credit.

- A. Except as otherwise provided herein, a new or expanding business in Calvert County meeting the criteria set forth in this Article VIII may receive a property tax credit against the County property tax imposed on real property owned by the new or expanding business.
- B. If the expanding or new business is engaged in the generation of electricity or liquefaction of natural gas, the credit under this section may be granted against the

RE: Amendments to the Tax Credit Program for new and expanding businesses meeting certain criteria and establishing a PILOT for certain facilities

County property tax imposed on personal property, operating personal property, real property, or operating real property owned by the expanding or new business.

§ 136-38. Eligible Businesses.

The tax credit provided for in this Article VIII may, upon the approval of the County Commissioners, be granted to:

- A. A new or expanding business that owns the land, building and personal property, or
- B. Any party responsible for paying the real property taxes on all or part of the land or building.

§ 136-39. Requirements.

In order to be eligible to apply to the Board of County Commissioners to receive the credit pursuant to this Article VIII, the new or expanding business shall:

- A. Employ at least 25 new additional full-time employees in industries identified by the Board of County Commissioners as target market sector industries for Economic Development;
- B. Provide individual compensation for the new full-time positions that shall be greater than the annual average salary in Calvert County for similar or equivalent positions in the industry; and
- C. Expend at least \$2,500,000 for
 - 1. land in Calvert County;
 - 2. improvements to land in Calvert County; or
 - 3. equipment to be located in Calvert County.

§ 136-40. Amount of Credit.

The amount of the credit shall be an amount determined by the Board of County Commissioners to be in the best interest of the public upon consideration of the benefit to the public in granting a credit and, in no event, shall not exceed 50% of the amount of County

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property tax due in any taxable year and imposed on personal property, operating personal property, real property, or operating real property owned by the expanding or new business.

§ 136-41. Agreement.

The Board of County Commissioners may enter into a written agreement with the new or expanding business pursuant to the terms of this Article VIII that defines, fixes or limits the amount, term, scope and duration of any credit provided under this title. The agreement shall be binding on and inure to the benefit of successive Boards of County Commissioners.

BE IT FURTHER ORDAINED, by the Board of County Commissioners of Calvert County, Maryland that *Article X* of Chapter 136 of the Code of Calvert County, being *Article X* of Chapter 136 of *Article 5* of the Code of Public Laws of Maryland, be adopted and enacted as follows:

**Article X
Payment In Lieu of Taxes for Economic Development**

§ 136-47. Payment in Lieu of Taxes.

- A. The Board of County Commissioners may enter into a written agreement for a negotiated payment in lieu of taxes under this Article X with the owner of a facility for the liquefaction of natural gas that is located or locates in the County.
- B. As specified in an agreement for a negotiated payment in lieu of taxes under this Article X, for the term specified in the agreement, the real, operating real, personal, or operating personal property at a facility for the liquefaction of natural gas that is located or locates in the county is exempt from County property tax.

§ 136-48. Requirements.

An agreement for a negotiated payment in lieu of taxes under this section shall provide that, for the term specified in the agreement:

- A. The owner shall pay to the County a specified amount each year in lieu of the payment of County real, operating real, personal, or operating personal property tax; and

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B. As set forth in an agreement, all or a specified part of the real, operating real, personal, or operating personal property at the facility shall be exempt from County property tax for the term of the agreement.

§ 136-49. Binding effect.

An agreement adopted pursuant to this Article X shall be binding on and inure to the benefit of successive Boards of County Commissioners.

BE IT FURTHER ORDAINED by the Board of County Commissioners of Calvert County, Maryland that, in the event any portion of this Ordinance is found to be unconstitutional, illegal, null or void, it is the intent of the Board of County Commissioners to sever only the invalid portion or provision, and that the remainder of the Ordinance shall be enforceable and valid.

BE IT FURTHER ORDAINED by the Board of County Commissioners of Calvert County, Maryland that the foregoing recitals are adopted as if fully rewritten herein.

BE IT FURTHER ORDAINED by the Board of County Commissioners of Calvert County, Maryland that this Ordinance shall be effective upon recordation.

[SIGNATURES ON FOLLOWING PAGE]

RE: Amendments to the Tax Credit Program for new and expanding businesses meeting certain criteria and establishing a PILOT for certain facilities

DONE, this ____ day of _____ 2013 by the Board of County Commissioners of Calvert County, Maryland.

Aye: _____
Nay: _____
Absent/Abstain: _____

ATTEST:

**BOARD OF COUNTY
COMMISSIONERS OF CALVERT
COUNTY, MARYLAND**

Maureen L. Frederick, Clerk

Pat Nutter, President

Approved for form and legal
sufficiency on _____

Steven R. Weems, Vice-President

by:

Gerald W. Clark

John B. Norris, III, County Attorney

Susan Shaw

Evan K. Slaughenhaupt Jr.

**THE COUNTY COMMISSIONERS
OF
CALVERT COUNTY, MARYLAND**

AND

**DOMINION COVE POINT LNG, LP,
A DELAWARE LIMITED PARTNERSHIP**

PAYMENT IN LIEU OF TAXES

AND

TAX CREDIT AGREEMENT

FOR THE

DOMINION COVE POINT LNG TERMINAL

DATED AS OF

_____, 2013

**Payment in Lieu of Taxes and Tax Credit Agreement between
The County Commissioners of Calvert County, Maryland
and
Dominion Cove Point LNG, LP**

This **PAYMENT IN LIEU OF TAXES AND TAX CREDIT AGREEMENT**, made this ____ day of _____, 2013 (the “**Agreement**”), by and between the **COUNTY COMMISSIONERS OF CALVERT COUNTY**, a body corporate and politic under the laws of the State of Maryland (the “**County Board**”), and **DOMINION COVE POINT LNG, LP**, a Delaware limited partnership (the “**Company**”) (the Company and the County Board are referred to herein as the “**Parties**”).

W I T N E S S E T H :

WHEREAS, 2013 Laws of Maryland Chapter 516, effective June 1, 2013 and applicable to all taxable years beginning after June 30, 2013, empowers the County Board to enter into an agreement with the owner of a facility for the liquefaction of natural gas that is located or locates in Calvert County, Maryland (the “**County**”) for a negotiated payment by the owner in lieu of taxes on the facility and expanded the County’s authority to grant a tax credit;

WHEREAS, Section 7-517 of the *Tax-Property Article* of the Maryland Annotated Code, as amended by 2013 Laws of Maryland Chapter 516, provides that, for the term specified in a payment in lieu of property tax agreement, the owner of such a facility shall pay to the County a specified amount in lieu of the payment of County real, operating real, personal, or operating personal property tax and that all or a specified part of the real, operating real, personal, or operating personal property tax at the facility shall be exempt from County property tax;

WHEREAS, Section 9-306 of the *Tax-Property Article* of the Maryland Annotated Code, as amended by 2013 Laws of Maryland Chapter 516, modifies the authority of the County Board to grant, by law, a property tax credit against the County property taxes imposed on certain property owned by an expanding or new business that: (1) employs at least 25 new additional full-time employees, the salaries for which must be greater than the County annual average salary in the economic development target market sector, as determined by the County; and (2) acquires at least \$2,500,000 in land, improvements to the land, or equipment in the County;

WHEREAS, Section 9-306 of the *Tax-Property Article* of the Maryland Annotated Code, as amended by 2013 Laws of Maryland, Chapter 516, further provides that, if the expanding or new business is engaged in the generation of electricity or liquefaction of natural gas, the credit under that section may be granted against the County property tax imposed on personal property, operating personal property, real property, or operating real property owned by the expanding or new business;

WHEREAS, the Company has begun preliminary, exploratory work for an expansion of its existing liquefied natural gas facility within the County (as further defined below in Article I as the “**Facility**”). Critical to the economic viability of the Facility, as expanded, is a reduction

of County tax (defined below in Article I as “Property Tax”) that would otherwise be imposed on the Operating Property, as expanded;

WHEREAS, the Parties desire to enter into this Agreement to provide for: (i) payment of a specified amount in lieu of the Property Tax imposed on the Operating Property for a specified period; and (ii) the application of a tax credit against the Property Tax imposed on the Operating Property for a specified period; and

WHEREAS, pursuant to the authority granted in Section 7-517 and Section 9-306 of the *Tax-Property Article* of the Maryland Annotated Code, as amended by 2013 Laws of Maryland, Chapter 516, the County Board has passed a County Resolution (as defined below in Article I) authorizing the County Board to enter into this Agreement.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the receipt and sufficiency which is hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I DEFINITIONS

For all purposes of this Agreement, defined terms indicated by the capitalization of the first letter of such term shall have the meanings specified herein except as otherwise expressly provided for herein or as the context hereof otherwise requires.

“**Agreement**” has the meaning set forth in the introductory paragraph of this Agreement.

“**Company**” has the meaning set forth in the introductory paragraph of this Agreement.

“**County**” means Calvert County, Maryland.

“**County Board**” has the meaning set forth in the introductory paragraph of this Agreement.

“**County Resolution**” means Resolution No. _____ adopted by the County Board on _____, 2013, to provide for: (i) payment of a specified amount in lieu of the Property Tax, defined herein; and (ii) the application of a tax credit against the Property Tax, and approving the County Board’s execution of this Agreement.

“**Existing Property**” means the Operating Property of the Company in the County existing on the date of this Agreement.

“**Expansion Property**” means the Operating Property of the Company in the County other than the Existing Property.

“**Facility**” means the Dominion Cove Point LNG liquefied natural gas facility, terminal and appurtenances located within the County.

“Fiscal Year” shall mean the County's fiscal year commencing on July 1 and ending on the following June 30.

“In-Service” means the Expansion Property is placed in service for either the production of income or for use in a trade or business. For further clarification, Operating Property is considered placed in service when it is in a condition or state of readiness to be used on a regular, ongoing basis for the production of income.

“One-Time Incentive Payment” has the meaning set forth in Section 3.3(c) of this Agreement

“Operating Property” means the Operating Personal Property and Operating Real Property of the Company in the County, now owned or hereafter acquired.

“Operating Personal Property” shall have the same meaning as prescribed by Section 1-101 of the *Tax-Property Article* of the Maryland Annotated Code, as amended from time to time.

“Operating Real Property” shall have the same meaning as prescribed by Section 1-101 of the *Tax-Property Article* of the Maryland Annotated Code, as amended from time to time.

“Parties” has the meaning set forth in the introductory paragraph of this Agreement.

“Property Tax” means the annual County tax assessed upon the Operating Property.

“PILOT” means “Payment In Lieu of Tax.”

“PILOT Payment” means the payments made by the Company pursuant to Section 3.3(a) and Section 3.3(b) of this Agreement.

“SDAT” means the Maryland State Department of Assessments and Taxation or any successor department or agency.

“State” means the State of Maryland.

“Tax Credit” has the meaning set forth in Section 4.1 of this Agreement.

“Tax Credit Period” has the meaning set forth in Section 4.1(a) of this Agreement.

ARTICLE II REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties.

The Company hereby represents and warrants to the County Board that, as of the date of this Agreement, and throughout the term of this Agreement with respect to Section 2.1(a) only:

- (a) it is and will at all times remain duly organized, validly existing, and in good standing under the laws of the state in which it is formed (or in which may be hereafter organized, as applicable) and has requisite authority to own the Facility and assets and conduct its business as presently conducted and as proposed to be conducted under this Agreement;
- (b) it has the power and authority to execute, deliver, and carry out all applicable terms and provisions of this Agreement;
- (c) all necessary action has been taken to authorize the execution, delivery, and performance of this Agreement, and this Agreement constitutes its legal, valid, and binding obligation enforceable against it in accordance with its terms;
- (d) no governmental approval is required for the valid execution, delivery, and performance under this Agreement by such Party;
- (e) the execution and delivery of this Agreement, the performance of the Company's obligations in connection with the transaction contemplated hereby, and the fulfillment of the terms and conditions hereof will not: (i) conflict with or violate any provision of its charter, partnership agreement, certificate of organization, limited liability company agreement, bylaws or other operating agreement; (ii) conflict with, violate, or result in a breach of any applicable law; or (iii) conflict with, violate, or result in a breach of or constitute a default under any mortgage, pledge, lien, security interest, or other encumbrance to which it is a party or by which it or any of its properties or assets are bound;
- (f) there is no action, suit, or proceeding, at law or in equity, or official investigation before or by any governmental authority pending or, to its knowledge, threatened against it, wherein an anticipated decision, ruling, or finding would result in a material adverse effect on its ability to perform its obligations under this Agreement or on the validity or enforceability of this Agreement; and
- (g) the conduct of its business is in compliance with all applicable governmental approvals as to which a failure to comply, in any case or in the aggregate, would result in a material adverse effect on its ability to perform its obligations under this Agreement or on the validity or enforceability of this Agreement, recognizing that the government approvals required for the construction and operation of the Expansion Property have not yet been granted.

2.2 County Board Representations and Covenants.

The County Board hereby represents and warrants to the Company that, as of the date of this Agreement:

- (a) the County Resolution remains in full force and effect and has not been modified, rescinded, or revoked as of the date hereof and that all actions on the part of the County necessary or appropriate for the effectiveness of the County Resolution and the execution and delivery of this Agreement have occurred and been satisfied;

- (b) the County Board is a body corporate and politic under the laws of the State of Maryland and has requisite authority to own County property and assets and conduct its business as presently conducted and as proposed to be conducted under this Agreement;
- (c) there is no action, suit, or proceeding, at law or in equity, or official investigation before or by any governmental authority pending or, to its knowledge, threatened against it, wherein an anticipated decision, ruling, or finding would result in a material adverse effect on its ability to perform its obligations under this Agreement or on the validity or enforceability of this Agreement; and
- (d) the County is a political subdivision of the State of Maryland.

ARTICLE III PAYMENTS IN LIEU OF TAXES

Section 3.1 Term

The provisions of this Article III of this Agreement shall cover Property Taxes payable by the Company during the PILOT Period, commencing on July 1, 2017 (the “**PILOT Commencement Date**”) and ending on the PILOT Expiration Date defined in Section 3.3(b), below.

Section 3.2 Tax-Exempt Status of the Facility

Pursuant to Section 7-517 of the *Tax-Property Article* of the Maryland Annotated Code and in accordance with the County Resolution, the Operating Property shall be categorized as exempt from Property Taxes during the PILOT Period. Such tax exemption shall apply annually for each fiscal year beginning upon the PILOT Commencement Date and continue through the PILOT Expiration Date.

Section 3.3 PILOT Payments / One-Time Incentive Payment

(a) Existing Property.

- (1) Term. The provisions of this Section 3.3(a) shall cover Property Taxes payable by the Company upon Existing Property commencing for the Fiscal Year beginning on July 1, 2017 and ending on the “PILOT Expiration Date” defined in Section 3.3(b), below. That time period beginning with the levy and assessment of Property Tax on July 1, 2017 and ending on the PILOT Expiration Date is hereinafter referred to as the “PILOT Period.”
- (2) PILOT Payments Applicable to Existing Property. Commencing on July 1, 2017 and continuing through the PILOT Expiration Date, the Company shall make PILOT payments for annual taxes due upon the Existing Property in the amount of Fifteen Million One Hundred Thousand Dollars (\$15,100,000.00) per annum. The foregoing payments shall be due on September 30th of each year (the “PILOT Payment Date”) beginning on September 30, 2017 through the PILOT Expiration Date.

(b) Expansion Property.

(1) Through the PILOT Expiration Date, the Company shall make PILOT payments for annual taxes due upon the Expansion Property in accordance with the following applicable schedule:

(i) If the Expansion Property is In-Service prior to July 1, 2018, the following schedule of PILOT Payments shall apply:

TAXABLE PERIOD	AMOUNT DUE	DUE DATE
July 1, 2018-June 30, 2019	\$35,805,000.00	September 30, 2018
July 1, 2019-June 30, 2020	\$45,100,000.00	September 30, 2019
July 1, 2020-June 30, 2021	\$48,895,000.00	September 30, 2020
July 1, 2021-June 30, 2022	\$48,345,000.00	September 30, 2021
July 1, 2022-June 30, 2023	\$47,685,000.00	September 30, 2022

and, whereupon the foregoing condition precedent having been met, the **PILOT Expiration Date** shall be June 30, 2023.

(ii) If the Expansion Property is In-Service after July 1, 2018 and prior to July 1, 2019, the following schedule of PILOT Payments shall apply:

TAXABLE PERIOD	AMOUNT DUE	DUE DATE
July 1, 2019-June 30, 2020	\$35,805,000.00	September 30, 2019
July 1, 2020-June 30, 2021	\$45,100,000.00	September 30, 2020
July 1, 2021-June 30, 2022	\$48,895,000.00	September 30, 2021
July 1, 2022-June 30, 2023	\$48,345,000.00	September 30, 2022
July 1, 2023-June 30, 2024	\$47,685,000.00	September 30, 2023

and, whereupon the foregoing condition precedent having been met, the **PILOT Expiration Date** shall be June 30, 2024.

(iii) If the Expansion Property is In-Service after July 1, 2019 and prior to July 1, 2020, the following schedule of PILOT Payments shall apply:

TAXABLE PERIOD	AMOUNT DUE	DUE DATE
July 1, 2020-June 30, 2021	\$35,805,000.00	September 30, 2020
July 1, 2021-June 30, 2022	\$45,100,000.00	September 30, 2021
July 1, 2022-June 30, 2023	\$48,895,000.00	September 30, 2022
July 1, 2023-June 30, 2024	\$48,345,000.00	September 30, 2023
July 1, 2024-June 30, 2025	\$47,685,000.00	September 30, 2024

and, whereupon the foregoing condition precedent having been met, the **PILOT Expiration Date** shall be June 30, 2025.

(iv) In the event that the Expansion Property is not In-Service by June 30, 2020, this Agreement shall automatically terminate on June 30, 2020, in which event the PILOT Expiration Date shall be June 30, 2020 and shall be of no further force and effect except as may be otherwise mutually agreed to by the Company and the County Board.

(c) **One-Time Incentive Payment.**

In the event the Company has incurred cumulative expenditures to develop and construct the Expansion Property, as may be reflected in Federal Energy Regulatory Commission (“FERC”) Form 2 at line 3 of page 110, equal to or greater than Five Hundred Million Dollars (\$500,000,000.00) by January 17, 2018, the Company shall make a one-time payment of Twenty-Five Million Dollars (\$25,000,000.00) (the “**One-Time Incentive Payment**”) to the County Board on or before Wednesday, January 31, 2018, but no earlier than January 17, 2018.

In the event the Company: (i) has not incurred cumulative expenditures to develop and construct the Expansion Property, as may be reflected in FERC Form 2 at line 3 of page 110, equal to or greater than Five Hundred Million Dollars (\$500,000,000.00) by January 17, 2018; or (ii) otherwise provides written notice to the County Board that it does not intend to proceed with the construction, development and/or operation of the Expansion Property, either party to this Agreement may elect to terminate this Agreement at any time upon notice to the other party, in which case this Agreement shall be of no further force and effect.

Section 3.4 Equitable Adjustment of PILOT Payment Amounts

If the valuation of Operating Property, after the Expansion Property is In-Service, is determined by SDAT to be more than Four Billion Seven Hundred Eighty-Eight Million Dollars (\$4,788,000,000.00)), then the PILOT Payment for the applicable Fiscal Year shall be adjusted or increased by an amount equal to 55% of taxes due under the then-current law on the difference between the SDAT valuation and \$4,788,000,000.00. If the valuation of Operating Property, after the Expansion Property is In-Service, is determined by SDAT to be less than Three Billion One Hundred Ninety-Two Million Dollars (\$3,192,000,000.00), the PILOT payment for the applicable Fiscal Year shall be an amount equal to the valuation by the SDAT times the tax rate due under the then-current law, but, in no event, shall that PILOT Payment exceed the amount that would have otherwise been due by the sum of Sections 3.3(a) and 3.3(b), above. Any such decrease or increase of PILOT Payment shall be credited to the amount due from the Company or paid by the Company, as the case may be, on the next occurring PILOT Payment Date. If any decrease or increase in the PILOT Payment may become payable after the PILOT Expiration Date, any such decrease shall be paid by the County to the Company as a refund that September 30 following the PILOT Expiration Date and any increase shall be paid by the Company to the County that September 30 following the PILOT Expiration Date.

Section 3.5 Late Payments & Penalties

Payments required hereunder will be considered delinquent on October 1 of the year in which due. Interest at the rate of one (1) percent per month shall be due, charged and collected on the full amount of any delinquent bill.

Section 3.6 Default

In the event that any PILOT Payment or the One-Time Incentive Payment is not received by the County Treasurer within sixty (60) days after the date any such payment is due and payable hereunder, this Agreement and its underlying exemption shall terminate at the option of the County Board. In the event County Board elects to terminate this Agreement as provided in this Section, the Company shall be subject to any action at law or in equity that the County Board deems appropriate to collect amounts due hereunder and the Company shall thenceforward be responsible for payment of taxes pursuant to the then current law.

Section 3.7 Payments after Expiration of Term

Upon the PILOT Expiration Date, the assessment, levy and collection of Property Tax shall be made pursuant to Article IV of this Agreement provided the Company is not then in Default. If the Company is in Default of this Agreement upon the PILOT Expiration Date, the assessment, levy and collection of Property Tax shall be made pursuant to the then current law.

Section 3.8 Transfer

The Company may only sell or otherwise transfer all or any portion of the Operating Property: (a) if the Company agrees to remain fully liable for the obligations under this Agreement; (b) if the transfer is made to an affiliate or third party acquiring all of the Operating Property and such transferee expressly agrees to be bound by the terms and conditions of this Agreement; or (c) if the transfer is made to an affiliate or third party acquiring only a portion of the Operating Property and such transferee expressly agrees to be bound by the terms and conditions of this Agreement with respect to the portion of the Operating Property so transferred, based on an allocation between the Company and such transferee regarding their respective ownership interests which has been approved by the County Board in good faith. In the event of any transfer pursuant to subpart (b) of this paragraph, the Company shall be released from the obligations hereunder. In the event of any transfer pursuant to subpart (c) of this paragraph, the Company shall be released from the obligations assumed by the transferee and future PILOT Payments due hereunder shall be based on an allocation between the Company and such transferee regarding their respective ownership interests. No sale or other transfer shall be deemed to limit or alter the County Board's right to terminate this Agreement with respect to the Company or such transferee, as applicable, pursuant to Section 3.6 of this Agreement.

ARTICLE IV TAX CREDIT

Section 4.1 Tax Credit Term and Amount

The County shall grant a tax credit equal to 42% of the Property Tax imposed upon the Operating Property ("Tax Credit") for the Tax Credit Period under the following terms, limitations and conditions:

- (a) The term of the Tax Credit shall be the nine Fiscal Years commencing on July 1 of the Fiscal Year immediately following the PILOT Expiration Date and ending on June 30 of the ninth Fiscal Year thereafter ("**Tax Credit Period**");

- (b) The Tax Credit shall be granted in each Fiscal Year of the Tax Credit Period and shall not be less than zero.
- (c) The Tax Credit shall apply to the Property Tax; and
- (d) Prior to the Tax Credit Period, the Company, its agent or its assignee, shall provide certification to the County Board documenting that the Company has: (1) invested at least \$2,500,000 in land, improvements or equipment in the Expansion Property within the County prior to the date that Tax Credit is first claimed; and (2) created and employs at least 25 new full-time jobs with salaries higher than the County annual average salary in the economic development target market sector, as determined by the County.

Section 4.2 Payments after Expiration of Term

Upon expiration of the Tax Credit Period, the assessment, levy and collection of Property Tax shall be made pursuant to the then-current law.

**ARTICLE V
NOTICES**

All notices, demands, requests, consents, or other communications provided for or permitted to be given pursuant to this Agreement shall be in writing and deemed to be properly served if delivered to the Parties or sent by telecopier, registered or certified mail or Federal Express or similar courier service with overnight delivery or via professional messenger service to the respective addresses set forth below:

- (a) If to the County Board:

Calvert County Department of Finance and Budget
Calvert County Courthouse
175 Main Street
Prince Frederick, MD 20678
Attention: Director
Telephone No.: 410-535-1600, Ext. 2435
Telecopy No.: 410-414-3720

with a copy to:

County Attorney for Calvert County, Maryland
175 Main Street
Prince Frederick, MD 20678
Telephone No.: 410-535-1600, Ext. 2566
Telecopy No.: 410-414-3241

(b) If to the Company:

Dominion Cove Point LNG, LP
701 East Cary Street
Richmond, VA 23219
Attention: Director, Non-Income Taxes
Telephone No.: 804-771-4227
Telecopy No.: 804-771-4130

All notices sent by certified or registered mail, return receipt requested, first-class postage prepaid shall be deemed effective when mailed, and notice sent by any other method of delivery shall be effective upon receipt. Each of the Parties may from time to time change its address for notices by written notice of such change to the other Parties given in accordance with this Section.

ARTICLE VI DISPUTE RESOLUTION

Section 6.1 Mediation

- (a) Any claims, disputes or controversies, other than disputes with respect to the assessed valuation of all or any portion of the Facility (which shall be resolved in accordance with applicable law), arising out of or related to the performance, interpretation, application, or enforcement of this Agreement, including but not limited to breach thereof, shall be subject to confidential mediation (“**Mediation**”) as a condition precedent to initiating Arbitration proceedings, as set forth in Section 6.2 below.
- (b) In mediation, the neutral mediator assists the parties in reaching a settlement but does not have the authority to make a binding decision or award. Mediation is administered by the American Arbitration Association (the “AAA”) in accordance with AAA Commercial Mediation Rules unless agreed to otherwise in writing by the parties. Request for mediation shall be filed in writing with the other party to this Agreement and with the AAA. The request may be made concurrently with the filing of a demand for arbitration but, in such event, Mediation shall proceed in advance of arbitration, which shall be stayed pending mediation for a period of sixty (60) days from the date of filing, unless stayed for a longer period by agreement of the parties or court order.
- (c) The parties shall share the mediator's fee and any filing fees equally. The Mediation shall be held in a mutually agreed upon location. Any agreements reached in Mediation shall be enforceable as settlement agreements.

Section 6.2 Arbitration

In the event a claim arising under this Agreement is not resolved by the mediation procedures, as set forth in Section 6.1 above, then either party may refer such dispute to arbitration (hereinafter “**Arbitration**”) pursuant to the provisions of this Article. The party electing Arbitration shall advise the other party, in writing, of the dispute and include a reasonable explanation of the reasons therefore. The Parties shall thereafter endeavor to resolve

their dispute in good faith. If they are unable to resolve their dispute within thirty (30) business days after the date of receipt of the notice of dispute, then either party may refer the dispute to Arbitration by giving notice of arbitration (the "Arbitration Notice") to the other party, which Arbitration Notice shall include a statement of the issues or matters to be arbitrated. In such event, the Arbitration shall be conducted in the County by the AAA before a three-member panel (the "Arbitrator") pursuant to AAA applicable arbitration rules and procedures. The decision of the Arbitrator shall be final and binding. This clause shall not preclude the parties to this Agreement from seeking provisions remedies in aid of arbitration from a court of appropriate jurisdiction. The Company and the County Board shall each bear its own costs incurred in connection with the resolution of a dispute and the costs of the Arbitrator shall be shared equally by the Parties; provided that, the Arbitrator shall have the power to require that one party pay for all or any portion of another party's reasonable costs and expenses incurred in connection with the resolution of the dispute, if such Arbitrator deems such requirement equitable.

ARTICLE VII ASSIGNMENTS

The Company may sell, transfer, assign, pledge, mortgage, hypothecate, or otherwise dispose of and encumber all or any of its rights, title, and interests in, to, and under this Agreement to any lender as security for the performance of its obligations under any loan or similar agreement with such lender without the consent of the County, and the County agrees to execute and deliver such consents, documents, certificates, and other instruments and information which any lender may reasonably request as a condition to the financing or refinancing of Dominion Cove Point LNG, LP. The Company may not otherwise sell, transfer, assign, pledge, mortgage, hypothecate, or otherwise dispose of and encumber all or any of its rights, title, and interests in, to, and under this Agreement except in connection with a transfer of all or a portion of the Operating Property in accordance with Section 3.8 of this Agreement. In any of the foregoing events, the Company will provide written notice to the County of such assignments or pledge as promptly as practicable, but not later than thirty (30) days after the consummation of such sale, transfer, assignment or other disposition.

ARTICLE VIII LIMITED OBLIGATION OF THE PARTIES

All obligations of the County Board and the Company contained in this Agreement shall be deemed to be the corporate obligations of the respective Parties and not obligations of any member, officer, agent, servant, employee, or affiliate of either Party. No recourse upon any obligation contained in this Agreement, or otherwise based on or in respect of this Agreement, shall be had against any past, present, or future member, officer, agent, servant, employee, or affiliate of either Party.

**ARTICLE IX
MISCELLANEOUS**

Section 9.1 Governing Law

This Agreement shall be governed by and construed in accordance with the internal laws of Maryland without giving effect to the conflict of laws principles thereof. Any action brought by or between the parties shall vest jurisdiction and venue exclusively in the Courts located in Calvert County, Maryland.

Section 9.2 Severability

In the event that any of the provisions of this Agreement are held to be unconstitutional, illegal, null, void or otherwise unenforceable or invalid by any court or regulatory authority of competent jurisdiction, it is the intent of the parties hereto to sever only the invalid portion or provision, and that the remainder of the agreement shall be enforceable and valid, unless deletion of the invalid portion would defeat the clear purpose of the Agreement, or unless, after deletion of the invalid portion, enforcement would produce a result inconsistent with the purpose and intent of the County Board in entering into this Agreement.

Section 9.3 Amendments, Consents, Waivers, Etc.

This Agreement may not be amended except by an instrument in writing signed by the Parties hereto.

Section 9.4 Binding Effect

This Agreement shall inure to the benefit of and shall be binding upon each of the Parties and, as permitted by this Agreement, by their respective successors, appointed receivers and permitted assigns.

Section 9.5 Form of Payments

The amounts payable under this Agreement shall be payable in such coin and currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

Section 9.6 Change in Identification Numbers

The change, amendment, increase, or decrease in the tax identification or parcel numbers currently used by the State of Maryland or the County to identify or classify all or any part of the Facility shall not cause this Agreement to change.

Section 9.7 Entire Agreement

The parties hereto agree that the above writing constitutes the entire agreement between them concerning this matter and that there are no understanding, promises or arrangements binding either part hereto that have not been written herein.

Section 9.8 Sovereign Immunity

By entering into this Agreement, the County Board and its “employees,” as defined in the Local Government Tort Claims Act, §§5-301 *et seq.* of the *Courts and Judicial Proceedings Article* of the Maryland Annotated Code, do not waive sovereign immunity, do not waive: any defenses; any limitations of liability as may be provided for by law; or any provision of the Local Government Tort Claims Act.

Section 9.9 Third Party Beneficiary

It is specifically agreed between the parties executing this Agreement that it is not intended by any of the provisions of this Agreement to create in the public or any member thereof, third party beneficiary status in connection with the performance of the obligations.

Section 9.10 No Individual Liability

No elected official, appointed official, employee, servant, agent or law enforcement officer shall be held personally liable under this Agreement or any extension or renewals thereof.

Section 9.11 No Waiver

Failure of County Board to insist in any one or more instances upon a strict performance of any of the provisions, terms, covenants, reservations, conditions or stipulations contained in this Agreement shall not be construed as waiver or relinquishment thereof for the future, but the same shall continue and remain in full force and effect, and no waiver by the County Board of any provisions, terms, covenants, reservations, conditions or stipulations hereof shall be deemed to have been made in any instance unless specifically expressed in writing by the County Board as an amendment to this Agreement.

Section 9.12 Time is of the Essence

Time is of the essence with respect to all the provisions of this Agreement.

Section 9.13 Recitals

The recitals which precede this Agreement are an integral part of this Agreement and shall be binding upon the parties and shall be enforceable in a manner consistent with the remainder of the terms and conditions of this Agreement.

Section 9.14 Headings and Titles

The headings and titles of articles, sections and paragraphs of this Agreement are merely for convenience and reference and in no way limit or define the intent, rights or obligations of the parties.

Section 9.15 Counterparts

This Agreement may be executed in counterparts. It shall be fully executed when each party whose signature is required has signed at least one counterpart even though no one counterpart contains the signatures of all the parties.

Section 9.16 Additional Data

The Company shall provide SDAT, upon request, with a corresponding copy to the County Board and subject to a confidentiality agreement in form and substance approved by the Company and otherwise consistent with the obligations of the County Board under applicable law, all relevant data, documentation, and information necessary for SDAT to effect an assessment of the Facility, including, without limitation, an assessment of the Operating Property.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by a duly authorized representative by their hands and seals, intending to be so bound, as of the day and year first above written.

ATTEST:

**BOARD OF COUNTY COMMISSIONERS OF
CALVERT COUNTY, MARYLAND**

By: _____ (SEAL)
Pat Nutter
President

ATTEST:

**DOMINION COVE POINT LNG, LP, a
Delaware limited partnership**
By: Dominion Cove Point LNG Company, LLC,
General Partner

By: _____ (SEAL)
Name: _____
Title: _____

Approved for form and legal sufficiency:

By: _____
John B. Norris, III, County Attorney