

YEAR-END REPORT

The Progress Authority was the recipient of LEDA grant funds from the Department of Community and Economic Development during the 2009-2010 program year. This grant funding was used to help fund the costs of administering economic development outreach efforts. Both Bradford County and Susquehanna County designated the Progress Authority as the industrial development entity to receive their LEDA funding, and the Progress Authority provided ongoing economic development and technical assistance services in both counties.

Under the contracts, the Progress Authority provides services that are available to any business in any municipality within Bradford and Susquehanna Counties. This outreach program is the only direct professional business development activity within the two counties. Activities include business financing, site development, infrastructure, workforce initiatives, and federal, state, and local government and agency coordination.

A key milestone for the Progress Authority that was achieved this year was the Progress Authority's certification by DCED to administer direct loan programs, including Small Business First, First Industries Fund, Community Economic Development, and Pollution Prevention Assistance Account financing. These resources have always been available to the Progress Authority through other Area Loan Organizations, but the certification will enable the Progress Authority to more actively assist businesses with funding needs.

The 2009-2010 program year was as positive as could reasonably be expected, given the economic downturn facing the rest of the Commonwealth and the entire United States. Continuing growth in the natural gas industry provided an insulating factor to the job losses and disinvestment that occurred in most other areas. From May 2009 to May 2010, Pennsylvania Department of Labor & Industry seasonally-adjusted data showed that Bradford County's total employment rose by 1,000. Job losses still occurred locally, particularly in the manufacturing sector, but the natural gas industry created a safety net that most regions did not have the luxury of experiencing.

Along with the positive dynamics of employment growth and investment, however, the natural gas industry has brought substantial demands for new and upgraded infrastructure. Projects in the hospitality and housing markets have required public water and sewer, while the bulk commodities needed in the natural gas industry have necessitated transportation upgrades to public roads and railroad infrastructure. The Progress Authority has been able to leverage public funding for a variety of infrastructure projects over the past year, including projects funded through the federal American Recovery & Reinvestment Act.

Because of the large volume of truck traffic that has surfaced in our County, there is strong interest in increasing rail utilization as a way to reduce on-road truck trips. To make rail a viable option, transload facilities must be available to shippers.

Recognizing the tremendous economic opportunities presented by Marcellus Shale natural gas development, the Progress Authority has attempted to maximize local impact by promoting the usage of existing local businesses as subcontractors to this industry. In June, the Progress Authority organized the Northern Tier Marcellus Shale Business-to-Business Expo in an effort to create linkages between natural gas-related companies and the local business community. The response was very strong, and a follow-up event is planned on June 25, 2011.

Natural gas development has led to the need for additional pipeline infrastructure, including major interstate transmission lines. The Progress Authority has been assisting the developers of two such lines with various issues. The El Paso Corporation plans to add capacity to its Tennessee Gas Pipeline that runs through Bradford and Susquehanna Counties to better accommodate natural gas produced in the Marcellus Shale and other formations in the Midwest. The other project is called the MARC I pipeline. It will be constructed by Inergy Midstream LLC and will provide a North-South linkage between the Millennium Pipeline, the Tennessee Gas Pipeline, and the Williams Transco Pipeline. This will allow for an Eastern United States hub to wheel gas and provide better availability and price flexibility for Northeastern consumers.

The Progress Authority has also contracted with the Marcellus Shale Education and Training Center, a joint initiative of Penn State and the Pennsylvania College of Technology, to perform a regional economic impact

study measuring the effects of Marcellus Shale development. The Progress Authority hopes to use the data acquired in order to better understand the impacts being experienced in Bradford County and to more effectively plan for future development needs.

Another energy-related development is the pending removal of Penelec's electric rate caps. With most of the business community in Bradford County served by Penelec and facing substantial rate increases once the caps are removed, the Progress Authority has taken a leadership role in developing alternative options to stabilize electric pricing. A feasibility study was conducted to determine if locally-produced Marcellus Shale natural gas could be utilized for a local generation facility, but this proved to be economically infeasible. With that option exhausted, the Progress Authority has worked with the Manufacturer & Business Association of Pennsylvania to provide a nonprofit model for purchasing electricity from the grid and transferring it at cost to area businesses that choose to participate. We are hopeful that energy cost savings will result.

In addition to energy initiatives, highlighted projects during the past program year are as follows:

- Lehigh Railway, Bradford County

Lehigh Railway is operating on the former Norfolk Southern main line in Bradford and Wyoming Counties. The Progress Authority has assisted in efforts to develop additional sidings and to upgrade the rail and tie infrastructure.

- Wyalusing Transload Facility, Wyalusing, Bradford County
Northern Tier DMP is developing a rail transload facility in Wyalusing Township to support the natural gas industry. The company is also working with the Progress Authority on plans to develop an asphalt plant in Wyalusing and a hotel development project in Wysox Township.
- Wysox Water Extension, Wysox, Bradford County
All funding is now in place for a key public water extension along the Route 6 growth corridor of Wysox Township. Engineering has been finalized, and the project will begin construction during the spring of 2011.
- Towanda Metadyne Expansion, Towanda, Bradford County
Towanda Metadyne, a producer of tungsten carbide products, has worked with the Progress Authority on an expansion project to add tungsten recycling and specialized manufacturing capabilities to its facility in Towanda Township. The projects involved new equipment acquisition as well as a building expansion.
- Chesapeake Energy Development, Sayre, Bradford County
The Progress Authority assisted Sayre Borough and Chesapeake Energy in the transfer of portions of the former Blue Swan Airport to

Chesapeake for the construction of a new office facility. Recognizing their long-term plans for the area, Chesapeake is planning to construct a facility to consolidate its subsidiaries in one location. Employment in excess of 300 is projected.

- Preston Mill Redevelopment, Canton, Bradford County

US HUD funding was utilized to demolish the former Preston Mill building and redevelop the site in Canton Borough. This building was destroyed by fire. A local developer is utilizing the property for commercial development.

- Sayre Railyards Remediation, Sayre, Bradford County

The Progress Authority has completed environmental cleanup efforts at the former Sayre Railyards site in Sayre Borough. Activities to remove petroleum, heavy metals, and asbestos contamination have culminated in the redevelopment of a 25-acre industrial site. The site is now being used for a rail transload facility to service the natural gas industry.

- Troy Willow Street Redevelopment, Troy, Bradford County

A dilapidated industrial facility was demolished in Troy thanks to US HUD funding secured through the Progress Authority. A regional health care provider is exploring the site as an option for a specialized clinic facility.

- Bern Facility Redevelopment, Towanda, Bradford County

The Progress Authority has assisted Towanda Borough with the demolition of an anchor downtown building that was destroyed by fire. Redevelopment efforts have led to the selection of local community development agency Trehab to spearhead a mixed-use commercial building project on the site.

- Camco Manufacturing, Sayre, Bradford County

Construction was completed on Camco Manufacturing's new facility in Athens Township. Camco is a precision machining company that has relocated from New York and is now fully operational in the new building. Approximately 70 jobs were added by this project.

- Guthrie Healthcare System, Sayre, Bradford County

Guthrie Healthcare is a regional health care provider headquartered in Sayre. The Progress Authority is working with Guthrie on bond-funded projects for capital improvements to its facilities in Pennsylvania and New York. Included in the projects are major investments to add to facilities at Robert Packer Hospital in Sayre and to construct a new hospital in Troy.

- High Street Sewer Project, Troy, Bradford County

The Progress Authority secured funding to assist Troy Borough with a sewer replacement project along High Street in Troy. The work has been completed, and major deficiencies associated with the aging infrastructure were corrected.

In a very positive note, we are starting to see evidence of our traditional industrial sectors such as manufacturing and resource-based products beginning to bounce back. As the natural gas industry continues to evolve and other business development projects generate reinvestment, the Progress Authority appears to have a busy year in store. The continued partnership of DCED on LEDA funds is greatly appreciated and will be a tremendous aid to economic development in Bradford and Susquehanna Counties in program year 2010-2011.