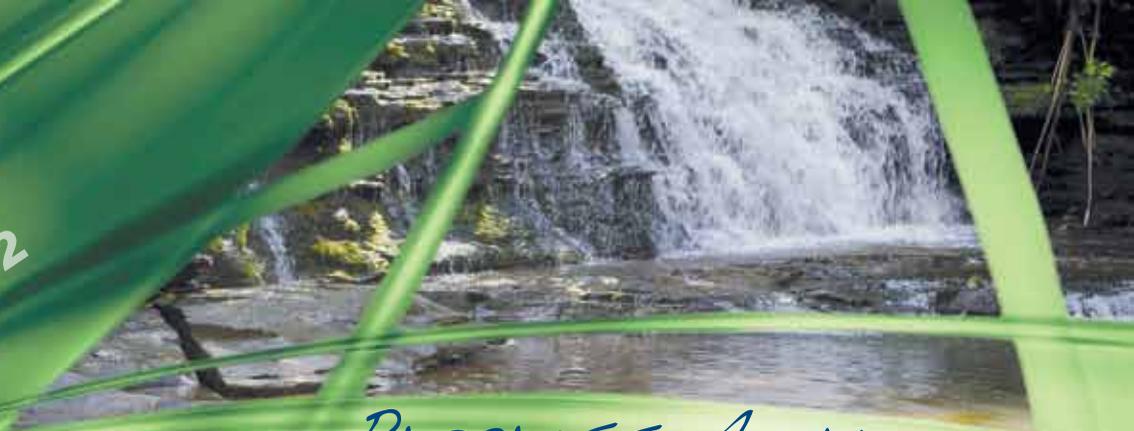




Annual Report
Susquehanna County
August 23, 2012



Progress Authority

Endless Mountains Health Systems – Progress Report



EMHS Community Foundation Cabot Community Challenge Fund from Left to Right: Ray Wilmarth Jr., President of EMHS; Adam Diaz, proprietor of The Diaz Companies & Susquehanna County Economic Development Advisory Board member; Dan Dinges, President and Chief Executive Officer of Cabot Oil & Gas; Loren Stone, Executive V.P. & CFO of EMHS; and Rex Catlin, CEO of EMHS.

On the 25th of July, Endless Mountains Health Systems' new facility was 15% complete based on reports by the architect, Randy Cole, of Stratton Brook Associates. The major portion of the site work is complete, as concrete footers and foundations for Phase I and Phase II are completed. Structural steel work should begin in mid August.

Phase I of the project contains the acute care hospital with the associated laboratory, imaging, surgery, respiratory, and emergency departments. Phase II of the project adds the physician medical office space, pharmacy, and café space

to the project. Phase I is funded through a USDA Rural Development direct loan, a Redevelopment and Capital Assistance Program Grant and other state and federal funds and Phase II is funded mainly from a \$1 million donation from Cabot Oil & Gas and a \$1 million donation from the Harry and Jeannette Weinberg Foundation. Other major funding for Phase II came from donations stemming from Cabot Oil & Gas' community challenge. In addition to the original \$1,000,000 Cabot donation, they agreed to match funds raised by the community for an additional \$1,200,000.

The community exceeded the Cabot Oil

& Gas challenge and raised over \$1.75 million.

The new facility is approximately 2 miles from the current location serving the same population base, however there are planned expansion areas for new services. It will serve Susquehanna County and the surrounding area for many years with improved patient access, safety and health services.

The estimated completion date for the new facility is August of 2013.

See related photo on page 2 ➤

Director's Message by Anthony Ventello



This past year has proved to be the most memorable since the Progress Authority's birth in 1993. Having begun our 19th year, I cannot recall such an experience with the challenges and circumstances that tested our reputation of getting things done. With 12 months successfully behind us from 2011 - 2012, September 8th will always be a date to remember. Tropical Storm Lee left us with 5.5 feet of water in our office building, One Progress Plaza, and over \$3.5 million of cleanup, repair and mitigation. Not to mention devastation in many communities throughout our region. But with leadership, hard work and resources, our area is recovering. I want to first thank the Susquehanna County Commissioners, the Susquehanna County Economic Development Advisory Board and the Progress Authority staff for

keeping us focused and on track towards our mission of economic development. Through this massive distraction, Susquehanna County continues to trend positively with unemployment rates reducing from 7.6% in 2011 to 6.7% in 2012. This trend is well below Pennsylvania's rate of 7.4% and the US rate of 8.2%. This is amongst a sluggish economy, industry slowdowns and investor uncertainty.

The demand for economic development resources for business investment is of great need when state budget cuts and DCED program elimination occurred. So to bolster the efforts, the Progress Authority competitively secured \$1 million of US Treasury Funds from the State Small Business Credit Initiative to assist businesses with new investment. I am happy to announce that our first installment of \$333,333 is being entirely utilized in Susquehanna County for small business development.

Our trip to New Mexico proved fruitful, as the mature Permian Basin oil field made us extremely aware of our need to vertically integrate natural gas. Adding value to the resource such as compressed natural gas (CNG), energy generation, industrial feed stock and improved distribution will diversify our economic base and stabilize us for the long-term beyond immediate business to business opportunities and

land owner payments. I am very excited about the Leatherstocking, LLC proposals to bring natural gas distribution to Susquehanna County thus creating the infrastructure for value added investment. The new Endless Mountains Health Care Facility will provide a much needed new state-of-the-art hospital in the Susquehanna County Enterprise Zone. The investment of over \$23 million, the job impacts, 24/7 health care and the economic impact is enormous to the county. Hats off to Ray Wilmarth and the EMHS board and employees. Cabot Oil & Gas continues their immense impact on the county with their investment in both the resource and substantial community support. I also must recognize Adam Diaz for his entrepreneurial efforts in his business investment, job creation and continued development of Diaz Industries toward additional resource based business development.

With the positive trends in investment and tax base growth we have a great foundation going forward. All of this year's activity both positively and adversely has left us with a stronger community. As a result, the Progress Authority has emerged a revitalized organization with energy to take on new challenges.

Thank you for the privilege to serve.
Anthony J. Ventello
Executive Director



Endless Mountains Health Systems

The EMHS Foundation Fund has raised over \$3 Million through the Cabot Oil & Gas Match Fund. Posing in the photo on left from left to right: Robert Kelly, Esq. representing the Harry and Jeanette Weinberg Foundation; Rex Catlin, CEO of EMHS; J. Enrique Nazar, MD, Orthopedic Surgeon at EMHS; George Stark, Director of External Affairs; and Loren Stone, Executive V.P. & CFO of EMHS.



Chairman's Message *by John Kameen*

It has indeed been a most fruitful year for the Susquehanna County Economic Development Board. The major volume of vehicular traffic on the roads of Susquehanna County instantly reflects that our County is playing a significant role in energy independence for the United States through natural gas development. With the good work of our County Commissioners, the Board and the Progress Authority we are on our way to having natural gas infrastructure which will put Susquehanna County homes and businesses in line to be able to use our own locally produced gas.



revolving loan fund has provided our very

In addition, our efforts to secure funding for the vitally important Endless Mountains Health Center were successful. Also the securing of a \$1 million

vital home-grown Diaz Industries with a low interest loan to keep those local folks working in that long-time furniture business.

All this and much more was done by a Board of volunteers, named by our County Commissioners, and with the expert direction of the Progress Authority which allows us to answer every question and address each issue with speed and clarity. We expect that the coming year will bring the same progress and action as our past year, and look forward to these challenges and opportunities.

Progress Authority

Susquehanna County 2012 Work Program

- ▶ Meet Monthly with the Economic Development Board in Order to Prioritize Projects of Significance to Susquehanna County
- ▶ Meet Periodically with the Susquehanna County Commissioners, State and Federal Legislators to Provide Economic Development Updates and Project Opportunities
- ▶ Continue to Administer the Susquehanna County Enterprise Zone and Grow Local Financing Resources
- ▶ Assist Forest City Borough and Greater Forest City Industries in the Management of the Forest City Revolving Loan Fund
- ▶ Explore Additional Bond Financing Opportunities to Support Economic Development Projects
- ▶ Maintain Progress Authority's DCED Certification and Actively Promote Relevant Financing Programs
- ▶ Act as a Conduit for State and Federal Funding Sources that can Benefit Private Business Projects
- ▶ Solidify Relationships with all Major Employers in Susquehanna County to Create Awareness of Progress Authority Capabilities and Funding Opportunities
- ▶ Support Key Infrastructure Projects and Enhancements Involving Public Water, Sewer, Electrical, Natural Gas Distribution and Transmission Pipelines, Telecommunications and Data Infrastructure, Primary and Secondary Roads, and Rail
- ▶ Maintain an Inventory of Potential Business Development Sites in Susquehanna County as Prospective Project Destinations
- ▶ Continue to Market Key Business Development Sites and Seek Occupancy for Available Vacant Industrial/Commercial Facilities
- ▶ Work with the Pennsylvania Bluestone Association to Promote the Stone Industry and Address Relevant Issues
- ▶ Actively Recruit Energy Companies and Their Subcontractors to Locate Field Offices in Susquehanna County
- ▶ Encourage Energy Companies to Develop Business Opportunities with Existing Local Firms through Local Economic Engagement Strategies and Other Initiatives
- ▶ Explore Value-Added Opportunities to Attract Manufacturers that can Capitalize on Local Marcellus Shale Natural Gas Resources
- ▶ Continue to Participate in Advisory Roles such as the Susquehanna County Natural Gas Committee
- ▶ Implement Specific Critical Projects, Including:
 - Assist Endless Mountains Health Systems with the Construction of its New Hospital and the Management of Public Funding Allocated to the Project
 - Help Facilitate Chesapeake Bay-Mandated Upgrades at Impacted Sewer Treatment Facilities such as Montrose's Plant
 - Continue to Support Efforts to Extend Public Water to the Susquehanna County Correctional Facility and Recycling Center
 - Work with Greater Forest City Industries to Continue to Seek Occupancy for the Vision 2000 Industrial Park
 - Establish an Industrial Park along the I-81 Corridor.
 - Help Facilitate Reconstruction Projects on Route 706 in Susquehanna County
 - Promote Redevelopment of the Hallstead Foundry Site
 - Assist Lackawanna College with its Facility Needs and Promote Growth of the New Milford Center
 - Promote Upgrades at the Gibson Interchange of Interstate 81 to Allow Future Development Along Route 848 and Oliver Road
 - Continue to Work with Leatherstocking, LLC for the development of the Natural Gas Distribution Lines.
 - Continue to Work with Bluestone Gathering for the Laser Pipeline.
 - Complete an Economic Impact Study Measuring Actual Anticipated Impacts of Marcellus Shale Development in Susquehanna County and the Surrounding Region
 - Organize a Third Marcellus Shale Business-to-Business Expo to Promote Local Business Contracting Opportunities
 - Organize a Marcellus Shale Workforce Expo in Susquehanna County to Maximize the Involvement of Local Labor in Natural Gas Development
 - Continue support for adaptive reuse of the prior Bendix Plant in South Montrose



Leatherstocking Gas Co., LLC Natural Gas Distribution Invests in Susquehanna County

Amazingly, Susquehanna County hosts some of the most prolific natural gas wells in the Marcellus region. However, our residents and businesses cannot take advantage of this low cost, clean burning fuel. Leatherstocking Gas Company LLC was formed as a joint venture between Corning Natural Gas Corporation and Mirabito Holding, Inc. Leatherstocking has successfully provided low cost, clean

burning, locally produced natural gas to industry, small business, public schools, hospitals and rural residents of the region. Leatherstocking is exclusively a local natural gas distribution company utilizing low pressure state-of-the-art plastic pipe with a strong track record of service to local customers and communities. Leatherstocking has filed for a franchise to provide initial natural gas distribution

services to northeast and central Susquehanna County. Based on the available gas distribution infrastructure, timing is dependent upon PUC approvals, interconnect agreements, customer demand and permitting. Currently, Leatherstocking is hoping to receive PUC approval to serve late summer/early fall of 2012. With the approval, construction will begin late spring/early summer of 2013.

Cabot Update by Bill DesRosiers

Natural gas is one of America's cleanest, safest and most useful energy sources. The Marcellus Shale in Pennsylvania, specifically, can supply America with this domestic energy for decades to come. As an independent natural gas producer, Cabot Oil & Gas Corporation is proud to be a part of this energy renaissance here in Susquehanna County, Pennsylvania. Over the last year, Cabot has produced daily averages upwards of 650 MMcf a day. This accomplishment has contributed to the economic turnaround of Susquehanna County while lessening America's dependency on foreign oil. We strive to be a good neighbor of the community and steward of the land. To date, we've invested billions of dollars in our local community, employed hundreds of local residents, paid hundreds of millions in royalties to residents and spent millions to improve and maintain local roads. Cabot looks forward to developing more of this great resource here in Susquehanna County, Pennsylvania. Thank you for a great year!



Posing by the CNG 1955 Chevy, from left to right are Bill DesRosiers, with the Cabot Oil & Gas External Affairs Department, Mike Faillace, a landowner who converted his 1955 Chevrolet to run on CNG, and Janice Lobdell, Landman with Cabot Oil & Gas.



Cabot Oil & Gas Corporation
INVESTING IN OUR COMMUNITY



3rd Annual Northern Tier Marcellus Shale Business Expo



This past June, the Progress Authority held the 3rd Annual Northern Tier Marcellus Shale Business Expo at Alparon Park in Troy. The event had another successful turnout, with over 240 exhibitors and thousands in attendance. This year, the Expo Planning Committee wanted to feature value added uses of natural gas that go beyond the drilling and production stages of the Marcellus Shale and include industrial uses as well as CNG (compressed natural gas) fuel for vehicles. Chesapeake Energy, the platinum sponsor of the event, displayed the Orange County CNG Chopper, and Cabot Oil and Gas, a silver sponsor, displayed a 1955 Chevy that was converted to run on CNG. It is owned by landowner Mike Faillace, pictured on page 4. Workshops at the event included Kent Morton with Moxie Energy, discussing the plans for the construction of the Liberty Power Plant, an 800 MW natural gas fired power plant in Asylum Township in Bradford County. The location of the plant is strategic because of the supply of the locally produced natural gas. Additionally, another workshop featured Mike Narcavage with Chesapeake Energy, regarding local initiatives by Chesapeake Energy with CNG projects. The United States now has an abundant supply of natural gas resources, with the Marcellus Shale natural gas reserve being one of the largest shale plays in the nation and perhaps the world. The Progress Authority believes that the success of the Northern Tier's Marcellus Shale Business Expo is a result of the array of businesses and services that are utilized by the natural gas industry.



Top Photo: Chesapeake Energy, platinum sponsor of the Expo, displayed a CNG Chopper.
Bottom Photo: Cabot Oil and Gas, silver sponsor, displayed a 1955 Chevy that was converted to CNG.



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Susquehanna County Enterprise Zone Revolving Loan Fund

The Susquehanna County Enterprise Zone's Revolving Loan Fund was developed through a competitive grant through the DCED for \$200,000. The competitive grant was loaned to Rock Ridge for capital improvements. Since they've begun

repayment on the loan, the Progress Authority and the Susquehanna County Economic Development Advisory Board was able to make a second loan from the funds to Tim Carpenter for a \$22,000 loan for renovations to the State Farm Office

located in Montrose. Currently, there is approximately \$75,000 available in the fund for businesses in the Enterprise Zone. Unfortunately, the funds lost \$40,000 due to a default on a past loan.

Progress Authority SSBCI Funds Update

The Progress Authority began accepting applications in March for the revolving loan fund program from the State Small Business Credit Initiative Program (SSBCI). The Pennsylvania Department of Community and Economic Development (DCED) awarded the Progress Authority \$1 million to establish a Revolving Loan Fund. The Pennsylvania DCED recognized the need for this type of funding to be distributed to the local economic development providers as small businesses are experiencing difficulty accessing capital. As a result of the tight credit markets, more stringent underwriting standards, and other economic factors, many small businesses have experienced difficulties in accessing the capital they

need to grow or maintain their existing operations. In an effort to help banks and creditors alleviate their position, the SSBCI funds are used strictly as a subordinate lending piece for small businesses. The Progress Authority received a third of its allocation to establish a revolving loan fund program. Once all of the recipients of the SSBCI funds throughout the State have met the target of 80% of the total funds (of the first third) committed to small businesses, the second allotment will be distributed. The third and final distribution of SSBCI funds will occur once the same 80% target is met with the second distribution. In May of 2012, the Progress Authority approved an application for Diaz

Manufacturing for renovations at the Donald Dean & Sons manufacturing plant. In January 2012, Adam Diaz, President of Diaz Manufacturing, purchased the business as a result of a Chapter 11 Bankruptcy from the previous owners. Mr. Diaz believed that he could revive the cabinetry manufacturing shop in Montrose to a once again profitable business. In doing so, he kept the largest manufacturing plant in Susquehanna County with over 75+ years in business open and saved 50+ local jobs. Mr. Diaz requested a loan for \$333,333 from the SSBCI funds allocated to the Progress Authority in order to purchase two Dry Kilns for use at the plant. The purchase of the equipment will bring as many as 10 additional jobs to the factory.



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Impact Fee Implementation Strategy

The Progress Authority and Delta Development Group are assisting the Susquehanna County Commissioners with the development of a Marcellus Shale Impact Fee Implementation Strategy in an effort to maximize potential funding that would best benefit citizens of Susquehanna

County. The strategy and budget will include identifying and prioritizing short term, intermediate, and long term projects. Additionally, the plan will identify additional state and federal funding to leverage the impact fees. The final report will include a summary of

Act 13 impact fee requirements as well as an overview of the methodology used to identify and prioritize key projects. The strategy approved by the county commissioners will provide clarity and a responsible use that will yield the greatest return on investment.

Progress Authority Provides Testimony to State Officials

On several occasions the Progress Authority has provided critical testimony on issues related to the development of natural gas. Authority staff has testified in front of the PA Senate Majority Policy Committee at a public hearing regarding the impact of Marcellus shale development on employment opportunities, which emphasized the impacts to both Susquehanna and Bradford Counties. Staff also presented similar testimony to the PA House Republican Policy Committee. The Authority provided direct testimony to the PA Senate Urban Affairs and Housing Committee regarding the impacts of natural gas development on housing.

A formal presentation on natural gas impacts to Susquehanna and Bradford Counties was also given to the Governor's Marcellus Shale Advisory Committee. Both an op-ed article and specific testimony was given to the media and state DEP Public Hearings regarding the importance of the Laser Pipeline extension and compression as it impacts economic development and value added utilization. Finally, the Progress Authority provided testimony to Senator Gene Yaw and the Center for Rural Pennsylvania at a public hearing on natural gas extension services. This was to bolster improved investment in distribution primarily in Susquehanna

County. The development and presentation of testimony to decision making officials at all levels is an ongoing and vitally important effort to make officials aware of the issues that impact economic development, our environment and quality of life. The Progress Authority anticipate the never-ending need to continue formal testimony since we represent people, communities, and businesses living and working in the Marcellus Shale play. This is because many outside organizations and people try to influence the impacts of shale gas development and we must keep those officials accurately informed.

Progress Authority

Susquehanna County Commissioners

- Alan Hall..... Chairman
- Michael GiangriecoCommissioner
- MaryAnn WarrenCommissioner

Susquehanna County Economic Development Advisory Board

- John Kameen Chairman
- Joe Andre
- George Conner
- Adam Diaz
- William Owens

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◀ Story by:
Chris Brown
CBPA Board Member

Hobbs, New Mexico Trip

I recently had the opportunity to join the Central Bradford Progress Authority in Hobbs, NM for the Energyplex Conference “From Pennsylvania to New Mexico”. It was a very worthwhile exchange of information. That area has had oil/gas exploration for over three generations. They have seen the

technological advances change the face of the industry and have also experienced the booms and busts in the market. Their experiences are priceless.

While many topics were discussed, two really stuck out in my mind. The first was the state’s use of two permanent funds that are derived directly from the oil and gas industry. The first fund subsidizes public education as opposed to using local property taxes to support the schools. This has allowed New Mexico to boast

the 48th lowest property tax rate in the United States. This fund is allowing not only current generations to benefit from the oil and gas industry, but many more generations to come. The second permanent fund is used as a bonding authority for various improvement projects throughout the state making expansion and development possible in the state. The second topic that struck a chord with me was the advanced economic development efforts of the local EDC. This organization of local business owners has made significant improvements to the local economy by attracting new businesses, services, and infrastructure. Their latest business that they brought to the Hobbs area is International Isotopes. This is a \$125 million de-conversion plant that will employ approximately 125 people. They were also able to secure local air transit with the major carrier Delta. Their once tiny airport now offers two flights a day to Houston, TX. While the EDC recognizes the benefits of the oil and gas industry, they also recognize the need to diversify. Their efforts are truly remarkable!



◀ From Left to Right: Progress Authority Executive Director, Anthony Ventello; Bradford County Commissioner Daryl Miller; Progress Authority Treasurer, Chris Brown; State Rep. Tina Pickett; Chesapeake Energy, John Dill; NTRPDC Deputy Director and Progress Authority Board Member, Kim Barnes; US Rep. Steve Pearce; Chesapeake Energy, Andy Travis; Bradford County Commissioner Doug McLinko; Susquehanna County Commissioner MaryAnn Warren; Bradford County Commissioner Mark Smith; Progress Authority, Lauren Hotaling; and Penn State Cooperative Extension, Mark Madden.