

Business Continuity White Paper



Monroe County, PA A Viable Option to Strengthen the Resilience of the U.S. Financial System

Released by the Office of
U.S. Representative Paul E. Kanjorski (D-PA)

For discussion purposes only.
Direct inquiries to cleonard@poconomtsindustries.com

A Message from Congressman Paul E. Kanjorski (D-PA)

On April 7, 2003, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Securities and Exchange Commission issued an Interagency Paper on “Sound Practices to Strengthen the Resilience of the U.S. Financial System.” The Interagency Paper outlines recommendations to ensure that “key organizations in critical financial markets are able to recover clearing and settlement activities in the event of a wide-scale disruption as rapidly as possible.”

Following the events of September 11, 2001, the agencies recognized the importance of preparing for a wide-scale disruption in the New York metropolitan region and set a main goal of recovering and resuming clearing and settlement activities within the business day on which the disruption occurs, with the ultimate goal of achieving recovery and resumption within two hours. Financial firms are now expected to implement sound practices to reach these goals within three years.

The Interagency Paper notes that firms need to have “an appropriate level of geographic diversity between primary and back-up sites” and warns that sites “should not rely on the same infrastructure components (e.g., transportation, telecommunications, water supply, and electric power) used by the primary site.”

To ensure immediate resumption of activities with no loss of data, firms rely on the use of “synchronous data transmission;” basically, data is automatically “mirrored” to a back-up site as it is processed at the primary site. Until very recently, technology limited the use of synchronous data transmission systems so that primary and back-up sites could be no further apart than approximately 50 miles. Now, however, the technology has progressed to expand that distance to 125 miles; for example, the Defense Department recently installed its data back-up site approximately 125 miles away from the Pentagon.

As a senior member of the House Committee on Financial Services, I am acutely aware of the importance of providing firms with viable clearing and settlement solutions within 125 miles of downtown Manhattan. And, as the Congressman for Northeastern

Pennsylvania I know that my district is the ideal location for these back-up sites.

The driving times from Wall Street to my district range from an hour and twenty minutes to Stroudsburg, PA (78 miles) to just over two hours to Scranton and Wilkes-Barre (125 miles), yet all of these communities utilize different infrastructure components than metropolitan New York. Passenger rail service from Hoboken, New Jersey to Scranton is currently in the environmental stage with engineering and design soon to follow. The line is expected to be operational within six years.

The lower cost of living and a variety of financial incentives suggest that an average 500-employee business will realize savings of more than \$83 million over

five years by locating in Northeastern Pennsylvania. Financial services firms which already have major operations in the region (Prudential, MetLife, Bank of America, etc.) rave about the quality of the workforce. Our local colleges are attended by more than 49,000 students, many of whom are eager to remain in the area if suitable employment can be found.

Northeastern Pennsylvania attracts outdoor enthusiasts with abundant hiking and biking trails, hunting and fishing opportunities, as well as numerous ski resorts. With its collection of small towns, Northeastern

Pennsylvania still retains a strong sense of community yet is easily accessible to the major amenities of New York City and Philadelphia.

In short, my district is a superb location for back-up sites for major financial services firms. I have been working with Penn's Northeast, our regional economic development group and with Pocono Mountains Industries, which serves Monroe County (Stroudsburg, PA), to prepare a proposal for companies seeking a cost-effective means of complying with the goals of the Interagency Paper. A companion piece highlighting Monroe County is attached here. Please call my office at 202.225.6511 if you are interested in meeting personally with our team and/or obtaining a copy of the full report. You can also view the full report online at www.poconomtsindustries.com.



Executive Summary

Introduction

The purpose of this white paper is to introduce Monroe County in northeastern Pennsylvania to financial services firms and other information technology businesses interested in relocating operations out of the New York/New Jersey Metro Area (NYC/NJ) to bolster their business continuity efforts. The need for these relocation efforts has arisen from the desire of the U.S. Securities and Exchange Commission (SEC) and others (referred to as The Interagency Paper) to strengthen the resilience of the U.S. financial system after the tragic events of September 11, 2001. The Interagency Paper stresses that firms need to have “an appropriate level of geographic diversity between primary and back-up sites” and warns that back-up sites “should not rely on the same infrastructure components (e.g., transportation, telecommunications, water supply, and electric power) used by the primary site.”

Monroe County is located in the heart of the beautiful Pocono Mountains and is home to numerous golf courses, lakes, camping areas, ski resorts, and nature areas. This spectacular quality of life, combined with an affordable cost of living, has made Monroe County the second fastest growing county in the Commonwealth of Pennsylvania.

Monroe County’s best office sites are located just 78 to 90 driving miles (and in most cases less than 125 fiber miles) west of Manhattan. Despite its close proximity to metro New York, Monroe County is located in a different labor shed, power grid, telecommunications grid, and watershed. **In fact, Monroe County and all of its business parks maintained full power during the duration of the major U.S. blackout in the summer of 2003.**

The county is one of five that make up the Penn’s Northeast region of northeastern Pennsylvania. Penn’s Northeast is home to large financial services, customer service, and information technology offices for companies such as The Prudential, Metropolitan Life Insurance Company, Sallie Mae, Bank of America, CIGNA HealthCare, Alltel, and Altria Group, Inc. (formerly Nabisco).

These firms list the region’s strong work ethic, low operating costs, reliable and redundant power and telecommunications systems, excellent educational infrastructure, close proximity to major east coast cities, and an

attractive quality of life as the main reasons they have been so successful here.

The Business Case

In the summer of 2003, Monroe County’s Pocono Mountains Industries teamed with U.S. Representative Paul Kanjorski, Penn’s Northeast, Inc. and the Great Valley Technology Alliance to draft a detailed 32-page white paper outlining the reasons a financial services company would improve their business continuity capabilities by relocating from the Metropolitan New York/New Jersey area to the Penn’s Northeast region.

The full white paper can be viewed at www.poconomtsindustries.com (click on Business Continuity near the bottom of the home page). Printed copies can be obtained by calling Michelle Bisbing of Pocono Mountains Industries at 570-476-8954.

The white paper explains how relocating a 500-employee business unit from The New York/New Jersey Metro Area (NYC/NJ) to Penn’s Northeast will save the relocating company more than **\$83 million over the first five years** in taxes, payroll, and real estate. A summary of the savings detailed in the white paper (with a focus on Monroe County) is as follows:

Taxes

Several office sites within Monroe County have received special tax-free status. Companies that locate in these “Keystone Opportunity Zones” (KOZs) are exempt from paying most local and state property and business taxes through at least 2010. A Big 4 accounting agency recently determined that a 500-employee trading company that moves into 100,000 square feet in a KOZ would have its annual tax liability reduced by just over \$4 million, resulting in a savings of **\$20.2 million over the first five years.**

Payroll

Based upon information provided by The Wadley Donovan Group, a national business consultant, it can be conservatively estimated that wage rates for office positions in Penn’s Northeast average 30% less than comparable positions in NYC/NJ. A 500-employee business unit in NYC/NJ with an average annual sal-

“Monroe County is located 1 to 1 1/2 hours west/northwest of Manhattan.”

ary of \$50,000 would have an annual payroll of \$25 million. A comparable office in (Monroe County) Penn's Northeast would likely have an annual payroll of \$17.5 million. Likewise, it can be estimated that employee benefits would cost \$2.1 million less annually in Monroe County. These lower wage and benefits costs would save a relocating NYC/NJ firm **\$48 million over five years.**

Real Estate

Using information gathered from numerous NYC/NJ real estate brokers and developers it can be estimated that the average cost to lease Class A office space in Manhattan is \$51 per square foot, gross. Comparable space in Monroe County averages \$20.75 per square foot, gross. For a 100,000 square foot building (appropriate for a 500-employee operation) this \$30.25 per square foot difference would result in a **savings of \$15.1 million over five years.**

Location and Transportation

Monroe County is quickly accessible from NYC/NJ by the interstate system and by commercial and corporate air service. A passenger rail connection is expected to be operating by 2010.

Interstate Access

Interstate 80 West, via either the George Washington Bridge or the Lincoln Tunnel (from Route 46), is the primary roadway that would be utilized if driving from Manhattan to Monroe County. However, Interstates 84 and 78 could be used as alternate routes should Interstate 80 be closed.

Key communities in the NYC/NJ region and their distances from Monroe County (Stroudsburg):

Community	Driving Distance from Monroe County
Manhattan	78 miles
Princeton, NJ	73 miles
Paramas, NJ	71 miles
Plainfield, NJ	71 miles
Bloomfield, NJ	67 miles
Kinnelon, NJ	63 miles
Dover, NJ	41 miles

Source: www.mapquest.com

Passenger Rail Access

The "Lackawanna Cutoff" project is designed to re-establish passenger rail service from Penn's Northeast to

Hoboken, New Jersey (with connections to New York's Penn Station via transfer to MidTown Direct service). A key component of this project will be connecting the existing NJ TRANSIT Montclair-Boonton and Morris & Essex lines.

The line will have eight stops – five in Pennsylvania including Scranton in Lackawanna County and Tobyhanna, Analomink, East Stroudsburg, and Delaware Water Gap in Monroe County and three in New Jersey (Morristown, the Oranges, and Hoboken). A full trip – from Hoboken to Scranton – is expected to take three hours. However, U.S. Representative Paul Kanjorski (D-PA) is leading an effort to convert the project to high speed rail, which would cut travel time in half.

The service will connect to ferry boats, subway trains or buses in Hoboken that travelers can take into New York City. They'll also be able to switch in Dover, N.J., to a train that runs directly into Penn Station in New York City.

Upon its completion, the rail line will serve one large "community" stretching from Scranton, through New Jersey, to the Hudson River. The new line will allow people who live a reasonable distance from the rail stops in New Jersey to easily commute to Monroe County.

The \$350 million project is now scheduled to begin operating in 2010.

Air Access

Two main airports serve the region. The Lehigh Valley Airport (www.lvia.org) is located between Allentown and Bethlehem Pennsylvania and is approximately 45 minutes from Stroudsburg, Monroe County. The Wilkes-Barre/Scranton International Airport (www.flyavp.com) is located in Avoca, Pennsylvania, just 55 minutes from Stroudsburg. While a variety of commercial airlines serve the airports, both also offer superb general aviation services, which may prove critical in the event corporate aircraft needs to be used in the event of a wide scale disruption. Air travel to and from Monroe County is also enhanced by Pocono Air Center providing service with both piston-powered and turbine-powered aircraft as well as Robinson helicopters.

Labor – Availability, Cost, and Quality

Penn's Northeast has earned a reputation for having a workforce that is well educated, readily available, easily trainable, cost competitive, and highly productive.

Labor Availability

A late 1990's study of Penn's Northeast by The Wadley Donovan Group reported:

- An excellent availability of experienced, skilled, non-exempt office personnel and entry level management and professional employees
- An ability to draw workers with specialized skills from the extensive New York City, New Jersey, and Philadelphia labor markets
- A highly rated very productive labor force, with an excellent work ethic, very good basic skills, and solid computer skills.

The demographics of Monroe County and the Penn's Northeast region have changed noticeably between the 1990 and 2000 censuses and more changes are expected by 2010. Growth in the region's population and service employment bodes well for companies moving into the region.

- Between 1990 and 2000 Penn's Northeast's population increased from 710,807 to 765,256.
- In 1990, 208,698 were employed in the following group occupations: *Management, Professional and Related* (67,731), *Service* (44,056), and *Sales and Office* (96,911). By 2000, that number had increased by 18.7% to 247,740 with a breakdown as follows: *Management, Professional and Related* (98,102), *Service* (53,692), and *Sales and Office* (95,946).

Monroe County's demographics have been significantly impacted by the tremendous westward migration from New York City and New Jersey. For example:

- Monroe County's population has grown from 69,407 in 1980 to 95,709 in 1990 to 138,687 in 2000. The projected population for 2010 is 181,740.
- The Pennsylvania Department of Labor and Industry projects a 29.8% employment growth in the Finance, Insurance, and Real Estate (F.I.R.E.) sector in Monroe County between 2000 and 2010 (3,960 to 5,140).

County residents who are now commuting to work outside of the area may be a significant source of skilled employees for relocating financial services firms.

The *Monroe County Workforce and Commuter Survey 2001 – 2002*, which was released by East Stroudsburg University and Pocono Mountains Industries in November, 2002, revealed that many local residents commute from their Monroe County homes to work in New York and New Jersey. In fact, just over 24% of all Monroe County residents work outside of the county and, of those who commute, approximately 50% work in New Jersey and 24% in New York. In general the survey found that these commuters are mostly male and younger, wealthier, more skilled, more educated, and more full-time than non-commuters. And, close to half (47.94%) indicated they would take a pay decrease of 10% to 30% if they could find a generally equivalent job in Monroe County.

Regional office employers rave about their ability to attract quality employees to their Penn's Northeast facilities:

"Professional and technical labor costs 34% less than national averages and up to 40% less than Northern New Jersey and New York City."

"Northeastern Pennsylvania is a prime example of an area that has a critical mass of information technology talent."

Daniel J. Cavanaugh
Executive Vice President
Metropolitan Life Insurance Co.

"We're able to recruit good people to this region because of the sense of community here and because it's just a great place to live."

Kent Brown
Highlights for Children Magazine

"We knew there was a good workforce here, but we didn't know it would be this good or this abundant. Northeast PA is a prime location to incubate an advanced technology firm."

Brad Stephens
President Digital Freedom
(Internet Service Provider)

Two major Monroe County employers, both requiring workers with sophisticated skills, have enjoyed great success staffing their operations.

Aventis Pasteur, an international producer of vaccines for flu and other ailments, employs more than 1,300 at its Swiftwater campus. It continues to invest in the area, creating more than 330 new jobs since 1999 and committing to \$127 million in capital improvements.

The award-winning Tobyhanna Army Depot is northeastern Pennsylvania's largest single employer. "We design, manufacture, repair, and overhaul hundreds of

electronic systems,” says Kevin Toolan, depot public affairs officer. “To accomplish that, we have positions for engineers, electronics mechanics, computer specialists and industrial trade workers, drawing more than 3,300 employees from 10 counties.”

Labor Cost

Labor rates for white collar businesses in the Penn's Northeast region, especially those that fall into the F.I.R.E. (Finance, Insurance and Real Estate) sector, are very competitive when compared to similar operations in the New York/New Jersey metro area.

- The overall cost of clerical labor in Penn's Northeast is 22% less than the U.S. average and up to 37% less than Northern New Jersey and New York City. Professional and technical labor costs 34% less than national averages and up to 40% less than Northern New Jersey and New York City.
- Labor costs are the second lowest of all metro areas in the Northeast and are comparable to those in the Southeastern U.S.
- On average, Penn's Northeast employers report that fringe benefits are 28% of base pay.

Source: The Wadley Donovan Group

Labor Quality

The success of employers in Monroe County and Penn's Northeast is largely due to the region's strong work ethic and attractive quality of life. Corporate leaders cite these factors as the main reasons they have been successful here.

"One thing that strikes me every day that I come into the office is the great work ethic of the people here. People come to work extremely motivated and extremely willing to make this company succeed. They feel an ownership that I haven't seen in other places."

Jaco Smit
General Manager, VACCESSHealth
A division of Aventis Pasteur

"We have been doing business in Monroe County for more than 45 years. We have found the workforce to be productive, reliable, and exceptionally dependable."

Karl Weiler
Chairman/CEO
Weiler Corporation

"Aventis Pasteur has continued to significantly expand its operations in Northeast Pennsylvania during the past several years, due in part to its growing role as a public health leader. Monroe County's favorable economic development climate and the availability of a strong workforce have been an essential part of that growth."

Damian Braga
President
Aventis Pasteur US

"In the Pocono Mountains you have access to the best of both worlds because you're in these beautiful natural surroundings, but at the same time you have easy access to just about anything."

Ellyn Schindler
Manager of Community Relations
Aventis Pasteur, US

Education and Training

One of the Penn's Northeast region's competitive advantages is its strong higher education system. More than 45,000 students are enrolled at the region's 18 college/university campuses. Many of these students are pursuing studies in fields that are critical to the success of the F.I.R.E. sector such as healthcare, communications, liberal arts, business and consumer services, education, financial services, marketing, and information technology. In fact, close to 6,000 students with degrees in these areas of study graduate annually from the higher education institutions which serve Penn's Northeast.

Monroe County hosts two colleges, East Stroudsburg University (enrollment 5,811) and Northampton Community College (enrollment 1,685). These schools have worked closely with many local employers to customize and implement training programs. A variety of state and federal grants are available to help reduce an employer's training costs.

Of special note is the nation's first undergraduate computer security degree program, which was launched last fall at East Stroudsburg University (ESU). The university owns the distinction of being one of only 49 institutions to attain Center of Academic Excellence designation by the National Security Agency. The first graduates holding a Bachelor of Science in Computer Security are expected in the fall of 2004.

Glenn Watt is a former NSA security expert who helped to create the program. Watt is the president and CEO of Monroe County's Backbone Security.com and teaches all six courses, some of which are offered as part

of the school's computer science degree. Backbone Security.com specializes in computer and information security, training, and products and is one of only seven companies determined to meet the NSA's standards for information assurance professionals.

Founded in July 2001, Backbone Security employs 30 full-time employees and 10 interns from ESU.

"We developed the entire curriculum for the university's bachelor of science degree in computer security," said Watt. "With homeland security a priority, this specialized field will be in great demand."

ESU is working with Monroe Career and Technical Institute and Northampton Community College to create some computer security courses at the pre-bachelor levels and the university is also eyeing a future master's degree in computer security.

According to Professor Richard Amori, chairman of the computer science department, graduates will also receive certification from NSA that will serve as professional recognition for the purposes of obtaining employment.

Real Estate

There are several excellent office sites within Monroe County that will be of interest to NYC/NJ firms. Available properties range from fully developed sites in established business parks to stand-alone sites with utilities nearby. Many of these sites can be served by dual power and telecommunications lines and several are located less than 125 fiber miles from Wall Street.

Lease Rates

Office and flex space is far less expensive to lease in Monroe County than it is in NYC/NJ. For example, modern flex/office space, fit-out to a client's exact specifications, is typically offered for lease for \$8 to \$12 per square foot, net, net, net. Class A office space can usually be leased in the Monroe County area for \$12 to \$16 per square foot, net, net, net.

Operating Costs

"Add on costs" (utilities, real estate taxes, janitorial and mechanical maintenance, and insurance) typically range from \$3.50 per square foot to \$6.75 per square foot in Monroe County, depending upon the type of operation (e.g. a multi-shift operation will consume more power than a one shift operation), the type of janitorial plan chosen, the amount of annual real estate taxes (e.g. taxes for a flex building may be \$0.50 per square foot but may be \$2.00 per square foot for a Class A office

building), etc...

Land and Construction Costs

The cost to purchase fully-improved office sites in Monroe County ranges from \$40,000 to \$70,000 per acre. Total cost to construct a Class A office building locally, including land acquisition, site work, full building construction and all soft costs, ranges from \$120 to \$160 per square foot.

Availability

Local business parks have been constructed by both private developers and Pocono Mountains Industries, a non-profit economic development corporation. There are at least eight established parks and/or stand-alone sites within Monroe County that have land suitable for the construction of Class A office and/or flex buildings. Many of these parks already have, or have the capability of having, dual power and telecommunications service.

NYC/NJ firms interested in establishing business continuity sites in Monroe County are encouraged to inspect the following sites:

Pocono Mountains Corporate Center East, Coolbaugh Township

Offers multiple sites ranging from 2 to 25 acres. Fiber distance from Wall Street is 124.49 miles.

New Ventures Commercial Park, Tobyhanna Township

Offers sites ranging from 3 to 250 acres. Fiber distance from Wall Street is 135.67 miles.

Pocono Mountains Business Park South, Coolbaugh Township

Offers sites ranging from 8 acres to 62 acres. Fiber distance from Wall Street is 122.97 miles. Offers Local Economic Revitalization Tax Assistance (LERTA) program, meaning that real estate taxes are abated for several years.

Midas International Building, Pocono Mountains Business Park, Coolbaugh Township

Existing 104,000 square foot light industrial building. Can be converted to data center. Fiber distance from Wall Street is 123.25 miles.

Edinger Development, Route 209 Stroud Township

27.6 acres, stand-alone site. Fiber distance to Wall Street is 109.38 miles. Site is located in Keystone Opportunity Zone and offers abatements on state and local taxes through 2010.

Parker Business Center, Route 209, Stroud Township

9 acres, stand-alone site. Fiber distance to Wall Street is 108.7 miles. Site is located in Keystone Opportunity Zone and offers abatements on state and local taxes through 2010.

Fabricated Components, Stroudsburg, PA

15 acres, stand-alone site. Located contiguous to Parker Business Center. Fiber distance to Wall Street is 108.7 miles. Site is located in Keystone Opportunity Zone and offers abatements on state and local taxes through 2010.

Interstate 80 and Warner Road, Tannersville, PA

28 acres, stand-alone site. Fiber distance to Wall Street is approximately 125 miles. High visibility from Interstate 80.

Note: see *Telecommunications* section for more information about fiber service to Monroe County's office sites.

Timing

Unlike major cities, the process to obtain building permits within Monroe County is fairly quick and streamlined. In fact, a developer interested in constructing a large office building here would most likely be able to obtain all permits and approvals in **less than 120 days**. Actual construction of a large office building will take from nine to 12 months – much less if a flex building is preferred.

Utilities

Electric Power

Businesses in Penn's Northeast enjoy highly reliable electric delivery service at prices that are below the average for the nation and the Mid Atlantic region. **These customers receive their power from a different grid than do those located in Manhattan.** The two main providers of electric power in Monroe County are PPL Electric Utilities and MetEd, a First Energy Company.

Most available office sites in Monroe County can be served by two power lines from two different sub-stations.

Water

The Croton system, the New York City's first up-state supply, provides about 10% of the city's daily consumption from 12 reservoirs and three controlled lakes in Putnam and Westchester Counties. The other 90% comes from six reservoirs in the Catskill/Delaware system, located in Delaware, Greene, Schoharie, Sullivan

and Ulster Counties, west of the Hudson River.

The Penn's Northeast region is located within the Lackawanna River Watershed, the Susquehanna River-Chesapeake Bay Watershed, the Lehigh Valley Watershed and the Delaware River Watershed (western side). All Penn's Northeast communities, including those that are located on the western side of the Delaware Watershed, have their own water supplies and aquifers. Penn's Northeast's water supplies are independent of those serving Manhattan.

Telecommunications- General

Penn's Northeast, Inc. has worked with EMC Corporation to verify that the technology required to deliver robust data redundancy at distances of up to 125 miles is viable for companies that choose the Penn's Northeast region as an additional off-site processing location.

EMC has recently announced a highly available enterprise business continuity solution that enables multiple data centers to act as one to help keep businesses running. In the event of a disaster, transactions are automatically routed to an alternate site with no need for manual restore or restart procedures, greatly reducing time to recovery and lowering costs. EMC has in fact already deployed this comprehensive solution to the Pentagon, allowing for the synchronous writing of data to an undisclosed remote facility 125 miles away. This business continuity solution provides a geographically dispersed, high-availability architecture for application, server, storage and transport. Additionally, this solution complies with the SEC recommendations for synchronous replication of sensitive data required to facilitate restoration of critical business services within several hours.

By itself, this technology would not facilitate business continuity without a robust, bandwidth intensive fiber-optic network. Penn's Northeast has a robust array of telecommunications services including Internet, Data and Voice products and services. With respect to flexible, high speed dedicated data services, local providers offer DS-1/DS-3 services as well as up to OC-48 private local SONET ring solutions.

Northeast Pennsylvania has several major carriers who afford enterprises carrier diversity and redundancy, such as Verizon, Telcove, PPL Telecom and Commonwealth Telephone.

Telecommunications- Monroe County

Pocono Mountains Industries appreciates the critical importance of telecommunications, specifically fiber

availability, to NYC/NJ firms seeking off-site business continuity solutions. Also recognized, is that whenever possible, these firms prefer to have access to fiber lines that are less than 125 miles from the main office to the back-up site.

In May 2004, Pocono Mountains Industries asked several telecommunications companies to assess the feasibility of providing fiber service (OC192 and/or OC48) to the available office properties listed in the Real Estate section of this document.

Several telecommunications companies responded to the inquiry. *A brief summary of the potential telecommunications solutions to a few of the sites is as follows:

Solution 1

- 60 Hudson Street (MFN) site was determined to be the Point of Interface (POI) to circuits and/or systems from end-customers.
- The primary fiber route extends from 60 Hudson Street (MFN) to Morristown, NJ (First Energy) 49.6 miles. This part of the fiber route would be considered Section 1.
- Section 2 extends from Morristown, NJ thru Stroudsburg, PA to the available office sites (66 miles).
- 11,000' of additional fiber would need to be constructed from Section 2 to the closest available sites.
- In September 2003, representatives from First Energy communicated to Penn's Northeast, Inc. that they would be interested in leasing the above described fiber line to other telecommunications companies for end use by relocating NYC/NJ companies.
- Total distance of existing fiber line running from Hudson Street to Morristown to sites in Monroe County (specifically Edinger Development, Parker Business Center, and Fabricated Components), including 11,000' build to customer, is approximately 115.6 miles.

Solution 2

- With very little additional build, a second fiber line can be provided from lower Manhattan to the Edinger Development, Parker Business Center, and Fabricated Components sites at a total distance of approximately 164 miles.

Solution 3

- Installing a second, diverse fiber route – less than 125 miles – to the above mentioned sites is feasible,

however, significant new construction would be required. A second route could again originate at 60 Hudson Street and end at the Monroe County sites and have a total distance of approximately 115 miles provided approximately 69 miles of additional fiber is constructed from the Morristown area to Stroudsburg.

■ The “NEPA Telecom Working Group” is a partnership of non-profit economic development and state government officials, appointed by the Governor, who are working to expand broadband deployment throughout northeastern Pennsylvania. The president of Penn's Northeast, Inc. is a group member. The group expects to issue a request for proposal in the summer of 2004 to all of the telecommunications companies that serve northeastern Pennsylvania. The RFP will ask those companies to provide additional solutions for the deployment of fiber from New York City to northeastern Pennsylvania. The potential exists for the Commonwealth of Pennsylvania to provide financial assistance to the winning firm for the construction of new fiber lines.

Solution 4

■ Secure Managed Solutions (SMS) is a telecommunications company with offices in Monroe County that specializes in fixed wireless service. In a proposal submitted to Pocono Mountains Industries, SMS indicated that it can construct a 72 Meg pipe from New York City to Monroe County for just under \$1 million.

SMS recommends two potential routes. Route 1 would extend from New York City to Newark, NJ to Hibernia, NJ to Hope, NJ to Stroudsburg, PA. Route 2 would extend from New York City to South Hackensack, NJ to Parsippany, NJ to Budd Lake, NJ to Stroudsburg. Maximum distances will be 95 miles door to door.

According to SMS:

-With fixed wireless, unless your antenna is damaged, you will experience no negative impacts to the wireless signal. Rain and fog will have little or no effect on the wireless signal.

-In addition to encoded encryption techniques, your signal is transmitted via a digital wireless frequency. No outside interference is allowed by the FCC on these frequencies.

-Redundancy will take place at the original tower POP site. The POP will have two or more providers with each provider located at different COs.

- Partner providers will include Quest, Global Crossing, TelCove, PPL Telecom, Commonwealth Telephone Enterprises and others.
- Service delivery date is approximately six months from commitment.

**Much of the information noted in Solutions 1, 2, and 3 above was provided by Commonwealth Telephone Company (CTE). A detailed proposal from CTE can be made available upon request (subject to the signing of a non-disclosure agreement).*

In addition, a detailed proposal was also submitted to Pocono Mountains Industries by PPL Telecom and pin-points fiber routes from 60 Hudson Street to the existing substation in Stroudsburg, PA. The PPL Telecom proposal confirms that two distinct fiber lines can be run from 60 Hudson Street to the various business sites in Monroe County with both being less than 125 miles in length. As noted above, one of these lines, which is owned by First Energy, already exists and can be acquired and readily extended to the available sites. The second line would require more significant construction. The PPL telecom proposal contains detailed cost estimates for these lines and the proposal can be made available on a confidential basis.

Financial, Recruitment and Relocation Assistance

Financial services employers that have established offices in the Penn’s Northeast region have been able to utilize a variety of incentive programs to help reduce their operating costs. Pocono Mountains Industries will work closely with the local office of Governor Rendell’s Action Team and the Department of Community and Economic Development in Harrisburg to tailor-make incentive packages for firms that relocate to Monroe County. Incentives include tax credits, training grants, and grants and low-interest loans for real estate and equipment.

Pocono Mountains Industries will also coordinate a variety of recruitment and relocation assistance including participation in job fairs, posting jobs on web sites, family tours, executive orientations, on-site presentations, etc...

Quality of Life

Several quality of life factors make the Penn’s Northeast region attractive to metro New Yorkers:

- The Penn’s Northeast region has the 8th lowest crime rate in the United States.
- The average daily commute to work within the region is just 20.5 minutes (*U.S. Census Bureau*)

- There are numerous sports and recreation venues in Penn’s Northeast. These include 13 ski resorts, dozens of golf courses, a AAA baseball team, an AHL hockey team, and an arena football team.
- The Pocono Mountains region includes 72,000 acres of state forest, 150 lakes, and 170 miles of river shoreline. Waterskiing, fishing, snowmobiling, hiking, and horseback riding are just some of the activities available here.
- The cost of living is significantly lower in Penn’s Northeast (PNE). The following compares what a homeowner earning \$75,000 in various NY/NJ/CT communities would need to earn in Penn’s Northeast to maintain the same standard of living.

Salary Comparison Chart

NY/NJ/CT Community	NY/NJ/CT Salary	Comparable PNE Salary
NYC (Manhattan)	\$75,000	\$26,966
Stamford, CT	\$75,000	\$40,995
White Plains, NY	\$75,000	\$43,266
Hicksville, NY	\$75,000	\$49,724
Hoboken, NJ	\$75,000	\$52,853
Bridgewater, NJ	\$75,000	\$52,881
Rockland County, NY	\$75,000	\$61,072
Morristown, NJ	\$75,000	\$61,145

Source: www.homefair.com

Here is what some relocating executives had to say about their moves to Penn’s Northeast:

"I relocated to Northeastern Pennsylvania with NatWest Bancorp, a financial services company based in the metropolitan New York area. After having lived my whole life in the New York metropolitan area, my family and I consider ourselves lucky to have moved to a wonderful part of the country. There have been many positives including great schools, lower cost of living and great recreational and cultural activities.

Since New York and Philadelphia are only two hours away, we can visit family and friends and be back home within a day’s drive. My family and I have now lived in Northeastern Pennsylvania for almost nine years and consider it home. We would not move from here by choice"

Philip T. Mortell
Financial Operations Manager, Cigna Healthcare
 Relocated from North Babylon, Suffolk County, New York in 1994.

"My family and I moved to Northeast PA from Long Island nearly nine years ago and have never looked back. The family oriented amenities, the lack of rush hour traffic, the low crime rate, and the affordable housing, all make this area a much more amenable area to raise a family than the NY Metropolitan area."

Chris Haran
CEO, Great Valley Technology Institute
Relocated from Massapequa, Nassau County, NY
in 1994

"When I moved here from suburban New Jersey, my biggest concerns were the quality of schools available to my son and whether we would miss the recreational and cultural activities of the NYC metro area. We've learned the schools are more than competitive and offer all the programs we had hoped they would. Moreover, because of cost and accessibility, the number and types of activities we now enjoy has increased dramatically. NEPA is a great place!"

Don Ryan, Principal, The Ryan Group
Former Vice President of Human Resources
for NatWest Services, Inc. - Relocated from
Warren Township, NJ, (near Bridgewater)
in 1994.

Summing it all up

Monroe County offers a viable solution for those financial services companies needing to relocate operations out of the New York/New Jersey metro area as per the requirements of the Interagency Paper.

The county's best office sites are just 78 to 90 highway miles from Wall Street and are all located out of the power grid, telecommunications grid, labor shed, and water shed that serve Manhattan. Monroe County offers several office sites that are within 125 fiber miles from Wall Street and all of the county's sites stayed lit during the crippling U.S. blackout in the summer of 2003.

Several of the county's sites are located within Keystone Opportunity Zones (KOZs), which offer huge tax savings to relocating companies. These tax savings, when combined with savings in real estate and labor, will reduce a financial services company's expenses by millions of dollars. In fact, a financial services company that relocates a 500-job operation out of Manhattan into 100,000 square feet in a Monroe County KOZ will likely save approximately \$83 million during the first five years.

Monroe County is located in the beautiful Pocono

Mountains, which is experiencing rapid growth due to the influx of people from the New York/New Jersey metro area seeking a better and more affordable quality of life. Thousands of residents in the Poconos still commute on a daily basis into the New York and New Jersey but many have indicated they would accept a 10% to 30% decrease in pay if they could find comparable employment closer to home.

Monroe County is also located in the five county Penn's Northeast region in northeastern Pennsylvania. Penn's Northeast is home to 760,000 people and financial services companies such as Prudential Financial, Bank of America, Sallie Mae, Altria Group, and many others.

A more detailed white paper, prepared by Penn's Northeast Inc., Pocono Mountains Industries and others, further describes the advantages of relocating financial services operations into northeastern Pennsylvania and can be found at

www.poconomountainsindustries.com.

For more information contact:

Chuck Leonard
Pocono Mountains Industries
877-736-7700
cleonard@poconmntsindustries.com

Paul E. Kanjorski, (D-PA),
U.S. House of Representatives
202.225.6511
karen.feather@mail.house.gov

Map of Penn's Northeast Region Relative to NYC Metro Area



Shaded green represents Penn's Northeast region,
Stroudsburg is the County Seat in Monroe County



556 Main Street
Stroudsburg, PA 18360
(877) 736-7700
www.PoconoMtsIndustries.com