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SPECIAL REPORT: September 4, 2009

MARC Completes Three-Year Development Phase of Custom Medical Products Project: Exceeds Goals 373 Jobs Created or Retained

**Regional Quality Management System Established in WNC
\$10MM Cumulative Sales since July 2006: SUSTAINABLE**

Since launching our MARC Custom Medical Products (MCMP) initiative in July 2006 we have made it our practice to report progress on a regular basis to funding partners, to those who supported MCMP with letters and encouragement, to those who provided professional guidance, and to our federal, state, and local elected government officials whose leadership has been crucial to our success.

This MCMP Status Report signifies an historic occasion and celebration for MARC: the successful conclusion of our three-year development period. We are pleased to provide the following details about the success of MARC Custom Medical Products.

Business Development

Consistent with other signature initiatives of MARC, MCMP has become operationally self-sustaining. Our model for creating private for-profit and nonprofit partnerships generated \$5.2MM in 08-09 sales which has created sufficient income to achieve operational sustainability. Profits from sales of medical products can support the full costs of doing this business plus help MARC members fund more of the state shortfall for developmental training programs for the people with disabilities and disadvantages that we serve.

MCMP has added new customers and new programs with existing customers to our commercial portfolio as a result of this project. These customers serve both national and international markets. Because of MCMP, North Carolina is exporting more products to other states and other countries, making profits and creating jobs. In addition, MCMP has provided a platform for four new entrepreneurial ventures to go to market – three from existing companies and one from a new startup company.

Early on, MARC made the strategic decision to go to market under the brand name of only one of its members – Haywood Vocational Opportunities. HVO's personal and market leadership has created great opportunities for other MCMP members. HVO's success has created excitement and motivation for other MARC members to consider similar strategies in markets in which they have leading positions. Thus, in addition to direct, tactical sales success, this project has created a platform and a strategy for other members to be successful in other markets – and for MARC members over time to achieve diversification in their markets.

Quality Management Systems

MCMP has laid a strong platform for Quality Management Systems in helping its members make substantial progress towards achieving FDA QSR compliance. All producing members now comply with this standard. Achieving this goal has involved painstaking learning, education and member development. MARC is meeting customer standards and is poised to move forward even more progressively on ISO 9000 and ISO 13485 (medical manufacturing) Quality Systems.

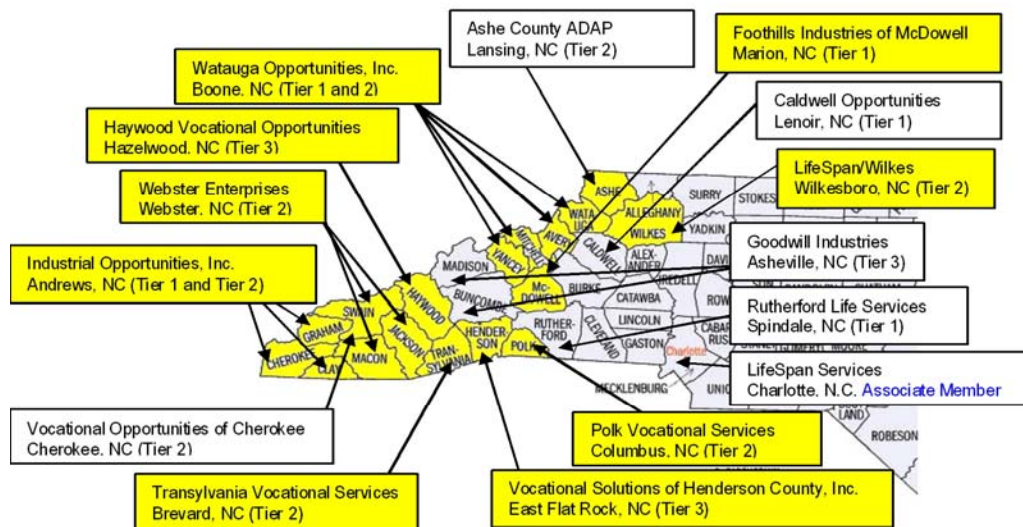
Funding Partners

Our funding partners recognized the regional importance and the potential for social and economic impact of the MCMP initiative. They have been generous with both their resources and their time and guidance. Each organization below has been a true partner in our effort and has made a significant contribution to our success.

Funding Partner	Status	Amount
MCMP Member Dues (cash)	Dues Paid	\$305,000
ARC MCMP Support	Awarded-completed	200,000
ARC – Supporting Regional Quality System Development	Awarded	\$200,000
AdvantageWest EDI grants	Awarded-completed	24,000
NC Rural Economic Development Center R&D Grant	Awarded-completed	30,000
NC Rural Economic Development Center EDI Grant	Awarded-in process	400,000
Golden LEAF Foundation Annual Grant	Awarded-completed	605,000
Golden LEAF Foundation Economic Catalyst Grant	Awarded-completed	250,000
Janirve Foundation	Awarded-completed	300,000
NC Dept of Commerce Economic Development Reserve	Awarded-completed	487,000
Z. Smith Reynolds Foundation (Private for-profit and nonprofit partnership development)	Awarded-in process	\$75,000
Total cash from funding partners and MCMP members		\$2,876,000
Total In-Kind from members		\$1,552,144
Total project investment to-date		\$4,428,144

Jobs

“Achieving 373 (216 new and 157 saved) successful employment outcomes through our MARC Custom Medical Products (MCMP) consortium is just outstanding; especially knowing that 146 of these jobs are filled by people with a disability” says George Marshall, President of Haywood Vocational Opportunities, Inc. (HVO), who has lead the charge in forming the regional manufacturing cluster that is now the nations largest supplier of custom disposable surgical drapes. “During these difficult economic times we have been truly blessed to be able to grow a business, retain our workforce and create new jobs, especially in our rural communities across WNC.” Mr. Marshall added.



Counties colored yellow indicate MARC Custom Medical Products Partners: Tiers are 2007 Tax Credit for Growing Business Article 3J. NC DOC 2007

**MCMP jobs pay between \$8 and \$14 per hour and have a full range of benefits.
The average hourly wage for MCMP jobs is \$10.46 plus benefits.**

MARC's Regional Economic Impact

Western Carolina University (WCU) has just completed an economic impact study of MARC and its 14 member consortium. We are pleased to share highlights below that validate MARC's business model of developing for-profit and not-for-profit partnerships that yield significant economic and social benefits to the region.

- MARC generated an estimated total economic impact in 2008 of \$60.7MM in the 21-county region it serves.
- For every two direct jobs created by MARC, one additional job is created elsewhere in the region.
- The annual regional economic impact of MARC is \$54,919 per job. Thus, for investment in MARC by its funding partners at a rate of \$7,710 per job created, there is more than a 7:1 payback ratio *in just one year*. If the average tenure of employment is considered, this payback multiple is truly amazing.
- Compared to a study conducted by WCU in 2005, MARC has a 31% annual growth rate in economic impact.

The Future

While the Initial Three-year Phase is complete, MARC continues to move forward aggressively to develop a strong base of national and international customers that will lead to increased revenues, more jobs created and a deeper impact across the region.

Revenues

We are still on track to achieve **\$7 million in additional revenues per year** as a result of this program across a base of about a dozen customers that continue to show strong growth.

We are seeing programs that were started two years ago as single-unit samples grow into thousands of units per month. We are continuing to develop new customers as well. We anticipate that MCMP will grow to well over \$10 million in additional sales during the next few years, continuing to create jobs for people with and without disabilities well into the future.

Jobs

We are delighted to congratulate Haywood Vocational Opportunities (HVO) and Industrial Opportunities, Inc. (IOI), in their recent special announcements. HVO and its Board of Directors have announced plans to purchase and renovate a 117,000 square foot vacated plant. Planned business growth over the next 24 months requires this amount of additional manufacturing capacity which will also lead to **HVO's creating 75 new jobs**. HVO is the lead agency in the MCMP program and provides technical and program support to other MCMP participants. In June IOI's Board of Directors gave unanimous approval for a 28,744 square foot plant expansion project. This expansion is necessary for IOI to meet increasing orders for MARC Custom Medical Products and military contracts. These increased orders and military contracts will require **IOI to add 75 new employees** over the next 24 months. Additionally, facility renovations plans are underway at Watauga Opportunities in Boone and second-shift production schedules are planned at both Polk Vocational Services in Columbus and Foothills Industries in Marion.

Continued Impact – New Initiative

MARC has launched a new Quality and Business Development (MQ&B) initiative, focused on building on the lessons learned from the MCMP project. The MQ&B initiative will further expand the capabilities and market availability of participants. MARC won a grant from the **Z. Smith Reynolds Foundation** to further develop MCMP's model of private for-profit and nonprofit partnerships. This new business development format will build upon the MCMP success to further strengthen and enhance MARC members' ability to improve vocational training services and provide integrated workforce (people with and without disabilities) opportunities in their respective communities. This business development system will focus on both medical and other sub-clusters in the **AdvantageWest "Advanced Manufacturing Cluster of Innovation"** in our region.

The Appalachian Regional Commission (ARC) is providing funding to support for MARC to hire a Regional Quality Engineer. This Quality Management System initiative will enable 11 MARC members to develop ISO 9000 or ISO 13485 compliant quality systems at the facilities. As part of this initiative, MARC will invest in strategic planning retreats at each participant's facility in order to accelerate the integration of the quality and business development system into their current operational systems.

It's exciting to see a process come full circle. In 1997, MARC members IOI, HVO and TVS formed the OutSource program as a way to jointly pursue business opportunities. Based on lessons learned from that program, MARC launched the MCMP program in 2006, which has been even more successful in creating jobs and revenues. Now, based on lessons learned from MCMP, MARC is also improving OutSource and even further enhancing members capacity to create jobs for people with disabilities and its ability to compete on a global basis.

Conclusion

From somewhat of a non-traditional resource, community rehabilitation programs, MARC has synergized its members to achieve a formidable task; forming a regional manufacturing consortium, creating 216 jobs and saving an additional 157; with much more growth planned for the foreseeable future all during one of the worst economic markets since the great depression. We found a niche and we are making it work for people with and without disabilities. What synergizes us are our partnerships, supporters, and mission focus.

1. **Inspiring support from funding partners** – Starting with AdvantageWest, who was the first to invest in our success in 2005, even before the MCMP program got underway, we have been strongly supported by the Golden LEAF Foundation, the NC Department of Commerce, the NC Rural Economic Development Center, the Janirve Foundation, the Z. Smith Reynolds Foundation and the Appalachian Regional Commission.
2. **Elected Officials** – We have been blessed with exceptional support from our elected officials from across the region and across the political spectrum. Their awareness of our programs and support of our mission has been invaluable; our success is truly their success.
3. **Mission** – We believe that so many diverse stakeholders such as you have been so supportive because you also believe in the “abilities behind the disabilities” of the people we serve. MARC’s work is hard work, but when we can see the results – in quality of life, self-respect and true contribution to society – then all the hard work is worth it and we find even more motivation to expand and serve.

Thanks for your role in our success and for your support as we continue to grow in service to people with disabilities and other barriers to employment.

Sincerely,



Noel Watts
Executive Director and CEO