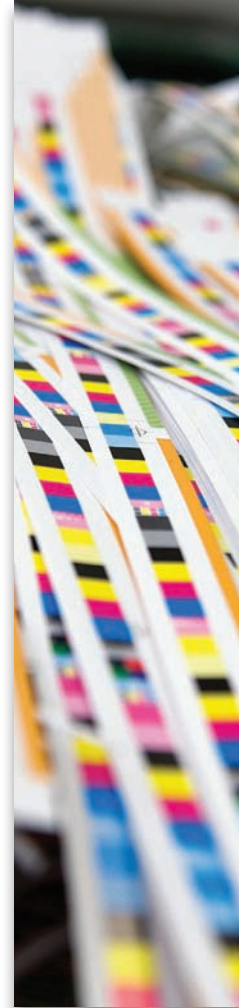


2009 | 2010



ANNUAL REPORT

PRESIDENT'S MESSAGE

Pennsylvania's manufacturers have persevered through the deepest and most sustained recession in more than a quarter-century and have emerged as the Commonwealth's most critical business sector. Despite all its challenges, manufacturing remains the largest contributor to the Commonwealth's economy, accounting for nearly 14% of total gross state product and over 12% of statewide employment. Nearly 70% of Pennsylvania's research and development expenditures are directly tied to manufacturers and their demand for new technologies, new products and new processes. Manufacturing careers continue to pay over 20% more than the Commonwealth's average full-time wage and provide better benefits than most other business sectors. Clearly, manufacturing is the driver behind Pennsylvania's recovery from the current recession and will be the impetus behind the Commonwealth's future growth.

nepirc is a resource that manufacturers can rely upon to help them not only survive what may be left of the recession, but also to maximize profitable growth and take full advantage of the emerging economic turnaround.

The last year was very challenging for **nepirc**. During its 2009-2010 fiscal year, **nepirc** experienced a 49% reduction in state funding with no offsetting increase in federal or private sources of revenue. Similar state-funded organizations absorbed comparable cuts, all of which were precipitated by the Commonwealth's budget deficit. In response, **nepirc**, not unlike its clients, was forced to make difficult decisions regarding staffing, service offerings and ancillary programs. The organization streamlined its operations, eliminated hidden wastes within its processes and focused on providing consultative services to clients based upon value and client return-on-investment.

nepirc emerged as a much more efficient and effective organization. During the 2009-2010 fiscal year, **nepirc** clients reported that they retained over \$26 million in at-risk sales by utilizing **nepirc's** expert services to help them meet customer demands for lower prices, increased on-time delivery, smaller lot sizes and customized products – all without compromising profitability. Clients also confirmed that **nepirc's** new product development, new market identification, lead generation and sales improvement services enabled them to realize over \$8 million in sales growth despite the recession. **nepirc's** process improvement, quality improvement, leadership development and workforce training services resulted in over \$41 million of annual cost savings for our clients. And, with great pride, I'm pleased to report that throughout the year ended June 30, 2010, **nepirc** services directly saved 969 manufacturing jobs and created 220 new jobs within client companies.

In the months and years ahead, **nepirc** will continue to work on multiple fronts to be the resource that regional businesses turn to first for consultative services to enhance their competitiveness, profitability and long-term viability. We will work with our federal stakeholders, our next Governor, and other elected officials to ensure that they remain aware of the importance of Pennsylvania's manufacturing sector. Ideally, they will evidence that awareness by providing the IRC Program with funding commensurate with the importance of our mission. **nepirc** management will remain engaged with the Board of Directors and other leaders within the manufacturing industry to continue our culture of customer-driven innovation and entrepreneurship. And, most importantly, **nepirc** will work with its clients to continuously improve existing offerings and launch new services that are guaranteed to provide high immediate returns and sustainable long-term benefits.

As the clouds of this recession lift, the horizon looks bright for manufacturers in Pennsylvania. I am confident that **nepirc's** services and programs will continue to be recognized as a sound investment for our federal government, our Commonwealth and client companies well into the future.

Sincerely,

John F. Pullo

President

nepirc Board of Directors

EXECUTIVE DIRECTOR'S MESSAGE



As children, we're asked to leave things the way we find them. Put things back. Don't make a mess. In adulthood, however, we strive to not just maintain the status quo, but to make our neighborhoods, our regions and our world a better place. We yearn to make a difference – to leave our mark.

In December of last year, I retired as **nepirc's** Executive Director to enjoy more time with my family and pursue other opportunities for personal and professional growth. And I sometimes find myself asking if I made my mark – if I made my region a better place. The sense of pride I feel in the organization that I'm leaving behind tells me that in some small way, I made a difference.

Over the course of the past 22 years, **nepirc** has grown from an organization that had three employees and used Commonwealth of Pennsylvania funds to provide subsidies to manufacturers into a much larger company that offers a staff of experts with nearly 300 years of combined consulting experience and now receives funding not just from the Commonwealth, but from several federal agencies and fees it charges for consultative services. Initially, **nepirc's** business model was one that provided grant funds to companies based solely upon what the company's leadership team felt it needed in order to succeed. Today, **nepirc** still listens to company leaders and helps them with their challenges, but also advocates for client adoption of the latest manufacturing technologies and ways of doing business. In this fashion, **nepirc** helps company CEOs identify opportunities for improvement and growth that they may have overlooked. **nepirc** stood tall as the first organization of its kind to achieve ISO 9001 certification in 1995. Several years later, it cemented its presence in the region by purchasing its office and training facilities in the Hanover Industrial Park.

Over the years, **nepirc** developed its own proprietary approaches to Lean Enterprise, Six Sigma, ISO 9000, ISO 14000 and other services for the manufacturing and non-manufacturing sectors. At the same time, **nepirc** also obtained certifications and licensure sufficient to offer nationally-known, branded services such as Solution Selling®, Lean Legacy® for the healthcare industry, Eureka! Winning Ways®, Peachtree® accounting systems, Training-Within-Industry® and others. We've also established a more comprehensive portfolio of services by partnering with well-qualified consultants for the provision of services that require very specific expertise, such as R&D tax credits, succession planning, logistics management and ERP systems.

Through the years, **nepirc** projects have consistently generated significant financial impacts to our clients in the form of increased sales, retained sales, cost savings and employment levels. In the last fiscal year alone, our clients reported over \$75 million of financial benefit from our projects, resulting in a return of over \$50 for each \$1 they invest in our services. To date, we've worked with over 1,300 different companies in our region.

Going forward, I am confident that **nepirc's** new Executive Director, Eric Esoda, will continue our successful ways. Eric has been a member of our team since 1998 and has worked closely with me as part of the organization's succession plan. With my ongoing support, as well as the support of **nepirc's** Board of Directors and staff, I know he'll lead the organization to unprecedented new heights. He'll have the opportunity to complete several important initiatives that we have under development, including the launch of new Green Manufacturing services, increased activity within non-manufacturing business sectors that contribute to a healthy industrial base in Pennsylvania, and the creation of a vital role for **nepirc** in the Marcellus Shale activity that will propel our regional economy in ways akin to the coal boon of generations past. It is with no small bit of envy that I look upon all the excitement and success that is yet to be for the staff of **nepirc**, despite all the success they have already enjoyed.

Have I left the region a better place? I'd like to think so. And with each client firm I drive by in my travels of the years ahead, I'll reflect back on what a pleasure it has been to serve this community and its companies. I am proud to have helped each of our clients, am humbled by the level of trust and confidence that **nepirc's** clients, the Commonwealth and the federal government have placed in me over the years to lead the organization and thereby act as the regional champion for the manufacturers' cause, and am deeply moved when I look back at how **nepirc** began and how I leave it today.

Best regards,

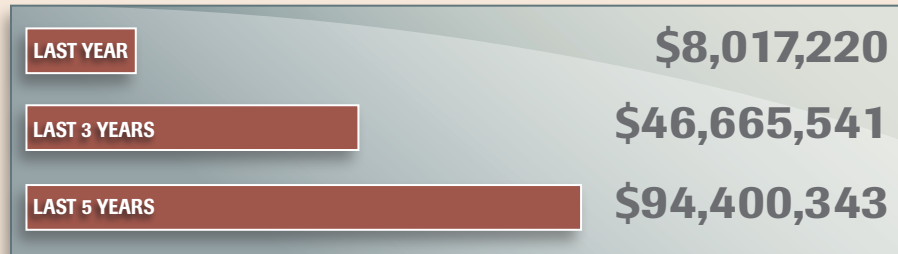
William J. Desciak

Our clients reported **\$75,437,000** in economic benefits from cost savings and sales increases as a direct result of *nepirc*'s assistance.

According to post-engagement reports voluntarily submitted by clients, *nepirc* engagements have produced the following results:

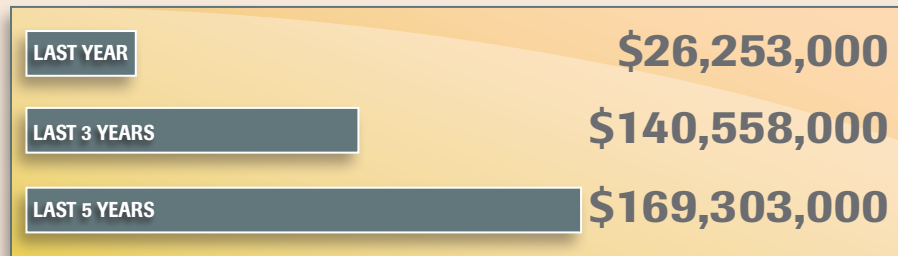
INCREASED SALES

of new & existing products



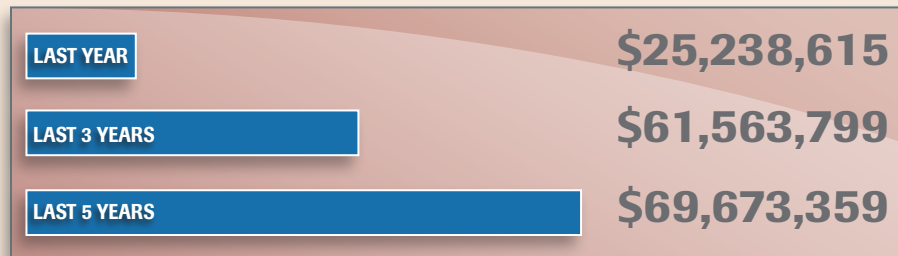
RETAINED SALES

that would have been lost



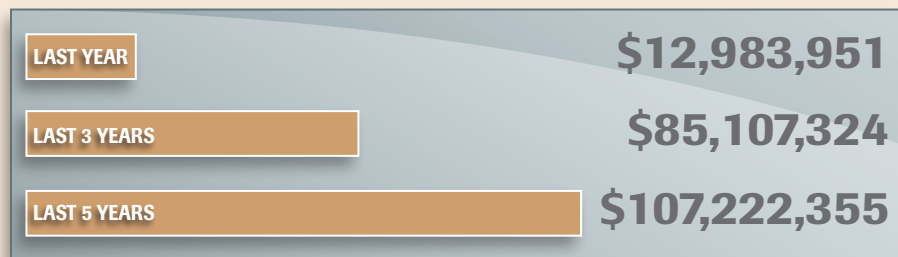
COST SAVINGS

due to improved productivity and efficiency

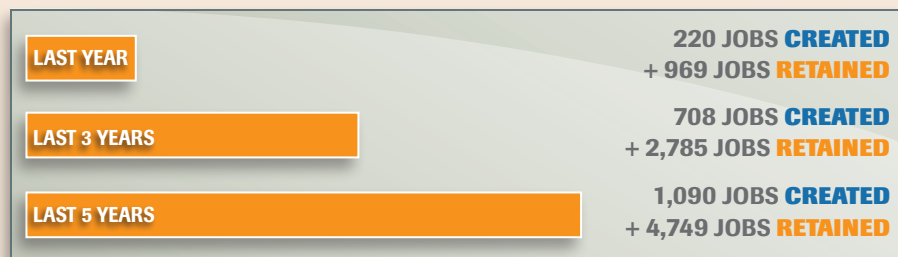


STRATEGIC INVESTMENT

in new technologies and equipment



JOBS CREATED AND RETAINED



nepirc's Goal

nepirc's goal is to help regional businesses maximize their competitiveness, productivity, profitability and long-term viability by availing them to world-class business consultants that get results. **nepirc** accomplishes its goal by employing highly-qualified experts who share in our mission, forging strategic partnerships with exceptional independent consultants, and securing Commonwealth of Pennsylvania and federal grants that offset our operating costs. This approach allows us to offer consultative services at a cost that yields a high immediate return-on-investment for our clients.

nepirc's Marketplace

nepirc serves business enterprises located in an 11-county region of northeastern Pennsylvania, including Bradford, Columbia, Lackawanna, Luzerne, Monroe, Pike, Sullivan, Susquehanna, Tioga, Wayne and Wyoming counties. We work outside our primary region as requested by out-of-area clients or clients with facilities in other areas.

nepirc's Core Principles

In addition to maintaining business practices that evidence our commitment to always act professionally, ethically and in a socially responsible way, **nepirc** adheres to the following business principles at all times:

- We take the time to fully understand our clients' industry, business, culture and unique challenges before recommending a course of action or possible solution;
- We only propose engagements that we know our staff of professionals or affiliated consultants can perform capably, affordably, within the client's desired time frame and to the fullest satisfaction to the client;
- We work with our clients to quantify engagement success criteria in dollars and cents and only perform engagements that have a positive return-on-investment for our clients;
- We hold ourselves responsible for our engagements and guarantee that we will achieve the success criteria we establish for our engagements - or we'll work with our clients free of additional charges until we do so; and
- We live up to our commitments and always, without exception, make things right by our clients.

nepirc's Qualifications

nepirc's staff of experts has a total of over 300 years of industry leadership and consulting experience. Our staff credentials include certifications by:

- American Institute of Certified Public Accountants (AICPA)
- Association for Manufacturing Excellence (AME)
- Association for Operations Management (APICS)
- KEMA
- Lean Healthcare West (LHC)
- National Institute of Standards & Technology (NIST)
- Pennsylvania Institute of Certified Public Accountants (PICPA)
- Sales Performance International (SPI)
- Society for Human Resource Management (SHRM)
- Society of Manufacturing Engineers (SME)
- Peachtree Certified Consultant

nepirc's affiliated consultants hold certifications and professional credentials appropriate for their areas of specialization and go through a rigorous qualification process before becoming approved for performance on our client engagements.

nepirc has customized solutions to tackle the challenges that businesses face. We have an experienced and dedicated staff that can assist you in accomplishing the following:



INCREASE YOUR SALES

Increasing sales in all market conditions requires planning, an efficient and effective sales process, customer-focused innovation and improved ability to attract new customers and quickly become profitable in new markets. NEPIRC provides the planning, sales training, sales execution, new product development and new market identification services that get our clients to the next level. **Over the past five years, we've helped our clients secure over \$94 million in new sales.**



BE MORE PRODUCTIVE & ELIMINATE WASTE

Improved productivity allows our clients to meet customer demands for reduced prices, fill smaller customer orders, achieve on-time and just-in-time delivery requirements and win more price-sensitive business without compromising profitability. We help clients cut lead times, eliminate waste, improve machine uptime and implement Continuous Improvement systems. **Our clients experienced 30% to 80% increases in productivity and cut costs by over \$25 million last year.**



FIX QUALITY ISSUES

Anything less than 100% quality costs money and jeopardizes customer relationships. NEPIRC offers a straightforward approach to implementing a Quality Management System. As a result, we have a **100% success rate** in helping our clients achieve ISO 9001 and ISO 14000 certification on their first attempt. Improving product quality with NEPIRC's assistance is one way in which **our clients retained \$140 million of "at risk" sales over the past three years.**



DEVELOP LEADERS

Poor leadership causes high turnover, low employee morale, high absenteeism and other performance problems. When employees perform the same job differently across shifts, that's also a sign of poor supervision. NEPIRC offers training and coaching that give managers and leaders the skills they need to solve problems, standardize work, communicate with all levels of staff, and execute a plan. **Last year, NEPIRC's clients increased their investments in workforce practices by over \$2 million as a result of NEPIRC's services.**



GET INNOVATIVE

Leading companies invest in new technologies, create new products, and use the latest innovations to solve age-old challenges. They use new materials to make their products, new systems to service their customers better and new software to manage their business. NEPIRC offers proven approaches to new idea generation, new product development, technology adoption and new software implementation. **Over the past three years, we've helped our clients strategically invest over \$85 million in the latest technology as a means to take advantage of market opportunities and maximize profits.**



BE RESPONSIVE TO THE ENVIRONMENT

Smart material and energy management saves on utility costs, reduces materials costs, eliminates OSHA and EPA fines and builds community and customer loyalty. NEPIRC helps clients identify and eliminate raw material and natural resource wastes, make their products more "green" and even enter the alternative energy marketplace. **NEPIRC is a nationally recognized Green Enterprise Development partner.**

OUR CLIENTS

nepirc works with many of the region's leading companies each year. Our client list includes such companies as:



"The primary goal of our company has always been focused on high quality and timely delivery of product to our customer. The NEPIRC team instructed our key people on how to view our processes on paper. Skepticism soon waned as we began to identify solutions from the value stream maps more clearly than on the actual shop floor. With the aid of NEPIRC, we increased production, reduced inefficiencies, maintained quality standards and learned that paper tools are as important as wrenches in meeting our customer's goals."

Cataldo Medico

President - Manufacturing Division



"It's exciting to see renewed interest from our employees! They embraced their areas of responsibility (maintenance, warehouse and administration) in finding a "new way" of thinking and working smarter. Our NEPIRC facilitator, Maureen Mulcahy, did an outstanding job of helping our team understand the processes, how to implement and sustain the changes! Thanks to Maureen Mulcahy and NEPIRC, our company completed the Lean Transformation."

Thomas Grimes

Chief Operating Officer



"Our Employee Engagement scores increased by 30 percent. This score is a corporate metric we are proud to have attained and will contribute to the sustainability of the improvements gained by NEPIRC's involvement. In Philips' Quality Improvement Competition (QIC), this facility's team was rated the best in the Tri-State Region and advanced to the North American finals in Cancun, Mexico. We have benefited significantly from our relationship with NEPIRC."

Michael Lombardo

Distribution Center Manager



"NEPIRC was been there to support our efforts to secure bank financing. They helped us with technical training, assisted us develop and maintain a Website; provided us the opportunity to obtain a low interest loan and partnered with us to prepare and obtain industry specific certifications and accreditations (NELAP and ISO-9001-2008 and future ISO-17025) that are necessary to be competitive in the marketplace. NEPIRC is an essential part of our development and success."

De Ann Miller

Marketing Director



"The ease of maintaining our new website exceeds my initial expectations. Prior to working with NEPIRC, our website updates were made monthly, didn't have the look and feel that our organization wanted to portray and it was not compatible with social networking and customer e-commerce tools. Now, our website is updated on a weekly basis with news and events and works seamlessly with Facebook and other Social networking tools. Constant Contact has made a huge difference on how we interact with our customers and we're able to gauge our successes with reports to see who is listening! We couldn't have done this without the help of Paul & NEPIRC."

Roseanna Montalvo

Fitzmaurice Community Services, Inc.



"We were extremely pleased with NEPIRC and, in particular, with Maureen Mulcahy's professionalism, knowledge, and the way in which she worked us through the process. NEPIRC was able to look at our office order processes, document our current state, develop a future state, and help guide us through to a solution that helped us be more efficient, and reduce errors. Thanks again for all your help."

Charlie Frysinger

Tyoga Container Company Inc.



"Like many manufacturers, we face challenges with building a skilled workforce and continuously improving our processes. NEPIRC has helped tremendously in those areas. NEPIRC is always available and eager to help. They offer excellent training to all levels of our organization. They've helped us network with other successful companies in our area as well. I would highly recommend them to anyone in need of the services that they provide."

Craig Barroll

Systems Manager



"NEPIRC's strategic planning process helped our organization focus and develop common strategic themes. The implementation plan helped integrate these views and strategies and provided an easy to follow and coherent framework for performance management."

Paul D. Lantz

President



"Laboratory Certifications are the key to marketing our services and maintaining clientele, but obtaining them is a very daunting endeavor that takes years of preparation and training. NEPIRC's knowledgeable and experienced staff members have been an integral part in helping us to develop and implement the necessary processes and procedures for obtaining and maintaining industry recognized and required certifications."

Andrea Mengel

Environmental Laboratory Manager



"The consultants at NEPIRC have been very effective at assisting our clients in improving their efficiency and productivity and ultimately lowering their operating costs. This has helped to improve their competitiveness and speed to market. Our clients have also benefited from strategic planning guidance and support from NEPIRC and now have better focus and direction in their efforts and use of company resources. We look forward to working with NEPIRC in the future."

Joe Carotenuto

Field Agent



"Pocal industries has been working with NEPIRC since 2008, conducting ISO training as well as Internal Auditor certification and document review. NEPIRC has been a tremendous asset to our company. The quality of work and professionalism of their employees has been second to none. We look forward to working with them in the future."

Joseph Heppding

Quality Control Manager.



"The NEPIRC team that performed the Kaizen events at G&B Specialties did a wonderful job at getting all employees involved in the events. They had a very good understanding of manufacturing and the industrial environment, which added great value to the events."

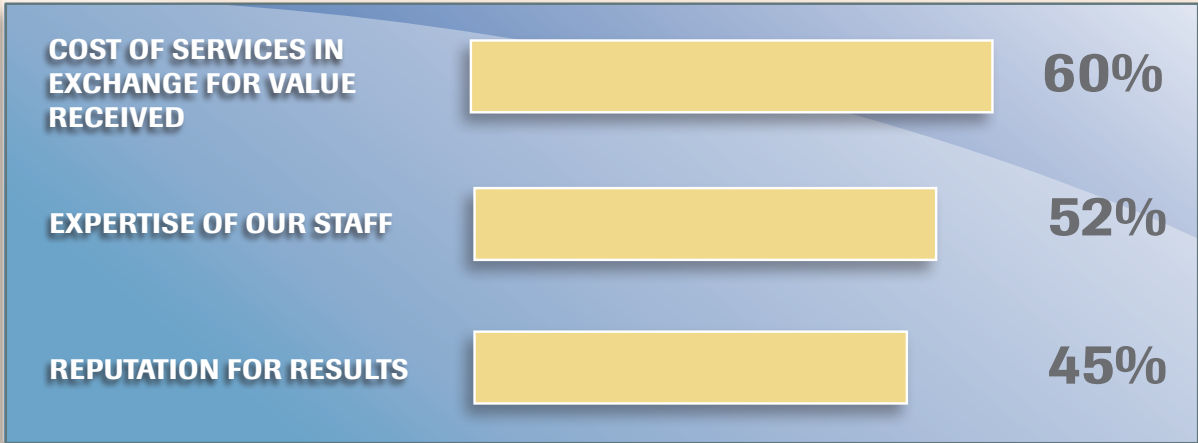
John Mensinger

President, G&B Specialties, Inc

WHY CLIENTS WORK WITH NEPIRC

According to market research conducted by Turner Marketing, Inc., clients chose *nepirc* for their business consulting needs based upon the following factors:

WHY CLIENTS WORK WITH *nepirc*

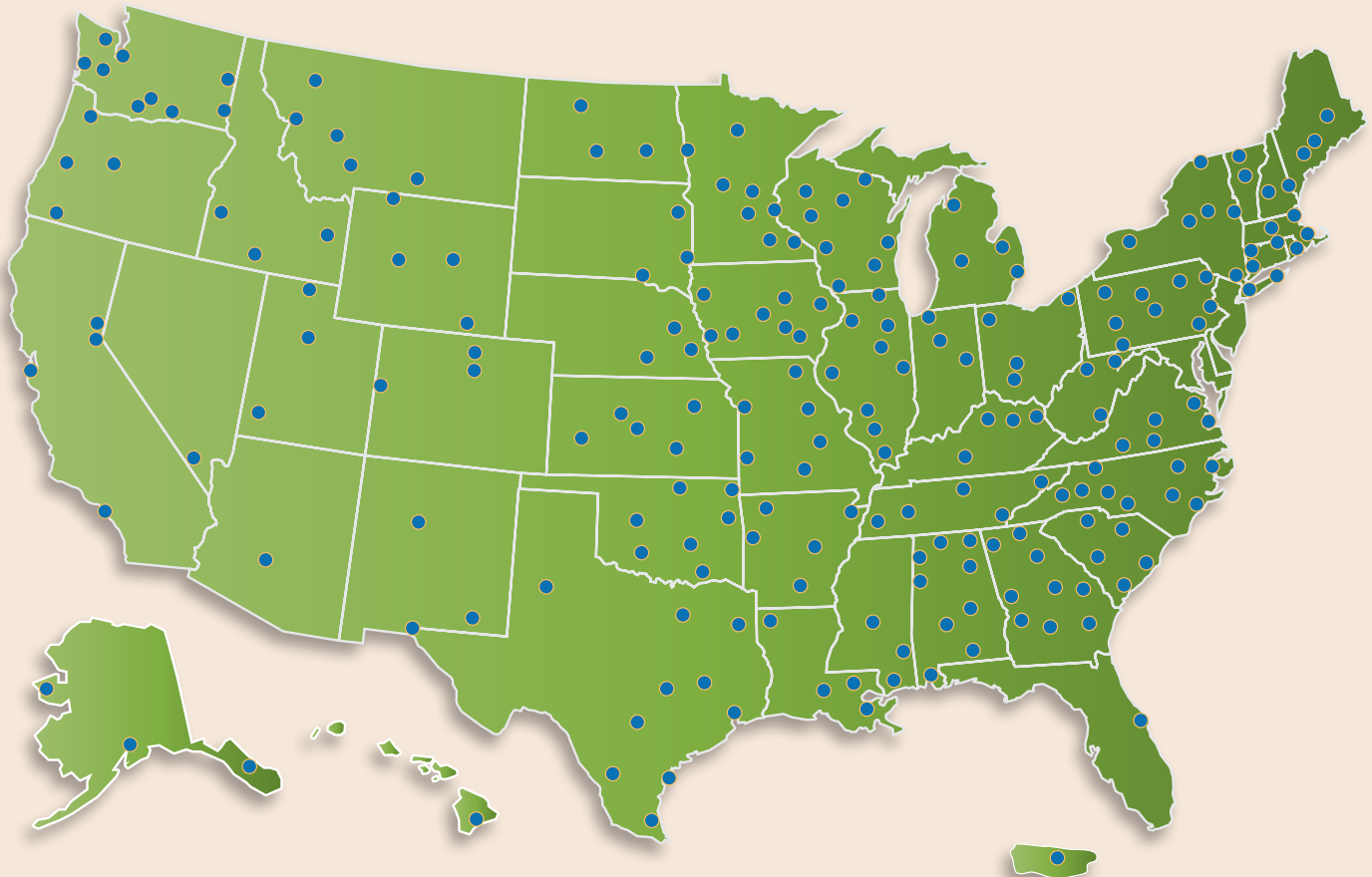


Values add up to more than 100% because clients were able to select more than one reason for choosing *nepirc*

nepirc IS AN AFFILIATE OF THE NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY'S MANUFACTURING EXTENSION PARTNERSHIP (MEP)

This is America's #1 resource for helping U.S. manufacturers use innovation to grow their profitability as they compete for customers in the global marketplace.

MEP centers serve as trusted advisors to their small and medium sized manufacturing clients, helping them to strategically plan and implement business growth opportunities and improve their competitive position in the market.



BOARD OF DIRECTORS

John Pullo
President
Vice-President
Gentex Corporation

Peter Butler
Vice-President
Engineering Manager
Procter & Gamble
Paper Products Company

Bruce Daniels
Secretary
Controller
Action Lift

John Graham
Treasurer
President
Waste Reduction & Recycling, Inc.

Rich Beasley
Regional Community
Relations Director
PPL

Jeff Brunozzi
Vice-President,
Large Caliber Ammunition Operations
General Dynamics OTS
(Scranton Operations)

William E. Cockerill
Community Liaison Greater Scranton
Council Labor Union, AFL-CIO

Jim Flaherty
Vice President/General Manager
General Dynamics OTS
(Scranton Operations)

Joseph Makarewicz
President
Everest Business Services

Sandy McLaughlin
Plant Manager
Air Products & Chemicals, Inc.

Thomas Medico
President
Medico Industries, Inc.

Kevin O'Donnell
President
CAN DO, Inc.

Joseph Persico
Managing Partner
Rosenn Jenkins & Greenwald LLP

Susan Spry
Vice-President of Workforce and
Community Development
Luzerne County Community College

Jim Teeple
Vice President, Global Operations
Weiler Corporation

Lou Valentas
Vice President
PNC Bank

George M. Yura
Vice President,
Purchasing & Logistics
Bridon American

NEPIRC STAFF

Karen Davis
Marketing Coordinator

Antoinette DeAngelo
Administrative Assistant

William Desciak
Executive Director Emeritus
1988-2009

Eric Joseph Esoda, CPA
Executive Director

Jayne Evans
Accounting & Office Manager

Leo Gilroy
Project Manager

Gerald Giza
Director - Continuous
Improvement Services

Anthony J. Manorek, CPIM
Director - Engineering & Technology

Nancy Markovich
Seminar and Training Coordinator

Maureen Mulcahy
Project Manager

Donald A. Olszewski, QMS-A
Director - Quality Services

Paul Peter Olszewski
Business & IT Manager

John M. Samony
Client Relations Manager

Charles J. Vaccaro
Business Advisor

Bob Zaruta
Director - Palladium Business
Growth Services



a NIST | Network
MEP | Affiliate



nepirc
northeastern pennsylvania industrial
resource center

75 Young Street
Hanover Industrial Estates
Hanover Township, PA 18706

Phone: 570-819-8966
Fax: 570-819-8931
800-654-8960

www.nepirc.com