



Interstate Resources, Inc.
1800 N. Kent Street,
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Interstate News

Summer 2005

Enhancements to our Benefits

Following is a summary recap of recent enhancements and changes to some of our benefits.

Long Term Care Insurance

Recently Interstate announced the availability of a new voluntary benefit called Long Term Care Insurance. Employees may purchase this coverage at their own expense, but at reduced rates under a group plan arrangement made by the company. Employees may also purchase the coverage for family members. The insurance is "guaranteed issue" for employees, which means no physical exam is required; family members must demonstrate acceptable health to get the coverage.

Long Term Care covers the nursing home and assisted living needs that you may face in the future. The typical need is assisted living required for an elderly person who has suffered a decline in their basic life functions, such as feeding themselves, dressing, walking, etc. It is generally needed in the last years of life, and represents a large financial burden that is not covered by any other insurance. A spouse, who is in good health but cannot provide the medical care needed, faces the loss of all jointly owned assets if his or her spouse needs the care.

Assisted living can cost between \$4,000 and \$7,000 per month in today's dollars. A Long Term Care policy that provides for \$3,000 a month and an automatic 5% inflation factor (which may be purchased at an additional premium), would make a substantial difference in the number of months that could be spent in assisted living and will help to preserve a spouse's or family's assets.

Flexible Spending Account

Recently the IRS made it possible for companies to improve the availability of Flexible Spending Account (FSA) savings by employees. FSAs are payroll deductions by employees (up to \$5,000 per year for health and an additional \$5,000 for child care). In the past, employees had to "use or lose" the tax-free dollars saved during the calendar year. Now there is a 2½ month extension to the year that the employee can use to spend the money before it is lost. For example, if you have saved 2005 FSA money that is not spent by December 31, 2005, you may use it first for expenses from January 1 to March 15 before you dip into 2006 FSA money.

This change means that you have the flexibility to save more and to learn what your pattern of expenses is from year to year before risking any loss of the savings. With all FSA plans, the IRS gives companies the option to adopt the improvements that are built into the law. Companies who adopt the change have an increased risk of spending more to provide the benefit to employees. Nonetheless, Interstate decided immediately to adopt the change since it meant a financial improvement for employees.

Interstate News is the quarterly newsletter of Interstate Resources, Inc., and its affiliates.

Dedicated to Enhancing the Effectiveness of the Company Through Open Communication

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Success in business requires training and discipline and hard work. If you're not frightened by these things, the opportunities are just as great as they ever were.

David Rockefeller

From Cover Page ...

401(k) Income Savings Plan Economics

Saving for retirement (or for the biggest economic event in most people's life ... the purchase of a new home) are critical needs of most people. Most of us experience the pressure of paying the current bills and providing for our families within the limits of our current take-home pay, so we often defer retirement (and home savings) until we think we can afford it.

The "cost" of not saving enough for retirement may be deferred to another day, but it grows larger and larger as each year passes. The single biggest mistake made by employees in the 401(k) is not maximizing their early savings.

In January 2005 the company raised its matching contribution to the first 4% of an employee's contribution to the Savings Plan from half (2%) to equal (4%). This makes every dollar saved for retirement worth double, no matter how long an employee has before retirement.

IRS Limit on Employee Contributions to 401(k)

In 2006, the IRS limit for employee contributions increases from \$14,000 to \$15,000/year. Employees who are age 50 or more by year end 2006 may put in an additional \$5,000 in so-called "catch-up" contributions.

Example: An employee who is 45 earns \$50,000 gross per year in Georgia, and puts away less than 4% of annual pay into the 401(k) plan.

<i>Gross pay</i>	<i>\$50,000</i>	
<i>Federal tax</i>	<i>7,500</i>	<i>(15%)</i>
<i>Georgia tax</i>	<i>2,500</i>	<i>(5%)</i>
<i>Medicare tax</i>	<i>750</i>	<i>(1.5%)</i>
<i>Social Sec tax</i>	<i>2,500</i>	<i>(5%)</i>
<i>Pay after taxes</i>	<i>\$36,750</i>	<i>(74% of gross)</i>

Following a 2.5% salary raise, which would result in a gross pay increase of \$1,250/year, if that same employee ...

Makes no increase into 401(k) Savings:

- Pay after taxes increases \$919/year*
- Take home pay increases \$35/biweekly pay*

Puts an additional 1% into 401(k) Savings:

- Savings by the Employee of \$513/year are matched by the company for a total of \$1,026*
- Pay after taxes increases \$545/year*
- Take home pay increases \$21/biweekly pay*

In 20 years, when this employee turns 65, this increase of 1% into 401(k) savings now will amount to a lump-sum of \$42,000 (assuming 5% simple interest).

Said another way, should this employee give up \$14/biweekly take-home pay to enjoy an earlier or richer retirement?

You decide.

Employee Health Benefits

In the coming months you will see an increased emphasis in the company on employee wellness. Wellness is broadly defined as the effort to improve our health before we need medical benefits.

Carefully controlling or eliminating our high risk behaviors (smoking, unsafe activities, high fat diets, ignoring blood pressure, failing to get check ups for diabetes, etc.) will save more future health cost dollars. We can all play a part in ensuring that our benefits remain superior in the coming years by achieving wellness.

And besides, what's more important than our health?

Interstate Resources Scholarship Program (IRSP) Awards

Always think outside the box and embrace opportunities that appear, wherever they might be.

Lakshmi Mittal

The Interstate family is pleased to announce its new scholarship recipients for 2005/2006 (*pictured below*): Matthew Ernest, son of **Patty Ernest** (IRI); Laura Mathews, daughter of **Mark Mathews** (ICL); Elyse McLaughlin, daughter of **Art McLaughlin** (UCI); Mayssa Meouchy, daughter of **Samir Meouchy** (IRI); Jessica Potvin, daughter of **Gary Potvin** (IPP); Danielle Rothman, daughter of **Bruce Rothman** (ICB); Maya Salloum, daughter of **George Salloum** (ICR); and Tyler Zeigler, son of **Daphne Zeigler** (IPC).



Matthew Ernest



Laura Mathews



Elyse McLaughlin



Mayssa Meouchy



Jessica Potvin



Danielle Rothman



Maya Salloum



Tyler Zeigler

Congratulations to this year's new recipients, as well as to those students who had their scholarships renewed: Jeffries Coleman, son of **Jeff Coleman** (ICR); Eric Conceicao, son of **Frank Conceicao** (ICL); Erin and Keri Cox, daughters of **Mike Cox** (IPC); Anthony Feghali, son of **Charles Feghali** (IRI); Michelle Jones, daughter of **Terry Jones** (IPP); Jennifer Mathews, daughter of **Mark Mathews** (ICL); Jimmie McGowan, son of **Mike McGowan** (IPC); Stephanie McInnis, daughter of **Ron McInnis** (ICR); Jason Millard, son of **Gene Millard** (IPC); Ryan Reddish, son of **Pat Reddish** (NPT); Bethany Reis, daughter of **John Reis** (ICL); Katherine Russell, daughter of **Doug Russell** (ICB); Luke Skaff, son of **Ramez Skaff** (IRI); and Lauren Stauffer, daughter of **David Stauffer** (UCI).

President of Interstate Resources Appointed to ICCA Board

Charles Feghali, Interstate Resources' President, was appointed to the board of International Corrugated Case Association (ICCA) at their annual meeting on April 3 in San Jose, Costa Rica. Interstate Resources is a member of ICCA.

ICCA was formed in 1961 to give the world's regional corrugated industry associations a place to network and pool their resources. Today it is the global platform for the corrugated industry. Along with gathering, compiling and distributing corrugated statistics, ICCA sponsors a biennial Management Conference to allow worldwide corrugated industry executives to come together and share information, in a legal manner, on appropriate issues.

Change has a considerable psychological impact on the human mind. To the fearful it is threatening because it means that things may get worse. To the hopeful it is encouraging because things may get better. To the confident it is inspiring because the challenge exists to make things better.

King Whitney, Jr.

Our Culture: Act as Owners

The Act as Owners tenet of our Culture encourages us to:

- *Behave and act as owners, not just employees.*
- *Think creatively about ways to operate more efficiently, open new markets, and grow the business.*
- *Be decisive and take initiatives.*
- *Have a sense of urgency; put the right priority on what we have to do.*
- *Engage; have a long-term outlook; deliver continuous performance.*
- *Be innovative and consider alternatives; put into action ideas that add value.*

While acting as owners, it is recognized that mistakes sometimes happen. The key is to accept responsibility, seek assistance, and most importantly, learn from mistakes. Asking for help is a sign of strength, not weakness.

Here are some examples of how the affiliates implement the Act as Owners tenet in their daily business.

From Lowell:

"Acting As Owners" is a unique characteristic, as well as an opportunity for all employees of Interstate. To be given a chance to act like an entrepreneur, generating ideas and solutions for our customers, is an aspect of Interstate that is not normally seen in American business. With this "ownership" comes a tremendous responsibility that engages all of Interstate's other tenets of our culture.

Acting as an owner carries with it our employees' safety, development of people, and attention to detail. It produces the opportunity for decision-making at all levels, balancing flexibility and anticipation within the "Cycle of Autonomy." Lastly, being an "owner" means we must be result-oriented, taking the responsibility of generating profits for a reasonable return and for continued investment in our company.

From Newport:

Due to the nature of the wood business, NPT employees are constantly on the road throughout Georgia, Florida and South Carolina procuring raw materials required at IPC. Private businesses, landowners and consultants are among the contacts made to secure needed pulpwood, wood chips, boiler fuels and secondary fiber.

As NPT employees go about their daily business activities, information is gathered about supply and demand, competitor actions and breaking industry news. Such information enables NPT to act entrepreneurially to reduce costs and maintain inventories before our much larger competition can react.

Acting as owners, NPT plans for the long term. While taking advantage of short term opportunities to reduce costs, employees seek to maintain business relationships that produce continuous performance over time. As suppliers look to NPT for consistent raw material orders, service and payment, NPT expects regular delivery of quality products at the lowest cost possible.

From Brunswick:

At Interstate Container Brunswick, we behave and Act as Owners, not just employees. We strive to keep our current business solid. Examples of this are giving each customer personal attention with the sense of urgency expected of us. We react to customer's requests decisively, exploring new ideas with continuous performance. Our ultimate priority is meeting the customer's expectations and securing a solid relationship within all departments.

Sometimes what seems like a difficult request, is an opportunity to take the initiative and accept the challenge to make it happen. If a mistake is made, we respond promptly, correct the problem and learn from it. This enables us to continue the long-term relationship with our customers.

Our Culture: Act as Owners *Continued ...*

Contributed by Jeff Coleman, General Manager ICR

Too often, people confuse the following terms: Owner, Entrepreneur, Leader and Manager.

Ownership implies some of each of the other categories above. But what distinguishes the "Act as Owners" tenet at Interstate is the opportunity to lead your organization with an entrepreneurial spirit. To do so means challenging the status quo, embracing the need for change, and taking calculated risks.

At times, these actions may be contrary to popular opinion, but each plant should know their market, employees, and customers' needs best. As "owner" of your plant, your customer, your department, or your machine, you must act in the best interest of the customer, the plant, and fellow employees to ensure long-term success and security.

The reason most people never reach their goals is that they don't define them, or ever seriously consider them as believable or achievable. Winners can tell you where they are going, what they plan to do along the way, and who will be sharing the adventure with them.

Denis Watley

From United Corrstack:

Working as an owner gives one focus on every business activity. As a privately held company, we are fortunate to have owners after whom we can model ourselves. The culture of ownership drives us to be concerned about both short- and long-term results.

In driving short-term results, we show a sense of urgency knowing that today's results not only support current operations, but also demonstrate performance, which builds confidence for future investments.

Owners often display an entrepreneurial spirit by being creative. Not the kind of creativity that results in patents, but the kind of creativity that finds ways to streamline processes and develop potential in people every day. Last year at UCI, the Operations and Maintenance team improved productivity by 8% without capital investment. Creativity was demonstrated through chemical trials, paper machine clothing development, and new roll coverings.

Owners are internally driven to achieve what hasn't been done before.

From Fitchburg:

Everyone at Fitchburg treats each other with respect and professionalism. It is the same way we treat our customers.

When we all "act as owners," we are always thinking of "KAIZEN" (ways to improve and be more efficient). Every department is an owner:

- Customer Service builds long-term relationships with existing customers.
- Production goes above and beyond to get product to our customers quickly. We ensure product is done right the first time.
- Shipping gets product to the customers in a timely fashion. Our drivers are courteous and professional.

With everyone acting as an owner, we all want to be successful and make a profit.

The "Care for and Development of People" tenet will be covered in our next newsletter issue. Your contributions, showing how this tenet is embedded in your day to day operations are most welcome. Please give your input directly to your General Manager.

Getting to Know Each Other ...

Charlie Hill, Container Division MIS Manager, has been with Interstate for eight years. Charlie has overall responsibility for the IT activities within the Container Division.

Prior to joining Interstate, Charlie spent 20 years in the Army, retiring in 1992. The first 16 years in the service were spent in the bomb squad; the remaining four were in logistics. In 1995, Charlie graduated from Marywood College, PA, with a BS in Special Education. After working as a substitute teacher for a few years, Charlie joined System Technologies in Scranton, PA as an instructor and technician. When the company closed, he began working for a temp agency specializing in technical fields, and Charlie was placed at Interstate Container Reading. This would be Charlie's first, and last placement. Charlie describes himself as a husband, a father, a master of explosives, a college graduate, and a friend to all. Says Charlie, *"Some people call me Chuck, some call me Charlie, some call me Friend, but the one I love the most is Dad."*

Charlie faces many challenges, the biggest of which is keeping up with the rapid changes in IT technology: there is a constant learning process to be able to provide the best services.

When we asked Charlie what he likes about the Interstate group, he replied, *"I like the people best. Interstate has the most talented, dedicated and interesting people of any place I have worked - especially the group of great souls which make the IT group. In the past five years, IT has grown from a 'go-it-alone' group of individuals, to a team."*

Charlie sees continued growth at Interstate: *"It is in our corporate spirit to strive for new horizons. To stagnate is to die as a company."* Charlie also believes there will be greater reliance on the competitive edge that technology gives us.

United Corrstack

Production Records

Congratulations to all at United Corrstack in continuing to post record performance. Most recent production records include:

Daily production record of 486 tons set on June 11.

Weekly average production record of 462 tons/day set on April 21.

What is even more impressive is that each of these records were achieved while maintaining our high customer quality standards, with no workmanship related customer complaints this year to date.

Energy

Energy is a major topic in the world and news events, but lately has hit closer to home, as UCI has experienced six electrical curtailments so far during the month of June.

The paper making process is one of the most energy intensive processes in industry today. On a monthly basis we spend nearly \$1 million dollars for steam and electricity. Over the past five years, the cost of steam has risen significantly, increasing at an average rate of 25% each year. For the same period, UCI's electrical rates have increased by an average of 2% per year.

Electrical rates have increased, but at a lesser rate than natural gas, and oil. One factor that helps with electrical pricing is that the Pennsylvania Public Utility Commission regulates the price of electricity. In Pennsylvania, the customers of electrical utilities are "protected" from potentially higher "market based" pricing until 2010, when deregulation is expected to occur. The other factor that helps us manage our electrical cost is the "interruptible" electrical contract that we operate under. This contract offers a credit of roughly 11% of our total electrical costs, whether we are curtailed or not. This is the only short-term means by which we can mitigate our electrical costs.

For the longer term, we continue to look towards the "UCI Energy Project," as the means by which we can truly take control of our energy costs, improving our position as a low cost producer in this ever-competitive market.

United Corrstack

Family Day at the Ballpark

Thanks to everyone who participated in UCI's first "Night at the Reading Phillies" outings on May 14 and 26. The "R" Phillies are always a great family experience, and 128 employees and family members signed up for the outings this year. Thanks to Sam Wynn, Paul Grady, and Art McLaughlin for organizing the event.



Safety

Congratulations to the entire UCI team for working injury free since October 27, 2004. This represents eight straight months of everyone working together with no one getting hurt. We are all staying focused as we enter the traditional "high injury" summer months, as well as the approaching annual outage scheduled for September. We are also working on an additional "safety incentive," focused on getting us down the home stretch to "zero injuries for a year."

Celebrating Our Heritage

While UCI will celebrate its 12th anniversary this September, many employees have much longer service with our company due to their time at the Intercorr mill. During a recent luncheon, UCI recognized retirees and all employees achieving 25 years of service or more.

Bobby Stewart and Bruce Harp have taken retirement this year, Cory Clay and Steve Greer reached their 25-year anniversaries, Pat Brobst reached 30 years, and Harry Lyons celebrated 35 years of service. Mr. Tony Frem, Charles Feghali, and board member Dr. Jim Darazsdi were also here to congratulate the recipients at the luncheon. As former General Manager of Intercorr, Charles also addressed the gathering and reminisced about experiences shared at the mill.

Pictured below: Dave Stauffer celebrates with UCI employees ...



Bobby Stewart



Pat Brobst



Cory Clay (C) and Steve Greer (R)

In addition to our employees celebrating over 25 years with the company, we want to congratulate the following employees who also achieved major anniversaries this quarter: Maureen Banks and Mary Ann Bell (10 years of service), and Mike McFerren and Joaquim Heliodoro (15 years of service).

Do something. If it doesn't work, do something else. No idea is too crazy.

Jim Hightower

Interstate Paper

Capital Expansion

Contributed by Gene Millard, IPC General Manager, and Chris Fell, Corporate Engineering Manager

Since 1999, Interstate Paper has been in a continual upgrade program. Most of the capital spent during this period was focused on improving the quality of our product. The money was invested wisely and IPC's linerboard sheet now competes – side by side – with the best in the business. This quality, coupled with our industry-leading service, gives us a competitive edge. While addressing quality, IPC has also been able to lower costs by making more tons and investing in a new biomass boiler (burning lower cost bark and old tires vs. oil and gas).

Building on the considerable progress made in customer satisfaction and on the cost fronts, expanding our product line and reducing our cost of manufacture to a "low cost" position in the industry will address our ability to better cope with the continuously changing marketplace and relentless cost pressure.

It is with great satisfaction and appreciation that we report that Interstate has committed to substantial additional capital investments to expand IPC's product line to lighter weight linerboard (grades below 35#) and white top linerboard (for critical printing applications). These two segments of the market will have the greatest growth in the foreseeable future. At the same time, we will lower manufacturing costs further to put IPC in a long-term competitive position with the low cost producers. This is good news for everyone at every affiliate in the company.

Some details on the investments:

- In December 2004, the core investment was made that set the stage for expansion. A new, state of the art press section (with shoe press) was purchased from Metso Paper – the world's largest paper machine manufacturer. This equipment, along with a totally new electric machine drive system, will be installed during a planned 20-day outage in November 2005. This represents the first phase of the capacity improvement effort. The engineering for this work represents a joint effort between Phoenix Machinery (an INDEVCO affiliate), Interstate, the suppliers, and Baisch Engineering. Following the shutdown, IPC will have the capability to increase its production an average of 100 tons/day while markedly improving the mill's ability to produce a lighter weight linerboard.
- Phase 2 of this effort will be implemented in the second quarter of 2006 when IPC will shut down for an additional 25 days to extend the wet end of the paper machine to provide the space to produce a 3-ply sheet (versus the current 2-ply capability). Capacity will be increased by another 35 ton/day and will pave the way to make white top linerboard. Coincident with this second phase, a deinking plant and a bleached pulp processing plant will be installed by July 2006. White top production capability will be in place by the 3rd quarter of 2006.

This all adds up to a \$60 million vote of confidence by the leadership at Interstate. We have committed the capital for the long-term stability, profitability, and growth of the company.



Pierre Khattar (L), IRI CFO, wishes Sarah well at her retirement lunch

Retirement

Congratulations to Sarah Izzard (Senior Accounting Clerk) who retired recently after 37 years of service at IPC. Sarah worked in several capacities and with numerous managers at the mill.

We wish Sarah the best in her new endeavors.

Interstate Paper

Small opportunities are often the beginning of great enterprises.

Demosthenes

Production Records

35# HiSTFI daily production of 803 tons set April 7.

All time weekly record of 6,410 tons (budget 5,965 tons) set May 27 to June 2. The previous record of 6,378 tons was set in September 2004.

That same week, exceeded production of 900 tons on six of the seven days.

New 42# KLB production record of 949 tons on June 12, beating the previous record of 948 tons set in March 2005.

Community News

IPC recently hosted boy scouts from Camp Blue Heron, Riceboro for a tour of the mill. Troops touring were 295 (Guyton), 357 (Pembroke), and 401 (Hinesville). The scouts toured most of the mill and covered requirements needed for their Camp Blue Heron Pulp and Paper merit badge.

Summer Safety

Contributed by **Ronnie Moore**,
Safety and First Aid Officer

Fireworks are safer than they used to be. In 1976, when the United States celebrated its bicentennial, the number of injuries was 38.3 per 100,000 pounds of explosives. In 1999, injuries were 5.4 per 100,000 pounds, according to the American Pyrotechnics Association.

Firecrackers have fallen to the position of 170 on the Consumer Products Safety Commission list of products causing injuries. However, thousands of injuries still occur, including blindness. Three years ago there were 16 deaths.

When celebrating with fireworks, follow these guidelines:

- Read and follow directions carefully
- Only ignite fireworks outdoors in a well-cleared area
- Have a responsible adult supervise all fireworks activity
- Light fireworks one at a time
- Have a bucket of water available to douse used fireworks

Years of Service

Congratulations to the following IPC employees for reaching their employment anniversaries with the company:

- 35 Years **Cecil Stafford**
25 Years **Lonnie Deloach and Marion Stevens**
15 Years **Bill Ellington**
10 Years **Robert Brown, Latricia Izzard, and Pat Way**
5 Years **Brian Edwards and Doug Lane**

Condolences

Our prayers go out to the following employees who lost loved ones recently: **Tommy Williams, T. J. Williams, Jim Weil, Jay Harwell, and Chris Stacy.**

Get Well Soon

Bernard Hamilton, who fractured his lower right leg in March, is making steady progress in his recovery. Although still in rehabilitation, Bernard is now walking on his right leg with assistance of a cane.

We wish Bernard well and look forward to seeing him soon.

Health Tidbit

First Rate Calorie Cutter. Here's another reason to boost fiber intake: it helps reduce the calories your body absorbs from what you eat.

In a recent study, women and men who doubled their fiber consumption absorbed 90 and 130 fewer calories a day, respectively.

Quality, quality, quality:
never waver from it,
even when you don't
see how you can afford
to keep it up. When you
compromise, you
become a commodity
and then you die.

Gary Hirshbery

Interstate Container - Brunswick

Welcome to ICB!

Joseph DeZutel, Account Executive, joined the Brunswick team on June 28. Please join us in welcoming Joe, his wife Kim and their children to the Interstate family.

Safety Training

ICB employees recently received training in Lock Out Tag Out, Sexual Harassment, Evacuation, Bloodborne Pathogens, and Ergonomics. Everyone found the classes to be very informative.

Still Need the Senses of Sight and Touch

By Dick Monteiro, Container Division

I have been working on corrugating machines for quite some time, and I would say while everything has changed, nothing has changed: the same limitations we had back in the 60's and 70's, still apply today; the same hurdles to overcome today are the same that we had back then.

Although the corrugated equipment is nicer looking and possibly better engineered, it still does the same thing it did 30-40 years ago. While today's corrugated machines are safer, built to closer specifications, and run at higher speeds, the root-requirement of each piece of machinery in a corrugator line is still the same.

Roll Stands still just unwind paper; Splicers still just transfer running paper; Singlefacers still just form flutes and stick paper together; Glue Machines still just apply adhesive to a running singleface web; Doublefacers are still a hot plate section for setting the bond of the adhesive; Slitter-Scorers are still a very fast automatic Triplex; Cutoff Knives are still Cutoff Knives; and Down Stackers are still faster sheet takeoffs.

The Basics are still the Basics. The equipment makes it possible to run our corrugated board faster. Some old timers believe that the new equipment cannot adapt to the new paper as well as some of the older less automatic equipment. In reality, the older machinery allowed (required) operators to make on-the-fly adjustments of all machine settings for any variance that came up in materials.

With the technology incorporated into today's corrugated machinery, making changes to the process is, by design, left to a computer (or a programmable logic controller). Since we still haven't blessed our automatic machinery with the senses of sight or

touch, it sometimes misses process flaws that an operator with good basic senses can observe – and correct for.

Back in the 60's and 70's we used to check our corrugator machinery every Monday morning for temperature and roll parallels. Roll stock was checked for moisture levels on almost every roll. We checked our starch viscosity, gel temperature, and solids every hour at the glue pans.

This process of validation of equipment and raw materials evolved into SOPs (Standard Operating Procedures) for most corrugator plants. We applied Deming measurement practices in the 80's and called it Base lining – and then Center lining in the 90's.

The same is true for Converting Operations. When was the last time an operator used a cup and stopwatch (is the equipment even at the machines?) to check ink? When was the last time that an anilox roll was checked for runout?

At one of my former companies, we instituted a program that paired operators with maintenance personnel, and each month the machine operator and a maintenance mechanic would go through a validation checklist on each piece of converting machinery. They would check safety switches, verify parallels and runout, belt wear, etc. On the corrugator, this was done every Monday morning before production start up.

We used the phrase that we were "looking for trouble" and I was pleased that we found many trouble items before the items found us.

The basic practices will always apply – whether from the 60's or the 90's – and they are needed as much today as they were then.

Interstate Container - Lowell

Welcome Aboard!

Please join us in welcoming Jose Duarte to the manufacturing team. Also ...

Alex Chin joined as Staff Accountant effective April 18. Alex is responsible for the daily general ledger, A/R, A/P, and related duties. He is a graduate of the University of Massachusetts at Lowell with a degree in accounting. He and his wife Theara live in Lowell.

Lisa Hall joined the team as HR Administrator effective May 24. Lisa joins the HR office on a part-time schedule to assist in overall administration. She brings 20 years of human resource experience in manufacturing. Lisa and her family reside in Lowell.

Best Wishes ...

... for a speedy recovery to **Richard "Ziggy" Sabotka** and **Stephen Dumais**.

... to **Sergio Pacheco** (Shipping) on his recent wedding to Mary Ellen.

Happy Anniversary

Please join us in congratulating the following employees on their employment anniversaries: **Sidonio Silva** (20 years); **Stephen Dumais**, **Ray Ferris**, **Walter Shelley**, and **Andy Trzecienski** (15 years); **Joe Mello** and **Mike Mello** (10 years); and **Guillermo Santos** (5 years).

Interstate Container - Cambridge

Welcome!

Please join us in welcoming **Jimmy Crouser**, who joined ICI on May 16 as 2nd Shift Corrugator Supervisor. Jimmy is responsible for day-to-day operations including rollstock, productivity, and safety. Jimmy comes to us from PCA in Richmond, VA, where he was a Corrugator Supervisor, and he is excited and enthusiastic about being a part of the ICI team. He is looking forward to growing with the company.

Please join us in welcoming Jimmy, his wife Shelly, and children Logan and Hailee to the Cambridge family.

Congratulations ...

... to **Lisa Hibble** on her promotion to HR Administrator. Lisa joined ICI in September 2004 in accounting.

Getting To Know Each Other ...

Lowell's featured employee this quarter is **Bob McNary**, who retired at the end of June after 23 years of service at ICL. Prior to joining Lowell, Bob was the Assistant General Manager at Prince Corrugated, a (then) customer of Lowell's. When Prince Corrugated went out of business, Bob was asked to join Interstate as Assistant Sales Manager. Over the years, Bob has seen lots of changes – both in equipment and personnel. Overall, Bob will miss the people he works with, but is looking forward to lots more golf and relaxation.



Bob McNary

When asked about something that sticks out in his mind from his years at ICL, he remembers how ICL supplied the (then) local Prince Macaroni Company with 15-20 truckloads - a week! Good thing the company was right around the corner from our plant! Another "event" that Bob remembers blushing is when he walked right through the plate glass doors in the lobby. Thankfully Bob was okay.

Bob and his wife Sheila live in Somerville, MA and have three grown children.



Jimmy Crouser

Leadership is practiced not so much in words as in attitude and in actions.

Harold S. Geneen

Interstate Container - Fitchburg

Happy Anniversary

Happy anniversary to the following employees:
Mike Kaminski (25 years); Ben Easler (15 years);
Austin Fisher and Virginia Conner (5 years).

Welcome Aboard

Please join us in welcoming Karen Talber, who joined Fitchburg as Receptionist, and the newest faces of the manufacturing team - Josh Beal, James Nelson, Rey Valdez, and Silas Dobson.

Safety Update

On June 2, Dave Bourgault, Teri Bourgault, Joyce Joseph and Ray Martin were re-certified for CPR, First Aid, and Bloodborne Pathogens.

Congratulations to all Fitchburg employees on reaching two landmarks at the end of June: A safe second quarter and **two years without a lost time accident!**



The Fitchburg Safety Committee (L to R): Wayne Homoliski, Margaret Whitcomb, Edwin Marrero, Ben Easler, Reynaldo Valdez, Steve Cochran, and George Champagne

Condolences

Our condolences to Danny Flagg on the loss of his father.



Just a Sampling ...

Some product samples from Interstate Container - Fitchburg: New items for Lindt & Sprungli, Stanley Bostitch, Grampa's Garden, Grant Plastics, Hyde Tools, Brandywine, and Maxwell Silvermans. Maxwell Silvermans, Brandywine, and Grampas Garden are new customers for the Fitchburg operation.

Interstate Container - Miami

ICM's New Doublebacker

Contributed by Bob Houck, Plant Manager

ICM recently installed a new Marquip Ward United (MWU) doublebacker. The start-up was far from trouble free; we were challenged with a proto type machine. Our biggest problem for four months was trying to make a quality sheet without edge delamination. We wore out seven corrugator belts in the process. MWU stood behind their design and added a couple of things like a bottom liner steam infusion hot plate, a jet assist, and countless other ideas. Their efforts were greatly appreciated and in some cases helped our process. The bottom line is that their hold down system was not consistent and had too many sharp edges that cut into the belt. MWU offered a weight roll system to resolve our problem. This system was installed over the Memorial Day weekend and as of today, seems to be the answer we have been pain stakingly waiting for. We are looking forward to the benefits of this new installation in the coming months.

Welcome Aboard

Carolina Sutton joined ICM on May 7 as Scheduler/ Customer Service Representative. Carolina recently completed her MBA at Florida International University after emigrating from Colombia. Her husband serves in the US military overseas.

Tyrone "Ty" Pratt joined Miami on May 24 as Senior Staff Accountant. Ty is a graduate of the University of Miami and brings over 10 years experience in accounting. Ty and his family reside in South Florida.

Michel Ayala, Juan Evora, John Geiger, Jr., and Eduardo Pazos all joined the manufacturing team.

Happy Anniversary

Congratulations to Bob Houck on reaching his 25-year anniversary with the Interstate group of companies.

Remember, a real decision is measured by the fact that you've taken new action. If there's no action, you haven't truly decided.

Anthony Robbins

Getting To Know Each Other ...

Oscar Guerra was born in Cuba in 1967. He is presently the Lead Mechanic at Miami.

Oscar started work at ICM in 2001. In the beginning, nothing was easy: Oscar had no experience and he was learning operations on older equipment. "*Now there is a new machine and employees that have a desire to learn and make the plant better every day,*" says Oscar.

After 4½ years, Oscar has acquired a vast knowledge of the equipment and paper business. Each day he learns something new about the process of making corrugated board. He has been involved in all of the installation projects: the BHS module facer, rollstands/splicers, bridge and glue station; the Marquip doublebacker; the Donahue High Pressure Receiver ... to name a few. He has also attended classes conducted at Marquip Ward United.

When we asked Oscar about the challenges he faces, he replied, "*I believe that every employee has*

to work as if they were the owner of the company. I truly believe in ownership. I consider that in my job, the challenge is to make ICM better every day."

When Oscar came to the US, he had empty hands and a dream. Now after nine years, he feels he has realized all of his dreams: he is happily married, has a beautiful family, own his own home, and has a job he enjoys. However, the most important part of Oscar's dream is now a reality: he is an American citizen.

Reflecting on what the future might hold, Oscar commented, "*During my 4½ years at ICM, I have experienced big transformations and changes. In the future, I not only hope that we can become the number one plant in all of the Interstate family, but in all of South Florida. All of this depends on us, but I am sure we can do it.*"

Interstate Container - Reading

Getting To Know Each Other ...

Chris Schroeder, Graphic & Structural Designer, has been with the Interstate Family for nearly three years. Chris is the lead designer for all of ICR's Hershey accounts. He has been in the graphic design industry since 1996, dipping his fingers in a little bit of everything from commercial advertising, corporate identities, and permanent displays such as kiosks and P.O.P.

Chris started at Impress Industries in 1999, working as lead designer for Just-Born Candy. This led to an opportunity to join the Interstate family.

The major challenge faced by designers everyday is to improve customer relationships as well as stay on the cutting edge and push the envelope of design. Adds Chris, "We must

remember that it all starts here in design and if we don't constantly strive to be the best and offer something new and innovative to our customers, we will fail. There is always someone hungrier out there, and we can not forget that!"

Chris is impressed by how Interstate cares for the employees. He believes we are seen not just as employees, but as people.

As to the future, Chris sees Interstate as the number one leader and innovator at anything the company can do. "We can not and should not accept anything less. If we remember we are a family and work together, we can reach our goals," says Chris.

Employment Anniversaries

Congratulations to the following employees on reaching their employment anniversary with ICR:

- 35 years Dennis Bethem
- 10 years Willie Chisolm, Jr.
- 5 years Nancy Addison and Brian Simmons
- 1 year Brian Boettcher, Jason Boone, Karl Himmelmann, Kenneth Kerschner, and William Lilley

Welcome!

Please join us in welcoming the newest faces to ICR:

Meghan Hafer, Customer Service Representative
Susan Hemig, Administrative Assistant

... and in production, Justin Candelaria, Denise Jalbert, Charles Phillips, Faith Tallierchio, James James, Justin Luigard, Dan Sayer, and Robert Kleinwagen.

... and Randall Fosnocht, Truck Driver.



Safety Update

With safety at the forefront of everything we do, we look for innovative ways to keep everyone engaged in being safe. At ICR, a safety bonus easel is used to promote safety at the plant (pictured above left).

Additionally, a summer safety awareness campaign is in full swing and each plant employee will be receiving a visor (pictured below left) encouraging all to work safely.

IT's All About Information

Contributed by Jerry Clark, Corporate IT Manager

"Business and Symphony Collaboration," was the theme of the opening session at the 2005 joint PIMA Conference with mill management and IT personnel. As the title suggests, the analogy of conducting a symphony with its different instruments and musicians equates well with the complexities of running a mill. Individual talent alone is not enough. Success requires balance, coordination, and direction.

An orchestra of professional musicians who work in concert will achieve a better sound than an orchestra of super stars who act independently. To achieve the desired sound, the appropriate instruments must be assembled with each coming in and out of the piece as directed. Balance results in a superior sound. Too much tuba ruins the results.

These same principles hold for a manufacturing operation. Sales, production, accounting, maintenance, IT, management... all must work together in the proper balance and mix to achieve good results. Too much or too little of any one component weakens the team, i.e., no individual can achieve as much or be as effective as the collective minds of the unified team. Each individual or group must understand their role and execute that role to the best of their ability for the team to excel.

We in IT recognize our role on the Interstate Team as that of ensuring the availability of systems and networks so that others can effectively and efficiently do their jobs. This sometimes requires doing things that may appear to be unnecessary or just plain overkill – forcing the use of complex passwords,

blocking access to certain Internet sites, or monitoring web sites and how long individuals are there, etc.

These and other policies for utilizing Interstate's networks and systems are done to preserve the integrity of our systems, to safeguard the data assets that reside on them, and/or to provide consistency for support purposes. Touch points between our networks and systems with the outside world – the Internet, email from outside our networks, remote access to name a few – are some areas that afford the greatest opportunities for malicious elements (e.g., viruses and hackers) to invade and compromise our systems. These touch points therefore require a great deal of attention by IT and the greatest care by you, the user, to prevent a breach from occurring.

Consistency of applications and hardware simplifies IT support. We work with you to determine needs and requirements and then put in place systems and applications to meet those needs. Policies and procedures are established to communicate which applications and systems are supported by IT. For example, a policy will soon be circulating on Blackberry devices. The policy defines preferred suppliers as well as data and voice plans, in addition to procedures for obtaining a Blackberry. If you have one of these devices or plan to obtain one, please read the new policy.

Remember, IT is all about information - collecting it, massaging it, reporting it, analyzing it... to increase efficiency, improve decision-making, and enhance performance.

Excellence is in the details. Give attention to the details and excellence will come.

Perry Paxton

Interstate Container - Reading

Retirement

Congratulations to **Walter Schoch**, who retired on April 30 after 35 years of service at ICR. We wish Walter all the best.



Walter Schoch (L) and Ron McInnis (R) share a few moments during Walter's retirement celebration

Leaders need to be optimists. Their vision is beyond the present.

Rudy Giuliani

INDEVCO / IRI Support Education in Packaging Sciences

The Lebanese American University (LAU) in Lebanon recently signed an agreement with Clemson University in South Carolina that enables LAU to benefit from Clemson's expertise by training LAU faculty at Clemson, and exchanging students and qualified professors. LAU established a Minor in Packaging this year; they will have two Packaging courses in their course offerings each semester. With INDEVCO / IRI support, LAU will elevate this minor program to a higher level of academic excellence. LAU is planning to open a Packaging Institute to establish industry-academia partnerships for packaging issues.

Clemson has been offering packaging courses since the 1960's; the first students graduated with BS degrees in Packaging Sciences in 1989.

The partnership between LAU and Clemson was encouraged and assisted by Mr. Tony Frem and Tom Norris, who introduced Dr. Elie Badr, Associate Professor and Acting Dean of the School of Engineering and Architecture at LAU, to Dr. Ron Thomas, Chair of the Department of Packaging Science at Clemson. Tom escorted Dr. Badr to Clemson, and facilitated the interaction between the schools.

Dr. Thomas is very excited about Clemson's affiliation with LAU. He says, "*Both Universities recognize the need to offer applied programs like Packaging Science to help support the world packaging industry.*" The first visit from an LAU professor to Clemson was by Dr. Gebran Karam during the first week of June.

Through their support of Packaging Education at LAU, INDEVCO / IRI join other companies such as Cryovac, Sonoco, Dow Chemical, and DuPont who support the Packaging Sciences program at Clemson.



CLEMSON
UNIVERSITY



Summer Safety Alert!

For at least the past two years injuries are more prevalent in the summer than any other time of the year at Interstate. About one-third of all injuries occur from June 21 to September 21 each year. Summers may be more dangerous in our mills and plants for a variety of reasons:

- Missing employees create the temptation for those at work to try to do things alone that require two or more to do safely, or employees push beyond the limits of safe behavior and try to make up for missing coworkers. Remember: Safety comes first, not production, convenience, or money.
- Replacement employees may be doing unfamiliar work for which they are not alert to the safety challenges. Stop, think, ask, and remember: Safety comes first.
- Hot weather creates hot working conditions that can lead to mistakes and fatigue. Water and common sense make life safer.
- Distractions of vacations and/or outside activities take our minds off our work.

Those of us out in the production areas are the experts on safety awareness in the summer. Check with the experts and remember: Safety Comes First.

**Wishing everyone a
Safe Summer with
Family and Friends**

