



Interstate Resources, Inc.
1800 N. Kent Street,
Suite 1200
Arlington, VA 22209

Interstate News is the
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Dedicated to Enhancing the
Effectiveness of the
Company Through Open
Communication

For comments or questions,
please contact
Samir A. Meouchy
Samir.Meouchy@iripaper.com
or 703-243.3355 Ext.1014.

<http://www.iripaper.com>

Interstate News

Winter 2006

From the President . . .

As the end of 2006 approaches, it is a sad memory that defines the year for me: the loss of Georges Frem, the founder of Indevco, parent of the Interstate group of companies. His spirit and vision continue to live with us and guide us, and we have continued to honor his memory with the successes we have achieved this year. I feel sure he would join me in congratulating all for your performance: your hard work is making a difference.

Let me start with Safety, which is always first in our minds: through the efforts and the attitude of each and everyone, we have improved our safety performance year after year. Building on this success, our goal is to reach a 2.2 OSHA rate in 2007, which would put us in the top quartile in the industry. Of special note is the new safety record set by Fitchburg of three and half years without an injury.

Interstate continues to outperform the competition in many ways. One such indicator is the Return on Capital Employed (ROCE), a financial ratio that measures the profit generated from the investments made in equipment and other capital for the business. Another area where we outperform the competition is in our service to customers and our responsiveness to their needs.

In our mill division, both IPC and UCI are operating at higher production levels than in the past, making it possible for us to benefit from the good paper prices in the marketplace. The mills are also successfully meeting customer needs. NPT continues to help reduce the costs of raw material and energy for the mills.

During the summer, Lowell and Cambridge set new records for single month shipments with 68.3 MMSF and 54.0 MMSF respectively. Also during the summer, Miami had its best bottom line performance since September 2004, and Brunswick recorded the highest top line volume since September 2005. Fitchburg set a new record for sales and profit, and Reading achieved its best sales numbers since August 2001. Year to date, the container division has achieved better financial performance than last year, with Lowell, Brunswick and Fitchburg set to have record profits.

Thanks are due to the ownership of Interstate for their recent and ongoing investments that show their commitment to the future of the company. Also, thanks to your continual hard work, we are all part of a successful company with a bright future. Kathy joins me in sending you and your family best wishes for a wonderful new year.

Charles



Happy Holidays

It's better to fail in originality, than succeed in imitation.

Herman Melville

Interstate Resources Honored as Finalist for Ethics Award

For the second consecutive year, Interstate Resources, Inc., was nominated by one of its bankers to participate in the Society of Financial Service Professionals' National Capital Business Ethics Award program. IRI participated in the "large" company competition for companies with more than 250 employees.

Applications are first reviewed by business students at George Mason University, then sent for final review to a panel of business experts. Forming the final judging panel were David C. Dressler, Past President, Martin-Marietta Materials; Davis L. Kennedy, Publisher, The Current Newspapers; Leslie A. Nicholson, President, Kenwood Capital, LLC; The Honorable Stephen D. Potts, Chairman of the Board, Ethics Resource Center and Former Director, United States Office of Government Ethics; Nancy Prendergast, Deputy Assistant, BP Office of the Ombudsman.

Based upon submitted information about ongoing corporate programs, and interviews by the judges with employees, IRI was one of the two finalists in the competition.

Congratulations are due to all employees who uphold our standards, and promote an ethical work environment.



Leslie Nicholson, President of Kenwood Capital, LLC and judge on the Ethics Award panel, presents Charles Feghali with a finalist's plaque.

Pension Committee Selects New 401(k) Administrator

Contributed by Dan Sassi, V.P. of Human Resources

The Pension Committee of the Interstate Resources Retirement Savings Plans (401(k) Plans) has transferred the administration of the plan from Fidelity to Wachovia effective January 1, 2007. A careful review of the decision was made with a group of employees who are not on the Pension Committee. They agreed that the change should be made.

The important reasons for the change are:

- Wachovia is an independent administrator and provides access to many investment choices including Fidelity funds. When Wachovia or the Pension Committee see a better choice to recommend to employees, they are free to do so without regard to who manages the fund.
- The Pension Committee and the group advising them chose new investment funds for the changeover that have had superior results in the past. As with any investment, there is no guarantee that future performance will be superior, but generally available rating services indicate that the new funds are well managed.
- Wachovia's service and availability to employees is expected to be very good.
- The Pension Committee has been satisfied with the performance of Wachovia that administers the trust funds of the defined benefit pension plans of Interstate. Employees eligible for both the 401(k) and the defined benefit pension plans will have a single source for all related information.

Effective January 2, 2007, all current investments of employees will be switched to funds selected by the Pension Committee and the group of employees advising them. Each new fund was selected to closely match the strategy of the prior fund. Employees have the right to switch funds from the new ones automatically chosen after a blackout period of about three weeks' time.

Advantages of the 401(k) plans

As in the past, employees eligible to participate in the 401(k) plans that the company offers are strongly encouraged to participate and to increase their savings to at least 8% of base compensation. The company matches the funds that employees contribute at 100% for the first 4% and 50% of any additional 4% contribution. This means that employees contributing 8% receive an additional 6% from the company.

Contributions by employees reduce their income taxes until the money is withdrawn. So, in addition to the company contribution, the tax savings are a large incentive to put in as much as possible (up to the IRS limit, which is \$15,500 for the year in 2007). There are additional savings allowed tax-free for employees who will be 50 years or older in 2007 (an additional \$5,000 making a total of \$20,500).

To become fully vested in the company's contributions, employees must be employed for 6 years. For employees with 5 years completed, the vesting is 80%. For those with 4 years, it is 60%, and so on.

Here is an example of the power of savings in the plan:

- An employee with a base pay of \$50,000 per year who contributes \$4,000 to his or her account in the plan, will receive \$3,000 into the plan from the company.
- This total annual contribution of \$7,000 (not including any increased contributions the employee makes after receiving raises in pay in the future) will grow in 20 years (assuming 6% interest rate) to \$257,500.
- The contribution by the employee is 20 years times \$4,000 = \$80,000
- That is an increase of \$177,500 in 20 years, an increase of 222%.

Success is going from failure to failure with no loss of enthusiasm.

Winston Churchill

The first thing to decide before you walk into any negotiation is what to do if the other fellow says no.

Ernest Bevin

IT's All About Information

Contributed by Jerry Clark, Corporate Manager of IT

Two major events have occurred in IT since the last newsletter. 1) The e-mail system upgrade and integration of our networks has been completed; and 2) the IT group has been reorganized to meet the growing needs of our users and demands of our business units as well as the need to support an increasingly complex set of networks and systems.

As you may recall, our e-mail systems had reached end-of-life; not only were they no longer supportable due to aging technology, but also they did not interact with more modern systems. At the same time, our business reliance on these same systems continued to increase. With the upgrade of these systems in August, we have caught up with the latest in messaging technology as well as positioned ourselves to stay abreast of it for the foreseeable future. Additionally, we reduced the number of Exchange e-mail servers from five to four and will be increasing bandwidth capacity on our network as we identify bottlenecks.

The network integration went hand-in-hand with the e-mail upgrade. Now, instead of having nine independent networks, we have one. This brings with it not only increased functionality and ease of use but also an increased risk of virus propagation. A virus only needs one directory to locate all computers on the network. With your continued help and diligence to prevent their entry, we are confident that viruses can be controlled, allowing us to reap the benefits of the network integration. Although the immediate benefits from this integration are numerous, the major returns will come over time as we more fully integrate systems and communication.

Although it was not nearly as complex technically as the above projects, the IT reorganization had just as many challenges. With the reorganization, we charted new ground, which introduced some uncertainty for both the people directly involved and the organization as a whole. Over the years, our networks and systems have grown increasingly complex, as have the needs of our businesses. IT personnel needed both the depth of knowledge to prevent and/or correct problems associated with the computer hardware and communications networks as well as to be expert in applying the applications to the businesses. To better address these diverse and multifaceted needs, we needed to become specialists and not generalists. This necessitated aligning along functional areas as opposed to geographical boundaries.

The IT Team now consists of an Infrastructure Group and a Business Analyst Group. The Infrastructure Group has responsibility for all hardware, operating systems, and communication systems' support. They are charged with improving availability of systems, including internal and external connectivity. The Business Analyst Group focuses on applications and the business side of IT systems. They are charged with optimizing utilization of these applications as well as looking for new and better ways to improve operations through applying IT technology.

We continue in our efforts to be proactive – to identify and prevent malfunctions or outages before they occur. With this new structure, we feel we will be able to focus our efforts even better than before.

Although the necessary ground work has been laid for this new organization, the actual transition will occur slowly over several months. Initially, it will be transparent to you, the user. Over time, though, as the organization matures, you will experience improved availability of systems, better application support, and nudges from IT to push all applications to their fullest extent.

Interstate Container - Cambridge

Breast Cancer Fundraiser

Interstate Container Cambridge participated in The Susan G. Komen Breast Cancer Foundation fundraiser "Passionately Pink for the Cure!" on October 20, 2006. Each person donated \$5 and wore pink. Each participant received a pink ribbon or bracelet, and they raised \$285.



First Shift participants in "Passionately Pink for the Cure."

10th Anniversary Picnic

Interstate Container Cambridge celebrated its 10th Anniversary with a company wide picnic on August 27, 2006. Employees, family and friends celebrated with great food, games for the kids, swimming and tricycle races.



Jim Krahn and Bill Berg compete in the ICI tricycle race.

Getting to Know Each Other ...

Lavern Potts is the second shift United Operator. She has been with the company since September 2002. Before joining Interstate Container Cambridge, Lavern worked at Markel Corporation for 14 years as a Lead



Lavern Potts

Operator. She started at Interstate as the United Assistant Operator. After about a year she became the United Operator. She feels her machine runs very well, however the biggest challenge is the trim. Lavern likes the people at Interstate. She feels everyone works well together and that we have a good team.

Lavern has two children and one grandchild. She is a lifetime resident of Preston, Maryland.

There are no shortcuts to any place worth going.

Beverly Sills

Those who lack courage will always find a philosophy to justify it.

Albert Camus

Interstate Container - Reading

ICR and UCI Give Generously to United Way

ICR and UCI have just concluded a successful joint fundraiser for the United Way. ICR employees contributed \$21,208 and the company matched the dollar contribution at 75 cents per dollar for a total company match of \$15,000 for the 2006 United Way Campaign. UCI raised a record \$13,338, which exceeded their highest previous contribution by 20%.

Special thanks to **Dana Nasados** and **Lottie Fortson** (pictured), who did an outstanding job as the Loaned Campaign Specialists and were a major impact on the success of the campaign. Thank you always to first time givers and those who stepped up and increased their generosity.



Lottie Fortson (L), and United Way contributors from ICR and UCI: Not only generous, but also photogenic!

Getting to Know Each Other ...

Sharon Fox, Assistant Plant Accountant, has been with ICR for 37 years as of December. She started as the billing clerk in 1969 and has worked her way to A/R and A/P supervisor. She says one of the major challenges she faces is *"trying to keep up with all the new technology that is coming into the business,"* adding, *"but learning new things is always a challenge that I look forward to."* She feels that Interstate is family oriented and helps employees in times of need. Sharon likes the educational opportunities that are available.

Laura Fox, Senior Accountant, has been with ICR for 13 years. She has noticed that customers have become more demanding in their invoicing. She enjoys being part of the well-rounded group of co-workers. She thinks that communication will be the key to further growth for the company.

Sharon and Laura share the same last name because Sharon is married to Laura's father-in-law.



Sharon and Laura Fox

Interstate Container - Lowell

Some people take no mental exercise apart from jumping to conclusions.

Harold Acton

New Records

Records were set at ICL in August, and again in October. The plant produced a record 70,377 MSF of product and shipped 68,300 MSF in August, setting new monthly volume records. In October, ICL produced a record 3,223 MSF per day and shipped 63,817 MSF during the month, another new record for volume in a 21-day month. Congratulations to all employees for their hard work and thanks also to our customers.

Getting to Know Each Other ...

Mr. **Helder Mello** has reached a milestone not attained by many. He has completed 35 years of service with Interstate Container Lowell.

When Helder came to the United States from Portugal in 1968, he worked in Lowell shoe factories. When friends told him about Interstate Container in 1971, he was persuaded to join. He says he has never regretted that decision. He's made it his life. He says it's been a great place to work and the pay and benefits have always been fair. He also likes that it's close to home, since he used to walk to work when he was first hired.

Helder has mastered a number of machines, including the F&E, S&S, 1636 and for the last few years, he has been the operator of the Koppers Die Cutter.

Helder and his wife Barbara reside in Lowell. Their one child, Joe, is following in his father's footsteps. He has been employed at Interstate Container for over eleven years.

In his spare time, Helder enjoys fishing, camping and spending time with his grandchildren. He looks forward to reaching 40 years of service.



Helder Mello

Welcome Aboard

Please join us in welcoming **Azadur Khan, Bill Covino, Stephen Carroll, Roger DaSilva, Leon Twyman, Don Dubois, Jose Ficher, Joseph Ficher, Manuel Gregorio, Jay Loycano, Vanna Nhem, and Rae Lee Rank**, QC Manager.

Happy Anniversary

Congratulations to the following employees on reaching their employment anniversaries.

- 35 Years **Helder Mello**
- 30 Years **Dave Miles**
- 20 Years **Bill Paulauski, Steve Quebec, Sergio Reis**
- 15 Years **Jo Helander, Alan Shea**
- 10 Years **Ramon Otero**

Thanksgiving

Each year, all ICL employees receive a Thanksgiving turkey to share with their families and friends during the holiday. Retired employees are also invited to return to the plant for a turkey and a chance to renew friendships with those at the plant.

Right: John Silva receives a Thanksgiving turkey and holiday wishes from Mark Mathews.



Congratulations

To **Jaime Hodges** on the birth of daughter **Kailyn Rosella** on August 16, 2006.

What the mind can
conceive, the mind can
achieve.

Clement Stone

Interstate Container - Fitchburg

Safety Record

Congratulations to the employees of Interstate Container Fitchburg! They have set the all-time safety record in the entire corporation for number of days since the last lost-day injury. ICF has gone over 1,258 days since the last such injury—more than 3 and 1/2 years!

The Interstate culture of safety and care for employees is embodied in the team at Fitchburg.

Congratulations to **Jamey Irish** and **Terry Jones** for reaching 10 years of employment with ICF.

Welcome aboard to **Mike Langelier**.

Interstate Container - Miami

Welcome Aboard

To **Kennedy Fordham** and **Leighton Housen** who joined us October 30, 2006.

We would also like to welcome our Controller, **Veronica McGrane**. She joined the ICM family on December 1, 2006.

Oscar Guerra has assumed the lead position in the maintenance department.

Happy Anniversary

Congratulations to the following employees for reaching their employment anniversaries.

3 Years **Javier Montoya, Carlos Figueroa, Clifford Cofield**



Interstate Container - Brunswick

Congratulations to **Dagberto Mendoza** for reaching 5 years of service with ICB.

Getting to Know Each Other ...

Lisanne DeStefano, Project Manager, joined ICB in August 2006. She brings with her years of experience in the Point of Purchase display industry, both in Sales and Project Management.

Lisanne notes that customer expectation for displays is very challenging, sometimes with only one week lead time. She says, "*Since the display industry is very competitive, we must be prepared to respond promptly with design, pricing, and delivery information.*" She appreciates that everyone at ICB works as a team. On any given day, anyone is willing to help out when assistance is required.

United Corrstack

Happiness is a singular incentive to mediocrity.

Michael Montaigne

Evergreen Community Power (ECP)

We have completed the first phase of Engineering with Sandwell Engineering Company. This allowed us to develop the project definition including the scope, general arrangements, process flow diagrams, operating standards, and schedule. Through our general contractor, Phoenix engineering, and IRI engineering, our next step is to determine how to complete the detailed engineering and construction packages. We submitted our Air Permit to the Department of Environmental Protection of Pennsylvania in October and expect approval by March 1st. Construction can proceed as soon as approval is received. The boiler has been sized to supply steam not only for United Corrstack, but also for a second paper machine here at our site in Reading.

Getting to Know Each Other ...

Danelle Litchert, Administrative Assistant/Accounting Associate, has been with United Corrstack for four years. She helps to ensure smooth communication between the IRI employees in Reading, United Corrstack and IRI. Danelle provides administrative assistance to the General Manager at UCI as well as to the V.P. of the Container Division in addition to processing Accounts Payable for UCI and assisting the IT Dept.



Danelle Litchert

Danelle played a key roll in the installation and commercialization of the Panther/Epicor information system and is a key resource to others, especially those who use Epicor.

Prior to joining the UCI team, Danelle served in the U.S. Army, retiring in 2000. When Danelle is not working she enjoys softball, watching sporting events and spending time with her husband, Doug, and children, Stephi, Staci, and Chadd.

Iron Man Contestant

Brian Peiffer is not just a machine-tender on crew D, but an Iron Man as well. Brian has been running competitively for several years. After he completed a successful run in the Philadelphia Marathon last year, Brian did some research and decided to begin training for an Iron Man contest. On September 30, he competed in the "Cambridge Man" contest in Cambridge, Maryland. He swam 2.4 miles, rode a bike for 112 miles, and then ran a 26 mile marathon! Brian crossed the finish line after 12 hours, 57 minutes.

In addition, Brian has just completed 13 years of perfect work attendance at UCI.



Left: Brian Peiffer swims, bikes, and runs in the "Cambridge Man" contest

Condolences

We would like to express our sincere condolences to **Mike McFerren, Russ Carter, Steve Greer, Mike McMiller, Doug Bowers Sr. and Doug Bowers Jr.** who recently lost family members.

We don't see things as they are. We see them as we are.

Anais Nin

Christmas Donations

In previous years United Corrstack has chosen the Salvation Army Angel Tree program as a charity for our employees to support at Christmas. This year we have chosen the Make a Wish Foundation of Greater Pennsylvania. The gifts will go to fulfill the wishes of children who have life-threatening medical conditions. Through our generosity, the dreams of some unfortunate children may be realized. **Marcy Smith** has once again volunteered to be Mrs. Claus and coordinate the effort.

Interstate Paper Company

Happy Anniversary

Congratulations to the following employees for reaching their employment anniversaries.

35 Years **Pat Wiggins**
30 Years **Jimmy Keel**
20 Years **Julius Frazier, Judy Long, Amelia Milligan, Lee Richardson, Steve Wiggins**
10 Years **Ronnie Swindell**
5 Years **Felix Santos**



Safety News

Contributed by Ronnie Moore

Safety Stats as of November 14, 2006

Safe Days	38 (since the last accident)
First Aid Cases	20
Recordables	4
Incident Rate	1.65
Lost Time Cases	2

Wow! (Knock on wood!). We have only had four recordable cases for the year. This could be one of our best incident rates ever!

Hope you all have happy and safe holidays!

Health Tip

Protective Tea – Several studies link drinking non-herbal green, black or white tea to a lower incidence of heart disease, certain cancers and other disorders. Results seem to be better the longer people drink tea, although how much to drink for health is not clear. And decaffeinated brews contain the same protective compounds as caffeinated teas.

Condolences

Our prayers go out to the following employees who recently lost loved ones:

Willie Tyson, Harry Pierce, Don Moore, Ronnie Moore, Ray Clark, John Bollinger, Marion Stevens, Bernard Hamilton, Charlie Robinson, Chris Stacy, Michael Frazier, Jimmy Keel, Nathaniel Pray, Charles Pray, Joe Roberts, Simon Hines, Dale Horne, Earl Austin, C. L. Chang, Kelsey Busby, Chuck Young, Mike Young, Ricky Dixon, Henry Brewton, Leonard Hughes (Retiree) and Sarah Izzard (Retiree).

Our prayers also go out to the families of former employees **Larry Galbreath (A-Mechanic)** and **Jake P. Suddath (Woodyard Supervisor)** who recently passed away.

At IPC, Results of Machine Rebuild Improve at a Steady Pace

Contributed by *Gene Millard, General Manager*

In November 2005, the company invested considerable capital to upgrade the paper machine at IPC. The main components of the upgrade were a new electric drive and a new, state-of-the-art press section. The purpose of the upgrade was to improve quality, lower manufacturing costs and increase production to 910 tons per day (incremental tons coming from recycled fiber).

After a 26 day outage, the machine was started up on December 2, 2005. The improved quality characteristics of the sheet were evident from the start. Production has been increasing close to the anticipated learning curve. We made 805 tons per day in January, averaged 850 tons per day in February/March and are averaging about 885 tons per day now. We have had one week where we averaged 1,018 tons per day and have run two days in a row over 1100 tons. We anticipate achieving our goal of 910 tons per day within the next few months.

The confidence that the ownership and leadership of the company has in us, demonstrated by their continued investment, is truly appreciated. We have every intention to surpass the expected return on investment to encourage the ownership to continue to invest in the U.S. operations.

Newport Timber

Getting to Know Each Other ...

Tim Carter has been with NPT/RBLC since August 2006. Tim is the Manager of the chipmill and sawmill. He ensures that production and quality goals are met and that it is done as safely as possible.

Tim and his wife Karen have been married for 27 years, and they reside in Hortense, GA. Tim has two children and one grandchild.

The biggest challenge that Tim faces every day is job safety; he says that *"Continuously training employees to work safely so everyone can go home to their families is most important."*

Tim's outlook for the company is to produce quality chips for IPC, to be competitive in the lumber market, and to be the most prosperous sawmill in the southeast.



Tim Carter

Chipmill Changes

RB Lumber Company assumed control of the Chipmill on August 21. We feel this is a positive step toward improving Chipmill reliability as well as chip quality. RB Lumber currently employs 15 people. When RB Lumber assumed control of the Chipmill, production averaged 12,000 tons of chips on a seven-day production week. The week ending November 12, RB Lumber set a production record of 13,992 tons of chips in five days. Equipment uptime and reliability has greatly improved. During November, RB converted the chipper from the original Andritz knife system to the Iggesund knife system. This increased uptime by 12 hours per week and reduced knife cost by \$1,200 per week. We look forward to additional improvements in the coming months.

If everything seems under control, you're not going fast enough.

Mario Andretti

To become a
champion, fight one
more round.

James Corbett

Georges N. Frem Honored at Rotary Club



A remembrance was held on November 10, 2006 at the Rotary Club in Lebanon to honor Mr. Georges Frem. Over 400 friends, family, and leaders from across Lebanon's political, religious and social spectrum gathered to commemorate the life and work of the founder of Indevco. The ceremony was organized by the Rotary Club of which he was a past president.

Lebanon Relief Fund

In our last issue, it was mentioned that Interstate employees are donating to four charities (American Red Cross Lebanon Fund, Catholic Charities Lebanon Fund, the American University of Beirut Hospital, and the Greek Orthodox Hospital of Beirut) in response to the recent conflict in Lebanon. These donations are being matched dollar for dollar by the company.

In Reading, UCI's **Mary Ann Bell** went for a routine check-up. Her doctor, James D. Mickle, Jr., M.D., remembered that her employer had ties to Lebanon and asked about the situation. Mary Ann told him about our Relief Fund and he sent a \$100 contribution to UCI for the fund.

We are pleased to report that total contributions stand at \$51,000. This is a direct reflection of the caring and generous nature of our employees.