



CEI Insight

May 2009

A newsletter for our valued customers from Coating Excellence Int'l

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Chain-of-Custody Forestry Certifications

Coating Excellence is proud to announce it is in the final stages of forestry products chain-of-custody certification with three accredited organizations. Since CEI actively supports many forms of sustainability initiatives, it is partnering with the Sustainable Forestry Initiative (SFI), the Forest Stewardship Council (FSC), and the Programme for Endorsement of Forest Certification (PEFC). These organizations help to protect forests from destructive logging practices by certifying forests that are in compliance with organizational standards. In order for a forest to become certified, a thorough assessment of the forest operations and practices must be conducted onsite by an accredited audit firm. Examples of forestry "best practices" include, but are not limited to, legally harvesting logs, obeying human rights, not harvesting from genetically modified trees, avoiding large-scale clear cutting, not converting natural forests to plantations, not logging in endangered or old growth forests, and embracing high conservation values.

Chain-of-custody is the traceable path of wood-based products from forests, through manufacturing processes, and finally being sold to end users. Chain-of-custody certification is granted to companies that manufacture and sell products made from chain-of-custody certified wood. To become chain-of custody certified by the aforementioned industry organizations, a company must show it has processes in place to accurately identify and track certified wood sourced materials.

During its chain-of-custody audit on May 12, 2009, an accredited third party audit firm performed a thorough review of CEI's operations confirming CEI is in compliance with the chain-of-custody certification standards. During the audit, CEI presented Standard Operating Procedures in all departments involved with wood product flows.

What's in it for CEI's customers?

CEI customers will soon have the ability to request SFI, FSC, or PEFC certified paper be used in the manufacturing of their products. A CEI-unique number will be included on all outbound SFI, FSC, or PEFC certified products for identification and tracking purposes. The following logos from each of the industry organizations will also be available to be included on final products:



As consumers' environmental awareness and desire for sustainable products increases, products containing SFI, FSC, or PEFC logos will be ever more attractive to end users. Forest certification provides a seal to ensure consumers that their product comes from forests managed in accordance with strict environmental and social standards.

CEI has always been committed to ever more sustainable practices. This is evident in its proven, and now audited, tracking of materials through its production processes.

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In its ongoing commitment to support sustainable forestry practices, CEI will not add any additional fees for the converting and administrative tracking/reporting of chain-of-custody certified raw materials. Please contact your CEI sales representative to request that the base paper used in your CEI-supplied packaging is sourced from SFI, FSC, or PEFC certified forests.

Coating Excellence Earns Superior AIB Rating

American Institute of Baking (AIB) International is committed to protecting the safety of the food supply chain and delivering high value technical and educational programs. AIB offers audit services by accredited AIB representatives for companies within the food supply chain. Companies that choose to be audited can provide their customers with the assurance that they have processes in place that comply with food safety regulations. Comprehensive AIB audits evaluate the adequacy of food safety programs, management systems, pest control programs, operational methods and personnel practices, maintenance for food safety, and cleaning practices.

As a leading flexible packaging supplier, Coating Excellence International (CEI) chooses to have yearly AIB audits at its facility to assure its food packaging customers that it is committed to providing clean, safe products. The audit also assures all of CEI's customers that it operates a plant that meets very high sanitation standards. CEI is proud to announce it has received a Superior rating—the highest possible in this year's audit. CEI also received a Superior rating in 2008 and is committed to maintaining its high quality food safety standards into the future.

ISO 9001:2008 Certification Process Underway

ISO 9001:2008 is the standard that provides a set of standardized requirements for a quality management system, regardless of the type of organization. It is the only standard in the ISO 9000 family against which organizations can be certified. The ISO 9001:2008 certification process can be used for continual improvement and enhancement of any quality management system.

CEI has already instituted processes modeled after the ISO 9001:2008 standard. It has items in place that satisfy the standard, such as a quality policy, corrective action processes, document control, calibration of equipment, etc. An aggressive approach is currently being made by CEI to become ISO 9001: 2008 certified, and certification is scheduled for the first quarter of 2010. An



independent quality system certification body will audit CEI's quality system to certify its conformity to the ISO 9001:2008 standard.

With certification to the ISO standard, customers of Coating Excellence can have confidence in a quality system that is measured against worldwide standards and can be assured that their product requirements and expectations will consistently be met.

Coating Excellence Receives FTA Environmental Excellence Award

Coating Excellence has been selected as the recipient of the 9th Annual Flexographic Technical Association (FTA) Environmental Excellence Award. The award shows that CEI provides environmental and economic benefits, and also demonstrates CEI's leadership in manufacturing sustainable products.



The award was presented to CEI at the National Environmental, Health & Safety Conference in Indianapolis, IN on March 17, 2009. CEI's achievements are also recognized in the May 2009 issue of FLEXO Magazine.

Customer Complaint Handling Improvements

Coating Excellence is in the process of evaluating and revamping its current customer complaint handling system to better service customers and exceed their expectations. CEI is taking an in depth look at how all customer complaints are currently processed and is utilizing the DMAIC (Define, Measure, Analyze, Improve, Control) process. Relevant information, including response times, credit accuracy, and duplicate data entries from the current process is being gathered.

One of the main goals of the project is to obtain the voice of customers in order to better understand customer expectations and to obtain quick yet thorough complaint resolution. Customers can expect to receive a survey that will be used to gather their input and current perceptions of CEI's complaint handling procedure. Measurable data gathered from both internal and external customers will be used to benchmark progress throughout the improvement project.

All necessary changes are expected to be complete by June 15, 2009. CEI's customers will benefit from receiving timely,

accurate, and consistent service if a complaint is filed, at completion of this project.

Please contact your CEI Sales Representative with any questions or comments regarding CEI's complaint handling process.

Coating Excellence Ranks among Top 10 Flexible Packaging Converters

PackagePRINTING Magazine featured a list of the top 29 flexible packaging converters in its April 2009 issue. Converters were ranked based on 2008 sales of printed/converted flexible packaging. Coating Excellence is proud to have earned the number 10 spot and would like to thank its dedicated customers for playing an integral role in CEI's success.

Economic Update May 2009

With the coming of spring the economy seems to be trying to bud with the flowers. Sentiments that economic health is returning are being expressed, the financial markets have stopped free falling and consumer sentiment seems to be improving. Keep in mind there is nothing definite yet! There are good signs as well as bad signs every day. This would be substantially ahead of the projected first quarter 2010 recession end. A faster and earlier economic recovery raises new concerns. The government has pumped so much liquidity into the market to foster a recovery, it will take time to "mop-up" liquidity or uncontrolled inflation could occur.

If the financial markets have bottomed out that could mean main-street is only three to six months behind. If the Fed moves quickly to reduce liquidity, substantial interest rate increases will be required. That means interest rates will go way up threatening a recovery in housing and the general economy. If the Fed does not act quickly, inflation could run rampant again punishing a fragile economy. Working against the Fed's efforts will be the stimulus package whose spending is backend loaded meaning the majority of the spending will be occurring when the Fed is working to control liquidity.

The result, do not get too optimistic. There are major hurdles for the economy even after it appears to start growing again. The government fixes are still working their way through the system and the final impact, good or bad, may not be known for a couple years, and they will be argued for many years after that. We also will be left with the large deficit accumulated over the past two years (and countries like China growing reluctant to hold U.S. debt), continued growth in the deficit from current year budget deficits for social programs, the government owning and having control of major U.S. corporate interests, and unprecedented government intervention in corporate affairs. How these will impact the future remains

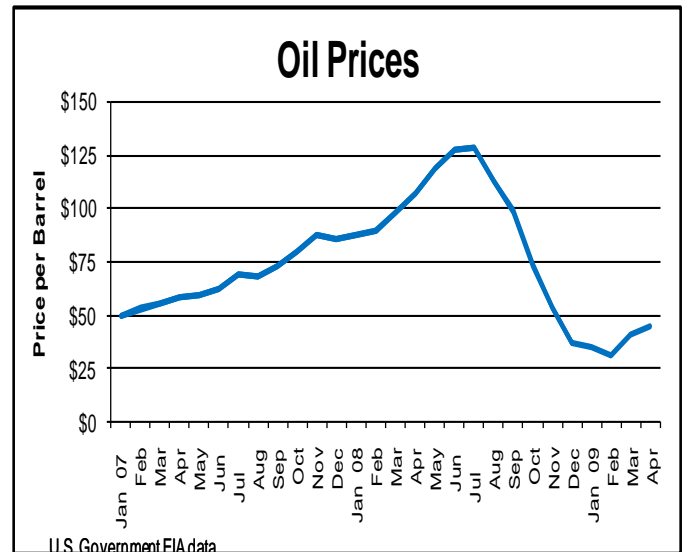
unknown. To be sure, the unprecedented moves and market volatility are not over.

Commodity prices have stabilized and increases have been occurring in response to actions to stabilize the economy and to match supply and demand. Commodity increases based off minor economic improvements cause concern as to what will happen when the economy clearly improves. Many forecasters believe the high commodity prices in effect before the economic crash will return as the economy strengthens.

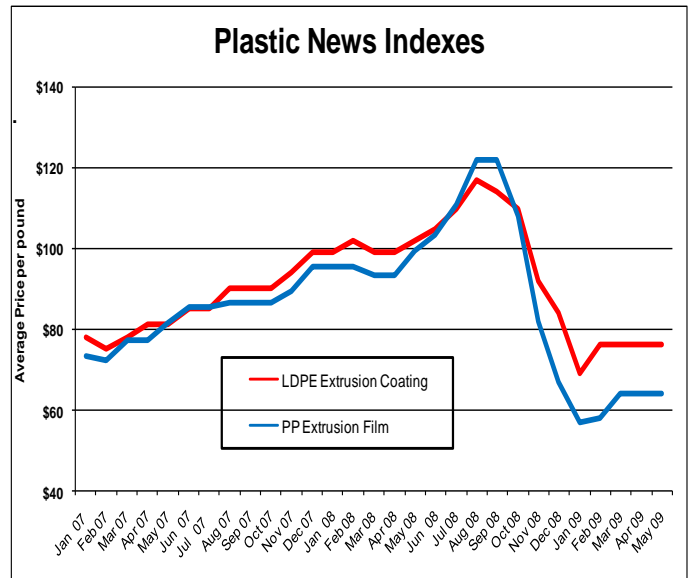
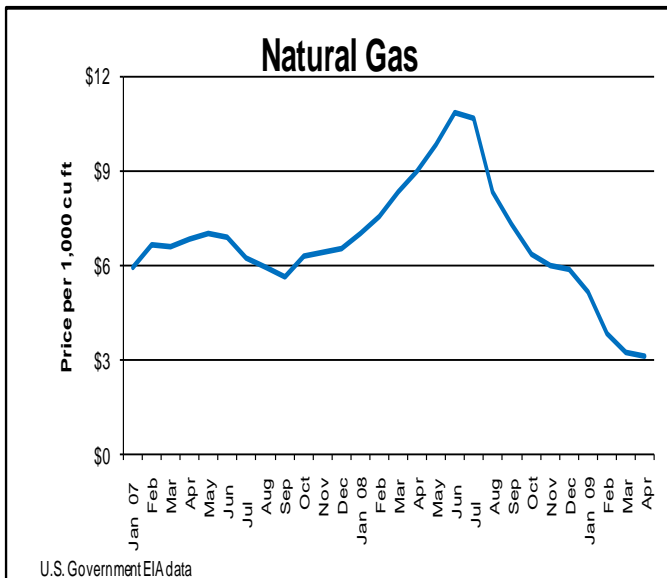
Packaging is being impacted by the general economic conditions as packaging demand has fallen reflecting lower consumer demand for packaged end products. Lower commodity prices are welcome news because packaging producers did not pass along the peak prices of 2008. The raw material reductions are bringing packaging production costs back in line with finished product prices. Individual commodities are discussed below.

Energy

Oil prices fell as the world economy slipped into recession and demand fell worldwide. Prices have begun to increase in response to improving economic sentiment and the largest coordinated production cuts ever by OPEC. As prices increase, OPEC's objective is to be over \$75 per barrel and they claim they will do whatever it takes to get the price there. When the economy really improves the price will probably be even higher due to continued demand from developing countries like China and India.

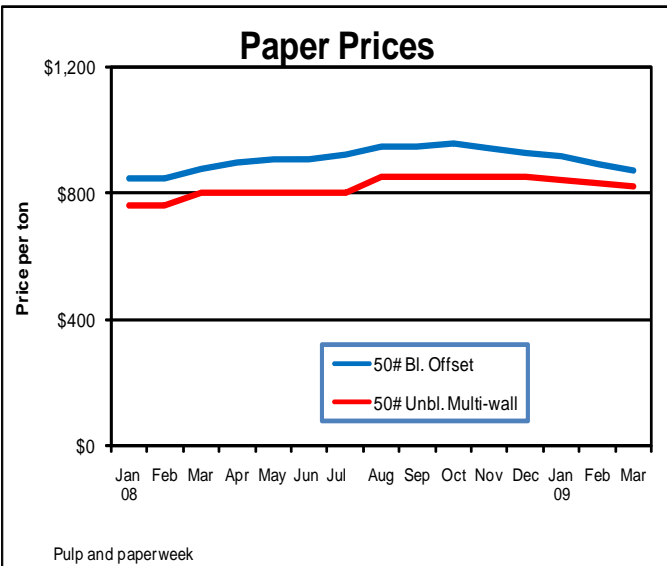


Natural gas prices also have declined as demand stalled with the economy. Natural gas prices should stay low until next heating season when demand may increase. The big unknown in natural gas is proposed cap and trade legislation. Efforts to reduce emissions could lead to dramatic increases in natural gas used for electrical energy generation driving up natural gas prices dramatically (and electric costs).



Paper

As shown below, paper prices have not declined like other commodities. Mill operating rates have declined but mills have quickly chosen to take downtime rather than reduce prices and fill capacity. Bleached producers have reduced prices slightly to improve volume but unbleached mills have remained stable.

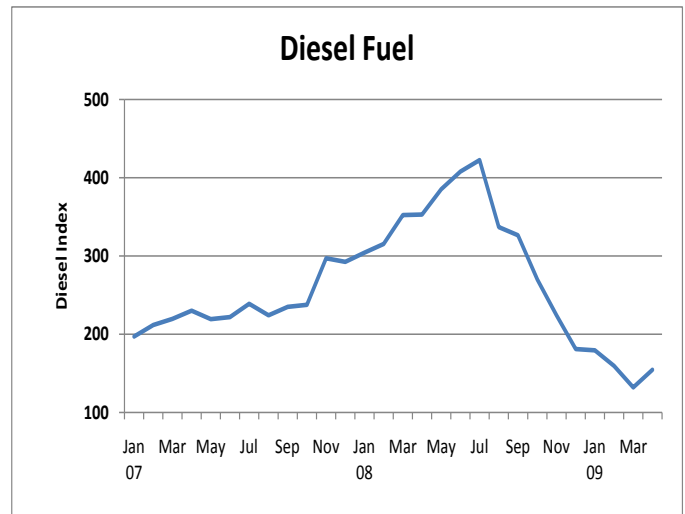


Resin

Resin prices have declined as energy feed stocks became cheaper with lower oil and gas prices. Lower operating rates in polypropylene have resulted in a slightly larger price decline than polyethylene where operating rates remained higher. Resin producers have taken downtime to curtail the price slide and prices are starting to increase with announced price increases in numerous products. Resin prices have hit a plateau but additional increases are expected as the economy strengthens.

Transportation

Trucking costs have declined as diesel prices and surcharges have reflected the oil price reductions. In addition, lower demand for trucks as a result of the recession has improved truck availability. In early 2008, there was concern that there would not be enough truckers to haul products in the future. Now truckers are leaving the business due to not enough loads. As the roller coaster continues we may again be short of drivers when the economy improves.



Summary

As the recession subsides we very likely will see raw material prices rise. We have already seen increases based solely on improved sentiment. When the recession will truly abate and what is in line for the economy given the unprecedented government intervention are the next big questions.