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“We Will Always Challenge Ourselves to Innovate and Improve”

Ten Steps That We Will Take in 2010 to Further Achieve Radical Reliability



Jim Moore, President of Rinchem Company, Inc.

Two thousand and nine was a challenging time for Rinchem, as it was for many of our customers. In the early part of the year, we experienced temporary cutbacks in warehousing and trucking volumes on the domestic front, while expanding in these areas in foreign markets. The net result was a slowdown for the first half of the year, with record volumes late in the second half of the year. Overall, we are pleased with the business results of the year, but are glad it is behind us.

One of Rinchem's core values states, "We will always challenge ourselves to innovate and improve." Our goals for 2010 include a number of continuous quality improvement initiatives (CQIs) to further Rinchem's goal to achieve radical reliability, accuracy, and cost-efficient performance. Along with Rinchem's quality improvement initiatives, we are also strengthening and enhancing our business continuity plan, as well as making substantial investments in Rinchem's IT infrastructure to further ensure redundant, reliable and secure information systems and applications for our customers. The following is a list of ten initiatives that we are presently undertaking, or will begin to undertake this year.

Continuous Quality Improvement

1. Additional Quality and Environment, Health and Safety (ES&H) Staff: As of February 15, 2010, Rinchem has employed John Adams as its Quality Manager, reporting to Gwen Inman, Director of Human Resource Development. John comes to us with many years of experience as a quality manager and training in Six Sigma and the principles of lean operations. We have also approved additions to staff in both the Quality and ES&H groups.



Rinchem's Salt Lake City facility provides customized logistics solutions for manufacturers of regulated and non-regulated chemicals and gases.

For more information about Rinchem's Salt Lake City site, please email us at sales@rinchem.com or call 1-888-3PL-CHEM.

2. Transition to Perfect Order Index (POI) Measurement: We have converted from our traditional key performance measures, tracking inventory and shipment accuracy, to the more widely accepted measure of a Perfect Order Index. This will enable us to more readily compare our logistics performance to competitors and other members of our industry. A perfect order is getting the right quantity of the right lot of the right product to the right place in the right condition at the right time.
3. Increasing Frequency of Process Audits: These audits are performed at least weekly on the various processes we employ for our customers. They consist of following a process from beginning to end while reviewing a comparison of the actions we are seeing to detailed, documented procedures. This process has the dual benefits of helping us to determine whether we are accurate in our performance and whether our documentation is adequate to consistently elicit standardized best practices.
4. Efficiency and Quality-Based Incentives for Rinchem Employees: On a limited scale, Rinchem has tested and verified the very positive impact of productivity, accuracy, quality and safety-based incentives to improve operational performance. We call this gain-sharing. Increases in productivity reduce the “rush to get things done” that can often lead to mistakes or failure to comply with operational procedures. Productivity improvements are driven by motivated employees, who look for opportunities to reduce waste within their various job functions. Employees understand that they are “disqualified” from receiving incentives for a period of time if gains in productivity in any way sacrifice the accuracy or safety of the operation. As employees are rewarded for their improved performance (funded by productivity improvements), they feel a greater sense of satisfaction and team pride in their jobs, leading to improved employee retention and fewer errors that might occur with high employee turnover and low morale.
5. Enhanced Change Management Documentation and Procedures: Our research indicates that discrepancies are more likely to occur when customers request changes in processes that we are currently performing for them. To lessen this risk of non-conformance, we will more fully develop Rinchem’s process for change management, which includes planning, documentation, training and follow up for each requested change. We have found when we accept responsibility for changing procedures without first adhering to these “change management” steps, our eagerness to please can set us up for failure at a later date.
6. Right-sizing staff for a growing business: During the business slowdown we experienced last year we reduced staffing to fit the workload. We were

tentative about adding staff as volumes returned, until we had confidence that the higher volumes would continue. There now seems to be adequate reason to support the continuance of current and increasing business, so we are aggressively hiring to ensure we have adequate qualified staffing to avoid the kind of rushing that causes or contributes to errors.

7. Process Refinement: A somewhat surprising byproduct of the process audits previously mentioned is that when variances in interpretation of process documentation are discovered, the opportunity exists to analyze the procedures for effectiveness and modify them and retrain as appropriate. We are finding that the process audits are very effective conversation starters and are causing managers to become much more intimate with their front line operations and focused upon ensuring that process documentation allows very little room for interpretation and that processes are executed uniformly across the company.
8. Explicit, Detailed Standards of Accountability for Individuals and Teams: Accountability is essential to maintenance of quality, and it is enhanced when it is applied consistently and everyone involved in the work knows in advance what is going to happen when documented procedures are not adhered to. Rinchem seeks to further develop a culture of accountability and responsibility and will do this by making sure that work and accountability standards are explicit, detailed, fully understood and internalized by employees at every level of the company.

Business Continuity Planning

9. Enhancement of Corporate Business Continuity Plan (BCP) and Site-Specific Plans: We are directing each customer service center (CSC) to develop site-specific BCPs to enhance the existing corporate BCP. These site-specific BCPs will address recovery plans for each site's processes and key process components, its primary suppliers, and ensure it has current escalation and communications plans. To standardize these plans to the extent practicable, we are providing CSCs with a template which is flexible, but which also ensures that the important issues are addressed. Our corporate BCP SOP emphasizes the use of failure mode and effects analysis (FMEA) as an appropriate means of prioritizing issues and determining how much detail should be applied, by scoring the likelihood and potential severity of business interruptions that could face us.
10. Significant IT investment: Through the first half of 2010, Rinchem's IT group will be enhancing and further stabilizing Rinchem's data management infrastructure. The objective is to have systems in place that are both reliable and redundant to support business continuity, provide 100% up-time of critical systems during normal situations, and provide the least

amount of interruption to business in the event of any disruption. All company and customer data will get replicated in real time to a local redundant copy, as well as to a completely separate system at a location outside of New Mexico. Devices engineered to withstand hardware failures and built with redundant components will be implemented to store Rinchem's data and a recovery solution, and will be installed to allow Rinchem to return any data to any point in time down to the microsecond, just like TiVo for IT data. The system will be dynamic in growth and allow scalable expansion.

Potential benefits associated with these investments include:

- Improvement in the current backup system to ensure that all company and customer data is 100 percent protected
- Backup and restore success rates of 100 percent
- Loss-of-revenue protection for Rinchem and its customers
- Improved recovery times for critical data
- Replacement of current systems with more reliable, scalable and cost effective systems

In conclusion, we understand that even though we are performing tens of thousands of transactions and process steps on a daily basis to a level that exceeds the expectations of many customers, we still have room to improve. We realize that as our customers make leaps and bounds forward with regard to quality, efficiency and lean supply chain principles, Rinchem must also follow suit in order to earn and keep your business. As we strive to successfully implement these ten steps toward radical reliability, we are excited to work with you. We hope that you will also notice and be pleased with the improved levels of service, dedication and operational performance.

Hub-and-Spoke at Rinchem Salt Lake City

Lower Transportation Costs and Better Customer Service

Many industry-leading chemical manufacturers and suppliers have all successfully implemented hub and spoke distribution systems to achieve a competitive logistics advantage. Although the selection and design of a distribution network can involve many different variables, the hub-and-spoke model provides some distinct advantages. Below are a list of some of the benefits that a hub-and-spoke, versus a point-to-point distribution model, can provide:

- Fewer, fuller truckloads throughout the distribution network, because of material consolidation for multiple customers into a single truckload

- The ability to better fulfill rush requests and respond to changes in demand, because of the availability of material at a nearby hub ,versus having to ship it from the location where the material was manufactured
- Access to better tracking, planning and inventory management tools and technologies – lead logistics providers like Rinchem offer these benefits to hub-and-spoke customers
- Better customer service – the ability better fulfill just-in-time delivery requirements that many chemical customers might demand, so they do not have to store chemicals on site
- Reduction in transportation costs and time spent on the road
- Improvement in operational efficiencies such as safer and on-time deliveries
- Reduction of risks of chemical storage, both in accident prevention and cost of long-term storage resulting in out-of-date inventories
- Reduction of costly inventories by moving product faster as it is closer to its final destination point

This adds up to what can be a significant cost savings when using a hub system.

Rinchem currently operates as a hub for many chemical manufacturers and suppliers across our worldwide network. Rinchem's Salt Lake City facility is one of the newest and most advanced facilities to offer hub-and-spoke distribution.

Our **Utah Facility** is located in Salt Lake City, which is an excellent location for a distribution hub serving customers located in the Western United States. Its centralized location offers optimal reach and minimization of miles traveled to major metropolitan regions within the Western United States, with response times limited to only 1 to 2 days for customer deliveries. We currently house regulated, non-regulated and temperature controlled materials. Our Utah location is also equipped with a gas cylinder storage area. We currently support deliveries from this location to Idaho, Nevada, Colorado, Wyoming, and New Mexico, as well as long haul routes across the U.S. and into Mexico.

We invite you to learn more about our capabilities as your hub provider in Utah by contacting our Utah Facility Manager, Gary Michaelson at 801-364-2210, or Business Development Manager, Jed Beck at 505-681-4210, or by visiting our Web site at www.rinchem.com.

Jed Beck: Business Development Manager of the Year

We recently sat down with our own Jed Beck, who was named the 2009 Sales Person of the Year for Rinchem at our annual meeting on January 14, 2010.



On January 14th, 2010, Jed Beck was awarded Business Development Manager of the Year in Albuquerque, New Mexico

Background: The Early Years

Jed graduated from Brigham Young University in Communications, and began working for Rinchem in 2006. He was first employed in his native Utah as a territory account manager. However, while working out of the Salt Lake City facility, he drove an eighteen wheeler for local deliveries and also prepared orders for shipment to an industry-leading flash memory manufacturer in the area. He later moved with his family to Albuquerque, New Mexico. He became a Business Development Manager in 2008 and returned to Utah.

Specialty Area: Lead Logistics Provider (LLP)

Jed has developed the crucial skills required in developing and implementing lead logistics provider services. He has worked with many of Rinchem's key customers in developing strategic, complete and customized services to manage all of their logistics services, and also reduce their costs associated with logistics. Jed's success in LLP is primarily due to his ability to understand customers' needs and create unique solutions which can include transportation, ocean shipping, warehousing, managing systems, and any other special requirements. His specialty in this area will continue into 2010, and he will be busy as Rinchem has several LLP contracts starting this year.

Motivation and Dedication

Blessed with a wonderful wife and two young children, Jed is motivated to do his best in everything he does. He is an avid outdoorsman, and loves sports of all sorts.

Jed confesses to having a competitive spirit, which complements the sentiment of other members of the sales team. When asked what his motivation was for working towards the very difficult task of being sales person of the year, he said, "I believe that Rinchem's services are the best out there. I become giddy with the prospect of helping our customers improve efficiencies and decrease costs. I love to see my customers happy and content, and that's what motivates me."

Looking Ahead

Jed plans to implement many new LLP contracts in 2010, and also has begun helping some new customers realize the cost savings and increased efficiencies through LLP services. He has a personal goal of being the top seller for 2010 as well, although his primary goal in 2010 is to "help customers achieve success and make sure each of Rinchem's customers have the best experience possible."

Rinchem Selected by Sandia National Laboratories In New Mexico for On-Site Environmental Services

ALBUQUERQUE, N.M., April 5, 2010 – Rinchem Company, Inc. announced today that it has been selected by the New Mexico location of Sandia National Laboratories to continue to provide ongoing, on-site environmental services. Rinchem will manage one on-site 90-day accumulation area, one treatment, storage and disposal facility and one solid waste transfer facility, overseeing the safe and efficient handling and disposal of most regulated and non-regulated chemicals and other wastes.



An F-117 Stealth Fighter taxis along the runway at an undisclosed location

“We have had a long-standing relationship with Sandia National Laboratories for nearly two decades and hope to continue to provide the New Mexico site with safe, efficient and regulatory compliant management of wastes and recyclables,” said Ken Tetreault, Rinchem’s on-site manager at the Sandia, New Mexico location.

Jeff Jarry, Project Lead for the Sandia National Laboratories Hazardous Waste Management Facility said, “We look forward to continuing the productive relationship of working together, as in the past, while operating and managing the Hazardous Waste Management Facility and the Solid Waste Transfer Facility. We also look forward to safely and compliantly managing hazardous and solid waste and, in addition, recycling millions of pounds of cardboard, paper, metals and other items.”

Rinchem is an international provider of chemical and gas management solutions, serving regional and Fortune 500 corporations within the chemical manufacturing, semiconductor and electronics, pharmaceutical, aerospace and defense industries. On-site services that Rinchem will provide to Sandia National Laboratories at its New Mexico location include waste characterization, pickups, packaging, sampling, profiling, manifesting and shipping of waste and recyclables, excluding radioactive or explosive wastes. For more information about Rinchem’s services, please visit our website at www.rinchem.com or call 1-888-3PL-CHEM.