



ENVIRONMENTAL INITIATIVES

A key value for KLN is serving the community, including acting responsibly. In this vein, KLN has demonstrated an exceptional commitment to Environmental improvement through the facilities and land we occupy, the materials we use, the methods we employ to transform raw materials into finished product, and the disposal of scrap and waste.

In compliance with Executive Order 13101 regarding the Federal Government's use of recycled products and environmentally preferable products, KLN has been declared "GREEN" by GSA and is listed in GSA's Environmental Products and Services Guide. KLN is the only furniture manufacturer on federal GSA schedules that has earned the environmental designation. KLN earned this designation through its initiatives in recycling, packaging, green fuels, land use and VOC reduction.

In 2000, KLN was awarded the Environmental Excellence Award from the San Antonio Water System for water conservation.

Facilities and Land

In full cooperation with the Texas Council on Environmental Quality, KLN purchased a previously contaminated refinery site, opened a state-of-the-art manufacturing facility, eliminated gasoline forklifts, and reduced VOC output (a key contributor to smog) by 100%. This innovative, cooperative approach has put 40 acres of previously untouchable property back into highly productive and taxable economic use.

Raw Materials

The two raw materials used most in producing KLN furniture are steel and wood. Steel comprises between 70% to 80% of all the raw materials used in the production of KLN furniture, and wood comprises between 10% to 15% of the raw materials.

Steel

Steel is North America's Number #1 Recycled Material. Each year, more steel is recycled than aluminum, paper, glass and plastic combined! Scrap has become the steel industry's single largest source of raw material because it is economically advantageous to recycle old steel into new steel. In light of this, steel-making furnaces have been designed to consume steel scrap. In fact, in the past 50 years, approximately 50 percent of the steel produced in this country has been recycled through the steel-making process. Thanks to the steel industry's impressive history of recycling, a wide variety of collection programs exist to recycle steel products. All of these programs tap into the steel recycling infrastructure, a well-established network of more than 2,000 ferrous scrap processors and more than 70 end markets. This steel recycling infrastructure, which has grown and matured over the years in its efforts to meet the steel industry's demand for steel scrap, is the reason today's steel recycling efforts actually supersede those of the past.

Wood

MDF, or medium density fiberboard, is part of a family of environmentally friendly products known as Engineered Wood. After World War II, a combination of modern technology and environmental concern came together to initiate what is now a major industry for residual, recovered, and recycled wood. In the family of products that followed, the manufacture of



particleboard and MDF has grown steadily over the years. The results have been dramatic — a wiser use of our forest resources and the manufacture of a product that is increasingly at the heart of today's furniture, cabinets, and other wood products.

Tree growing in North America is on the increase, even with all of our needs for wood products. In 1993 alone, nearly 2.5 billion seedlings were planted in North America, and collective efforts promoted the reforestation of more than two million acres of land. In the United States, the forest products industries planted 43% of these seedlings, or an average of 180 new trees for every child born in America. Trees cover about 40% of North America today - 1,758 billion acres. Five hundred years after Columbus discovered America, forests still cover about 70% of the land they did then. Most importantly, tree planting has been steadily increasing since World War II. There is 28% more standing timber volume in the United States today than there was 40 years ago. Responsible forestry practices and environmental concerns are linked in a partnership that is working. The technology of Engineered Wood helps this partnership succeed.

Engineered Wood products are natural, organic, recyclable, and renewable. By choosing MDF, you support the recovery and recycling of millions of tons of wood chips, shavings, sawdust, and even post-consumer and "urban wood" like pallets and construction waste every year.

Production Methods

KLN has made several large capital investments in equipment that have improved both the quality of our products and the environment.

Powder Coating Paint System

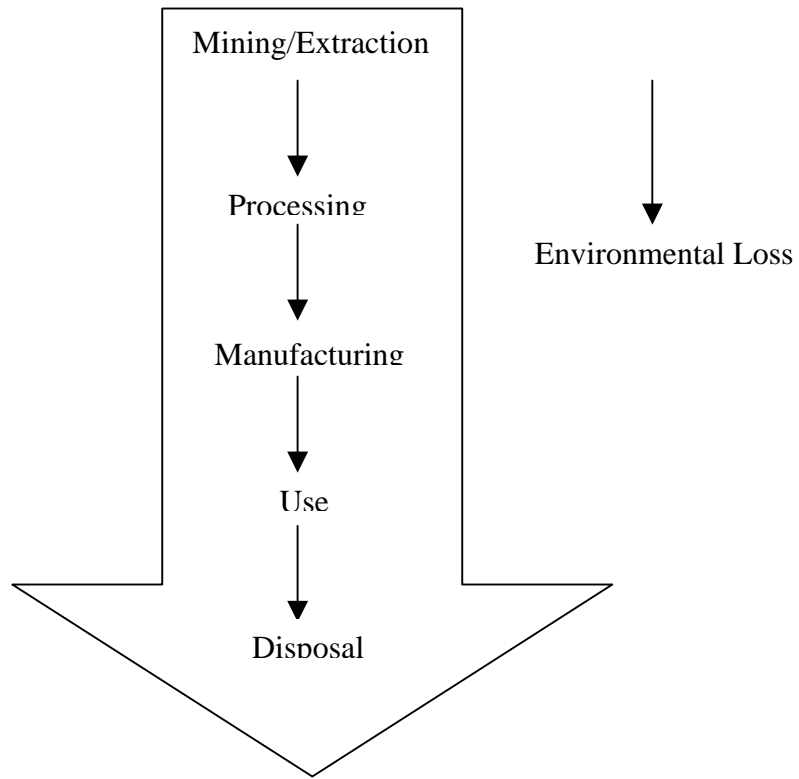
In 1998, KLN purchased a state-of-the-art pretreatment and powder coating finishing system. Powder coating is highly protective of our environment. While liquid finishes contain solvents which have pollutants known as volatile organic compounds (VOCs), powder coating contains no solvents and releases negligible amounts, if any, of VOCs into the atmosphere. Thus, there is no longer a need for finishers to buy costly pollution control equipment. In addition, most powder coating overspray that does not adhere to the part can be retrieved and reused, virtually eliminating the waste commonly found in liquid finishing processes. Elimination of VOCs and reduction of wastes saves money and helps companies comply more easily and economically with the regulations of the U.S. Environmental Protection Agency. In fact, one of the major elements in expanding the market for powder coating has been the implementation over the past 30 years of stringent air pollution control legislation.

Wood Chipper and Dust Collection System

Recently, KLN purchased a wood chipper and dust collection system that converts all wood scrap to sawdust. The dust is then collected for recycling. The recycled wood chips and sawdust can then be used in the production of engineered wood products, such as particle board and medium density fiberboard. Recycling scrap wood diverts waste from our landfills and eliminates burning that pollutes our air.



VIRGIN PRODUCT LIFE CYCLE



RECYCLED PRODUCT LIFE CYCLE

