

Informers

Informing, planning and taking action



OFFICERS

President

Eugene W. Baldino
Jasco Tools, Inc.

Senior Vice President

Steve Morency
M. A. Ford Mfg. Co., Inc.

Vice President

David J. Povich
Tool Alliance

BOARD OF DIRECTORS

B. V. Bowersock
North American Tool Corp.

Euretta Griggs
Whitney Tool Co., Inc.

James P. Haag
Hardcoating Technologies, Ltd.

Johan Israelsson
Sandvik Coromant Co.

Donald J. Jacquart
Guhring, Inc.

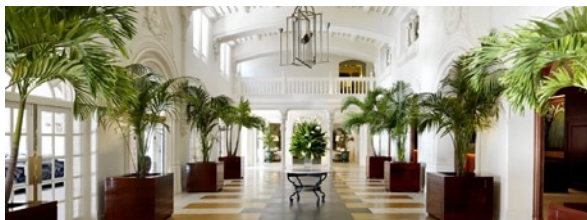
Philip Kurtz
Wetmore Tool & Engineering

Thomas McLaren
Ceratizit USA

Harry O'Brien
Crucible Materials Corp.

Steve Stokey
Allied Machine & Engineering Corp.

Immediate Past President
Gary A. Vanderpol
Criterion Machine Works



Only private enterprise can generate the energy required to provide the REAL, sustainable STIMULUS necessary to lift industry out of the current global economic downturn. Industry meetings, like our upcoming Spring Meeting in Boca Raton, provide a unique opportunity for the elite of the Cutting Tool Industry to come together, network with peers and do a reality check, and in the process, identify and engage the many challenges and opportunities which lie before us. The leaders of our industry need to be in Boca - and the Institute needs your participation. In difficult times it is imperative to make quick, informed decisions. Your attendance at the 2009 Spring Meeting will provide your company with pertinent, timely facts and specific industry insight. It is essential that you join us as we plan our collective future success!

The 2009 Spring Meeting offers a substantial program of informative presentations to spark creative discussion, successful networking, and the spirit of cooperation. Remember, the best business happens when we all pull together in person. USCTI works hard to ensure our meetings provide opportunities to:

- **Foster** great business relationships
- **Build** consensus and find ways to move forward
- **Share** information and solutions with peers
- **Direct access** to merger, acquisition, and joint venture partners

Survive and Thrive: An Important Industry Discussion

2009 Spring Meeting
April 25-27, 2009
Boca Raton Resort & Club
Boca Raton, Florida

Schedule of Events

SATURDAY, APRIL 25, 2009

7:30 AM – 8:45 AM	Programs Committee Meeting & Breakfast
9:00 AM – 11:00 AM	Board of Director's Meeting & Breakfast
12:45 PM	Golf
6:00 PM – 7:00 PM	Welcome Reception for All Members & Guests
7:00 PM	Dinner Open for individual arrangements

SUNDAY, APRIL 26, 2009

7:30 AM – 11:30 AM	Institute Breakfast & Meeting
Human Resource Legislative Update: Eugene A. Clyde, Group Human Resource Vice President, International Paper	
Tax Code Changes and Their Impact on Our Companies and Industry: Terrence P. Fergus, Principal, FSM Capital Management, LLC	
– Break –	
Current Economic Environment, Credit Market Horizon, and Commercial Lending Prognosis: Abiel Reinhart, U.S. Economist, J. P. Morgan Chase & Co.	
Cutting Tool Industry Business Outlook: USCTI Survey Results and General Discussion	
1:00 PM	<i>Surf's Up !!!</i> Networking at the Beach
6:30 PM – 7:30 PM	Reception
7:30 PM – 10:30 PM	Dinner / Dance

MONDAY, APRIL 27, 2009

7:30 AM – 11:00 AM	Institute Breakfast & Meeting
Institute Meeting	
– Break –	
Panel Discussion: Marketing in a Climate of Economic Crisis Bruce Williams, U. S. Tool Group, Moderator David Povich, Tool Alliance Bernie Bowersock, North American Tool Corp. Phil Kurtz, Wetmore Tool & Engineering Co.	
Panel Discussion: Cost Reduction Strategies for the Long Haul Gene Baldino, Jasco Tools Inc., Moderator Mike Stokey, Allied Machine & Engineering Corp. David Baker, Robb-Jack Corp.	
12:45 PM	Golf
6:30 PM – 10:00 PM	Reception & Dinner

President's Column



Gene Baldino, President
United States
Cutting Tool Institute

The first weeks of 2009 have generated great concern for our country, our economy, our businesses, and our employees. Unfortunately, it appears that the situation will continue to degrade for some time to come. Many economists have already stated that the U.S. is not in a recession, but rather a depression (generally defined as a recession lasting between three and seven years). More eloquently

put by one economist – *an economic depression occurs when it becomes painfully obvious that the markets and the economy are failing to respond to repeated injections of policy stimulus.*

While dismal, it is important that we all understand the realities of the situation at hand. As fully informed individuals, I am confident that the true leader in all of us will step forward to:

- Make complicated and difficult decisions, not in haste but with urgency.
- Choose a course of action and direct its execution, providing necessary guidance for others to follow.
- Eliminate anchors while fostering propellers, insuring the unified approach required for success.

For in these most challenging times, well run, pragmatically managed, inventive companies are able to separate themselves from the pack.

With clever, well thought out initiatives and practical fiscal oversight, we all have the opportunity to further distinguish our companies from the competition, both foreign and domestic. In establishing a stronger more effective and lasting protocol for our businesses during this period of economic strife, we not only navigate the present, but also establish a foundation upon which we will be able to capture a larger portion of future economic expansion.

It is also imperative that we utilize the power of our institute to support member companies throughout the process. The institute's greatest strength as attested by its members is *the ability to gather together as colleagues in free exchanges of thoughts, ideas, and perspectives. To use this camaraderie and kinsmanship as stimulus to foster progressive change within our businesses and promote their expansion in the markets they serve.*

Therefore, in an effort to better align the current needs of our members, the Programs Committee has embarked on an aggressive initiative to reformat the upcoming Spring Meeting, scheduled for April 25th through April 27th. The planned agenda is intended to generate tangible results as well as an effective return on your registration fee investment.

Some highlights:

- Mr. Eugene Clyde, Director of Human Resources for International Paper, will provide a legislative update with respect to labor law and employee benefit changes. This segment will provide a detailed understanding of new requirements as well as effective alternatives to implementation or possible avoidance.
- In staying with the theme "Excellence From Within", member panel discussions have been established for the topics of operational cost reduction and creative market expansion. This event is intended to promote active dialog with the audience while utilizing the skills and past experiences of the panel in an effort to generate proposed strategies and initiatives to assist member company success throughout the current economic state.
- Economists and political representatives are being actively solicited to participate in a live debate on the current conditions we all face, as well as proposed improvement plans.
- The USCTI individual company economic report segment has been reformatted into a moderator-led roundtable focused on business conditions, industry trends, cost control and forecasted demand levels. It has also been suggested that a member economic survey be submitted prior to the meeting with the compilation of this data to be revealed as a prelude to the roundtable itself.

During the past several years, the USCTI has evolved to meet the ever-changing needs of its members as well as the marketplace in general. Momentum continues to grow, with meeting attendance reaching historical highs while concurrently rebuilding the institute's reserve fund. At this critical time I urge you to remain connected with our industry and our institute; there truly is strength in numbers. Participation at the Spring Meeting will provide your company with invaluable knowledge, effective strategies, and relevant initiatives to help weather the storm. In times like these, it is important to remain engaged and visible and not become withdrawn. Your fellow members look forward to your personal, intellectual, and moral support.

USCTI Statistics Committee is on the move...

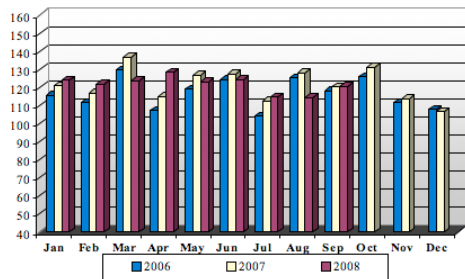
The USCTI Statistics Committee is hard at work making sure the information provided to Institute members is adding the value they need in order to make informed business decisions. In the last several months we have conducted a thorough review of the statistics manual, compiled recommended changes from the committee, reviewed the reporting deadlines and developed a new statistics report for our Surface Coating members.



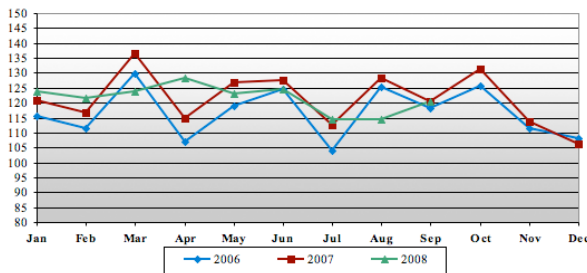
Steve Stokey
Statistics
Committee Chair

The review of the statistics manual showed just how strong and thorough our program is. Minor changes have been made to definitions of terms to more clearly reflect today's business environment. The biggest change to members is the reporting date of information from the 15th of the month to the 10th of the month following the reporting period. The change became effective for the 4th quarter of 2008, commencing with the September reporting period. What does this mean to members? Timely data means the opportunity for timely, relevant business decisions for our member companies.

Another visual change you will see is the graphing of information. A more traditional line graph will allow you to more easily identify trends. Below is an example of the old versus new format.



Old Graph



New Graph

The committee would like to thank our Surface Coating members for the timely work they did in getting their new reporting structure in place. Effective January 1, 2009, USCTI is initiating the Surface Coating Section into the monthly statistical reporting program.

There is much left to do as we move forward. We are looking at additional metrics that our members deem relevant to their businesses. We are also looking at opportunities to improve the Nicely Report. Ron Nicely has ideas for changes to the report that will give members a stronger view of what the latest economic data means to the Cutting Tool Industry.

As always, we welcome your input and ideas and stand ready to add value for our members. Please forward your feedback to: uscti@uscti.com.

Statistics Committee Members:

- | | |
|---------------------|--------------------------------------|
| Steve Stokey, Chair | - Allied Machine & Engineering Corp. |
| Mick Armstrong | - Micro 100 Tool Corp. |
| Bernie Bowersock | - North American Tool Corp. |
| Angela Brancazio | - Kennametal, Inc. |
| David Cragg | - M. A. Ford Mfg. Co., Inc. |
| Chuck Elder | - Ingersoll Cutting Tool Co. |
| Jim Haag | - Hardcoating Technologies, Ltd. |
| John Israelsson | - Sandvik Coromant Co. |
| Donald J. Jacquart | - Guhring Inc. |
| Thomas McLaren | - Ceratizit USA |

USCTI Technical Committee Reorganization/Update



Al Choiniere
Technical
Committee Chair

A call to action by the USCTI Long-Range Planning Committee and Board of Directors ignited an overwhelming response from the membership's leading technical advisors.

After several years of inactivity, the new Technical Committee gathered for their first meeting in Chicago on September 10, 2008. Those present represented eighteen member companies with a diverse product range in various types of cutting tools, raw materials and coatings. In addition, the group included administration and technical support from Thomas Associates, Inc.

President Gene Baldino expressed to the group the importance of the renewed focus on technical activities to the benefit of the membership and industry in keeping with the Long-Range Planning Committee and Board's goal of enhancing value.

After much review and discussion, it was unanimously agreed that the USCTI must be engaged in all standard's activities affecting the global metal cutting industry and membership. The Committee agreed the standards need to be identified, prioritized, monitored and made readily available to all members and possibly universities and trade school programs.

A membership survey was conducted to confirm relevant standards and identify member companies already represented on various standard(s) committees. We asked for your input on 64 U.S. and European Standards/Committee and 90 Japanese Standards. Responses were received from 40% of the USCTI membership.

The Technical Committee reconvened on March 5, 2009 to further evaluate which standards USCTI should participate in or monitor, and to refine a plan/proposal for this important activity. We will continue to update you on our progress.

Twenty-nine USCTI members have joined us in this renewed undertaking. If your company hasn't yet designated a Technical Committee representative to support these important efforts, please contact the Institute Office to initiate your involvement.

Planning for Obama Administration Legislative Initiatives

By: Joseph P. Boeckman, Baker & Hostetler LLP

With a new President supported by a Democratic House and a 58-42 margin in the Senate (59-41 if Mr. Franken is seated), "Change we can believe in" has already begun – and at a break-neck pace. This article highlights some of the fundamental changes expected from Congress that should be considered when making business decisions.



Boeckman

Higher Individual Tax Rates

Federal income tax rates (including hidden income taxes like phase-outs of personal exemptions and limiting itemized deductions) seem certain to increase by approximately five percentage points – or slightly more – for individuals earning in excess of \$250,000. The Obama Administration appears to favor an increase in these top tax rates on ordinary income when the Bush-era tax cuts of 2001 expire at the beginning of 2011.

Higher Tax Rates on Capital Gains and Dividends

Individual tax rates applicable to capital gains and dividends also will increase, most likely to 20 percent. The Obama Administration appears to favor an increase in these top tax rates on capital gains and dividends when the Bush tax cuts of 2001 and 2003 expire at the beginning of 2011. However, as in the case of rate cuts on ordinary income, some Democrats in Congress would prefer that these rate changes occur sooner.

Blowing the Cap Off Social Security Earnings

At some point during the Obama Administration, we expect that Social Security taxes on wages exceeding \$250,000 may increase by at least two to four percent. The combination of that expected increase with the existing Medicare tax on all wage income will put pressure on high wage-earners to take steps to defer wage income or convert wage income into investment income.

Lower Corporate Tax Rates, At a Cost

There seems to be growing support for reducing the corporate tax rate. Unfortunately, there also is growing support for paying for any rate reduction by eliminating various deductions. Thus, to the extent rate reductions occur at all, there likely will be winners and losers. The most obvious losers may be U.S. companies that take advantage of the manufacturing deduction, as any general rate reduction is likely to result in the elimination of that benefit. Ways and Means Chairman Charles Rangel has a proposal under which deductions that are attributable to unrepatriated foreign income would be deferred until such income is repatriated. Two companion proposals would effectively put an end to high-tax/low-tax foreign tax credit planning and eliminate worldwide interest allocation for foreign tax credit purposes. Corporations that produce products abroad and sell those products into other jurisdictions also would lose any benefits of deferral under Democratic proposals going back many years.

Corporate tax directors need to inform their boards of the potential impact on corporate earnings of these expected changes. Adverse effects of certain proposals may be lessened or eliminated with advance planning.

Revenue Raisers, Including Executive Compensation Tax Changes and So-Called Loophole Closures

Legislation targeting tax benefits associated with executive compensation, carried interests, and tax credits are certain to be considered in the new Congress, and the so-called economic substance doctrine seems certain to be codified. In addition, Congress appears to be poised to aggressively attack the use of tax havens by corporations. Migration of certain holding companies from non-treaty haven states to low-tax treaty jurisdictions may be helpful in certain cases.

Estate Tax Permanence and Coordination with the Gift Tax

One thing we can all be certain of is that our new leaders in the White House and the Congress will not allow the estate tax rate to go to zero in 2010 and then spring back to life in 2011 -- which is what will happen under present law. Instead, we expect the estate tax to be made permanent in 2009 at a top tax rate of 45 percent. We believe the exemption amount for 2010 will be retained at least at the 2009 amount of \$3.5 million per person or \$7 million per couple. We also believe, however, that the new legislation will allow any exemption not used by one spouse to be automatically available to the other spouse. In addition, beginning in 2010, the gift tax exemption amount will be increased to \$3.5M (from \$1M) to again become uniform with the estate tax exemption amount. Given the recent historic drop in market values of assets of all types and the seeming inevitability of the estate tax for years to come, 2009 will be an ideal time to plan for aggressive gifting in early 2010 using various techniques for those who desire to pass significant assets to their heirs.

Energy Incentives

With gas prices falling, economic incentives in the marketplace are dissipating for developing alternative, renewable, and environmentally friendly energy sources. Congress seems determined to encourage alternative energy sources and environmentally friendly production and transport, and the Obama Administration is committed to that effort and has even touted massive government investments into eco-friendly research and investments as a type of "public works" project to help end the current economic recession. In addition to the energy component of the stimulus plan, it appears likely that a larger, more comprehensive energy bill may be developed later in 2009 or 2010.

Free Trade Issues

Columbia free trade, along with pending free trade agreements with Panama and South Korea, are stalled for now. Watch for Republicans to press for approval of these agreements in exchange for refraining from filibustering in the Senate various pieces of legislation to be sought by the Democrats. The overall climate for international trade is deteriorating; both imports and exports are likely to be affected adversely.

As the economy continues to decline, we expect what seems always to happen, a political inclination to target foreign imports for our problems. During the last eighteen months the trade front has been relatively quiet because typically contentious areas, such as agriculture and steel, had been prospering. That situation is rapidly changing. Domestic manufacturers of goods competing with imports will likely benefit from petitioning for trade

relief, even when cases are more difficult to prove, because such petitions invariably disrupt the market in favor of domestic producers. Importers, by contrast, should try to diversify their sources of supply because of such possible disruptions. The Democratic Congress will continue to tilt toward trade protectionism, now supported by an increase in the number of “Blue Dogs” and by clearer majorities.

The Obama Administration, which seemed to uncomfortably lapse into vague protectionist positions during the campaign, is not likely to assign much priority to trade. It may, however, permit the Congress to press forward a protectionist agenda: continued opposition to major trade agreements and continued pressure on China, particularly over alleged currency manipulation.

The export side of our trade relationships could be affected adversely by our own protectionist measures more than at any time since the 1930s. As we enforce our trade laws against foreign subsidies, for example, other countries are going to enforce their laws against our exports. The economic meltdown has led to a sweeping new government involvement that translates, in trade law, to subsidies. We are likely to impose more trade restrictions on goods that we claim are subsidized. Foreign countries are likely to do the same to our exports.

Labor

The Employee Free Choice Act (EFCA) will be a major focus of the Congressional agenda in 2009. EFCA would amend the National Labor Relations Act (NLRA) by substituting card check recognition for the secret ballot election as the means for employees to choose union representation. EFCA will also require binding arbitration of first contracts 120 days after a union is certified as the employees’ representative. That means that an arbitrator (not the employer) will have the power to set employees’ wages and benefits for the first two years of the bargaining relationship. Finally, EFCA would impose stronger penalties for employer violations of the NLRA during organizing drives or the negotiation of first time labor contracts. Passage of EFCA is assured in the House, however, it is unclear whether the Act’s proponents will be able to muster the 60 votes necessary to end debate given opposition of certain Senate Democrats and a likely Republican filibuster in the Senate. President Obama has promised to sign any such

legislation into law. Watch for efforts by Congressional Democrats to attempt to negotiate a compromise version of the Act.

Environmental

We expect that the Obama Administration will increase enforcement of environment regulations, which will cause both an overall increase in environmental litigation and a shift to some degree from lawsuits initiated by environmental interest groups to lawsuits initiated by the Administration itself. Early indications of the Obama Administration’s enforcement priorities will become clearer as the Environmental Protection Agency begins sending investigatory letters to key industry sectors.

The new Administration also will begin to implement some of Obama’s environment-related campaign promises, most notably those associated with climate change legislation. The new chairman of the House Committee on Energy & Commerce, Rep. Henry Waxman (D-CA) has announced his goal of moving a climate change bill to the floor of the House by Memorial Day. Support by some in industry for a carbon tax rather than a cap-and-trade system, along with the current economic crisis, likely will delay passage and affect components of the leading proposals.

Healthcare Reform

During the campaign, President Obama focused upon healthcare reform and indicated it would be a major initiative of his administration. Although the financial sector of our economy has taken precedence at the moment, the appointment of Tom Daschle both as Secretary of Health and Human Services, and the creation of a new White House healthcare reform team signals that the administration will soon address major healthcare reforms. The mounting deficit may play a major role in major expansion initiatives, including the expansion of entitlement programs. The Children’s Health Insurance Program (CHIP) reauthorization bill, however, has already been approved by the House and is making its way through Congress to the President’s desk. Expansion of CHIP was one of Obama’s stated goals. In addition, Daschle’s longstanding study and writings about healthcare reform portend the potential creation of a Federal Health Board, similar to the Federal Reserve. In Congress, we understand that entitlement program funding cuts are being discussed. If history plays out again, we can expect major healthcare funding cuts, similar to those felt in the Balanced Budget Act of 1997.

2009 SPONSORS



Welcome, New Members!

Advanced Tool, Inc.
9169 River Road
Marcy, NY 13403
P: 315-768-8502
F: 315-768-4807
www.advancedtool.com
Sherry DePerno, CEO
sherry@advancedtool.com

Fraisa USA, Inc.
711 5th Street SW, Suite 1
New Brighton, MN 55112
P: 651-636-8488
F: 651-636-8588
www.fraisausa.com
Mathieu Tapp, CEO
mathieu.tapp@fraisausa.com

LMT USA Inc.
1997 Ohio Street
Lisle, IL 60532
P: 630-969-5412
F: 630-969-5492
www.lmtusa.com
Robert Maxey,
Executive Vice President
rmaxey@lmtusa.com

Nachi America Inc.
Cutting Tool Div.
17500 Twenty-Three Mile Rd.
Macomb, MI 48044
P: 586-263-0100
Fax: 586-263-4571
www.nachiamerica.com
Nobuo Segawa, President
segawan@nachimtc.com

2009 Institute Dues

This is a reminder that USCTI membership dues invoices were sent to all members of USCTI. Please note that dues have not increased for 2009. The Institute Office would be grateful if you would complete your company's dues calculation form and remit your dues as soon as possible. If you have any questions regarding the calculation of your dues, please feel free to contact the Institute office.



Cutting Tool Informer
1300 Sumner Ave.
Cleveland, Ohio 44115
phone: 216.241.7333
fax: 216.241.0105
email: uscti@uscti.com
www.uscti.com

USCTI Long-Range Planning Committee Update

by Steve Morency, Chair, USCTI Long-Range Planning Committee



Morency

The Board of Directors created the Long Range Planning Committee in the summer of 2007. During our first year, the committee redefined the Institute's Mission Statement, and identified five specific goals for the near term:

- “To provide members focused access to cutting tool industry networking, promotion, market data, and trends.”
- 1 Web site redesign and development
 - 2 Improved and more frequent networking opportunities
 - 3 Promotion of USCTI member companies and cutting tool industry
 - 4 Focused market data and trends
 - 5 Expansion of revenue

During the past year, the committee has directed its attention to advancing a key action item which identified the need to have a revitalized technical program. One idea that might be considered to support this effort in the future is the possibility of involvement by an outside professional/non-member Technical Director.

Dr. Lee Shoemaker, who is VP of Technical Services at Thomas Associates (TA), our Secretary-Treasurer, presented a USCTI Technical Service Proposal to the Board of Directors for discussion. Potential alternatives that could be considered by the Institute to meet their technical needs on an enhanced level range from that of employing the full time services of a TA engineer to serve as Technical Director, to retaining the services of a TA engineer on a limited basis to execute a technical program based on a scope of services we would define. The Board will consider these potential options as future plans in the technical arena are defined.

The Board has asked the Long Rang Planning Committee to better define the objectives and scope of USCTI's technical program before considering whether there is a need to evaluate involvement by an outside professional/non-member Technical Director. To that end, the Planning Committee reconvened for an in-depth discussion and took the following specific actions to develop the Institute's renewed technical program.

- Form a new Technical Committee, representing all product categories – as opposed to technical committees for each individual division. To date, there are 29 member company representatives involved in this renewed effort.
- Evaluate the technical needs of the membership. The Technical Committee has conducted a technical standards needs assessment survey of the membership and will develop a plan to address this important activity.
- Assemble a new USCTI Library at TA, including relevant standards, specifications, testing procedures, research and other technical articles, etc.

Finally, the Planning Committee is focused on a survey to understand the USCTI membership's changing needs and expectations. It has been an extended period of time since a formal in-depth survey has been undertaken to determine attitudes and opinions concerning the agenda and programs USCTI should focus upon to most benefit members. USCTI's leadership is committed to providing the services and resources needed to successfully support USCTI's members with relevant programs and activities now and in the future.

Comments or suggestions for the Planning Committee are most welcomed. Please feel free to direct your ideas to my attention – smorency@maford.com.

Future Meeting Dates

Mark your calendars now for these upcoming events!

2009

2009 USCTI Spring Meeting

April 25-27, 2009
Boca Raton Resort & Club
Boca Raton, FL

EMO Milano 2009

October 5-9, 2009
Milan, Italy

2009 USCTI Fall Meeting

October 17-19, 2009
Hyatt Regency at
Gainey Ranch
Scottsdale, AZ

2010

World Cutting Tool Conference (USCTI Host)

April 27-30, 2010
Monterey, CA

The International Manufacturing Technology Show (IMTS)

September 13-18, 2010
Chicago, IL