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2020 FALL INSTITUTE MEETING

Colorado Springs, Colorado

October 17-19

Please mark your calendars for the 2020 Fall Institute Meeting at The Broadmoor in Colorado Springs, Colorado from October 17-19.

Check your email for registration information. We hope to see you there!

In This Issue

- Page 2 USCTI President's Message
- Page 3 Congratulations To Our 2020 USCTI Scholarship Recipients
- Page 3 Statistics Committee Update
- Page 3 Technical Committee Update
- Page 3 USCTI Contacts
- Page 4 Spring 2020 Business Outlook Survey Results
- Page 5 USCTI Institute Meetings
- Page 5 Update From the Programs Committee
- Page 6 Legal Counsel Update
- Page 7 Special Thanks to Our 2020 USCTI Meeting Sponsors



Bret Tayne

USCTI President's Message

To my fellow USCTI members and sponsors:

What a time to be in the cutting tool industry—or any business, for that matter! Many refer to our current state as “the new normal.” My view is consistent with the following quote from Jeffrey Tucker, the editorial director for the American Institute for Economic Research, in reference to the Hong Kong flu pandemic of 1968-69. “That generation approached viruses with calm, rationality and intelligence,” he said. “We left disease mitigation to medical professionals, individuals and families, rather than politics, politicians and government.” Our heartfelt sympathy goes out to those who have lost loved ones or have otherwise been directly affected by COVID-19. On a personal level, their world may be forever changed. But business will bounce back, and it won't be long before we hear, “remember that pandemic and how many folks thought the foundation of industry had changed!” Some trends that were already in motion will accelerate, and some new trends may begin as a result of current conditions, but rationality will prevail.

For the first time that I am aware, USCTI did have to cancel a semi-annual Institute meeting. This makes attendance at the Fall Institute Meeting all the more important. The staff at Thomas Associates is working very hard to make sure that the upcoming meeting at The Broadmoor in Colorado Springs is successful. It is likely that we will have to address some unusual circumstances and adopt some different protocols, but the venue is outstanding, and the Programs Committee has an excellent agenda planned for those who are able to attend.

The Officers, Board of Directors and our committees continue to look for ways to enhance the value proposition that membership in USCTI offers. A few European associations are currently looking at our statistics program platform to see how we can collaborate and expand the data we receive internationally, an initiative that began several years ago and has been carried forward. USCTI has followed through on the first scholarships to be awarded by our recently formed Scholarship Committee. We are in the conceptual stage of plans to expand the activities of the Technical Committee in a way that will offer a concrete service to the membership through better utilization of the remarkable skill sets our members possess. And, despite the current circumstances, we continue to look at ways to expand our membership that will maintain the character of our association.

I look forward to seeing as many of you as possible at the Fall Meeting in Colorado. Our industry remains strong and resilient. We will demonstrate these traits through our participation.

Bret Tayne
Everede Tool Co.

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Congratulations To Our 2020 USCTI Scholarship Recipients

USCTI has awarded its first scholarship to Kyle Townsend, a high school student, nominated by OSG USA. Kyle will be attending Ohio Northern University, and the \$5,000 will be applied toward his degree in Mechanical Engineering. Kyle's interest in engineering and the cutting tool industry stems from his love of building things, including his own combat robot. During his junior year of high school, Kyle joined the Robotics Team and entered the National Robotics Challenge, where his team won first place. He also was a part of the Engineering Design and Technology program at Wadsworth High School, where he learned how to manually draft and use AutoCAD and Autodesk Inventor. He also has spent time in a machine shop, where he has begun to understand the "intricacies of the manufacturing process."



Kyle Townsend



Angie Willis

Angie Willis, nominated by Greenfield Industries. Angie currently works in sales for Greenfield, but her experience has sparked her interest to better understand tool design. With the scholarship, she plans to attend Tri-County Technical College (SC) and pursue an associate degree in Engineering Design Technology—after which she hopes to transition to a technical sales position at Greenfield to assist in technical support and collaborate with the engineering department "in designing tools for specific applications, potentially leading to the introduction of new product lines."

Kyle and Angie will be invited to the Fall Institute Meeting in recognition of their scholarship awards.

The 2021 application and further scholarship information can be found on the [USCTI Website](#). It is not too early to nominate an employee or student! Deadline for the 2021 Scholarship is March 1, 2021.

In 2020, the Board elected to award a second scholarship in the amount of \$2,500 to

Statistics Committee Update

The USCTI statistics program and the joint report with AMT continue to be among the high-value benefits of Institute membership. Important insights into the market and our industry, which are gathered in our reports, have even more relevance this year in the midst of the pandemic.

The statistics program is only as good as the level of participation from our members. We currently have 45 members out of 67 participating. I encourage those who are participating to continue to provide timely reporting of your statistics. For members not contributing, please consider participating and lifting our program to an even better level.

I am actively reaching out to three recently added member companies to see if we can get their participation in the program.

Finally, remember that there are reports for each product segment that provide more product category information. They are based on the [product divisions](#).

Stay safe,
Brian Norris, Statistics Committee Chairman
Dormer Pramet

Technical Committee Update

The Technical Committee is still working on updating the drawings for NAS988 (Solid Carbide Drill) using the feedback of some within the working group. The timeline was pushed back due to COVID-19, but the working group is nearing completion and will be holding a conference call to review the changes soon. The Committee has also started taking a look at NAS986 (End Mills).

Al Choiniere, Technical Committee Chairman
Superion, Inc.

New Technical Committee Chair

We are pleased to announce that Drew Strauchen, GWS Tool Group, has been nominated as the next Technical Committee Chair. Stay tuned for more information on the work the Technical Committee will be doing. Please take the time to thank Al for his years as Chair and for all the work done on the standards to help the cutting tool industry and USCTI members.



Drew Strauchen

We Need Your Ideas

The USCTI Technical Resource Center is an excellent source for a vast array of technical information on cutting tools, surface coatings, and materials. The Technical Committee utilizes the Resource Center to broadcast additional information and updates on a continuing basis. However, we would love to have further input and ideas from membership to help make the Resource Center a useful hands-on tool for new cutting tool engineers coming into our industry. Please send your ideas and input to uscti@uscti.com. Additional white papers would be welcomed and are much appreciated.

Spring 2020 Business Outlook Survey Results

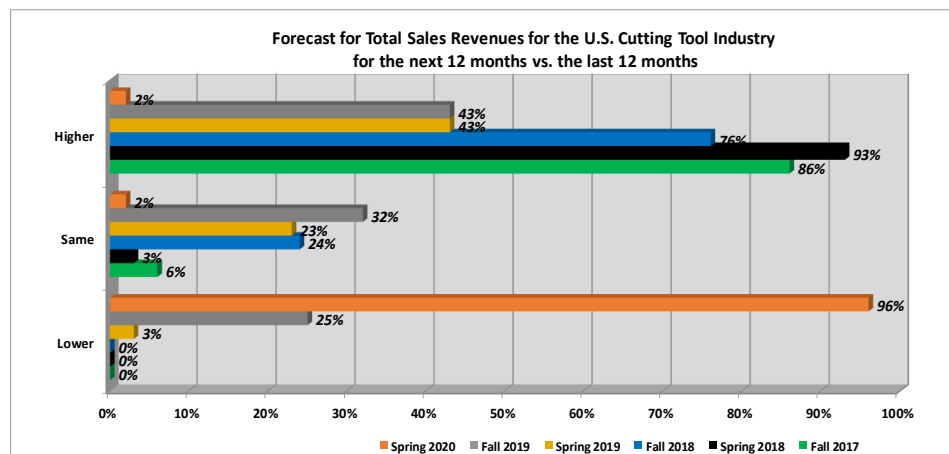
As expected, the results from the Spring 2020 Business Outlook survey were negative across the board, though participation in the survey reached a high, with 52 respondents from 46 member companies participating. Highlights from the survey include:

Only 2% of respondents in the spring survey, compared to 43% of fall survey respondents, thought the forecast for total sales revenues for the industry over the next 12 months would be higher than the forecast for the last 12 months. For individual member companies, it trended similarly at 2% in the spring compared to 50% in the fall. 17% of members noted that company shipments from the most recent quarter (spring) were higher, versus 46% reporting higher shipments in the fall 2019.

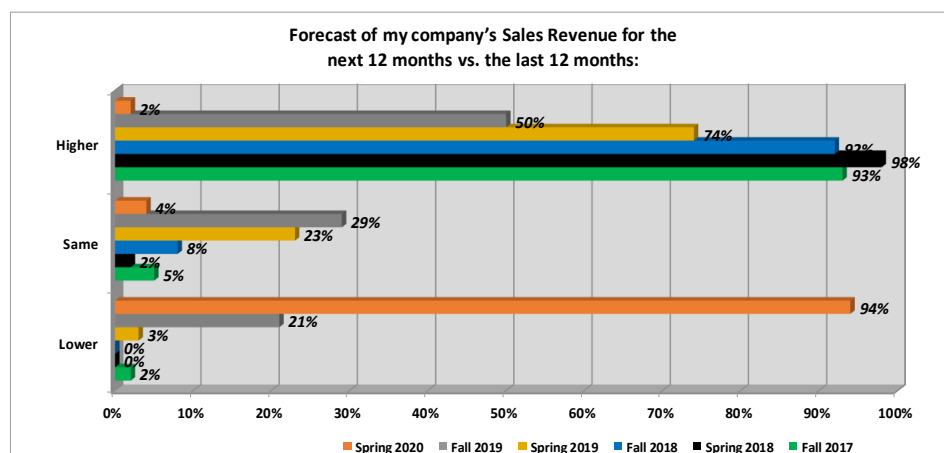
Employment levels also dropped significantly, with only 2% of respondents noting employment levels were higher; in the fall 2019 survey, 32% reported employment levels were higher. 10% of member companies noted that their exports were higher than those in the same quarter the previous year; no (0%) member companies reported similarly in fall 2019.

In light of the dramatic changes this year, it's important that all members participate in the fall 2020 survey, which will be distributed before the Fall Institute Meeting. The results can benefit all members.

Industry Forecast



Company Forecast



USCTI Meetings

Future Meeting Dates

Be sure to mark your calendar for the upcoming Institute meetings, which are scheduled as follows:

2020 Fall Meeting

October 17-19, 2020
The Broadmoor
Colorado Springs, Colorado

2021 Spring Meeting

May 15-17, 2021
The Greenbrier
White Sulphur Springs,
West Virginia



The Broadmoor in Colorado Springs, Colorado

Update From the Programs Committee

It is my hope that all of you are staying safe and that your personal and work families' health has not been impacted by this terrible virus. I think I speak for everyone when I say that I hope we can get back to some sense of normalcy as soon as possible. Although it was difficult to cancel our Key West meeting, it was the right decision to put safety at the top of our list. We were able to work with the resort and will be holding our spring 2023 meeting in Key West. We had already scheduled the 2021 meeting for The Greenbrier, and the next World Conference is scheduled for spring 2022.

The question most of us have right now is what does normal even look like going forward? We are planning to hold our fall meeting in Colorado Springs at The Broadmoor from October 17-19. While we will have speakers, we are planning to block out quite a bit of time for roundtable discussions. We believe that this will be an opportune time to share ideas on what is working and not working for each of us during these trying times.

We understand that some companies may have travel bans and expenditure freezes right now. However, we strongly encourage you to attend this meeting if at all possible. Networking with other people who are experiencing the same trials and tribulations is the best way to gather ideas and help each of us create our "best new normal." We hope to see you in Colorado!

*Mike Stokey, Programs Committee Chairman
Allied Machine & Engineering Corp.*



The Broadmoor



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Legal Update

The COVID-19 pandemic has caused an economic downturn on a global scale. Since the spring of 2020, we have seen in the United States the temporary closures of many businesses as a result of governmental shelter-in-place orders, decreased business activity, skyrocketing unemployment, reduced consumer spending, and significant stock market disruption and volatility. In these challenging times, your customers, while the lifeblood of your company, can quickly become your worst enemy and contribute to the downfall of your own company. As business owners and leaders, I realize that you are sensitive to the plight of the many businesses that have been victimized by this pandemic. However, you must continue to exercise reasonable and prudent business judgment to ensure that your company is best positioned to obtain payment for the cutting tool products sold to your customers. Suppliers like cutting tool manufacturers are often the last to be paid, or not paid at all, by a financially distressed customer. The purpose of this article is to raise some of the critical issues that you must continue to evaluate as you deal with your customers and attempt to collect on the amounts owed to your company.

Be Proactive in Communicating With Customers and Gathering Information

In general, a business should treat every customer, from day one, as if they were in financial distress. Clearly communicating payment terms, and timely and continuous follow-up communications when such payment terms are not met by a customer, are the easiest and least expensive ways to avoid collection issues. However, under the current circumstances, where information about and procedures to follow regarding the pandemic are in constant flux, you must be flexible in your approach in dealing with customers. Once you become aware of a customer's potential trouble, it is critical that you quickly begin to take steps to protect your company.

You should make sure that your company's files (electronic or hard copy) are complete with appropriate documentation (old invoices, payment history, source of payment) and information about the customer, such as correct legal entity name, street address, and bank information. In an ideal world, you should have your customers regularly complete a client information form or credit application. Thereafter, this information should be independently and appropriately checked through public records or other sources. This information will be critical to your accounts receivable department, collections agency, and attorneys if your company is placed in a position that requires it to pursue legal action or the customer files for bankruptcy protection. It is not unusual for a client to obtain uncollectible judgments based on invoices or contracts with an old entity or an entity that does not exist due to a wrong name (i.e., Smith Industrial as opposed to John Smith d/b/a Smith Industries). Even if a customer ceases its communications with your company, most, if not all, of the above information can be obtained through your own investigative efforts (internet, public records, other creditors, industry sources, etc.).

When Customers Ask for More Time, Ask for More Protection

Most companies have standard accounts receivable and collections policies. When a good customer calls and asks for additional time to pay a receivable, it is often tempting to grant the request and deviate from your normal procedures. It may make good business sense, especially if future business is at stake. However, the customer's request also creates an opportunity to strengthen the protections you have if things do not improve in the near term. If a customer states that "I'm good for it," then they should not have an issue with accommodating your request.

Examples of additional mechanisms to enhance the collectability of your company's receivables include:

- Converting the old receivable to a secured promissory note
- The addition of a personal guarantee (with cognovit terms if allowed under your state law)
- Receipt of a voluntary judgment to be dismissed or satisfied upon full payment
- Establishing ACH or other control account agreements

These mechanisms can be required as a condition for you to refrain from pursuing a legal action or as a condition for continuing to do business with this customer. Of course, a change in terms may also be important to any future business with this customer. Most importantly, employing these and other mechanisms can strengthen your position in a lawsuit or bankruptcy.

What if the Customer Files Bankruptcy?

If your customer files for bankruptcy protection, it is critical that you immediately cease any and all collection activity. Failure to cease collection activities may result in a violation of the bankruptcy stay and subject your company to heavy penalties, including attorneys' fees and punitive damages.

At a minimum, your company should file a proof of claim in your customer's bankruptcy case by the deadline set by the court. Your claim cannot be paid in the bankruptcy unless you file a proof of claim. Instructions for filing a proof of claim usually accompany the notice of bankruptcy or a notice to file claim. In many instances, your timely filed proof of claim may also serve as bargaining mechanism in the event that a trustee brings a lawsuit against your company claiming that a payment made is a preference that should be returned to the bankruptcy estate.

It is also important to contact an experienced bankruptcy lawyer to assess your company's claims. For example, in certain circumstances, your company's claims may be entitled to priority treatment. In other circumstances, the Uniform Commercial Code and Bankruptcy Code may allow a creditor to reclaim certain goods already delivered to the buyer who just filed bankruptcy. Similarly, business conducted with the customer after the bankruptcy has been filed may be entitled to an administrative expense, which may allow for full payment under new and favorable terms. Some of the enhancement mechanisms listed above may provide your company with a higher priority claim or an additional claim outside of bankruptcy against a guarantor.

As mentioned above, a trustee or debtor may demand that you return a payment or payment that your customer made to you prior to the filing of the bankruptcy, typically alleging that such payments were preferential. Because there are complex legal defenses available to creditors against preference actions, it is recommended that you seek the assistance of a bankruptcy attorney to assess whether it is worthwhile to pursue one or more of these defenses or negotiate a settlement. The Bankruptcy Abuse Prevention and Consumer Protection Act may provide some additional protections to creditors to deter the abusive practices of some trustees and attorneys in these preference actions.

In sum, always be proactive in communicating with your customers, seek additional payment protections when appropriate, and know your rights as a creditor if your customer files for bankruptcy protection.

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