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2020 SPRING INSTITUTE MEETING

Key West, Florida

May 16-18

Please mark your calendars for the 2020 Spring Institute Meeting at Margaritaville Resort & Marina in Key West, Florida, from May 16-18.

Registration information will be sent via email within the next month.

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Bret Tayne

USCTI President's Message

To My Fellow USCTI Members and Sponsors:

2019 was certainly an interesting and eventful year. Although the effects are not always clear, our industry is undoubtedly touched by events that occur on a national—and even an international—scale. In the past year, for example, we saw significant, fast-paced developments in politics, trade policy, and social concerns. One of the great benefits in being a member of the USCTI is having a peer group that shares a common perspective on global developments. Exposure to this terrific community has helped guide my decision process as I consider these events.

We had two great conferences in 2019. Many of us took advantage of the opportunity to meet with industry participants from other countries at the World Conference in Tegernsee, Germany, sponsored by our friends at ECTA. The speakers and events provided insight into how the larger international cutting tool industry views global trends and their thoughts on future developments. The hospitality of our hosts and the beauty of the location were icing on the cake.

Our second conference was at the renowned Lodge at Torrey Pines. Once again, our USCTI Programs Committee and Thomas Associates put together a conference program that combined topical information with exciting activities at a remarkable venue.

The Institute made excellent progress in several areas over the past year. The statistics program continues to evolve, and its relevance has never been more apparent. It is essential that all members participate and submit data on a timely basis. The program is a tool that every member company can use to measure its performance and to observe trends that will impact their future. The forecasts available to USCTI members from IHS Markit proved to be beneficial. The USCTI has strengthened its relationship for economic and industry forecasting, and it could not have come at a better time.

In addition, USCTI recently launched a Scholarship Program that offers an annual scholarship to an individual referred by a USCTI member company. Please note: 2020 submissions are due on March 1. Please see the [USCTI website](#) for further information, and nominate someone today!

Another highlight is the conscious effort the USCTI has made to reach out to and include industry participants from our neighbors in North America. Ratification of the USMCA seems imminent, and it would likely benefit our industry throughout the continent. We warmly welcome companies from Canada and Mexico to join in our effort to build the most effective industry organization possible.

I encourage you all to attend the conferences planned for 2020. The Spring Meeting will be held in Key West and the Fall Meeting in Colorado Springs. Please watch for information on these events as they approach. They should not be missed!

Bret Tayne
Everede Tool Co.

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Statistics Committee Update

Revisions to the Joint Report with AMT are underway to enable reporting in more categories. I want to remind members to make sure you send your data into USCTI offices on or before the deadline each month so they can turn around the reports in a timely manner. Delays in submitting data cause delays in preparing and releasing reports.

In 2020 you will see that the base year for data used to calculate the Billings and Incoming Orders indices for the Current Business Report has changed to 2017. The Board of Directors previously approved updating base-year data to coincide with the latest year for the U.S. Census of Manufacturers.

Please contact the USCTI office if you have any recommendations for the Statistics program, as you know this is a great benefit to our members.

Thank you for your participation.

Brian Norris, Statistics Committee Chairman
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Technical Committee Update

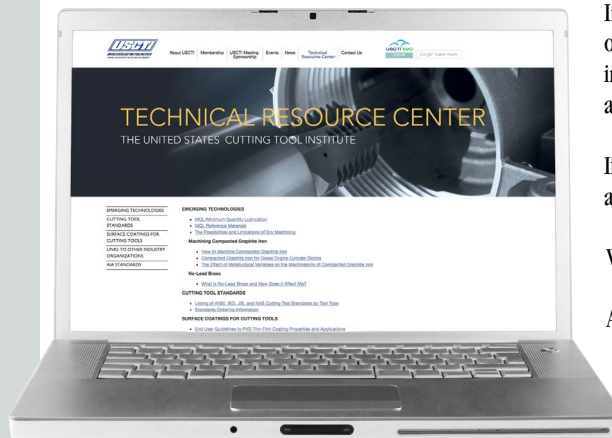
The Technical Committee continues to work on several standards with AIA. In 2020, four standards will be reviewed; these are also up for five-year review and will be changed to reference NAS890. There have not been many changes or new updates in the NAS937 Rev 10 draft outside of the review done last September.

In the October 2019 meeting, a decision was made to hold off on submitting a ballot for the new revision until additional information is provided regarding comments that were submitted at the meeting.

If there are additional standards or technical papers that we can assist with, please contact the USCTI office.

We appreciate your support.

Al Choiniere, Technical Committee Chairman
 Superior, Inc.



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.



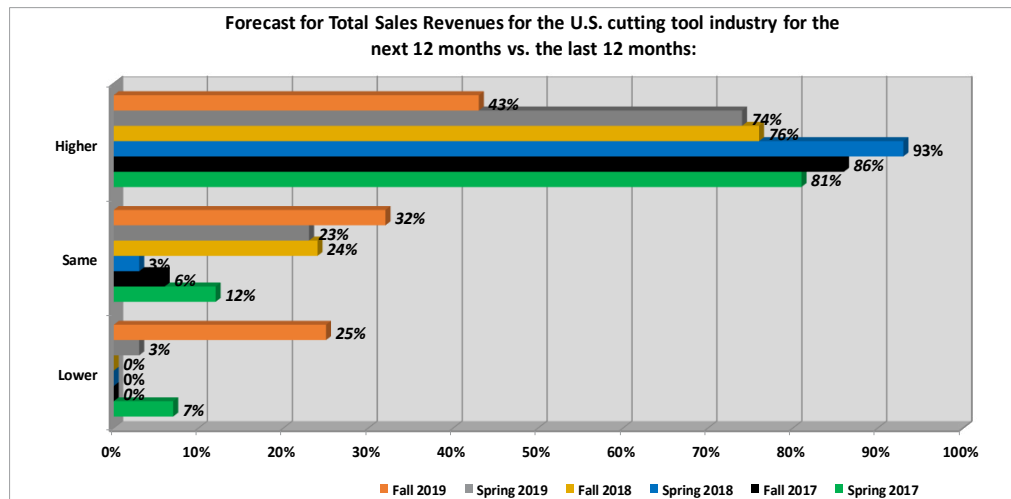
Fall 2019 Industry Outlook Survey Results

Participation in the fall 2019 survey was down again from the spring 2019 survey. Only 43% of respondents in the fall survey, compared to 74% of spring 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 50% in the fall, compared to 74% in the spring.

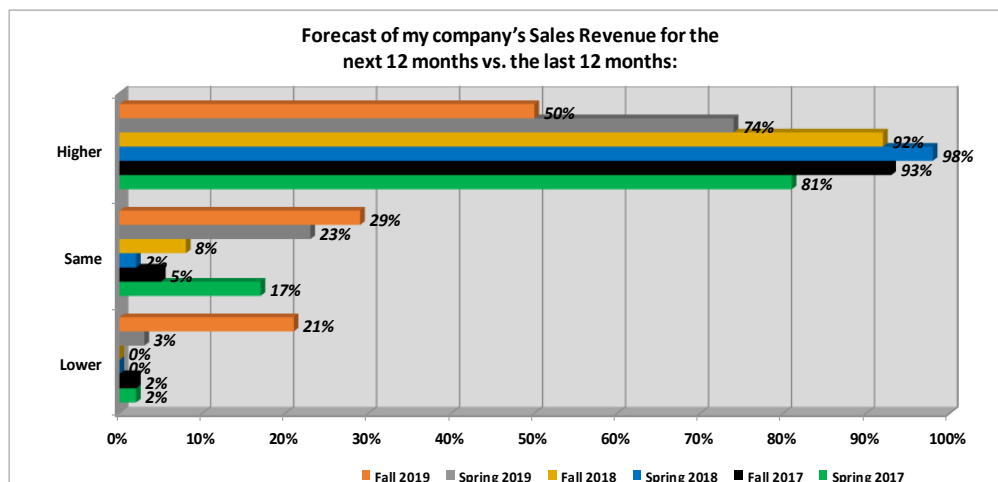
Only 7% of member companies noted that their exports were higher than those in the same quarter the previous year compared to 16% of member companies reporting similarly in the spring. In addition, fewer member companies reported that borrowing costs were higher compared to the same reporting period a year ago—7%, compared to 39% in the spring.

We hope all members will participate in the spring 2020 survey, which will be distributed before the Spring 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:

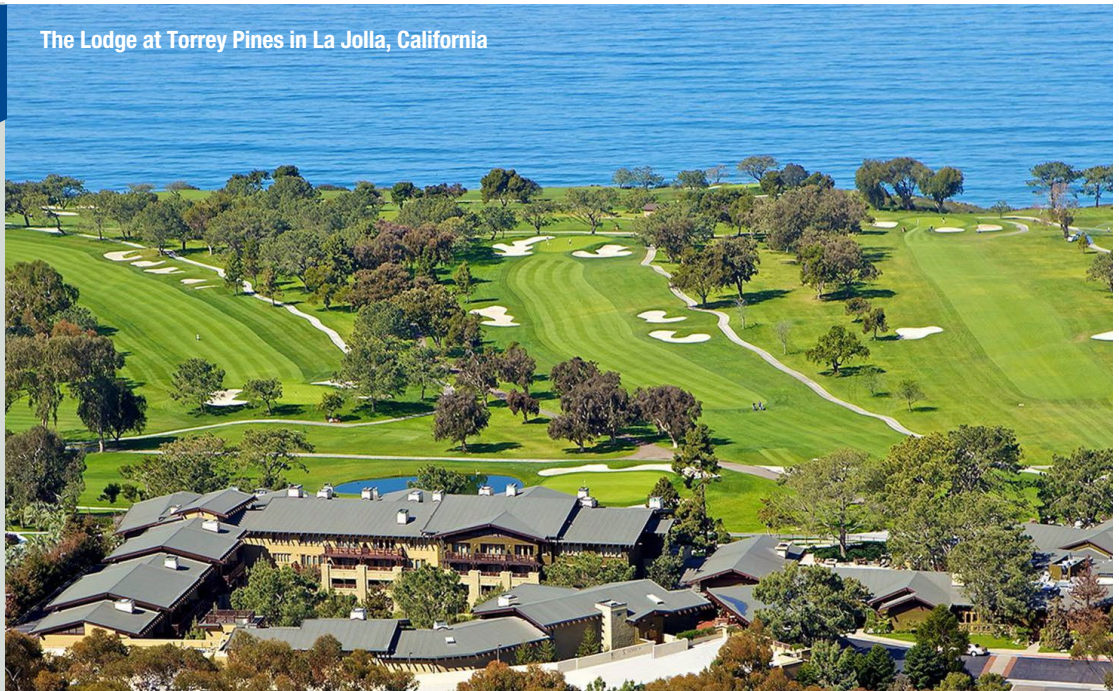
2020 Spring Meeting

May 16-18, 2020
Margaritaville Resort & Marina
Key West, Florida

2020 Fall Meeting

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

The Lodge at Torrey Pines in La Jolla, California



Update From the Programs Committee

The USCTI 2019 Fall Meeting was held at The Lodge at Torrey Pines in La Jolla, California, from November 2-4. The location and the resort were exceptional. I want to thank all of you who dressed the part for the Caddyshack-themed opening reception. A special thank you to Steve Boyer who went all out with his costume. For those of you who golfed, I hope you had the opportunity to watch the Farmers Insurance Open PGA golf tournament that was held this January. For me, having played Torrey Pines, it made watching the golf tournament far more interesting.

The most positive feedback we receive after each meeting is about the networking opportunities. We will continue to make that a feature of all future meetings. Your feedback on our speakers is much appreciated. The topics were timely, and your questions were on target.

We are excited about this year's Spring Meeting, which will be held at Margaritaville Resort & Marina in Key West, Florida, from May 16-18. For those of you who attended the previous meeting in Key West, I trust that you are looking forward to this meeting. For those of you who did not attend the previous meeting, you won't want to miss this venue. We have some great speakers lined up for Sunday and Monday. Richard Aboulafia will be back to talk about the aerospace industry, and we have a couple of speakers who will talk about workforce development. In addition, our Keynote speaker will provide all participants with practical solutions on how to build a high-performing culture.

Please remember that the USCTI Fall Meeting will be October 17-19 at The Broadmoor in Colorado Springs. While Torrey Pines is certainly one of the most desirable golf destinations in the world, The Broadmoor is another can't-miss destination. We are planning a great meeting and other fun activities. Please save the dates!

I'm looking forward to seeing you there.

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



The Broadmoor in Colorado Springs



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Increased Ransomware Attacks Affecting All Industries

Organizations across all industries are facing a surge of ransomware attacks launched by cybercriminals. The new types of ransomware principally causing this surge have the potential to cause significantly more business disruption and difficulty restoring computer data and networks. Attackers are also often demanding steeper amounts and are targeting small- and medium-sized companies in addition to the larger organizations that often make headlines. Resources exist, however, to help provide organizations with steps they can take to avoid becoming a victim and be better prepared to respond effectively.

Today's Ransomware Threat and Organizational Costs

Organizations affected by ransomware attacks have limited choices: (1) restore systems from available backups, which is the most efficient and least costly approach, but one that may not be available if backups were deleted or encrypted (increasingly more common with new types of ransomware), (2) pay the ransom to obtain a decryption tool, or (3) pursue business without the encrypted data. Organizations of all sizes are currently facing highly variable ransom demands that often greatly exceed the average amounts demanded in prior years. This variability includes both more sophisticated criminal networks that are making demands for hundreds of thousands or even millions of dollars, and newer, less sophisticated actors who are using the same types of ransomware but demanding lesser amounts. The financial impact is not limited to the amount of the ransom but also includes operational, business interruption, reputational, and other costs. Even if a decryption tool is obtained by paying the ransom, there might be instances in which not all files can be restored, and it can take an organization several weeks to restore infected systems.

Steps to Protect Against This Threat

While cyber liability insurance provides financial assistance and help connecting to law firms and forensic firms to guide organizations through the response, here are several steps that organizations can take now to avoid becoming victims and be better prepared to respond effectively to ransomware attacks.

- **Avoid being phished:** Most attacks start with an employee falling victim to a phishing email. Through phishing emails, attackers can obtain access to an organization's computer system or steal an employee's access credentials before deploying the ransomware. Train employees to spot suspicious emails and avoid common social engineering tactics. Also look into using an email threat filter.
- **Use strong passwords:** Attackers also exploit organizations with weak password policies. Require the use of strong passwords that must be changed periodically, prohibit reuse of passwords, and implement a password management tool for employees.
- **Enable MFA:** The use of multifactor authentication (MFA), particularly for remote access to systems and email by employees, can lessen the risk of an attacker accessing your system or email accounts with stolen credentials. MFA creates an additional layer of authentication by requiring the employee to input a unique code before access is granted.
- **Secure remote access to company systems:** In addition to establishing a foothold in the environment through a malicious link or attachment in a

phishing email, attackers frequently seek to connect to systems using Remote Desktop Protocol (RDP) before moving laterally within the system to deploy ransomware. Adopt controls to restrict source IP addresses from seeking RDP access. This can be done by requiring the use of a third party to connect to your system remotely or by using a virtual private network (VPN).

- **Limit use of domain administrator accounts:** Many recent attacks have been preceded by compromise of credentials for a domain administrator account. Such accounts should be limited to select employees who need administrator permissions and, even for such employees, these accounts should not be used for normal work functions. Administrators should have separate accounts to use for their non-administrative functions.
- **Maintain good access controls, least privilege:** The greater the access a compromised employee's account has to different parts of an organization's computer system, the more easily ransomware can spread. A basic tenet of good cyber hygiene is to limit an employee's access to the minimum number of systems and files necessary to do his or her job.
- **Segment the network:** Attackers often move laterally to deploy ransomware to as many systems as possible. By identifying and segmenting critical data stores from systems accessible from the internet, an organization can limit the impact of an attack.
- **Ensure backups:** Organizations that have updated, intact, and accessible backups segmented from production systems are in a much better position to respond to and recover from a ransomware attack. Adopt and implement a procedure for the creation, updating, and storage of on-site and off-site backups of all critical files and data. Be sure to include procedures for verifying and testing your backups and for securing them so they are not impacted by the ransomware attack. The right vendor or backup solution can allow for a quick recovery—with minimal operational impact—in the event of a successful ransomware attack.
- **Ensure patch management:** Attackers often exploit software vulnerabilities that could have been remedied by regular and timely deployment of the software developer's updates and patches. Ensure that your organization has a solid plan in place to manage this process.
- **Configure firewalls properly:** Many types of ransomware attempt to move laterally within systems using standard Windows Operating System protocols, including Server Message Block (SMB), to communicate between endpoints within a system. Ensure that your Windows firewall policy is configured properly to restrict the scope of permitted communications between common endpoints.
- **Deploy endpoint monitoring:** Endpoint monitoring solutions can detect system anomalies and malware, such as credential harvesting tools, that often precede a ransomware attack. Evaluate your current endpoint monitoring solution and determine whether it should be upgraded to properly protect against the current malware and ransomware threats.

If you suspect that a ransomware attack is underway, contact your insurance carrier immediately. Your carrier can direct you to legal, forensic, and other services available under your policy.

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