

2024 WORLD CUTTING TOOL CONFERENCE

Osaka, Japan
May 21-24, 2024

Registration and hotel information can be found [here](#).
Deadline date is March 8, 2024.
Platinum, Gold and Silver Sponsorships are sold out!



FUTURE MEETING DATES

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

2024 World Cutting Tool Conference

May 21-24, 2024
Osaka, Japan

2024 Fall Meeting

October 22-24, 2024
Hyatt Regency Sonoma Wine Country Hotel
Santa Rosa, CA

2024 FALL MEETING

Hyatt Regency Sonoma Wine Country Hotel
Santa Rosa, CA
October 22-24, 2024

Registration and more details to come!



MEMBERSHIP:

The best way to recruit new members is through referrals from current members. Do you know of a cutting tool manufacturer who is not a member? Please provide the information to the USCTI Office at uscti@uscti.com and they can be invited to the fall meeting as our guest.

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USCTI President's Message

To all USCTI Members and Sponsors,

With 2024 comes change and challenge. 2024 marks my first year as Institute president. We embark 2024 on a rather turbulent global note with ongoing wars and conflicts in several regions of the world. We also begin another election cycle with buzz, posturing and endless advertising telling us how we should feel and think. Drilling..... or should I say, reaming down further, as business leaders we will continue to be challenged to innovate and automate our businesses to support the rapidly changing markets we serve.

As we enter the new year there are some encouraging economic signs. Our industry will continue to see growth opportunities in Aerospace, Motor Vehicles, Medical and Computer related segments. There are also some expectations of interest rate declines as we move into the second half of the year. Other indicators outline easing of some tight labor markets and lower inflationary numbers. Full outlines of these indicators and forecasts can be found in the January 23, 2024 "S&P Global Cutting Tool forecast" that was recently sent out to those members who participate in our statistics program. The numbers and opinions are shaped by USCTI and AMT joint reporting.

Within our own ranks, we continue to see consolidation which creates challenges and requires adaptation. Changes to our association's revenues and tightening reserves will impact future USCTI budgets and expenditures. Vision and adaptation will be critical as we strategically shape our value proposition to continue to make our group worthwhile for the current membership and appealing to potential new members. Shared vision, experiences, best practices, and statistics combined with networking opportunities will fuel our association's future growth and has been the foundation of our past.

As we concluded our Fall Meeting in Seattle, we were reminded as we toured the Boeing facility of the value we bring as cutting tool manufacturers to the aerospace industry and the vitalness we have to significant segments of our domestic economy. Our strength and health as a nation will continue to be driven by our abilities to manufacture on our own shores.

Our upcoming Spring Institute Meeting will be held in conjunction with the 2024 World Cutting Tool Conference to be held in Osaka, Japan from May 21 - 24, 2024. The USCTI Institute Meeting will be held on May 21st in Osaka. We have seen an uptick in recent days of USCTI attendees and sponsors and are encouraged that this will be a valuable experience for those members in attendance. We are thankful for the invitation from the Japan Cutting & Wear-resistant Tool Association (JTA). Registration links can be found within this issue of Cutting Tool Informer and on the USCTI website.

A little farther down the road is our Fall Institute Meeting in Sonoma, CA from October 22-24, 2024.

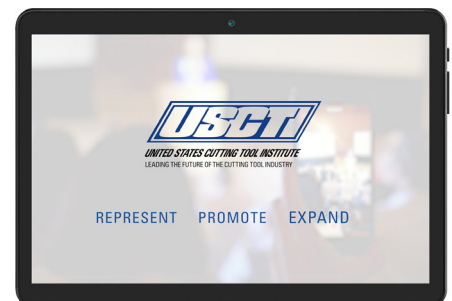
Safe travels to Osaka. We look forward to seeing you soon!

Steve Boyer, USCTI President
Alvord-Polk Inc.



Steve Boyer

“
**AS WE ENTER THE
NEW YEAR THERE ARE
SOME ENCOURAGING
ECONOMIC SIGNS.**
”



Please take a moment to watch our latest recruitment tool, a video highlighting the benefits of USCTI. We ask all members to post the [link](#) on your websites and share via your social media channels.

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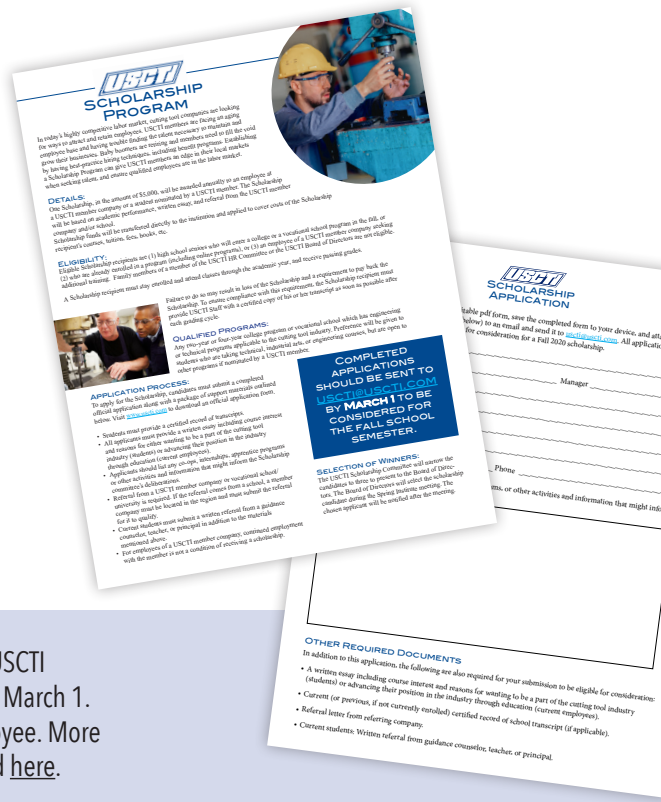
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USCTI Scholarship Program

The Scholarship program is a member benefit created as another way to help recruit and retain employees. One scholarship will be awarded annually, in the amount of \$5,000 to an employee of a USCTI member company or a student nominated by a USCTI member. All Institute members are eligible to nominate a current employee or a student for the USCTI Scholarship.

The scholarship must be put toward a furthering of education in a field of study relevant to the U.S. cutting tool/manufacturing industry from an accredited two-year or four-year institution or program.

Please be sure to promote the 2024 Scholarship Program to your HR departments, employees, and local high school and vocational schools.



Know someone who could also benefit from the USCTI Scholarship? The deadline for this year's scholarship is March 1. Submit a nomination today for a local student or employee. More information, including the application can be found [here](#).

Statistics Program Update

USCTI spent much of 2024 updating reports to ensure they are most relevant to members. We removed the annual regrinding survey due to lack of participation and are enhancing the Employee benefit Survey. We also updated the Key Operating Ratio survey. We encourage member participation in all of the surveys to ensure the best benefit for all.

Remember, if you are not participating in statistics, you are missing out on key data to assist your business including the quarterly forecast and webinar from IHS Markit. If you have feedback on the statistics program, the quarterly forecast, or suggestions for other reporting, please contact the USCTI office.

HR Committee Update

This committee is tasked with bringing together HR professionals from member companies to discuss resources and trends and determine what will benefit members the most.

Currently they are working on developing a potential HR regional meeting with the help of Allied Machine and Engineering Corp. to host in 2024. A poll will be distributed shortly to all members.

If you have someone from your company who would be interested in being a part of this committee let us know!

Technical Resources

Please visit USCTI's [Technical Resource Center](#) on our website for a variety of downloadable technical information submitted by member companies. As a reminder, if you have technical papers we can brand for USCTI (attributing the member company), please send them to the USCTI office at uscti@uscti.com.



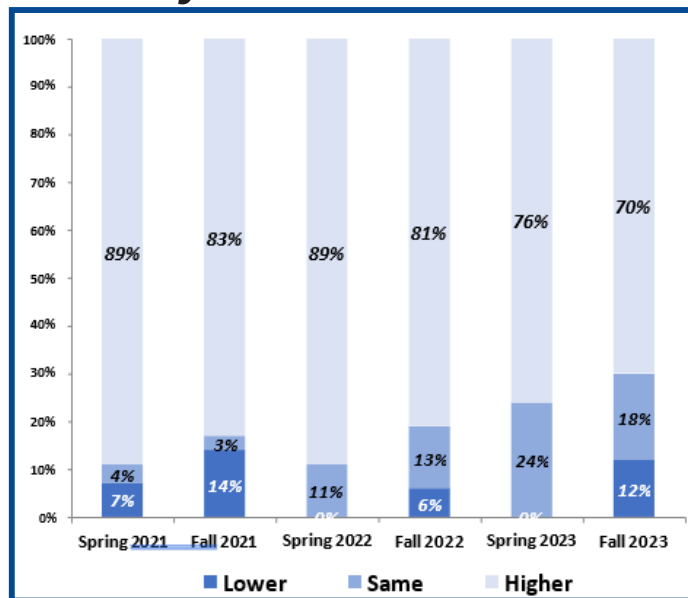
2023 Fall Business Outlook Survey

We had 23 member companies respond to the Fall Business Outlook survey (higher response than spring). Highlights from the survey include:

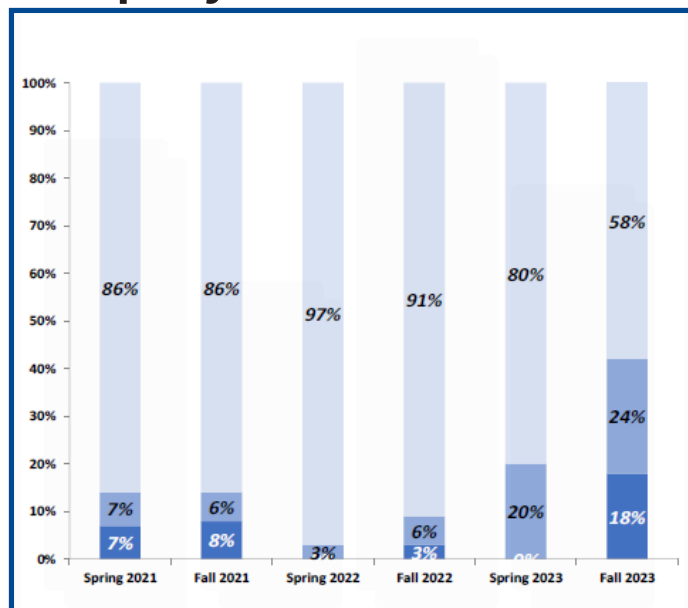
- Respondents noted a slight drop in higher sales revenue at 70% within the cutting tool industry's 12 month forecast from 76% in the spring.
- Higher sales revenue forecast dropped from spring to 58% (from 80%).
- Companies reported over the past three months (Q3 2023), raw materials lead times were 33% higher compared to 4% in the spring.
- During the past six months, companies reported employment levels dropped almost in half last fall to 30% (from 64%).

Please take the time to fill out the Spring 2024 Business Outlook survey, which will be distributed soon. We'll share the results at the Spring Institute Meeting in conjunction with the WCTC in Osaka, Japan.

Industry Forecast



Company Forecast



Message from the Programs Committee

I want to wish you a Happy New Year and a very prosperous and healthy 2024. USCTI is excited to join our friends from ECTA as we will be hosted by JTA for the World Cutting Tool Conference in Osaka, Japan. The conference will be held from May 21-24 at the beautiful Osaka International Convention Center. The USCTI Spring Institute meeting will be held in conjunction with the World Conference on May 21. Registration is officially open. We hope you will be able to join us as we get together and open our minds to what the world has to offer.

If you missed our meeting in Seattle, you missed a great opportunity to network with those who attended and an exciting trip and tour of the Boeing plant. That tour along with our speakers, which included Mike Mullance (A former Space Shuttle Astronaut), Richard Aboulafia from AeroDynamic Advisory, and Pablos Holman (World renowned Hacker, Inventor, and World-renowned TED Speaker). This along with a dinner that was held at the Museum of Flight and a trip to the Seattle Fish Market, made for an action-packed couple of days.

If you can't join us in the spring for the WCTC, we hope you will mark your calendars for our fall meeting, which will be held at the Hyatt Regency Sonoma Wine Country Hotel in Santa Rosa, California. As many of you are aware, we are changing to a Tuesday to Thursday format in the fall. That said, our dates will be October 22-24. We have a great lineup of speakers including, Ron Gallaway – Researcher, Public Speaker, Director of four Films and the Author of three Books and Todd Buchholz – American Economist and Former White House Senior Economic Advisor, so you don't want to miss your chance to join us in wine country!!!

On behalf of the Programs Committee, I hope to see you in Osaka in May and Santa Rosa in October.

Sincerely,
Mike Stokey



Legal Update

You have a Successful Business and are Considering Retirement - Now What?

An Overview of Business Succession Planning

By Joseph P. Boeckman, BakerHostetler

There are three stages to owning a business – start-up, growth, and exit. It is this third stage, the exit or succession planning stage, that requires careful thought and consideration, most times with the assistance of professionals like attorneys, accountants, and financial planners. In privately held or family-owned businesses, the founder or founders have likely worked hard and spent years in growing a successful business. And now they are ready to enjoy the fruits of the labor by “cashing out” and retiring. Hopefully, before reaching this decision, they have taken the time to implement a succession plan for their business.

A business succession plan can take the form of several options. The focus of this article is providing an overview of the various kinds of succession planning options and analyzing the advantages and disadvantages of each option. Every business situation is different, so the bottom line is to identify and implement the succession plan that is right for your business situation.

The primary options for a business succession plan are the following – a transition to family members, a sale to management or to a third party, or the creation of an Employee Stock Ownership Plan or “ESOP.” Each option requires careful navigation through a variety of issues such as control, tax and valuation.

I. TRANSITION TO NEXT GENERATION OF FAMILY

The first option is to retain the business within the family. Passing control to children or other relatives can be accomplished through several means, including family limited partnerships, gifting (such as through a grantor retained annuity trust), and estate freezes through recaps. It is important to complete the transition process in tandem with your estate plan in order to maximize potential tax and other benefits.

Advantages: The primary advantage of this option is that it retains family ownership over the business. There is both personal satisfaction and great pride in watching the next generation of your family work in and continue to grow the business you have built. From a tangible standpoint, transitioning the business to family members can allow for a gradual change of control while permitting the new owners to realize an immediate income stream associated with their increase in control. Transitioning within the family can give you access to liquidity to help

diversify investments, while allowing for retained control if desired. Finally, familial succession facilitates the orderly transfer of control without disruption of business. However, communication with the potential new owning family member is key – they need to plan accordingly and understand their new responsibilities.

Disadvantages: Passing the business to family has its drawbacks. Often a complete exit is not possible, resulting in some required level of continued involvement. Residual control comes with reduced liquidity as opposed to a third party sale. When passing the business to some, but not all, family members, emotional considerations become a factor in the succession plan. Lastly, without a competitive bidding process, the full value of the business may not be realized, especially if a new family owner cannot afford to pay the fair market value of the business.

II. TRANSITION TO MANAGEMENT

The second option is to sell the business to management. This includes both asset and stock sales of the business, as well as forms of corporate restructuring. A transition to management comes with its own unique advantages and disadvantages compared to selling to a third party.

Advantages: Transition to management control provides for an orderly transfer to insiders already familiar with the business. It also provides flexibility through combination with other strategies, i.e. partial ownership shifted to family members with the rest to management. This can augment the deficiencies in other models. Sale to management provides access to liquidity and maintains continuity for both vendors and customers. Furthermore, a stock sale to management can help with taxes, as the proceeds will be taxed at the lower capital gains rates while avoiding C-corporation double taxation issues. It may also provide release from potential unknown liabilities.

Disadvantages: As with the transition to a family member, a sale to management may result in a lower valuation of the business due to a lack of arm’s-length negotiation and of available capital. There may also be a need to provide seller financing. Additionally, sale to

continued on page 7

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BY STARTING EARLY
AND REMAINING TRANSPARENT
WITH YOUR INTENTIONS, YOU CAN
FINALLY CASH IN ON YOUR
HARD WORK AND ACHIEVE
FINANCIAL SECURITY.

management may implicate employee's emotional considerations combined with little to no control going forward. In an asset sale, tax implications may hurt the final proceeds realized. While the buyers will be able to use capital gains rates and depreciation allocation to get tax benefits, sellers will be subject to ordinary income tax rates on some of the proceeds. In addition, if the entity is a C-corporation, the sellers will face double taxation penalties: first on the initial sale and second when the proceeds are transferred out of the corporation. Similar tax implications may result for S-corporations formally designated as C-corporations.

III. TRANSITION TO THIRD PARTY

A common business succession strategy is to sell the business to a third party. Third-party sales can be accomplished through stock and asset sales, as well as mergers.

Advantages: Selling to a third party will maximize the value of your business. Open bidding and competition for purchase will ensure that the value of the business is thoroughly vetted. With a complete sale of the business, there is complete exit from ownership. Complete exit and competitive valuation will also maximize the liquidity realized in the transaction. Finally, this option avoids any family succession issues resulting in a clean break from control.

Disadvantages: Complete exit and loss of control can cause great angst among existing employees and management personnel who may view such a transaction as potentially resulting in the loss of their jobs. Negative tax consequences can loom for asset sales, as detailed in the disadvantage section for sale to management above. Also, selling the business to a third party requires a shift in focus to the sale process, and owners many times "take their eyes off the ball" from the operational side of the business. Finally, with new outside owners, there may be issues related to vendor and customer continuity.

IV. TRANSITION TO ESOP

The final option is to transfer control of the business to the employees through an ESOP. An ESOP is a company-funded, tax-qualified retirement plan where stock is held in trust for the benefit of the employees.

Advantages: An owner who transfers control to an ESOP enjoys the benefit of liquidity realized in a normal sale of the business. However, as opposed to a sale to a third party, this option allows the former owner to maintain some level of control if desired. There are specific tax benefits to an ESOP regarding the contributions required to set it up, with additional benefits available to S-corporations. Finally, by giving them ownership employees will be incentivized to keep the business strong given their newfound stake in the health of the business.

Disadvantages: The main drawback to setting up an ESOP is the complexity and expense required in its establishment. It will also implicate regulatory oversight and compliance issues. Furthermore, the process involves additional ongoing costs such as valuation and various fees which will reduce the proceeds realized. Lastly, poor performance of the business could negatively impact employee morale.

V. ADDITIONAL CONSIDERATIONS

In analyzing the options and in implementing the selected strategy of a business succession plan, it is important to collaborate with your legal, accounting, and financial advisors. Assuring cross-team input will help each segment facilitate the transaction and ensure a smooth transition. In addition, especially in family succession planning, it is important to communicate your intentions and establish expectations for family members so that they know what to expect and can properly assist in the transition process.

It is also important to choose a business succession plan that will fit into your personal estate plan in order to maximize efficiencies and benefits. Finally, do not forget to finalize and document each step of the transaction. This can help mitigate any issues that may arise in the future.

In sum, transitioning a business can be daunting and require significant cost and planning. By starting early and remaining transparent with your intentions, you can finally cash in on your hard work and achieve financial security.

This article was written by Joseph P. Boeckman, a partner in the Business Group of BakerHostetler. BakerHostetler serves as antitrust counsel to the United States Cutting Tool Institute.

Legal Counsel Updates

Members are encouraged to visit [BakerHostetler](#) for access to timely and informative updates from USCTI legal counsel on issues such as health care, employment law, patent law, etc.

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