

The Evolving Secondary Market

*Market Challenges from
a Refurbisher's Perspective*

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**Surplus
Equipment
Consortium/
Network,
Inc.**



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TEAM A.T.E. Background



- ❑ Established in 1986, under current ownership and management since 1991.
- ❑ Specialize in ATE systems and Peripherals, both PCB and Semiconductor test.
- ❑ Goal – Relationship Driven, Value-Added Reseller and Refurbisher.

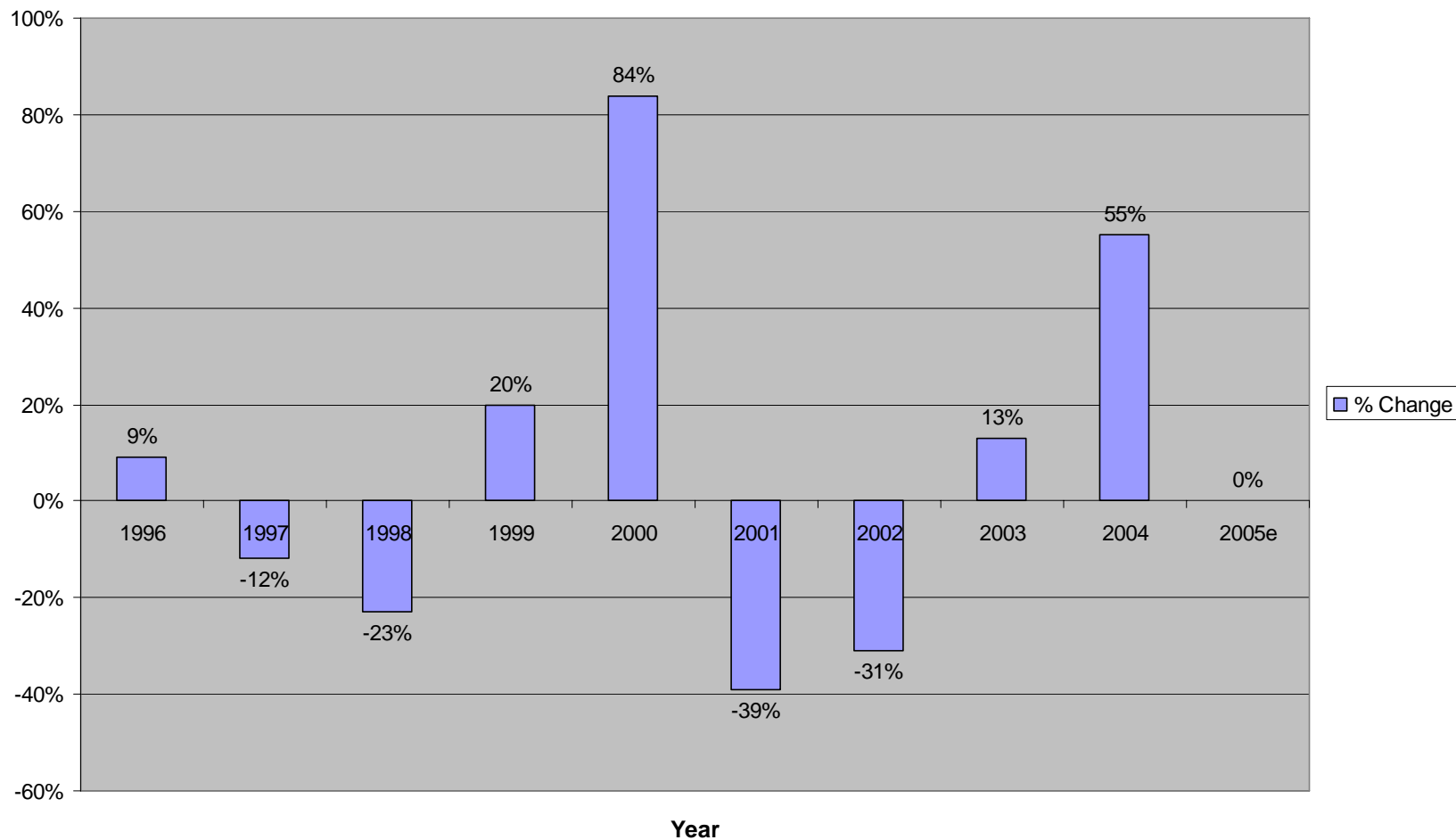


Challenges for a Refurbisher in the Secondary Market



- ❑ Volatile market plays havoc with used equipment supply and demand.

% Change in Semiconductor Equip. Capital Expenditures



Source: Lehman Brothers report November 17, 2004



Challenges for a Refurbisher in the Secondary Market



- ❑ Building Technical and Equipment Expertise for Right Equipment Lines.
- ❑ Competing with OEM's new or refurbished and Brokers selling "as is".
- ❑ Working with OEMs, understanding and respecting their Intellectual Property.
- ❑ Market Pressures on the OEM can lead to Anti-competitive practices.



What will the Future Bring?



- ❑ The Used Market is Based on Sound Economics and Will Continue to Grow.
- ❑ Expect More Consolidation among the OEMs.
 - 20 to 40% of all chip equipment companies could disappear over next decade. (Dan Freeman, Gartner Dataquest)
- ❑ Financing may become Tight and Costs Increase Unless OEM Health improves.
- ❑ Not all Legacy Equipment will be Supported or offered by 3rd party Refurbishers.
- ❑ Continued Refinement and Development of the International market, despite cultural differences.



Conclusions



- ❑ End users – Appreciate the Value that OEMs bring to the industry, Respect IP rights of OEM.
- ❑ Refurbishers – Represent equipment condition and included items accurately, Respect the IP rights of the OEM.
- ❑ OEMs – Make the Economics Work to increase customer base, develop and offer the right products.
 - Payback for 300mm tool and technology development, industry spent \$20 Billion, could take 30 years. (Iddo Hadar, Applied Materials)
- ❑ The Industry needs Viable and Competitive Equipment Companies to move forward.