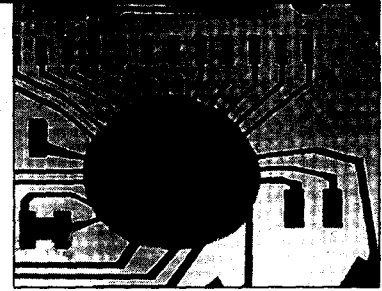


High-Tech Equipment Life-Cycle Management

By: Daniel R. Sholem



Packaging "value-added" services as part of the total equipment finance product is essential to success in today's competitive equipment leasing world.

Too many operating lessors focus solely on the "sale" and abandon the opportunities available by on-going portfolio review.

Lessees often lack the resources required to evaluate their equipment requirements in a continual manner. (By strategically, targeting the lessee's technology and economic concerns throughout the

Even providing end-of-lease assistance with meeting strict return conditions is of significant value to lessees.

life of the lease, the lessor creates value to the customer and opportunity to add greater return on their own investment.)

As an example, Semiconductor manufacturers face a dynamic field where equipment finance decisions are elevated to a critical level. Fab managers remain competitive by focusing on squeezing every

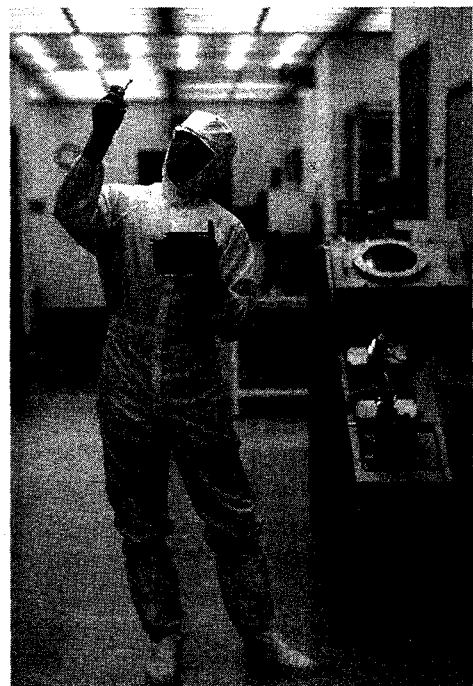
possible cent out of the cost to produce each wafer. As the economics of the industry mature, continual equipment management is crucial. Semiconductor manufacturers can no longer afford to stick with under utilized, technically obsolescent, low throughput equipment that restricts their cash flow. (In an industry where process and equipment lifecycles are short, lessors can provide value by partnering with their customers in an on-going fashion.) These methods are applied in any industry; however, the semiconductor world's exponential increase in effectiveness with each new generation of tool make applying these techniques an imperative.

Technological solutions and economic solutions to problems discovered in an on-going review are typically not mutually exclusive. Upgrading lithography, chemical vapor deposition (CVD), etchers as well as most peripheral tools in mid-term and at the same time extending the lease

provides the lessee enhanced capability at the same periodic cost. This also allows the lessor to reduce its risk.

Equipment swaps, early returns and rolling remaining rent obligation into new business and straight mid-term extensions are all methods to combine technology and economic solutions. Even providing end-of-lease assistance

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with meeting strict return conditions is of significant value to lessees. These methods should be

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customized to each lessee, lease schedule and equipment line item. Product specialists provide the immediate market and technical expertise required to maximize value on a tool returned early or at

end-of-lease, set effective residual values and maintain in-house fair-market-value knowledge of the equipment. Teaming this ability under the portfolio managers direction with the leasing sales manager creates an on-going approach to providing these line item scenarios.

Semiconductor manufacturers face rapid change in geometries (.25 microns to .18 microns), substrates (aluminum to copper) and production factors that require continual monitoring. Even though the lease may have a fixed term, evaluating the lease with an eye on equipment management allows for mid-term changes that match the market.

No doubt, these solutions can be addressed at the end-of-lease.

However, with the typical lessee vs. lessor confrontational FMV back-end debate looming in the dark, why wait? Competition on lease pricing alone puts the lessor in a difficult position and creates an adversarial relationship with the lessee. Blending strategic asset management into the equipment finance product forms a lessor-lessee partnership adding value for each.

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