

Bridgelux Procurement Policies

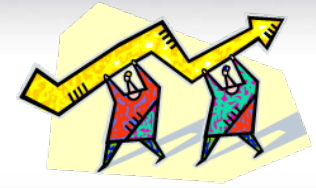
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Director of Global Sourcing

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The Magic of Light™

Procurement Policies: Sourcing



Competitive Environment:

Bridgelux believes that an open, competitive atmosphere is most beneficial to both buyer and seller, and it is our policy to foster this environment. Bridgelux buys on the basis of definitive specifications, quality of products and service, advantageous price, and delivery practices. Whenever possible, Bridgelux wishes to have two qualified providers. We would award the majority of our business, based on performance, to one of these providers on a year-to-year basis. The minority of the business would be awarded to the second provider.

Supplier Tiered Relationship Structure:

- Tier One: Relationships are critical to Bridgelux' long term success. Five or less suppliers - Strategic Partnerships
- Tier Two: Key Group of suppliers that are difficult to replace. Less than 5% of the supply base.
- Tier Three: Standard relationships with limited coordinated interactions - primarily transactional interface.
- Tier Four: Arms length relationships that are easily replaced. Purely transactional interaction.

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Supplier Diversity

- Bridgelux Inc. has a process to identify and increase purchases from U.S. small, minority, and women-owned businesses. The process focuses on the procurement of materials, components, equipment, facilities, supplies, and services. U.S. small, minority and women-owned suppliers interested in providing products or services to Bridgelux can request additional information from:

Bridgelux Inc.

Supplier Diversification

1170 Sonora Ct., Sunnyvale, CA.
94086

Or, send e-mail to

supplier@bridgelux.com

Attention: Supplier Diversity

Product Life Cycle

- Bridgelux offers its customers responsive support throughout a product's life cycle. This life cycle usually extends to five years beyond the date of the last production run and often longer if customer requirements still exist. We expect our suppliers to continue supplying materials and services throughout this cycle.

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Supplier Approval Process: The selection of suppliers who can provide products or services which meet quality and reliability levels specified by Bridgelux is also extremely important to our business. Critical materials, parts, or services are purchased from suppliers approved by Bridgelux Procurement Organization based on the following criteria:

Quality Evaluation:

The purpose of this policy is to ensure that the approved sources Bridgelux selects are capable of supplying parts and materials that meet Bridgelux' product quality standards. To ensure standards are being met, technical evaluations are performed which consist of:

- Part Qualification Test/Analysis
- Process Qualification Audits

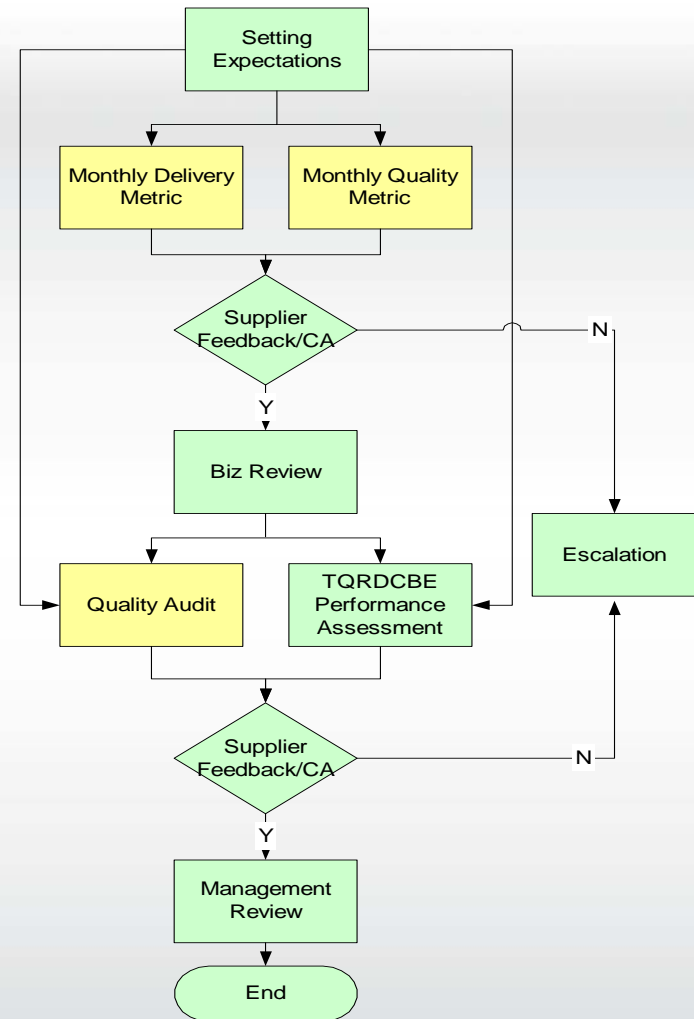
Business Evaluation:

In addition to quality evaluations, business conditions are also evaluated, including a review of the supplier's:

- Financial Stability
- Order Processing System
- E-Business Capabilities
- Future Business Directions

Procurement Policy: Supplier Performance (Tier 1&2 Suppliers)

- **Technical**
 - Leading edge Technology
 - Effective support of new product introduction
 - Mutual design support
- **Quality**
 - Quality Audit Score
 - Reject Rates
- **Responsiveness**
 - Timely responses to queries
 - Effective service and support
 - Flexibility
- **Delivery**
 - On-time delivery rate
 - Lead time improvement
 - Assurance of Supply program
- **Cost**
 - Competitive pricing
 - Cost reduction road-map
 - Supplier managed inventory
- **Business**
 - Consistent growth in revenue
 - Reasonable debt levels
 - Willingness to share financial data
 - Solvency
 - Litigation issues
- **Environment**
 - Environmental policy and implementation plan
 - Socially responsible labor practices



Bridgelux Commodities



- **Key Commodities and Services**

- Foundries - Compound Semiconductor
- Electronic Manufacturing Services (EMS)
- Chemicals and Gases
- Substrates
- Clean Room Supplies
- Molded Plastic
- Capital Equipment - New and Used
- LED Testing Services
- Design Services
- Facility Services



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Thank you