

CREE, INC.

CORPORATE GOVERNANCE PRINCIPLES

These Principles have been adopted by the Board of Directors (the "Board") of Cree, Inc. ("Cree" or the "Company") as a statement of general principles and policies regarding governance matters. The Principles are intended to assist the Board in fulfilling its responsibilities and, together with the Company's Articles of Incorporation and Bylaws and the Charters of the Board Committees, to provide a framework for governance of the Company.

BOARD RESPONSIBILITIES AND COMPOSITION

1. Oversight Role of the Board

The Board of Directors is responsible for overseeing the management of the Company in the interest and for the benefit of the Company's shareholders. In discharging this responsibility, the Board, directly or through committees acting pursuant to authority delegated by the Board:

- (a) appoints, evaluates the performance of and approves the compensation of the Chief Executive Officer and other executive officers;
- (b) plans for succession with respect to the position of Chief Executive Officer and monitors management's succession planning for other senior executives;
- (c) reviews and, where appropriate, approves the Company's major financial objectives and strategic and operating plans and actions;
- (d) oversees the conduct of the Company's business to evaluate whether the business is being properly managed; and
- (e) oversees the processes for maintaining the integrity of the Company's financial statements and other public disclosures and compliance with law and ethics.

The Board of Directors has delegated to the Chief Executive Officer, working with the other executive officers of the Company, the authority and responsibility for managing the business of the Company, subject to any specific instructions or directions of the Board. The Chief Executive Officer and management are responsible for seeking the Board's advice and, in appropriate situations, approval of the Board.

2. Size of the Board

The Bylaws provide that the number of directors constituting the Board of Directors shall be not less than five nor more than nine, with the exact number fixed from time to time within such range by resolution of the Board. Vacancies may be filled by vote of the shareholders or by the Board in accordance with the Bylaws. The shareholders elect all directors annually.

3. Independent Directors

The Board requires that a significant majority of the directors serving at any time be independent. An "independent" director is determined in accordance with the NASDAQ Listing Rules that apply to the Company as a NASDAQ issuer and with any other applicable laws or regulations in effect from time to time. A director qualifies as "independent" only if the Board affirmatively determines that the director meets the applicable requirements. Because it is not possible to anticipate all potential conflicts of interest that may affect independence, the Board must affirmatively determine that each independent

director has no relationship which, in the judgment of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Company will disclose such determinations in its annual proxy statements.

4. Selection of Chairman of the Board

The Board selects the Chairman of the Board from among its members in accordance with the Bylaws. The Board does not have a policy on whether the roles of Chief Executive Officer and Chairman should be separate and, if they are to be separate, whether the Chairman should be selected from among the independent directors.

5. Lead Independent Director

The Board shall designate an independent director as the Lead Independent Director at any time that the Chairman of the Board is not an independent director. The Lead Independent Director shall have the following responsibilities:

- in the absence of the Chairman, serve as acting Chairman presiding over meetings of the Board and shareholders;
- review agendas for meetings of the Board of Directors in advance with the Chairman;
- convene and preside over meetings of the independent directors and communicate the results of these sessions where appropriate to the Chairman, other management or the Board; and
- in general, serve as principal liaison between the independent directors and the Chairman and between the independent directors and other management.

6. Selection of Director Candidates

The Board is responsible for nominating individuals for election to the Board by the shareholders and for election by the Board to fill vacancies between annual meetings of shareholders. The Governance and Nominations Committee is responsible for identifying, screening and recommending candidates to the Board, with the expectation that other members of the Board and of management will be requested to take part in the process as appropriate.

7. Board Membership Criteria

In identifying, screening and recommending candidates for election to the Board, the Governance and Nominations Committee is expected to consider such factors as it considers appropriate in accordance with its Charter.

Absent unusual circumstances, each Board member is expected to prepare for, attend and participate in all Board meetings and all meetings of Committees of which he or she is a member and to attend all shareholder meetings. In addition, directors are expected to spend the time necessary to ask questions and engage in discussions with senior management as frequently as needed to prepare for meetings and otherwise to discharge their responsibilities. Each Board member is expected to ensure that other commitments do not materially interfere with the member's service as a director. These other commitments, and a directors' attendance record, may be considered by the Governance and Nominations Committee and the Board when considering Board candidates, in addition to such other factors as the Committee or Board determines appropriate.

Directors should not serve on more than four public company boards of directors, inclusive of service on the Company's Board. No person shall be nominated for election to the Board if this limitation would be exceeded unless otherwise determined by the Board.

Board members who are employees of the Company should not accept appointment to serve on any other public company board without the Board's approval.

8. Term Limits; Age Limits

The Board does not believe it should establish term limits or age limits. While term limits or age limits could help insure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who over time have developed increasing insight into the Company and its operations and therefore provide an increasing contribution to the Board as a whole.

9. Directors Elected by Less than a Majority Vote

Except in cases of elections in which there are more nominees than available seats, if a nominee elected to the Board of Directors by plurality vote received a number of "withhold" votes that is greater than 50% of all votes cast with respect to that nominee, the nominee shall tender his or her resignation from the Board in writing to the Chairman prior to the first regular meeting of the Board that follows the meeting of shareholders at which the election was held and any meeting of the Board held in connection with it. The resignation is to be effective only if and when it is accepted by the Board. The Governance and Nominations Committee shall recommend to the Board of Directors whether to accept, reject or otherwise act with respect to the tendered resignation. A director whose resignation is under consideration shall be recused from Committee and Board discussions regarding whether to accept the resignation; provided, however, if there are not at least three members of the Governance and Nominations Committee who are not then required to tender resignations, the matter shall be considered by the non-tendering members of the full Board without a prior recommendation by the Committee and, provided further, that if there are not at least three members of the Board who are not then required to tender resignations, all directors may participate in the Board discussions.

In determining what action to recommend or take with respect to resignations tendered under this policy, the Governance and Nominations Committee and the Board may consider any factors or other information the directors may find relevant, including, without limitation, the reasons, if known, why shareholders did not vote for the election of the director or the basis for any recommendation to shareholders to withhold votes for the election of the director, the director's qualifications and length of service on the Board, the director's contributions to the Company and the current mix of skills and attributes of the directors on the Board (including, for example, the impact the resignation would have on the Company's compliance with the independence standards of the SEC and NASDAQ). The Governance and Nominations Committee and the Board also may consider alternatives to acceptance of the director's tendered resignation, including, without limitation, deferral of the decision (including deferral to provide time to identify a suitable replacement), rejection of the resignation, or rejection of the resignation coupled with a commitment to seek to address the underlying concerns believed to have resulted in the withholding of votes for the director. Promptly after the Board reaches a decision, the Company will publicly disclose the action taken by the Board regarding the director's tendered resignation.

10. Directors Who Change Job Responsibilities

The Board does not believe that non-employee directors who retire or change from positions they hold with other companies should necessarily leave the Board. There should be an opportunity for the Board to review, however, the continued appropriateness of Board membership under these circumstances. A director who holds a position with another company is therefore required, upon any termination of or material change in the relationship with the other company, including a director who commences employment with a different company, to tender his or her resignation from the Board in writing to the Chairman prior to the first regular meeting of the Board that follows the termination or change in relationship or employment. The resignation is to be effective only if and when it is accepted by the Board. The Governance and Nominations Committee shall recommend to the Board of Directors whether to accept, reject or otherwise act with respect to the tendered resignation. A director whose resignation is

under consideration shall be recused from Committee and Board discussions regarding whether to accept the resignation.

11. Board Compensation

It is the Board's general policy that employee directors will not receive additional compensation for Board service and that the compensation of non-employee directors for Board service should be a mix of cash and equity-based compensation. Independent directors shall not receive, directly or indirectly, consulting, advisory or other compensatory fees from the Company beyond their compensation as directors. The Compensation Committee of the Board is responsible for evaluating and recommending Board compensation to the Governance and Nominations Committee, and the Governance and Nominations Committee is responsible for approving Board compensation.

12. Code of Conduct

Members of the Board of Directors shall act at all times in accordance with the requirements of the Company's Code of Conduct, which is applicable to each director in connection with his or her activities relating to the Company. This obligation includes, without limitation, adherence to the Company's policies with respect to conflicts of interest, confidentiality, protection of the Company's assets, ethical conduct in business dealings and respect for and compliance with applicable law. Any questions regarding conflicts of interest involving directors should be discussed with the Governance and Nominations Committee. Any waiver of the requirements of the Code of Conduct with respect to a director or executive officer is subject to the approval of the Board of Directors or the Audit Committee acting on its behalf.

13. Separate Sessions of Independent Directors

Independent directors will have regularly scheduled meetings, convened by the Chairman, or if the Chairman is not independent, by the Lead Independent Director, at which only independent directors may be present. The meetings will be held immediately following each regularly scheduled Board meeting. The fact that the meetings were held shall be noted in the minutes of the Board meeting. These sessions are not considered meetings of the Board or of a Committee. Any suggested action resulting from these sessions shall be referred by the Chairman (or the Lead Independent Director, as the case may be) to the appropriate Committee, to the Board or to management.

14. Evaluation of the Board

The Governance and Nominations Committee, in accordance with its Charter, is responsible for overseeing an evaluation of the Board of Directors and individual directors at least annually.

15. Directors' Orientation and Continuing Education

The Chief Executive Officer in conjunction with the Chair of the Governance and Nominations Committee is responsible for new director orientation programs and for director continuing education programs. The orientation programs will be designed to familiarize new directors with the Company's businesses, strategies and challenges and will include presentations by senior management personnel with respect to the Company's business, strategic plans, principal officers and key employees, financial reporting, auditing processes and other matters relevant to the role of directors. Continuing education programs for Board members may include a mix of in-house and external presentations and programs. Directors are encouraged to attend external continuing education programs as appropriate from time to time. The Company is authorized to reimburse reasonable expenses directors incur in attending such programs.

16. Access to Employees and Board Presentations

Directors shall have unrestricted access to any and all Cree employees. Board members are encouraged, when traveling, to make arrangements in advance to visit Cree sites and meet with local management. The office of the Chief Executive Officer shall, whenever requested, assist in arranging and facilitating such meetings and site visits. The Board also encourages management to schedule managers to present at Board meetings who can provide additional insight into the items being discussed because of personal involvement in these areas and/or represent managers with future potential that management believes should be given exposure to the Board.

17. Access to Independent Advisors

The Board and each standing Committee are authorized to engage such independent advisors and consultants, including attorneys and accountants, as the Board or Committee deems necessary to assist it in fulfilling its duties and responsibilities.

18. Attendance of Non-Directors at Board Meetings

Attendance of non-directors at Board meetings shall be at the invitation of the Chairman unless otherwise directed by the Board.

19. Board Interaction with Third Parties

The Board believes that management should speak for the Company. Although individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company, it is expected that directors would do this with the knowledge of management (and, in most instances, at the request of management) and is suggested that directors refer all inquiries from institutional investors, the press or customers to management.

20. Shareholder Communications with Board

The Board will establish and periodically assess policies and procedures to facilitate communications between the Company's shareholders and the directors so as to assist the Board in fulfilling its responsibilities to all shareholders. Management shall have the primary responsibility to establish policies concerning the Company's communications with investors, analysts, the press, customers, suppliers and employees.

BOARD MEETINGS AND MATERIALS

21. Frequency of Meetings

There shall be at least four (4) regularly scheduled meetings of the Board each year, each held within the month after the release of the Company's quarterly earnings. Each January the Corporate Secretary shall prepare and submit for Board approval a schedule of regular meetings of the Board and all standing Committees to be held during the remainder of that calendar year and the next calendar year. In addition to regular meetings, additional meetings of the Board may be called upon appropriate notice in accordance with the Bylaws to consider specific items of business. The Board may also take action from time to time by unanimous written consent.

22. Agenda for Board Meetings

The Chairman of the Board shall direct preparation of an agenda for each meeting and have it distributed in advance to the members of the Board. Each Director may propose the inclusion of items on the agenda, request the presence of or a report by any member of the Company's management or raise subjects that are not on the agenda for that meeting. At special meetings of the Board, only the business

specified in the notice of meeting may be conducted unless otherwise permitted by the Bylaws and applicable law.

23. Meeting Materials

Information and data that is important to the Board's understanding of business to be discussed at a meeting should be distributed in writing to the Board before the Board meets. As a general rule, materials on specific subjects should be sent to Board members sufficiently in advance that Board meeting time may focus on discussion and analysis rather than exchange of information. Sensitive subject matters may be discussed at the meeting without written materials being distributed in advance or at the meeting.

BOARD COMMITTEES AND COMMITTEE MEETINGS

24. Standing Committees

The Board has three (3) principal standing Committees: Audit, Governance and Nominations, and Compensation. Each of these standing Committees has a written Charter, approved by the Board, which describes the Committee's authority and responsibilities. Each of these Committees is expected to review its Charter annually and to recommend to the Board such revisions as are considered appropriate. From time to time, the Board in accordance with the Bylaws may delegate additional authority and responsibilities to a standing Committee, or may establish additional committees or disband one or more committees, depending on the circumstances.

25. Assignment of Committee Members and Chairs

The Board is responsible for the appointment and removal of Committee members and Committee Chairs. The Governance and Nominations Committee is responsible for recommending the directors to be appointed to each Committee and to serve as Committee Chair. The Board is responsible for ensuring that each Committee meets the applicable SEC and NASDAQ requirements relating to the number and qualifications of Committee members.

26. Independence of Board Committees

All members of the Audit, Governance and Nominations and Compensation Committees shall be independent directors and otherwise possess the qualifications for membership specified in the applicable Committee's Charter.

27. Frequency of Committee Meetings

Regular meetings of each Committee will be held in accordance with the schedule of Board and Committee meetings approved by the Board. Additional Committee meetings may be called, with appropriate notice in accordance with the Bylaws and the related Committee Charter, to consider specific items of business. Each Committee may also take action from time to time by unanimous written consent.

28. Agenda for Committee Meetings

The Committee Chair shall direct preparation of an agenda for each Committee meeting and have it distributed in advance to the members of the Committee. Each Committee member may propose the inclusion of items on the agenda, request the presence of or a report by any member of the Company's management or may raise subjects that are not on the agenda for that meeting. At special meetings of the Committee, only the business specified in the notice of meeting may be conducted unless otherwise permitted by the Bylaws and applicable law.

29. Attendance of Non-Members at Committee Meetings

Attendance of non-members at Committee meetings shall be at the invitation of the Committee Chair unless otherwise directed by the Committee or as provided in the Committee's Charter. Board members may attend a meeting of any Committee unless the Committee is meeting in executive session at the direction of the Committee Chair or the Committee.

30. Reports of Committee Action

Each Committee will regularly report to the Board concerning the Committee's activities. All actions taken by a Committee during a Committee meeting, or by unanimous written consent in lieu of a meeting, shall be reported by the Committee no later than during the next regularly scheduled Board meeting. The agendas, meeting minutes and consent actions of the Committees will be provided to any Board member upon request.

LEADERSHIP DEVELOPMENT

31. Evaluation of Chief Executive Officer

The Compensation Committee, in accordance with its Charter, shall evaluate the Chief Executive Officer's performance annually.

32. Succession Planning and Management Development

The Compensation Committee, in accordance with its Charter, shall oversee the development of executive succession plans. The Chief Executive Officer shall review succession planning and management development with the Compensation Committee at least annually.

SHARE OWNERSHIP BY DIRECTORS AND EXECUTIVE OFFICERS

33. Share Ownership by Directors and Executive Officers

Directors, the Chief Executive Officer and other executive officers are encouraged to comply with the following guidelines for minimum share ownership, within five years after election or appointment, by holding shares with a value not less than amount indicated:

- (a) Non-Employee Directors —five times the sum of the director's annual cash retainers for Board and committee service
- (b) Chief Executive Officer —five times annual base salary
- (c) Other Executive Officers — two times annual base salary

For purposes of these guidelines, shares owned by a director or executive officer are all non-derivative securities reported as beneficially owned on the director's or officer's most recent report filed under Section 16 of the Securities Exchange Act of 1934, as amended.