

CREE, INC.

Compensation Committee Charter

Purpose

The Compensation Committee (the "Committee") is a standing committee of the Board of Directors appointed to assist the Board in discharging its overall responsibility relating to executive compensation and compensation of directors and to oversee and report to the Board of Directors as appropriate on the Company's compensation and benefit policies, programs and plans, including its stock-based compensation programs. The Committee is specifically charged with determining the compensation of the Company's chief executive officer and its other executive officers and recommending the compensation for non-employee directors. "Executive officer" as used in this Charter refers to officers within the scope of Rule 16a-1(f) of the rules of the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Composition

Number and Appointment

The Committee shall be comprised of at least three members, all of whom shall be appointed by the Board of Directors. The Committee may act with less than three members but actions of the Committee shall require approval of a quorum consisting of not less than two members.

Qualifications

All members of the Committee must be members of the Board of Directors and meet the independence requirements of the applicable NASDAQ rules. All members shall also be "non-employee directors" as defined by Rule 16b-3 under the Securities Exchange Act of 1934 and "outside directors" as defined by Section 162(m) of the Internal Revenue Code and meet any other requirements under listing standards and legal requirements applicable to the Company.

The Board of Directors (or such other committee of the Board as the Board may authorize) shall have sole authority and responsibility for determining whether a member or proposed member of the Committee is qualified for Committee membership, based upon appropriate representations of the individual and such other inquiries as the circumstances may warrant.

Committee Chair

The Board of Directors shall designate one member of the Committee to chair the Committee.

Meetings and Procedural Matters

Meetings

The Committee shall hold regular or special meetings as the Committee determines necessary or appropriate, but no less than annually. When necessary, the Committee will hold meetings in executive session at which only Committee members are present. Attendance of non-members shall be at the invitation of the Chair or of two or more members of the Committee. Board members that are not members of the Committee may attend Committee meetings unless the Committee is meeting in executive session at the direction of the Committee Chair or the Committee. The chief executive officer may not be present at voting or deliberations on his or her compensation. The provisions of Article V of the Bylaws of the Company, which govern meetings of the Board of Directors, shall likewise apply to meetings of the Committee.

Minutes

The Committee shall cause to be prepared minutes of each meeting of the Committee that reflect the date of the meeting, the members in attendance and all actions taken by the Committee at the meeting. Such minutes, together with any actions taken by unanimous written consent, shall be submitted to and maintained by the Secretary as part of the Company's permanent records and shall be disseminated to the Board of Directors.

Procedural Rules

The Committee may establish rules of procedure not inconsistent with this Charter, the Bylaws of the Company or applicable law.

Responsibilities and Authority

Generally

The Committee shall have such responsibilities and authority as are expressly set forth in this Charter or are necessary or incidental to carrying out the purpose of the Committee as stated above, together with such other responsibilities and authority as may be prescribed from time to time by the Board of Directors, by the applicable NASDAQ rules or other listing standards applicable to the Company, or by rules or regulations of the Securities and Exchange Commission (the "SEC") or other law.

Authority to Engage Advisers

The Committee shall have the authority, in its sole discretion, to engage any compensation consultants, independent counsel and other advisers to be used to assist it in the evaluation of director or executive compensation, the review and development of equity compensation plans and other matters within the responsibility of the Committee. The Committee shall have sole authority over the retention and termination of any advisers engaged by the Committee, including authority to approve the fees payable to such advisers and any other terms of engagement.

Consideration of Independence of Advisers to the Committee

The Committee may select, or receive advice from, compensation consultants, independent counsel and other advisers to the Committee, other than in-house legal counsel, only after taking into consideration the following factors, as well as any other factors required by the applicable NASDAQ rules or other listing standards applicable to the Company, or by rules or regulations of the SEC or other law relating to such adviser's independence: (i) the provision of other services to the Company by the person that employs the adviser; (ii) the amount of fees received from the Company by the person that employs the adviser, as a percentage of the total revenue of the person that employs the adviser; (iii) the policies and procedures of the person that employs the adviser that are designed to prevent conflicts of interest; (iv) any business or personal relationship of the adviser with a Committee member; (v) any stock of the Company owned by the adviser; and (vi) any business or personal relationship of the adviser or the person employing the adviser with an executive officer of the Company. So long as the Committee has considered the foregoing six factors, the Committee may select, or receive advice from, any adviser, regardless of whether the adviser is independent.

Notwithstanding the foregoing, the Committee is not required to conduct an independence assessment for a compensation adviser that acts in a role limited to the following activities for which no disclosure is required under SEC Regulation S-K Item 407(e)(3)(iii): (i) consulting on any broad-based plan that does not discriminate in scope, terms or operation in favor of executive officers or directors of the Company, and that is available generally to all salaried employees, and/or (ii) providing information that either is not customized for the Company or that is customized based on parameters that are not developed by the adviser, and about which the adviser does not provide advice.

Funding

The Company shall provide for appropriate funding, as determined by the Committee, for payment of (i) compensation to any compensation consultants, independent counsel and other advisers employed by the Committee under its authority to engage consultants, independent counsel and other advisers as it determines necessary to carry out its duties; and (ii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

Retirement Plans

With respect to any retirement plans of the Company, including without limitation the Company's 401(k) Plan, the Committee shall have the authority to approve and authorize any amendments that it finds to be necessary or appropriate and which are not within the retained authority of the Board of Directors. In that regard, the Board of Directors has retained sole authority to approve and authorize the termination of the 401(k) Plan, the adoption of a new retirement plan in addition to or in lieu of the 401(k) Plan, and any amendment to the 401(k) Plan or other retirement plan that concerns the availability of Company securities for investment under the plan.

Stock-Based Compensation Plans and Non-Stock-Based Compensation Plans

With respect to any stock-based compensation plans of the Company or any non-stock-based compensation plans in which directors or executive officers are eligible to participate, the Committee will have the authority expressly provided in this Charter. Approval of the Committee shall not be required with respect to any Company non-stock-based compensation plan in which directors and executive officers are not eligible to participate.

The Committee shall review the Company's long-term incentive compensation plan and other stock-based plans and recommend changes in such plans to the Board of Directors and shareholders as necessary or appropriate. The Committee shall have the authority to approve any amendments to the Company's employee stock purchase plan, other than increasing the number of shares available under the plan, which shall be subject to the approval of the Board of Directors and shareholders. The Committee shall have and shall exercise all the authority of the Board of Directors with respect to the administration of such stock-based plans, including the Company's employee stock purchase plan, except with respect to the grant of equity awards to non-employee directors, which authority has been delegated by the Board to the Governance and Nominations Committee. To the extent not inconsistent with its obligations and authority under this Charter and the applicable NASDAQ rules or other listing standards applicable to the Company, or rules or regulations of the SEC or other law, the Committee may delegate to one or more executive officers, or to a committee comprised solely of executive officers, the authority to grant equity awards other than awards to directors and executive officers and to any officer or employee of the Company the authority for day-to-day administration of the Company's stock-based plans.

The Committee shall have the authority to adopt, amend, administer and terminate any non-stock based compensation plans in which executive officers are eligible to participate, including the Management Incentive Compensation Plan.

Other Benefit Plans

With respect to any benefit plan of the Company not expressly referred to herein, the Committee shall have authority to adopt, amend, administer and terminate such plan. To the extent not inconsistent with its obligations under this Charter and the applicable NASDAQ rules or other listing standards applicable to the Company, or rules or regulations of the SEC or other law, the Committee may delegate to the Company's chief executive officer, any other officer of the Company, or to a committee the membership of which consists of at least one Company officer, the authority to adopt, amend, administer and/or terminate any such benefit plan.

Executive Officers and other Members of Senior Management

The Committee has the following responsibilities and authority with respect to executive officers and other members of senior management of the Company and its subsidiaries.

- Review and evaluate potential candidates for executive officer positions, including the chief executive officer.
- Periodically review the Company's succession and development plans for executive officers and other members of senior management of the Company and its subsidiaries.
- Review and approve offer letter terms for any executive officer, including any cash or stock-based compensation and the terms of any ancillary employment, severance, change in control or similar agreement. Provide recommendations to the Board of Directors concerning any hiring or termination actions with respect to an executive officer position.
- Review and approve on an annual basis the corporate goals and objectives that impact the compensation of the chief executive officer. At least once a year, the Committee shall evaluate the chief executive officer's performance in light of these established goals and objectives and based upon these evaluations shall determine the amount of any performance-based compensation for the period evaluated and set the chief executive officer's annual compensation, including salary, bonus, incentive and equity compensation for any future period.
- Review and approve on an annual basis the performance evaluation process and compensation structure for the Company's other executive officers and solicit the recommendations of the chief executive officer in that regard. Taking such recommendations into account, the Committee shall evaluate the performance of the Company's other executive officers and shall approve the annual compensation, including salary, bonus, incentive and equity compensation, for such executive officers. The Committee shall also provide oversight of management's decisions concerning the performance and compensation of other officers and members of senior management of the Company and its subsidiaries. The Committee shall have full authority to adopt, amend, administer and/or terminate any non-stock-based management incentive compensation plan in which executive officers are eligible to participate.
- Review the annual Compensation Discussion and Analysis and recommend to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's annual report on Form 10-K. As part of this review, the Committee shall consider the results of the most recent shareholder advisory vote on executive compensation as required by the SEC's rules and related authority.
- Review and approve an annual executive compensation report for inclusion in the Company's proxy statement.

Director Compensation

- Evaluate the compensation of independent directors and recommend to the Governance and Nominations Committee compensation arrangements, including without limitation the terms of any deferred compensation plan, for independent directors serving on the Board of Directors and on committees of the Board.

Related Person Transactions involving Compensation for Directors or Executive Officers or their Immediate Family Members

- In accordance with applicable NASDAQ rules, the Committee shall conduct appropriate review and oversight of all related person transactions involving compensation for directors or executive officers or their immediate family members for potential conflict of interest situations on an ongoing basis. For purposes of this paragraph the term “related person transaction” refers to transactions required to be disclosed pursuant to SEC Regulation S-K, Item 404, and to any other transaction for which approval by an independent body of the Board of Directors is required pursuant to applicable law or listing standards applicable to the Company.

Risk Management

- Periodically review with management the Company’s compensation programs as they relate to risk management practices and risk-taking incentives, including but not limited to an assessment of whether the Company’s compensation policies and practices encourage excessive or inappropriate risk-taking.

Other Responsibilities and Authority

- As soon as reasonably practicable thereafter, report to the Board of Directors concerning the Committee’s activities at Committee meetings and with respect to such other matters as are relevant to the Committee’s discharge of its responsibilities. The report to the Board of Directors may take the form of an oral report by the Chair or any other member of the Committee designated by the Committee to make such report.

Annual Charter Review

- Review and reassess the adequacy of this Charter as conditions dictate, but at least annually, and recommend any proposed changes to the Board of Directors for approval.

Compensation

Members of the Committee shall receive such compensation for service on the Committee as may be approved from time to time by the Governance and Nominations Committee, upon recommendation of such amounts by this Committee. Members may not receive other compensation from the Company of any kind except compensation for service as a member of the Board of Directors or for service on a Board committee.