

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): August 26, 2019

CREE, INC.

(Exact name of registrant as specified in its charter)

North Carolina
(State or other jurisdiction of
incorporation)

0-21154
(Commission File
Number)

56-1572719
(I.R.S. Employer
Identification Number)

4600 Silicon Drive
Durham North Carolina
(Address of principal executive offices)

27703
(Zip Code)

(919) 407-5300

Registrant's telephone number, including area code

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.00125 par value	CREE	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers;
Compensatory Arrangements of Certain Officers**

Grants of Performance Units

On August 26, 2019, the Compensation Committee (the “Committee”) of the Board of Directors of Cree, Inc. (the “Company”) approved the grant of performance units to Gregg A. Lowe, the Company’s Chief Executive Officer and President, and Neill P. Reynolds, the Company’s Executive Vice President and Chief Financial Officer, under the Company’s previously filed 2013 Long-Term Incentive Compensation Plan, as amended (the “LTIP”). The performance units are designed to provide Messrs. Lowe and Reynolds annual incentive compensation based on the Company’s financial performance for fiscal 2020 against pre-established revenue and non-GAAP gross margin targets. Any payment under the performance units will be paid in cash.

Each executive is eligible to receive pursuant to his performance unit an annual incentive award determined by multiplying his base salary, his target award level and a performance measurement (specified as a percentage between 0% and 200%) derived by comparing the Company’s fiscal 2020 financial performance against pre-established revenue and non-GAAP gross margin targets. In the event of a change in control of the Company during fiscal 2020, the percentage for each measure will be not less than 100%. The performance units awarded to Messrs. Lowe and Reynolds for fiscal 2020 were granted pursuant to the terms of a Notice of Grant dated August 26, 2019 and a Master Performance Unit Award Agreement with each such executive (the Form of Master Performance Unit Award Agreement has been previously filed). Mr. Lowe’s target award level is set at 140% of his base salary and Mr. Reynolds’s target award level is set at 80% of his base salary.

Except as provided in the Change in Control Agreement with Mr. Lowe dated September 22, 2017, as amended by the First Amendment dated May 4, 2018 (as amended, the “Change in Control Agreement”) or the Cree Severance Plan - Senior Leadership Team (the “SLT Severance Plan”) (each as previously filed), and except as provided with respect to death or long-term disability or a change in control, (i) each executive must be continuously employed by the Company in the positions referenced above for such executive through the last day of the performance period, (ii) the performance units will not be considered earned by the executive until the last day of the performance period, and (iii) if the executive terminates his employment prior to the last day of the performance period, with or without cause, he will forfeit his performance units. If there is a change in control and the executive’s employment terminates on or prior to the end of fiscal 2020, the executive will not be entitled to payment under his performance units; however, he is entitled to payment of a similar amount under the Change in Control Agreement (for Mr. Lowe) or the SLT Severance Plan (for Mr. Reynolds).

The foregoing description of the grant of performance units is subject to and qualified in its entirety by the Notices of Grant included as Exhibits 10.1 and 10.2 to this report and the previously filed [Form of Master Performance Unit Award Agreement](#), each of which is incorporated herein by reference.

Discretionary Bonus for Fiscal 2019 Operational Performance

Also on August 26, 2019, the Committee approved the award of discretionary cash bonuses to Messrs. Lowe and Reynolds in the amounts of \$543,949 and \$75,384, respectively, to reflect their contributions to the Company’s achievement of a number of significant operational and strategic milestones in fiscal 2019 as a supplement to amounts earned under the previously disclosed performance units granted under the

LTIP for fiscal 2019 financial performance (the “Fiscal 2019 Performance Units”). These cash bonuses bring Mr. Lowe’s total short-term cash incentive compensation amount for fiscal 2019 to 150% of his target for fiscal 2019 and Mr. Reynolds’s total short-term cash incentive compensation amount for fiscal 2019 to 125% of his target for fiscal 2019, in each case when combined with amounts earned under the Fiscal 2019 Performance Units.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
10.1	<u>Notice of Grant to Gregg A. Lowe, dated August 26, 2019</u>
10.2	<u>Notice of Grant to Neill P. Reynolds, dated August 26, 2019</u>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CREE, INC.

By: /s/ Bradley D. Kohn
Bradley D. Kohn
Senior Vice President and General Counsel

Date: August 30, 2019



NOTICE OF GRANT

<p><i>Company:</i> Cree, Inc. 4600 Silicon Drive Durham, NC 27703 Tax I.D. 56-1572719</p>	<p><i>Participant:</i> Gregg Lowe <i>Award Number:</i> 41 <i>Award Plan:</i> 2013 Long-Term Incentive Compensation Plan <i>Award Type:</i> Performance Units <i>Grant Date:</i> August 26, 2019 <i>Performance Period:</i> July 1, 2019 through June 28, 2020</p>
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Dear Gregg:

I am pleased to inform you that Cree, Inc. (the “Company”) has awarded Performance Units to you effective August 26, 2019 (the “Grant Date”). This award is subject to and governed by the terms of the Cree, Inc. 2013 Long-Term Incentive Compensation Plan (the “Plan”), the terms of the Master Performance Unit Award Agreement between you and the Company, and this Notice of Grant.

The amount payable to you pursuant to your Performance Units (“D”) will be determined as the result of $A \times B \times C$, where:

- **A** equals your Base Salary;
- **B** equals your Target Award Level; and
- **C** equals the Performance Measurement.

For purposes of the foregoing, except as expressly provided otherwise in this Notice of Grant, “Base Salary” shall refer to your annual base salary in effect on the last day of the first fiscal quarter of fiscal year 2020 (“FY20”), as provided in the Company’s human resources management system, unless your annual base salary changes after the first fiscal quarter. If your annual base salary changes after the first fiscal quarter, “Base Salary” will mean the weighted average annual base salary for the Performance Period determined by multiplying each annual base salary in effect during the Performance Period by a fraction, the numerator of which is the number of calendar days in the Performance Period on which such annual base salary was in effect and the denominator of which is the number of calendar days in the Performance Period. However, if you are on a leave of absence (other than a leave of absence where you continue to be paid your full base salary through the Company’s payroll system, except payments received under the Company’s short-term disability income protection plan), for all or part of the Performance Period, your Base Salary will be reduced proportionately to equate to the base salary applicable to the number of calendar days you were not on a leave of absence during the Performance Period.

For purposes of the foregoing, your “Target Award Level” is one hundred forty percent (140%).

For purposes of the foregoing, the “Performance Measurement” is a percentage between 0% and 200% determined by the Compensation Committee of the Company’s Board of Directors (the “Committee”) after assessing the Company’s performance against FY20 revenue and non-GAAP gross margin targets.

The Performance Measurement for the Performance Period will be determined by averaging the Performance Measurement levels associated with actual revenue and non-GAAP gross margin results for the Performance Period, rounded to the nearest whole percentage.

Except as provided in your Change in Control Agreement, dated September 22, 2017, as amended (the “Change in Control Agreement”), and except as provided below with respect to your death or LTD Disability, (i) you must be continuously employed by the Company as the Company’s Chief Executive Officer through the last day of the

Performance Period to have a right to payment of your Performance Units, (ii) your Performance Units will not be considered earned until the last day of the Performance Period, and (iii) if you terminate employment with the Company prior to the last day of the Performance Period, with or without cause, you will forfeit your Performance Units.

After the end of the Performance Period, your actual Performance Measurement will be determined as follows:

Step 1: The Committee will, in good faith and in its sole discretion, determine the Company's actual revenue and non-GAAP gross margin results for the Performance Period (the "Results," each a "Result") using competent and reliable information, including but not limited to audited financial statements, if available.

Step 2: The Committee will determine the Performance Measurement for the Performance Period by averaging the Performance Measurement levels that corresponds to each Result, rounded to the nearest whole percentage. However, in the event a Change in Control (as defined in the Change in Control Agreement) occurs during the Performance Period, the percentage for each Result will be no less than 100% paid out as described herein.

Notwithstanding the foregoing, in order to ensure that the Company's best interests are met, except as specifically provided in the Change in Control Agreement, the Committee in its discretion may decrease or eliminate the amount payable pursuant to your Performance Units at any time prior to payment if it determines in good faith that payment of the full amount otherwise payable pursuant to the Performance Units is not warranted or appropriate; provided, however, so long as you are not in breach of your Confidential Information Agreement (as defined in the Change in Control Agreement), following (i) the commencement of a tender offer or the Company and another party entering into a written agreement that contemplates a transaction, the consummation of either of which would result in a Change in Control, or (ii) a Change in Control, the Committee may not decrease or eliminate the amount payable as otherwise determined in accordance with this Notice of Grant without your prior written consent, except that this restriction shall cease to apply if the tender offer or the written agreement is terminated or expires without the occurrence of a Change in Control.

In connection with the Committee's determination of the annual revenue and non-GAAP gross margin results for the Performance Period, the Committee shall (without limiting its authority to apply negative discretion as provided above) make adjustments that eliminate the effect of any changes or events (each a "Change") that occur during such Performance Period and that were not fully anticipated and/or accurately incorporated into the financial calculations when the performance targets were determined, where (a) making the adjustment will improve performance results, and (b) the Change has a material effect on results under a performance target (determined consistently with past practice), and (c) the Change comes within one or more of the following categories (determined consistently with past practice, to the extent applicable): (1) changes in corporate or capital structure, including but not limited to debt or equity offerings, mergers, acquisitions or divestitures; or (2) other unusual or nonrecurring events.

If prior to settlement of your Performance Units, the Company terminates your employment on account of your LTD Disability or you die, you or your beneficiary will receive payment under your Performance Units as otherwise determined in accordance with this Notice of Grant as if you had remained employed through the payment date for your Performance Units. However, in such event your Base Salary will be proportionally reduced based on the number of calendar days you were employed by the Company and not otherwise on leave of absence as provided above during the Performance Period.

If there is a Change in Control and you remain continuously employed by the Company through the end of the Performance Period, but your employment terminates In Connection with a Change in Control upon or after the end of the Performance Period but prior to the payment date under your Performance Units, you will be entitled to payment under your Performance Units as otherwise determined in accordance with this Notice of Grant. However, if there is a Change in Control and your employment terminates prior to the end of the Performance Period, you will not be entitled hereunder to a payment under your Performance Units. "In Connection with a Change of Control" will have the same meaning as in the Change in Control Agreement.

In general, payment under your Performance Units will be made as soon as practicable after the end of the Performance Period and, in any event, will be made no later than (i) the end of the second fiscal quarter following the end of the Performance Period or, if earlier, (ii) the 15th day of the third month after the later of the end of the Company's tax year in which the Performance Period ends or the end of your tax year in which the Performance Period ends. However, if payment becomes due under your Performance Units on account of your death or LTD Disability, payment will be made no later than the 15th day of the third month after the later of the end of the Company's tax year in which your death or LTD Disability, as applicable, occurs or the end of your tax year in which your death or termination of your employment on account of LTD Disability, as applicable, occurs. Alternatively, in the event a Change in Control occurs prior to the payment date of your Performance Units, any payment that becomes due under your Performance Units will be made no later than the 15th day of the third month after the later of the end of the Company's tax year in which the Change of Control occurs or the end of your tax year in which the Change of Control occurs.

This award is intended to fulfill any and all agreements, obligations or promises, whether legally binding or not, previously made by the Company or any Employer under the Plan to grant you Performance Units or to provide you annual incentive compensation for the Performance Period. By signing below, you accept such award, along with all prior awards received by you, in full satisfaction of any such agreement, obligation or promise. By signing below, you expressly acknowledge that you are not a participant in or entitled to a payment under the Management Incentive Compensation Plan.

Nothing in this Notice of Grant or the Master Performance Unit Award Agreement is intended to modify or amend the terms of the Change in Control Agreement, including but not limited to your right to receive the payments specified in Section 7 thereof in accordance with the terms and conditions of the Change in Control Agreement.

Date: August 26, 2019

For Cree, Inc.

Accepted and agreed to:

By: /s/ Thomas H. Werner
Thomas H. Werner
Chairman-Compensation Committee

By: /s/ Gregg Lowe
Gregg Lowe



NOTICE OF GRANT

<p><i>Company:</i> Cree, Inc. 4600 Silicon Drive Durham, NC 27703 Tax I.D. 56-1572719</p>	<p><i>Participant:</i> Neill Reynolds <i>Award Number:</i> 40 <i>Award Plan:</i> 2013 Long-Term Incentive Compensation Plan <i>Award Type:</i> Performance Units <i>Grant Date:</i> August 26, 2019 <i>Performance Period:</i> July 1, 2019 through June 28, 2020</p>
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Dear Neill:

I am pleased to inform you that Cree, Inc. (the “Company”) has awarded Performance Units to you effective August 26, 2019 (the “Grant Date”). This award is subject to and governed by the terms of the Cree, Inc. 2013 Long-Term Incentive Compensation Plan (the “Plan”), the terms of the Master Performance Unit Award Agreement between you and the Company, and this Notice of Grant.

The amount payable to you pursuant to your Performance Units (“D”) will be determined as the result of $A \times B \times C$, where:

- **A** equals your Base Salary;
- **B** equals your Target Award Level; and
- **C** equals the Performance Measurement.

For purposes of the foregoing, except as expressly provided otherwise in this Notice of Grant, “Base Salary” shall refer to your annual base salary in effect on the last day of the first fiscal quarter of fiscal year 2020 (“FY20”), as provided in the Company’s human resources management system, unless your annual base salary changes after the first fiscal quarter. If your annual base salary changes after the first fiscal quarter, “Base Salary” will mean the weighted average annual base salary for the Performance Period determined by multiplying each annual base salary in effect during the Performance Period by a fraction, the numerator of which is the number of calendar days in the Performance Period on which such annual base salary was in effect and the denominator of which is the number of calendar days in the Performance Period. However, if you are on a leave of absence (other than a leave of absence where you continue to be paid your full base salary through the Company’s payroll system, except payments received under the Company’s short-term disability income protection plan), for all or part of the Performance Period, your Base Salary will be reduced proportionately to equate to the base salary applicable to the number of calendar days you were not on a leave of absence during the Performance Period.

For purposes of the foregoing, your “Target Award Level” is eighty percent (80%).

For purposes of the foregoing, the “Performance Measurement” is a percentage between 0% and 200% determined by the Compensation Committee of the Company’s Board of Directors (the “Committee”) after assessing the Company’s performance against FY20 revenue and non-GAAP gross margin targets.

The Performance Measurement for the Performance Period will be determined by averaging the Performance Measurement levels associated with actual revenue and non-GAAP gross margin results for the Performance Period, rounded to the nearest whole percentage.

Except as provided in the Company’s SLT Severance Plan, if such plan is then in effect, and except as provided below with respect to your death or LTD Disability, (i) you must be continuously employed by the Company as the Company’s Executive Vice President, Chief Financial Officer through the last day of the Performance Period to

have a right to payment of your Performance Units, (ii) your Performance Units will not be considered earned until the last day of the Performance Period, and (iii) if you terminate employment with the Company prior to the last day of the Performance Period, with or without cause, you will forfeit your Performance Units.

After the end of the Performance Period, your actual Performance Measurement will be determined as follows:

Step 1: The Committee will, in good faith and in its sole discretion, determine the Company's actual revenue and non-GAAP gross margin results for the Performance Period (the "Results," each a "Result") using competent and reliable information, including but not limited to audited financial statements, if available.

Step 2: The Committee will determine the Performance Measurement for the Performance Period by averaging the Performance Measurement levels that corresponds to each Result, rounded to the nearest whole percentage. However, in the event a Change in Control (as defined in the SLT Severance Plan) occurs during the Performance Period, the percentage for each Result will be no less than 100% paid out as described herein.

Notwithstanding the foregoing, in order to ensure that the Company's best interests are met, except as specifically provided in the SLT Severance Plan, the Committee in its discretion may decrease or eliminate the amount payable pursuant to your Performance Units at any time prior to payment if it determines in good faith that payment of the full amount otherwise payable pursuant to the Performance Units is not warranted or appropriate; provided, however, so long as you are not in breach of your Confidential Information Agreement (as defined in the SLT Severance Plan), following (i) the commencement of a tender offer or the Company and another party entering into a written agreement that contemplates a transaction, the consummation of either of which would result in a Change in Control, or (ii) a Change in Control, the Committee may not decrease or eliminate the amount payable as otherwise determined in accordance with this Notice of Grant without your prior written consent, except that this restriction shall cease to apply if the tender offer or the written agreement is terminated or expires without the occurrence of a Change in Control.

In connection with the Committee's determination of the annual revenue and non-GAAP gross margin results for the Performance Period, the Committee shall (without limiting its authority to apply negative discretion as provided above) make adjustments that eliminate the effect of any changes or events (each a "Change") that occur during such Performance Period and that were not fully anticipated and/or accurately incorporated into the financial calculations when the performance targets were determined, where (a) making the adjustment will improve performance results, and (b) the Change has a material effect on results under a performance target (determined consistently with past practice), and (c) the Change comes within one or more of the following categories (determined consistently with past practice, to the extent applicable): (1) changes in corporate or capital structure, including but not limited to debt or equity offerings, mergers, acquisitions or divestitures; or (2) other unusual or nonrecurring events.

If prior to settlement of your Performance Units, the Company terminates your employment on account of your LTD Disability or you die, you or your beneficiary will receive payment under your Performance Units as otherwise determined in accordance with this Notice of Grant as if you had remained employed through the payment date for your Performance Units. However, in such event your Base Salary will be proportionally reduced based on the number of calendar days you were employed by the Company and not otherwise on leave of absence as provided above during the Performance Period.

If there is a Change in Control and you remain continuously employed by the Company through the end of the Performance Period, but your employment terminates In Connection with a Change in Control upon or after the end of the Performance Period but prior to the payment date under your Performance Units, you will be entitled to payment under your Performance Units as otherwise determined in accordance with this Notice of Grant. However, if there is a Change in Control and your employment terminates prior to the end of the Performance Period, you will not be entitled hereunder to a payment under your Performance Units. "In Connection with a Change of Control" will have the same meaning as in the SLT Severance Plan.

In general, payment under your Performance Units will be made as soon as practicable after the end of the Performance Period and, in any event, will be made no later than (i) the end of the second fiscal quarter following

the end of the Performance Period or, if earlier, (ii) the 15th day of the third month after the later of the end of the Company's tax year in which the Performance Period ends or the end of your tax year in which the Performance Period ends. However, if payment becomes due under your Performance Units on account of your death or LTD Disability, payment will be made no later than the 15th day of the third month after the later of the end of the Company's tax year in which your death or LTD Disability, as applicable, occurs or the end of your tax year in which your death or termination of your employment on account of LTD Disability, as applicable, occurs. Alternatively, in the event a Change in Control occurs prior to the payment date of your Performance Units, any payment that becomes due under your Performance Units will be made no later than the 15th day of the third month after the later of the end of the Company's tax year in which the Change of Control occurs or the end of your tax year in which the Change of Control occurs.

This award is intended to fulfill any and all agreements, obligations or promises, whether legally binding or not, previously made by the Company or any Employer under the Plan to grant you Performance Units or to provide you annual incentive compensation for the Performance Period. By signing below, you accept such award, along with all prior awards received by you, in full satisfaction of any such agreement, obligation or promise. By signing below, you expressly acknowledge that you are not a participant in or entitled to a payment under the Management Incentive Compensation Plan.

Nothing in this Notice of Grant or the Master Performance Unit Award Agreement is intended to modify or amend the terms of the SLT Severance Plan, including but not limited to your right to receive the payment specified in Sections 4.1 and 4.2 thereof in accordance with the terms and conditions of the SLT Severance Plan.

Date: August 26, 2019

For Cree, Inc.

Accepted and agreed to:

By: /s/ Gregg Lowe
Gregg Lowe
President and Chief Executive Officer

By: /s/ Neill Reynolds
Neill Reynolds