

CREE INC  
Form DEF 14A  
September 08, 2017  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy  
Statement  
Pursuant to  
Section 14(a)  
of the  
Securities  
Exchange  
Act  
of  
1934  
(Amendment  
No.

Filed by the Registrant ☒  
Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- ☒ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material Pursuant to §240.14a-12

CREE, INC.

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

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To the Shareholders of Cree, Inc.:

The 2017 Annual Meeting of Shareholders of Cree, Inc. will be held at the offices of the corporation at the Cree Lighting Experience Center, 4408 Silicon Drive, Durham, North Carolina 27703, on Tuesday, October 24, 2017, at 10:00 a.m. local time, to consider and vote upon the following matters and to transact such other business as may be properly brought before the meeting:

• Proposal No. 1—Election of eight directors

• Proposal No. 2—Approval of an amendment to the 2005 Employee Stock Purchase Plan to increase the number of shares authorized for issuance under the plan by 2,500,000 shares

• Proposal No. 3—Ratification of the appointment of PricewaterhouseCoopers LLP as independent auditors for the fiscal year ending June 24, 2018

• Proposal No. 4—Advisory (nonbinding) vote to approve executive compensation

• Proposal No. 5—Advisory (nonbinding) vote on frequency of future shareholder advisory votes on executive compensation

All shareholders are invited to attend the meeting in person. Only shareholders of record at the close of business on August 29, 2017 are entitled to notice of and to vote at the meeting.

By order of the Board of Directors,

Bradley D. Kohn  
Secretary  
Durham, North Carolina  
September 8, 2017

PLEASE NOTE:

We are primarily providing access to our proxy materials over the Internet pursuant to the Securities and Exchange Commission's "notice and access" rules. Beginning on or about September 14, 2017, we expect to mail to our shareholders a Notice of Internet Availability of Proxy Materials, which will indicate how to access our 2017 Proxy Statement and 2017 Annual Report on the Internet. The Notice also includes instructions on how you can receive a paper copy of your annual meeting materials, including the notice of annual meeting, proxy statement and proxy card. Whether or not you plan to attend the meeting in person, please submit voting instructions for your shares promptly using the directions on your Notice or, if you elected to receive printed proxy materials by mail, your proxy card, to vote by one of the following methods: (1) over the Internet, by accessing the website address [www.proxyvote.com](http://www.proxyvote.com); (2) by telephone, by calling the toll-free telephone number 1-800-690-6903; or (3) if you elected to receive printed proxy materials by mail, by marking, dating and signing your proxy card and returning it in the accompanying postage-paid envelope.

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CREE, INC.

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PROXY STATEMENT

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2017 PROXY SUMMARY

This summary highlights information contained in this proxy statement. The summary does not contain all of the information that you should consider; please read the entire proxy statement carefully before voting.

Annual Meeting of  
Shareholders

- Place: Cree, Inc. offices at the Cree Lighting Experience Center, 4408 Silicon Drive, Durham, North Carolina 27703
- Date and time: Tuesday, October 24, 2017, at 10:00 a.m.
- Record Date: August 29, 2017
- Approximate Date of Availability of Proxy Materials: September 14, 2017
- Voting: Shareholders as of the record date are entitled to vote. Each share of common stock is entitled to vote for each director nominee and to one vote for each of the other proposals to be voted on.

Voting matters and Board  
recommendations

- Election of eight directors (FOR THE NOMINEES)
- Approval of amendment to our 2005 Employee Stock Purchase Plan to increase the number of shares authorized for issuance under the plan by 2,500,000 shares (FOR)
- Ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending June 24, 2018 (FOR)
- Advisory (nonbinding) vote to approve executive compensation (FOR)
- Advisory (nonbinding) vote on frequency of future shareholder advisory votes on executive compensation (FOR “one year”)

Board nominees

- Charles M. Swoboda. Cree, Inc. Chairman, President and Chief Executive Officer. Cree Director since 1999.
- Clyde R. Hosein. Executive Vice President and Chief Financial Officer of RingCentral, Inc. Cree Director since 2005.
- Robert A. Ingram. General Partner in Hatteras Venture Partners. Cree Director since 2008.
- Darren R. Jackson. Former Board Member and Chief Executive Officer of Advance Auto Parts, Inc. Cree Director since May 2016.
- C. Howard Nye. Chairman, Chief Executive Officer and President of Martin Marietta Materials, Inc. Cree Director since October 2015.
- John B. Replogle. Chief Executive Officer and President of Seventh Generation, Inc. Cree Director since 2014.
- Thomas H. Werner. Chief Executive Officer and Director of SunPower Corporation. Cree Director since 2006.
- Anne C. Whitaker. Chief Executive Officer and President of Novoclem Therapeutics. Cree Director since 2013.

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Executive officers at end of fiscal year	<p>Charles M. Swoboda, Chairman, President and Chief Executive Officer</p> <p>Michael E. McDevitt, Executive Vice President and Chief Financial Officer</p> <p>Daniel J. Castillo, Executive Vice President and President–Lighting</p>
Approval of amendment to our 2005 Employee Stock Purchase Plan	<p>We are seeking shareholder approval of an amendment to our 2005 Employee Stock Purchase Plan to increase the number of shares available for grant by 2,500,000 shares. Our Board of Directors recommends a FOR vote because we believe that the plan helps align the interests of our employees with those of our shareholders and helps us retain and motivate our employees.</p>
Independent auditors	<p>Although not required, we ask shareholders to ratify the selection of PricewaterhouseCoopers LLP as our independent auditors for our fiscal year ending June 24, 2018. Our Board of Directors recommends a FOR vote.</p>
Advisory (nonbinding) vote to approve executive compensation	<p>Annually, our shareholders consider and vote on the compensation of our named executive officers on an advisory (nonbinding) basis. Our Board of Directors recommends a FOR vote.</p>
Advisory (nonbinding) vote on frequency of future shareholder advisory votes on executive compensation	<p>At least once every six years, our shareholders consider and vote on the frequency of future shareholder votes on compensation of our named executive officers on an advisory (nonbinding) basis. Our Board of Directors recommends a vote FOR “one year”.</p>

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MEETING INFORMATION

The Board of Directors of Cree, Inc. (“Cree” or the “Company”) is asking for your proxy for use at the 2017 Annual Meeting of Shareholders and any adjournments of the meeting. The meeting will be held at our offices at the Cree Lighting Experience Center, 4408 Silicon Drive, Durham, North Carolina 27703, on Tuesday, October 24, 2017, at 10:00 a.m. local time, to conduct the following business and such other business as may be properly brought before the meeting: (1) election of the eight directors listed in this proxy statement; (2) approval of an amendment to the 2005 Employee Stock Purchase Plan, or the ESPP, to increase the number of shares authorized for issuance under the plan by 2,500,000 shares; (3) ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending June 24, 2018; (4) advisory (nonbinding) vote to approve executive compensation; and (5) advisory (nonbinding) vote on frequency of future shareholder advisory votes on executive compensation.

The Board of Directors recommends that you vote FOR the election of the director nominees listed in this proxy statement, FOR approval of the amendment to the ESPP, FOR ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending June 24, 2018, FOR the advisory (nonbinding) vote to approve executive compensation, and FOR “one year” (as opposed to two or three years) for holding an advisory (nonbinding) vote on frequency of future shareholder advisory votes on executive compensation.

Beginning on or about September 14, 2017, proxy materials for the annual meeting, including this proxy statement and our 2017 Annual Report, are being made available to shareholders entitled to vote at the annual meeting. The Annual Report is not part of our proxy soliciting materials.

Important Notice Regarding the Availability of Proxy Materials  
For the Shareholder Meeting to Be Held on October 24, 2017:

The Annual Report and proxy statement will be available on the Internet at [www.cree.com/annualmeeting](http://www.cree.com/annualmeeting).

Pursuant to the Securities and Exchange Commission’s “Notice and Access” rules, we are furnishing proxy materials to our shareholders primarily via the Internet. Beginning on or about September 14, 2017, we intend to mail to our shareholders a Notice of Internet Availability of Proxy Materials, or Notice, containing instructions on how to access our proxy materials on the Internet, including our proxy statement and our Annual Report. The Notice also instructs you on how you can vote using the Internet and by telephone. Other shareholders, in accordance with their prior requests, have received e-mail notification of how to access our proxy materials and vote via the Internet or by telephone, or have been mailed paper copies of our proxy materials and a proxy card or voting form.

Internet distribution of our proxy materials is designed to expedite receipt by shareholders, lower the cost of the annual meeting, and conserve natural resources. If, however, you would prefer to receive printed proxy materials, please follow the instructions included in the Notice. If you have previously elected to receive our proxy materials electronically, you will continue to receive these materials via e-mail unless you elect otherwise.



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### VOTING PROCEDURES

#### Who Can Vote

Only shareholders of record of the Company at the close of business on August 29, 2017 are entitled to vote at the meeting and any adjournments of the meeting. At that time, there were 97,684,861 shares of the Company's common stock outstanding, each of which is entitled to one vote on each matter submitted to a vote at the meeting.

#### How You Can Vote

You may vote shares by proxy or in person using one of the following methods:

**Voting by Internet.** You can vote over the Internet by following the directions on your Notice to access the website address at [www.proxyvote.com](http://www.proxyvote.com). The deadline for voting over the Internet is Monday, October 23, 2017 at 11:59 p.m. Eastern time.

**Voting by Telephone.** You can vote by calling the toll-free telephone number at 1-800-690-6903. The deadline for voting by telephone is Monday, October 23, 2017 at 11:59 p.m. Eastern time.

**Voting by Mail.** If you requested printed proxy materials, you can vote by completing and returning your signed proxy card. To vote using your proxy card, please mark, date and sign the card and return it by mail in the accompanying postage-paid envelope. You should mail your signed proxy card sufficiently in advance for it to be received by Monday, October 23, 2017.

**Voting in Person.** You can vote in person at the meeting if you are the record owner of the shares to be voted. You can also vote in person at the meeting if you present a properly signed proxy that authorizes you to vote shares on behalf of the record owner. If a broker, bank, custodian or other nominee holds your shares, to vote in person at the meeting you must present a letter or other proxy appointment, signed on behalf of the broker or nominee, granting you authority to vote the shares.

#### How You Can Revoke Your Proxy and Change Your Vote

You can revoke your proxy and change your vote by (1) attending the meeting and voting in person; (2) delivering written notice of revocation of your proxy to the Secretary at any time before voting is closed; (3) timely submitting new voting instructions by telephone or over the Internet as described above; or (4) if you requested printed proxy materials, timely submitting a signed proxy card bearing a later date.

#### How Your Proxy Will Be Voted

If you timely submit your proxy over the Internet, by telephone, or by proxy card as described above and have not revoked it, your shares will be voted or withheld from voting in accordance with the voting instructions you gave. If you timely submit your proxy as described above without giving voting instructions, your shares will be voted FOR the election of the director nominees listed in this proxy statement, FOR ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent auditors for the fiscal year ending June 24, 2018, FOR approval of the amendment to the ESPP, FOR the advisory (nonbinding) vote to approve executive compensation, and FOR "one year" for the advisory (nonbinding) vote on frequency of future shareholder advisory votes on executive compensation.

#### How You Can Vote Shares Held by a Broker or Other Nominee

If a broker, bank, custodian or other nominee holds your shares, you may have received a notice or voting instruction form from them. Please follow the directions that your broker, bank, custodian or other nominee provides or contact the firm to determine the voting methods available to you. Brokers are no longer permitted to vote in the election of directors (and many other matters, including Proposals 2, 4 and 5) if the broker has not received instructions from the beneficial owner of shares. It is particularly important, if you are a beneficial owner, that you instruct your broker how you wish to vote your shares because brokers will have discretionary voting authority only with respect to Proposal 3 if you do not instruct your broker how you wish to vote your shares.

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### Quorum Required

A quorum must be present at the meeting before business can be conducted. A quorum will be present if a majority of the shares entitled to vote are represented in person or by proxy at the meeting. Shares represented by a proxy with instructions to withhold authority to vote or to abstain from voting on any matter will be considered present for purposes of determining the existence of a quorum. Shares represented by a proxy as to which a broker, bank, custodian or other nominee has indicated that it does not have discretionary authority to vote on certain matters (sometimes referred to as “broker non-votes”) will also be considered present for purposes of determining the existence of a quorum.

### Vote Required

Proposal 1 (Election of Directors). Directors will be elected by a plurality of the votes cast. The nominees who receive the most votes will be elected to fill the available positions. Shareholders do not have the right to vote cumulatively in electing directors. Withholding authority in your proxy to vote for a nominee will result in the nominee receiving fewer votes.

As set forth in the Corporate Governance Principles adopted by the Board of Directors, except in cases when there are more nominees than available seats, if a nominee elected to the Board 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 the nominee’s 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 will be effective if and when it is accepted by the Board. Promptly after the Board reaches a decision, the Company will publicly disclose the action taken by the Board regarding the director’s tendered resignation.

Proposal 2 (Approval of Amendment to the ESPP) and Proposal 3 (Ratification of Appointment of Auditors). The proposed amendment to the ESPP and ratification of the appointment of PricewaterhouseCoopers LLP as the Company’s independent auditors for fiscal 2018 will be approved if the votes cast for approval exceed the votes cast against approval. If the ESPP proposal is not approved, the remaining shares available under the ESPP will not be sufficient for our expected needs through the next annual meeting of shareholders. Although shareholder ratification of the appointment is not required by law or the Company’s Bylaws, the Audit Committee has determined that, as a matter of corporate governance, the selection of independent auditors should be submitted to the shareholders for ratification. If the appointment of PricewaterhouseCoopers LLP is not ratified by a majority of the votes cast at the 2017 Annual Meeting, the Audit Committee will consider the appointment of other independent auditors for subsequent fiscal years. Even if the appointment is ratified, the Audit Committee may change the appointment at any time during the year if it determines that the change would be in the Company’s best interest and the best interests of the shareholders.

Proposal 4 (Advisory (Nonbinding) Vote to Approve Executive Compensation). With respect to the advisory (nonbinding) vote to approve executive compensation, the executive compensation will be approved if the votes cast for approval exceed the votes cast against approval. Because your vote to approve executive compensation is advisory, it will not be binding upon the Board of Directors, it will not overrule any decision by the Board, and it will not create or imply any additional fiduciary duties on the Board or any member of the Board. The Compensation Committee will, however, take into account the outcome of the vote when considering future executive compensation arrangements.

Proposal 5 (Advisory (Nonbinding) Vote on Frequency of Future Shareholder Advisory Votes on Executive Compensation). The proposed frequency of future advisory votes on executive compensation will be decided by the majority of the votes cast. If none of the frequency options (one, two or three years) receives a majority of the votes cast, we will consider the frequency that receives the highest number of votes by shareholders to be the frequency that has been selected by shareholders. Because your vote is advisory, it will not be binding upon the Board of Directors, it will not overrule any decision by the Board of Directors, and it will not create or imply any additional fiduciary duties on the Board of Directors or any member thereof. However, the Board of Directors

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will take into account the outcome of the vote when making future decisions regarding the frequency of future shareholder advisory votes on executive compensation.

Abstentions and broker non-votes will not be counted for purposes of determining whether these proposals have received sufficient votes for approval.

**PROPOSAL NO. 1—ELECTION OF DIRECTORS**

**Nominees for Election as Directors**

All eight persons nominated for election to the Board of Directors at the annual meeting are currently serving as directors of the Company. The Company is not aware of any nominee who will be unable or will decline to serve as a director. If a nominee becomes unable or declines to serve, the accompanying proxy may be voted for a substitute nominee, if any, designated by the Board. The term of office of each person elected as a director will continue until the later of the next annual meeting of shareholders or until such time as his or her successor has been duly elected and qualified.

The following tables list the nominees for election and information about each nominee. The Governance and Nominations Committee has recommended each nominee to the Board of Directors. Each nominee meets the criteria set forth in the Corporate Governance Principles, including that no Company director shall serve on more than four public company boards of directors, inclusive of service on the Company's Board. In addition, each nominee meets the minimum share ownership guidelines set forth in the Corporate Governance Principles, under which the Chief Executive Officer is expected to own shares with a value not less than five times his base salary, and each non-employee member of the Board is expected to own shares with a value not less than five times the sum of the director's retainers for service on the Board and on Board committees, within five years after election or appointment to the Board.

Under the charter of the Governance and Nominations Committee, the Committee is responsible for identifying from a wide field of candidates, including women and minority candidates, and recommending that the Board select qualified candidates for membership on the Board. In identifying candidates, the Committee takes into account such factors as it considers appropriate, which may include (1) ensuring that the Board, as a whole, is diverse as to race, gender, culture, thought and geography, such that the Board reflects a range of viewpoints, backgrounds, skills, experience and expertise, and consists of individuals with various and relevant career experience, relevant technical skills, industry knowledge and experience, financial expertise and local or community ties; (2) minimum individual qualifications, including strength of character, mature judgment, familiarity with the Company's business and industry, independence of thought and an ability to work collegially; (3) questions of independence, possible conflicts of interest and whether a candidate has special interests or a specific agenda that would impair his or her ability to effectively represent the interests of all shareholders; (4) the extent to which the candidate would fill a present need on the Board; and (5) whether the candidate can make sufficient time available to perform the duties of a director.

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Name	Age	Principal Occupation and Background	Director Since
Charles M. Swoboda	50	<p>Mr. Swoboda has served as the Company's Chief Executive Officer since June 2001, as President since January 1999, as a member of the Board of Directors since October 2000 and as chairman since April 2005. He was Chief Operating Officer of the Company from 1997 to June 2001 and Vice President for Operations from 1997 to 1999. Prior to his appointment as Vice President for Operations, Mr. Swoboda served as Operations Manager from 1996 to 1997, as General Manager of the Company's former subsidiary, Real Color Displays, Incorporated, from 1994 to 1996 and as LED Product Manager from 1993 to 1994. He was previously employed by Hewlett-Packard Company. In May 2017, the Company announced that Mr. Swoboda will step down from his executive positions with Cree and as a member of the Board of Directors following the appointment of his successor as President and Chief Executive Officer.</p> <p>Mr. Swoboda's employment with the Company for the past 24 years in diverse roles, his leadership as the Company's Chief Executive Officer for sixteen years and his service on the Board of Directors for seventeen years, including his service as Chairman of the Board for the past twelve years, uniquely qualify him for election to the Board of Directors. He brings to the Board a critical perspective and understanding of the Company's business strategy, and he is enabled by his experience and position as Chief Executive Officer to provide the Board valuable insight into the management and operations of the Company.</p>	2000

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Name	Age	Principal Occupation and Background	Director Since
Clyde R. Hosein	58	<p>Mr. Hosein has been a member of the Board of Directors since December 2005. From August 2013 to May 2017, he served as Executive Vice President and Chief Financial Officer of RingCentral, Inc., a publicly traded provider of software-as-a-service cloud-based business communications solutions. Prior to this, Mr. Hosein served from June 2008 to October 2012 as Chief Financial Officer of Marvell Technology Group Ltd., a publicly traded semiconductor provider of high-performance analog, mixed-signal, digital signal processing and embedded microprocessor integrated circuits, and he also served as its Interim Chief Operating Officer and Secretary from October 2008 to March 2010. From 2003 to 2008, he served as Vice President and Chief Financial Officer of Integrated Device Technology, Inc., a provider of mixed-signal semiconductor solutions. From 2001 to 2003, he served as Senior Vice President, Finance and Administration and Chief Financial Officer of Advanced Interconnect Technologies, a semiconductor assembly and test company. He has also held other senior level financial positions, including the role of Chief Financial Officer at Candescent Technologies, a developer of flat panel display technology. Early in his career he spent 14 years in financial and engineering roles at IBM Corporation.</p> <p>Mr. Hosein's qualifications to serve as a director include his service on the Company's Board of Directors and its Audit Committee during the past twelve years, his years of experience as an executive officer in publicly traded companies in the semiconductor industry, including his roles in operational management, his substantial experience as a chief financial officer responsible for the finance and accounting functions of publicly traded companies, his qualifications as an audit committee financial expert, and his technical background and significant experience in technology-based companies generally.</p>	2005

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Name	Age	Principal Occupation and Background	Director Since
Robert A. Ingram	74	<p>Mr. Ingram joined the Board of Directors in December 2008 and has served as Lead Independent Director since October 2011. Since January 2007, he has been a General Partner in Hatteras Venture Partners, a venture capital firm that invests in early stage life science companies in the southeast United States, and he has also served as strategic advisor to the chief executive officer of GlaxoSmithKline plc, a publicly traded pharmaceutical research and development company. From 2003 through 2009, he served as Vice Chairman Pharmaceuticals, GlaxoSmithKline. He previously served as Chief Operating Officer and President of Pharmaceutical Operations of GlaxoSmithKline following the December 2000 merger of Glaxo Wellcome plc and SmithKline Beecham plc. Prior to the merger he served as Chief Executive Officer of Glaxo Wellcome plc and as Chairman, President and Chief Executive Officer of Glaxo Wellcome Inc. Mr. Ingram also serves as Chairman of the Board of Directors of BioCryst Pharmaceuticals, Inc. and Novan, Inc., and serves on the Board of Directors of Malin Corporation plc. He also served as Chairman of the Board of Directors of OSI Pharmaceuticals, Inc. from January 2003 until its sale in June 2010, served on the Board of Directors of Elan Corporation, plc from December 2010 until its sale in December 2013 and as its Chairman from January 2011 until December 2013, and served on the Board of Directors of Valeant Pharmaceuticals International, Inc. from September 2010 to 2008 May 2017 and as its Chairman from December 2010 to March 2011 and from January 2016 to May 2016. He previously served as a director of Misys plc, Nortel Networks Corp., Wachovia Corp., Lowe's Companies, Inc., Pharmaceutical Product Development, Inc., Allergan, Inc., Edwards Lifesciences Corporation and Regeneron Pharmaceuticals, Inc. until 2005, 2006, 2008, May 2011, December 2011, December 2012, July 2015 and November 2015, respectively. Mr. Ingram brings to the Company's Board of Directors a wealth of experience as a director who has served in several roles on the boards of major publicly traded companies, including his service as the Company's Lead Independent Director for the past six years, as Chairman of the Governance and Nominations Committee from October 2011 to June 2015, and as Chairman of the Audit Committee from June 2015 to August 2016. He also provides the perspective of a former chief executive officer with substantial leadership experience in the life sciences sector along with insights on operational and other matters relevant to business generally and the semiconductor business in particular, such as research and development and intellectual property. In addition, Mr. Ingram brings to the Board the views and judgment of a leader who is highly respected both locally and internationally for his business expertise and acumen.</p>	

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Name	Age	Principal Occupation and Background	Director Since
Darren R. Jackson	52	<p>Mr. Jackson joined the Board of Directors in May 2016. From July 2004 to January 2016, he served on the Board of Directors of Advance Auto Parts, Inc., and served as its Chief Executive Officer from January 2008 to January 2016. Mr. Jackson also served as President of Advance Auto Parts from January 2008 to January 2009 and from January 2012 to April 2013. Prior to this, Mr. Jackson served in various executive positions with Best Buy Co., Inc., a specialty retailer of consumer electronics, office products, appliances and software, ultimately serving from July 2007 to December 2007 as Executive Vice President of Customer Operating Groups. Mr. Jackson joined Best Buy in 2000 and was appointed as its Executive Vice President–Finance and Chief Financial Officer in February of 2001. Prior to 2000, he served as Vice President and Chief Financial Officer of Nordstrom, Inc., Full-line Stores, a fashion specialty retailer, and held various senior positions, including Chief Financial Officer of Carson Pirie Scott &amp; Company, a regional department store company. Mr. Jackson has also served as a director of Fastenal Company, which sells industrial and construction supplies, since July 2012. Mr. Jackson has served as Chairman of the Company’s Audit Committee since August 2016. His qualifications to serve as a director include his years as a Chief Executive Officer, President and Chief Financial Officer of publicly traded companies in the retail and distribution industries, including his operational, logistical and executive management, financial and accounting acumen and experience.</p>	2016
C. Howard Nye	54	<p>Mr. Nye joined the Board of Directors in October 2015. Since May 2014, he has served as the Chairman of the Board of Directors of Martin Marietta Materials, Inc., a leading supplier of aggregates and heavy building materials, and has also served as its Chief Executive Officer since January 2010 and as President since August 2006. Mr. Nye previously served as President and Chief Operating Officer of Martin Marietta Materials from 2006 to 2009. Prior to this, he was employed by London-based Hanson PLC, an international building materials company, for nearly 13 years holding various positions of increasing responsibility, including Executive Vice President in the North American Division. Mr. Nye has served as Chairman of the Company’s Governance and Nominations Committee since August 2016. He brings to the Board extensive leadership, business, operating, mergers and acquisitions, legal, governance, financial, customer-relations, and safety and environmental experience, including over seven years as Chief Executive Officer. Mr. Nye understands the competitive nature of business and possesses strong managerial skills and broad executive and oversight experience.</p>	2015

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Name	Age	Principal Occupation and Background	Director Since
John B. Replogle	51	<p>Mr. Replogle joined the Board of Directors in January 2014. Since March 2011, he has served as Chief Executive Officer and President of Seventh Generation, Inc., a manufacturer and distributor of sustainable household products. From 2006 to 2011, Mr. Replogle served as President and Chief Executive Officer of Burt's Bees, Inc., and from 2003 to 2006, he served as General Manager of Unilever's Skin Care division. Previously, he worked for Diageo, Plc for seven years in a number of different capacities, including as President of Guinness Bass Import Company and Managing Director of Guinness Great Britain. He started his career with the Boston Consulting Group. Mr. Replogle also served as a director of Sealy Corporation, a publicly traded mattress manufacturer, from 2010 to 2013, until its sale to Tempur-Pedic International Inc.</p> <p>Mr. Replogle's qualifications to serve as a director include significant senior executive leadership experience, including eleven years of experience as chief executive officer at two companies, as well as deep experience in marketing, branding and distribution of consumer goods. This experience provides him valuable perspective in his role as a director and member of our Audit Committee.</p>	2014
Thomas H. Werner	57	<p>Mr. Werner has been a member of the Board of Directors since March 2006. He has served as Chief Executive Officer for SunPower Corporation, a publicly traded manufacturer of high-efficiency solar cells and solar panels, since June 2003, and is also a member of its Board of Directors. Prior to SunPower, he served as Chief Executive Officer of Silicon Light Machines Corporation, an optical solutions subsidiary of Cypress Semiconductor Corporation, from July 2001 to June 2003. Earlier, Mr. Werner was Vice President and General Manager of the Business Connectivity Group of 3Com Corporation, a network solutions company. He is currently also a director of Silver Spring Networks, Inc., an energy solutions company.</p> <p>Mr. Werner's qualifications to serve as a director include his eleven years of service on the Company's Board of Directors and his ten years serving as Chairman of its Compensation Committee. In addition to his technical expertise, he brings to the Board significant executive leadership and operational management experience gained at businesses in the technology sector, and the semiconductor industry in particular, including his experience as a chief executive officer of a publicly traded "green technology" company for the past fourteen years.</p>	2006



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Name	Age	Principal Occupation and Background	Director Since
Anne C. Whitaker	50	<p>Ms. Whitaker joined the Board of Directors in December 2013. Since January 2017, she has served as Chief Executive Officer and President of Novoclem Therapeutics, a subsidiary of KNOW Bio, LLC, a private life science company headquartered in Raleigh, North Carolina. She previously served from May 2015 to January 2017 as Executive Vice President and Company Group Chairman of Valeant Pharmaceuticals International, Inc., a publicly traded multinational specialty pharmaceutical company headquartered in Québec, Canada. From September 2014 to April 2015, Ms. Whitaker served as the Chief Executive Officer and President and as a member of the Board of Directors of Synta Pharmaceuticals Corp., a publicly traded biopharmaceutical company. From September 2011 to August 2014, she served as the President of North America Pharmaceuticals for Sanofi S.A., a global integrated healthcare leader focused on patients' needs. From September 2009 to September 2011, Ms. Whitaker served as Senior Vice President and Business Unit Head, Cardiovascular, Metabolic and Urology (CVMU) at GlaxoSmithKline plc, a publicly traded pharmaceutical research and development company. From October 2008 to August 2009, she served as Senior Vice President of Leadership and Organization Development, and prior to that served in various leadership positions in GlaxoSmithKline's commercial organization. Ms. Whitaker began her pharmaceutical career in 1991 as a metabolic disease specialist with Upjohn Company before joining GlaxoSmithKline as a sales representative in 1992.</p> <p>Ms. Whitaker brings to the Board her experience as a senior executive and commercial leader in sales and marketing, as well as human resource experience beneficial to the Company as we seek to grow the Company and expand our leadership capabilities. Ms. Whitaker's leadership experience in the life sciences industry, along with her insights on operations and business generally, such as research and development and intellectual property creation and protection, provide her with a unique perspective in her role as a director and member of our Compensation Committee and Governance and Nominations Committee.</p>	2013

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## Summary of Skills of Nominees

	Swoboda	Hosein	Ingram	Jackson	Nye	Replogle	Werner	Whitaker
Senior executive experience (CEO/CFO)	x	x	x	x	x	x	x	x
Previous public board experience	x	x	x	x	x	x	x	x
Public technology, lighting products, retail and/or industrial sales channels and distribution or consumer product marketing experience	x	x	x	x	x	x	x	x
Global experience with a public company	x	x	x	x	x	x	x	x
Current in issues related to corporate governance	x	x	x	x	x	x	x	x
Track record of achievements that fueled their company's growth	x	x	x	x	x	x	x	x

The Board of Directors recommends shareholders vote FOR election of the nominees named above.

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### Executive Officers

Mr. Swoboda serves as both an executive officer of the Company and a member of the Board of Directors. Michael E. McDevitt (age 53) and Daniel J. Castillo (age 48) also serve as executive officers of the Company.

Mr. McDevitt was appointed as Executive Vice President and Chief Financial Officer of the Company effective February 4, 2013. Mr. McDevitt previously served as the Company's Vice President and Interim Chief Financial Officer from May 2012 to February 2013, as Director-Sales Operations from 2011 to May 2012, as Director-Financial Planning from 2005 to 2011 and as Corporate Controller from 2002 to 2005. Additionally, he served as the Company's Chief Financial Officer and Treasurer on an interim basis from May 2006 through September 2006. Before joining the Company in 2002, Mr. McDevitt was Chief Financial Officer of American Sanitary Incorporated, a privately owned U.S. distributor of janitorial-sanitary maintenance products, from 1997 to 2002. He served from 1994 to 1997 as Director of Acquisitions for Unisource Worldwide, Inc., a publicly traded North American distributor of printing and imaging papers and supply systems.

Mr. Castillo was appointed as Executive Vice President and President-Lighting of the Company on November 7, 2016. He previously held leadership roles for 16 years at Eaton Corporation, a publicly traded multinational power management company, where he served as Senior Vice President of Oil, Gas and IEC Assemblies from January 2015 to November 2016 and as President of Eaton Corporation's B-line business from November 2011 to January 2015. Prior to his work at Eaton, Mr. Castillo held leadership roles in lighting and other electrical product areas at both Cooper Industries and General Electric.

### Code of Ethics

We have adopted a Code of Ethics applicable to our senior financial officers, including our Chief Executive Officer, or CEO, Chief Financial Officer, or CFO, and Executive Vice Presidents. The full text of our Code of Ethics is published on our website at [www.cree.com](http://www.cree.com). Consistent with Item 5.05 of Form 8-K, we intend to disclose future amendments to, or waivers from, the Code of Ethics on our website within four business days following the date of such amendment or waiver. We will also provide a copy of our Code of Ethics to any person, without charge. All such requests should be in writing and sent to the attention of the Corporate Secretary, Cree, Inc., 4600 Silicon Drive, Durham, NC 27703.

### Board Composition and Independence of Directors

The size of the Board of Directors was fixed at not less than five nor more than nine members by the Company's shareholders, with the Board determining the number within that range from time to time. Eight persons have been nominated for election at the annual meeting. The accompanying proxy cannot be voted for more than eight nominees. A majority of the Board of Directors must be comprised of independent directors for the Company to comply with the listing requirements of The Nasdaq Stock Market LLC, or the Nasdaq Listing Rules. Currently, the Board of Directors is composed of Messrs. Swoboda, Hosein, Ingram, Jackson, Nye, Replogle, and Werner and Ms. Whitaker. The Board of Directors has determined that seven of the present directors—Messrs. Hosein, Ingram, Jackson, Nye, Replogle, and Werner and Ms. Whitaker—are each an "independent director" within the meaning of the applicable Nasdaq Listing Rules. Additionally, the Board of Directors previously determined that Robert L. Tillman, who served on the Board of Directors until his retirement from the Board in October 2016, was also an "independent" director within the meaning of these rules.

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### The Leadership Structure of the Board of Directors

The leadership of the Board of Directors includes the Chairman of the Board, the Lead Independent Director, and the Chairman of each of the Audit Committee, the Compensation Committee and the Governance and Nominations Committee.

The responsibilities of the Chairman of the Board under our Bylaws are to preside at meetings of the Board of Directors and shareholders and to perform such other duties as may be directed by the Board from time to time. The Chairman also has the power to call meetings of the Board of Directors and of the shareholders. Mr. Swoboda, our CEO since 2001, has served as Chairman of the Board since 2005.

The Board has adopted Corporate Governance Principles that call for the Board to designate a Lead Independent Director any time that the Chairman of the Board is not an independent director. Our Lead Independent Director, Mr. Ingram, has served in that capacity since 2011. The independent directors meet at regularly scheduled sessions immediately following each regularly scheduled Board of Directors meeting without other directors or members of management present. As specified in the Corporate Governance Principles, the responsibilities of the Lead Independent Director include the following:

- In the absence of the Chairman, the Lead Independent Director serves as acting Chairman presiding over meetings of the Board of Directors and shareholders.

- The Lead Independent Director convenes and presides over meetings of the independent directors and communicates the results of these sessions where appropriate to the Chairman, other management or the Board.

- In general, the Lead Independent Director serves as principal liaison between the independent directors and the Chairman and between the independent directors and other management.

- The Lead Independent Director reviews agendas for Board of Directors meetings in advance with the Chairman.

The day-to-day work of the Board of Directors is conducted through its three principal standing committees—Audit, Compensation and Governance and Nominations—to which the Board has delegated authority and responsibilities in accordance with the committees’ respective charters. The Chairmen of each of these committees are independent directors appointed by the Board upon the recommendation of the Governance and Nominations Committee. Under our Corporate Governance Principles, the Chairman of each committee is responsible for development of the agenda for committee meetings, and each committee must regularly report to the Board of Directors on the discussions and actions of the committee.

The Board of Directors has determined that this leadership structure is appropriate for the Company and best serves the interests of the shareholders under the present circumstances. In particular, the Board has determined that the Company is best served by having Mr. Swoboda hold the position of Chairman of the Board in addition to his role as CEO, with Mr. Ingram serving as Lead Independent Director. This determination is based in part upon the experience, leadership qualities and skills that Mr. Swoboda and Mr. Ingram each bring to the Board, as detailed in the section captioned “Nominees for Election as Directors” on page 6. In addition, Mr. Swoboda is the director in the best position to establish the agendas for meetings of the Board and to lead the discussions of the Board regarding strategy, operations and management, because he is responsible for the formulation and day-to-day execution of the strategy and business plans reviewed with the Board. Although the Board believes this structure is appropriate under the present circumstances, the Board has also affirmatively determined not to adopt a policy on whether the roles of Chairman and CEO should be separated or combined because the Board believes that there is no single best blueprint for structuring board leadership and that, as circumstances change, the optimal leadership structure may change.

### Board’s Role in Risk Oversight

The Board, acting through itself or one or more of its committees, has general oversight responsibility for corporate risk management, including oversight of management’s implementation of risk management practices. While the Board is responsible for risk oversight, management is ultimately responsible for assessing and managing

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our risk exposures. The Board directly oversees management's assessment, mitigation efforts and monitoring of strategic and operational risks, such as those relating to competitive dynamics, market trends and developments in the Company's industry and changes in economic conditions. Senior management regularly updates business plans for each of the Company's product lines, including an assessment of strategic and operational risks and responses to identified risks, and members of the Board and senior management meet annually to review these plans. In addition, senior management reports to the Board at each quarterly Board meeting on progress made against these strategic plans, including an update on changes in risk exposure and management's responses to the changes.

The Board also fulfills its risk oversight role through its committees. Specifically, the Audit Committee charter assigns it the responsibility to review periodically with management, the internal auditors, and the independent auditors the Company's significant financial risk exposures, including the Company's policies with respect to risk assessment and Company-wide risk management, and to assess the steps management has taken to monitor and control such exposures. The Audit Committee regularly discusses material risks and exposures with our independent registered public accounting firm and receives reports from our accounting and internal audit management personnel regarding such risks and exposures and how management has attempted to minimize the exposures. The Audit Committee's primary focus is financial risk, including our internal control over financial reporting. Particular areas of focus of the Audit Committee include risks associated with taxes, liquidity, investments, information technology security, material litigation, and compliance.

Similarly, the Compensation Committee charter assigns it the responsibility to review periodically with management the Company's compensation programs as they relate to risk management practices and risk-taking incentives, including an assessment of whether the Company's compensation policies and practices encourage excessive or inappropriate risk-taking. The Committee also considers risk management as it develops and approves incentive and other compensation programs for our executive officers, and it performs risk oversight in the area of management succession.

Each of these committees reports to the Board of Directors with respect to the risk categories it oversees. These ongoing discussions enable the Board to monitor our risk exposure and evaluate our risk mitigation efforts.

### Compensation Program Risk Assessment

We have assessed our compensation programs and have concluded that risks arising from our compensation policies and practices are not reasonably likely to have a material adverse effect on us. The risk assessment process included a review by management and by Radford, an Aon Hewitt Company, independent consultants to the Compensation Committee, of compensation policies and practices, focusing on programs with variable compensation, specifically: stock option, restricted stock unit awards and performance stock unit awards under our 2013 Long-Term Incentive Compensation Plan, or the LTIP;

performance unit awards payable to our CEO and to our Executive Vice Presidents under the LTIP which provide for cash payments based upon achieving annual corporate financial goals;

awards under our Management Incentive Compensation Program, or the MICP, in which most of our senior managers (other than our currently employed named executive officers) participate and may receive payments based upon achieving quarterly or annual corporate financial goals and quarterly individual goals;

sales commission incentive programs for our sales personnel; and

quarterly profit-sharing plan in which all other regular, full-time employees participate and are eligible to receive cash payments based upon achieving quarterly corporate financial goals.

Based upon this review, we concluded that our compensation policies and practices do not encourage excessive or inappropriate risk-taking. We believe our programs are appropriately designed to encourage our employees to make decisions that should result in positive short-term and long-term results for our business and our shareholders.

Management and Radford reviewed the results of this review with the Compensation Committee at a meeting in August 2017, and the Committee concurred with management's assessment at that time.

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### Attendance at Meetings

The Board of Directors held eleven meetings during fiscal 2017. Each incumbent director attended or participated in 75% or more of the aggregate number of meetings of the Board of Directors held during the period in which he or she was a director and the number of meetings of committees on which he or she served that were held during the period of his or her service.

The Company expects all directors to attend each annual meeting of shareholders absent good reason. Seven of the eight directors serving at that time attended the 2016 Annual Meeting of Shareholders.

### Standing Committees

The standing committees of the Board of Directors include the Audit Committee, the Governance and Nominations Committee and the Compensation Committee. Each of these committees operates under a written charter adopted by the Board of Directors, copies of which are available on the Company's website at [www.cree.com](http://www.cree.com). Each committee is composed solely of independent directors. The following is a brief description of the responsibilities of each of the existing standing committees and their composition.

#### Audit Committee

The Audit Committee is appointed by the Board of Directors to oversee the accounting and financial reporting processes of the Company and audits of the Company's financial statements. The responsibilities of the Audit Committee include acting on the Board of Directors' behalf in providing oversight with respect to (1) the quality and integrity of the Company's financial statements and internal accounting and financial controls; (2) all audit, review and attest services relating to the Company's financial statements and internal controls, including the appointment, compensation, retention and oversight of the work of the independent auditors engaged to provide audit services to the Company; and (3) the Company's compliance with legal and regulatory requirements. In addition, the Audit Committee is charged with conducting appropriate review and oversight of any related person transactions, other than related person transactions for which the Board of Directors has delegated review to another independent body of the Board of Directors.

The members of the Audit Committee during fiscal 2017 were Messrs. Ingram, Hosein, Jackson, Nye and Replogle. On August 24, 2016, Mr. Nye stepped down from the Audit Committee in connection with his appointment to the Compensation Committee. The Board of Directors has determined that all members of the Committee are "independent directors" within the meaning of the applicable Nasdaq Listing Rules, including the special independence requirements applicable to Audit Committee members. Mr. Ingram served as Chairman of the Audit Committee from June 2015 through the August 23, 2016 meeting of the Committee. Mr. Jackson became the Chairman of the Audit Committee on August 24, 2016. The Board of Directors has determined that each of Messrs. Ingram, Hosein, Jackson, Nye and Replogle is an "audit committee financial expert" as defined in Item 407 of Regulation S-K of the Securities and Exchange Commission. The Audit Committee held eight meetings during fiscal 2017. The Audit Committee from time to time also takes action by unanimous written consent in lieu of holding a meeting.

#### Governance and Nominations Committee

The Governance and Nominations Committee is appointed by the Board of Directors to assist the Board of Directors in fulfilling its responsibilities to shareholders by (1) identifying individuals qualified to become directors and recommending that the Board of Directors select the candidates for all directorships to be filled by the Board of Directors or by the shareholders; (2) upon the recommendation of the Compensation Committee, determining compensation arrangements for non-employee directors; (3) developing and recommending to the Board of Directors corporate governance principles for the Company; and (4) otherwise taking a leadership role in shaping the corporate governance of the Company.

The members of the Governance and Nominations Committee during fiscal 2017 were Messrs. Tillman, Hosein, Ingram, Jackson, Nye, Replogle, and Werner and Ms. Whitaker. The Board of Directors has determined that all members of the Committee are "independent directors" within the meaning of the applicable Nasdaq Listing Rules.

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Mr. Tillman served as Chairman of the Governance and Nominations Committee from June 2015 through the August 23, 2016 meeting of the Committee. Mr. Nye became the Chairman of the Governance and Nominations Committee on August 24, 2016. The Governance and Nominations Committee charter establishes a policy with regard to the consideration of director candidates, including those candidates recommended by shareholders. The Committee will consider written nominations properly submitted by shareholders according to procedures set forth in the Company's Bylaws. For a description of these procedures and policies regarding nominations see "Procedures for Director Nominations" and "2018 Annual Meeting of Shareholders" on page 64 below. The Governance and Nominations Committee held four meetings during fiscal 2017. The Governance and Nominations Committee from time to time also takes action by unanimous written consent in lieu of holding a meeting.

### Compensation Committee

The Compensation Committee is appointed by the Board of Directors to assist the Board of Directors in discharging its overall responsibility relating to executive officer and director compensation 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 and employee stock purchase plan. The Compensation Committee approves the compensation of all executive officers, administers the Company's stock-based compensation programs and recommends compensation for non-employee directors to the Governance and Nominations Committee for approval. In addition, the Compensation Committee is charged with conducting appropriate review and oversight of any related person transactions involving compensation for directors or executive officers or their immediate family members and engaging and evaluating the Company's compensation advisors, including evaluation of the advisors' independence in advance of engagement.

The Compensation Committee may delegate its authority to adopt, amend, administer and/or terminate any benefit plan other than retirement plans or stock-based compensation plans or non-stock-based compensation plans in which directors or executive officers are eligible to participate to the Company's CEO, any other officer of the Company, or to a committee the membership of which consists of at least one Company officer. To the extent not inconsistent with governing requirements, the Committee may also delegate its authority to grant equity awards other than awards to directors and executive officers to a committee comprised solely of executive officers or to one or more executive officers and may delegate its authority for day-to-day administration of the Company's stock-based plans to any officer or employee of the Company.

The Compensation Committee generally makes decisions and recommendations regarding annual compensation at its August meeting each year. The Committee solicits the recommendations of the Company's CEO with respect to the compensation of the Company's executive officers other than himself and factors these recommendations into the determination of compensation, as described in "Compensation Discussion and Analysis." In addition, the Compensation Committee engaged Radford to conduct an annual review of the Company's compensation program for its executive officers and directors, including a review for fiscal 2017. Radford provided the Committee with relevant market data and recommendations to consider when making compensation decisions with respect to the executive officers and in making recommendations to the Governance and Nominations Committee with respect to the compensation of non-employee directors. The Company also engaged Radford for additional services as further discussed in the section entitled "Role of Compensation Consultant" on page 34 below.

The members of the Compensation Committee during fiscal 2017 through August 23, 2016 were Messrs. Werner and Tillman and Ms. Whitaker. On August 24, 2016, Mr. Nye was appointed to the Compensation Committee, and also stepped down from the Audit Committee on that date. The Board of Directors has determined that all members of the Committee are "independent directors" within the meaning of the applicable Nasdaq Listing Rules. Mr. Werner is Chairman of the Compensation Committee and has served in that capacity since 2007. The Compensation Committee held five meetings during fiscal 2017. The Compensation Committee from time to time also takes action by unanimous written consent in lieu of holding a meeting.

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Certain Transactions and Legal Proceedings

Transactions with Intematix Corporation

In July 2010, Mark Swoboda was appointed Chief Executive Officer of Intematix Corporation, or Intematix. Prior to his appointment as Chief Executive Officer, Mr. Swoboda was unaffiliated with Intematix. Mark Swoboda is the brother of the Company's Chairman, CEO and President, Charles M. Swoboda. For many years, beginning before Mark Swoboda became affiliated with Intematix, the Company has purchased raw materials from Intematix pursuant to standard purchase orders in the ordinary course of business. During fiscal 2017, the Company purchased \$2.3 million of raw materials from Intematix pursuant to standard purchase orders. The Company anticipates that it will continue to purchase raw materials from Intematix in the future pursuant to standard purchase orders.

Review and Approval of Related Person Transactions

The Audit Committee must approve any related person transaction, other than any related person transaction for which the Board of Directors has delegated review to another independent body of the Board of Directors. The Board of Directors has delegated review of any related person transaction involving compensation for directors or executive officers or their immediate family members to the Compensation Committee. "Related person transaction" is defined in the Audit Committee and Compensation Committee charters as any transaction required to be disclosed pursuant to Securities and Exchange Commission Regulation S-K, Item 404, and any other transactions 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. In determining whether to approve such transactions, the members of the Audit Committee, the Compensation Committee, or another independent body of the Board of Directors delegated by the Board of Directors, may exercise their discretion in performance of their duties as directors. These duties include the obligation of a director under North Carolina law to "discharge his duties as a director, including his duties as a member of a committee: (1) in good faith; (2) with the care an ordinarily prudent person in a like position would exercise under similar circumstances; and (3) in a manner he reasonably believes to be in the best interests of the corporation." North Carolina General Statutes Section 55-8-30(a). The Audit Committee generally approves related person transactions and approved the related person transactions described above under "Certain Transactions and Legal Proceedings."

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, requires that the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Directors, officers and greater-than-ten-percent beneficial owners are required by Securities and Exchange Commission rules to furnish the Company with copies of all reports they file under Section 16(a). To the Company's knowledge, based solely on its review of the copies of such reports furnished to the Company and written representations that no other reports were required, all Section 16(a) filing requirements applicable to our directors, officers and ten percent beneficial owners were complied with on a timely basis during fiscal 2017.



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PROPOSAL NO. 2—APPROVAL OF AMENDMENT TO  
2005 EMPLOYEE STOCK PURCHASE PLAN

General

We are requesting that shareholders approve a proposed amendment to the 2005 Employee Stock Purchase Plan, or ESPP. The amendment was approved at a meeting of the Board of Directors on August 28, 2017 and will become effective only upon shareholder approval. If approved by the shareholders, the proposed amendment will increase the number of shares that may be issued under the ESPP by 2,500,000 shares. The ESPP provides employees of the Company and certain of its subsidiary corporations with an incentive and opportunity to purchase common stock of the Company through payroll deductions at a purchase price equal to 85% of the fair market value of the common stock on the purchase date, plus taxes, if any, imposed on the transaction.

If approved, the amendments would revise Section 13(a) of the ESPP to read as follows:

“Subject to adjustment pursuant to Section 18(a), the maximum number of shares of the Common Stock 13(a) authorized for issuance under the Plan is seven million (7,000,000) shares. Such shares shall be made available from Common Stock currently authorized but unissued.”

The ESPP is filed as Appendix C to the Company’s definitive proxy statement (File No. 000-21154) filed with the Securities and Exchange Commission on September 8, 2017, which is available online through the Securities and Exchange Commission’s EDGAR System and through the “Investor Relations” section of the Company’s website at [investor.cree.com/sec.cfm](http://investor.cree.com/sec.cfm). You may also request a copy of the ESPP, as currently in effect, by sending a written request to: Director, Investor Relations, Cree, Inc., 4600 Silicon Drive, Durham, North Carolina 27703.

On November 3, 2005, the Company’s shareholders approved the ESPP to succeed the Company’s 1999 Employee Stock Purchase Plan, which terminated on October 31, 2005. Upon its adoption in 2005, the ESPP authorized up to 600,000 shares of the Company’s common stock for issuance under the plan. On October 30, 2008, the Company’s shareholders approved an amendment to the ESPP increasing the number of shares that may be issued under the plan by 900,000 shares; on October 25, 2011, the Company’s shareholders approved an amendment to the ESPP increasing the number of shares that may be issued under the plan by 1,000,000 shares; and on October 29, 2013, the Company’s shareholders approved an amendment to the ESPP increasing the number of shares that may be issued under the plan by 2,000,000 shares and extending the plan term for five years to November 3, 2020. As of September 5, 2017, a total of 4,397,892 shares have been purchased pursuant to the ESPP, leaving 102,108 shares remaining for future issuance. If the amendment is approved, the number of shares authorized for issuance under the ESPP would increase by 2,500,000 shares.

We believe the ESPP is essential to the Company’s future success and encourage shareholders to vote in favor of the amendment.

The Board of Directors recommends  
shareholders vote FOR Proposal No. 2.

Description of ESPP

The following is a description of the ESPP as proposed to be amended. This description is merely a summary of material provisions of the plan and is qualified by the full text of the amended plan as filed as Appendix C to the Company’s definitive proxy statement filed with the Securities and Exchange Commission on September 8, 2017.

**Purpose.** The purpose of the ESPP is to provide employees (including officers) of the Company and certain of its subsidiary corporations with an opportunity to purchase common stock through payroll deductions.

**Administration.** The ESPP is currently administered by the Compensation Committee of the Board of Directors. All questions of interpretation or application of the ESPP will be determined by the Committee, whose decisions will be final, conclusive and binding upon all parties.

**Eligibility and Participation.** Any individual who is treated as an active employee in the records of the Company or certain of its subsidiary corporations, as designated from time to time by the Committee (other than employees subject to the laws of certain countries that would prohibit participation in the ESPP) and who has been employed for at least 30 continuous days prior to the date of his or her participation is eligible to participate in the ESPP, subject to additional limitations imposed by Section 423(b) of the Internal Revenue Code of 1986, as amended, or the Code, and

limitations on stock ownership described in the ESPP. As of September 5, 2017, there were approximately 3,490 employees eligible to participate in the ESPP.

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Eligible employees become participants in the ESPP by delivering to the Company's stock plan administrator, prior to the commencement of the applicable participation period, a subscription agreement authorizing payroll deductions or by such telephone or other electronic arrangements as the Committee may prescribe.

**Participation Periods.** The ESPP is implemented by participation periods of twelve months' duration, with new participation periods beginning on May 1 and November 1 of each year. Each participation period has two six-month purchase periods concluding with a purchase every October 31 and April 30. The ESPP also provides for special interim participation periods to enable employees of subsidiaries that become designated subsidiaries under the plan after the beginning of a participation period, but at least three months prior to the beginning of the next participation period, to participate in the ESPP. The Committee has the power to alter the duration of the participation periods and purchase dates without shareholder approval.

**Securities to be Sold.** The Company is authorized to issue shares of the Company's common stock, par value \$0.00125 per share, pursuant to options granted under the ESPP. Shares subject to options under the plan will be made available from the authorized and unissued shares of the Company's common stock. If the amendment is approved by shareholders, the aggregate number of shares that may be issued under the ESPP will be 7,000,000 of which 4,397,892 shares have previously been issued. The last sale price of the Company's common stock on September 5, 2017 was \$24.59 per share, as reported by Nasdaq.

**Purchase Price.** The purchase price at which shares are sold on a purchase date under the ESPP is the sum of (1) 85% of the fair market value of common stock on the first day of the twelve-month participation period or the purchase date, whichever is lower; and (2) any transfer, excise or similar tax imposed on the transaction. The fair market value of common stock on a given date is the closing sale price on Nasdaq for that date, unless it is not open for trading on that date, in which case the fair market value will be the closing sale price reported by Nasdaq on the last trading day immediately preceding the given date.

**Payroll Deductions.** The purchase price of the shares to be acquired under the ESPP is accumulated by payroll deductions over each purchase period. The rate of deductions may not exceed 15% of a participant's compensation. A participant may decrease the rate of payroll deductions by filing with the Company a new authorization for payroll deductions and may only increase the rate of payroll deductions at the beginning of each purchase period. All payroll deductions made for a participant are credited to the participant's account under the ESPP and deposited with the general funds of the Company to be used for any corporate purpose.

**Grant and Exercise of Option.** At the beginning of a participation period, each participant is granted an option to purchase on each purchase date during that participation period up to the number of shares of the Company's common stock determined by dividing the sum of the participant's accumulated payroll deductions for the participation period by the applicable purchase price; provided that the number of shares subject to an option shall not exceed 2,000 shares of the Company's common stock on any purchase date. On each purchase date prior to a participant's withdrawal from the ESPP, the maximum number of full shares subject to an option that are purchasable with the accumulated payroll deductions in the participant's account will be purchased for the participant at the applicable purchase price. If, on any purchase date, the number of shares with respect to which options are to be exercised exceeds the number of shares remaining available for issuance under the ESPP, the Committee may make a pro rata allocation of the shares remaining available for purchase in as uniform a manner as practicable. With respect to any payroll deductions that are not used to purchase common stock due to such pro rata allocation, the Committee will direct the refund of the unused payroll deductions to the participant. If the Committee determines that it will not seek authorization from shareholders for additional shares for issuance under the ESPP for subsequent participation periods, the ESPP will automatically terminate.

No employee may participate in the ESPP if, immediately after the grant of an option, the employee would own 5% or more of the total combined voting power or value of all classes of stock of the Company or of its majority-owned subsidiaries (including stock that may be purchased under the ESPP or pursuant to any outstanding options), and no employee will be granted an option under the ESPP to the extent that the employee's rights to buy stock under all employee stock purchase plans of the Company or any subsidiary accrues at a rate that exceeds \$25,000 worth of stock (determined based on the fair market value of the shares at the time the option is granted) for each calendar year in which any such option is outstanding at any time.

Withdrawal. An employee may terminate his or her participation in a given participation period by giving written notice to the Company of his or her election to withdraw at any time prior to a purchase date during such participation period. All payroll deductions taken during the participation period that have not been used to purchase shares will be returned to the participant upon receipt of the withdrawal notice. Such withdrawal will automatically terminate the participant's interest in that participation period; the participant will not be automatically enrolled in a subsequent participation period but may choose to enroll in a subsequent participation period by timely delivering to the Company a new subscription agreement.

Under an automatic reset feature, if the fair market value of a share of the Company's common stock on the trading day immediately before the first day of a participation period is less than the fair market value of a share on the first day of the immediately preceding participation period, all participants will be automatically withdrawn from the immediately preceding

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participation period following the purchase of shares on the first purchase date of that participation period and re-enrolled in the next succeeding participation period.

**Termination of Employment.** If a participant's employment terminates for any reason, including retirement or death, the participant will be deemed to have withdrawn from the ESPP on the date of employment termination.

**Adjustments for Changes in Capitalization.** In the event any change is made in the Company's capitalization during a participation period, such as a stock split or stock dividend on common stock, which results in an increase or decrease in the number of shares of common stock outstanding without receipt of consideration by the Company, appropriate adjustments will be made in the purchase price and in the number of shares subject to purchase under the ESPP, as well as in the number of shares reserved for issuance under the ESPP.

In the event of the proposed dissolution or liquidation of the Company, the participation periods then in progress will be shortened. A new purchase date prior to the date of the proposed dissolution or liquidation will be set, and the ESPP will terminate thereafter. In the event of a merger or sale of substantially all of the assets of the Company, outstanding options under the ESPP will be assumed by the successor corporation or equivalent options will be substituted, or the participation periods then in effect will be shortened and a new purchase date will be set prior to the date of the proposed sale or merger.

**Nonassignability.** No rights or accumulated payroll deductions of an employee under the ESPP may be pledged, assigned, transferred or otherwise disposed of in any way for any reason other than death. Any attempt to do so may be treated by the Committee as an election to withdraw from the ESPP.

**Amendment and Termination of ESPP.** The Committee may at any time amend the ESPP without the consent of shareholders or participants, except that any such action will be subject to the approval of the Board of Directors and the Company's shareholders at or before the next annual meeting of shareholders after such Board action if such approval is required by any laws, rules or regulations, and the Committee may, at its discretion, determine to submit other changes to the ESPP to the Board and shareholders for approval. In no case may any amendment materially impair the rights of a participant with respect to any shares of common stock previously purchased for the participant under the ESPP without the participant's consent or disqualify the ESPP under Section 423 of the Code. The ESPP will terminate on November 3, 2020, unless sooner terminated.

**Foreign Jurisdictions.** The Committee may, in its sole discretion, amend or vary the terms of the ESPP in order to conform such terms to the requirements of a jurisdiction outside of the United States in which an eligible employee is located in order to meet the goals and objective of the plan. The Committee may also establish one or more sub-plans for these purposes and/or establish administrative rules and procedures to facilitate the operation of the ESPP in such jurisdictions.

### **Certain Federal Income Tax Consequences for Participants Subject to U.S. Tax Law**

The ESPP is intended to qualify as an "employee stock purchase plan" under the provisions of Sections 421 and 423 of the Code. Under these provisions, participants will not recognize income for federal income tax purposes either upon enrollment in the ESPP or upon any purchase of stock thereunder. All tax consequences are deferred until a participant sells the stock acquired under the ESPP, disposes of such stock by gift or dies.

Upon disposition of the shares, a participant will be subject to tax, and the amount of the tax will depend upon the holding period for the shares. If the shares have been held by the participant for more than two years after the date of the option grant and more than one year after exercise of the option, the participant will recognize ordinary income equal to the lesser of (1) the excess of the fair market value of the shares at the time of such disposition over the purchase price; or (2) 15% of the fair market value of the shares at the time the option was granted. The ordinary income recognized by the participant will be added to the participant's basis in the shares, and any additional gain or loss realized by the participant upon disposition of the shares will be taxed as long-term capital gain or loss. If the participant disposes of the shares before the expiration of these holding periods, the participant will generally recognize ordinary income for federal income tax purposes equal to the excess of the fair market value of the shares on the purchase date over the purchase price. The ordinary income recognized by the participant will be added to the participant's basis in the shares, and any additional gain or loss will be taxed as long-term or short-term capital gain or loss, depending on the holding period.

The Company will be entitled to a deduction for amounts taxed as ordinary income to a participant only to the extent that ordinary income must be reported upon disposition of shares by the participant before the expiration of the holding periods described above.

The foregoing does not purport to be a complete summary of the effect of federal income taxation of ESPP transactions upon participants and the Company. It also does not address the tax consequences of a participant's death or the provisions of the income tax laws of any municipality, state or foreign country in which a participant may reside.

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## Plan Awards

Participation in the ESPP is voluntary and dependent on each eligible employee's election to participate and his or her determination as to the level of payroll deductions. Accordingly, future purchases under the ESPP are not determinable. Non-employee directors are not eligible to participate in the ESPP. The following table sets forth with respect to each individual and group listed below (1) the aggregate number of shares of the Company's common stock purchased under the ESPP since its inception through the most recent purchase date, April 30, 2017; and (2) the dollar value of the benefit received with respect to such purchases.

Cumulative Grants Since  
Plan Inception in 2005

	No. of Shares	Dollar Value of Benefit (1)
Charles M. Swoboda Chairman, Chief Executive Officer and President	10,496	\$72,494
Michael E. McDevitt Executive Vice President and Chief Financial Officer	10,302	\$69,642
Daniel J. Castillo Executive Vice President and President-Lighting	—	—
Franco Plastina Former Executive Vice President-Power & RF	2,050	\$7,449
Clyde R. Hosein	—	—
Robert A. Ingram	—	—
Darren R. Jackson	—	—
C. Howard Nye	—	—
John B. Replogle	—	—
Thomas H. Werner	—	—
Anne C. Whitaker	—	—
All current executive officers as a group	22,848	\$149,585
All current directors who are not executive officers as a group	—	—
All associates of directors, executive officers or nominees	—	—
All other persons who received or are to receive 5% of plan awards	—	—
All employees, including all current officers who are not executive officers, as a group	4,375,044	\$33,598,937

(1) Market value of shares on the date of purchase, minus the purchase price under the ESPP.

## Registration with the Securities and Exchange Commission

We intend to file a Registration Statement on Form S-8 relating to the issuance of the additional shares of common stock under the ESPP with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, as soon as practicable after approval of the amendment to the ESPP by our shareholders.

## Equity Compensation Plans

As of September 5, 2017:

There were options to purchase 9,563,006 shares of our common stock outstanding under all of our equity compensation plans, including legacy plans under which we will make no more grants. The weighted average remaining life of these outstanding options was 3.64 years, and the weighted average exercise price was \$36.69.

There were 3,560,428 shares subject to outstanding stock awards that remain subject to forfeiture.

There were 4,806,948 shares available for future grants under the LTIP, 102,108 shares available for future issuance under the 2005 Employee Stock Purchase Plan, or ESPP, and 62,058 shares available for future issuance under the Non-Employee Director Stock Compensation and Deferral Program, or the Deferral Program.





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The following table provides information, as of June 25, 2017, for all of the Company's compensation plans (including individual compensation arrangements) under which it is authorized to issue equity securities.

## Equity Compensation Plan Information

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	(b) Weighted average exercise price of outstanding options, warrants and rights (2)	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (1)
Equity compensation plans approved by security holders	13,005,181 (3)	\$ 38.29	6,073,088 (4)
Equity compensation plans not approved by security holders	40,997 (5)	\$ 3.01	65,083 (6)
Total	13,046,178	\$ 38.27	6,138,171

(1) Refers to shares of the Company's common stock.

(2) The weighted average exercise price relates solely to outstanding stock option shares because shares subject to restricted stock units have no exercise price.

Includes shares issuable upon exercise of outstanding options and restricted stock units under the Company's 2004

(3) Long-Term Incentive Compensation Plan, as amended, or the 2004 LTIP - 5,176,015 shares; and LTIP - 7,829,166 shares.

(4) Includes shares remaining for future issuance under the following plans in the amounts indicated: LTIP - 5,970,980 shares and ESPP - 102,108 shares.

Includes shares issuable upon exercise of outstanding options under the LED Lighting Fixtures, Inc. 2006 Stock Plan, or the LLF Plan - 6,080 shares. Also includes shares issuable under the Deferral Program - 34,917 shares.

(5) The Company assumed the options outstanding under the LLF Plan, which have a weighted average exercise price of \$3.01 per share, in connection with the Company's acquisition of LED Lighting Fixtures, Inc., or LLF, in February 2008.

(6) Includes shares remaining for future issuance under the Deferral Program.

As of June 25, 2017, the only compensation plans or arrangements under which the Company is authorized to issue equity securities and which have not been previously approved by the shareholders are the Deferral Program and the options assumed under the LLF Plan. The LLF Plan has been terminated as to future grants. The following is a brief description of the material features of these plans; this description is not intended to be a complete description of the plans and is qualified in its entirety by reference to the full text of the applicable plan:

LLF Plan. In connection with the acquisition of LLF in February 2008, pursuant to which LLF became the Company's wholly owned subsidiary, the Company assumed certain outstanding stock options granted under the LLF Plan. Since the closing of the acquisition, no additional stock options have been awarded, nor are any authorized to be awarded, under the LLF Plan. As of June 25, 2017, there were 6,080 nonqualified stock options outstanding under the LLF Plan.

Deferral Program. The Company offers its non-employee directors the opportunity to receive all or a portion of their cash compensation in shares of the Company's common stock and to defer the time of receipt of such shares. A non-employee director may elect to receive a lump sum payment or annual installment payments of the shares following such director's separation from service with the Company. Non-employee directors must make their deferral elections by December 31 of the prior year. The Board of Directors adopted the plan in August 2009, and it became effective on January 1, 2010. As of June 25, 2017, there were 100,000 shares reserved for issuance under the Deferral Program, of which 34,917 shares have been credited to directors' accounts.

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## OWNERSHIP OF SECURITIES

## Principal Shareholders and Share Ownership by Management

The following table sets forth information regarding the beneficial ownership of the Company's common stock as of September 5, 2017 by (1) each person known to the Company to be the beneficial owner of more than 5% of the outstanding common stock; (2) each person named in the Summary Compensation Table on page 46; (3) each person serving as a director or nominated for election as a director; and (4) all current executive officers and directors as a group as of August 23, 2017. Except as otherwise indicated by footnote or to the extent shared by spouses under applicable law, to the Company's knowledge, the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

Name and Address (1)	Common Stock Beneficially Owned	Percentage of Outstanding Shares
ClearBridge Investments, LLC (2) 620 8 <sup>th</sup> Avenue New York, NY 10018	13,441,452	13.7%
BlackRock, Inc. (3) 55 East 52 <sup>nd</sup> Street New York, NY 10055	10,245,032	10.5%
PRIMECAP Management Company (4) 177 E. Colorado Blvd., 11 <sup>th</sup> Floor Pasadena, CA 91105	8,853,241	9.0%
The Vanguard Group (5) 100 Vanguard Blvd. Malvern, PA 19355	7,795,328	8.0%
Dimensional Fund Advisors LP (6) Building One, 6300 Bee Cave Road Austin, TX 78746	5,843,130	6.0%
FMR LLC (7) 245 Summer Street Boston, MA 02210	5,518,321	5.6%
Fairpointe Capital LLC (8) One North Franklin Street, Ste 3300 Chicago, IL 60606	5,506,321	5.6%
Charles M. Swoboda (9)	631,290	*
Michael E. McDevitt (10)	177,324	*
Robert A. Ingram (11)	74,941	*
John B. Replogle (12)	68,993	*
Clyde R. Hosein (13)	59,097	*
Thomas H. Werner (14)	54,847	*
Franco Plastina (15)	42,439	*
Anne C. Whitaker (16)	24,054	*
Darren R. Jackson	18,698	*
C. Howard Nye	13,719	*
Daniel J. Castillo	—	*
All current directors and executive officers as a group (10 persons) (17)	1,122,963	1.1%

\*Less than 1%.

(1) Unless otherwise noted, all addresses are in care of the Company at 4600 Silicon Drive, Durham, NC 27703.

As reported by ClearBridge Investments, LLC in a Schedule 13G/A filed with the Securities and Exchange

(2) Commission on February 14, 2017, which states that Clearbridge Investments, LLC has sole dispositive power with respect to all of such shares and sole voting power with respect to 12,912,302 shares.

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As reported by BlackRock, Inc. in a Schedule 13G/A filed with the Securities and Exchange Commission on July (3) 10, 2017, which states that BlackRock, Inc. has sole dispositive power with respect to all of such shares and sole voting power with respect to 10,041,034 shares.

As reported by PRIMECAP Management Company in a Schedule 13G/A filed with the Securities and Exchange (4) Commission on February 9, 2017, which states that PRIMECAP Management Company has sole dispositive power with respect to all of such shares and sole voting power with respect to 3,953,881 shares.

As reported by The Vanguard Group in a Schedule 13G/A filed with the Securities and Exchange Commission on (5) February 10, 2017, which states that The Vanguard Group has sole dispositive power with respect to 7,729,927 shares, shared dispositive power with respect to 65,401 shares, sole voting power with respect to 58,452 shares and shared voting power with respect to 12,022 shares.

As reported by Dimensional Fund Advisors LP in a Schedule 13G filed with the Securities and Exchange (6) Commission on February 9, 2017, which states that Dimensional Fund Advisors LP has sole dispositive power with respect to all of such shares and sole voting power with respect to 5,748,870 shares.

As reported by FMR LLC in a Schedule 13G/A filed with the Securities and Exchange Commission on July 10, (7) 2017, which states that FMR LLC has sole dispositive power with respect to all of such shares and sole voting power with respect to 621,384 shares.

As reported by Fairpointe Capital LLC in a Schedule 13G/A filed with the Securities and Exchange Commission (8) on February 13, 2017, which states that Fairpointe Capital LLC has sole dispositive power with respect to 5,412,321 shares, shared dispositive power with respect to 94,000 shares and sole voting power with respect to 5,334,651 shares.

(9) Includes 274,000 shares subject to options exercisable within sixty days of September 5, 2017

(10) Includes 89,000 shares subject to options exercisable within sixty days of September 5, 2017.

(11) Includes 12,000 shares subject to options exercisable within sixty days of September 5, 2017.

(12) Includes 4,000 shares subject to options exercisable within sixty days of September 5, 2017.

(13) Includes 12,000 shares subject to options exercisable within sixty days of September 5, 2017.

(14) Includes 12,000 shares subject to options exercisable within sixty days of September 5, 2017.

(15) Mr. Plastina served as Executive Vice President–Power & RF from June 8, 2015 to February 22, 2017.

(16) Includes 4,000 shares subject to options exercisable within sixty days of September 5, 2017.

(17) For all current executive officers and directors as a group, includes a total of 407,000 shares subject to options exercisable within sixty days of September 5, 2017.

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## EXECUTIVE COMPENSATION

## Compensation Discussion and Analysis

The following discussion and analysis describes the compensation of Cree's named executive officers for fiscal 2017. The discussion explains the decisions that were made in determining the fiscal 2017 compensation for each named executive officer:

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