

CREE INC

FORM 10-K405/A

(Amended Annual Report (Regulation S-K, item 405))

Filed 10/29/98 for the Period Ending 06/28/98

Address	4600 SILICON DR DURHAM, NC 27703
Telephone	9193135300
CIK	0000895419
Symbol	CREE
SIC Code	3674 - Semiconductors and Related Devices
Industry	Semiconductors
Sector	Technology
Fiscal Year	06/26

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For The Fiscal Year Ended June 28, 1998

TRANSITION REPORT PURSUANT TO SECTION 13 OR

15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____

Commission File No. 0-21154

CREE RESEARCH, INC.

(Exact name of registrant as specified in its charter)

North Carolina
(State or other jurisdiction of
incorporation or organization)

56-1572719
(I.R.S. Employer
Identification No.)

4600 Silicon Drive, Durham, NC 27703
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (919) 361-5709

Securities registered pursuant to Section 12(b) of the Act: None

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

Common Stock, \$.005 par value
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of common stock held by non-affiliates of the registrant as of August 7, 1998 was approximately \$149,174,000 (based on the closing sale price of \$14.125 per share).

The number of shares of the registrant's Common Stock, \$0.005 par value per share, outstanding as of August 7, 1998 was 12,991,038.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held November 3, 1998 are incorporated by reference into Part III.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Quantitative Disclosures:

The Company maintains an investment in equity securities held for trading purposes, which is carried at fair market value based upon the quoted market price of that investment as of June 28, 1998, with net unrealized gains or losses included in earnings. This investment, which consists of common stock of C3, Inc., is subject to market risk of equity price changes. The fair market value of this investment as of June 28, 1998 was \$657,000, which represents 79,602 shares.

The Company has also entered into a term loan from a commercial bank for up to \$10,000,000 to finance the purchase and upfit of the new main facility in Durham, North Carolina. At June 28, 1998, total amounts outstanding under this commitment were \$8,667,000. This loan, which is collateralized by the purchased property, accrues interest at a fixed rate of 8%. The following table describes future cash outflows for principal and interest payments maturing over the next five fiscal years:

	Expected Maturity Date						
(dollars in 000's)	1999	2000	2001	2002	2003	Thereafter	Total
-----	-----	-----	-----	-----	-----	-----	-----
Long-term Debt, including current portion							
Fixed Rate	\$17	\$213	\$230	\$250	\$270	\$7,687	\$8,667
Average Interest Rate	8%	8%	8%	8%	8%		

Qualitative Disclosures:

The investment in C3, Inc common stock is subject to the market risk of equity price changes. While the Company can not predict or manage the future market price for such stock, management continues to evaluate its investment position on an ongoing basis.

The long term debt, which accrues interest at a fixed rate of 8%, is subject to market risk for interest rates. The 8% fixed rate may no longer approximate current market prices for such instruments, therefore, the required interest payments may exceed those based on the current market rate. The Company has an option to prepay this debt, subject to a 1% prepayment penalty under certain conditions.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CREE RESEARCH, INC.

By: *s/ F. Neal Hunter*

F. Neal Hunter

President and Chief Executive Officer

Date: October 29, 1998

End of Filing

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