

CREE INC

FORM 8-K (Current report filing)

Filed 09/01/17 for the Period Ending 08/28/17

Address	4600 SILICON DR DURHAM, NC, 27703
Telephone	9194075300
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Industry	Semiconductors
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of Earliest Event Reported): August 28, 2017

CREE, INC.

(Exact name of registrant as specified in its charter)

North Carolina
(State or other jurisdiction of
incorporation)

0-21154
(Commission File
Number)

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

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

27703
(Zip Code)

(919) 407-5300

Registrant's telephone number, including area code

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

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

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

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

Emerging growth company

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

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

(e)

Grants of Performance Units

On August 28, 2017, the Compensation Committee of the Board of Directors of Cree, Inc. (the “Company”) approved the grant of performance units to Charles M. Swoboda, the Company’s Chairman, Chief Executive Officer and President; Michael E. McDevitt, the Company’s Executive Vice President and Chief Financial Officer; Daniel J. Castillo, the Company’s Executive Vice President and President–Lighting; and David T. Emerson, the Company’s Executive Vice President–LEDs; under the Company’s previously filed 2013 Long-Term Incentive Compensation Plan (the “LTIP”). The performance units are designed to provide Messrs. Swoboda, McDevitt, Castillo and Emerson annual incentive compensation if the Company’s financial performance for fiscal 2018 achieves a pre-established non-GAAP operating income threshold. Messrs. Swoboda, McDevitt, Castillo and Emerson were granted performance units in lieu of participation in the annual award component of the Company’s Management Incentive Compensation Plan, as amended (the “MICP”); none of Messrs. Swoboda, McDevitt, Castillo or Emerson will be eligible for annual or quarterly awards under the MICP. Any payment under the performance units will be paid in cash. Utilizing an award under the LTIP permits the award to qualify for the performance-based compensation exemption under Section 162(m) of the Internal Revenue Code of 1986, as amended.

Each executive is eligible to receive pursuant to his performance units an annual incentive award determined by multiplying his base salary, his target award level and a performance measurement (specified as a percentage between 0% and 200%) derived by comparing the Company’s fiscal 2018 financial performance against pre-established revenue and non-GAAP operating income targets. In the event of a change in control during fiscal 2018, the percentage for each measure will be not less than 100%. The performance units awarded to Messrs. Swoboda, McDevitt, Castillo and Emerson for fiscal 2018 were granted pursuant to the terms of a Notice of Grant dated August 28, 2017 and a Master Performance Unit Award Agreement with each such executive (the Form of Master Performance Unit Award Agreement has been previously filed). Mr. Swoboda’s target award level is set at 140% of his base salary. The target award level for Messrs. McDevitt, Castillo and Emerson is set at 80% of each executive’s base salary.

Except as provided in the Company’s Severance Plan for Section 16 Officers, as amended (as previously filed), and except as provided with respect to death or long-term disability or a change in control, (i) each executive must be continuously employed by the Company in the positions referenced above for such executive through the last day of the performance period, (ii) the performance units will not be considered earned by the executive until the last day of the performance period, and (iii) if the executive terminates his employment prior to the last day of the performance period, with or without cause, he will forfeit his performance units. If there is a change in control and the executive’s employment terminates on or prior to the end of fiscal 2018, the executive will not be entitled to payment under his performance units; however, he is entitled to payment of a similar amount under his Change in Control Agreement.

The foregoing description of the grant of performance units is subject to and qualified in its entirety by the Notices of Grant included as Exhibits 10.1 through 10.4 to this report and the previously filed Form of Master Performance Unit Award Agreement, each of which is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
Exhibit 10.1	Notice of Grant to Charles M. Swoboda, dated August 28, 2017
Exhibit 10.2	Notice of Grant to Michael E. McDevitt, dated August 28, 2017
Exhibit 10.3	Notice of Grant to Daniel J. Castillo, dated August 28, 2017
Exhibit 10.4	Notice of Grant to David T. Emerson, dated August 28, 2017

SIGNATURE

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

CREE, INC.

By: /s/ Michael E. McDevitt
Michael E. McDevitt
Executive Vice President and Chief Financial Officer

Date: September 1, 2017

EXHIBIT INDEX

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Exhibit 10.3	Notice of Grant to Daniel J. Castillo, dated August 28, 2017
Exhibit 10.4	Notice of Grant to David T. Emerson, dated August 28, 2017



NOTICE OF GRANT

<p><i>Company:</i> Cree, Inc. 4600 Silicon Drive Durham, NC 27703 Tax I.D. 56-1572719</p>	<p><i>Participant:</i> Charles M. Swoboda <i>Award Number:</i> 38 <i>Award Plan:</i> 2013 Long-Term Incentive Compensation Plan <i>Award Type:</i> Performance Units <i>Grant Date:</i> September 1, 2017 <i>Performance Period:</i> June 26, 2017 through June 24, 2018</p>
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Dear Chuck:

I am pleased to inform you that Cree, Inc. (the “Company”) has awarded Performance Units to you effective September 1, 2017 (the “Grant Date”). This award is subject to and governed by the terms of the Cree, Inc. 2013 Long-Term Incentive Compensation Plan (the “Plan”), the terms of the Master Performance Unit Award Agreement between you and the Company, and this Notice of Grant.

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

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

For purposes of the foregoing, except as expressly provided otherwise in this Notice of Grant, “Base Salary” shall refer to your annual base salary in effect on the last day of the first fiscal quarter of fiscal year 2018 (“FY18”), as provided in the Company’s human resources management system, unless your annual base salary changes after the first fiscal quarter. If your annual base salary changes after the first fiscal quarter, “Base Salary” will mean the weighted average annual base salary for the Performance Period determined by multiplying each annual base salary in effect during the Performance Period by a fraction, the numerator of which is the number of calendar days in the Performance Period on which such annual base salary was in effect and the denominator of which is the number of calendar days in the Performance Period. However, if you are on a leave of absence (other than a leave of absence where you continue to be paid your full base salary through the Company’s payroll system, except payments received under the Company’s short-term disability income protection plan), for all or part of the Performance Period, your Base Salary will be reduced proportionately to equate to the base salary applicable to the number of calendar days you were not on a leave of absence during the Performance Period.

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

For purposes of the foregoing, the “Performance Measurement” is a percentage between 0% and 200% determined by the Compensation Committee of the Company’s Board of Directors (the “Committee”) after assessing the Company’s performance against FY18 revenue and non-GAAP operating income targets.

Prior to or at the time of issuance of this Notice of Grant, you will receive one or more schedules (collectively, the “Schedule”) showing the Performance Measurement levels for revenue and non-GAAP operating income targets for the Performance Period. The Performance Measurement for the Performance Period will be 0% unless the minimum non-GAAP operating income target is achieved. Provided that the minimum non-GAAP operating income target is achieved, the Performance Measurement for the Performance Period will be determined by averaging the Performance Measurement levels associated with actual revenue and non-GAAP operating income results for the Performance Period, rounded to the nearest whole percentage.

Except as provided in the Company's Severance Plan for Section 16 Officers, if such plan is then in effect, and except as provided below with respect to your death or LTD Disability (as defined in the Change in Control Agreement between you and the Company effective December 17, 2012 (the "Change in Control Agreement")) or a Change in Control (as defined in Section 10(d) of the Change in Control Agreement), (i) you must be continuously employed by the Company as the Company's Chief Executive Officer and President through the last day of the Performance Period to have a right to payment of your Performance Units, (ii) your Performance Units will not be considered earned until the last day of the Performance Period, and (iii) if you terminate employment with the Company prior to the last day of the Performance Period, with or without cause, you will forfeit your Performance Units.

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

- Step 1: The Committee will, in good faith and in its sole discretion, determine the Company's actual revenue and non-GAAP operating income results for the Performance Period (the "Results," each a "Result") using competent and reliable information, including but not limited to audited financial statements, if available.
- Step 2: The Committee will determine the Performance Measurement for the Performance Period by averaging the Performance Measurement levels on the Schedule that corresponds to each Result, rounded to the nearest whole percentage. However, in the event a Change in Control occurs during the Performance Period, the percentage for each Result will be no less than 100%.

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

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

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

If there is a Change in Control and you remain continuously employed by the Company through the end of the Performance Period, but your employment terminates In Connection with a Change in Control upon or after the end of the Performance Period but prior to the payment date under your Performance Units, you will be entitled to payment under your Performance Units as otherwise determined in accordance with this Notice of Grant. However, if there is a Change in Control and your employment terminates prior to the end of the Performance Period, you will not be entitled hereunder to a payment under your Performance Units. "In Connection with a Change of Control" will have the same meaning as in Section 10(i) of the Change in Control Agreement.

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

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

Nothing in this Notice of Grant or the Master Performance Unit Award Agreement is intended to modify or amend the Change in Control Agreement, including but not limited to your right to receive the payment specified in Section 8(a) thereof in accordance with the terms and conditions of the Change in Control Agreement.

Date: August 28, 2017

For Cree, Inc.

Accepted and agreed to:

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

By: /s/ Charles M. Swoboda
Charles M. Swoboda



NOTICE OF GRANT

<p><i>Company:</i> Cree, Inc. 4600 Silicon Drive Durham, NC 27703 Tax I.D. 56-1572719</p>	<p><i>Participant:</i> Michael McDevitt <i>Award Number:</i> 34 <i>Award Plan:</i> 2013 Long-Term Incentive Compensation Plan <i>Award Type:</i> Performance Units <i>Grant Date:</i> September 1, 2017 <i>Performance Period:</i> June 26, 2017 through June 24, 2018</p>
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Dear Mike:

I am pleased to inform you that Cree, Inc. (the “Company”) has awarded Performance Units to you effective September 1, 2017 (the “Grant Date”). This award is subject to and governed by the terms of the Cree, Inc. 2013 Long-Term Incentive Compensation Plan (the “Plan”), the terms of the Master Performance Unit Award Agreement between you and the Company, and this Notice of Grant.

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

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

For purposes of the foregoing, except as expressly provided otherwise in this Notice of Grant, “Base Salary” shall refer to your annual base salary in effect on the last day of the first fiscal quarter of fiscal year 2018 (“FY18”), as provided in the Company’s human resources management system, unless your annual base salary changes after the first fiscal quarter. If your annual base salary changes after the first fiscal quarter, “Base Salary” will mean the weighted average annual base salary for the Performance Period determined by multiplying each annual base salary in effect during the Performance Period by a fraction, the numerator of which is the number of calendar days in the Performance Period on which such annual base salary was in effect and the denominator of which is the number of calendar days in the Performance Period. However, if you are on a leave of absence (other than a leave of absence where you continue to be paid your full base salary through the Company’s payroll system, except payments received under the Company’s short-term disability income protection plan), for all or part of the Performance Period, your Base Salary will be reduced proportionately to equate to the base salary applicable to the number of calendar days you were not on a leave of absence during the Performance Period.

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

For purposes of the foregoing, the “Performance Measurement” is a percentage between 0% and 200% determined by the Compensation Committee of the Company’s Board of Directors (the “Committee”) after assessing the Company’s performance against FY18 revenue and non-GAAP operating income targets.

Prior to or at the time of issuance of this Notice of Grant, you will receive one or more schedules (collectively, the “Schedule”) showing the Performance Measurement levels for revenue and non-GAAP operating income targets for the Performance Period. The Performance Measurement for the Performance Period will be 0% unless the minimum non-GAAP operating income target is achieved. Provided that the minimum non-GAAP operating income target is achieved, the Performance Measurement for the Performance Period will be determined by averaging the Performance Measurement levels associated with actual revenue and non-GAAP operating income results for the Performance Period, rounded to the nearest whole percentage.

Except as provided in the Company's Severance Plan for Section 16 Officers, if such plan is then in effect, and except as provided below with respect to your death or LTD Disability (as defined in the most current Change in Control Agreement between you and the Company (the "Change in Control Agreement")) or a Change in Control (as defined in Section 10(d) of the Change in Control Agreement), (i) you must be continuously employed by the Company as the Company's Chief Executive Officer and President through the last day of the Performance Period to have a right to payment of your Performance Units, (ii) your Performance Units will not be considered earned until the last day of the Performance Period, and (iii) if you terminate employment with the Company prior to the last day of the Performance Period, with or without cause, you will forfeit your Performance Units.

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

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

Step 2: The Committee will determine the Performance Measurement for the Performance Period by averaging the Performance Measurement levels on the Schedule that corresponds to each Result, rounded to the nearest whole percentage. However, in the event a Change in Control occurs during the Performance Period, the percentage for each Result will be no less than 100%.

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

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

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

If there is a Change in Control and you remain continuously employed by the Company through the end of the Performance Period, but your employment terminates In Connection with a Change in Control upon or after the end of the Performance Period but prior to the payment date under your Performance Units, you will be entitled to payment under your Performance Units as otherwise determined in accordance with this Notice of Grant. However, if there is a Change in Control and your employment terminates prior to the end of the Performance Period, you will not be entitled hereunder to a payment under your Performance Units. "In Connection with a Change of Control" will have the same meaning as in Section 10(i) of the Change in Control Agreement.

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

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

Nothing in this Notice of Grant or the Master Performance Unit Award Agreement is intended to modify or amend the Change in Control Agreement, including but not limited to your right to receive the payment specified in Section 8(a) thereof in accordance with the terms and conditions of the Change in Control Agreement.

Date: August 28, 2017

For Cree, Inc.

Accepted and agreed to:

By: /s/ Charles M. Swoboda
Charles M. Swoboda
Chairman, President and Chief Executive Officer

By: /s/ Michael McDevitt
Michael McDevitt



NOTICE OF GRANT

<p><i>Company:</i> Cree, Inc. 4600 Silicon Drive Durham, NC 27703 Tax I.D. 56-1572719</p>	<p><i>Participant:</i> Daniel Castillo <i>Award Number:</i> 35 <i>Award Plan:</i> 2013 Long-Term Incentive Compensation Plan <i>Award Type:</i> Performance Units <i>Grant Date:</i> September 1, 2017 <i>Performance Period:</i> June 26, 2017 through June 24, 2018</p>
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Dear Daniel:

I am pleased to inform you that Cree, Inc. (the “Company”) has awarded Performance Units to you effective September 1, 2017 (the “Grant Date”). This award is subject to and governed by the terms of the Cree, Inc. 2013 Long-Term Incentive Compensation Plan (the “Plan”), the terms of the Master Performance Unit Award Agreement between you and the Company, and this Notice of Grant.

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

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

For purposes of the foregoing, except as expressly provided otherwise in this Notice of Grant, “Base Salary” shall refer to your annual base salary in effect on the last day of the first fiscal quarter of fiscal year 2018 (“FY18”), as provided in the Company’s human resources management system, unless your annual base salary changes after the first fiscal quarter. If your annual base salary changes after the first fiscal quarter, “Base Salary” will mean the weighted average annual base salary for the Performance Period determined by multiplying each annual base salary in effect during the Performance Period by a fraction, the numerator of which is the number of calendar days in the Performance Period on which such annual base salary was in effect and the denominator of which is the number of calendar days in the Performance Period. However, if you are on a leave of absence (other than a leave of absence where you continue to be paid your full base salary through the Company’s payroll system, except payments received under the Company’s short-term disability income protection plan), for all or part of the Performance Period, your Base Salary will be reduced proportionately to equate to the base salary applicable to the number of calendar days you were not on a leave of absence during the Performance Period.

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

For purposes of the foregoing, the “Performance Measurement” is a percentage between 0% and 200% determined by the Compensation Committee of the Company’s Board of Directors (the “Committee”) after assessing the Company’s performance against FY18 revenue and non-GAAP operating income targets.

Prior to or at the time of issuance of this Notice of Grant, you will receive one or more schedules (collectively, the “Schedule”) showing the Performance Measurement levels for revenue and non-GAAP operating income targets for the Performance Period. The Performance Measurement for the Performance Period will be 0% unless the minimum non-GAAP operating income target is achieved. Provided that the minimum non-GAAP operating income target is achieved, the Performance Measurement for the Performance Period will be determined by averaging the Performance Measurement levels associated with actual revenue and non-GAAP operating income results for the Performance Period, rounded to the nearest whole percentage.

Except as provided in the Company's Severance Plan for Section 16 Officers, if such plan is then in effect, and except as provided below with respect to your death or LTD Disability (as defined in the most current Change in Control Agreement between you and the Company (the "Change in Control Agreement")) or a Change in Control (as defined in Section 10(d) of the Change in Control Agreement), (i) you must be continuously employed by the Company as the Company's Chief Executive Officer and President through the last day of the Performance Period to have a right to payment of your Performance Units, (ii) your Performance Units will not be considered earned until the last day of the Performance Period, and (iii) if you terminate employment with the Company prior to the last day of the Performance Period, with or without cause, you will forfeit your Performance Units.

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

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

Step 2: The Committee will determine the Performance Measurement for the Performance Period by averaging the Performance Measurement levels on the Schedule that corresponds to each Result, rounded to the nearest whole percentage. However, in the event a Change in Control occurs during the Performance Period, the percentage for each Result will be no less than 100%.

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

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

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

If there is a Change in Control and you remain continuously employed by the Company through the end of the Performance Period, but your employment terminates In Connection with a Change in Control upon or after the end of the Performance Period but prior to the payment date under your Performance Units, you will be entitled to payment under your Performance Units as otherwise determined in accordance with this Notice of Grant. However, if there is a Change in Control and your employment terminates prior to the end of the Performance Period, you will not be entitled hereunder to a payment under your Performance Units. "In Connection with a Change of Control" will have the same meaning as in Section 10(i) of the Change in Control Agreement.

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

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

Nothing in this Notice of Grant or the Master Performance Unit Award Agreement is intended to modify or amend the Change in Control Agreement, including but not limited to your right to receive the payment specified in Section 8(a) thereof in accordance with the terms and conditions of the Change in Control Agreement.

Date: August 28, 2017

For Cree, Inc.

Accepted and agreed to:

By: /s/ Charles M. Swoboda
Charles M. Swoboda
Chairman, President and Chief Executive Officer

By: /s/ Daniel Castillo
Daniel Castillo



NOTICE OF GRANT

<p><i>Company:</i> Cree, Inc. 4600 Silicon Drive Durham, NC 27703 Tax I.D. 56-1572719</p>	<p><i>Participant:</i> David Emerson <i>Award Number:</i> 36 <i>Award Plan:</i> 2013 Long-Term Incentive Compensation Plan <i>Award Type:</i> Performance Units <i>Grant Date:</i> September 1, 2017 <i>Performance Period:</i> June 26, 2017 through June 24, 2018</p>
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Dear David:

I am pleased to inform you that Cree, Inc. (the “Company”) has awarded Performance Units to you effective September 1, 2017 (the “Grant Date”). This award is subject to and governed by the terms of the Cree, Inc. 2013 Long-Term Incentive Compensation Plan (the “Plan”), the terms of the Master Performance Unit Award Agreement between you and the Company, and this Notice of Grant.

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

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

For purposes of the foregoing, except as expressly provided otherwise in this Notice of Grant, “Base Salary” shall refer to your annual base salary in effect on the last day of the first fiscal quarter of fiscal year 2018 (“FY18”), as provided in the Company’s human resources management system, unless your annual base salary changes after the first fiscal quarter. If your annual base salary changes after the first fiscal quarter, “Base Salary” will mean the weighted average annual base salary for the Performance Period determined by multiplying each annual base salary in effect during the Performance Period by a fraction, the numerator of which is the number of calendar days in the Performance Period on which such annual base salary was in effect and the denominator of which is the number of calendar days in the Performance Period. However, if you are on a leave of absence (other than a leave of absence where you continue to be paid your full base salary through the Company’s payroll system, except payments received under the Company’s short-term disability income protection plan), for all or part of the Performance Period, your Base Salary will be reduced proportionately to equate to the base salary applicable to the number of calendar days you were not on a leave of absence during the Performance Period.

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

For purposes of the foregoing, the “Performance Measurement” is a percentage between 0% and 200% determined by the Compensation Committee of the Company’s Board of Directors (the “Committee”) after assessing the Company’s performance against FY18 revenue and non-GAAP operating income targets.

Prior to or at the time of issuance of this Notice of Grant, you will receive one or more schedules (collectively, the “Schedule”) showing the Performance Measurement levels for revenue and non-GAAP operating income targets for the Performance Period. The Performance Measurement for the Performance Period will be 0% unless the minimum non-GAAP operating income target is achieved. Provided that the minimum non-GAAP operating income target is achieved, the Performance Measurement for the Performance Period will be determined by averaging the Performance Measurement levels associated with actual revenue and non-GAAP operating income results for the Performance Period, rounded to the nearest whole percentage.

Except as provided in the Company's Severance Plan for Section 16 Officers, if such plan is then in effect, and except as provided below with respect to your death or LTD Disability (as defined in the most current Change in Control Agreement between you and the Company (the "Change in Control Agreement")) or a Change in Control (as defined in Section 10(d) of the Change in Control Agreement), (i) you must be continuously employed by the Company as the Company's Chief Executive Officer and President through the last day of the Performance Period to have a right to payment of your Performance Units, (ii) your Performance Units will not be considered earned until the last day of the Performance Period, and (iii) if you terminate employment with the Company prior to the last day of the Performance Period, with or without cause, you will forfeit your Performance Units.

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

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

Step 2: The Committee will determine the Performance Measurement for the Performance Period by averaging the Performance Measurement levels on the Schedule that corresponds to each Result, rounded to the nearest whole percentage. However, in the event a Change in Control occurs during the Performance Period, the percentage for each Result will be no less than 100%.

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

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

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

If there is a Change in Control and you remain continuously employed by the Company through the end of the Performance Period, but your employment terminates In Connection with a Change in Control upon or after the end of the Performance Period but prior to the payment date under your Performance Units, you will be entitled to payment under your Performance Units as otherwise determined in accordance with this Notice of Grant. However, if there is a Change in Control and your employment terminates prior to the end of the Performance Period, you will not be entitled hereunder to a payment under your Performance Units. "In Connection with a Change of Control" will have the same meaning as in Section 10(i) of the Change in Control Agreement.

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

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

Nothing in this Notice of Grant or the Master Performance Unit Award Agreement is intended to modify or amend the Change in Control Agreement, including but not limited to your right to receive the payment specified in Section 8(a) thereof in accordance with the terms and conditions of the Change in Control Agreement.

Date: August 28, 2017

For Cree, Inc.

Accepted and agreed to:

By: /s/ Charles M. Swoboda
Charles M. Swoboda
Chairman, President and Chief Executive Officer

By: /s/ David Emerson
David Emerson