

CREE INC

FORM 8-K (Current report filing)

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Address	4600 SILICON DR DURHAM, NC, 27703
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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): September 27, 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 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Appointment of President and Chief Executive Officer

As previously announced, the Board of Directors (the “Board”) of Cree, Inc. (the “Company”) approved the appointment of Gregg A. Lowe, 55, as President and Chief Executive Officer (“CEO”) of the Company and a member of the Board, effective September 27, 2017 (the “Start Date”).

Mr. Lowe served as President and Chief Executive Officer of Freescale Semiconductor and a member of its board of directors from June 2012 until December 2015. From April 2006 to June 2012, Mr. Lowe served as Senior Vice President of Analog at Texas Instruments. Mr. Lowe began his career with Texas Instruments in 1984 and held a variety of management positions with increasing responsibility in Texas Instruments’ sales and business units. Mr. Lowe also serves on the board of directors of Silicon Laboratories Inc., the Rock & Roll Hall of Fame in Cleveland, Ohio, and the Baylor Health Care System Foundation. Mr. Lowe holds a B.S. in electrical engineering from Rose-Hulman Institute of Technology in Terre Haute, Indiana, and graduated from the Stanford Executive Program at Stanford University.

Mr. Lowe succeeded Charles M. Swoboda as President and CEO of the Company. As previously reported, Mr. Swoboda entered into a Severance, General Release and Consulting Agreement addressing the terms of his termination of employment with the Company and subsequent consulting arrangement following a transition period during which the Company searched for a new President and CEO. Consistent with this agreement, Mr. Swoboda notified the Company of his resignation as President, CEO and Chairman of the Board, effective September 27, 2017. Mr. Swoboda also informed the Board of his resignation from the Board and as an employee of the Company effective as of the time the Company’s 2017 Annual Meeting of Shareholders (the “Annual Meeting”) is called to order and the withdrawal of his name from nomination for re-election at the Annual Meeting. Mr. Swoboda will continue to serve as a member of the Board and an employee of the Company until such time.

In connection with Mr. Lowe’s appointment as a director of the Company, the Board approved an increase to the number of directors constituting the Board from eight to nine in accordance with the Company’s Bylaws, as amended. The Board also elected Robert A. Ingram, a member of the Board since December 2008 and Lead Independent Director since October 2011, to succeed Mr. Swoboda as Chairman of the Board, effective September 27, 2017.

Description of Compensation Arrangements with President and CEO

Base Salary, Cash Incentive Compensation, and Other Benefits

Mr. Lowe will receive an annual base salary of \$825,000.

Mr. Lowe will also be eligible to participate in the Company’s annual performance-based cash incentive compensation program under the Company’s 2013 Long Term Incentive Compensation Plan, as amended (the “LTIP”), with a target award of 140% of his annual base salary. Participation will begin on the Start Date, based upon annual goals to be established by the Compensation Committee of the Board (the “Compensation Committee”) from time to time. The actual earned incentive, if any, payable to Mr. Lowe for any fiscal period of the Company, will depend upon the extent to which the applicable performance goal(s) are achieved. For fiscal 2018, Mr. Lowe received an annual incentive award, pursuant to a grant of performance units under the LTIP, which performance units entitle Mr. Lowe to be paid an amount in cash to be determined by multiplying his base salary, his target award level (140%),

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; provided, however, that achievement of the annual goals for fiscal 2018 will be guaranteed to be at least at target, pro-rated based on the number of days he is employed during the fiscal year, so long as Mr. Lowe presents strategic and organizational plans to the Board prior to the end of fiscal 2018. The performance units awarded to Mr. Lowe were granted pursuant to the terms of a Notice of Grant dated September 27, 2017 and a Master Performance Unit Award Agreement with Mr. Lowe (the Form of Master Performance Unit Award Agreement has been previously filed). The foregoing description of the grant of performance units is subject to and qualified in its entirety by the Notice of Grant included as Exhibit 10.2 to this report and the previously filed Form of Master Performance Unit Award Agreement, each of which is incorporated herein by reference.

Mr. Lowe is also entitled to participate in certain benefit plans of the Company as well as to be reimbursed for certain reasonable travel, entertainment, and other expenses in connection with his services to the Company.

In connection with his appointment, Mr. Lowe will enter into the Company's standard form of indemnification agreement for directors and officers, a copy of which is filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, dated October 25, 2010, as filed with the Securities and Exchange Commission (the "SEC") on October 29, 2010, and is incorporated herein by reference.

Long-Term Incentive

The Company awarded Mr. Lowe a sign-on equity grant (the "Sign-On Grant") with a value of \$5,000,000, divided equally in performance stock units ("PSUs") and restricted stock units ("RSUs"), in connection with his appointment. The number of shares underlying the award is equal to the value (\$5,000,000) divided by the 30 trading day average price through September 22, 2017 (the "ASP"). The terms of the PSUs are based on the factors specified below and will vest three years after the date of grant, with the payout determined as described below. The RSUs will vest equally over four years.

The actual number of shares earned under the PSUs at the end of the three years will be the number of PSUs awarded times the "Payout Factor" that is described below. The performance thresholds for the PSUs will be based on the Company's Relative Total Shareholder Return ("RTSR") compared to a peer group of companies listed on the NASDAQ Composite Index filtered by the Semiconductor, Semiconductor Equipment, and Electronics Equipment, Instruments and Components Sectors (the "Peer Group") over the period beginning on September 22, 2017 and ending immediately prior to the vesting date (the "Measurement Period"). The starting value for the calculation of the Payout Factor will be the ASP described above and the ending value for the calculation will be the average Company share price for the 30 trading days prior to the end of the Measurement Period. The RTSR of the Company will then be compared to the Peer Group over the three-year period and separated into quartiles for determining the Payout Factor as follows: (i) if the Company ends in the first (top) performing quartile, the Payout Factor is 1.5, (ii) if the Company ends in the second quartile, the Payout Factor is 1.0, (iii) if the Company ends in the third quartile, the Payout Factor is 0.5, and (iv) if the Company ends in the fourth (worst) performing quartile, the Payout Factor is 0.

Mr. Lowe also was awarded an additional equity grant with a value of \$5,000,000, again divided equally in PSUs and RSUs, for fiscal 2018 (the "Fiscal 2018 Grant"). The number of shares underlying the award is equal to the value (\$5,000,000) divided by the ASP. The terms of the PSUs for the Fiscal 2018 Grant are based on the same factors specified above for the Sign-On Grant and will vest three years

after the date of grant, with the payout determined as described above for the Sign-On Grant. The RSUs will vest equally over four years.

The PSUs and the RSUs awarded to Mr. Lowe pursuant to the Sign-On Grant and the Fiscal 2018 Grant will become fully vested in the case of death or disability; however, the PSUs will not pay out until the end of the applicable three-year period and the payout at that time will be determined as described above.

The foregoing description of the grant of PSUs and RSUs is subject to and qualified in its entirety by the form of PSU included as Exhibit 10.3 to this report and the previously filed form of RSU, each of which is incorporated herein by reference.

Change in Control

The Company entered into a Change in Control Agreement with Mr. Lowe in connection with his appointment (the “Change in Control Agreement”).

Mr. Lowe will be an at-will employee, meaning that he can be terminated at any time with or without cause upon written notice by the Company. In connection with any termination of Mr. Lowe’s employment, he will be entitled to all payments and benefits that he would be entitled to as an employee of the Company in the absence of the Change in Control Agreement. In addition, he may be entitled to severance benefits if his employment is terminated in connection with a change in control, which means, for purposes of the Change in Control Agreement, such termination occurs either within (i) the period of time between 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 and the occurrence of either the resulting change in control or the termination or expiration of the tender offer or the written agreement without the occurrence of a change in control, or (ii) 24 months following a change in control.

If, during the term of the Change in Control Agreement, Mr. Lowe’s employment is terminated by the Company without cause (but not as a result of his death or long-term disability or in connection with a sale of assets constituting a change in control in which the successor employs Mr. Lowe and assumes the Company’s obligations under the Change in Control Agreement), or by Mr. Lowe for good reason, and the termination is in connection with a change in control, then he will receive (i) continued payment of his base salary for 24 months, (ii) a lump sum payment equal to two times his target annual incentive award for the fiscal year in which the termination occurs, and a lump sum payment equal to his target annual incentive award for the fiscal year in which the termination occurs, prorated to the date of termination, (iii) a lump sum payment equal to 24 multiplied by the COBRA premium in effect for the type of medical, dental, and vision coverage then in effect for Mr. Lowe, (iv) full accelerated vesting with respect to Mr. Lowe’s then outstanding, unvested time-vested restricted stock and other equity awards that vest solely based on the passage of time, (v) full accelerated vesting with respect to Mr. Lowe’s then outstanding, unvested performance based restricted stock units, with all performance objectives deemed to have been satisfied at the target level (target being a Payout Factor of 1), and (vi) subject to execution by Mr. Lowe of an additional release of claims, reimbursement by the Company for any loss incurred in the sale of Mr. Lowe’s primary North Carolina residence, calculated in accordance with the Loss on Sale Severance Benefit (as defined below).

“Change in control” under the Change in Control Agreement generally means any of the following events: (i) any person or group of persons becomes the beneficial owner of 50% or more of the Company’s outstanding common stock or the combined voting power of the Company’s securities entitled

to vote generally in the election of directors; (ii) a sale or other disposition of all or substantially all of the Company's assets; (iii) shareholder approval of a definitive agreement or plan to liquidate the Company; (iv) a merger or consolidation of the Company with and into another entity, unless immediately following such transaction (a) more than 50% of the members of the governing body of the surviving entity were incumbent directors at the time of execution of the initial agreement providing for such transaction; (b) no person or group of persons is the beneficial owner, directly or indirectly, of 50% or more of the equity interests of the surviving entity or the combined voting power of the equity interests of the surviving entity entitled to vote generally in the election of members of its governing body; and (c) more than 50% of the equity interests of the surviving entity and the combined voting power of the equity interests of the surviving entity entitled to vote generally in the election of members of its governing body is beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners of the shares of common stock immediately prior to such transaction in substantially the same proportions as their ownership immediately prior to such transaction; or (v) a change in the majority of the incumbent directors of the Board during a consecutive 24 month period during Mr. Lowe's employment term, excluding such changes resulting from directors who are elected by, or on the recommendation of or with the approval of, at least two-thirds of the directors qualifying as incumbent directors.

In the event amounts payable under the Change in Control Agreement or otherwise are contingent on a change in control for purposes of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), and it is determined that any payment or benefit made or provided to Mr. Lowe would be subject to the excise tax imposed by Section 4999 of the Code, the payments to Mr. Lowe under the Change in Control Agreement will either be (i) paid in full or (ii) reduced to an amount that would not trigger the Section 280G-related excise tax, whichever results in him receiving the greatest after tax payment.

The Change in Control Agreement also provides that, if Mr. Lowe becomes generally disabled and his employment is terminated before he becomes eligible for benefits under the Company's long-term disability program or if he elects to resign for good reason because the Company does not restore him to his prior position and level of authority after he ceases to be generally disabled, in each case in connection with a change in control, he will be entitled to severance benefits under the Change in Control Agreement.

As a condition to the receipt of the severance benefits described in the prior paragraphs, Mr. Lowe must (i) sign and not revoke a release of claims, (ii) refrain from disparaging the Company, its directors, or its officers for 24 months after termination, and (iii) continue to comply with the terms of the standard form of employee agreement regarding confidential information, intellectual property and noncompetition between Mr. Lowe and the Company (the "Confidential Information Agreement"), as amended by the Change in Control Agreement. Under the noncompetition provisions of the Confidential Information Agreement and subject to certain limited exceptions, an employee is restricted while employed by the Company and for a period of time following the termination of his or her employment from (i) performing services for any competing business, whether as an employee, officer, director, consultant, agent, contractor or in any other capacity, (ii) being the beneficial owner of an equity interest in any competing business, (iii) requesting any present or future customers or suppliers of the Company to curtail or cancel business with the Company, or (iv) inducing or attempting to influence any employee of the Company to terminate his or her employment with the Company. Pursuant to the Change in Control Agreement, the period during which such restrictions apply will be (x) 24 months following Mr. Lowe's termination in the event that he is entitled to severance payments under the Change in Control Agreement as described above or (y) 18 months in the event that Mr. Lowe is entitled to severance payments under the Severance Plan (as defined below); otherwise, the post-separation restrictive period shall be one year as set forth in the Confidential Information Agreement. Competing business includes any entity that is

conducting research directed to, developing, manufacturing, marketing, distributing, or selling any product, service or technology that is competitive with any product, service or technology that the Company is developing, manufacturing, marketing, distributing, selling or conducting research directed to, at the time or during the period specified in the Confidential Information Agreement.

In the event of a dispute relating to the Change in Control Agreement arising during the term of Mr. Lowe's employment or within three years following termination of the Change in Control Agreement, the Company will reimburse Mr. Lowe for the fees and expenses he incurs in connection with the dispute on a quarterly basis. In the event Mr. Lowe does not prevail on at least one material issue or if an arbitrator determines that Mr. Lowe's legal positions were frivolous or without legal foundation, (i) Mr. Lowe will repay the Company amounts previously reimbursed, and (ii) Mr. Lowe will reimburse the Company for its fees and expenses.

In the event that Mr. Lowe's employment is terminated on or before October 31, 2019, under circumstances making him eligible for severance benefits under the Severance Plan, then the Company will promptly reimburse Mr. Lowe for any loss incurred in the sale of his North Carolina residence following his separation in an amount equal to the greater of (x) the fair market value of such residence as determined by the Company's third party relocation service, or (y) the purchase price of such residence and the documented cost of any capital improvements made to the such residence made by Mr. Lowe, over (z) the net sale price received by him ("Loss on Sale Severance Benefits").

The Company will reimburse Mr. Lowe for his reasonable attorneys' fees incurred in connection with the preparation and negotiation of the Change in Control Agreement, up to a maximum of \$30,000.

Severance Plan

As an officer who is subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934, as amended, Mr. Lowe also will be covered by the Company's Severance Plan for Section 16 Officers (the "Severance Plan"). In the event of termination of Mr. Lowe's employment without cause or his resignation for good reason, to the extent Mr. Lowe is not entitled to severance payments under the Change in Control Agreement as described above, then he will be entitled to 18 months' continuation of base salary and a lump sum payment equal to 18 months of COBRA premiums under the Severance Plan. The Severance Plan also provides that Mr. Lowe will be entitled to receive an amount equal to 1.5 times the annual payout at target under any performance unit awards in effect as of his termination date, even though he is no longer employed on the date of payment.

The Severance Plan also provides that, if Mr. Lowe becomes generally disabled and his employment is terminated before he becomes eligible for benefits under the Company's long-term disability program or if he elects to resign for good reason because the Company does not restore him to his prior position and level of authority after he returns from long-term disability leave, he will be entitled to severance benefits under the Severance Plan. Severance benefits under the Severance Plan are subject to applicable tax withholdings and statutorily imposed payment terms and require Mr. Lowe to sign a release of claims.

The Severance Plan is filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, dated October 28, 2013, as filed with the SEC on October 31, 2013, and is incorporated by reference herein.

Relocation

The Company will provide Mr. Lowe a sum relocation allotment in the amount of \$50,000 per quarter (at the beginning of each fiscal quarter) for the first four quarters of employment, grossed up for income and withholding taxes based on the marginal tax rate applicable to compensation disbursed at the time of payment. This allotment is to contribute to all transitional relocation expenses including but not limited to current housing lease coverage, housing rental, storage expenses, and personal travel expenses. The Company will also cover the reasonable costs of necessary house-hunting trip(s), with prior approval by the Company's Senior Vice President of Human Resources. The Company will pay for the reasonable and customary expenses of moving Mr. Lowe's household belongings. Mr. Lowe will be responsible for reimbursing the Company for the relocation amounts paid to him if he resigns voluntarily or the Company terminates his employment for cause before his second anniversary of employment.

The foregoing description of the Change in Control Agreement, is not meant to be complete and is qualified in its entirety by reference to the Change in Control Agreement, which is included as Exhibit 10.1 to this report and incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
10.1	<u>Change in Control Agreement for Chief Executive Officer, dated September 22, 2017, between Cree, Inc. and Gregg A. Lowe</u>
10.2	<u>Notice of Grant to Gregg A. Lowe, dated September 27, 2017</u>
10.3	<u>Form of Stock Unit Award Agreement (Performance-Based) for Gregg A. Lowe</u>

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 28, 2017

CREE, INC.

CHANGE IN CONTROL AGREEMENT
(for Chief Executive Officer)

This Chief Executive Officer Change in Control Agreement (the “Agreement”) is entered into this 22nd day of September, 2017, between Cree, Inc. (the “Company”) and Gregg Lowe (“Executive”).

The Company and Executive wish to enter into this Agreement in connection with Executive’s employment as the Company’s President and Chief Executive Officer.

In consideration of the foregoing and the mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, the parties hereto agree as follows:

1. Duties and Scope of Employment.

(a) Positions and Duties. Executive will be employed as President and Chief Executive Officer (“CEO”) of the Company, reporting to the Company’s Board of Directors (the “Board”). Executive will render such business and professional services in the performance of Executive’s duties, consistent with Executive’s positions within the Company, as will reasonably and lawfully be assigned to him by the Board. The period Executive is employed by the Company as President and CEO (a Section 16 Officer) is referred to herein as the “Employment Term”. The term “Section 16 Officer” means a Company employee who is designated by the Company, at its discretion and consistent with applicable law, as being subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934, as amended. Executive’s principal place of work shall be the Company’s headquarters in Durham, North Carolina. Executive will commence work on September 27, 2017 (“Employment Start Date”). Executive’s employment hereunder is subject to his successful completion of the Company’s customary drug screen and background check.

(b) Board Membership. Executive will be appointed as a director on the Company’s Board of Directors effective on the Employment Start Date, and will be nominated for re-election at the 2017 annual meeting of shareholders. At each annual meeting of the Company’s stockholders thereafter during the Employment Term, the Company will nominate Executive to serve as a member of the Board. Executive’s service as a member of the Board will be subject to any required stockholder approval. While a member of the Board, Executive will be permitted to attend all meetings of the Board and executive sessions thereof, on substantially the same basis as other members of the Board, except for meetings of independent directors and except as prohibited by applicable law, listing standards or the company's corporate governance guidelines. Notwithstanding the preceding sentence, Executive will not have the right to attend any portion of a meeting or executive session where the item of discussion relates to Executive’s employment, including (but not limited to) his compensation, performance and/or service on the Board.

(c) Obligations. During the Employment Term, Executive will devote Executive's full business efforts and time to the Company. For the duration of the Employment Term, but with the exception of the board of directors of Silicon Laboratories, Inc. on which Executive currently serves, Executive agrees not to actively engage in any other employment, occupation, or consulting activity for any direct or indirect remuneration without the prior approval of the Board; provided, however, that Executive may, without the approval of the Board, serve in any capacity with any civic, educational, or charitable organization, provided such services do not interfere with Executive's obligations to Company.

(d) At-Will Employment. Executive and the Company agree that Executive's employment with the Company constitutes "at-will" employment. Executive and the Company acknowledge that this employment relationship may be terminated at any time, upon written notice to the other party, with or without good cause or for any or no cause, at the option either of the Company or Executive. However, as described in this Agreement or in the Company's Severance Plan for Section 16 Officers (the "Section 16 Severance Plan"), Executive may be entitled to severance benefits depending upon the circumstances of termination of Executive's employment. Executive agrees to resign from all positions held with the Company and its affiliates immediately following the termination of Executive's employment as a Section 16 Officer if the Company's Board of Directors so requests.

2. Term of Agreement. This Agreement shall commence on the Employment Start Date and shall continue for the duration of the Employment Term.

3. Compensation.

(a) Base Salary. As of the Effective Date, the Company will pay Executive an annual salary in an amount determined by the Compensation Committee of the Board (the "Committee") as compensation for Executive's services (such annual salary, as is then effective, to be referred to herein as "Base Salary"). Executive's initial Base Salary shall be at the rate of Eight Hundred Twenty Five Thousand and 00/100 (\$825,000)(less applicable withholdings) per year. The Base Salary will be paid periodically in accordance with the Company's normal payroll schedule and practices and be subject to the usual, required withholdings. Executive's salary will be subject to review by the Committee not less than annually, and adjustments will be made in the discretion of the Committee.

(b) Incentive Compensation. Executive will be eligible to receive incentive compensation under the 2013 Long-Term Incentive Compensation Plan (the "2013 Plan") payable for the achievement of performance goals established by the Committee from time to time after consultation with Executive. Executive's initial target award will be equal in value to at least 140% of Base Salary annually, and may be modified by the Committee. The actual earned incentive, if any, payable to Executive for any fiscal period of the Company will depend upon the extent to which the applicable performance goal(s) are achieved. For each fiscal year (or fiscal period) of the Company, the Committee will establish applicable corporate performance goal(s) after consultation with Executive. Executive's incentive compensation will be subject to the terms and conditions of the Company's incentive plan or arrangement designated by the Committee for this purpose, including but not limited to continued employment requirements and payment date terms that are designed to cause the incentive compensation to be exempt from or in compliance with

Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), and the guidance thereunder (collectively “Section 409A”). Achievement of the annual goals for fiscal 2018 plan will be guaranteed to be at least target for the remainder of fiscal 2018 (FY18), pro-rated based on the number of days employed during the fiscal year, so long as Executive presents strategic and organizational plans to the Board prior to the end of fiscal 2018.

(c) Long-Term Incentive. Beginning with fiscal year 2019, Executive will be eligible to receive long-term incentives subject to terms and conditions established by the Committee, the underlying 2013 Plan or any successor plan thereto, and the Committee’s terms and conditions for the applicable type of award, including vesting criteria such as continued service or performance objectives. For fiscal year 2018 (FY18), within two (2) business days of the Employment Start Date, the Company will grant to Executive an equity award under the 2013 Plan with a value of \$5,000,000, with 50% in performance stock units (“PSUs”) and 50% in restricted stock units (“RSUs”). The number of shares underlying the total award will be equal to the value (\$5,000,000) divided by the 30 trading day average share price (the “ASP”) leading up to the date on which Executive’s appointment is publicly announced (the “Announcement Date”). The PSUs will vest on the 3-year anniversary of the grant, and the RSUs will vest in four equal, annual installments on the anniversary of the grant. The number of shares earned under the PSU award will not be determined until the end of the 3-year period. The RSUs and the PSUs will become fully vested in the case of death or LTD Disability, however, the PSUs will not be paid out until after the end of the 3-year period. The actual number of performance shares earned at the end of the 3 years (the “Payout”) will be the number of PSUs awarded times the “Payout Factor” that is described below. The performance thresholds for the PSUs will be based on the Company’s Relative Total Shareholder Return (“RTSR”) compared to a peer group of companies listed on the “NASDAQ Composite Index filtered by the Semiconductor, Semiconductor Equipment, and Electronics Equipment, Instruments and Components Sectors” (the “Peer Group”) over the period beginning on the last trading day immediately before the Announcement Date and ending immediately prior to the Vesting Date (the “Measurement Period”). The starting value for the calculation of the Payout Factor will be the ASP described above and the ending value for the calculation will be the average Company share price for the 30 trading days prior to the end of the Measurement Period. The RTSR of the Company will then be compared to the Peer Group over the three year period and separated into quartiles for determining the Payout Factor as follows: (aa) if the Company ends in the Top (first) performing quartile, the Payout Factor is 1.5, (bb) if the Company ends in the Second quartile, the Payout Factor is 1.0, (cc) if the Company ends in the Third quartile, the Payout Factor is 0.5, and (dd) if the Company ends in the Worst (fourth) performing quartile, the Payout Factor is 0. For purposes of Section 7(a)(v), a Payout Factor of 1.0 shall be considered target for the PSUs.

(d) Sign-On Equity Award. Subject to the terms of the Company’s equity plans, including the underlying 2013 Plan, and the Committee’s terms and conditions for the applicable type of award as set forth in the award agreement, including vesting criteria such as continued service, but consistent with the balance of this Section 3(d), within two (2) business days of the Employment Start Date, the Company will grant to Executive an equity award with a value of \$5,000,000, with 50% in performance stock units (“PSUs”) and 50% in restricted stock units (“RSUs”). The number of shares underlying the total award will be based on the ASP determined in accordance with the terms of Section 3(c) above. The PSUs will vest on the 3-year anniversary of the grant, and the RSUs will vest in four equal, annual installments on the

anniversary of the grant. The number of shares earned under the PSU award will not be determined until the end of the 3-year period, and the amount to be paid will be calculated as described above in Section 3(c). The RSUs and the PSUs granted under this Section 3(d) in connection with Executive's Employment Start Date will become fully vested in the case of death or LTD Disability, however, the PSUs will not be paid out until after the end of the 3-year period. For purposes of Section 7(a)(v), a Payout Factor of 1.0 shall be considered target for the PSUs.

(e) Relocation Expenses.

(i) The Company shall pay, or reimburse Executive for, reasonable relocation expenses incurred by the Executive relating to his relocation to Durham, North Carolina as follows:

1. The Company will provide Executive with four installment payments in the amount of \$50,000 each, to be paid in a lump sum on the first payroll date of each of the first four fiscal quarters of Executive's employment, with each payment to be grossed up for income and withholding taxes based on the marginal tax rate applicable to compensation disbursed at the time of payment. These payments are intended to contribute to all transitional relocation expenses including but not limited to current housing lease coverage, housing rental in the Research Triangle Park area, storage expenses and personal travel expenses.

2. The Company will pay for or reimburse Executive for the reasonable costs of necessary house-hunting trip(s), with prior approval by the Company's Senior Vice President of Human Resources.

3. The Company will pay for the reasonable and customary expenses of moving Executive's household belongings. Executive shall use Paragon Relocation for such purposes and the Company will be directly billed for those expenses, including moving household goods from Aspen, CO and Austin, TX.

(ii) Executive shall be obligated to reimburse the Company for all relocation amounts paid to Executive under this Section 3(e) in the event that Executive resigns from his employment (without "Good Reason") or the Company terminates Executive's employment for "Cause" before the second anniversary of the Employment Start Date. Executive will authorize the Company to withhold any amounts due from his paycheck if reimbursement is necessary, consistent with legal requirements.

(iii) In the event that Executive's employment is terminated on or before October 31, 2019, under circumstances making him eligible for severance benefits under the Section 16 Severance Plan, then as additional severance benefits, conditioned upon Executive's execution of a release of claims as otherwise required under the Section 16 Severance Plan, which shall be substantially in the form of the Release described in Section 8(a) of this Agreement, and the other terms and conditions applicable to Executive's receipt of severance benefits under such Plan, Executive will be eligible for reimbursement by the Company for any loss incurred in the sale of Executive's primary North Carolina residence following the Termination Date in the amount equal to the greater of (x) the fair market value of such residence as determined by the Company's third party relocation service, or (y) the purchase price of such residence and the

documented cost of any capital improvements made to the such residence made by Executive, over (z) the net sale price received by Executive (“Loss on Sale Severance Benefits”). Such amount shall be paid to Executive in lump sum (less applicable withholdings) within two and one-half months following the sale of the residence, except as provided in Section 7(b) below.

(f) Reimbursement of Attorneys’ Fees. The Company will reimburse Executive for his reasonable attorneys’ fees incurred in connection with the preparation and negotiation of this Agreement, as well as in assuring the Company as to understanding his obligations hereunder, up to a maximum of \$30,000. Such amount will be paid within thirty (30) days of Executive’s submission of acceptable documentation of such fees following execution of this Agreement, but in no event later than December 31, 2017.

4. Employee Benefits. Executive will be eligible to participate in all Company employee benefit plans, policies, and arrangements that are applicable to other executive officers of the Company in accordance with the terms of such plans, policies, and arrangements as may exist from time to time.

5. Expenses. The Company will reimburse Executive for reasonable travel, entertainment, and other expenses incurred by Executive in the furtherance of the performance of Executive’s duties hereunder, in accordance with the Company’s expense reimbursement policy for senior executives as in effect from time to time. To the extent that any such reimbursement does not qualify for exclusion from Federal income taxation, the Company will make the reimbursement only if the corresponding expense is incurred during the term of this Agreement and the reimbursement is made on or before the last day of the calendar year following the calendar year in which the expense is incurred, the amount of expenses eligible for such reimbursement during a calendar year will not affect the amount of expenses eligible for such reimbursement in another calendar year, and the right to such reimbursement is not subject to liquidation or exchange for another benefit from the Company.

6. Termination of Employment. In the event of Executive’s Termination of Employment with the Company for any reason, Executive will be entitled to any (a) unpaid Base Salary accrued up to the date of such Termination of Employment (the “Termination Date”) paid in accordance with the schedule specified in Section 3(a) above, (b) any incentive compensation that is earned as of Executive’s Termination Date in accordance with the terms and conditions of the applicable incentive plan or arrangement but has not yet been paid, which amount, if any, will be paid in accordance with the terms and conditions of the applicable incentive arrangement, (c) pay for accrued but unused vacation that the Company is legally obligated to pay Executive, which amount will be paid in the first regular payroll cycle occurring after the Termination Date, except as provided in Section 7(b) below, (d) benefits or compensation as provided under the terms of any employee benefit and compensation agreements or plans applicable to Executive, (e) unreimbursed business expenses required to be reimbursed to Executive, which amount, if any, will be paid in accordance with Section 5 above, and (f) rights to indemnification Executive may have under the Company’s Articles of Incorporation, Bylaws, this Agreement, or a separate indemnification agreement, as applicable. In addition, if during the Employment Term, the Termination of Employment is initiated by the Company without Cause or by Executive for Good Reason, and the Termination of Employment is In Connection with a Change in Control, Executive will be entitled to the amounts and benefits specified in Section 7(a) below. If, however, during

the Employment Term, the Termination of Employment is initiated by the Company with Cause or by Executive not for Good Reason, or the Termination of Employment is not In Connection with a Change in Control, Executive will be entitled only to those amounts and benefits, if any, specified in this Section 6, in Section 7(d) below, and such additional amounts, if any, provided under the Company's Section 16 Severance Plan; provided, however, that the definition of "Good Reason" under this Agreement shall supersede and replace that definition under the Section 16 Severance Plan. For purposes of clarity, a Termination of Employment initiated by the Company without Cause or by the Executive for Good Reason in connection with a sale of assets constituting a Change in Control in which the Successor does not assume the Company's obligations under this Agreement, will constitute a Termination of Employment In Connection with a Change in Control for which Executive will be entitled to the amounts and benefits specified in Section 7(a) below.

7. Severance.

(a) Change in Control Benefits. If Executive's Termination of Employment is initiated by the Company without Cause or by Executive for Good Reason during the Employment Term, and if, but only if, the Termination of Employment during the Employment Term is In Connection with a Change in Control (but not by the Company in connection with the death or LTD Disability of Executive or in connection with a sale of assets constituting a Change in Control in which the Successor employs Executive and assumes the Company's obligations under this Agreement), then, subject to Sections 7(b) and 8, Executive will receive:

(i) continued payment of Base Salary for twenty-four (24) months (less applicable withholdings), paid in accordance with the schedule specified in Section 3(a) above, but commencing within no more than sixty (60) days following the Termination Date; provided, however, that if the 60-day period spans two calendar years, the payments will commence in the second calendar year, except as provided in Section 7(b) below, with the first payment to include any installment payments that would have been made had a delay not occurred;

(ii) a lump sum payment equal to two times Executive's target annual incentive award (less applicable withholdings) for the fiscal year in which the Termination Date occurs, paid within two-and-one-half-months following the Termination Date, except as provided in Section 7(b) below;

(iii) a lump sum payment equal to twenty four (24) multiplied by the COBRA premium in effect for the type of medical, dental and vision coverage in effect for Executive (e.g., family coverage vs. employee-only coverage) at the time of Executive's Termination of Employment (less applicable withholdings), paid within two-and-one-half-months following the Termination Date, except as provided in Section 7(b) below;

(iv) full accelerated vesting as of the Termination Date with respect to Executive's then outstanding, unvested stock options, time-vested restricted stock awards and other equity awards that vest solely based on the passage of time;

(v) full accelerated vesting with respect to Executive's then outstanding, unvested performance based stock units as of the Termination Date, with all performance objectives deemed to have been satisfied at the target level;

(vi) subject to execution by Executive of a supplemental Release as described in Section 8(a), reimbursement by the Company for any loss incurred in the sale of Executive's primary North Carolina residence following the Termination Date, calculated in accordance with the Loss on Sale Severance Benefits set forth in Section 3(e)(iii) above. Such amount shall be paid to Executive in lump sum (less applicable withholdings) within two-and-one-half-months following the sale of the residence, except as provided in Section 7(b) below.

A termination for "Good Reason" has not occurred and is not and may not be triggered (either at the time of consummation of the transaction or within the timeframes specified in the definition of "In Connection with a Change in Control") by a transaction that would constitute (i) the initial public offering of the stock of a Business Unit of the Company; or (ii) the sale, transfer or other disposition of a substantial portion of the stock or assets of a Business Unit or a similar transaction unless the Board, in each case, in its sole discretion, has determined such transaction to constitute a Change in Control.

(b) Section 409A Payment Provisions; Possible Payment Delay in Event Executive is a Specified Employee. The parties intend that no payments or benefits hereunder shall constitute non-qualified deferred compensation within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder (collectively, "Section 409A") and all provisions of this Agreement shall be construed in a manner consistent with such intention. In addition, the parties intend that any payment qualifying for a Section 409A exemption be treated as such to the maximum extent permitted by law. For purposes of Section 409A, each installment payment of severance benefits and any other payment made as part of a series of installment payments hereunder shall be considered a separate and distinct payment; all payments specified in Sections 7(a) above made through the date that is 2-½ months following the later of the last day of the calendar year containing the Termination Date and the last day of the Company's fiscal year containing the Termination Date (the "Short-Term Deferral Deadline") are intended to be exempt from Section 409A under the short-term deferral rule; all such payments made after the Short Term Deferral Deadline are intended to be exempt from Section 409A under the severance pay exemption specified in Treasury Regulation §1.409A-1(b)(9)(iii) (the "Severance Pay Exemption"); in the event that Executive is a Specified Employee on the Termination Date, all such payments made after the Short Term Deferral Deadline, that exceed the limits of the Severance Pay Exemption, and that would be paid earlier than the Six-Month Delay Payment Date will be delayed until the Six-Month Delay Payment Date to the extent required to satisfy Subsection 409A(a)(2)(B)(i) of the Code; on that date, the Company will pay Executive a lump sum consisting of all payments that would have been paid to Executive prior to the Six-Month Delay Payment Date had Executive not been a Specified Employee, increased for interest at the short-term Federal rate in effect on the Termination Date for the period beginning on the date each component of such lump sum would have been paid had Executive not been a Specified Employee and ending on the Six-Month Delay Payment Date; however, if Executive dies after the Termination Date but before such lump sum payment is made, it will be paid to Executive's estate without regard to any six-month delay that otherwise applies to Specified Employees.

(c) Parachute Payment Limitation. In the event amounts payable under this Agreement or otherwise are contingent on a Change in Control for purposes of Section 280G of the Code, and it is determined by a public accounting firm or legal counsel authorized to practice before the Internal Revenue Service selected by the Company that any payment or benefit made or provided to Executive in connection with this Agreement or otherwise (collectively, a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code (the "Parachute Tax"), the Payments under this Agreement shall be payable in full or, if applicable, in such lesser amount which would result in no portion of such Payments being subject to the Parachute Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Parachute Tax, results in Executive's receipt, on an after-tax basis, of the greatest amount of Payments under this Agreement. If Payments are reduced pursuant to this paragraph, cash severance payments under Section 7(a) shall first be reduced, and the other benefits under this Agreement shall thereafter be reduced, to the extent necessary so that no portion of the Payments is subject to the Parachute Tax.

(d) Voluntary Termination without Good Reason; Termination for Cause. If Executive's employment with the Company terminates voluntarily by Executive without Good Reason or is terminated for Cause by the Company, then, except as provided in Section 6, (i) all further vesting of Executive's outstanding equity awards will terminate immediately, and Executive's outstanding equity awards will terminate in accordance with the terms and conditions of the applicable award agreement(s); (ii) all payments of compensation by the Company to Executive hereunder will terminate immediately; and (iii) Executive will be entitled to receive benefits, including severance benefits, only in accordance with the Company's then established plans, programs, and practices other than this Agreement.

(e) Termination due to Death or LTD Disability. If Executive's employment is terminated by reason of Executive's death or LTD Disability, then, except as otherwise provided in this Agreement, (i) Executive's outstanding equity awards will vest and terminate in accordance with the terms and conditions of the applicable award agreement(s), including the provision of Sections 3(c) and (d) of this Agreement; (ii) all payments of compensation by the Company to Executive hereunder will terminate immediately, and (iii) Executive will be entitled to receive benefits, including severance benefits, only in accordance with the Company's then established plans, programs, and practices other than this Agreement.

(f) Sole Right to Severance In Connection with a Change in Control. This Agreement is intended to represent Executive's sole entitlement to severance payments and benefits in connection with a termination of Executive's employment In Connection with a Change in Control, except for such payments and benefits to which Executive would be entitled as an employee of the Company in the absence of this Agreement; provided, however, that the severance benefits under this Agreement are in lieu of any other severance benefits that Executive would have been eligible to receive under the Company's Section 16 Severance Plan. For clarity, if the eligibility requirements are otherwise met, Executive may only be entitled to severance benefits under this Agreement or the Section 16 Severance Plan, but not both.

8. Conditions to Receipt of Severance: No Duty to Mitigate.

(a) Separation Agreement and Release of Claims. The receipt of any severance benefits pursuant to Section 7 will be subject to Executive signing and not revoking a release of claims in substantially the form attached as Exhibit A, but with any appropriate modifications, reflecting changes in applicable law, as are necessary or appropriate to provide the Company with the protection it would have if the release were executed as of the Effective Date (the "Release"). In the event that severance payments under Section 7(a)(vi) become due and payable more than three (3) months after a Release was executed, then Executive will be required to execute a supplemental Release, generally in the form of Exhibit A, but modified to reflect the nature of the applicable severance benefits. No severance will be paid or provided unless and until the applicable Release required is timely executed and returned by Executive to the Company, it becomes effective, and has not been timely revoked in accordance with the terms thereof prior to the date on which the applicable severance payments are required to commence under Section 7. The Company will provide the applicable Release to Executive within five (5) days of the Termination Date for benefits due under Section 7(a)(i) - (v), and within ten (10) days of Executive's written notification to the Company of the closing, for benefits due under Section 7(a)(vi), and in each case, Executive must execute it within the time period specified in the Release (which shall not be longer than forty-five (45) days from the date of receipt).

(b) Nondisparagement. As a condition to receipt of severance, during the Employment Term and for the longer of (i) twelve (12) months thereafter or (ii) the Continuance Period (defined in Section 9(o) below), Executive will not knowingly disparage, criticize, or otherwise make any derogatory statements regarding the Company, its directors, or its officers. In exchange, the Company will take steps to ensure that its executive officers and directors, during the same period, will not knowingly make inaccurate statements about Executive that are disparaging or derogatory statements. The foregoing restrictions will not apply to any statements that are made truthfully in response to a subpoena or other compulsory legal process. In addition, notwithstanding any provision in this Agreement or in any other agreement between Executive and the Company, nothing prohibits or restricts Executive from filing a charge or complaint with any federal or state regulatory authority ("Government Agencies"). Executive further understands that this Agreement does not limit Executive's or the Company's ability to communicate with any securities regulatory agency or authority/Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any securities regulatory agency or authority/Government Agency in connection with reporting a possible securities law violation without notice to the Company. Nothing in this Agreement or any other agreement limits Executive's right to receive an award for information provided to any Government Agencies/the SEC staff or any other securities regulatory agency or authority.

(c) Other Requirements. Executive's receipt of continued severance payments will be subject to Executive continuing to comply with the terms of the Confidential Information Agreement as amended by this Agreement.

(d) No Duty to Mitigate. Executive will not be required to mitigate the amount of any payment contemplated by this Agreement, nor will any earnings that Executive may receive from any other source reduce any such payment.

(e) Generally Disabled; LTD Disability. The provisions of this Section 8(e) will control in the event of conflict between this Section 8(e) and any other language in this Agreement. If Executive becomes Generally Disabled during the Employment Term, the Company will not be in breach of this Agreement and Executive will not be entitled to severance pursuant to Section 7(a) on account of the Company, in its sole discretion, taking any action that would otherwise be considered Good Reason under Section 9(i) below provided that such action remains in effect only for so long as Executive remains Generally Disabled. If Executive is Generally Disabled during the Employment Term for more than ninety-one (91) days (whether or not consecutive) in a rolling twelve (12) month period, the Company will not be in breach of this Agreement and Executive will not be entitled to severance per Section 8(a) on account of the Company permanently taking any action that would otherwise be considered Good Reason under Section 10(i) below. If Executive is Generally Disabled and the Company terminates Executive's employment without Cause prior to the date that he is determined to have an LTD Disability, such termination will be considered Termination of Employment by the Company without Cause for purposes of Section 7(a) of this Agreement. If Executive ceases to be Generally Disabled before Executive's employment is terminated by reason of LTD Disability, subject to the notice and cure provisions in Section 9(i), for purposes of Section 7(a) of this Agreement Executive will have the right to terminate Executive's employment for Good Reason (if the Termination of Employment is In Connection with a Change in Control) on account of any event or circumstances that occurred while Executive was Generally Disabled that would otherwise have constituted Good Reason except for the provisions of this Section 8(e) unless such event or circumstances has already been cured by the Company or consented to by Executive. Notwithstanding any language herein to the contrary, nothing in this paragraph creates a right to severance benefits other than if Executive's Termination of Employment during the Employment Term is In Connection with a Change in Control.

9. Definitions.

(a) Act. For purposes of this Agreement, "Act" means the Securities Exchange Act of 1934, as now in effect or as hereafter amended.

(b) Benefit Plans. For purposes of this Agreement, "Benefit Plans" means plans, policies, or arrangements that the Company sponsors (or participates in) and that immediately prior to the Termination Date provide Executive, Executive's spouse, and/or Executive's eligible dependents with medical, dental, or vision benefits. The term "Benefit Plans" does not include plans, policies, or arrangements providing for any other type of benefit (including, but not by way of limitation, financial counseling, disability, life insurance, or retirement benefits).

(c) Business Unit. For purposes of this Agreement, "Business Unit" shall mean a subsidiary or a business division or business segment of the Company. For the avoidance of doubt, a Change in Control pursuant to Section 9(e)(vi) shall not apply to Executive.

(d) Cause. For purposes of this Agreement and all other agreements, plans and programs, which shall be deemed amended to the extent, if any, inconsistent, "Cause" means (i) Executive's willful and continued failure to substantially perform the reasonable and lawful duties and responsibilities of Executive's position that is not corrected after one written warning detailing the concerns and offering Executive a reasonable period of time to cure; (ii) any material and

willful violation of any federal or state law by Executive in connection with Executive's responsibilities as an employee of the Company; (iii) any act of personal dishonesty taken by Executive in connection with Executive's responsibilities as an employee of the Company with the intention or reasonable expectation that such may result in personal enrichment of Executive; (iv) Executive's conviction of, or plea of nolo contendere to, or grant of prayer of judgment continued with respect to, a felony that the Board reasonably believes has had or will have a material detrimental effect on the Company's reputation or business; or (v) Executive materially breaching Executive's Confidential Information Agreement as modified by this Agreement, which breach is (if capable of cure in the reasonable and good faith judgment of the Board) not cured within thirty (30) days after the Company delivers written notice to Executive of the breach.

(e) Change in Control. For purposes of this Agreement, a "Change in Control" will be deemed to have occurred upon the happening of any of the following events:

(i) Any "Person" as defined in Section 3(a)(9) of the Act, including a "group" (as that term is used in Sections 13(d)(3) and 14(d)(2) of the Act), but excluding the Cree Entities and any employee benefit plan sponsored or maintained by the Cree Entities (including any trustee of such plan acting as trustee), who together with its "affiliates" and "associates" (as those terms are defined in Rule 12b-2 under the Act) becomes the "Beneficial Owner" (within the meaning of Rule 13d-3 under the Act) of more than 50% of the then-outstanding shares of common stock of the Company or the combined voting power of the then-outstanding securities of the Company entitled to vote generally in the election of its directors. For purposes of calculating the number of shares or voting power held by such Person and its affiliates and associates under this clause (i), there shall be excluded any securities acquired by such Person or its affiliates or associates directly from the Cree Entities.

(ii) A sale or other disposition of all or substantially all of the Company's assets is consummated, other than such a sale or disposition that would not have constituted a Change of Control under clause (iv) below had it been structured as a merger or consolidation.

(iii) The shareholders of the Company approve a definitive agreement or plan to liquidate the Company.

(iv) A merger or consolidation of the Company with and into another entity is consummated, unless immediately following such transaction (1) more than 50% of the members of the governing body of the surviving entity were Incumbent Directors (as defined in clause (v) below) at the time of execution of the initial agreement providing for such transaction, (2) no "Person" (as defined in clause (i) above), together with its "affiliates" and "associates" (as defined in clause(i) above), is the "Beneficial Owner" (as defined in clause (i) above), directly or indirectly, of more than 50% of the then-outstanding equity interests of the surviving entity or the combined voting power of the then-outstanding equity interests of the surviving entity entitled to vote generally in the election of members of its governing body, and (3) more than 50% of the then-outstanding equity

interests of the surviving entity and the combined voting power of the then-outstanding equity interests of the surviving entity entitled to vote generally in the election of members of its governing body is “Beneficially Owned”, directly or indirectly, by all or substantially all of the individuals and entities who were the “Beneficial Owners” of the shares of common stock of the Company immediately prior to such transaction in substantially the same proportions as their ownership immediately prior to such transaction.

(v) During any period of 24 consecutive months during the Employment Term, the individuals who, at the beginning of such period, constitute the Board (the “Incumbent Directors”) cease for any reason other than death to constitute at least a majority thereof; provided, however, that a director who was not a director at the beginning of such 24 month period shall be deemed to have satisfied such 24 month requirement, and be an Incumbent Director, if such director was elected by, or on the recommendation of or with the approval of, at least two-thirds of the directors who then qualified as Incumbent Directors either actually, because they were directors at the beginning of such 24 month period, or by prior operation of this clause (v), but excluding for this purpose any such individual whose initial assumption of office is in connection with an actual or threatened election context subject to Rule 14a-11 of Regulation 14A promulgated under the Act or other actual or threatened solicitation of proxies or consents by or on behalf of a “Person” (as defined in clause(i) above) other than the Board.

(vi) The sale, transfer or other disposition of a substantial portion of the stock or assets of the Company, or of a Business Unit or a similar transaction as the Board, in each case, in its sole discretion, may determine to be a Change in Control; provided, however, that the term “Change in Control” shall not include (i) a transaction the sole purpose of which is to change the state of the Company’s incorporation; or (ii) the initial public offering of the stock of a Business Unit of the Company, and any subsequent sell down of the stock of the Business Unit by the Company.

(f) Confidential Information Agreement. For purposes of this Agreement, “Confidential Information Agreement” shall refer to the version of Employee Agreement Regarding Confidential Information, Intellectual Property, and Noncompetition in effect for Executive as of the relevant date; provided that, with respect to Executive’s post-termination obligations, it shall refer to the version of such agreement in effect as of Executive’s Termination Date. Executive agrees that the terms of the Confidential Information Agreement are hereby amended to provide as follows: (i) in the event that Executive is entitled to Change in Control Severance Benefits under Section 8(a) this Agreement, the post-separation restrictive period set forth in Section 4(d) of the Confidential Information Agreement shall be extended until the end of the twenty four (24) month period following the Termination Date, and (ii) in the event that Executive is entitled to severance benefits under the Section 16 Severance Plan, or any other plan of the Company, then the post-separation restrictive period set forth in Section 4(d) of the Confidential Information Agreement shall be extended until the end of the eighteen (18) month period following the Termination Date, or the period used to calculate continued salary payments, whichever period is longer.

(g) Cree Entities. For purposes of this Agreement, “Cree Entities” means the Company and its successors and assigns as well as any corporation which is a member of a controlled group of corporations (as defined in Section 414(b) of the Code, as modified by Section 415(h) of the Code) which includes the Company; any trade or business (whether or not incorporated) which is under common control (as defined in Section 414(c) of the Code, as modified by Section 415(h) of the Code) with the Company; any organization (whether or not incorporated) which is a member of an affiliated service group (as defined in Section 414(m) of the Code) which includes the Company; and any other entity required to be aggregated with the Company pursuant to regulations under Section 414(o) of the Code.

(h) Generally Disabled. For purposes of this Agreement, “Generally Disabled” means that Executive is unable, with reasonable accommodation, to perform the material and substantial duties of Executive’s position due to illness or injury or physical or mental incapacity as determined by the Committee consistent with its obligations to the Company’s shareholders.

(i) Good Reason. For purposes of this Agreement, except as provided in Section 8(e) above, “Good Reason” means the occurrence of any of the following, without Executive’s consent and not due to Cause, within the timeframes specified in the definition of “In Connection with a Change in Control”: (i) a material reduction in Executive’s authority, duties or responsibilities, including removal from, or a failure to elect Executive to, the Board; (ii) a material reduction in Executive’s base salary or target annual and long-term incentive compensation, other than a one-time reduction in either case that also is applied to substantially all other executive officers of the Company, provided that Executive’s reduction is substantially proportionate to the reduction applied to substantially all other executive officers; (iii) the Company requiring Executive to report to anyone other than the Board; or (iv) the Company requiring Executive to relocate Executive’s principal place of business or the Company relocating its headquarters, in either case to a facility or location outside of a thirty-five (35) mile radius (or such longer distance that is the minimum permissible distance under the circumstances for purposes of the involuntary separation from service standards under the Treasury Regulations or other guidance under Section 409A of the Code) from Executive’s current principal place of employment; provided, however, that Executive will only have Good Reason if he provides notice to the Board of Directors of the existence of the event or circumstances constituting Good Reason specified in any of the preceding clauses within ninety (90) days of the initial existence of such event or circumstances and if such event or circumstances is not cured within thirty (30) days after Executive gives such written notice. If Executive initiates Termination of Employment for Good Reason, the actual Termination of Employment must occur within thirty (30) days after expiration of the cure period. Executive’s failure to timely give notice of the occurrence of a specific event that would otherwise constitute Good Reason will not constitute a waiver of Executive’s right to give notice of any new subsequent event that would constitute Good Reason that occurs after such prior event (regardless of whether the new subsequent event is of the same or different nature as the preceding event). Executive’s actions approving in writing (or by such other means as is reliable and verifiable) any change, reduction, requirement or occurrence (that otherwise may be considered Good Reason) in Executive’s role as an officer of the Company will be considered consent for the purposes of this Good Reason definition.

(j) In Connection with a Change in Control. For purposes of this Agreement, a Termination of Employment with the Company is “In Connection with a Change in Control” if

Executive incurs a Termination of Employment during the Employment Term either within (i) the period of time between 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 Subsections (i), (ii), (iv), (v) or (vi) of such definition and the occurrence of either the resulting Change in Control or the termination or expiration of the tender offer or the written agreement without the occurrence of a Change in Control, or (ii) twenty four (24) months following a Change in Control (including without limitation a resulting Change in Control as described in the preceding clause (i)).

(k) LTD Disability. For purposes of this Agreement, “LTD Disability” will mean that Executive is “Partially Disabled” or “Totally Disabled” within the meaning of the Company’s current long-term disability plan (or such similar term or terms in any long-term disability plan of the Company that replaces its current long-term disability plan) and has satisfied the elimination period for benefits eligibility under such plan.

(l) Six-Month Delay Payment Date. For purposes of this Agreement, “Six-Month Delay Payment Date” means the payment date associated with the first regular payroll cycle after passage of six months following the Termination Date.

(m) Specified Employee. For purposes of this Agreement, “Specified Employee” will have the meaning prescribed by Subsection 409A(a)(2)(B)(i) of the Code, as such meaning may be amended from time to time.

(n) Termination of Employment. For purposes of this Agreement, “Termination of Employment” will have the meaning as prescribed by Treasury Regulation § 1.409A-1(h)(1)(ii), as such meaning may be amended from time to time.

(o) Continuance Period. For purposes of this Agreement, “Continuance Period” means the period of time beginning on the Termination Date and ending on the date twenty-four (24) months following the Termination Date. Notwithstanding the preceding sentence, in the event of a termination of Executive’s employment where Executive is not entitled to severance under Section 8(a), the Continuance Period shall be of no duration.

10. Tax Treatment: Section 409A Compliance. Executive acknowledges and agrees that the Company has made no representations as to the tax treatment of the compensation and benefits provided pursuant to this Agreement. This Agreement is designed with the intent that all payments hereunder shall either be exempt from or in compliance with the requirements of Section 409A, and the Agreement shall be interpreted in a manner consistent with that intent. The parties agree to work together to effectuate the intent of this provision, including but not limited to revising the timing and/or form of any payment hereunder as may be permitted by and necessary to ensure the terms and conditions applicable to such payments comply with Section 409A.

11. Indemnification. Subject to applicable law, Executive will be provided indemnification to the maximum extent permitted by the Company’s bylaws and Articles of Incorporation, and applicable policies of insurance, with such indemnification to be on terms determined by the Board or any of its committees, but on terms no less favorable than provided to

any other Company executive officer or director and subject to the terms of any separate written indemnification agreement.

12. Executive's Representations. Executive represents and warrants that his employment and obligations under this Agreement will not: (i) breach any duty or obligation he owes to another or (ii) violate any law, recognized ethics standard or recognized business custom. During Executive's employment by the Company, Executive will not improperly use or disclose any confidential information, if any, of any former employer or any other person to whom Executive has an obligation of confidentiality. For the avoidance of doubt, Executive has disclosed to the Company the obligations and restrictions under his former employment agreement of May 31, 2012 with Freescale, Ltd., and the parties hereto agree that no violation will occur by entering into this Agreement nor will his employment hereunder require him to do so.

13. Assignment. This Agreement will be binding upon and inure to the benefit of (a) the heirs, executors, and legal representatives of Executive upon Executive's death, and (b) any Successor of the Company. Any such Successor of the Company will be deemed substituted for the Company under the terms of this Agreement for all purposes. For this purpose, "Successor" means any person, firm, corporation, or other business entity which at any time, whether by purchase, merger, or otherwise, directly or indirectly acquires all or substantially all of the assets or business of the Company. None of the rights of Executive to receive any form of compensation payable pursuant to this Agreement may be assigned or transferred except by will or the laws of descent and distribution. Any other attempted assignment, transfer, conveyance, or other disposition of Executive's right to compensation or other benefits will be null and void.

14. Notices. All notices, requests, demands, and other communications called for hereunder will be in writing and will be deemed given (a) on the date of delivery if delivered personally, (b) one business day after being sent overnight by a well-established commercial overnight service, or (c) four days after being mailed by registered or certified mail, return receipt requested, prepaid and addressed to the parties or their successors at the following addresses, or at such other addresses as the parties may later designate in writing:

If to the Company:

Attn: Senior Vice President, Human Resources
Cree, Inc.
4600 Silicon Drive
Durham, NC 27703

If to Executive:

at the last residential address known by the Company.

15. Severability. If any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable, or void, this Agreement will continue in full force and effect without said provision.

16. Arbitration. The Company and Executive agree that any and all disputes arising out of the terms of this Agreement, Executive's employment by the Company, Executive's service as an officer or director of the Company, or Executive's compensation and benefits, their interpretation, and any of the matters herein released, will be subject to binding arbitration in Durham, North Carolina before the American Arbitration Association under its National Rules for the Resolution of Employment Disputes, supplemented by the North Carolina Rules of Civil Procedure. The Company and Executive agree that the prevailing party in any arbitration will be entitled to injunctive relief in any court of competent jurisdiction to enforce the arbitration award. **The Company and Executive hereby agree to waive their right to have any dispute between them resolved in a court of law by a judge or jury.** This paragraph will not prevent either party from seeking injunctive relief (or any other provisional remedy) from any court having jurisdiction over the Company and Executive and the subject matter of their dispute relating to Executive's obligations under this Agreement and the Confidential Information Agreement.

17. Expenses of Enforcement. In the event of a dispute relating to this Agreement arising during the term of Executive's employment with the Company or within three (3) years following the termination of this Agreement, the Company will reimburse Executive's fees and expenses as incurred quarterly, including reasonable attorneys' fees and expenses, in connection with such dispute, provided that (i) Executive provides the Company with written documentation substantiating the amount of such fees and expenses, and (ii) Executive prevails on at least one material issue in such dispute or an arbitrator does not determine that Executive's legal positions were frivolous or without legal foundation. The Company will make such reimbursement payments quarterly based on the written substantiation documentation submitted by Executive to the Company during the prior quarter; in no event will any reimbursement be made later than the end of the calendar year next following the calendar year in which the expense was incurred by Executive; Executive must provide such written substantiation in time for the Company to make such reimbursement by such deadline. In the event Executive does not so prevail or in the event of a determination by the arbitrator that Executive's legal positions were frivolous or without legal foundation (in either case, a "Resolution"), Executive will repay to the Company any amounts previously reimbursed by it and Executive will reimburse the Company for its fees and expenses, including reasonable attorneys' fees, incurred in connection with the dispute, both within a reasonable period of time not to exceed sixty (60) days following the date of the Resolution. The amount of expenses eligible for reimbursement under this Section 17 during a calendar year will not affect the amount of expenses eligible for reimbursement under this Section 17 in another calendar year, and the right to such reimbursement is not subject to liquidation or exchange for another benefit from the Company.

18. Integration. This Agreement, together with the Confidential Information Agreement and the standard forms of equity award agreements and grant notices that describe Executive's outstanding equity awards, represents the entire agreement and understanding between the parties as to the subject matter herein and supersedes all prior or contemporaneous agreements whether written or oral. No waiver, alteration, or modification of any of the provisions of this Agreement will be binding unless in a writing that is signed by duly authorized representatives of the parties hereto.

19. Waiver of Breach. The waiver of a breach of any term or provision of this Agreement, which must be in writing, will not operate as or be construed to be a waiver of any other previous or subsequent breach of this Agreement.
20. Survival. The Confidential Information Agreement, the Company's and Executive's rights and responsibilities under Sections 6 through 23 will survive the termination of this Agreement.
21. Headings. All captions and Section headings used in this Agreement are for convenient reference only and do not form a part of this Agreement.
22. Tax Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable taxes.
23. Governing Law. This Agreement will be governed by the laws of the State of North Carolina (with the exception of its conflict of laws provision).
24. Acknowledgment. Executive acknowledges that he has had the opportunity to discuss this matter with and obtain advice from Executive's private attorney, has had sufficient time to, and has carefully read and fully understands all the provisions of this Agreement, and is knowingly and voluntarily entering into this Agreement.
25. Counterparts. This Agreement may be executed in counterparts, and each counterpart will have the same force and effect as an original and will constitute an effective, binding agreement on the part of each of the undersigned.

[Signatures on the following page]

IN WITNESS WHEREOF , each of the parties has executed this Agreement, in the case of the Company by a duly authorized officer, as of the day and year written below.

COMPANY:

CREE, INC.

/s/ Thomas H. Werner

Date: 9/22/17

Thomas H. Werner

Chair of the Compensation Committee of the
Board of Directors

GREGG LOWE:

/s/ Gregg Lowe

Date: 9/22/17

[Name]

[Signature Page - Change in Control Agreement]

GENERAL RELEASE AGREEMENT

RECITALS

This General Release Agreement (this “Release”) is made by and between Gregg Lowe (“Executive”) and Cree, Inc. (the “Company”) (jointly referred to as the “Parties”):

WHEREAS, the Company and Executive entered into a Change in Control Agreement dated September __, 2017 (the “Change in Control Agreement”);

WHEREAS, the Company and Executive entered into an Executive Agreement Regarding Confidential Information, Intellectual Property, and Noncompetition (as amended by the Change in Control Agreement, the “Confidentiality Agreement”), dated September __, 2017;

WHEREAS, the Company and Executive entered into [DESCRIBE EQUITY AWARD AGREEMENTS _____] (collectively, the “Stock Agreements”);

WHEREAS, Executive’s employment with the Company terminated on [DATE] (the “Termination Date”), and Executive is required to execute this Release as a condition of receiving any severance benefits under the Change in Control Agreement;

WHEREAS, the Parties wish to resolve any and all disputes, claims, complaints, grievances, charges, actions, petitions and demands that the Executive may have against the Company as defined herein, including, but not limited to, any and all claims arising out of, or related to, Executive’s employment with, or separation from, the Company;

NOW THEREFORE, in consideration of the promises made herein, the Parties hereby agree as follows:

COVENANTS

1. **Consideration.**

(a) Pursuant to the Section 8(a) of the Change in Control Agreement, Executive’s receipt of severance benefits pursuant to Section 7(a) of the Change in Control Agreement is subject to Executive executing and not revoking this Release. In consideration of Executive executing and not revoking this Release, and subject to Section 8 of the Change in Control Agreement, the Company agrees to pay (or provide, as applicable) Executive the amounts and benefits specified in Section 7(a) of the Change in Control Agreement. Such severance benefits will be paid or provided at the times and in the manner set forth in the Change in Control Agreement. Executive acknowledges that he will not be entitled to any other compensation or benefits, except as provided in Section 6 of the Change in Control Agreement.

(b) Equity. Executive acknowledges that as of the Termination Date, Executive's rights regarding equity will be subject to the terms and conditions of the Stock Agreements and Sections 7 and 8 of the Change in Control Agreement.

(c) Benefits. Executive's group health benefits will cease on [DATE], subject to Executive's right to continue his group health benefits under COBRA. Executive's participation in all other benefits and incidents of employment (including, but not limited to, the accrual of vacation and paid time off, and the vesting of stock options) ceased on the Termination Date.

2. **Payment of Salary**. Subject to Section 6 and Section 3(e)(iii) of the Change in Control Agreement and Section 1 above, Executive acknowledges and represents that Executive is not entitled to any additional salary, wages, bonuses, accrued vacation, housing allowances, relocation costs, interest, severance, stock, stock options, outplacement costs, fees, commissions or any other benefits and compensation.

3. **Confidential Information**. Executive shall continue to comply with the terms and conditions of the Confidentiality Agreement, as such agreement may be amended by the Change in Control Agreement, and maintain the confidentiality of all of the Company's confidential and proprietary information. Executive also shall return to the Company, or shall delete with the assistance of Company IT, all of the Company's property, including all confidential and proprietary information, and all documents and information that Executive obtained in connection with his employment with the Company, on or before the Effective Date of this Release.

4. **General Release of All Claims, Claims Not Released and Related Provisions.**

(a) General Release of All Claims. Executive knowingly and voluntarily releases and forever discharges Cree, its parent corporation, affiliates, subsidiaries, divisions, predecessors, insurers, successors and assigns, and their current and former employees, attorneys, officers, directors and agents thereof, both individually and in their business capacities, and their employee benefit plans and programs and their administrators and fiduciaries (collectively referred to throughout the remainder of this Agreement as "Releasees"), of and from any and all claims, known and unknown, asserted or unasserted, which the Executive has or may have against Releasees as of the date of execution of this Agreement and General Release, including, but not limited to, any alleged violation of, or claim under:

- Title VII of the Civil Rights Act of 1964;
- Sections 1981 through 1988 of Title 42 of the United States Code;
- The Employee Retirement Income Security Act of 1974 ("ERISA") (except for any vested benefits under any tax qualified benefit plan);
- The Immigration Reform and Control Act; The Americans with Disabilities Act of 1990; including the Americans with Disabilities Act Amendments Act;

- The Age Discrimination in Employment Act of 1967 (“ADEA”); The Worker Adjustment and Retraining Notification Act;
- The Fair Credit Reporting Act;
- The Family and Medical Leave Act;
- The Equal Pay Act;
- any and all applicable state labor and employment laws;
- any other federal, state or local law, rule, regulation, or ordinance;
- any public policy, contract, tort, or common law of any state relating to employment, including but not limited to claims for wrongful discharge, defamation, invasion of privacy, infliction of emotional distress, negligence, interference with contract; or any public policy, contract, tort, or common law;
- or any basis for recovering costs, fees, or other expenses including attorneys' fees incurred in these matter.

(b) Claims Not Released. Executive is not waiving any rights he/she may have to: (a) his own employee benefits due under Cree’s health, welfare, or retirement benefit plans as of the Termination Date; (b) benefits and/or the right to seek benefits under applicable workers’ compensation and/or unemployment compensation statutes; (c) pursue claims which by law cannot be waived by signing this Agreement; (d) enforce this Agreement; (e) rights to indemnification and related insurance coverages, (f) rights as a shareholder of the Company, and/or (g) challenge the validity of this Agreement.

(c) Governmental Agencies. Nothing in this Agreement prohibits or prevents Executive from filing a charge with or participating, testifying, or assisting in any investigation, hearing, whistleblower proceeding or other proceeding before any federal, state, or local government agency (e.g. EEOC, NLRB, SEC., etc.), nor does anything in this Agreement preclude, prohibit, or otherwise limit, in any way, Executive’s rights and abilities to contact, communicate with, report matters to, or otherwise participate in any whistleblower program administered by any such agencies.

(d) Collective/Class Action Waiver. If any claim is not subject to release, to the extent permitted by law, Executive waives any right or ability to be a class or collective action representative or to otherwise participate in any putative or certified class, collective or multi-party action or proceeding based on such a claim in Cree or any other Releasee identified in this Agreement is a party.

5. Acknowledgment of Waiver of Claims Under ADEA. Executive acknowledges that he is waiving and releasing any rights he may have under the Age Discrimination in Employment Act of 1967 (“ADEA”) and that this waiver and release is knowing and voluntary. Executive and the Company agree that this waiver and release does not apply to any rights or

claims that may arise under the ADEA after the Effective Date of this Release. Executive acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Executive was already entitled. Executive further acknowledges that he has been advised by this writing that:

- (a) he should consult with an attorney prior to executing this Release;
- (b) he has up to twenty-one (21) days within which to consider this Release;
- (c) he has seven (7) days following his execution of this Release to revoke this Release; **to revoke this Release, a notice of revocation must be delivered to Tom Mathews within 7 days, at 4600 Silicon Drive, Durham, NC 27703 ;**
- (d) this ADEA waiver shall not be effective until the revocation period has expired; and,
- (e) nothing in this Release prevents or precludes Executive from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties or costs for doing so, unless specifically authorized by federal law.

6. **Acknowledgments and Affirmations.**

- (a) Executive affirms that Executive has not filed, caused to be filed, or presently is a party to any claim against Cree.
- (b) Executive also affirms that Executive has received or has been promised hereunder to receive all compensation, wages, bonuses, commissions, and/or benefits to which Executive may be entitled. Executive affirms that Executive has been granted any leave to which Executive was entitled under the Family and Medical Leave Act or related state or local leave or disability accommodation laws. Executive further affirms that Executive has no known workplace injuries or occupational diseases. Executive also affirms that Executive has not divulged any proprietary or confidential information of Cree and will continue to maintain the confidentiality of such information consistent with Cree's policies and Executive's agreement(s) with Cree and/or common law.
- (c) Executive further affirms that Executive is not aware of, nor has been retaliated against for reporting any allegations of wrongdoing by Cree or its officers, including any allegations of corporate fraud. Executive affirms that, to the best of Executive's knowledge, Cree has provided accurate and transparent financial information to its shareholders and the public and abided by all provisions of all applicable laws and regulations, including The Sarbanes-Oxley Act of 2002. Both Parties acknowledge that this Agreement does not limit either party's right, where applicable, to file or participate in an investigative proceeding of any federal, state or local governmental agency.

(d) Executive affirms that all of the Employer's decisions regarding Executive's pay and benefits through the date of Executive's execution of this Agreement were not discriminatory based on age, disability, race, color, sex, religion, national origin or any other classification protected by law.

7. **Confidentiality and Return of Property.** Except as necessary under law, in a judicial or administrative proceeding with subpoena power or applicable listing standards,

(a) Executive agrees not to disclose any information regarding the underlying facts leading up to or the existence or substance of this Agreement and General Release, except to Executive's spouse, tax or financial advisor, and/or an attorney with whom Executive chooses to consult regarding Executive's consideration of this Agreement and General Release.

(b) Executive shall not at any time after Executive's employment terminates disclose, use or aid third parties in obtaining or using any confidential or proprietary Company information or such information of its parents, subsidiaries or affiliates. Confidential or proprietary information is information relating to the Company, parent, subsidiaries or affiliates or any aspect of its business which is not generally available to the public, the Company's competitors, or other third parties, or ascertainable through common sense or general business or technical knowledge. Nothing in this Agreement shall relieve Executive from any obligations under any previously executed confidentiality, proprietary information, non-compete, non-solicitation or secrecy agreements.

(c) Executive affirms that Executive has returned, or deleted, all of Cree's property, documents, and/or any confidential information in Executive's possession or control. All records, files or other materials maintained by or under the control, custody or possession of the Company or its agents in their capacity as such shall be and remain the Company's property. Executive shall: (i) return all Company property (including, but not limited to, credit cards; keys; company car; cell phones; computer hardware and software; records, files, documents, company manuals, and other documents in whatever form they exist, whether electronic, hard copy or otherwise and all copies, notes or summaries thereof) which Executive received in connection with Executive's employment; (ii) bring all such records, files, and other materials up to date before returning them, if requested to do so; and (iii) fully cooperate with the Company in winding up Executive's work and transferring that work to those individuals designated by the Company, if requested to do so.

(d) Executive also affirms that Executive is in possession of all of Executive's property that Executive had at Cree's premises and that Cree is not in possession of any of Executive's property.

8. **Non-Disparagement.** Executive represents and warrants that since receiving this Agreement, Executive has not (i) made, and going forward for the longer of 12 months or during the Continuance Period, as defined in the Change in Control Agreement, will not knowingly make disparaging, defaming or derogatory remarks about the Company or its products, services, business practices, directors, officers, managers or employees to anyone; nor (ii) taken, and going forward will not take, any action that may impair the relations between the Company and its vendors,

customers, employees, or agents or that may be detrimental to or interfere with, the Company or its business. Executive understands and agrees that any breach of this provision will result in irreparable damage to the company, justifying injunctive relief, as well as recovery of other damages. Executive agrees to direct any future employment reference requests to human resources, which will confirm only Executive's former title and dates of employment with Cree. The Company will take steps to ensure that its executive officers and directors, during the same period, will not knowingly make inaccurate statements about Executive that are disparaging or derogatory.

9. **Cooperation.** Executive will reasonably cooperate with Releasees and their counsel in connection with any past, current, or future investigation, administrative or regulatory proceeding, or litigation relating to any matter in which Executive was involved or of which Executive has knowledge as a result of Executive's employment with the any of the Releasees. Executive specifically agrees to make himself/herself available at reasonable times and places to assist the Releasees in the defense of any lawsuits or claims asserting claims against any Releasee, including providing truthful and accurate information and/or testimony.

10. **Costs.** The Parties shall each bear their own costs, expert fees, attorney fees and other fees incurred in connection with the preparation of this Release.

11. **Arbitration.** The Parties agree that any and all disputes arising out of, or relating to, the terms of this Release, their interpretation, and any of the matters herein released, shall be subject to binding arbitration as described in Section 16 of the Change in Control Agreement (but as adjusted to cover disputes under this Release).

12. **Governing Law and Interpretation.** This Agreement and General Release shall be governed and conformed in accordance with the laws of the state of North Carolina.

13. **Nonadmission of Wrongdoing.** The Parties agree that neither this Agreement and General Release nor the furnishing of the consideration for this Agreement and General Release shall be deemed or construed at any time for any purpose as an admission by Releasees of wrongdoing or evidence of any liability or unlawful conduct of any kind. Executive agrees to not seek reemployment with Cree, because of, among other things, irreconcilable differences with Cree, unless expressly requested to do so in writing by a Company officer.

14. **Amendment.** This Agreement and General Release may not be modified, altered or changed except in writing and signed by both Parties wherein specific reference is made to this Agreement and General Release.

15. **Entire Agreement.** This Release, the Change in Control Agreement, the Confidentiality Agreement and the Stock Agreements represent the entire agreement and understanding between the Company and Executive concerning the subject matter of this Release and Executive's relationship with the Company, and supersede and replace any and all prior agreements and understandings between the Parties concerning the subject matter of this Release and Executive's relationship with the Company.

16. **Additional Notices.** Notwithstanding anything herein to the contrary, under the federal defend trade secrets act of 2016, an individual may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding if the individual files any document containing the trade secret under seal and does not disclose the trade secret except pursuant to court order. Nothing herein is intended, or should be construed, to affect the immunities created by the defend trade secrets act of 2016.

These provisions are consistent with and do not supersede, conflict with, or otherwise alter the employee obligations, rights, or liabilities created by existing statute or Executive order relating to (1) classified information, (2) communications to Congress, (3) the reporting to an Inspector General of a violation of any law, rule, or regulation, or mismanagement, a gross waste of funds, an abuse of authority, or a substantial and specific danger to public health or safety, or (4) any other whistleblower protection. The definitions, requirements, obligations, rights, sanctions, and liabilities created by controlling Executive orders and statutory provisions are incorporated into this agreement and are controlling.

The limitations in this or any other applicable Policy shall not contravene requirements applicable to Standard Form 312, Form 4414, or any other form issued by a Federal department or agency governing the nondisclosure of classified information.

The Parties knowingly and voluntarily sign this Agreement and General Release as of the date(s) set forth below:

[Signatures on the following page]

IN WITNESS WHEREOF, each of the Parties has executed this Release, in the case of the Company by a duly authorized officer, as of the day and year written below.

COMPANY:

CREE, INC.

By: _____

Date:

GREGG LOWE

Date:

[Signature Page - General Release Agreement]



NOTICE OF GRANT

<p><i>Company:</i> Cree, Inc. 4600 Silicon Drive Durham, NC 27703 Tax I.D. 56-1572719</p>	<p><i>Participant:</i> Gregg Lowe <i>Award Number:</i> 40 <i>Award Plan:</i> 2013 Long-Term Incentive Compensation Plan <i>Award Type:</i> Performance Units <i>Grant Date:</i> September 27, 2017 <i>Performance Period:</i> June 26, 2017 through June 24, 2018</p>
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Dear Mr. Lowe:

I am pleased to inform you that Cree, Inc. (the “Company”) has awarded Performance Units to you effective September 27, 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 Change in Control Agreement between you and the Company dated September 22, 2017 (the “Change in Control Agreement”), 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 will be determined as the result of **A x B x C x D**, where:

- **A** equals your Base Salary;
- **B** equals your Target Award Level;
- **C** equals the Performance Measurement; and
- **D** equals the number of days you were employed by the Company during the 2018 fiscal year divided by 365.

Provided that, the amount payable pursuant to this award will be no less than **A x B x D**, so long as you present strategic and operational plans to the Company’s Board of Directors prior to the end of the 2018 fiscal year.

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 date hereof, 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 dated September 22, 2017 (the "Change in Control Agreement")) or a Change in Control (as defined in Section 9(e) 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%.

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 9(j) 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 7(a) thereof in accordance with the terms and conditions of the Change in Control Agreement.

Date: September 27, 2017

For Cree, Inc.

Accepted and agreed to:

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

By: /s/ Gregg Lowe
Gregg Lowe



**PERFORMANCE SHARE
AWARD AGREEMENT**

<i>Participant:</i>	Gregg Lowe
<i>Award Number:</i>	PU _____
<i>Award Plan:</i>	2013 Long-Term Incentive Compensation Plan
<i>Award Type:</i>	Performance Shares
<i>Grant Date:</i>	September 27, 2017
<i>Performance Period:</i>	September 22, 2017 through September 26, 2020

Dear Mr. Lowe:

I am pleased to inform you that Cree, Inc. (the “Company”) has awarded 104,427 Performance Shares (the “Performance Shares”) to you effective September 27, 2017 (the “Grant Date”). The Performance Shares are subject to and governed by the terms of the Cree, Inc. 2013 Long-Term Incentive Compensation Plan (the “Plan”), the terms of the Change in Control Agreement between you and the Company dated September 22, 2017 (the “Change in Control Agreement”), and the terms of this Performance Share Award Agreement (the “Agreement”).

Subject to the terms and conditions set forth in this Agreement and the Change in Control Agreement, you are eligible to earn the Performance Shares based on the Company’s “Relative Total Shareholder Return” (as defined in Exhibit A) in terms of percentile ranking as compared to the Peer Group (as defined in Exhibit A) over the period beginning on September 22, 2017 and ending immediately prior to the third anniversary of the Grant Date (the “Vesting Date”) (such period between the Grant Date and the Vesting Date, the “Measurement Period”). The number of shares of the Company’s common stock (“Shares”) that will be issued in payment of the Performance Shares will be calculated in accordance with the schedule below:

<u>Relative Total Shareholder Return Ranking over Measurement Period</u>	<u>Payout % Level</u>
75 th Percentile or Higher	150%
50 th - 74 th Percentile	100%
25 th - 49 th Percentile	50%
0 - 24 th Percentile	0%

The calculation of the number of Shares to be issued will be rounded down to the nearest whole number of Shares as necessary.

You will become fully vested in the Performance Shares on the date of your death or on the effective date of the determination of your Disability (as defined below) by the Employee Benefits Committee of the Company (the “EBC”) or such other committee as may be designated by the Board of Directors of the Company or a committee thereof, however, the Performance Shares will not be settled until the Vesting Date and the number of Shares that will be issued at that time in settlement of the Performance Shares will be calculated as described above. For purposes of this Agreement, “Disability” will have the meaning given to “LTD Disability” in the Change in Control Agreement. The determination of whether or not you have a Disability will be made by the EBC in good faith in its sole discretion, and such determination shall be conclusive, final and binding upon all parties. The above definition of Disability applies in lieu of the definition of disability set out in the Plan.

Subject to the terms of the Change in Control Agreement, you must be continuously in service with the Company or any Employer or any subsidiary or affiliate of the Company through the Vesting Date in order to have a right to payment of Performance Shares, the Performance Shares will not be considered earned until the Vesting Date, and except as specified in your Change in Control Agreement, if your employment is terminated prior to the Vesting Date, you will forfeit all of the Performance Shares.

Capitalized terms defined in the Plan and used in this Agreement without definition have the meaning specified in the Plan.

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 Shares in connection with your fiscal 2018 award under, and pursuant to, Section 3(c) of the Change in Control Agreement. 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.

THE TERMS AND CONDITIONS ON THE PAGES FOLLOWING THIS SIGNATURE PAGE, INCLUDING ANY APPENDIX, ARE AN INTEGRAL PART OF THIS AGREEMENT AND ARE INCORPORATED HEREIN BY THIS REFERENCE. BY SIGNING BELOW YOU ACKNOWLEDGE THAT YOU HAVE READ, UNDERSTAND AND AGREE TO BE BOUND BY SUCH TERMS AND CONDITIONS. FAILURE TO SIGN WILL RESULT IN FORFEITURE OF THE PERFORMANCE SHARES.

Date: September 27, 2017

CREE, INC.:

ACCEPTED AND AGREED TO:

Thomas H. Werner
Compensation Committee Chairman

Gregg Lowe

**PERFORMANCE AWARD AGREEMENT
TERMS AND CONDITIONS**

1. ***Forfeiture of Performance Shares for Awards Not Timely Accepted.*** The grant of the Performance Shares is conditioned upon and subject to your accepting the Performance Shares by signing and delivering to the Company this Agreement, or otherwise electronically accepting the Performance Shares, no later than the first date the Performance Shares are scheduled to vest pursuant to this Agreement. In the event of your death or incapacitation prior to accepting the Performance Shares, the Company will deem the Performance Shares as being accepted. If you fail to accept the Performance Shares within the time described above, you will forfeit the Performance Shares.

2. ***Payment.*** Subject to the terms of the Plan, the Change in Control Agreement, and this Agreement, within 30 days after the following date (except as provided otherwise in Section 18 below), the Company shall make payment to you of the vested portion of the Performance Shares on such date (if any), less any vested Performance Shares previously paid to you (if any): September 26, 2020.

The Company shall make payment to you by delivery to you (or, in the event of your death, to your estate or, if the Committee establishes a beneficiary designation procedure pursuant to Section 12 of the Plan, to any beneficiary that you have designated pursuant to such procedure) one or more certificates for a number of Shares equal to the number of vested Performance Shares payable to you on such date or in the Company's discretion may cause such Shares to be deposited in an account maintained by a broker designated by the Company.

3. ***Responsibility for Taxes.***

(a) For purposes of this Agreement, "Tax-Related Items" means any or all income tax, social insurance tax, payroll tax, payment on account or other tax-related items that may be applicable to the Performance Shares by law or regulation of any governmental authority, whether federal, state or local, domestic or foreign. Regardless of any action the Company takes with respect to withholding Tax-Related Items, you acknowledge that you are ultimately responsible for all Tax-Related Items and that such Tax-Related Items may exceed the amount actually withheld by the Company or the Employer. You further acknowledge that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Performance Shares, including, without limitation, the grant, vesting or payment with respect to the Performance Shares, the subsequent sale of Shares and the receipt of any dividends or dividend equivalents; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Performance Shares to reduce or eliminate your liability for Tax-Related Items or to achieve any particular tax result. Furthermore, if you have become subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, you acknowledge that the Company and/or the Employer (or former Employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Prior to any relevant taxable or tax withholding event, as applicable, you will pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. If permissible under local law and at your election, the Company will satisfy this condition pursuant to the withholding of Shares consistent with the "Share Withholding" provisions under section 14.2 of the Plan. The Company, in its discretion, may authorize alternative arrangements, including, if permissible under local law, the Company's selling or arranging to sell Shares that you acquire under the Plan. In any event, to the extent this condition is not otherwise satisfied, you authorize the Employer to withhold all applicable Tax-

Related Items legally payable by you from your wages or other cash compensation paid to you by the Employer.

- (c) Depending upon the withholding method, the Company or the Employer may withhold or account for Tax-Related Items by considering applicable minimum or maximum statutory withholding amounts or other applicable withholding rates. In the event Tax-Related Items are over-withheld, you will receive a refund in cash for any over-withheld amounts and will have no entitlement to the Shares equivalent. If the obligation for Tax-Related Items is satisfied by withholding of Shares, you shall be deemed, for tax purposes, to have been issued the full number of Shares, notwithstanding that a number of Shares is held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of your participation in the Plan.
- (d) You shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to make payment with respect to the Performance Shares if you fail to comply with your obligations in connection with the Tax-Related Items.

4. **Transfer of Performance Shares.** The Performance Shares and any rights under any Performance Share may not be assigned, pledged as collateral or otherwise transferred, except as permitted by the Plan, nor may they be subject to attachment, execution or other judicial process. In the event of any attempt to assign, pledge or otherwise dispose of a Performance Share or any rights under a Performance Share, except as permitted by the Plan, or in the event of the levy of any attachment, execution or similar judicial process upon the rights or interests conferred by a Performance Share, the Committee may in its discretion terminate a Performance Share by notice to you.

5. **Rights Prior to Vesting of Shares.**

- (a) You will have no rights as a shareholder with respect to any Shares issuable under the Performance Shares, including but not limited to voting rights or rights to dividends or dividend equivalents, until such Shares have been duly issued by the Company or its transfer agent pursuant to the vesting and payment of the Performance Shares.
- (b) In the event of a change in capitalization within the meaning of Section 4.4 of the Plan, the number and class of Shares or other securities that you are entitled to pursuant to this Agreement shall be appropriately adjusted or changed as determined by the Committee to reflect the change in capitalization, provided that any such additional Shares or additional or different shares of securities shall remain subject to the restrictions in this Agreement.

6. **Termination of Service:** For purposes of this Agreement, "Termination of Service" shall have the same meaning as "Termination of Employment" described in Section 9(n) of the Change in Control Agreement. Except as determined otherwise by the Committee or as provided in the Change in Control Agreement, you will not be deemed to have incurred a Termination of Service if the capacity in which you provide services to the Company changes (for example, you change from being a non-employee director to being an employee) or if you transfer employment among the various subsidiaries or affiliates of the Company constituting the Employer, so long as there is no interruption in your provision of services to the Company or other Employer as an employee or as a non-employee member of the Board of Directors of the Company. The Committee, in its discretion, will determine whether you have incurred a Termination of Service. You will not be deemed to have incurred a Termination of Service during a period for which you are on military leave, sick leave, or other leave of absence approved by the Employer.

7. **Provisions of the Plan.** The provisions of the Plan are incorporated by reference in this Agreement as if set out in full in this Agreement. To the extent that any conflict may exist between any other provision of this Agreement, a provision of the Plan, and the Change in Control Agreement, the Change in Control Agreement provision shall control. All decisions of the Committee with respect to the interpretation, construction and application of the Plan or this Agreement shall be final, conclusive and binding upon you and the Company.

8. **Data Privacy.** *By signing this Agreement, you explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Agreement by and among, as applicable, the Employer, and the Company and its subsidiaries and affiliates for the exclusive purpose of implementing, administering and managing your participation in the Plan.*

You understand that the Employer holds certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Awards or any other entitlement to Shares of stock awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the purpose of implementing, administering and managing the Plan (“Data”). You understand that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom you may elect to deposit any Shares of stock acquired pursuant to this Agreement. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents above, in any case without cost, by contacting in writing your local human resources representative. You understand, however, that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

9. **Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents related to the Performance Shares granted under this Agreement by electronic means or to request your consent to participate in the Plan by electronic means. By signing this Agreement, you consent to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by Company.

10. **General.** Except as provided in the Change in Control Agreement:

- (a) Nothing in this Agreement will be construed as constituting a commitment, agreement or understanding of any kind that the Employer will continue your service relationship nor to limit or restrict either party's right to terminate the service relationship.

- (b) This Agreement shall be binding upon and inure to the benefit of you and the Company and upon our respective heirs, executors, administrators, representatives, successors and permitted assigns.
- (c) Notices under this Agreement must be in writing and delivered either by hand or by certified or registered mail (return receipt requested and first-class postage prepaid), in the case of the Company, addressed to its principal executive offices to the attention of the Stock Plan Administrator, and, in your case, to your address as shown on the Employer's records.
- (d) This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina without regard to the conflict of law provisions thereof, as if made and to be performed wholly within such State. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the Performance Shares or this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of North Carolina, agree that such litigation shall be conducted in the courts of Durham County, North Carolina, or the federal courts for the United States for the Middle District of North Carolina, and no other courts, where the award of the Performance Shares is made and/or to be performed.
- (e) No amendment or modification of this Agreement shall be valid unless the same is in writing and signed by you and by an authorized executive officer of the Company. If any provision of this Agreement is held to be invalid or unenforceable, such determination shall not affect the other provisions of the Agreement and the Agreement shall be construed as if the invalid or unenforceable provision were omitted and a valid and enforceable provision, as nearly comparable as possible, substituted in its place.
- (f) This Agreement, the Plan, and the Change in Control Agreement set forth all of the promises, agreements and understandings between you and Company relating to the Performance Shares evidenced by this Agreement. This Agreement supersedes any and all prior agreements or understandings, except the Change in Control Agreement, whether oral or written, with respect to the Performance Shares evidenced by this Agreement unless otherwise specified in the Agreement.
- (g) Shares issued upon settlement of the Performance Shares may be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange or trading system upon which the Common Stock is listed or traded, and any applicable federal or state laws, and the Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions.
- (h) You agree that each Performance Share evidenced by this Agreement serves as additional, valuable consideration for your obligations, if any, undertaken in any existing agreement between you and the Employer regarding confidential information, noncompetition, nonsolicitation or similar covenants.
- (i) You acknowledge, represent and warrant to the Company, and agree with the Company, that, except for information provided in the Company's filings with the Securities and Exchange Commission and in the Company's current prospectus relating to the Plan: (i) you have not relied and will not rely upon the Committee, the Company, an Employer or any employee or agent of the Company or an Employer in determining whether to accept the Performance Shares, or in connection with any disposition of Shares obtained pursuant to settlement of the

Performance Shares, or with respect to any tax consequences related to the grant of the Performance Shares or the disposition of Shares obtained pursuant to settlement of the Performance Shares; and (ii) you will seek from your own professional advisors such investment, tax and other advice as you believe necessary.

- (j) You acknowledge that you may incur a substantial tax liability as a result of the Performance Shares. You assume full responsibility for all such consequences and the filing of all tax returns and related elections you may be required or find desirable to file. If you are required to make any valuation of Performance Shares or Shares obtained pursuant to settlement of Performance Shares under any federal, state or other applicable tax law, and if the valuation affects any tax return or election of the Company or the Employer or affects the Company's financial statement reporting, you agree that the Company may determine the value and that you will observe any determination so made by the Company in all tax returns and elections filed by you.
- (k) You acknowledge that copies of the Plan and Plan prospectus are available upon written or telephonic request to the Company's Stock Plan Administrator.

11. Severability. The provisions of this Agreement are severable and if any one of more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

12. Nature of Grant. In accepting this grant, you acknowledge, understand and agree that, except as provided in the Change in Control Agreement:

- (a) the Plan is established voluntarily by the Company, is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, unless expressly provided otherwise in the Plan or the Agreement;
- (b) the grant of the Performance Shares is voluntary and does not create any contractual or other right to receive future grants of Performance Shares, or benefits in lieu of Performance Shares, even if Performance Shares have been granted repeatedly in the past;
- (c) all decisions with respect to future grants of Performance Shares, if any, will be at the sole discretion of the Company;
- (d) your participation in the Plan is voluntary;
- (e) your participation in the Plan will not create a right to employment with the Company or the Employer and will not interfere with the ability of the Company, the Employer or any subsidiary or affiliate to terminate your employment or service relationship at any time;
- (f) if you are employed by a non-U.S. entity and provide services outside the U.S., the Performance Shares are an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to your Employer, and they are outside the scope of your employment or service contract, if any, with your Employer;
- (g) the grant of the Performance Shares is not intended to replace any pension rights or compensation;
- (h) the grant of the Performance Shares is not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation,

termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

- (i) the grant of the Performance Shares and your participation in the Plan will not be interpreted to form an employment or service contract or relationship with the Company, the Employer or any subsidiary or affiliate of the Company;
- (j) the future value of the Performance Shares is unknown and cannot be predicted with certainty;
- (k) no claim or entitlement to compensation or damages shall arise from forfeiture of the Performance Shares resulting from termination of your employment or service relationship by the Company or the Employer (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), and, in consideration of the grant of the Performance Shares, to which you otherwise are not entitled, you irrevocably agree, if applicable, to execute the Release, as defined in the Change in Control Agreement;
- (l) the grant of the Performance Shares and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, takeover, or transfer of liability;
- (m) neither the Company, the Employer nor any subsidiary or affiliate of the Company shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the Performance Shares or of any payments due to you pursuant to the subsequent sale of any Shares acquired upon the vesting of the Performance Shares; and
- (n) this award and any other award(s) granted under the Plan on the Grant Date are intended to fulfill any and all agreements, obligations or promises, whether legally binding or not, previously made by the Company or another Employer under the Plan to grant you the Performance Shares or other rights to common stock of the Company. By signing this Agreement, you accept such awards, along with all prior awards received by you, in full satisfaction of any such agreement, obligation or promise.

13. No Advice Regarding Grant. The Company is not providing any tax, legal, or financial advice, nor is the Company making any recommendations regarding your participation in the Plan or sale of Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

14. Compliance with Law. Notwithstanding any other provision of the Plan or this Agreement, unless there is an available exemption from any registration, qualification or other legal requirement applicable to the Performance Shares or Shares, as applicable, the Company shall not be required to deliver the Performance Shares or any of the underlying Shares prior to the completion of any registration or qualification of the Shares under any local, state, federal or foreign securities or exchange control law or under rulings or regulations of the U.S. Securities and Exchange Commission ("SEC") or of any other governmental regulatory body, or prior to obtaining any approval or other clearance from any local, state, federal or foreign governmental agency, which registration, qualification or approval the Company shall, in its absolute discretion, deem necessary or advisable. You understand that the Company is under no obligation to register or qualify the Performance Shares or any of the underlying Shares with the SEC or any state or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance of the Performance Shares

and Shares. Further, you agree that the Company shall have unilateral authority to amend the Plan and the Agreement without your consent to the extent necessary to comply with securities or other laws applicable to issuance of shares.

15. **Waiver.** You acknowledge that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by you or any other participant.
16. **Appendix.** Notwithstanding any provisions in this Agreement, the Performance Shares shall be subject to any special terms and conditions set forth in any Appendix attached to this Agreement for your country to the extent that the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or to facilitate the administration of the Plan. Moreover, if you relocate to or from one of the countries included in any such Appendix, the special terms and conditions for the country you are moving from and/or the country you are moving to will apply to you to the extent that the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or to facilitate the administration of the Plan. If included, any such Appendix is incorporated in and constitutes part of this Agreement.
17. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on your participation in the Plan, on the Performance Shares and on any Shares acquired under the Plan, provided such requirements do not conflict with the Change in Control Agreement, to the extent that the Company determines it is necessary or advisable in order to comply with local law or to facilitate the administration of the Plan, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.
18. **Section 409A.** The Performance Shares are intended to qualify for the “short-term deferral” exemption from Section 409A of the Code, and the provisions of this Agreement between you and the Company will be interpreted, operated and administered in a manner consistent with these intentions. The right to payment triggered by each installment vesting date or vesting event pursuant to this Agreement is intended to be a right to a separate payment for purposes of Section 409A of the Code. The Company reserves the right, to the extent the Company deems necessary or advisable in its sole discretion, without your consent, to unilaterally amend or modify the Plan and/or this Agreement to ensure that the Performance Shares qualify for exemption from or comply with Section 409A of the Code; provided, however, that the Company makes no representations that the Performance Shares will be exempt from Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to the Performance Shares. With respect to any amounts payable under this Agreement that are subject to Section 409A of the Code, (i) it is intended, and this Agreement will be so construed, that such amounts and the Company’s and your exercise of authority or discretion hereunder shall comply with the provisions of Section 409A of the Code so as not to subject you to the payment of interest and additional tax that may be imposed under Section 409A of the Code; (ii) any provisions of this Agreement that provide for payment of compensation triggered by your termination of employment other than on account of your death shall be deemed to provide for payment that is triggered only by your “separation from service” within the meaning of Treasury Regulation Section §1.409A-1(h) (a “Section 409A Separation from Service”), (iii) if you are a “specified employee” within the meaning of Treasury Regulation Section §1.409A-1(i) on the date of your Section 409A Separation from Service (with such status determined by the Company in accordance with rules established by the Company in writing in advance of the “specified employee identification date” that relates to the date of such Section 409A Separation from Service or in the absence of such rules established by the Company, under the default rules for identifying specified employees under Treasury Regulation Section 1.409A-1(i)), such compensation triggered by such Section 409A Separation from Service shall be paid to you six months following the date of such

Section 409A Separation from Service (provided, however, that if you die after the date of such Section 409A Separation from Service, this six month delay shall not apply from and after the date of your death), and (iv) to the extent necessary to comply with Section 409A of the Code, the definition of change in control that applies under Section 409A of the Code shall apply under this Agreement to the extent that it is more restrictive than the definition of change in control that would otherwise apply. The Company will have no liability to you or to any other party if the Performance Shares, the vesting of the Performance Shares, delivery of Shares in payment of the Performance Shares or any other event hereunder that is intended to be exempt from or compliant with Section 409A of the Code, is not so exempt or compliant, or for any action taken by the Company with respect thereto.

EXHIBIT A

CALCULATION OF RELATIVE TOTAL SHAREHOLDER RETURN

- “Relative Total Shareholder Return” means the Company’s TSR relative to the TSR of the Peer Companies. Relative Total Shareholder Return will be determined by ranking the Company and the Peer Companies from highest to lowest according to their respective TSRs. After this ranking, the percentile performance of the Company relative to the Peer Companies will be determined as follows:

$$P = 1 - \frac{R - 1}{N - 1}$$

Where: “P” represents the percentile performance which will be rounded, if necessary, to the nearest whole percentile by application of regular rounding.

“N” represents the remaining number of Peer Companies, plus the Company.

“R” represents Company’s ranking among the Peer Companies.

Example: If there are 24 Peer Companies, and the Company ranked 7th, the performance would be at the 75th percentile: $.75 = 1 - ((7-1)/(25-1))$.

Relative Total Shareholder Return shall be calculated by the Compensation Committee of the Board of Directors of the Company based on the terms set forth in this Exhibit A and in the Compensation Committee’s sole and absolute discretion.

- “TSR” means, for each of the Company and the Peer Companies, the company’s total shareholder return, expressed as a percentage, which will be calculated by dividing (i) the Closing Average Share Value by (ii) the Opening Average Share Value and subtracting one from the quotient.
- “Opening Average Share Value” means the average, over the trading days in the Opening Average Period, of the closing price of a company’s stock multiplied by the Accumulated Shares for each trading day during the Opening Average Period.
- “Opening Average Period” means the 30 trading days ending on the last trading day immediately preceding September 25, 2017.
- “Accumulated Shares” means, for a given trading day, the sum of (i) one (1) share and (ii) a cumulative number of shares of the company’s common stock purchased with dividends declared on a company’s common stock, assuming same day reinvestment of the dividends in the common stock of a company at the closing price on the ex-dividend date, for ex-dividend dates during the Opening Average Period or between the Grant Date and the Vesting Date, as applicable.
- “Closing Average Share Value” means the average, over the trading days in the Closing Average Period, of the closing price of the company’s stock multiplied by the Accumulated Shares for each trading day during the Closing Average Period.
- “Closing Average Period” means the 30 trading days immediately preceding the Vesting Date.

- “Peer Companies” means the companies included in the NASDAQ Composite Index filtered by the Semiconductor, Semiconductor Equipment, and Electronics Equipment, Instruments and Components Sectors.
- For purposes of calculating TSR, the value of any Peer Company shares traded on a foreign exchange will be converted to US dollars.