CREE INC
Form DEF 14A
September 06, 2016
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Filed by the Registrant x
Filed by a Party other than the Registrant ¨

Check the appropriate box:
¨ Preliminary Proxy Statement
¨ Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12
CREE, INC.
(Name of Registrant as Specified In Its Charter)
N/A
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)
Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

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

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Table of Contents

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the Shareholders of Cree, Inc.:

The 2016 Annual Meeting of Shareholders of Cree, Inc. will be held at the offices of the corporation at the Cree Lighting Experience Center, 4408 Silicon Drive, Durham, North Carolina 27703, on Tuesday, October 25, 2016, at 10:00 a.m. local time, to consider and vote upon the following matters and to transact such other business as may be properly brought before the meeting:

- Proposal No. 1—Election of eight directors
- Proposal No. 2—Approval of amendments to the 2013 Long-Term Incentive Compensation Plan to increase the number of shares authorized for issuance under the plan by 2,500,000 shares, establish minimum vesting periods for equity awards, and establish maximum equity award limits for initial and annual awards to outside directors
- Proposal No. 3—Ratification of the appointment of PricewaterhouseCoopers LLP as independent auditors for the fiscal year ending June 25, 2017
- Proposal No. 4—Advisory (nonbinding) vote to approve executive compensation

All shareholders are invited to attend the meeting in person. Only shareholders of record at the close of business on August 25, 2016 are entitled to notice of and to vote at the meeting.

By order of the Board of Directors,

Bradley D. Kohn
Secretary
Durham, North Carolina
September 6, 2016

PLEASE NOTE:

We are primarily providing access to our proxy materials over the Internet pursuant to the Securities and Exchange Commission's "notice and access" rules. Beginning on or about September 12, 2016, we expect to mail to our shareholders a Notice of Internet Availability of Proxy Materials, which will indicate how to access our 2016 Proxy Statement and 2016 Annual Report on the Internet. The Notice also includes instructions on how you can receive a paper copy of your annual meeting materials, including the notice of annual meeting, proxy statement and proxy card. Whether or not you plan to attend the meeting in person, please submit voting instructions for your shares promptly using the directions on your Notice or, if you elected to receive printed proxy materials by mail, your proxy card, to vote by one of the following methods: (1) over the Internet, by accessing the website address www.proxyvote.com; (2) by telephone, by calling the toll-free telephone number 1-800-690-6903; or (3) if you elected to receive printed proxy materials by mail, by marking, dating and signing your proxy card and returning it in the accompanying postage-paid envelope.

Table of Contents

Table of Contents

Table of Contents

Table of Contents

CREE, INC.

PROXY STATEMENT

2016 PROXY SUMMARY

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

Annual Meeting of Shareholders	• Place: Cree, Inc. offices at the Cree Lighting Experience Center, 4408 Silicon Drive, Durham, North Carolina 27703 • Date and time: Tuesday, October 25, 2016, at 10:00 a.m. • Record Date: August 25, 2016 • Approximate Date of Availability of Proxy Materials: September 12, 2016 • Voting: Shareholders as of the record date are entitled to vote. Each share of common stock is entitled to vote for each director nominee and to one vote for each of the other proposals to be voted on.
Voting matters and Board recommendations	• Election of eight directors (FOR THE NOMINEES) • Approval of amendments to our 2013 Long-Term Incentive Compensation Plan to increase the number of shares authorized for issuance under the plan by 2,500,000 shares, establish minimum vesting periods for equity awards, and establish maximum equity award limits for initial and annual awards to outside directors (FOR) • Ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending June 25, 2017 (FOR) • Advisory (nonbinding) vote to approve executive compensation (FOR)
Board nominees	• Charles M. Swoboda. Cree, Inc. Chairman, President and Chief Executive Officer. Cree Director since 1999. • Clyde R. Hosein. Executive Vice President and Chief Financial Officer of RingCentral, Inc. Cree Director since 2005. • Robert A. Ingram. General Partner in Hatteras Venture Partners. Cree Director since 2008. • Darren R. Jackson. Former Board Member and Chief Executive Officer of Advance Auto Parts, Inc. Cree Director since May 2016. • C. Howard Nye. Chairman, Chief Executive Officer and President of Martin Marietta Materials, Inc. Cree Director since October 2015. • John B. Replogle. Chief Executive Officer and President of Seventh Generation, Inc. Cree Director since 2014. • Thomas H. Werner. Chief Executive Officer and Director of SunPower Corporation. Cree Director since 2006. • Anne C. Whitaker. Executive Vice President and Company Group Chairman of Valeant Pharmaceuticals International, Inc. Cree Director since 2013.

Table of Contents

Executive officers	• Charles M. Swoboda, Chairman, President and Chief Executive Officer • Michael E. McDevitt, Executive Vice President and Chief Financial Officer • Franco Plastina, Executive Vice President–Power & RF
Approval of amendments to our 2013 Long-Term Incentive Compensation Plan	We are seeking shareholder approval of amendments to our 2013 Long-Term Incentive Compensation Plan to increase the number of shares available for grant by 2,500,000 shares, establish minimum vesting periods for equity awards, and establish maximum equity award limits for initial and annual awards to outside directors. Our Board of Directors recommends a FOR vote because we believe that the ability to make equity awards to our employees and directors is important to align their interests with those of our shareholders and to enable us to retain and motivate our employees and we believe that it is prudent to establish reasonable limits on the minimum vesting period for equity awards, as well as the value of equity awards that may be granted to any outside director in any fiscal year.
Independent auditors	Although not required, we ask shareholders to ratify the selection of PricewaterhouseCoopers LLP as our auditors for our fiscal year ending June 25, 2017. Our Board of Directors recommends a FOR vote.
Advisory (nonbinding) vote to approve executive compensation	Annually, our shareholders consider and vote on the compensation of our named executive officers on an advisory (nonbinding) basis. Our Board of Directors recommends a FOR vote.

Table of Contents

MEETING INFORMATION

The Board of Directors of Cree, Inc. (“Cree” or the “Company”) is asking for your proxy for use at the 2016 Annual Meeting of Shareholders and any adjournments of the meeting. The meeting will be held at our offices at the Cree Lighting Experience Center, 4408 Silicon Drive, Durham, North Carolina 27703, on Tuesday, October 25, 2016, at 10:00 a.m. local time, to conduct the following business and such other business as may be properly brought before the meeting: (1) election of the eight directors listed in this proxy statement; (2) approval of amendments to the 2013 Long-Term Incentive Compensation Plan, or the LTIP, to increase the number of shares authorized for issuance under the plan by 2,500,000 shares, establish minimum vesting periods for equity awards, and establish maximum equity award limits for initial and annual awards to outside directors; (3) ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending June 25, 2017; and (4) advisory (nonbinding) vote to approve executive compensation.

The Board of Directors recommends that you vote FOR the election of the director nominees listed in this proxy statement, FOR approval of the amendments to the LTIP, FOR ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending June 25, 2017, and FOR the advisory (nonbinding) vote to approve executive compensation.

Beginning on or about September 12, 2016, proxy materials for the annual meeting, including this proxy statement and our 2016 Annual Report, are being made available to shareholders entitled to vote at the annual meeting. The Annual Report is not part of our proxy soliciting materials.

Important Notice Regarding the Availability of Proxy Materials
For the Shareholder Meeting to Be Held on October 25, 2016:

The Annual Report and proxy statement will be available on the Internet at www.cree.com/annualmeeting.

Pursuant to the Securities and Exchange Commission’s “Notice and Access” rules, we are furnishing proxy materials to our shareholders primarily via the Internet. Beginning on or about September 12, 2016, we intend to mail to our shareholders a Notice of Internet Availability of Proxy Materials, or Notice, containing instructions on how to access our proxy materials on the Internet, including our proxy statement and our Annual Report. The Notice also instructs you on how you can vote using the Internet and by telephone. Other shareholders, in accordance with their prior requests, have received e-mail notification of how to access our proxy materials and vote via the Internet or by telephone, or have been mailed paper copies of our proxy materials and a proxy card or voting form.

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

Table of Contents

VOTING PROCEDURES

Who Can Vote

Only shareholders of record of the Company at the close of business on August 25, 2016 are entitled to vote at the meeting and any adjournments of the meeting. At that time, there were 100,850,243 shares of the Company's common stock outstanding, each of which is entitled to one vote on each matter submitted to a vote at the meeting.

How You Can Vote

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

- Voting by Internet. You can vote over the Internet by following the directions on your Notice to access the website address at www.proxyvote.com. The deadline for voting over the Internet is Monday, October 24, 2016 at 11:59 p.m. Eastern time.
- Voting by Telephone. You can vote by calling the toll-free telephone number at 1-800-690-6903. The deadline for voting by telephone is Monday, October 24, 2016 at 11:59 p.m. Eastern time.
- Voting by Mail. If you requested printed proxy materials, you can vote by completing and returning your signed proxy card. To vote using your proxy card, please mark, date and sign the card and return it by mail in the accompanying postage-paid envelope. You should mail your signed proxy card sufficiently in advance for it to be received by Monday, October 24, 2016.
- Voting in Person. You can vote in person at the meeting if you are the record owner of the shares to be voted. You can also vote in person at the meeting if you present a properly signed proxy that authorizes you to vote shares on behalf of the record owner. If a broker, bank, custodian or other nominee holds your shares, to vote in person at the meeting you must present a letter or other proxy appointment, signed on behalf of the broker or nominee, granting you authority to vote the shares.

How You Can Revoke Your Proxy and Change Your Vote

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

How Your Proxy Will Be Voted

If you timely submit your proxy over the Internet, by telephone, or by proxy card as described above and have not revoked it, your shares will be voted or withheld from voting in accordance with the voting instructions you gave. If you timely submit your proxy as described above without giving voting instructions, your shares will be voted FOR the election of the director nominees listed in this proxy statement, FOR ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent auditors for the fiscal year ending June 25, 2017, FOR approval of the amendments to the LTIP, and FOR the advisory (nonbinding) vote to approve executive compensation.

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

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

Table of Contents

Quorum Required

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

Vote Required

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

As set forth in the Corporate Governance Principles adopted by the Board of Directors, except in cases when there are more nominees than available seats, if a nominee elected to the Board by plurality vote received a number of "withhold" votes that is greater than 50% of all votes cast with respect to that nominee, the nominee shall tender the nominee's resignation from the Board in writing to the Chairman prior to the first regular meeting of the Board that follows the meeting of shareholders at which the election was held and any meeting of the Board held in connection with it. The resignation will be effective if and when it is accepted by the Board. Promptly after the Board reaches a decision, the Company will publicly disclose the action taken by the Board regarding the director's tendered resignation.

- Proposal 2 (Approval of Amendments to the LTIP) and Proposal 3 (Ratification of Appointment of Auditors). The proposed amendments to the LTIP and ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent auditors for fiscal 2017 will be approved if the votes cast for approval exceed the votes cast against approval. Although shareholder ratification of the appointment is not required by law or the Company's Bylaws, the Audit Committee has determined that, as a matter of corporate governance, the selection of independent auditors should be submitted to the shareholders for ratification. If the appointment of PricewaterhouseCoopers LLP is not ratified by a majority of the votes cast at the 2016 Annual Meeting, the Audit Committee will consider the appointment of other independent auditors for subsequent fiscal years. Even if the appointment is ratified, the Audit Committee may change the appointment at any time during the year if it determines that the change would be in the Company's best interest and the best interests of the shareholders.

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

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

Table of Contents

PROPOSAL NO. 1—ELECTION OF DIRECTORS

Nominees for Election as Directors

All eight persons nominated for election to the Board of Directors at the annual meeting are currently serving as directors of the Company. Robert L. Tillman, who has served on the Board since October 2010, is not standing for re-election and will retire from the Board. The Company is not aware of any nominee who will be unable or will decline to serve as a director. If a nominee becomes unable or declines to serve, the accompanying proxy may be voted for a substitute nominee, if any, designated by the Board. The term of office of each person elected as a director will continue until the later of the next annual meeting of shareholders or until such time as his or her successor has been duly elected and qualified.

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

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

Table of Contents

Name	Age	Principal Occupation and Background	Director Since
Charles M. Swoboda	49	Mr. Swoboda has served as the Company's Chief Executive Officer since June 2001, as President since January 1999, as a member of the Board of Directors since October 2000 and as chairman since April 2005. He was Chief Operating Officer of the Company from 1997 to June 2001 and Vice President for Operations from 1997 to 1999. Prior to his appointment as Vice President for Operations, Mr. Swoboda served as Operations Manager from 1996 to 1997, as General Manager of the Company's former subsidiary, Real Color Displays, Incorporated, from 1994 to 1996 and as LED Product Manager from 1993 to 1994. He was previously employed by Hewlett-Packard Company. Mr. Swoboda's employment with the Company for the past 23 years in diverse roles, his leadership as the Company's Chief Executive Officer for fifteen years and his service on the Board of Directors for sixteen years, including his service as Chairman of the Board for the past eleven years, uniquely qualify him for election to the Board of Directors. He brings to the Board a critical perspective and understanding of the Company's business strategy, and he is enabled by his experience and position as Chief Executive Officer to provide the Board valuable insight into the management and operations of the Company.	2000
Clyde R. Hosein	57	Mr. Hosein has been a member of the Board of Directors since December 2005. Since August 2013, he has served as Executive Vice President and Chief Financial Officer of RingCentral, Inc., a publicly traded provider of software-as-a-service cloud-based business communications solutions. From June 2008 to October 2012, he served as Chief Financial Officer of Marvell Technology Group Ltd., a publicly traded semiconductor provider of high-performance analog, mixed-signal, digital signal processing and embedded microprocessor integrated circuits, and he also served as its Interim Chief Operating Officer and Secretary from October 2008 to March 2010. From 2003 to 2008, he served as Vice President and Chief Financial Officer of Integrated Device Technology, Inc., a provider of mixed-signal semiconductor solutions. From 2001 to 2003, he served as Senior Vice President, Finance and Administration and Chief Financial Officer of Advanced Interconnect Technologies, a semiconductor assembly and test company. He has also held other senior level financial positions, including the role of Chief Financial Officer at Candescent Technologies, a developer of flat panel display technology. Early in his career he spent 14 years in financial and engineering roles at IBM Corporation. Mr. Hosein's qualifications to serve as a director include his service on the Company's Board of Directors and its Audit Committee during the past eleven years, his years of experience as an executive officer in publicly traded companies in the semiconductor industry, including his roles in operational management, his substantial experience as a chief financial officer responsible for the finance and accounting functions of publicly traded companies, his qualifications as an audit committee financial expert, and his technical background and significant experience in technology-based companies generally.	2005

Table of Contents

Name	Age	Principal Occupation and Background	Director Since
Robert A. Ingram	73	Mr. Ingram joined the Board of Directors in December 2008 and has served as Lead Independent Director since October 2011. Since January 2007, he has been a General Partner in Hatteras Venture Partners, a venture capital firm that invests in early stage life science companies in the southeast United States, and he has also served as strategic advisor to the chief executive officer of GlaxoSmithKline plc, a publicly traded pharmaceutical research and development company. From 2003 through 2009, he served as Vice Chairman Pharmaceuticals, GlaxoSmithKline. He previously served as Chief Operating Officer and President of Pharmaceutical Operations of GlaxoSmithKline following the December 2000 merger of Glaxo Wellcome plc and SmithKline Beecham plc. Prior to the merger he served as Chief Executive Officer of Glaxo Wellcome plc and as Chairman, President and Chief Executive Officer of Glaxo Wellcome Inc. Mr. Ingram also serves on the Board of Directors of BioCryst Pharmaceuticals, Inc. and Valeant Pharmaceuticals International, Inc. He also served as Chairman of the Board of Directors of OSI Pharmaceuticals, Inc. from January 2003 until its sale in June 2010, and served on the Board of Directors of Elan Corporation, plc from December 2010 until its sale in December 2013 and as its Chairman from January 2011 until December 2013. He previously served as a director of Misys plc, Nortel Networks Corp., Wachovia Corp., Lowe's Companies, Inc., Pharmaceutical Product Development, Inc., Allergan, Inc., Edwards Lifesciences Corporation and Regeneron Pharmaceuticals, Inc. until 2005, 2006, 2008, May 2011, December 2011, December 2012, July 2015 and November 2015, respectively. Mr. Ingram brings to the Company's Board of Directors a wealth of experience as a director who has served in several roles on the boards of major publicly traded companies, including his service as the Company's Lead Independent Director for the past five years, as Chairman of the Governance and Nominations Committee from October 2011 to June 2015, and as Chairman of the Audit Committee from June 2015 to August 2016. He also provides the perspective of a former chief executive officer with substantial leadership experience in the life sciences sector along with insights on operational and other matters relevant to business generally and the semiconductor business in particular, such as research and development and intellectual property. In addition, Mr. Ingram brings to the Board the views and judgment of a leader who is highly respected both locally and internationally for his business expertise and acumen.	2008

Table of Contents

Name	Age	Principal Occupation and Background	Director Since
Darren R. Jackson	51	Mr. Jackson joined the Board of Directors in May 2016. From July 2004 to January 2016, he served on the Board of Directors of Advance Auto Parts, Inc., and served as its Chief Executive Officer from January 2008 to January 2016. Mr. Jackson also served as President of Advance Auto Parts from January 2008 to January 2009 and from January 2012 to April 2013. Prior to this, Mr. Jackson served in various executive positions with Best Buy Co., Inc., a specialty retailer of consumer electronics, office products, appliances and software, ultimately serving from July 2007 to December 2007 as Executive Vice President of Customer Operating Groups. Mr. Jackson joined Best Buy in 2000 and was appointed as its Executive Vice President–Finance and Chief Financial Officer in February of 2001. Prior to 2000, he served as Vice President and Chief Financial Officer of Nordstrom, Inc., Full-line Stores, a fashion specialty retailer, and held various senior positions, including Chief Financial Officer of Carson Pirie Scott & Company, a regional department store company. Mr. Jackson has also served as a director of Fastenal Company, which sells industrial and construction supplies, since July 2012. Mr. Jackson's qualifications to serve as a director include his years as a Chief Executive Officer, President and Chief Financial Officer of publicly traded companies in the retail and distribution industries, including his operational, logistical and executive management, financial and accounting acumen and experience.	2016
C. Howard Nye	53	C. Howard (Ward) Nye has served since May 2014 as the Chairman of the Board of Directors of Martin Marietta Materials, Inc., a leading supplier of aggregates and heavy building materials, and has also served as its Chief Executive Officer since January 2010 and as President since August 2006. Mr. Nye previously served as President and Chief Operating Officer of Martin Marietta Materials from 2006 to 2009. Prior to this, he was employed by London-based Hanson PLC, an international building materials company, for nearly 13 years holding various positions of increasing responsibility, including Executive Vice President in the North American Division. Mr. Nye brings to the Board extensive leadership, business, operating, mergers and acquisitions, legal, governance, financial, customer-relations, and safety and environmental experience, including over six years as Chief Executive Officer. He understands the competitive nature of business and possesses strong managerial skills and broad executive and oversight experience.	2015

Table of Contents

Name	Age	Principal Occupation and Background	Director Since
John B. Replogle	50	Mr. Replogle joined the Board of Directors in January 2014. Since March 2011, he has served as Chief Executive Officer and President of Seventh Generation, Inc., a manufacturer and distributor of sustainable household products. From 2006 to 2011, Mr. Replogle served as President and Chief Executive Officer of Burt's Bees, Inc., and from 2003 to 2006, he served as General Manager of Unilever's Skin Care division. Previously, he worked for Diageo, Plc for seven years in a number of different capacities, including as President of Guinness Bass Import Company and Managing Director of Guinness Great Britain. He started his career with the Boston Consulting Group. Mr. Replogle also served as a director of Sealy Corporation, a publicly traded mattress manufacturer, from 2010 to 2013, until its sale to Tempur-Pedic International Inc. Mr. Replogle's qualifications to serve as a director include significant senior executive leadership experience, including ten years of experience as chief executive officer at two companies, as well as deep experience in marketing, branding and distribution of consumer goods. This experience provides him valuable perspective in his role as a director and member of our Audit Committee.	2014
Thomas H. Werner	56	Mr. Werner has been a member of the Board of Directors since March 2006. He has served as Chief Executive Officer for SunPower Corporation, a publicly traded manufacturer of high-efficiency solar cells and solar panels, since June 2003, and is also a member of its Board of Directors. Prior to SunPower, he served as Chief Executive Officer of Silicon Light Machines Corporation, an optical solutions subsidiary of Cypress Semiconductor Corporation, from July 2001 to June 2003. Earlier, Mr. Werner was Vice President and General Manager of the Business Connectivity Group of 3Com Corporation, a network solutions company. He is currently also a director of Silver Spring Networks, Inc., an energy solutions company. Mr. Werner's qualifications to serve as a director include his ten years of service on the Company's Board of Directors and his nine years serving as Chairman of its Compensation Committee. In addition to his technical expertise, he brings to the Board significant executive leadership and operational management experience gained at businesses in the technology sector, and the semiconductor industry in particular, including his experience as a chief executive officer of a publicly traded "green technology" company for the past thirteen years.	2006

Table of Contents

Name	Age	Principal Occupation and Background	Director Since
Anne C. Whitaker	49	Ms. Whitaker joined the Board of Directors in December 2013. Since May 2015, she has served as Executive Vice President and Company Group Chairman of Valeant Pharmaceuticals International, Inc., a publicly traded multinational specialty pharmaceutical company headquartered in Québec, Canada. She previously served from September 2014 to April 2015 as the Chief Executive Officer and President and as a member of the Board of Directors of Synta Pharmaceuticals Corp., a publicly traded biopharmaceutical company. From September 2011 to August 2014, Ms. Whitaker served as the President of North America Pharmaceuticals for Sanofi S.A., a global integrated healthcare leader focused on patients' needs. From September 2009 to September 2011, she served as Senior Vice President and Business Unit Head, Cardiovascular, Metabolic and Urology (CVMU) at GlaxoSmithKline plc, a publicly traded pharmaceutical research and development company. From October 2008 to August 2009, she served as Senior Vice President of Leadership and Organization Development, and prior to that served in various leadership positions in GlaxoSmithKline's commercial organization. Ms. Whitaker began her pharmaceutical career in 1991 as a metabolic disease specialist with Upjohn Company before joining GlaxoSmithKline as a sales representative in 1992. Ms. Whitaker brings to the Board her experience as a senior executive and commercial leader in sales and marketing, as well as human resource experience beneficial to the Company as we seek to grow the Company and expand our leadership capabilities. Ms. Whitaker's leadership experience in the life sciences industry, along with her insights on operations and business generally, such as research and development and intellectual property creation and protection, provide her with a unique perspective in her role as a director and member of our Compensation Committee and Governance and Nominations Committee.	2013

Table of Contents

Summary of Skills of Nominees

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

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

Table of Contents

Executive Officers

Mr. Swoboda serves as both an executive officer of the Company and a member of the Board of Directors. Michael E. McDevitt (age 52) and Franco Plastina (age 53) also serve as executive officers of the Company.

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

Mr. Plastina was appointed as Interim Executive Vice President–Power & RF of the Company on June 8, 2015, and also served as a member of the Company's Board of Directors from December 2007 to May 2016. Mr. Plastina continues to serve as Executive Vice President–Power & RF and Chief Executive Officer of the Power & RF business, named Wolfspeed. From May 2012 until June 2015, he served as President and Founder of Arc & Company, LLC, an advisory and angel investment firm. He has also served as an Entrepreneur-in-Residence with the Blackstone Entrepreneurs Network in Research Triangle Park, North Carolina since October 2011. From February 2006 until January 2011, he served as President and Chief Executive Officer, and as a board member, of Tekelec, a publicly traded provider of telecommunications network systems and software applications. From September 2005 through February 2006, Mr. Plastina served as Executive in Residence at Warburg Pincus LLC, a private equity firm, where he was responsible for evaluating potential investments and providing executive support to portfolio companies. From 2003 to 2005, he held various executive positions with Proxim Corporation, a provider of Wi-Fi and broadband wireless access products, including Executive Chairman, President and Chief Executive Officer. From 1987 until 2002, Mr. Plastina served in a series of management and executive positions with Nortel Networks Corporation, a multi-national telecommunications equipment provider.

Code of Ethics

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

Board Composition and Independence of Directors

The size of the Board of Directors was fixed at not less than five nor more than nine members by the Company's shareholders, with the Board determining the number within that range from time to time. Eight persons have been nominated for election at the annual meeting. The accompanying proxy cannot be voted for more than eight nominees. A majority of the Board of Directors must be comprised of independent directors for the Company to comply with the listing requirements of The Nasdaq Stock Market LLC, or the Nasdaq Listing Rules. Currently, the Board of Directors is composed of Messrs. Swoboda, Hosein, Ingram, Jackson, Nye, Replogle, Tillman (who is not standing for re-election at the annual meeting), and Werner and Ms. Whitaker. The Board of Directors has determined that eight of the present directors—Messrs. Hosein, Ingram, Jackson, Nye, Replogle, Tillman, and Werner and Ms. Whitaker—are each an "independent director" within the meaning of the applicable Nasdaq Listing Rules. The Board of Directors previously determined that Mr. Plastina, who served on the Board of Directors from December 2007 to May 2016 and became Interim Executive Vice President–Power & RF of the Company in June 2015, was also an "independent" director within the meaning of these rules until such appointment in June 2015.

Table of Contents

The Leadership Structure of the Board of Directors

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

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

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

- In the absence of the Chairman, the Lead Independent Director serves as acting Chairman presiding over meetings of the Board of Directors and shareholders.
- The Lead Independent Director convenes and presides over meetings of the independent directors and communicates the results of these sessions where appropriate to the Chairman, other management or the Board.
- In general, the Lead Independent Director serves as principal liaison between the independent directors and the Chairman and between the independent directors and other management.
- The Lead Independent Director reviews agendas for Board of Director meetings in advance with the Chairman.

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

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

Board's Role in Risk Oversight

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

Table of Contents

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

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

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

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

Compensation Program Risk Assessment

We have assessed our compensation programs and have concluded that risks arising from our compensation policies and practices are not reasonably likely to have a material adverse effect on us. The risk assessment process included a review by management and by Radford, an Aon Hewitt Company, independent consultants to the Compensation Committee, of compensation policies and practices, focusing on programs with variable compensation, specifically:

- stock option, restricted stock awards and performance stock awards under our 2013 Long-Term Incentive Compensation Plan, or the LTIP;
- performance unit awards payable to our CEO and to our Executive Vice Presidents under the LTIP which provide for cash payments based upon achieving annual corporate financial goals;
- awards under our Management Incentive Compensation Program, or the MICP, in which most of our senior managers (other than our CEO) participate and may receive payments based upon achieving quarterly or annual corporate financial goals and quarterly individual goals;
- sales commission incentive programs for our sales personnel; and
- quarterly profit-sharing plan in which all other regular, full-time employees participate and are eligible to receive cash payments based upon achieving quarterly corporate financial goals.

Based upon this review, we concluded that our compensation policies and practices do not encourage excessive or inappropriate risk-taking. We believe our programs are appropriately designed to encourage our employees to make decisions that should result in positive short-term and long-term results for our business and our shareholders. Management and Radford reviewed the results of this review with the Compensation Committee at a meeting in August 2016, and the Committee concurred with management's assessment at that time.

Table of Contents

Attendance at Meetings

The Board of Directors held five meetings during fiscal 2016. Each incumbent director attended or participated in 75% or more of the aggregate of the number of meetings of the Board of Directors held during the period in which he or she was a director and the number of meetings of committees on which he or she served that were held during the period of his or her service.

The Company expects all directors to attend each annual meeting of shareholders absent good reason. Eight of the nine directors serving at that time attended the 2015 Annual Meeting of Shareholders.

Standing Committees

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

Audit Committee

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

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

Governance and Nominations Committee

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

The members of the Governance and Nominations Committee during fiscal 2016 were Messrs. Tillman, Hosein, Ingram, Jackson, Nye, Replogle, and Werner and Ms. Whitaker. The Board of Directors has determined that all members of the Committee are "independent directors" within the meaning of the applicable Nasdaq Listing Rules.

Table of Contents

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

Compensation Committee

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

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

The Compensation Committee generally makes decisions and recommendations regarding annual compensation at its August meeting each year. The Committee solicits the recommendations of the Company's CEO with respect to the compensation of the Company's executive officers other than himself and factors these recommendations into the determination of compensation, as described in "Compensation Discussion and Analysis." In addition, the Compensation Committee engaged Radford to conduct an annual review of the Company's compensation program for its executive officers and directors, including a review for fiscal 2016. Radford provided the Committee with relevant market data and recommendations to consider when making compensation decisions with respect to the executive officers and in making recommendations to the Governance and Nominations Committee with respect to the compensation of non-employee directors. The Company also engaged Radford for additional services as further discussed in the section entitled "Role of Compensation Consultant" on page 32 below.

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

Table of Contents

Certain Transactions and Legal Proceedings

Transactions with Intematix Corporation

In July 2010, Mark Swoboda was appointed Chief Executive Officer of Intematix Corporation, or Intematix. Prior to his appointment as Chief Executive Officer, Mr. Swoboda was unaffiliated with Intematix. Mark Swoboda is the brother of the Company's Chairman, CEO and President, Charles M. Swoboda. For many years, beginning before Mark Swoboda became affiliated with Intematix, the Company has purchased raw materials from Intematix pursuant to standard purchase orders in the ordinary course of business. During fiscal 2016, the Company purchased $3.9 million of raw materials from Intematix pursuant to standard purchase orders, and the Company had $0.3 million outstanding payable to Intematix as of June 26, 2016. The Company anticipates that it will continue to purchase raw materials from Intematix in the future pursuant to standard purchase orders.

Review and Approval of Related Person Transactions

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

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, requires that the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Directors, officers and greater-than-ten-percent beneficial owners are required by Securities and Exchange Commission rules to furnish the Company with copies of all reports they file under Section 16(a). To the Company's knowledge, based solely on its review of the copies of such reports furnished to the Company and written representations that no other reports were required, all Section 16(a) filing requirements applicable to our directors, officers and ten percent beneficial owners were complied with on a timely basis during fiscal 2016.

Table of Contents

PROPOSAL NO. 2—APPROVAL OF AMENDMENTS TO 2013 LONG-TERM INCENTIVE COMPENSATION PLAN

General

We are requesting that shareholders approve proposed amendments to the LTIP. The amendments would:

- increase the aggregate number of shares that may be issued under the LTIP by 2,500,000 shares;
- establish minimum vesting periods for equity awards; and
- establish maximum equity award limits for initial and annual awards to outside directors.

The amendments were approved at a meeting of the Board of Directors on August 24, 2016 and will become effective only upon shareholder approval. The LTIP is currently the only plan under which we are authorized to award share-based compensation to employees and outside directors, including stock options and restricted stock units.

If approved, the amendments would revise Section 4.1(a) and 4.3 of the LTIP to read as shown in Appendix B, and add a new Section 4.5. The LTIP is filed as Exhibit 10.1 to our Current Report on Form 8-K (File No. 000-21154) filed with the Securities and Exchange Commission on October 28, 2014, which is available online through the Commission's EDGAR System and through the "Investor Relations" section of our website at investor.cree.com/sec.cfm. You may also request a copy of the LTIP, as currently in effect, by sending a written request to: Director, Investor Relations, Cree, Inc., 4600 Silicon Drive, Durham, North Carolina 27703.

As of September 2, 2016, there remained 1,654,713 shares available for future awards under the LTIP. If the amendments are approved, the number of shares authorized for issuance under the plan would increase by 2,500,000 shares. Based on the awards outstanding as of September 2, 2016, if the amendments are approved, there would be 4,154,713 shares available for future awards under the plan. For additional information regarding outstanding awards under our equity compensation plans, please refer to the section below on page 26 entitled "Equity Compensation Plans."

We believe the LTIP, as proposed to be amended, is essential to the Company's future success and encourage shareholders to vote in favor of its approval.

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

Description of LTIP

The following is a description of the LTIP as proposed to be amended. This description is merely a summary of material provisions of the plan and is qualified by the full text of the amended plan as filed as Appendix C to our definitive proxy statement filed with the Securities and Exchange Commission on September 6, 2016.

Administration of the LTIP. The LTIP will be administered by the Compensation Committee or such other committee consisting of two or more members as may be appointed by the Board to administer the LTIP, referred to as the Committee. So long as our shares are traded on The Nasdaq Stock Market LLC, or Nasdaq, all of the members of the Committee must be independent directors within the meaning of Nasdaq's Corporate Governance Requirements. If any member of the Committee does not qualify as (1) a "non-employee director" within the meaning of Rule 16b-3 of the Exchange Act; and (2) an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code (referred to as Section 162(m)), the Board will appoint a subcommittee of the Committee, consisting of at least two members of the Board, to grant awards to individuals who are subject to the limitations of Section 162(m) (referred to as Covered Employees) and to officers and members of the Board who are subject to Section 16 of the Exchange Act (referred to as Insiders), and each member of such subcommittee must satisfy the requirements of (1) and (2) above. References to the Committee in this summary include and, as appropriate, apply to any such subcommittee. Except with respect to awards to non-employee members of the Board, the Board may exercise the Committee's authority under the LTIP.

Subject to the express provisions of the LTIP, the Committee is authorized and empowered to do all things that it determines to be necessary or appropriate in connection with the administration of the LTIP. The Committee may delegate its authority to one or more of its members (but not less than two members with respect to Covered Employees and Insiders). To the extent permitted by law and applicable stock exchange rules, the Committee may also delegate its authority to one or more persons who are not members of the Board, except that no such delegation will be permitted with respect to Covered Employees and Insiders.

Table of Contents

Eligible Participants. Employees of the Company or certain affiliates and non-employee members of the Board will be eligible for selection by the Committee for the grant of awards under the LTIP. As of September 2, 2016, there were approximately 6,535 employees, including part-time and temporary employees, and eight non-employee directors who would be eligible to participate in the LTIP.

Types of Awards. The LTIP authorizes the Committee to provide equity-based compensation to employees of the Company and its subsidiaries in the form of non-qualified stock options or NQSOs, incentive stock options or ISOs, stock appreciation rights or SARs, restricted stock, restricted stock units or RSUs, performance shares, performance units and other stock-based awards. It also authorizes the Committee to provide equity-based compensation to non-employee members of the Board in the form of NQSOs, SARs, restricted stock, RSUs and other stock-based awards.

Award Pool. As of September 2, 2016, there remained 1,654,713 shares available for future awards under the LTIP. If the amendments are approved, the number of shares authorized for issuance under the plan would increase by 2,500,000 shares. Based on the awards outstanding as of September 2, 2016, if the amendments proposed by Proposal No. 2 are approved, there would be 4,154,713 shares available for future awards under the plan.

If shares awarded or subject to issuance under the LTIP are not issued or are reacquired by the Company for reasons including, but not limited to, due to the forfeiture, cancellation or expiration of such awards without having been exercised or settled in shares or the withholding of shares for the payment of taxes pursuant to the terms of the LTIP, those number of shares will be added back to the Award Pool. Similarly, if shares awarded or subject to issuance under the Company's 2004 Long-Term Compensation Plan, as amended, or the 2004 LTIP, on December 31, 2013 are not issued or are reacquired by the Company due to the expiration, cancellation or termination of such awards without having been exercised or settled in shares, those shares will be added back to the Award Pool. However, shares with respect to which a SAR is exercised will not again be available for issuance under the LTIP and will not be added back to the Award Pool.

The shares of the Company's common stock, par value $0.00125, issued by the Company under the LTIP will be authorized but unissued shares or shares currently held (or subsequently acquired) as treasury shares, including shares purchased on the open market or in private transactions. The last sale price of the common stock on September 2, 2016 was $24.65 per share, as reported by Nasdaq.

The number of shares available for issuance pursuant to ISOs granted under the LTIP is 2,500,000. All shares included in the Award Pool are available for issuance pursuant to other types of awards granted under the LTIP.

Each share of restricted stock, each share-settled restricted stock unit, each share of unrestricted stock and each other stock-based/stock-settled award will be counted as one share subject to an award and deducted from the Award Pool (restricted stock units and other stock-based awards that may not be settled in shares will not result in a deduction from the Award Pool). Each performance share that may be settled in shares will be counted as one share subject to an award (based on the number of shares that would be paid for achievement of target performance) and deducted from the Award Pool. Each performance unit that may be settled in shares will be counted as a number of shares subject to an award (based on the number of shares that would be paid for achievement of target performance), with the number determined by dividing the value of the performance unit at the time of grant by the fair market value of a share at the time of grant (the last sale price reported for a share of the Company on Nasdaq during the regular trading session on the grant date), and the resulting number of shares will be deducted from the Award Pool. If a performance share or performance unit is later settled based on above-target performance, the number of shares corresponding to the above-target performance, calculated pursuant to the applicable methodology specified above, will be deducted from the Award Pool at the time of settlement; in the event that the Award is later settled upon below-target performance, the number of shares corresponding to the below-target performance, calculated pursuant to the applicable methodology specified above, will be added back to the Award Pool. Performance shares and units that may not be settled in shares will not result in a reduction in the Award Pool. Each NQSO, ISO, and SAR that may be settled in shares will be counted as one share subject to an award and deducted from the Award Pool. SARs that may not be settled in shares will not result in a reduction of the Award Pool.

Individual Limits. The Committee will determine the individuals to whom awards will be granted, the number of shares subject to an award, and the other terms and conditions of an award. Subject to adjustment as described in the LTIP, and except to the extent the Committee determines that an award is not intended to comply with the performance-based compensation provisions of Section 162(m), the maximum number of NQSOs, ISOs, and SARs that, in the aggregate, may be granted pursuant to awards in any one fiscal year to any one participant is 3,000,000, the maximum number of shares of restricted stock and restricted stock units that, in the aggregate, may be granted pursuant to awards in any one fiscal year to any one participant is 1,000,000, the maximum number of performance shares and performance units (valued as of the grant date) that, in the aggregate, may be granted in any one fiscal year to any one participant is equal to the value of 2,000,000 shares, and the maximum number of other awards (valued as of the grant date) that, in the aggregate, may be granted pursuant to awards in any

Table of Contents

one fiscal year to any one participant is equal to the value of 500,000 shares. The limitations on performance shares, performance units and other awards will be applied based on the maximum amount that could be paid under each such award.

Limitation on Vesting for Awards. The LTIP does not currently contain a minimum vesting period for awards. The Board of Directors believes it is prudent to establish a reasonable minimum vesting period for awards under the LTIP. As a result, the Board of Directors has amended the LTIP, subject to shareholder approval of this Proposal, to provide that any awards granted on or after the date of shareholder approval, shall not vest more quickly than over a one year period following the date of grant, except that the award agreement may reflect, or the Committee may provide after the date of grant for, earlier or accelerated vesting (on a full or pro rata basis) in the event of the participant's death or disability, upon a change in control, or for awards involving an aggregate number of shares not exceeding 5% of the aggregate number of shares available for awards under the LTIP.

Individual Limits for Outside Directors. The LTIP currently contains no limit on the aggregate size or value of equity awards that may be granted to non-employee members of the Board of Directors in any year, other than the limits applicable to all participants described in the preceding paragraph. The Board of Directors believes it is prudent to establish an additional reasonable limit on the value of equity awards that may be granted to any non-employee director in any fiscal year. Accordingly, the Board of Directors has amended the LTIP, subject to shareholder approval of this Proposal, to provide that no outside director may be granted in any fiscal year awards under the LTIP having an aggregate grant date fair value that, when taken together with any cash fees paid to the director in the same fiscal year, exceeds $750,000. Grant date fair value will be determined for this purpose in accordance with applicable financial accounting rules.

Adjustments. The Committee will make equitable adjustments in the number and class of securities available for issuance under the LTIP (including under any awards then outstanding), the number and type of securities subject to the individual limits set forth in the LTIP, and the terms of any outstanding award, as it determines are necessary and appropriate, to reflect any merger, reorganization, consolidation, recapitalization, reclassification, stock split, reverse stock split, spin-off combination, or exchange of shares, distribution to shareholders (other than an ordinary cash dividend), or similar corporate transactions or events.

Stock Options. An option provides the participant with the right to buy a specified number of shares at a specified price (referred to as the exercise price) after certain conditions have been met. The Committee may grant both NQSOs and ISOs under the LTIP. The tax treatment of NQSOs is different from the tax treatment of ISOs, as explained in the section entitled "Certain Federal Income Tax Consequences" beginning on page 23 of this proxy statement. The Committee will determine and specify in the agreement evidencing the option whether the option is an NQSO or ISO, the number of shares subject to the option, the exercise price of the option and the period of time during which the option may be exercised (including the impact of a termination of employment). Generally (except as otherwise described in the LTIP), no option can be exercisable more than seven years after the date of grant and the exercise price of a stock option must be at least equal to the fair market value of a share on the date of grant of the option. However, with respect to an ISO granted to a participant who is a shareholder holding more than 10% of the Company's total voting stock, the ISO cannot be exercisable more than five years after the date of grant and the exercise price must be at least equal to 110% of the fair market value of a share on the date of grant. The Committee may provide for accelerated vesting of options in the event of a death, disability or retirement (as defined in the applicable award agreement) or the occurrence of certain corporate events (e.g., a merger with an unrelated corporation or the sale of substantially all of the Company's assets to an unrelated entity).

A participant may pay the exercise price under an option in cash; in a cash equivalent approved by the Committee; if approved by the Committee, by tendering previously acquired shares (or delivering a certification or attestation of ownership of such shares) having an aggregate fair market value at the time of exercise equal to the total option price (provided that the tendered shares must have been held by the participant for any period required by the Committee); or by a combination of these payment methods. The Committee may also allow cashless exercises as permitted under the Federal Reserve Board's Regulation T, subject to applicable securities law restrictions, or by any other means which the Committee determines to be consistent with the LTIP's purpose and applicable law. No certificate representing a share (to the extent shares are so evidenced) will be delivered until the full option price has been paid.

Stock Appreciation Rights (SARs). A SAR entitles the participant to receive cash, shares, a combination thereof, or such other consideration as the Committee may determine, in an amount equal to the excess of the fair market value of a share on the exercise date over the exercise price for the SAR, after certain conditions have been met. The Committee will determine and specify in the SAR award agreement the number of shares subject to the SAR, the SAR price (which generally (except as otherwise described in the LTIP) must be at least equal to the fair market value of a share on the date of grant of the SAR) and the period of time during which the SAR may be exercised (including the impact of a termination of employment). Generally, (except as otherwise described in the LTIP), no SAR can be exercisable more than seven years after the date of grant. SARs may be granted in tandem with a stock option or independently. If a SAR is granted in tandem with a stock option, the participant may exercise the stock option or the SAR, but not both. The Committee may provide for accelerated vesting of

Table of Contents

SARs in the event of a death, disability or retirement (as defined in the applicable award agreement) or the occurrence of certain corporate events (e.g., a merger with an unrelated corporation or the sale of substantially all of the Company's assets to an unrelated entity).

Restricted Stock and Restricted Stock Units. The Committee will specify the terms of a restricted stock or restricted stock unit award in the award agreement, including the number of shares of restricted stock or units; the purchase price, if any, to be paid for such restricted stock/unit, which may be more than, equal to, or less than the fair market value of a share and may be zero, subject to such minimum consideration as may be required by applicable law; any restrictions applicable to the restricted stock/unit such as continued service or achievement of performance goals; the length of the restriction period and whether any circumstances, such as death, disability, retirement (as defined in the applicable award agreement) or a change in control, shorten or terminate the restriction period; the rights of the participant during the restriction period to vote and receive dividends in the case of restricted stock or to receive dividend equivalents in the case of restricted stock units that accrue dividend equivalents; and whether restricted stock units will be settled in cash, shares or a combination of both. The restriction period may be of any duration. The Committee may provide in the award agreement for lapse of the restriction period in monthly or longer installments over the course of the restriction period.

Performance Shares and Units. A performance share will have an initial value equal to the fair market value of a share on the date of grant. A performance unit will have an initial value that is established by the Committee at the time of grant. In addition to any non-performance terms applicable to the performance share or performance unit, the Committee will set performance goals which, depending on the extent to which they are met, will determine the number or value of the performance shares or units that will be paid out to the participant. The Committee may provide for payment of earned performance shares/units in cash or in shares or in the form of other awards granted under the LTIP which have a fair market value equal to the value of the earned performance shares/units at the close of the applicable performance period. The Committee may provide that performance shares/units are earned notwithstanding achievement of the performance goals in the event of death or disability or the occurrence of certain corporate events (for example, a merger with an unrelated corporation or the sale of substantially all of the Company's assets to an unrelated entity). For performance shares/units that are not intended to comply with the performance-based compensation exception under Section 162(m), the Committee may also provide that the performance shares/units are earned notwithstanding achievement of the performance goals in the event of retirement (as defined in the applicable award agreement).

Performance shares/units will not possess voting rights and will accrue dividend equivalents only to the extent provided in the agreement evidencing the award; provided, however, that rights to dividend equivalents are permitted only to the extent they comply with, or are exempt from, Section 409A of the Code (referred to as Section 409A). Any rights to dividend equivalents will be subject to the same restrictions on vesting and payment as the underlying award. With respect to Covered Employees, the Committee may apply any restrictions it deems appropriate to the payment of dividends declared with respect to performance shares/units such that the dividends or performance shares/units maintain eligibility for the performance-based compensation exception under Section 162(m).

Performance Measures. For awards under the LTIP that are intended to qualify under the performance-based compensation provisions of Section 162(m), the performance measure or measures to be used for purposes of such awards must be chosen from among the following: earnings (GAAP and non-GAAP), earnings per share (GAAP and non-GAAP), consolidated pre-tax earnings (GAAP and non-GAAP), net earnings (GAAP and non-GAAP), net income (GAAP and non-GAAP), operating income (GAAP and non-GAAP), EBIT (earnings before interest and taxes) (GAAP and non-GAAP), EBITDA (earnings before interest, taxes, depreciation and amortization) (GAAP and non-GAAP), gross margin (GAAP and non-GAAP), operating margin (GAAP and non-GAAP), profit margin (GAAP and non-GAAP), revenues, revenue growth, market value added, market share, economic value added, return measures (including but not limited to return on equity, return on investment, return on assets, return on net assets, and return on capital employed), total shareholder return, profit (GAAP and non-GAAP), operating profit (GAAP and non-GAAP), economic profit, capitalized economic profit, after-tax profit (GAAP and non-GAAP), pre-tax profit (GAAP and non-GAAP), cash, cash flow measures (including but not limited to operating cash flow, free cash flow, cash flow return, and cash flow per share), sales, sales volume, sales growth, assets, inventory turnover ratio, productivity ratios, share price, cost, unit cost, expense targets or ratios, charge-off levels, operating efficiency, operating expenses (GAAP and non-GAAP), customer satisfaction, improvement in or attainment of expense levels, working capital, improvement in or attainment of working capital levels, debt, debt to equity ratio, debt reduction, capital targets and/or consummation of acquisitions, dispositions, projects or other specific events or transactions. Any performance measure may be applied to the Company and certain affiliates in the aggregate, to a selection of or one or more of these entities, to each as a whole or alternatively, or to any business unit of the Company or certain of its affiliates, either individually, alternatively or in any combination and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to results for previous years or to a designated comparison group of entities or to a published or stock market or other index, in each case as specified by the Committee. The Committee will specify the period over which the performance goals for a particular award will be measured.

Table of Contents

The Committee may also establish other performance measures for awards granted to participants that are not intended to qualify for the performance-based compensation exception from Section 162(m).

The Committee will determine whether the applicable performance goals have been met with respect to a particular award and, if they have, the Committee must so certify in writing and ascertain the amount payable under the award.

The Committee is authorized to make adjustments in performance-based criteria or in the terms and conditions of other awards in recognition of unusual or nonrecurring events affecting the Company or its financial statements (including, but not limited to, asset write-downs; litigation or claim judgments or settlements; reorganizations or restructuring programs; extraordinary, unusual, or nonrecurring items of gain or loss as defined under U.S. generally accepted accounting principles; mergers, acquisitions or divestitures; and foreign exchange gains and losses) or changes in applicable laws, regulations or accounting principles. In the case of awards to Covered Employees (as defined for purposes of Section 162(m)) that are intended to qualify under the performance-based compensation exception from the deductibility limitations of Section 162(m), the adjustments must be made in accordance with guidelines established by the Committee at the time the performance-based award is granted (or within such period thereafter as may be permissible under Section 162(m)). In addition, in the event that the Committee determines that it is advisable to grant awards which are not intended to qualify for the performance-based compensation exception from the deductibility limitations of Section 162(m), the Committee may make such grants without satisfying the requirements of Section 162(m).

Other Awards. The Committee may grant other forms of equity-based or equity-related awards that the Committee determines to be consistent with the purpose of the LTIP and the interests of the Company. These other awards may provide for cash payments based in whole or in part on the value or future value of shares, for the acquisition or future acquisition of shares, or any combination thereof. Where the value of such an award is based on the difference in the value of a share at different points in time, the grant or exercise price must generally (except as otherwise described in the LTIP) not be less than 100% of the fair market value of a share on the date of grant.

Amendment and Termination. The Committee may amend or terminate the LTIP in whole or in part at any time, but the amendment or termination cannot adversely affect any rights or obligations with respect to an award previously granted without the affected participant’s written consent. The Company must obtain the approval of the shareholders before amending the LTIP to the extent required by Section 162(m) or Section 422 of the Code or the Nasdaq Listing Rules or other applicable law.

The Committee may amend an outstanding award agreement in a manner not inconsistent with the terms of the LTIP, but the amendment will not be effective without the participant’s written consent if the amendment is adverse to the participant. However, the Committee cannot reprice a stock option or SAR except in accordance with the adjustment provisions of the LTIP (as described above) or to the extent the shareholders approve the repricing. For this purpose, a repricing generally is an amendment to the terms of an outstanding stock option or SAR that would reduce the option exercise price or SAR price or a cancellation, exchange, substitution, buyout or surrender of an outstanding stock option or SAR in exchange for cash, another award or stock option or SAR with an option exercise price or SAR price that is less than the option exercise price or SAR price of the original stock option or SAR. The Committee may provide for clawback provisions in award agreements based on “detrimental activity” (as defined in the LTIP) or for other reasons.

Transferability. Awards generally may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated by a participant other than by will or the laws of descent and distribution, and each option or SAR may be exercisable only by the participant during his or her lifetime. However, the Committee may provide in an award agreement for an NQSO that the NQSO be transferable consistent with securities law and other applicable law. NQSOs may not be transferred for value or consideration.

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

The following is intended only as a brief summary of the federal income tax rules relevant to the primary types of awards available for issuance under the LTIP and is based on the terms of the Code as currently in effect. The applicable statutory provisions are highly technical and subject to change in the future (possibly with retroactive effect), as are their interpretations and applications. Because federal income tax consequences may vary as a result of individual circumstances, participants are encouraged to consult their personal tax advisors with respect to their tax consequences. The following summary is limited to United States federal income tax treatment. It does not address state, local, gift, estate, social security or foreign tax consequences, which may be substantially different. Certain intended LTIP participants are residents of foreign countries.

NQSOs. A participant generally is not taxed upon the grant of an NQSO, unless the NQSO has a readily ascertainable fair market value (usually meaning that the NQSO is traded on a securities market). However, the participant must recognize ordinary income upon exercise of the NQSO in an amount equal to the difference between the NQSO exercise price and the fair market value of the shares acquired on the date of exercise. If the participant is subject to suit under Section 16(b) of the Exchange Act (the short swing profits rule), the participant recognizes ordinary income in the amount by which the fair market value of the shares determined as of a later date exceeds the exercise price for the shares, with such later date being the earlier

Table of Contents

of (i) the expiration of six months from the date of exercise; or (ii) the first day on which the disposition of the shares would not subject the participant to suit under Section 16(b) of the Exchange Act, unless the participant makes a timely election under Section 83(b) of the Code (referred to as Section 83(b)), in which event the fair market value of the shares will be determined on the date of exercise. The Company generally will have a deduction in an amount equal to the amount of ordinary income recognized by the participant in the Company's tax year during which the participant recognizes ordinary income.

Upon the sale of shares acquired pursuant to the exercise of an NQSO, the participant will recognize capital gain or loss to the extent that the amount realized from the sale is different than the fair market value of the shares on the date of exercise (or, if the participant was subject to suit under Section 16(b) of the Exchange Act and did not make a timely election under Section 83(b), the fair market value on the delayed determination date, if applicable). This gain or loss will be long-term capital gain or loss if the shares have been held for more than one year after exercise.

ISOs. A participant is not taxed on the grant or exercise of an ISO. The difference between the exercise price and the fair market value of the shares covered by the ISO on the exercise date will, however, be a preference item for purposes of the alternative minimum tax. If a participant holds the shares acquired upon exercise of an ISO for at least two years following the ISO grant date and at least one year following exercise, the participant's gain, if any, upon a subsequent disposition of the shares is long-term capital gain. The amount of the gain is the difference between the proceeds received on disposition and the participant's basis in the shares (which generally equals the ISO exercise price). If a participant disposes of shares acquired pursuant to exercise of an ISO before satisfying these holding periods, the participant will recognize both ordinary income and capital gain in the year of disposition. The Company is not entitled to a federal income tax deduction on the grant or exercise of an ISO or on the participant's disposition of the shares after satisfying the holding period requirement described above. If the holding periods are not satisfied, the Company will be entitled to a deduction in the year the participant disposes of the shares in an amount equal to the ordinary income recognized by the participant.

In order for an option to qualify as an ISO for federal income tax purposes, the grant of the option must satisfy various other conditions specified in the Code. In the event an option intended to be an ISO fails to qualify as an ISO, it will be taxed as an NQSO as described above.

Restricted Stock Awards. A participant generally will recognize taxable ordinary income upon the receipt of a restricted stock award if the shares are not subject to a substantial risk of forfeiture. The income recognized will be equal to the fair market value of the shares at the time of receipt less any purchase price paid for the shares. If the shares are subject to a substantial risk of forfeiture, the participant generally will recognize taxable ordinary income when the substantial risk of forfeiture lapses. If the substantial risk of forfeiture lapses in increments over several years, the participant will recognize income in each year in which the substantial risk of forfeiture lapses as to an increment. If the participant cannot sell the shares without being subject to suit under Section 16(b) of the Exchange Act (the short swing profits rule), the shares will be treated as subject to a substantial risk of forfeiture. The income recognized upon lapse of a substantial risk of forfeiture will be equal to the fair market value of the shares determined as of the time that the substantial risk of forfeiture lapses less any purchase price paid for the shares. The Company generally will be entitled to a deduction in an amount equal to the amount of ordinary income recognized by the participant.

Alternatively, if the shares are subject to a substantial risk of forfeiture, the participant may make a timely election under Section 83(b) to recognize ordinary income for the taxable year in which the participant received the shares in an amount equal to the fair market value of the shares at that time. That income will be taxable at ordinary income tax rates. If a participant makes a timely Section 83(b) election, the participant will not recognize income at the time the substantial risk of forfeiture lapses with respect to the shares. At the time of disposition of the shares, a participant who has made a timely Section 83(b) election will recognize gain in an amount equal to the difference between the purchase price, if any, and the amount received on the disposition of the shares. The gain will be taxable at the applicable capital gains rate. If the participant forfeits the shares after making a Section 83(b) election, the participant is not entitled to a deduction with respect to the income recognized as a result of the election. To be timely, the Section 83(b) election must be made within 30 days after the participant receives the shares. The Company will generally be entitled to a deduction in an amount equal to the amount of ordinary income recognized by the participant at the time of the election.

Restricted Stock Units (RSUs). A participant generally is not taxed upon the grant of an RSU. Generally, if an RSU is designed to be paid on or shortly after the RSU is no longer subject to a substantial risk of forfeiture, then the participant will recognize ordinary income equal to the amount of cash and the fair market value of the shares received by the participant, and the Company will be entitled to an income tax deduction for the same amount. However, if an RSU is not designed to be paid on or shortly after the RSU is no longer subject to a substantial risk of forfeiture, the RSU may be deemed a nonqualified deferred compensation plan under Section 409A. In that case, if the RSU is designed to meet the requirements of Section 409A, then the participant will recognize ordinary income equal to the amount of cash and the fair market value of the shares received by the participant, and the Company will be entitled to an income tax deduction for the same amount. However, if the

Table of Contents

RSU is not designed to meet the requirements of Section 409A, the participant will be subject to ordinary income when the substantial risk of forfeiture lapses as well as an additional twenty-percent (20%) excise tax, and additional tax could be imposed each following year.

Performance Share/Unit Awards; Stock Appreciation Rights (SARs). A participant generally is not taxed upon the grant of a performance share/unit or SAR. The participant will recognize taxable income at the time of settlement of the performance share/unit or at the time of exercise of the SAR in an amount equal to the amount of cash and the fair market value of the shares received upon settlement or exercise. However, if the participant is subject to suit under Section 16(b) of the Exchange Act (the short swing profits rule), the participant will recognize taxable income at the time of settlement or exercise, as applicable, in an amount equal to the amount of cash received at that time and the fair market value (determined as of the earlier of (i) the expiration of six months from the date of settlement or exercise, as applicable; or (ii) the first day on which the disposition of the shares would not subject the participant to suit under Section 16(b) of the Exchange Act, unless the participant makes a timely election under Section 83(b)) of the shares received upon such settlement or exercise. The income recognized will be taxable at ordinary income tax rates. The Company generally will be entitled to a deduction in an amount equal to the amount of ordinary income recognized by the participant. Any gain or loss recognized upon the disposition of the shares acquired pursuant to settlement of a performance share/unit or exercise of a SAR will qualify as long-term capital gain or loss if the shares have been held for more than one year after settlement or exercise.

Golden Parachute Payments. The terms of the agreement evidencing an award under the LTIP may provide for accelerated vesting or accelerated payout of the award in connection with a change in ownership or control of the Company. In such event, certain amounts with respect to the award may be characterized as “parachute payments” under the golden parachute provisions of the Code. Under Section 280G of the Code, no federal income tax deduction is allowed to the Company for “excess parachute payments” made to “disqualified individuals,” and receipt of such payments subjects the recipient to a 20% excise tax under Section 4999 of the Code. For this purpose, “disqualified individuals” are generally officers, shareholders or highly compensated individuals performing services for the Company, and the term “excess parachute payments” includes payments in the nature of compensation which are contingent on a change in ownership or effective control of the Company, to the extent that such payments (in present value) exceed three times the recipient’s average annual taxable compensation from the Company for the previous five years. Certain payments for reasonable compensation for services rendered after a change of control and payments from tax-qualified plans are generally not included in determining “excess parachute payments.” If payments or accelerations may occur with respect to awards granted under the LTIP, certain amounts in connection with such awards may possibly constitute “parachute payments” and be subject to these “golden parachute” tax provisions.

Plan Awards

The following table sets forth with respect to each individual and group listed below (i) the number of shares of common stock issued or issuable pursuant to stock options granted under the LTIP, (ii) the number of shares underlying restricted stock and stock unit awards granted under the LTIP and (iii) the number of shares of common stock issued or issuable pursuant to performance units granted under the LTIP, in each case since the LTIP’s effectiveness on October 29, 2013 through September 2, 2016. Any future awards to eligible participants under the LTIP are subject to the discretion of the Committee or Board of Directors and therefore are not determinable at this time. To date, no incentive stock options have been granted under the LTIP and none are presently contemplated. The table does not include grants made under any of the Company’s other compensation plans.

Table of Contents

Cumulative Grants Since
Plan Inception in 2013

	No. of Shares Underlying Options Granted	No. of Shares Underlying Restricted Stock and Stock Unit Awards Granted	No. of Shares Underlying Performance Share Units Granted
Charles M. Swoboda Chairman, CEO and President	64,000	286,067	170,711
Michael E. McDevitt Executive Vice President and CFO	16,000	83,062	53,708
Franco Plastina Executive Vice President–Power & RF	—	11,016	—
Norbert W. G. Hiller Former Executive Vice President–Lighting	13,000	54,884	36,922
Clyde R. Hosein	—	17,347	—
Robert A. Ingram	—	17,347	—
Darren R. Jackson	—	13,234	—
C. Howard Nye	—	13,103	—
John B. Replogle	4,000	21,347	—
Robert L. Tillman	—	10,918	—
Thomas H. Werner	—	17,347	—
Anne C. Whitaker	4,000	21,347	—
All current executive officers as a group	80,000	380,145	224,419
All current directors who are not executive officers as a group	8,000	131,990	—
All associates of directors, executive officers or nominees	—	—	—
All other persons who received or are to receive 5% of plan awards	—	—	—
All employees, including all current officers who are not executive officers, as a group (1)	6,687,722	2,283,552	244,504

(1) Amounts reported are the gross number of shares underlying grants; 1,022,869 options and 95,357 RSUs have been forfeited upon termination of service.

The Company also granted additional performance units to Messrs. Swoboda and McDevitt under the LTIP in August 2016. Pursuant to these awards, if the Company achieves certain annual financial goals during fiscal 2017, Messrs. Swoboda and McDevitt may earn incentive compensation in target amounts equal to 140% and 80%, respectively, of their base salary. These awards do not provide for settlement in shares. The actual payouts may range from 0% to 200% of the target amount depending upon the Company's financial performance.

Registration with the Securities and Exchange Commission

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

Equity Compensation Plans

As of September 2, 2016:

- There were options to purchase 12,239,453 shares of our common stock outstanding under all of our equity compensation plans, including legacy plans under which we will make no more grants. The weighted average remaining life of these outstanding options was 4.32 years, and the weighted average exercise price was $38.46.

- There were 2,177,589 shares subject to outstanding stock awards that remain subject to forfeiture.
- There were 1,654,713 shares available for future grants under the LTIP, 884,665 shares available for future issuance under the 2005 Employee Stock Purchase Plan, or ESPP, and 73,179 shares available for future issuance under the Non-Employee Director Stock Compensation and Deferral Program, or the Deferral Program.

26

Table of Contents

The following table provides information, as of June 26, 2016, for all of the Company’s compensation plans (including individual compensation arrangements) under which it is authorized to issue equity securities.

Equity Compensation Plan Information

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)		(b) Weighted average exercise price of outstanding options, warrants and rights (2)	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (1)	
Equity compensation plans approved by security holders	12,827,254	(3)	$ 40.45	5,026,122	(4)
Equity compensation plans not approved by security holders	32,650	(5)	$ 2.99	76,118	(6)
Total	12,859,904		$ 40.42	5,102,240	

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

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

(3) Includes shares issuable upon exercise of outstanding options and restricted stock units under the 2004 LTIP - 6,701,852 shares; and LTIP - 6,125,402 shares.

(4) Includes shares remaining for future issuance under the following plans in the amounts indicated: LTIP - 4,141,457 shares and ESPP - 884,665 shares.

(5) Includes shares issuable upon exercise of outstanding options under the LED Lighting Fixtures, Inc. 2006 Stock Plan, or the LLF Plan - 8,768 shares. Also includes shares issuable under the Deferral Program - 23,882 shares. The Company assumed the options outstanding under the LLF Plan, which have a weighted average exercise price of $2.99 per share, in connection with the Company’s acquisition of LLF in February 2008.

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

As of June 26, 2016, the only compensation plans or arrangements under which the Company is authorized to issue equity securities and which have not been previously approved by the shareholders are the Deferral Program and the options assumed under the LLF Plan. The LLF Plan has been terminated as to future grants. The following is a brief description of the material features of these plans; this description is not intended to be a complete description of the plans and is qualified in its entirety by reference to the full text of the applicable plan:

LLF Plan. In connection with the acquisition of LLF in February 2008, pursuant to which LLF became the Company’s wholly owned subsidiary, the Company assumed certain outstanding stock options granted under the LLF Plan. Since the closing of the acquisition, no additional stock options have been awarded, nor are any authorized to be awarded, under the LLF Plan. As of June 26, 2016, there were 8,768 nonqualified stock options outstanding under the LLF Plan.

Deferral Program. The Company offers its non-employee directors the opportunity to receive all or a portion of their cash compensation in shares of the Company’s common stock and to defer the time of receipt of such shares. A non-employee director may elect to receive a lump sum payment or annual installment payments of the shares following such director’s separation from service with the Company. Non-employee directors must make their deferral elections by December 31 of the prior year. The Board of Directors adopted the plan in August 2009, and it became effective on January 1, 2010. As of June 26, 2016, there were 100,000 shares reserved for issuance under the Deferral Program, of which 23,882 shares have been credited to directors’ accounts.

Table of Contents

OWNERSHIP OF SECURITIES

Principal Shareholders and Share Ownership by Management

The following table sets forth information regarding the beneficial ownership of the Company's common stock as of September 2, 2016 by (1) each person known to the Company to be the beneficial owner of more than 5% of the outstanding common stock; (2) each person named in the Summary Compensation Table on page 46; (3) each person serving as a director or nominated for election as a director; and (4) all current executive officers and directors as a group. Except as otherwise indicated by footnote or to the extent shared by spouses under applicable law, to the Company's knowledge, the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

Name and Address (1)	Common Stock Beneficially Owned	Percentage of Outstanding Shares
ClearBridge Investments, LLC (2) 620 8th Avenue New York, NY 10018	15,193,773	15.1%
FMR LLC (3) 245 Summer Street Boston, MA 02210	13,805,351	13.7%
PRIMECAP Management Company (4) 225 South Lake Avenue, #400 Pasadena, CA 91101	9,333,641	9.3%
The Vanguard Group (5) 100 Vanguard Blvd. Malvern, PA 19355	7,042,305	7.0%
Fairpointe Capital LLC (6) One North Franklin Street, Ste 3300 Chicago, IL 60606	6,948,686	6.9%
BlackRock, Inc. (7) 55 East 52nd Street New York, NY 10055	6,840,171	6.8%
Charles M. Swoboda (8)	788,757	*
Norbert W. G. Hiller (9)	181,892	*
Michael E. McDevitt (10)	159,733	*
Robert A. Ingram (11)	74,273	*
Clyde R. Hosein (12)	63,668	*
Thomas H. Werner (13)	58,418	*
Franco Plastina (14)	57,151	*
Robert L. Tillman (15)	44,523	*
John B. Replogle (16)	36,487	*
Anne C. Whitaker (17)	14,959	*
C. Howard Nye	1,654	*
Darren R. Jackson	—	*
All current directors and executive officers as a group (11 persons) (18)	1,299,623	1.3%

*Less than 1%.

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

(2)

As reported by ClearBridge Investments, LLC in a Schedule 13G/A filed with the Securities and Exchange Commission on February 16, 2016, which states that Clearbridge Investments, LLC has sole dispositive power with respect to all of such shares and sole voting power with respect to 14,713,250 shares.

Table of Contents

(3) As reported by FMR LLC in a Schedule 13G/A filed with the Securities and Exchange Commission on February 12, 2016, which states that FMR LLC has sole dispositive power with respect to all of such shares and sole voting power with respect to 2,139,785 shares.

(4) As reported by PRIMECAP Management Company in a Schedule 13G/A filed with the Securities and Exchange Commission on February 12, 2016, which states that PRIMECAP Management Company has sole dispositive power with respect to all of such shares and sole voting power with respect to 4,200,181 shares.

(5) As reported by The Vanguard Group in a Schedule 13G/A filed with the Securities and Exchange Commission on February 10, 2016, which states that The Vanguard Group has sole dispositive power with respect to 6,968,377 shares, shared dispositive power with respect to 73,928 shares, sole voting power with respect to 74,428 shares and shared voting power with respect to 6,000 shares.

(6) As reported by Fairpointe Capital LLC in a Schedule 13G filed with the Securities and Exchange Commission on February 10, 2016, which states that Fairpointe Capital LLC has sole dispositive power with respect to 6,871,686 shares, shared dispositive power with respect to 77,000 shares and sole voting power with respect to 6,796,502 shares.

(7) As reported by BlackRock, Inc. in a Schedule 13G/A filed with the Securities and Exchange Commission on February 10, 2016, which states that BlackRock, Inc. has sole dispositive power with respect to all of such shares and sole voting power with respect to 6,470,864 shares.

(8) Includes 454,668 shares subject to options exercisable within sixty days of September 2, 2016.

(9) Includes 111,666 shares subject to options held by Mr. Hiller and 7,318 shares subject to options held by Mr. Hiller's spouse which are exercisable within sixty days of September 2, 2016.

(10) Includes 94,167 shares subject to options exercisable within sixty days of September 2, 2016.

(11) Includes 22,000 shares subject to options exercisable within sixty days of September 2, 2016.

(12) Includes 22,000 shares subject to options exercisable within sixty days of September 2, 2016.

(13) Includes 22,000 shares subject to options exercisable within sixty days of September 2, 2016.

(14) Includes 19,500 shares subject to options exercisable within sixty days of September 2, 2016.

(15) Includes 15,750 shares subject to options exercisable within sixty days of September 2, 2016.

(16) Includes 2,667 shares subject to options exercisable within sixty days of September 2, 2016.

(17) Includes 2,667 shares subject to options exercisable within sixty days of September 2, 2016.

(18) For all current executive officers and directors as a group, includes a total of 693,418 shares subject to options exercisable within sixty days of September 2, 2016.

Table of Contents

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The following discussion and analysis describes the compensation of Cree's named executive officers for fiscal 2016. It is comprised of the following sections explaining the decisions that were made in determining the fiscal 2016 compensation for each named executive officer:

1) Executive Summary: highlights Cree's compensation philosophy and elements, and fiscal 2016 performance and pay;
2) Compensation Philosophy and Objectives: discusses the philosophy behind Cree's compensation practices;
3) Compensation Process: discusses how each element of compensation is determined;
4) Elements of Executive Compensation and Analysis of Fiscal 2016 Compensation Decisions: provides greater detail on each element of compensation and the individual compensation of each named executive officer; and
5) Additional Information: discusses additional policies and arrangements related to executive compensation.

Executive Summary

The Compensation Committee of the Board of Directors has overall responsibility for executive officer compensation, including defining the compensation philosophy, setting the elements of compensation and approving individual compensation decisions. The Committee is also responsible for overseeing administration of compensation and benefit programs and plans in which the executive officers are eligible to participate.

Consistent with the Committee's philosophy in prior fiscal years, the Committee believes that Cree's executive officer compensation should:

- be linked closely to Cree's operational, financial and business performance;
- align the interests of the executives with those of Cree's shareholders;
- provide incentives for achieving Cree's financial and business goals; and
- provide individual executive officers with the opportunity to earn compensation at levels that are competitive with executives in comparable jobs within Cree's peer company group.

The primary elements of Cree's executive compensation program are:

- base salary;
- performance-based cash incentive compensation, which is paid annually under our long-term incentive compensation plan (or LTIP) for our CEO and our other named executive officers, and which is paid quarterly under our management incentive compensation plan (or MICP) for our named executive officers other than the CEO; and
- long-term equity incentive compensation, in the form of options, restricted stock units (RSUs) and performance stock units (PSUs).

The cash incentive and equity incentive elements are linked directly to Cree's corporate performance and shareholder return, and these elements account for the majority of the target total direct compensation (as defined below) of each executive officer. While these incentive elements provide an opportunity for the executive officer to realize considerable value, total direct compensation actually realized by the executive officer can vary substantially from the target total direct compensation depending on the degree to which Cree's financial and business objectives are achieved for the relevant fiscal year and shareholder value is increased.

Cree's performance in fiscal 2016 showed progress towards our goal of building a more focused and valuable LED lighting technology company. In fiscal 2016, we successfully restructured the LED Products business, improved commercial lighting fundamentals, refocused our consumer business on premium LED bulbs, and unlocked significant value with the agreement reached in early July 2016 to sell our Wolfspeed business (our Power & RF business segment, plus certain non-LED related portions of our SiC materials and gemstones business included within our LED Products segment). Fiscal 2016 revenue was similar to fiscal 2015 revenue at $1.6 billion

Table of Contents

as the combination of growth in commercial lighting and stable LED revenue was offset by lower consumer lighting sales and the slowdown in our Power & RF business. Despite some challenges in the year, we made good progress growing profits as non-GAAP operating income increased 55% to $102 million. This increase in profits was driven by improved margins in Lighting Products and LED Products, combined with lower operating expenses, which more than offset lower margins in our Power & RF segment. In addition, non-GAAP net income increased 23% to $88 million while non-GAAP earnings per share increased 37%. Cree believes that these results demonstrate that our strategy to focus more on our lighting business to drive operating profits is working. Cree's net loss on a GAAP basis was $22 million, or $0.21 per diluted share. Cree's non-GAAP results exclude stock-based compensation expense; amortization or impairment of acquisition-related intangibles; asset retirement charges; charges associated with the LED business restructuring commenced in June 2015; net changes associated with equity method investments; product recall charges; contract manufacturing dispute related expenses; and the net income tax effect associated with the foregoing. Please see Cree's earnings release for the fourth quarter and fiscal year ended June 26, 2016 included as Exhibit 99.1 to the Form 8-K furnished with the Securities and Exchange Commission on August 16, 2016, for a full reconciliation of our GAAP to non-GAAP numbers, and management's reasons for utilizing non-GAAP numbers.

While these fiscal 2016 financial results for Cree are better than our fiscal 2015 financial results, they are still not to the level originally targeted for fiscal 2016. As will be seen below, however, Cree's executive compensation program worked as intended for fiscal 2016, because the average actual total direct compensation ultimately received by the named executive officers for fiscal 2016 was far below the target total direct compensation for fiscal 2016. The Committee remains committed to reinforcing Cree's pay-for-performance philosophy in fiscal 2017 and beyond, and has similarly designed the fiscal 2017 compensation packages accordingly.

Named Executive Officers

The named executive officers who were serving as executive officers of Cree at the end of fiscal 2016 were:

- Charles M. Swoboda, Chairman, Chief Executive Officer and President;
- Michael E. McDevitt, Executive Vice President and Chief Financial Officer; and
- Franco Plastina, Executive Vice President–Power & RF (and Chief Executive Officer of the Wolfspeed business)[1].

In addition, Norbert W. G. Hiller, former Executive Vice President–Lighting, a named executive officer of the Company for fiscal 2016 under applicable Securities and Exchange Commission rules, served as an executive officer of Cree for a portion of fiscal 2016, but Mr. Hiller was not serving as an executive officer at the end of fiscal 2016. Except as otherwise specifically indicated, where the discussion below refers to "named executive officers," it refers to the three named executive officers who served Cree as executive officers throughout fiscal 2016 (Messrs. Swoboda, McDevitt and Plastina), and not to Mr. Hiller.

Key actions the Committee took in August 2015 with respect to the named executive officers are summarized below. These actions are discussed in depth below under "Elements of Executive Compensation and Analysis of Fiscal 2016 Compensation Decisions—Overall Program Design and Fiscal 2016 Implementation."

- Base salaries. Given the Company's financial performance in fiscal 2015, none of the named executive officers were given an annual merit increase in base salary for fiscal 2016.
- Proportion of performance-based pay. Approximately 88% of the CEO's target total direct compensation for fiscal 2016 was comprised of variable performance-based pay in the form of short-term cash incentives and long-term equity awards. Similarly, 85% of Mr. McDevitt's, 79% of Mr. Hiller's and 55% of Mr. Plastina's target total direct compensation for fiscal 2016 was comprised of these components.

---

1 Mr. Plastina was appointed Interim Executive Vice President–Power & RF, effective June 8, 2015. Prior to that date he was not a Cree employee, although he was a director of Cree. Mr. Plastina was appointed to this position with Cree in connection with the previously announced potential initial public offering of stock of Cree's Power & RF business (Wolfspeed). Cree has since reached an agreement to sell the Wolfspeed business, although the sale has not closed as of the date of this proxy statement. Mr. Plastina was intended to be the Chief Executive Officer of the Wolfspeed business upon the completion of its initial public offering of stock, and as a result, compensation decisions for Mr. Plastina were handled separately in connection with that intended transaction.

Table of Contents

- Aggressive financial targets for performance-based cash incentive compensation. The Committee established challenging annual financial targets for the fiscal 2016 performance-based cash incentive programs that applied to all of Cree's named executive officers, and the CEO similarly established challenging quarterly financial and individual targets under the MICP in which all of the named executive officers other than the CEO participate. Cree reached the threshold target for payout under its annual financial targets in fiscal 2016, but did not achieve the targeted annual financial targets for fiscal 2016. As a result, the payouts of the annual cash incentive compensation under the LTIP to the CEO and the other named executive officers were only 23% of target. Cree did achieve its quarterly financial targets in three of the four fiscal quarters, and therefore the named executive officers who participate in the MICP (all named executive officers other than the CEO) received some quarterly cash incentive compensation for those three quarters.
- Long-term equity compensation. For fiscal 2016, Cree granted equity awards to the named executive officers in the form of RSUs and, for each named executive officer other than Mr. Plastina, PSUs to align the interests of the named executive officers with Cree shareholders and to facilitate executive officer retention. Cree reached the performance threshold for vesting of the first performance period tranche of the PSUs granted in September 2015 under the established annual financial targets for fiscal 2016, and as a result the first tranche of PSUs vested in September 2016.

Compensation Philosophy and Objectives

The Committee believes that the compensation packages provided to the named executive officers should include both cash and stock-based compensation and should utilize performance-based compensation to reward performance as measured against established business goals, which results in increased compensation to the executive officers if Cree meets or exceeds these goals. For fiscal 2016, the Committee endeavored to create compensation packages for the named executive officers with the general goal that approximately 75% (or more) of such individuals' total direct compensation would be at risk, and would generally only be earned by the executives based on increasing Cree's operating profits, which historically have been highly correlated with an increase in Cree shareholder value.

For fiscal 2016, the Committee generally targeted total target cash compensation (consisting of base salary and targeted short-term cash incentives), and total target direct compensation (consisting of total target cash compensation plus long-term equity compensation valued using Black-Scholes), to be between the 50^{th} and the 75^{th} percentiles of the market data, with an equity-heavy focus, with such equity to be delivered for fiscal 2016 through a mix of 60% RSUs and 40% PSUs. Actual total cash compensation, or TCC, and actual total direct compensation, or TDC, for fiscal 2016 would then vary with the performance-based elements of TCC or TDC based on corporate and individual performance for fiscal 2016.

In setting fiscal 2016 compensation for the named executive officers, the Committee:

- evaluated each element of compensation as compared to executives in similar roles in Cree's Peer Group (as defined below) and the Radford Global Technology survey;
- assessed the performance of the named executive officers, and considered the scope of responsibility and strategic impact of their respective roles within Cree;
- emphasized variable and performance-based compensation to motivate executives to achieve Cree's business objectives and align pay with performance; and
- utilized equity compensation to create a culture of ownership and focus on long-term growth to ensure that equity compensation would continue to play a significant role in the total pay mix for the executives, in order to ensure their alignment with shareholder interests.

Compensation Process

Role of Compensation Consultant

The Committee has engaged Radford, an Aon Hewitt Company, to act as the Committee's independent compensation consultant. The Committee has assessed Radford's independence and determined that Radford had no conflicts of interest in connection with its provision of services to the Committee. Radford reports directly to the Committee and works with management only at the Committee's direction. For fiscal 2016, Radford was given the overall directive to assist the Committee with implementing Cree's compensation philosophy for the executive officers in keeping with overall objectives, including gathering relevant market data to assist the Committee in making compensation decisions for the named executive officers, as well as reviewing Cree's severance and change

Table of Contents

in control arrangements as compared to those of the Peer Group. Cree also purchases published compensation and benefits surveys from Radford, and on occasion, engages Radford to provide consulting services for non-executive compensation matters. The fees paid to Radford for these additional services did not exceed $120,000 in fiscal 2016.

Role of Executive Officers

No executive officer, including the CEO, provides input to the Committee into setting his own compensation, but executive officers are provided the opportunity to make recommendations regarding individual quarterly goals under the MICP, and, with respect to the CEO, annual corporate goals. The CEO is responsible for annually evaluating the performance of the named executive officers (except himself), developing performance summaries and making recommendations to the Committee based on those reviews for the compensation of those executives, which reviews are one factor the Committee considers in making final compensation decisions. Further, the CEO coordinates with executive officers throughout the fiscal year in setting quarterly individual goals under the MICP and sets the quarterly Company performance goals under the MICP.

Role of Benchmarking and Comparative Analysis (Market Data)

The Committee uses market analyses provided by Radford as a reference point to evaluate the competitiveness of Cree's compensation packages for the executive officers. Radford develops a market composite (referred to herein as "market data") using equally weighted data from two sources: (1) public company filings from a select peer group (the "Peer Group"); and (2) the Radford Global Technology survey (composed of other technology companies of comparable size to Cree). Data from the survey is aggregated and individual company information is not determinable. Jobs of similar scope and responsibility as those at the Peer Group companies and companies included in the Radford survey are identified and a market composite is created for each of the executive officer roles. The Committee uses this market data to analyze base salary, short-term cash incentive compensation, TCC, equity compensation, and TDC.

Peer Group

The Committee, assisted by Radford, selects Cree's peer group based on the following criteria:

- semiconductor or semiconductor-related business;
- semiconductor device companies (as opposed to equipment companies);
- lighting companies;
- "clean" technology companies (those who offer products and services to reduce the use of natural resources);
- comparable revenue, market capitalization, and market capitalization as a multiple of revenue;
- comparable number of employees; and
- companies against which Cree competes for executive talent.

The Committee reviews the Peer Group each year, typically in May, to determine if companies should be added or removed from the Peer Group list. Based on size of company by revenues and revenue growth, number of employees, net income and market capitalization, among other factors, Radford recommended that for Cree's fiscal 2016 Peer Group, the Committee should consider retaining many of the same companies as were in Cree's fiscal 2015 Peer Group. Radford recommended that for Cree's fiscal 2016 peer group, the Committee should consider removing LSI Corporation (which had been acquired by Avago) and adding two lighting companies, Hubbell Incorporated and Littelfuse, Inc., and the Committee agreed with this recommendation. Accordingly, the Peer Group companies for Cree for fiscal 2016 were:

Acuity Brands, Inc.	Linear Technology Corporation
Altera Corporation	Littelfuse, Inc.
Analog Devices, Inc.	Maxim Integrated Products, Inc.
Atmel Corporation	Microchip Technology Incorporated
AVX Corporation	Microsemi Corporation
Fairchild Semiconductor International, Inc.	Qorvo, Inc.
First Solar, Inc.	Skyworks Solutions, Inc.
Hexcel Corporation	SunEdison, Inc.
Hubbell Incorporated	Xilinx, Inc.

Table of Contents

In May 2016, the Committee evaluated Cree's performance against the performance of the 2016 Peer Group through the last completed fiscal years for which data was available (for both the 2016 Peer Group and Cree). Cree's relative business and financial performance compared to that of the 2016 Peer Group companies for the trailing twelve months showed that Cree was in the second quartile on revenue, number of employees, and market capitalization, revenue per employee and market capitalization per employee, and in the bottom quartile on operating income and net income.

Radford Global Technology Survey

The Committee also considered the Radford Global Technology survey as another source of competitive data to ascertain compensation levels in the broader competitive market. For benchmarking purposes in fiscal 2016, the Committee selected data from the surveys for public high-technology companies with annual revenue levels between $1 billion and $3 billion for Messrs. Swoboda and McDevitt. A list of these companies can be found in Appendix A. Radford benchmarked Mr. Hiller against divisions of public high technology companies with revenues of $500 million to $1.5 billion. Mr. Plastina had been benchmarked against public high technology companies with a hardware focus with revenue levels between $50 million and $300 million in connection with his initial hiring as the future Chief Executive Officer of Wolfspeed in June 2015. These Radford analyses included comparisons to the 25th, 50th, and 75th percentiles on base salary, short-term cash incentive compensation, TCC, equity compensation, and TDC.

Determination of Target Total Direct Compensation (TDC)

In May 2015, as part of the Committee's regular compensation process to determine proposed fiscal 2016 compensation, Radford presented the Committee an overview of regulatory trends and developments in executive compensation. In August 2015, again as part of the Committee's regular compensation process to determine proposed fiscal 2016 compensation, Radford presented a comprehensive analysis of Cree's executive compensation as compared to market data and in light of these trends and developments. Radford presented analyses of base salary, performance-based cash incentives, and equity award levels for each executive officer and made recommendations to the Committee using criteria that align with Cree's compensation philosophy. In addition, the CEO made recommendations with respect to base salary adjustments for executive officers other than himself. The Committee then assessed each compensation component as described below:

- Base salary increases, if any, are based on:
  - individual performance, including but not limited to, achievement of financial objectives, strategy development and implementation, and overall leadership capabilities including demonstration of the Cree values;
  - responsibilities for which the executive is accountable; and
  - relative position of the executive's current salary to the market data for that job.
- Cash-based performance incentive targets as a percentage of base salary are evaluated and approved based on the:
  - level of impact each of the respective executive officer roles has on financial and strategic results;
  - desired mix of base salary, short-term and long-term incentive compensation; and
  - relative position of the executive's current cash-based performance incentive targets to the market data and comparable short-term incentive targets as a percent of base salary for that job.
- Equity guidelines are assessed based on the:
  - level of the executive within the organization and the desire to most closely link jobs with the highest impact on financial results to the returns experienced by Cree's shareholders;
  - scope of responsibilities for which the executive is accountable; and
  - competitive position of Cree's target long-term equity incentive compensation as compared to the market data.

After a comprehensive review of these elements, the Committee developed target TCC and target TDC for each of the named executive officers.

Table of Contents

Determination of Financial and Individual Objectives

Each August, the Committee approves one or more annual financial targets that align with Cree's strategic and financial goals for the coming fiscal year. The annual financial targets approved by the Committee for fiscal 2016 were stated in terms of revenue and non-GAAP operating income. Non-GAAP operating income for purposes of the fiscal 2016 targets equals Cree's GAAP operating income excluding stock-based compensation expense; amortization or impairment of acquisition-related intangibles; asset retirement charges; charges associated with the LED business restructuring commenced in June 2015; net changes associated with equity method investments; and the net income tax effect associated with the foregoing. Each named executive officer's performance is assessed against these objectives. The named executive officers, excluding the CEO, are also evaluated against quarterly financial and individual objectives that are established by the CEO. Achievement of these pre-determined financial and individual objectives determines the eventual performance incentive payouts as defined by the program guidelines.

Performance Assessment and Approval of Performance-based Cash Incentives

The Committee has delegated authority to the CEO to approve quarterly payouts for the other executive officers under the MICP. Throughout the year, the executive officers have the opportunity to provide input into developing their quarterly individual goals. At the end of each quarter, if Cree has met its quarterly financial performance goal threshold, the executive officers' performance is assessed against those goals and the CEO reviews and approves quarterly payouts, if any, under this performance-based cash incentive plan.

At the close of each fiscal year, the CEO reviews the performance of each executive officer (other than himself) and develops a performance summary and recommendations for base salary increases. The CEO also recommends any annual payout for the performance units for the named executive officers under the LTIP, which is based on pre-approved financial targets at prescribed payout levels, all as previously approved by the Committee in the previous August (at the beginning of the fiscal year). These recommendations are presented to the Committee and are one factor the Committee considers in making final compensation decisions for the recently completed fiscal year and the upcoming fiscal year.

Each August, the independent members of the Board of Directors evaluate the CEO's performance for the just ended fiscal year. His performance is assessed based on financial results, overall leadership, and achievement of strategic objectives for that completed fiscal year. A summary of this evaluation is presented to the Committee along with the short-term incentive payout recommendation for the previous fiscal year, which is based solely on Cree's financial performance during that previous fiscal year. The Committee then also determines the pay actions, if any, that will be taken for the CEO for the upcoming fiscal year, including target TCC and target TDC.

Role of Tally Sheets

In making compensation decisions for the CEO for each fiscal year, the Committee members review a three-year tally sheet. The tally sheet lists the individual elements of compensation for the past three fiscal years and provides an arithmetic value and summary of the individual elements. This summary provides the Committee with the value of the CEO's compensation package and assists the Committee in determining appropriate changes for the upcoming fiscal year. Consideration of these factors is necessarily subjective in nature and actual pay decisions involve the subjective discretion of the Committee.

Role of the Advisory (Non-binding) Shareholder Vote to Approve Executive Compensation

Cree provides its shareholders with the opportunity to cast an annual advisory (non-binding) vote to approve executive compensation, or the "Say-on-Pay" proposal. At the 2015 Annual Meeting of Shareholders, a substantial majority of the votes cast at that meeting (96%) were voted in favor of the Say-on-Pay proposal, which the Committee believes affirms shareholders' support of Cree's executive compensation program. The Committee considered the result of this vote, and following such consideration, did not make any material changes to Cree's executive compensation decisions or policies. The Committee will continue to consider the outcome of the Say-on-Pay votes when making future compensation decisions for the named executive officers.

Table of Contents

Elements of Executive Compensation and Analysis of Fiscal 2016 Compensation Decisions

The primary elements of Cree's executive compensation program are described below. The term "market data" is described under "Role of Benchmarking and Comparative Analysis" above.

Compensation Element	Purpose	Practice
Base salary	Annual cash compensation for services rendered during the fiscal year.	Competitive market ranges are established using the 50th and 75th percentiles of the market data as "goal posts." Actual executive salary is based on a holistic assessment by the Committee of the scope of position, experience, overall contributions to Cree's success and individual performance and may be outside of these goal posts (and often is outside these goal posts given the Committee's desire to have significant performance based compensation).
Performance-based cash incentive compensation	Annual cash payments for achieving predetermined financial goals and, for all executive officers except the CEO, quarterly cash payments for achieving predetermined financial and/or individual performance goals.	Target incentives, as a percentage of an executive's base salary, are established based on market data. Actual payout is linked directly to the achievement of specified individual performance and/or corporate financial goals. The CEO and other named executive officers are eligible for annual payouts under the LTIP, and the named executive officers other than the CEO are also eligible for quarterly payouts under the MICP.
Long-term equity incentive compensation	Time-based restricted stock units and performance stock units that are designed to drive executives' focus on long-term growth and increased shareholder value and to promote retention.	Equity award grants are based on an evaluation of market data, corporate performance and potential retention risks. Equity levels vary among participants based on position and individual performance. Equity comprises a larger portion of the total direct compensation than the other pay elements.
Post-termination and severance benefits	To provide for certain limited economic security in the event an executive officer is terminated without cause or resigns with good reason.	Cree has entered into a change in control agreement with each named executive officer serving as an executive officer as of the end of fiscal 2016, which features a "double trigger," described in "Change in Control Agreements" on page 50 below. Each such named executive officer is also covered under a severance plan which provides for severance benefits in the event the executive officer is terminated without cause or resigns for good reason (provided that he is not entitled to severance under the severance plan if he is entitled to severance under the change in control agreement).
Other benefits	To attract and retain executives by providing market competitive benefits.	Other benefits are generally those available to all employees. The only perquisite offered to named executive officers is the availability of a voluntary comprehensive physical examination once every two calendar years until age 50 and once per calendar year over age 50.

Table of Contents

The Committee demonstrates its commitment to paying executive officers based on performance through the design of Cree's compensation programs and the setting of stretch goals that support Cree's growth strategy and commitment to increasing shareholder value. The Committee is also committed to maintaining a compensation program that creates appropriate incentives and does not create risks that are reasonably likely to have a material adverse effect on Cree. See "Compensation Program Risk Assessment" on page 15 for details regarding the Committee's annual assessment of the compensation program.

Overall Program Design and Fiscal 2016 Implementation

For fiscal 2016, in August 2015 the Committee evaluated Cree's fiscal 2015 performance to determine performance rewards for fiscal 2015 performance and as an initial reference point in setting fiscal 2016 objectives. Cree's performance in fiscal 2015 showed progress in expanding our Lighting Products and Power & RF businesses, mixed with challenges in the LED industry that affected Cree's LED Products business, which ultimately led to the LED Products business restructuring initiated in June 2015. Fiscal 2015 revenue was similar to fiscal 2014 at $1.63 billion, as growth in Lighting Products mostly offset the decline in LED Products. Non-GAAP net income for fiscal 2015 declined to $72 million, or $0.64 per diluted share, as profit growth in Lighting Products and Power & RF was not enough to offset the significant decline in the LED Products business segment's profits and the related restructuring costs (Cree's net loss on a GAAP basis for fiscal 2105 was $64 million or $0.57 per diluted share; Cree's non-GAAP results exclude stock-based compensation expense; amortization or impairment of acquisition-related intangibles; asset retirement charges; charges associated with the LED business restructuring commenced in June 2015; net changes associated with equity method investments; and the net income tax effect associated with the foregoing).

Based on the fiscal 2015 performance and other factors, the Committee determined to set fiscal 2016 target TDC for the named executive officers between the 50th and 75th percentiles of the market data. Each compensation element is discussed and analyzed below along with the Committee's decisions regarding compensation actions for fiscal 2016.

Base Salary

Base salary ranges are established for each executive officer based on job responsibilities along with the competitive range derived from market data. The Committee considers several factors when determining whether and where to set actual base salaries within the competitive range and whether to increase the base salaries. It assesses the executive's performance against corporate and individual goals, experience, qualifications and scope of responsibilities. The Committee also assesses competitive salary practices by Peer Group companies and as reported in the Radford Global Technology survey. Further, the Committee considers the portion of each named executive officer's TDC that is comprised of fixed compensation (base salary) and the portion that is comprised of at-risk compensation (performance based incentives). The Committee is committed to reinforcing pay-for-performance, which it does by ensuring that fixed pay is a relatively small proportion of TDC, while remaining within the market competitive range.

Given the overall fiscal 2015 financial results, in August 2015 the Committee did not approve any base salary merit increases for the named executive officers for fiscal 2016, resulting in the same base salaries for the named executive officers in fiscal 2016:

Executive Officer	Fiscal 2015 Salary	Fiscal 2016 Salary	Percentage Increase
Charles M. Swoboda	$785,000	$785,000	—
Michael E. McDevitt	$440,000	$440,000	—
Franco Plastina	$450,000	$450,000	—
Norbert W. G. Hiller	$420,000	$420,000	—

Table of Contents

Performance-Based Cash Incentive Compensation

Cree pays annual performance-based cash incentive compensation to the CEO and the other named executive officers for achievement of annual financial objectives under the LTIP. In addition, under the MICP, Cree pays the named executive officers (other than the CEO) quarterly performance-based cash incentive compensation for achievement of quarterly financial and individual objectives. The Committee measures the performance of Cree against annual financial objectives established at the beginning of the fiscal year. The CEO measures the performance of the other named executive officers against quarterly financial and individual objectives established at the beginning of each fiscal quarter.

Long-Term Incentive Compensation Plan (LTIP)

As explained above, the CEO and the other named executive officers are eligible to receive annual performance-based cash incentive compensation under the LTIP (referred to as performance units). Mr. Swoboda does not participate in any other cash-based performance incentive plan, including the MICP. The LTIP is designed to comply with Section 162(m) in that performance unit awards are contingent upon achievement of pre-determined corporate objectives. Awards are paid based on achievement of these performance goals established under the LTIP and are calculated using a pre-defined formula based on the level of Cree's financial performance, and the target awards are expressed as a percentage of the named executive officer's base salary. Any payment under these performance units are paid only in cash. In August 2015, each of Messrs. Swoboda, McDevitt and Hiller received performance units under the LTIP for fiscal 2016 with the same annual targets as those established for the annual corporate performance goals under the MICP (discussed below). Mr. Plastina did not receive any performance units under the LTIP for fiscal 2016.

For fiscal 2016, the annual financial targets approved by the Committee were stated in terms of revenue and non-GAAP operating income calculated as described above for fiscal 2016. In addition, before any annual payouts could be made under the LTIP (or the MICP) for fiscal 2016 performance, the Committee determined that a minimum non-GAAP operating income threshold for fiscal 2016 must be met first in order for any annual award to be paid (even if the revenue target was otherwise met).

Except as provided in the severance plan discussed below, or with respect to death or long-term disability or a change in control, (1) the named executive officer must have been continuously employed as an executive officer through the last day of the performance period; (2) the performance units would not be considered earned until the last day of the performance period; and (3) if the named executive officer terminated his employment prior to the last day of the performance period, with or without cause, he would have forfeited his performance units.

Management Incentive Compensation Plan (MICP)

Like the LTIP, the MICP provides guidelines for the calculation of annual and quarterly performance-based cash incentive compensation, subject to Committee oversight and modification. The participants in the MICP include the named executive officers (other than the CEO), other senior level managers who report directly to the CEO, and other key employees identified as participants by the CEO. As described above, for fiscal 2016, Messrs. McDevitt and Hiller were granted performance units under the LTIP instead of participating in the annual component of the MICP. Accordingly, only the quarterly components of the MICP are discussed below.

Awards under the MICP are determined based on performance measures in two categories: corporate goals, set both annually and quarterly; and individual goals, which are established quarterly. Under the MICP, the annual corporate performance goals are one or more annual financial targets recommended by the CEO and approved by the Committee at the beginning of the fiscal year. For fiscal 2016, the annual financial targets approved by the Committee were the same under the LTIP and the MICP. In addition, before any annual payouts could be made under the MICP (or the LTIP, as described above) for fiscal 2016 performance, the Committee determined that a minimum non-GAAP operating income threshold for fiscal 2016 must be met first in order for any annual award to be paid (even if the revenue target was otherwise met).

Similarly, under the MICP, quarterly corporate performance goals are one or more financial targets established by the CEO for a fiscal quarter at the beginning of each quarter. For fiscal 2016, the quarterly financial targets were consistent with quarterly corporate financial guidance and were stated in terms of revenue and non-GAAP operating income.

38

Table of Contents

Individual goals are performance objectives specific to the individual or the individual's business unit's performance for the fiscal quarter. For fiscal 2016, no award may be paid based on achievement of individual goals in a fiscal quarter unless Cree first achieves its corporate financial goals for that quarter, unless otherwise determined by the CEO or the Committee, as described below.

Quarterly corporate goals and individual goals are measured at quarter end, and any corresponding awards are paid to eligible participants following approval of the award amounts by the CEO. In order to ensure Cree's best interests are met, the amount of a payment on an award otherwise calculated in accordance with the MICP may be increased, decreased or eliminated at any time prior to payment, in the sole discretion of the CEO, except that no change with respect to any award to any executive officer of Cree shall be made without Committee approval. The actual awards paid to participants, if any, may vary with the level of achievement of the corresponding goals but cannot exceed the aggregate level approved by the Committee for 100% achievement.

Unless otherwise approved by the Committee in the case of executive officers or by the CEO in any other case, and except in the case of termination due to retirement, death or disability or in connection with a change in control, eligible participants must be employed by Cree on the last day of the performance period in order to receive payment for an award under the MICP. The MICP provides that, in the event of a change in control, Cree's performance against the quarterly corporate goals and each participant's performance measurement against individual goals for any performance period ending after the effective date of the change in control will be deemed to be 100%, Cree's performance against the annual corporate goals will be deemed to be at least 100%, and the associated awards will be paid regardless of whether the participant remains employed during or at the end of the performance period.

Cash Incentive Targets and Components under MICP and LTIP

Consistent with Radford's analysis of Cree's executive compensation as compared to the market data, in August 2015, the Committee left the annual target cash incentive awards for fiscal 2016 for each of the named executive officers unchanged.

The target cash incentive awards for the named executive officers are summarized as follows:

- Mr. Swoboda's annual target cash incentive award for fiscal 2016 was set at 140% of his base salary. This put Mr. Swoboda's target TCC slightly above the 50^{th} percentile of the market data. Mr. Swoboda's entire cash incentive award for fiscal 2016 is based solely on annual goals.
- Messrs. McDevitt and Hiller had their annual target cash incentive awards for fiscal 2016 set at 80% of base salary, which put Mr. McDevitt's and Mr. Hiller's target TCC at approximately the 50^{th} percentile of the market data.
- Mr. Plastina's annual target cash incentive award for fiscal 2016 was set at 85%, which put his target TCC at approximately the 50^{th} percentile of the market data.
- Annual goals continue to comprise 60% of the target incentive for Messrs. McDevitt, Hiller and Plastina (equal to 60% of 80%, which is 48% of base salary, for Messrs. McDevitt and Hiller; and equal to 60% of 85%, which is 51% of base salary for Mr. Plastina).
- Quarterly goals continue to comprise 40% (10% per quarter) of the target incentive (equal to 40% of 80%, which is 32% of base salary for Messrs. McDevitt and Hiller, and equal to 40% of 85%, which is 34% of base salary for Mr. Plastina). Typically, a portion of the quarterly goals represents the achievement of corporate financial objectives and the remainder represents the achievement of individual objectives. No payout is made in any given quarter if the corporate financial objective is not met.

A schematic of the plan design for named executive officers Messrs. McDevitt and Hiller, excluding the CEO and Mr. Plastina, is shown below:

Table of Contents

LTIP and MICP Annual Component

When determining the level of annual cash-based awards payable under the LTIP (or MICP), performance against each financial measure is weighted equally in determining the amount of any annual award payout, and the annual award payout percentage is the average of the percentage of achievement of each measure, rounded to the nearest whole percentage. For fiscal 2016, in August 2015 the Committee determined that no payout would be made for the annual corporate financial goals unless the minimum non-GAAP operating income threshold was achieved. Provided that the minimum non-GAAP operating income goal was achieved, if attainment of a goal met or exceeded the minimum performance level but fell below the target, a payment would be earned of at least 50% but less than 100% of the target award opportunity for such annual corporate goal, and if attainment of a goal met or exceeded the target performance level but fell below the maximum, a payment would be earned of at least 100% but less than 200% of the target award opportunity for such corporate goal. The maximum payment for any annual award payout would be 200% of the target annual award opportunity.

MICP Quarterly Component

Quarterly targets are set at the beginning of each fiscal quarter. For fiscal 2016, quarterly targets were measured in terms of (1) both revenue and non-GAAP operating income, consistent with quarterly corporate financial guidance; and (2) individual performance objectives specific to each named executive officer (other than the CEO). Individual performance objectives during fiscal 2016 for each of the named executive officers were as follows:

- Michael E. McDevitt. Mr. McDevitt’s individual objectives encompassed Company financial goals, as well as matters related to the implementation of a new enterprise resource planning (ERP) system.
- Norbert W. G. Hiller. Mr. Hiller’s individual objectives encompassed Lighting business unit financial goals, as well as certain customer service and return objectives.
- Frank Plastina. Mr. Plastina’s individual objectives encompassed Wolfspeed financial goals including revenue, gross margin and operating income.

Under the MICP, an executive can only earn a payout for a quarter if the minimum level of the corporate performance goal for that quarter was achieved. If the minimum level of the corporate performance goal was achieved for the quarter, the executive would receive the corporate portion of the target quarterly award opportunity;

Table of Contents

if the executive also achieved individual performance goals, he could receive up to 100% of the target quarterly award opportunity, with the exact percentage depending on the level of achievement of his individual performance goals.

Performance Goals for Fiscal 2016

Annual Corporate Goals

Minimum, target, and maximum annual goals for fiscal 2016 for each performance measure were pre-set and approved by the Committee in August 2015 based upon a comparison to the actual revenue and non-GAAP operating income actually achieved in fiscal 2015. Minimum revenue and non-GAAP operating income goals for fiscal 2016 were equal to the fiscal 2015 actual results. The fiscal 2016 target revenue and non-GAAP operating income goals were set at 10% and 115%, respectively, above the fiscal 2015 actual results, and the maximum revenue and non-GAAP operating income goals were set at 38% and 168%, respectively, above the fiscal 2015 actual results.

The Committee established the following goals for fiscal 2016:

Performance Goal	Minimum	Target	Maximum
Revenue	$1.63B	$1.80B	$2.25B
Non-GAAP operating income	$67.1M	$144.0M	$180.0M

Results and Actual Payouts for Fiscal 2016

Cree reached the $67.1 million minimum level of non-GAAP operating income required for the LTIP (and MICP) annual payments, achieving non-GAAP operating income of $102 million. Revenue was $1.62 billion, just below the minimum of $1.63 billion. Consequently, some annual payouts were made to the CEO and the other named executive officers under the LTIP. Cree achieved the financial goals in three of the four quarters of fiscal 2016, so quarterly payouts were made for those fiscal quarters to each named executive officer other than the CEO under the MICP. Accordingly, the named executive officers earned the following performance-based incentive cash awards for fiscal 2016:

Executive Officer	Target Award	Actual Award Earned	Actual Award as a Percent of Target	Actual Award as a Percent of Salary
Charles M. Swoboda	$ 1,099,000	$ 252,770	23 %	32%
Michael E. McDevitt	$ 352,000	$ 129,536	37 %	29%
Franco Plastina	$ 382,500	$ 113,985	30 %	25%
Norbert W. G. Hiller	$ 336,000	$ 128,688	38 %	31%

LTIP Equity Awards

Equity awards are granted to the named executive officers under the shareholder-approved LTIP to align their performance with shareholder interests, provide an opportunity for these officers to increase their ownership stake in Cree, and also provide for executive officer retention. The Committee emphasizes the importance of company and shareholder value growth by endeavoring to create compensation packages for the named executive officers with the general goal that approximately 75% or more of such individuals' TDC would be at risk, and would generally only be earned by the executives based on increasing Cree's operating profits, which historically have been highly correlated with an increase in Cree shareholder value. As a result, for fiscal 2016, the Committee approved grants of RSUs and PSUs as long-term equity compensation.

The Committee generally approves annual equity grants under the LTIP to be made on the first business day of September. The Committee awards equity grants without regard to any scheduled or anticipated release of material information, and does not accelerate or delay equity grants in response to material information or delay the disclosure of information due to plans to make equity grants.

Table of Contents

Fiscal 2016 Equity Awards

The Committee approved the following equity grants to the named executive officers below at the August 2015 meeting. The awards were granted on September 1, 2015:

Executive Officer	Stock Options	RSUs	Performance Stock Units
Charles M. Swoboda	—	115,147	76,765
Michael E. McDevitt	—	34,158	22,772
Norbert W. G. Hiller	—	28,269	18,846

Because Mr. Plastina was appointed to his Cree officer role in June 2015 as part of his employment to be the Wolfspeed Chief Executive Officer upon Wolfspeed's initial public offering (IPO), pursuant to which he was to receive a block equity grant in Wolfspeed shares upon the consummation of the Wolfspeed IPO, Mr. Plastina did not receive any annual equity grants from Cree in September 2015. Mr. Plastina was subsequently granted 6,772 Cree RSUs on November 2, 2015 after the Company determined that the Wolfspeed IPO would be delayed. Mr. Plastina did not receive any Cree PSUs for fiscal 2016.

In granting equity awards, the Committee considered Cree's current and historical financial performance, along with each executive's demonstrated ability to sustain performance over time. The Committee also reviewed annual equity usage and assessed Cree's historical use of shares, as compared to the peer companies. Specifically, the Committee determined that Cree's annual burn rate, net of forfeitures, as of the end of fiscal 2015 had averaged approximately 3.4% of average weighted shares outstanding for fiscal 2015, and approximately 3.2% for the three fiscal year period, which the Committee has been advised by Radford is near the median rate among peer companies in the semiconductor industry.

Based on these considerations and the TDC analysis prepared by Radford, the Committee determined that the September 1, 2015 equity grant amounts above were appropriate, because these equity grants awarded to the named executive officers, including the PSUs, reflected a target TDC between the 50th and 75th percentiles of the market data (based on the Black-Scholes value of such equity at the time of grant). The Committee believes that the grant sizes at this level reinforce the focus on enhancing shareholder value and position the target TDC within the desired range, while also meeting the goal of having approximately 75% of the named executive officers' TDC at risk.

Equity awards are reflected as compensation for fiscal 2016 in accordance with applicable reporting requirements in the Summary Compensation Table on page 46 under the "Stock Awards" and "Option Awards" columns and in the Grants of Plan-Based Awards table on page 47.

Restricted Stock Units (RSUs)

Restricted stock units (RSUs), which are subject to time-based vesting, also align the interests of the named executive officers with the interests of Cree's shareholders because the value of RSUs fluctuates with Cree's stock price. The primary value of RSUs, however, is that they create a strong incentive for retention, as RSUs have full value to the named executive officers upon vesting.

RSUs granted in September 2015 to the three named executive officers (Messrs. Swoboda, McDevitt and Hiller) in fiscal 2016 vest ratably in equal annual increments over four years from the grant date. The RSUs granted to Mr. Plastina in November 2015 vest in November 2016. Vesting ends upon termination of employment, and all unvested shares of restricted stock are forfeited; however, vesting accelerates upon death or termination of employment due to disability. Under the terms of the named executive officers' change in control agreements, however, vesting of options and restricted stock may also be accelerated in certain circumstances as discussed below.

Performance Stock Units (PSUs)

Performance stock units (PSUs) even further align the interests of the named executive officers with the interests of Cree's shareholders because not only does the value of PSUs fluctuate with Cree's stock price, but the performance criteria must first be met for the PSUs to vest. PSUs have retention incentives similar to RSUs, because PSUs will have full value to the named executive officers if the PSUs vest.

For fiscal 2016, in August 2015 the Committee granted PSUs to the named executive officers (other than Mr. Plastina) that would vest, if at all, in three equal tranches based on the terms and conditions set forth below tied to

42

Cree's non-GAAP operating income as determined by the Committee as specified below for the Company's 2016, 2017 and 2018 fiscal years, assuming the named executive officer had not terminated his service to Cree, as follows:

- one-third of the PSUs would vest on September 1, 2016, if the Company achieves fiscal 2016 non-GAAP operating income of at least $77.2 million (i.e., at least a fifteen percent (15%) increase in non-GAAP operating income for fiscal 2016 as compared to actual fiscal 2015 non-GAAP operating income of $67.1 million);
- one-third of the PSUs would vest on September 1, 2017, if the Company achieves fiscal 2017 non-GAAP operating income of at least $88.8 million (i.e., at least a fifteen percent (15%) increase in non-GAAP operating income for fiscal 2017 as compared to the minimum fiscal 2016 non-GAAP operating income target of $77.2 million); and
- 100% of the PSUs, less any PSUs previously vested in September 2016 or September 2017, would vest on September 1, 2018, if the Company achieves fiscal 2018 non-GAAP operating income of at least $102.1 million (i.e., at least a fifteen percent (15%) increase in non-GAAP operating income for fiscal 2018 as compared to the minimum fiscal 2017 non-GAAP operating income target of $88.8 million).

Any portion of a PSU which is deemed unearned at the end of the 2016 fiscal year performance period and/or the 2017 fiscal year performance period will carry forward and may be earned together with the fiscal 2018 portion of the award if the Committee determines that the non-GAAP operating income performance objective for fiscal 2018 has been achieved. Vesting of these PSUs granted in August 2015 ends upon termination of employment, and all unvested PSUs are forfeited. Unlike for RSUs, vesting of PSUs does not accelerate for the named executive officers upon death or termination of employment due to disability. Under the terms of the named executive officers' change in control agreements, however, vesting of options and restricted stock may also be accelerated in certain circumstances as discussed below, but performance based awards like the PSUs granted in August 2015 are excluded from such acceleration.

Cree's non-GAAP operating income for fiscal 2016 was $102 million, and as a result, one third of the PSUs granted in August 2016 were earned and vested in September 2016.

Additional Information

Other Benefits and Perquisites

Consistent with Cree's compensation philosophy, the Committee seeks to limit the perquisites provided to the named executive officers. Generally, the named executive officers are eligible to participate in only those benefit and retirement programs available to other employees, including Cree's 401(k) plan, health and welfare plans, group term life insurance plan and Cree's employee stock purchase program. The named executive officers receive matching contributions under the 401(k) plan consistent with other participating employees. Such matching contributions for named executive officers for fiscal 2016 are included in the Summary Compensation Table on page 46 under the "All Other Compensation" column.

The current named executive officers are eligible to participate in a voluntary executive physical program. This benefit is intended to encourage named executive officers to receive regular comprehensive physical examinations, as their future health and well being are important to Cree's success. Each participant is encouraged to voluntarily elect a comprehensive physical examination once every two calendar years until age 50 and once per calendar year thereafter at a facility designated by Cree.

Post-Termination Arrangements

Cree has entered into a change in control agreement with each named executive officer that remains in effect so long as the executive is a Section 16 Officer (as defined below). This agreement provides for certain payments to the named executive officer in the event his employment is terminated without cause or he resigns for good reason in connection with a change in control of Cree or, in the case of Mr. Plastina's agreement, a business unit of Cree. Additionally, the Committee has adopted the Severance Plan for Section 16 Officers, or the Severance Plan, which provides for severance benefits in the event an executive officer is terminated without cause or resigns for good reason and is not entitled to compensation under a change in control agreement. The only officers currently eligible to participate in this Severance Plan, and the only officers whose change in control agreements are still in effect, are the CEO, Executive Vice President and CFO, and Executive Vice President–Power & RF. The Committee has approved these severance benefits following termination, both in the context of a change in control and in other

Table of Contents

circumstances, to encourage executive officers to act in Cree's best interests without regard to potential concerns for loss of income in the event of a disagreement with management or the Board of Directors that leads to termination of employment.

Change in Control Agreements

Cree has entered into a Change in Control Agreement with each named executive officer to promote the stability and continuity of senior management as well as to ensure that the executive remains focused on Cree's shareholders' interests, rather than his own, in the context of a change in control transaction. Further, the change in control agreement features a double trigger, which means that payments are not triggered on a change in control unless, in connection with the change in control, the executive either (1) is terminated without cause; or (2) terminates his employment for good reason. Termination is considered to be in connection with a change in control if it occurs within 12 months following a change in control, or, with respect to our CEO, within 24 months following a change in control. See "Potential Payments upon Termination or Change in Control" on page 50 below.

In determining the various circumstances that trigger payment or provision of severance benefits to the named executive officers and the payment and benefit levels associated with each circumstance (other than such payments and benefits that are generally available to all employees), the Compensation Committee reviewed severance benefits data derived from proxy materials filed by our Peer Group. The Compensation Committee utilized this competitive severance benefits data as a check to determine whether each of the proposed severance payments and benefits for the named executive officers was set at an appropriate level for the circumstance that triggers payment or provision of benefits in light of market conditions. The Compensation Committee generally seeks to confirm annually that the level of each severance payment or benefit for the named executive officers is at or slightly above the median level of comparable payments and benefits offered to similarly situated executives in our Peer Group. In approving the provision of severance benefits to the named executive officers and the payment and benefit levels associated with each circumstance, the Compensation Committee was briefed by Radford on the overall competitiveness of the proposed severance payment and benefit levels for the named executive officers in a broader cross-section of the total market.

Severance Plan

The Severance Plan provides severance benefits in the event of termination of employment without cause or resignation for good reason to Cree's officers who are subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934, as amended, or Section 16 Officers. All of the current executive officers are therefore eligible to participate in the Severance Plan. The Severance Plan will not apply to a Section 16 Officer, however, if he becomes entitled to the payment of severance benefits upon termination of employment in connection with a change in control pursuant to a separate agreement with Cree, such as the Change in Control Agreements described above.

In the event of termination of the CEO's employment without cause or his resignation for good reason, he is entitled to 18 months' continuation of base salary and a lump sum payment equal to 18 months of COBRA premiums under the Severance Plan. Messrs. McDevitt and Plastina are entitled to 12 months' continuation of base salary and a lump sum payment equal to 12 months of COBRA premiums under the Severance Plan. As amended in October 2013, the Severance Plan also provides that an eligible Section 16 Officer will be entitled to receive an amount equal to the total payout at target for one year under the MICP and any performance unit grant in effect as of his termination date (or in the case of the CEO, an amount equal to 1.5 times the annual payout at target under any performance unit 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 the Section 16 Officer becomes generally disabled and his employment is terminated before he becomes eligible for benefits under Cree's long-term disability program or if he elects to resign for good reason because Cree does not restore him to his prior position and level of authority after he returns from long-term disability leave, then 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 the Section 16 Officer to sign a release of claims. The CEO is not required to extend his non-compete period as a condition to receipt of benefits under the Severance Plan.

Table of Contents

Section 162(m) Treatment Regarding Performance-Based Equity Awards

The Committee reviews and considers the deductibility of executive compensation under Section 162(m), which provides that Cree may not be able to deduct compensation of more than $1,000,000 that is paid to certain executive officers. Performance-based compensation within the meaning of Section 162(m), including stock and cash incentive compensation under the LTIP, is excluded from this limitation. Cree seeks to structure the performance-based portion of the compensation of the executive officers in a manner that complies with Section 162(m) when Cree considers it to be in Cree's best interests, taking into account all relevant factors. The deductibility of compensation payable to the executive officers, however, is only one among a variety of factors that the Committee may consider in determining appropriate levels or forms of compensation.

Share Ownership Guidelines

The Board of Directors has adopted Corporate Governance Principles for Cree that include share ownership guidelines for members of the Board of Directors and executive officers. Under these guidelines, within five years after election or appointment:

- the CEO is expected to own shares with a value not less than five times his base salary;
- each other executive officer is expected to own shares with a value not less than two times the officer's base salary; and
- each non-employee member of the Board of Directors is expected to own shares with a value not less than five times the sum of the director's retainers for service on the Board and on Board committees.

Presently all directors and executive officers meet these minimum ownership guidelines.

Compensation Committee Report

The Compensation Committee met on August 23, 2016 and reviewed and discussed the Compensation Discussion and Analysis with management and, based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

THE COMPENSATION COMMITTEE

Thomas H. Werner, Chairman
Robert L. Tillman
Anne C. Whitaker

Table of Contents

Summary of Cash and Certain Other Compensation

The following table summarizes the compensation of the Company's chief executive officer and all other persons who served as named executive officers during fiscal 2016.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Stock Awards ($) (1)	Option Awards ($) (1)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($) (2)	Total ($)
(a)	(b)	(c)	(e)	(f)	(g)	(i)	(j)
Charles M. Swoboda	2016	$785,000	$5,003,146	—	$ 252,770	$ 7,984	$6,048,900
Chairman, CEO and President	2015	$779,615	$3,610,400	$1,016,909	—	$ 9,453	$5,416,377
	2014	$742,308	$3,276,000	$952,510	$ 796,875	$ 8,925	$5,776,618
Michael E. McDevitt	2016	$440,000	$1,484,165	—	$ 129,536	$ 8,559	$2,062,260
Executive Vice President and CFO	2015	$433,077	$1,128,250	$254,227	$ 21,120	$ 9,634	$1,846,308
	2014	$391,923	$1,201,200	$304,803	$ 227,520	$ 8,878	$2,134,324
Franco Plastina	2016	$450,000	$172,957	—	$ 113,985	$ 9,502	$746,444
Executive Vice President–Power & RF (3)	2015	$252,965	$191,532	—	—	—	$444,497
Norbert W. G. Hiller	2016	$420,000	$1,228,288	—	$ 128,688	$ 8,680	$1,785,656
Former Executive Vice President–Lighting (4)	2015	$413,846	$992,860	$206,560	$ 19,320	$ 9,599	$1,643,185
	2014	$379,231	$982,800	$247,653	$ 222,427	$ 8,339	$1,840,450

(1) Represents the aggregate grant date fair value of service-based RSUs, PSUs and stock options granted during the fiscal years shown calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation-Stock Compensation, or ASC Topic 718. The aggregate grant date fair value is the amount we expect to expense in our financial statements over the award's vesting schedule. See Note 10 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended June 26, 2016 for assumptions used in the calculations. There can be no assurance that the ASC Topic 718 grant date fair value amounts will ever be realized. For example, because the PSUs did not pay out for fiscal 2015, the amount in the Stock Awards column for 2015 for each of Messrs. Swoboda, McDevitt and Hiller reflect $902,600, $406,170 and $406,170, respectively, that will not be received by the executives.

(2) Amounts listed in column (i) represent matching contributions to the 401(k) retirement plan. No named executive officer received perquisites and personal benefits valued, in the aggregate, at $10,000 or more. Therefore, in accordance with Securities and Exchange Commission disclosure rules, this column does not reflect the value of the perquisites and personal benefits received for fiscal 2014 through 2016.

(3) Stock awards include RSUs granted to Mr. Plastina in fiscal 2015 in connection with his service as a non-employee director prior to the time he was appointed an executive officer.

(4) Mr. Hiller served as Executive Vice President–Lighting from December 2, 2013 to April 5, 2016, and prior to that served as Executive Vice President–LEDs effective October 18, 2011.

Table of Contents

Grants of Equity and Non-Equity Incentive Awards

The following table provides information about RSUs, PSUs and non-equity incentive plan awards granted to the named executive officers during fiscal 2016. All RSUs and PSUs were granted under the LTIP, and the quarterly portion of the non-equity incentive plan awards were granted under the MICP for the executive officers excluding the CEO. No stock options were granted to the named executive officers in fiscal 2016.

Grants of Plan-Based Awards in Fiscal 2016

Name	Grant Date	Approval Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Possible Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock or Units (#) (3)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)
			Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)				
Charles M. Swoboda			$549,500	$1,099,000	$2,198,000				—	—	—	—
	9/1/2015	8/24/2015	—	—	—	—	76,765	76,765	—	—	—	$2,001,264
	9/1/2015	8/24/2015	—	—	—	—	—	—	115,147	—	—	$3,001,882
Michael E. McDevitt			$105,600	$352,000	$563,200				—	—	—	—
	9/1/2015	8/24/2015	—	—	—	—	22,772	22,772	—	—	—	$593,666
	9/1/2015	8/24/2015	—	—	—	—	—	—	34,158	—	—	$890,499
Franco Plastina			$114,750	$382,500	$612,000				—	—	—	—
	11/2/2015	10/26/2015	—	—	—	—	—	—	6,772	—	—	$172,957
Norbert W.G. Hiller			$100,800	$336,000	$537,600				—	—	—	—
	9/1/2015	8/24/2015	—	—	—	—	18,846	18,846	—	—	—	$491,315
	9/1/2015	8/24/2015	—	—	—	—	—	—	28,269	—	—	$736,973

(1) Non-equity incentive plan awards represent the threshold, target and maximum amounts of cash incentive compensation payable under the MICP and the performance units granted under the LTIP. The actual amounts earned are disclosed in the "Non-Equity Incentive Plan Compensation" column of the "Summary Compensation Table." For the executive officers excluding the CEO, threshold payment amounts are comprised solely of the annual component of the target incentive, assume only the attainment of the minimum annual goals and are paid at 50% of the target incentive; there are no quarterly threshold payments because the target goals must be met for any quarterly payments. Target payment amounts are paid at 100% of the target incentive and assume goal attainment of 100% of the target quarterly and annual goals. Maximum payment amounts reflect the quarterly payout cap of 100% of the quarterly component of the target incentive and the annual payout cap of 200% of the annual component of the target incentive, which assumes goal attainment of the maximum annual goals. The CEO, Mr. Swoboda, does not receive incentive payments for achievement of quarterly goals; the threshold, target and maximum payment amounts under Mr. Swoboda's performance units are respectively 50%, 100%, and 200% of the annual target incentive, identical to the annual components for other executive officers. For additional information regarding the MICP, LTIP and performance units, see "Compensation Discussion and Analysis" above.

(2)

The PSUs granted to Messrs. Swoboda, McDevitt and Hiller vest, if at all, in three equal tranches based on the performance goal tied to Cree's non-GAAP operating income for the Company's 2016, 2017 and 2018 fiscal years, assuming the named executive officer has not terminated his service to Cree. The performance goal for the PSUs was an increase in non-GAAP operating income year-over-year based on fiscal year-end 2015 non-GAAP operating income of $67.1M. The target (and maximum) payout of 100% for each tranche would be achieved upon an i