

CREE, INC.

Audit Committee Charter

Purpose

The Audit Committee (the "Committee") is a standing committee of the Board of Directors appointed:

- for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the Company's financial statements;
- to act on behalf of the Board of Directors in providing oversight with respect to (i) the quality and integrity of the Company's financial statements and internal accounting and financial controls; (ii) all audit, review and attest services relating to the Company's financial statements and internal controls (collectively, "audit services"), including the appointment, compensation, retention and oversight of the work of the auditors engaged to provide audit services to the Company; and (iii) the Company's compliance with legal and regulatory requirements;
- to report to the Board of Directors on such matters as the Committee deems necessary or appropriate to assure that the Board is informed of any significant developments within the scope of the Committee's responsibilities that merit the attention of the Board;
- to provide the report required of the Committee by the rules of the Securities and Exchange Commission (the "SEC") for inclusion in the Company's annual proxy statement; and
- to fulfill such other responsibilities as may be required of the Committees under applicable law.

Composition

Number and Appointment

The Committee shall be comprised of at least three members, all of whom shall be appointed by the Board of Directors.

Qualifications

All members of the Committee must be members of the Board and meet the independence, financial literacy and other applicable requirements for audit committee members set forth in SEC regulations and the NASDAQ Marketplace Rules. At least one member of the Committee must meet the financial sophistication requirements of the NASDAQ Marketplace Rules.

In appointing members to the Committee, the Board of Directors shall seek to ensure that at least one Committee member qualifies as an audit committee financial expert within the meaning of SEC Regulation S-K, Item 407(d)(5), and that the composition

of the Committee complies with any other listing standards and legal requirements applicable to the Company.

The Board of Directors (or such other committee of the Board as the Board may authorize) shall have sole authority and responsibility for determining whether a member or proposed member of the Committee is qualified for Committee membership, and which Committee member or members (if any) will be designated as an audit committee financial expert, based upon appropriate representations of the individual and such other inquiries as the circumstances may warrant.

Chairman

The Board shall designate one member of the Committee as Chairman. The Chairman need not be an audit committee financial expert.

Meetings and Procedural Matters

Meetings

The Committee shall hold regular meetings at least quarterly may hold regular or special meetings more frequently as the Committee determines necessary or appropriate. Attendance of non-members shall be at the invitation of the Chairman or of two or more members of the Committee. The provisions of Article V of the Bylaws of the Company, which govern meetings of the Board of Directors, shall likewise apply to meetings of the Committee.

Minutes

The Committee shall cause to be prepared minutes of each meeting of the Committee that reflect the date of the meeting, the members in attendance and all actions taken by the Committee at the meeting. Such minutes, together with any actions taken by unanimous written consent, shall be submitted to and maintained by the Secretary as part of the Company's permanent records and shall be disseminated to the Board of Directors.

Procedural Rules

The Committee may establish rules of procedure not inconsistent with this Charter, the Bylaws of the Company or applicable law.

Responsibilities and Authority

Generally

The Committee shall have such responsibilities and authority as are expressly set forth in this Charter or are necessary or incidental to carrying out the purpose of the Committee as stated above, together with such other responsibilities and authority as may be prescribed from time to time by the Board of Directors, by the NASDAQ Marketplace Rules or other listing standards applicable to the Company, or by rules

or regulations of the SEC or the Public Company Accounting Oversight Board or other law.

Engagement of Independent Auditors

The Committee, in its capacity as a committee of the Board of Directors, shall be directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditors (including resolution of disagreements between management and the auditors regarding financial reporting) and any other registered public accounting firm engaged to perform audit services for the Company. The independent auditors and any other such registered public accounting firm providing audit services shall report directly to the Committee. The independent auditors shall be ultimately accountable to the Committee and to the Board of Directors, as representatives of shareholders, and in acting on behalf of the Board the Committee shall have ultimate authority and responsibility to select, evaluate and, where appropriate, replace the independent auditors.

The Committee shall pre-approve all audit and any permissible non-audit services provided to the Company by the independent auditors (including the fees for such services) prior to performance of the services.

The Committee may delegate to one or more designated members of the Committee the authority to pre-approve audit and permissible non-audit services. The decisions of such members to pre-approve audit or non-audit services shall be reported to the Committee at its next scheduled meeting.

The Committee shall not approve any non-audit services by the independent auditors that include (i) bookkeeping or other services related to the accounting records or financial statements of the Company; (ii) financial information systems design and implementation; (iii) appraisal or valuation services, fairness opinions, or contribution-in-kind reports; (iv) actuarial services; (v) internal audit outsourcing services; (vi) management functions or human resources; (vii) broker or dealer, investment adviser, or investment banking services; (viii) legal services and expert services unrelated to the audit; or (ix) any other service that the Public Company Accounting Oversight Board determines by regulation is impermissible.

Related Person Transactions

The Company shall not be authorized to engage in any related person transaction unless the Committee approves the transaction. For purposes of this paragraph the term "related person transaction" refers to transactions required to be disclosed pursuant to SEC Regulation S-K, Item 404, and to any other transaction for which Committee approval is required pursuant to applicable law or listing standards applicable to the Company.

Complaints Relating to Accounting Matters

The Committee shall establish procedures for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by

employees of the Company of concerns regarding questionable accounting or auditing matters. The Committee shall review the procedures periodically and approve any amendments to the procedures.

Authority to Engage Advisers

The Committee shall have the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

Funding

The Company shall provide for appropriate funding, as determined by the Committee, for payment of (i) compensation to the independent auditors or any other registered public accounting firm engaged to perform audit, review or attest services for the Company; (ii) compensation to any advisers employed by the Committee under its authority to engage independent counsel and other advisers as it determines necessary to carry out its duties; and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

Code of Ethics

The Committee shall have oversight responsibility with respect to the Company's Code of Conduct and for assuring that the Company has adopted a code of ethics (either as part of the Code of Conduct or as a separate code) for its chief executive officer and senior financial officers that satisfies the requirements of Section 406 of the Sarbanes-Oxley Act of 2002, SEC Regulation S-K, Item 406 promulgated thereunder, and any other SEC regulations, NASDAQ rules or other listing standards applicable to the Company regarding codes of conduct. The Committee shall periodically review with management the scope and administration of the Company's Code of Conduct to assure that it is kept updated and is appropriate for the Company's business and activities; that it applies to all Company directors, officers and employees; that it is made publicly available in accordance with applicable SEC and NASDAQ rules and regulations; and that it provides for an enforcement mechanism.

Any amendments or waivers of the Code of Conduct (including the code of ethics for the chief executive officer and senior financial officers noted above) effected for or granted to any director or executive officer must be approved by the Board of Directors, or by the Committee acting on behalf of the Board, and shall be promptly reported publicly in accordance with applicable SEC regulations.

The Committee's oversight responsibility for the Code of Conduct shall include oversight of the administration of the Company's securities trading policy. The Committee shall periodically review the securities trading policy and recommend any proposed changes to the Board for approval.

Other Responsibilities and Authority

In carrying out its duties the Committee shall also:

- Engage in an annual self-assessment with the goal of continuing improvement, and review and reassess the adequacy of this Charter as conditions dictate, but at least annually, and recommend any proposed changes to the Board of Directors for approval.
- On quarterly basis, discuss with management the Company's earnings release and revenue and earnings guidance prior to the public dissemination of such releases and guidance.
- Following the conclusion of each audit and quarterly review of the financial statements, meet with the independent auditors and financial management of the Company to discuss the results of the audit or review, including any comments or recommendations by the independent auditors.
- Report the results of the annual audit to the Board of Directors. If requested by the Board, the Committee shall invite representatives of the independent auditors to meet with the Board to assist in reporting the results of the audit and to answer directors' questions regarding the audit.
- Prior to the filing of the Company's annual report on Form 10-K, review the financial statements contained in the Form 10-K, and the corresponding disclosures contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Form 10-K, with management and the independent auditors to determine that the independent auditors are satisfied with the disclosures and content of the financial statements. Review with financial management and the independent auditors the results of their analysis of any significant financial reporting matters and practices, including changes in, or adoptions of, accounting principles and disclosure practices, and discuss any other matters communicated to the Committee by the independent auditors. Also review with financial management and the independent auditors their judgments about the quality, not just acceptability, of the Company's accounting principles and the clarity of the financial disclosure practices used. Also assess the degree of aggressiveness or conservatism of the Company's accounting principles and underlying estimates and other significant decisions made in preparing the financial statements. The reviews contemplated by this paragraph should include open and frank discussions.
- Recommend to the Board of Directors whether the audited financial statements should be included in the Company's annual report on Form 10-K and provide an audit committee report to be included in the Company's proxy statement as required by SEC rules.
- Review the Company's quarterly financial statements and corresponding disclosures contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's quarterly report on Form 10-Q with financial management and the independent auditors, including the results of the auditors' review of the quarterly financial statements, prior to the filing of the Form 10-Q report and prior to the release of results, if practicable.

On a quarterly basis, review with management the Company's accounting for investments.

- Review and provide guidance with respect to each audit and the Company's relationship with its independent auditors by (i) reviewing the scope and approach of the proposed audit; (ii) discussing with the Company's independent auditors the financial statements and audit findings, including any significant judgments and accounting estimates, significant new accounting policies and disagreements with management and any other relevant matters; (iii) reviewing with the independent auditors the Company's critical accounting policies and practices, the effect of alternative generally accepted accounting principles methods on the Company's financial statements, including without limitation the ramifications of such alternatives and the treatment preferred by the independent auditors, and any other material written communications between the independent auditors and management as described in Statement of Auditing Standards No. 114, as modified or supplemented from time to time; (iv) reviewing reports submitted to the Committee by the independent auditors in accordance with applicable SEC requirements; and (v) providing a description of any transaction as to which management obtained letters under Statement on Auditing Standards No. 50.
- On an annual basis, obtain from the independent auditors a written communication delineating all relationships between the auditor and the Company as required by Public Company Accounting Oversight Board Rule 3526, "Communication with Audit Committees Concerning Independence," as modified and supplemented from time to time. In addition, actively discuss with the independent auditors any disclosed relationships or professional services that impact the objectivity or independence of the auditor, or recommend that the Board of Directors take appropriate action to ensure the continuing independence of the auditors.
- Obtain and review annually a report by the independent auditors describing the firm's internal quality-control procedures and any material issues raised by the most recent internal quality-control review or peer review or by any inquiry or investigation by governmental or professional authorities.
- Periodically review with the independent auditors and with the Company's internal audit, financial and accounting personnel the adequacy and effectiveness of the Company's internal controls and procedures for financial reporting, including any significant deficiencies or material weaknesses in the design or operation of the internal controls or any fraud that involves management or other employees who have a significant role in the Company's internal controls. Also review before release the disclosure regarding such system of internal controls required under SEC rules to be contained in the Company's periodic filings and any attestations or reports of the independent auditors related to such disclosure. Also elicit any recommendations for the improvement of such internal controls or for particular areas where new or more detailed controls or procedures are desirable. Emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or improper.

- Review activities, organizational structure, scope and qualifications of the internal audit function, including the appointment and replacement of the senior member of the internal auditing staff. Discuss with the independent auditors and management the internal audit function responsibilities, budget and staffing. The senior member of the internal auditing staff shall report to the Committee, and his or her performance reviews and compensation must be approved by the Committee. The Committee shall meet in executive session with the senior member of the internal audit staff at least annually.
- Review annually with the senior member of the internal audit staff the scope of the internal audit program, and review annually the performance of the internal audit group in executing their plans and meeting their objectives.
- Periodically review with management, the internal auditors, and the independent auditors the Company's significant financial risk exposures, including, without limitation, the Company's policies with respect to risk assessment and Company-wide risk management, and assess the steps management has taken to monitor and control such exposures.
- Provide opportunities at least quarterly for the independent auditors to meet with the Committee without members of management or others present. Among the items to be discussed in these meetings are (i) the independent auditor's evaluation of the Company's financial and accounting personnel; (ii) the adequacy of cooperation of the Company's personnel with the independent auditors during the course of performing audit services; (iii) the selection or application of accounting principles and significant judgments made that affect the financial statements; and (iv) the preparation of the Company's financial statements in accordance with generally accepted accounting principles in all material respects.
- Review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer, in connection with their certifications relating to the Company's periodic reports, about any significant deficiencies in the design or operation of internal controls or material weaknesses and any reported fraud involving management or other employees who have a significant role in the Company's internal controls.
- Review periodically the Company's officers' and directors' expenses.
- Review at least annually with the Chief Financial Officer accounting and financial personnel and succession planning.
- Evaluate and report to the Board, at least annually, on the performance of the independent auditors and whether it is appropriate to adopt a policy of rotating the independent auditor on a regular basis. If determined necessary or appropriate by the Committee, replace the independent auditors.

- Set policies relating to the hiring by the Company of any partner or employee of the Company's independent auditor or any former partner or employee who participated in any capacity in providing audit services to the Company.
- Obtain from the independent auditors assurances that the auditors have adequately informed management and the Committee, as required by Section 10A of the Securities Exchange Act of 1934, as amended, of any illegal acts that have been detected or have otherwise come to the attention of the auditors in the course of the audit.
- Review matters related to the corporate compliance activities of the Company.
- Investigate any matter brought to the Committee's attention within the scope of its duties if the Committee determines that an investigation is necessary or appropriate, and the Committee shall be authorized in that respect to require directors, officers, employees, attorneys, accountants and other advisers to the Company to provide such information and records relating to the subject of the investigation as the Committee may request.
- Review with management and the independent auditors any correspondence with regulators or governmental agencies, any complaints received by the Company or the Audit Committee and any employee submissions or published reports, which raise material issues regarding the Company's financial statements or accounting policies.
- Review with the Company's General Counsel or Associate General Counsel legal matters that may have a material impact on the Company's financial statements.

Compensation

Members of the Committee shall receive such compensation for service on the Committee as may be determined from time to time by the Board of Directors. Members may not receive other compensation from the Company of any kind except compensation for service as a member of the Board of Directors or for service on a Board committee.