

*Effective January 25, 2010*

**CREE, INC.**  
**Code of Conduct**

# CREE, INC.

## Code of Conduct

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# CREE, INC.

## Code of Conduct

### INTRODUCTION

This Code of Conduct reflects Cree's commitment to integrity. It describes standards of conduct for our employees and directors in performing their duties for the Company, and it applies throughout the organization to employees and directors of Cree and all of its subsidiaries. (References to "Cree" and the "Company" in this Code mean Cree, Inc. and its wholly-owned subsidiaries.)

#### ***Core Principles***

The standards of conduct embodied in this Code are based upon the following core principles by which we operate our business:

- We act honestly and ethically in all of our Cree activities and relationships.
- We seek to avoid all conflicts of interest between our work and personal interests.
- We obey all laws, rules and regulations applicable to Cree's business worldwide.
- We seek to foster a workplace in which all individuals are treated fairly.
- We endeavor to maintain a safe workplace and to protect the environment.
- We strive to recognize and value ethical conduct.

#### ***Personal Commitment and Accountability***

As an employee or director, you are expected to review and comply with the Code of Conduct. We will ask all new employees and directors to sign an acknowledgement that they have received the Code and commit to comply with it. We will also from time to time ask all employees and directors to acknowledge receipt of the most recent version of the Code and to confirm their commitment to comply with it.

Abiding by the principles underlying this Code is vital to our long-term success in achieving increased shareholder value.

Because of the importance of these principles, you are responsible as an employee or director for personally complying with the Code. Violations of the Code will result in appropriate action intended to deter future wrongdoing and to promote accountability for adherence to the Code. Depending upon the circumstances, such action for employees may consist of warnings, denial of promotion, demotion or re-assignment, suspension or termination of employment.

#### ***How to Obtain Help***

Employees who have questions about the Code of Conduct are encouraged to discuss the questions with their immediate supervisors. Cree strongly encourages dialogue among employees and their supervisors to recognize situations that may raise ethical questions and to articulate acceptable ways of handling those situations. Employees with questions about the Code may also contact their departmental manager or a representative of Human Resources or the Legal Department.

#### ***Reporting Violations***

If you observe or are subjected to conduct that you believe violates the Company's policies prohibiting unlawful harassment and unlawful discrimination, you should promptly report the conduct using the procedures for that purpose described in the Company's Human Resources

policy manual.

If you become aware of any other violation or suspected violation of this Code, you should promptly report the matter to one of the Company's Compliance Contacts, through the Company's Compliance Hotline or to one of the Company's Compliance Committee members.

Compliance Contacts are senior management and employees throughout the Company trained to receive compliance reports from employees. Their contact information is listed on the Compliance Section of CreeNet.

The Compliance Committee Members are: Adam Broome, General Counsel; John Kurtzweil, Chief Financial Officer; and Diana Allen, Associate General Counsel. Their contact information is listed on the Compliance Section of CreeNet

You may submit reports to the Company's Compliance Hotline using the internet or by telephone. To submit a report using the internet, go to [www.mycompliancereport.com](http://www.mycompliancereport.com) and enter "Cree" as the Access ID. To submit a report using the intranet, go to the "Hotline" link on CreeNet. To submit a report by telephone, call +1 (800) 453-3918 from anywhere in the world. For detailed telephone and website link information, see the Compliance Hotline Access Appendix to this Code. If you wish, you may report matters on the Compliance Hotline anonymously, without giving your name. Such anonymous reports will be handled as confidentially as possible. While total anonymity cannot be guaranteed during the investigation process, the Company will preserve confidentiality whenever possible.

The General Counsel will review reports of suspected Code violations and refer the matter for investigation as deemed appropriate.

The Compliance Committee is responsible for periodically reporting to the Audit Committee regarding violations of the Code and the enforcement actions taken or proposed.

### ***Policy Against Retaliation***

It is the Company's policy not to discharge, demote, suspend, threaten, harass or in any manner discriminate against any employee in the terms and conditions of employment based upon any lawful actions of the employee with respect to good faith reporting of violations or suspected violations of the Code of Conduct. If an employee believes that he or she has been the subject of retaliatory action for having reported a matter under the Code, the employee should promptly report the matter following the procedures in this Code so that it can be investigated and addressed promptly and appropriately. Submitting reports that the employee knows to be false or to lack any basis is improper conduct, not in good faith, and is not protected by this policy.

### ***Interpretation of the Code***

The Audit Committee of the Board of Directors of the Company has responsibility for the final interpretation of the Code of Conduct. The Code may be amended at any time by the Board of Directors or the Audit Committee acting on its behalf.

This Code of Conduct reflects general standards of conduct to guide employees in making ethical decisions and is not intended to address every situation. Nothing in this Code of Conduct prohibits or restricts the Company from taking any disciplinary action on any matters pertaining to employee conduct, whether or not expressly discussed in this document. The Code is not intended to create any express or implied contract with any employee or third party. The Code is also not intended to create or result in the imposition of any civil or criminal liability that would not exist if the Company had not adopted this Code.

## ***Waivers***

Waivers of the Code of Conduct involving directors or executive officers require the approval of the Board of Directors or the Audit Committee acting on its behalf. Waivers for other employees require approval of the employee's departmental manager and a member of the Compliance Committee.

## ***Additional Resources***

Depending upon your responsibilities within the Company, you may be provided with additional policies that govern your conduct with respect to particular matters. If you have questions about whether other Company policies apply to your areas of responsibility, please contact your immediate supervisor, your departmental manager or a representative of Human Resources.

## **CONFLICTS OF INTEREST**

Employees and directors are expected to make or participate in business decisions and actions in the course of their activities for the Company based on the best interests of Cree as a whole and not based upon personal relationships or benefits. Conflicts of interest can compromise business ethics. You should apply sound judgment to avoid conflicts of interest that could negatively affect Cree or its business.

A "conflict of interest" exists when an individual's personal interests interfere with or are opposed to the interests of the Company. A conflict of interest can arise if an employee or director takes actions or has interests that make it difficult to perform his or her work for the Company objectively and effectively. Conflicts of interest may also arise when an employee or director, or members of his or her family, receive improper personal benefits as a result of the employee's or director's position in the Company.

Set forth below is guidance for certain areas of potential conflicts of interest that require special attention. It is not possible to list all conflicts of interest. Ultimately, it is the responsibility of each individual to avoid any situation that appears to be a conflict of interest.

### ***Avoidance of outside business interests***

Employees must avoid any business interest or other relationship that interferes or could be perceived as interfering with the employee's work for the Company or with the employee's ability to exercise his or her judgment in the Company's best interests. That includes, for example, any relationship as an employee, consultant, investor, partner, officer or director in a company other than Cree which creates an actual or apparent conflict of interest. Such conflicts may arise, for example, as a result of investments in or employment or consulting work for competitors or for Cree's suppliers or customers. Any such relationship is prohibited unless it is approved in writing by the employee's departmental manager and by a member of Cree's Compliance Committee. In the case of Cree's executive officers, only the Board of Directors or the Audit Committee acting on its behalf can grant such approval.

### ***Gifts and entertainment***

Employees may not offer personal gifts or other gratuities of more than modest value that could be perceived as an attempt to improperly influence the decisions of an existing or potential customer or supplier. Likewise, employees or their families may not request or accept personal gifts or other gratuities of more than modest value that could be perceived as an attempt to improperly influence performance of the employee's duties or to give favorable treatment to an existing or potential customer or supplier.

The occasional giving and receiving of modest gifts, meals, refreshments or entertainment is a common and accepted practice of promoting goodwill and building and maintaining legitimate

business relationships. Such business courtesies should be infrequent, reasonable, customary, legal and of modest value. It is inappropriate to accept such gratuities on a regular basis or without reciprocating the hospitality at business-related functions. Any gift or other benefit is improper if it is used to influence, or appears to influence, a business decision. If you are unsure, discuss the matter with your supervisor. For additional information, see the Company's personnel policy on gifts.

In general, gifts, favors and entertainment should:

- be consistent with accepted business practice;
- comply with applicable law and accepted ethical standards;
- be sufficiently limited in value and in a form that will not be construed as a bribe or payoff; and
- avoid creating a situation where public disclosure of the facts will result in embarrassment to the employee and Cree.

While many of these guidelines apply to dealings with government employees, other rules apply also and must be followed rigidly, as addressed later in the "Government Business" section.

### ***Application to the employee's family***

Conflicts of interest may arise when the employee's family is involved. While Cree recognizes that family members may have personal interests that are beyond the control of the employee, employees need to be sensitive to such potential conflicts so as to avoid compromising the Company's interests. In addition, employees should not supervise, be under the supervision of, or be in a position to influence the salary or conditions of employment of a family member.

### ***Duty to Disclose***

It is each employee's duty to disclose promptly to his or her immediate supervisor any circumstances that constitute or appears to constitute a conflict of interest. If you suspect a conflict of interest exists, contact your supervisor so that the matter can be resolved promptly.

Members of Cree's Board of Directors have a special disclosure responsibility because of their duties as directors. A director is expected to disclose to his or her fellow directors any personal interest he or she may have in a transaction or other matter upon which the Board takes action.

## **INSIDER TRADING**

Employees and directors may not trade in or recommend trading in Cree stock or other Cree securities, or the securities of Cree's customers or other companies with which Cree has or is seeking a business relationship, while in possession of material non-public information about the Company or such other companies. The purchase or sale of a security while in possession of material non-public information about the issuer of the security constitutes "insider trading" and is unlawful. Material information could include, for example, information about earnings, significant gains or losses of business, loss or signing of a significant contract, significant product announcements, or the hiring, firing or resignation of a director or officer of the Company or of such other company, or plans for an acquisition involving the other company.

The securities laws and this Code of Conduct prohibit insider trading, as well as unlawful "tipping," which is communicating material, non-public information to anyone who might use it to purchase or sell securities. When in doubt, information obtained as an employee or director of the Company should be presumed to be material and non-public.

Employees and directors are also prohibited from trading in Cree stock or other Cree securities, whether or not they possess material non-public information, during "blackout" or "closed window" periods designated in accordance with the Company's securities trading policy. The Chief

Executive Officer of Cree may prohibit trading when the Company is in possession of nonpublic information that may be deemed material. In addition, a quarterly blackout period applies to all directors and officers of Cree and its subsidiaries and all employees listed on the Blackout List available on the first page of CreeNet. For additional information about the securities trading policy, please refer to the "securities trading" policy on the Stock Plan page of the Company's intranet or contact the Legal Department.

## **CONFIDENTIAL INFORMATION**

The unauthorized release of confidential information can cause the loss of a critical competitive advantage, hurt relationships with suppliers and customers and embarrass or harm fellow employees. This is true both of confidential information of Cree and confidential information of third parties which Cree has agreed to receive in confidence.

Confidential information is any information or knowledge created, acquired or controlled by Cree that the Company has determined should be safeguarded from improper public disclosure. Confidential information may include, but is not limited to, financial records, business plans, sales and marketing data, employee records (such as salary data) and technical information.

Each of these confidential areas covers a range of information. For example, confidential technical information may include designs and drawings; engineering and manufacturing know-how and processes; Company business and product plans with outside vendors; third-party information that has been received in confidence; internal databases; patent and trademark applications; and unpublished copyrighted material, including software.

Each employee, whether as an originator, custodian, user or recipient of confidential information, must ensure that confidential information under his or her direction and/or control is properly safeguarded in accordance with Company policies and instructions. These policies include limiting access to confidential information to authorized persons with a "need to know"; disclosing confidential information only where there is a valid business need and only then as specified in Company policies and instructions; and refraining from using Company information for personal benefit or for other than Company business.

Unauthorized releases of confidential information, whether intentional, unintentional or suspected, should be reported immediately to the Legal Department. Questions on whether information is confidential should also be directed to the Legal Department. Additional guidance is contained in Cree's policy on confidential information.

## **FAIR COMPETITION**

Fair competition is a fundamental principle of our free enterprise system. The purpose of competition laws, also known as antitrust, monopoly or fair trade laws, is to protect the competitive market system.

Cree will not engage in or support activities that improperly restrain trade or that constitute unfair business practices or predatory economic conduct. It is necessary for the Company and its employees and directors to obey the competition laws, both of the United States and of other countries where it does business. Also, the Company and its employees and directors must abstain from any activity that may violate or give the appearance of an intention to violate competition laws.

The competition laws are complex and many of the concepts are subject to varying interpretations. While there are differences between the competition laws in many countries, generally the same kinds of conduct are prohibited. Among the activities that have been clearly identified as violations of law are those that involve agreements with competitors to:

- fix prices or terms or conditions of sale for competing products or services;
- divide or allocate customers, bids, markets or territories for competing products or services;
- refuse to sell to particular buyers or to buy from particular suppliers; or exchange nonpublic sales information.

Improper agreements may involve not only express commitments but also informal understandings. Those understandings sometimes are inferred merely from the actions of competitors, including conversations with competitors on the subjects identified above. Consequently, no employee should ever discuss with competitors the activities described above or other matters that might be construed as seeking to improperly restrict or limit competition.

In addition, relationships with distributors and other customers, whether embodied within written agreements and understandings or otherwise, must reflect a commitment to proper trade practices and compliance with applicable laws.

You should consult with the Legal Department whenever any questionable activity comes to your attention or whenever you are unsure if contemplated activities fall within the competition laws.

## **QUESTIONABLE OR IMPROPER PAYMENTS**

The Company prohibits bribes, kickbacks or other improper payments, whether made directly or indirectly, to any individual or organization, including government officials, political parties, customers, distributors, agents or private persons. Similarly, acceptance of bribes or kickbacks in any form for any purpose is prohibited.

This Company prohibition against improper payments applies everywhere we do business. It also extends beyond those activities which may be illegal under federal statutes, such as the Foreign Corrupt Practices Act described in the International Business section of this Code, or commercial bribery laws of individual states and of other countries. The making of so-called "questionable" or "improper" payments is impermissible anytime and anywhere. Most importantly, such payments have no place in our way of doing business.

If you have questions concerning how this prohibition applies in specific circumstances or observe violations of the prohibition, contact the Chief Financial Officer or the Legal Department.

## **ACCOUNTING AND FINANCIAL RECORDS AND CONTROLS**

Cree's shareholders, directors and management are entitled to financial statements that fairly present the Company's financial condition and results of operations in accordance with generally accepted accounting principles. The Company's financial records and books of account must be accurate and complete for all Company transactions.

Cree is committed to a system of internal controls sufficient to provide reasonable assurance that transactions are executed and recorded in accordance with management authorization and Company policy, to permit preparation of reliable financial statements and to maintain financial control overall.

No payment on behalf of the Company shall be approved or made with the intention or understanding that any part of such payment is to be used for any purpose other than that described by the documents supporting the payment. No undisclosed or unrecorded funds or assets shall be established or maintained for any purpose. No false or misleading entries shall be made in any books or records for any reason. Management override of internal controls related to accounting and financial records is specifically prohibited.

If you have reason to believe that any fund or asset exists or any entry or payment was made which violates the Company's accounting policies and procedures or its standards for internal control, or that any override of internal controls has occurred, you should promptly report the matter in accordance with the Company's policy for reporting complaints and concerns about accounting and auditing matters.

## **INTERNATIONAL BUSINESS**

As a Company with international scope, Cree sells its products to customers worldwide. Along with the benefits of participating in business throughout the world come greater needs for ensuring that we obey all international laws.

### ***Foreign Corrupt Practices Act***

The Foreign Corrupt Practices Act (FCPA), which applies to the Company, prohibits directly or indirectly paying, offering, or authorizing to pay, money or anything of value to a foreign government official, foreign political party, party official or candidate for foreign political office to obtain or retain business. Company policy strictly forbids these payments. The legal penalties involved may be severe for both the individual and the Company.

There are certain other types of payments, sometimes called "facilitating" payments, which often are required to be made in countries outside of the United States in order to have minor government officials perform nondiscretionary duties that they might otherwise delay or fail to undertake. These types of payments, generally small and in the nature of "tips," are permitted or expected by local custom and generally are not treated as illegal by local law enforcement agencies. While Cree discourages such payments, they are permitted as long as they fall within the limits of the above description and are not intended for improper purposes. All such payments, however, must be properly authorized and recorded in accordance with the Company's financial control system.

Because the status of certain types of payments may be unclear, employees must review with the Legal Department the nature of any questionable payments before they are made.

### ***Export controls/sanctions***

The United States and other countries regulate and in some cases prohibit or require a license for the export of many products, services, technologies and other information to foreign countries and to foreign visitors. Additionally, from time to time the United States will identify particular countries with which business relationships are temporarily suspended. If there is any question about whether business with a country has been suspended or whether prohibitions or other regulations apply to a proposed transaction, contact the Export Compliance Manager or the Legal Department.

## **GOVERNMENT BUSINESS**

Federal and state government agencies are important and valued customers of the Company. To protect the public interest, compliance with a number of laws and regulations is required of all contractors who wish to do business with a government, whether in the United States or overseas.

Strict compliance with laws and regulations covering government business is essential. Even the appearance of impropriety can erode public confidence in the Company and in the government procurement process.

In many countries, including the United States, gifts, favors, entertainment or meals, no matter how nominal, may not be offered to government employees or officials, regardless of purpose or intent. If permitted by local law, payment for meals of government employees should be handled

in accordance with appropriate agency regulations. In addition, United States law prohibits government contractors and government procurement officials from engaging in certain activities while the procurement is being conducted, including soliciting or discussing post-government employment, and seeing, soliciting or disclosing proprietary or source selection information regarding a procurement. These prohibitions go into effect with the development, preparation, and issuance of a solicitation through the award of a contract and any modification or extension of the contract.

All employees involved in government contract work, including all research and development and plant employees, are expected to familiarize themselves and to comply with the special regulations and the law for handling government business. These special regulations include the obligation to comply with contract specifications, to prevent disclosure of classified material and to comply with restrictions on the employment of former government employees. In addition, employees handling government contract work must be accurate in reporting information pertaining to the cost calculation, including labor time, machine hours and runs and other matters which are utilized to calculate the costs. These costs serve as the basis of amounts invoiced to the government.

Questions regarding the applicability of government procurement laws should be referred to the Legal Department.

## **POLITICAL ACTIVITIES AND CONTRIBUTIONS**

While the Company encourages individual participation in political activity, Company funds or property shall not be contributed to any political parties or candidates, even when local or foreign laws may permit such practices. Further, no one acting on behalf of the Company shall attempt to influence another person's decision to make, or refrain from making, a personal political contribution to a candidate or a party.

This policy is not intended to prevent the communication of Cree's views to legislators, governmental agencies or to the general public with respect to existing or proposed legislation or governmental policies or practices affecting business operations. Further, reasonable costs incurred by the Company to establish or administer political action committees or activities to solicit voluntary political contributions from employees are permissible where such costs are incurred in accordance with applicable laws.

## **EMPLOYEE RELATIONS**

Cree expects all employees to value the diverse backgrounds of fellow employees and to maintain a work environment of mutual trust, honesty and respect. By ensuring equal employment opportunity to all as prescribed by law, the Company can achieve a high standard of excellence that will meet or exceed the expectations of customers, shareholders, employees and the communities in which we live and work.

Bias, harassment and discrimination must not be a part of our business practices. The Company's policies are intended to ensure a working environment free from all forms of unlawful discrimination, including unlawful harassment of a sexual nature or that shows aversion or hostility or denigrates others due to race, color, religion, sex/gender, national origin, age, disability or other protected class characteristics. Cree will not tolerate unlawful discrimination, will promptly investigate all reports of such conduct and, if it is found to have occurred, will take appropriate responsive action, including disciplinary action up to and including termination.

The Company's Human Resources policy manual contains a statement of Cree's policies prohibiting unlawful harassment and other forms of unlawful discrimination. If you observe or are subjected to conduct that you believe violates these policies, you should immediately report the conduct using the procedures described in the Company's personnel policies.

## **ENVIRONMENT, HEALTH AND SAFETY**

Cree is committed to conducting its business in a manner that values the environment and helps to ensure the health and safety of its employees. It is the Company's policy to comply with all applicable environmental, health and safety laws and regulations and to apply responsible standards where laws or regulations do not exist.

Employees must use Company equipment and handle, store and dispose of hazardous materials and toxic wastes with care and in accordance with applicable law and with the Company's established policies and procedures.

The Company's objective is to maintain a safe work environment for all employees. To achieve this objective employees are expected to adhere to the following guidelines and principles:

- Safety and health are a shared responsibility. Everyone is expected to participate actively in the health and safety program and to observe all established precautionary measures.
- Maintaining a safe and healthful environment is not just an idea — it is a priority.
- It is everyone's responsibility to identify hazards and to correct them or report them in a timely manner.
- Where hazards cannot be completely eliminated, they must be reduced through engineering and administrative controls and through the proper use of personal protective equipment.
- Every individual will be trained to perform work safely. Should an individual feel inadequately trained to perform a certain procedure, they must immediately discuss the situation with their supervisor.
- Each employee must consistently work in a safe manner.

Employees should immediately notify the Environmental, Health and Safety Manager of any conditions that are perceived to violate environmental, safety or health laws or regulations, or that pose a danger to the environment, our employees or the communities in which we operate. For additional guidance in these areas, consult the Environmental, Health and Safety Manager or the Cree Health and Safety Program materials.

## Compliance Hotline Access Appendix

Compliance Hotline Telephone Number: +1 (800) 453-3918

Outside of the U.S., local telephone access numbers may be needed and connection charges may apply.

Detailed dialing instructions if a local telephone access number is needed:

1. Dial the ATT access number indicated for the country at [www.att.com/traveler](http://www.att.com/traveler).
2. An English-language voice prompt or an AT&T Operator will ask for the number you are calling. Please tell them: 800-453-3918.

Compliance Hotline Access via the Intranet: CreeNet/Hotline

Compliance Hotline Access via the Internet: [www.Mycompliancereport.com](http://www.Mycompliancereport.com); Access ID: Cree