

CREE, INC.

Compensation Committee Charter

Purpose

The Compensation Committee (the "Committee") is a standing committee of the Board of Directors appointed to assist the Board in discharging its overall responsibility relating to executive compensation and compensation of directors 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.

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 and may be removed by the Board in its discretion.

Qualifications

All members of the Committee must be independent directors and meet the independence requirements of the Marketplace Rules of the National Association of Securities Dealers ("NASD"). All members shall also be "non-employee directors" as defined by Rule 16b-3 under the Securities Exchange Act of 1934 and "outside directors" as defined by Section 162(m) of the Internal Revenue Code and meet any other requirements under listing standards or laws 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, 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 to chair the Committee.

Meetings and Procedural Matters

Meetings

The Committee shall hold regular or special meetings as the Committee determines necessary or appropriate. When necessary Committee will hold meetings in executive session at which only Committee members are present. Attendance of non-members shall be at the invitation of the Chairman or of two or more members

of the Committee. The chief executive officer may not be present at voting or deliberations on his or her compensation. 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

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 rules of the NASD or other listing standards applicable to the Company, or by rules or regulations of the SEC or other law.

The Committee shall have authority to engage any compensation consultants, outside counsel or other advisers to be used to assist it in the evaluation of director or executive compensation, the review and development of equity compensation plans or other matters within the responsibility of the Committee. The Committee shall have sole authority over the retention and termination of any advisers engaged by the Committee, including authority to approve the fees payable to such advisers and any other terms of engagement.

With respect to any retirement plans of the Company, including without limitation the Company's 401(k) Plan, the Committee shall have the authority to approve and authorize any amendments that it finds to be necessary or appropriate and which are not within the retained authority of the Board. In that regard, the Board has retained sole authority to approve and authorize the termination of the 401(k) Plan, the adoption of a new retirement plan in addition to or in lieu of the 401(k) Plan, and any amendment to the 401(k) Plan or other retirement plan that concerns the availability of Company securities for investment under the plan.

With respect to any stock-based compensation plans of the Company or any non-stock-based compensation plans in which directors or executive officers are eligible to participate, the Committee will have the authority expressly provided in this Charter. Approval of the Committee shall not be required with respect to any other

Company non-stock-based compensation plan in which directors and executive officers are not eligible to participate.

With respect to any benefit plan of the Company not expressly referred to herein, the Committee shall have authority to adopt, amend, administer and/or terminate such plan. To the extent not inconsistent with its obligations under this Charter and the rules of the NASD or other listing standards applicable to the Company, or by rules or regulations of the SEC or other law, the Committee may delegate to the Company's chief executive officer, any other officer of the Company, or to a committee the membership of which consists of at least one Company officer, the authority to adopt, amend, administer and/or terminate any such benefit plan.

The Committee shall have the responsibility to review and evaluate potential candidates for executive officer positions, including the chief executive officer, and to oversee executive officer succession and development plans for the Company. "Executive officer" as used in this Charter refers to officers within the scope of Rule 16a-1(f) of the rules of the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

The responsibilities and authority of the Committee shall also include the following:

- Review and approve offer letter terms for any executive officer, including any cash or stock-based compensation and the terms of any ancillary employment, severance, change in control or similar agreement. Provide recommendations to the Board concerning any hiring or termination actions with respect to an executive officer position.
- Review and approve on an annual basis the corporate goals and objectives that impact the compensation of the chief executive officer. At least once a year, the Committee shall evaluate the chief executive officer's performance in light of these established goals and objectives and based upon these evaluations shall determine the amount of any performance-based compensation for the period evaluated and set the chief executive officer's annual compensation, including salary, bonus, incentive and equity compensation for any future period.
- Review and approve on an annual basis the performance evaluation process and compensation structure for the Company's other executive officers and solicit the recommendations of the chief executive officer in that regard. Taking such recommendations into account, the Committee shall evaluate the performance of the Company's other executive officers and shall approve the annual compensation, including salary, bonus, incentive and equity compensation, for such executive officers. The Committee shall also provide oversight of management's decisions concerning the performance and compensation of other officers and members of senior management of the Company and its subsidiaries. The Committee shall have full authority to adopt, amend, administer and/or terminate any non-stock-based management incentive compensation plan in which executive officers are eligible to participate.
- Review the Company's long-term incentive compensation plan and other stock-based plans and recommend changes in such plans to the Board and

shareholders as necessary or appropriate. The Committee shall have and shall exercise all the authority of the Board of Directors with respect to the administration of such stock-based plans, including the Company's employee stock purchase plan, except with respect to the grant of equity awards to non-employee directors, which authority has been delegated by the Board to the Governance and Nominations Committee. To the extent not inconsistent with its obligations and authority under this Charter and the rules of the NASD or other listing standards applicable to the Company, or by rules or regulations of the SEC or other law, the Committee may delegate to one or more executive officers, or to a committee comprised solely of executive officers, the authority to grant equity awards other than awards to directors and executive officers and to any officer or employee of the Company the authority for day-to-day administration of the Company's stock-based plans.

- Review and approve an annual executive compensation report for inclusion in the Company's proxy statement.
- Evaluate director compensation and recommend to the Governance and Nominations Committee compensation arrangements, including without limitation the terms of any deferred compensation plan, for directors serving on the Board and on committees of the Board.
- As soon as reasonably practicable thereafter, report to the Board of Directors concerning the Committee's activities (i) at Committee meetings, (ii) with respect to such other matters as are relevant to the Committee's discharge of its responsibilities, and (iii) with respect to such recommendations as the Committee may deem appropriate. The report to the Board of Directors may take the form of an oral report by the Chairman or any other member of the Committee designated by the Committee to make such report.
- 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.

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.