

CREE, INC.

CORPORATE GOVERNANCE GUIDELINES

These Guidelines have been adopted by the Board of Directors (the "Board") of Cree, Inc. ("Cree" or the "Company") as a statement of general principles and policies regarding governance matters. The Guidelines are intended to assist the Board in fulfilling its responsibilities and, together with the Company's Articles of Incorporation and Bylaws and the charters of the Board Committees, to provide a framework for governance of the Company.

BOARD RESPONSIBILITIES AND COMPOSITION

1. Oversight Role of the Board

The Board of Directors is responsible for overseeing the management of the Company in the interest and for the benefit of the Company's shareholders. In discharging this responsibility, the Board, directly or through committees acting pursuant to authority delegated by the Board:

- (a) appoints, evaluates the performance of and approves the compensation of the Chief Executive Officer and other executive officers;
- (b) plans for succession with respect to the position of Chief Executive Officer and monitors management's succession planning for other senior executives;
- (c) reviews and, where appropriate, approves the Company's major financial objectives and strategic and operating plans and actions;
- (d) oversees the conduct of the Company's business to evaluate whether the business is being properly managed; and
- (e) oversees the processes for maintaining the integrity of the Company's financial statements and other public disclosures and compliance with law and ethics.

The Board of Directors has delegated to the Chief Executive Officer, working with the other executive officers of the Company, the authority and responsibility for managing the business of the Company, subject to any specific instructions or directions of the Board. The Chief Executive Officer and management are responsible for seeking the Board's advice and, in appropriate situations, approval of the Board.

2. Size of the Board

The Board is composed of up to nine members as determined by the shareholders pursuant to the Company's Bylaws. Historically only seven or eight members have served on the Board at one time. Vacancies may be filled by vote of the shareholders or by the Board in accordance with the Bylaws. The shareholders elect all directors annually.

The Company may employ former Board members as Directors Emeritus for a period of up to one year following their service on the Board. Directors Emeritus report to the Chairman of the Board but do not have the right to attend Board meetings or to vote.

3. Independent Directors

The Board requires that a significant majority of the directors serving at any time be independent. An "independent" director is determined in accordance with the Nasdaq Marketplace Rules that apply to the Company as a Nasdaq issuer and with any other applicable laws or regulations in effect from time to time.

A director qualifies as "independent" only if the Board affirmatively determines that the director meets the applicable requirements. Because it is not possible to anticipate all potential conflicts of interest that may affect independence, the Board must affirmatively determine that each independent director has no relationship which, in the judgment of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Company will disclose such determinations in its annual proxy statements.

4. Selection of Chairman

The Board selects the Chairman of the Board from among its members in accordance with the Bylaws. The Board does not have a policy on whether the roles of Chief Executive Officer and Chairman should be separate and, if they are to be separate, whether the Chairman should be selected from among the independent directors.

5. Lead Independent Director

The Board has an independent director designated by the Board as the Lead Independent Director. The Lead Independent Director is responsible for convening sessions of the independent directors in accordance with Guideline 12 below and referring any suggested action resulting from these sessions to the appropriate Committee, to the Board or to management.

6. Selection of Director Candidates

The Board is responsible for nominating individuals for election to the Board by the shareholders and for election by the Board to fill vacancies between annual meetings of shareholders. The Governance and Nominations Committee is responsible for identifying, screening and recommending candidates to the Board, with the expectation that other members of the Board and of management will be requested to take part in the process as appropriate.

7. Board Membership Criteria

In identifying, screening and recommending candidates for election to the Board, the Governance and Nominations Committee is expected to consider such factors as it considers appropriate in accordance with its charter.

Absent unusual circumstances, each Board member is expected to prepare for, attend and participate in all Board meetings and all meetings of Committees of which he or she is a member and to attend all shareholder meetings. In addition, directors are expected to spend the time necessary to ask questions and engage in discussions with senior management as frequently as needed to prepare for meetings and otherwise to discharge their responsibilities. Each Board member is expected to ensure that other commitments do not materially interfere with the member's service as a director. These other commitments, and a directors' attendance record, may be considered by the Governance and Nominations Committee and the Board when considering Board candidates, in addition to such other factors as the Committee or Board determines appropriate.

Directors should not serve on more than four public company boards of directors, inclusive of service on the Company's Board. No person shall be nominated for election to the Board if this limitation would be exceeded unless otherwise determined by the Board. Board members who are employees of the Company should not accept appointment to serve on any other public company board without the Board's approval.

8. Term Limits

The Board does not believe it should establish term limits. While term limits could help insure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the

contribution of directors who over time have developed increasing insight into the Company and its operations and therefore provide an increasing contribution to the Board as a whole. The Company does limit the employment of Directors Emeritus to a one-year term.

9. Directors Who Change Job Responsibilities

The Board does not believe that non-employee directors who retire or change from positions they hold with other companies should necessarily leave the Board. However, there should be an opportunity for the Board to review the continued appropriateness of Board membership under these circumstances. A director who holds a position with another company is therefore required, upon any termination of or material change in the relationship with the other company, to tender his or her resignation from the Company's Board of Directors. The resignation is to be effective only if and when it is accepted by the Board.

10. Board Compensation

It is the Board's general policy that employee directors will not receive additional compensation for Board service and that the compensation of non-employee directors for Board service should be a mix of cash and equity-based compensation. Independent directors shall not receive consulting, advisory or other compensatory fees from the Company beyond their compensation as directors. The Compensation Committee of the Board is responsible for evaluating and recommending Board compensation to the full Board.

11. Code of Conduct

Members of the Board of Directors shall act at all times in accordance with the requirements of the Company's Code of Conduct, which is applicable to each director in connection with his or her activities relating to the Company. This obligation includes, without limitation, adherence to the Company's policies with respect to conflicts of interest, confidentiality, protection of the Company's assets, ethical conduct in business dealings and respect for and compliance with applicable law. Without limiting the foregoing, no director, nor any executive officer, shall employ any accounting or law firm providing services to the Company to advise the director or officer on any personal matter. Any questions regarding conflicts of interest involving directors should be discussed with the Governance and Nominations Committee. Any waiver of the requirements of the Code of Conduct with respect to a director or executive officer is subject to the approval of the Board of Directors or the Audit Committee acting on its behalf.

12. Separate Sessions of Independent Directors

Independent directors will have regularly scheduled meetings, convened by the Lead Independent Director, at which only independent directors may be present. The meetings will be held immediately following each regularly scheduled Board meeting. The fact that the meetings were held shall be noted in the minutes of the Board meeting. These sessions are not considered meetings of the Board or of a Committee. Any suggested action resulting from these sessions shall be referred by the Lead Independent Director to the appropriate Committee, to the Board or to management.

13. Evaluation of the Board

The Governance and Nominations Committee, in accordance with its charter, is responsible for overseeing an evaluation of the Board of Directors and individual directors at least annually.

14. Directors' Orientation and Continuing Education

The Chief Executive Officer in conjunction with the Chair of the Governance and Nominations Committee is responsible for new director orientation programs and for director continuing education programs. The orientation programs will be designed to familiarize new directors with the Company's businesses,

strategies and challenges and will include presentations by senior management personnel with respect to the Company's business, strategic plans, principal officers and key employees, financial reporting, auditing processes and other matters relevant to the role of directors. Continuing education programs for Board members may include a mix of in-house and external presentations and programs. An annual budget will be established for director education expenses.

15. Access to Employees and Board Presentations

Directors shall have unrestricted access to any and all Cree employees. Board members are encouraged, when traveling, to make arrangements in advance to visit Cree sites and meet with local management. The office of the Chief Executive Officer shall, whenever requested, assist in arranging and facilitating such meetings and site visits. The Board also encourages management to schedule managers to present at Board meetings who can provide additional insight into the items being discussed because of personal involvement in these areas and/or represent managers with future potential that management believes should be given exposure to the Board.

16. Access to Independent Advisors

The Board and each standing Committee are authorized to engage such independent advisors and consultants, including attorneys and accountants, as the Board or Committee deems necessary to assist it in fulfilling its duties and responsibilities.

17. Attendance of Non-Directors at Board Meetings

Attendance of non-directors at Board meetings shall be at the invitation of the Chairman unless otherwise directed by the Board.

18. Board Interaction with Third Parties

The Board believes that management should speak for the Company. Although individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company, it is expected that directors would do this with the knowledge of management (and, in most instances, at the request of management) and is suggested that directors refer all inquiries from institutional investors, the press or customers to management.

BOARD MEETINGS AND MATERIALS

19. Frequency of Meetings

There shall be at least four (4) regularly scheduled meetings of the Board each year, each held within the month after the release of the Company's quarterly earnings. Each January the Corporate Secretary shall prepare and submit for Board approval a schedule of regular meetings of the Board and all standing Committees to be held during the remainder of that calendar year and the next calendar year. In addition to regular meetings, additional meetings of the Board may be called upon appropriate notice in accordance with the Bylaws to consider specific items of business. The Board may also take action from time to time by unanimous written consent.

20. Agenda for Board Meetings

The Chairman of the Board shall direct preparation of an agenda for each meeting and have it distributed in advance to the members of the Board. Each Director may propose the inclusion of items on the agenda, request the presence of or a report by any member of the Company's management or raise subjects that are not on the agenda for that meeting. At special meetings of the Board, only the business specified in the notice of meeting may be conducted unless otherwise permitted by the Bylaws and applicable law.

21. Meeting Materials

Information and data that is important to the Board's understanding of business to be discussed at a meeting should be distributed in writing to the Board before the Board meets. As a general rule, materials on specific subjects should be sent to Board members sufficiently in advance that Board meeting time may focus on discussion and analysis rather than exchange of information. Sensitive subject matters may be discussed at the meeting without written materials being distributed in advance or at the meeting.

BOARD COMMITTEES AND COMMITTEE MEETINGS

22. Standing Committees

The Board has three (3) standing Committees: Audit, Governance and Nominations, and Compensation. Each standing Committee has a written charter, approved by the Board, which describes the Committee's authority and responsibilities. Each Committee is expected to review its charter annually and to work with the Governance and Nominations Committee and the Board to make such revisions as are considered appropriate. From time to time, the Board in accordance with the Bylaws may delegate additional authority and responsibilities to a standing Committee, or may establish additional committees or disband one or more committees, depending on the circumstances.

23. Assignment of Committee Members and Chairmen

The Board is responsible for the appointment of Committee members and Committee Chairmen. The Governance and Nominations Committee is responsible for recommending the directors to be appointed to each Committee and to serve as Committee Chairman.

24. Independence of Board Committees

All members of the Audit, Governance and Nominations and Compensation Committees shall be independent directors and otherwise possess the qualifications for membership specified in the applicable Committee's charter.

25. Frequency of Committee Meetings

Regular meetings of each Committee will be held in accordance with the schedule of Board and Committee meetings approved by the Board. Additional Committee meetings may be called, with appropriate notice in accordance with the Bylaws, to consider specific items of business. Each Committee may also take action from time to time by unanimous written consent.

26. Agenda for Committee Meetings

The Committee Chairman shall direct preparation of an agenda for each Committee meeting and have it distributed in advance to the members of the Committee. Each Committee member may propose the inclusion of items on the agenda, request the presence of or a report by any member of the Company's management or may raise subjects that are not on the agenda for that meeting. At special meetings of the Committee, only the business specified in the notice of meeting may be conducted unless otherwise permitted by the Bylaws and applicable law.

27. Attendance of Non-Members at Committee Meetings

Attendance of non-members at Committee meetings shall be at the invitation of the Committee Chairman unless otherwise directed by the Committee or as provided in the Committee's charter. Board members may attend a meeting of any Committee unless the Committee is meeting in executive session at the direction of the Committee Chairman or the Committee.

28. Reports of Committee Action

Each Committee will regularly report to the Board concerning the Committee's activities. All actions taken by a Committee during a Committee meeting, or by unanimous written consent in lieu of a meeting, shall be reported by the Committee during the next regularly scheduled Board meeting. The agendas, meeting minutes and consent actions of the Committees will be provided to any Board member upon request.

LEADERSHIP DEVELOPMENT

29. Evaluation of Chief Executive Officer

The Compensation Committee, in accordance with its charter, shall evaluate the Chief Executive Officer's performance annually.

30. Succession Planning and Management Development

The Compensation Committee, in accordance with its charter, shall oversee the development of executive succession plans. The Chief Executive Officer shall review succession planning and management development with the Compensation Committee at least annually.

SHARE OWNERSHIP BY DIRECTORS AND EXECUTIVE OFFICERS

31. Share Ownership by Directors and Executive Officers

Directors, the Chief Executive Officer and other executive officers are encouraged to comply with the following guidelines for minimum share ownership, within five years after election or appointment, by holding shares with a value not less than amount indicated:

- (a) Non-Employee Directors — three times the sum of annual retainer for Board service
- (b) Chief Executive Officer — three times annual base salary
- (c) Other Executive Officers — two times annual base salary

For purposes of these guidelines, shares owned by a director or executive officer are all non-derivative securities reported as beneficially owned on the director's or officer's most recent report filed under Section 16 of the Securities Exchange Act of 1934, as amended.