

CREE INC  
Form 4  
May 26, 2005

**FORM 4**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
PALMOUR JOHN W

(Last) (First) (Middle)

231 DEVONBROOK LANE

(Street)

CARY, NC 27511

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
CREE INC [CREE]

3. Date of Earliest Transaction (Month/Day/Year)  
05/26/2005

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director  10% Owner  
 Officer (give title below)  Other (specify below)

Executive Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)

Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|----------------------------------------------------|--------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|----------------------------------------------------------|-----------------------------------|
|                                 |                                      |                                                    | Code                           | V                                                                 | Amount                                                                                        | (A) or (D)                                               | Price                             |
| Common Stock                    | 05/26/2005                           |                                                    | M                              |                                                                   | 3,000                                                                                         | A                                                        | \$ 3.8125                         |
| Common Stock                    | 05/26/2005                           |                                                    | S <sup>(1)</sup>               |                                                                   | 10,000                                                                                        | D                                                        | \$ 30                             |
|                                 |                                      |                                                    |                                |                                                                   |                                                                                               |                                                          | 782,928                           |
|                                 |                                      |                                                    |                                |                                                                   |                                                                                               |                                                          | 772,928                           |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Security (Instr. 3 and 4) |
|--------------------------------------------|--------------------------------------------------------|--------------------------------------|----------------------------------------------------|--------------------------------|-----------------------------------------------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------|
| Nonqualified Stock Option (Right to Buy)   | \$ 3.8125                                              | 05/26/2005                           |                                                    | M                              | 3,000                                                                                   | 07/01/1999 <sup>(3)</sup> 07/01/2008                     | Common Stock 3,                                             |

## Reporting Owners

| Reporting Owner Name / Address                          | Relationships |           |                          |       |
|---------------------------------------------------------|---------------|-----------|--------------------------|-------|
|                                                         | Director      | 10% Owner | Officer                  | Other |
| PALMOUR JOHN W<br>231 DEVONBROOK LANE<br>CARY, NC 27511 | X             |           | Executive Vice President |       |

## Signatures

John W. Palmour 05/26/2005

\*\*Signature of Reporting Person Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The sale reported on this Form 4 was effected pursuant to a Rule 10b5-1 trading plan adopted by the reporting person on September 2, 2004.
- (2) Of the 772,928 shares held by Dr. Palmour, 732,928 shares are held by him directly and 40,000 shares are held by him indirectly by his spouse.
- (3) The option vested and became exercisable as to 12,000 shares on July 1, 1999 and as to 60,000 shares on each of July 1, 2000 and July 1, 2001.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.