

MERRELL CYNTHIA B  
Form 4  
October 19, 2004

**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 \*  
MERRELL CYNTHIA B

(Last) (First) (Middle)  
9416 PALM BAY CIRCLE  
(Street)

RALEIGH, NC 27617

(City) (State) (Zip)

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

3. Date of Earliest Transaction  
(Month/Day/Year)  
10/19/2004

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

\_\_\_ Director \_\_\_ 10% Owner  
\_X\_ Officer (give title below) \_\_\_ Other (specify below)  
CFO and Treasurer

6. Individual or Joint/Group Filing(Check Applicable Line)  
\_X\_ 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 Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
Common Stock	10/19/2004		M		3,200	A	\$ 2.3438 10,775
Common Stock	10/19/2004		M		6,800	A	\$ 4.6875 17,575
Common Stock	10/19/2004		M		40,000	A	\$ 4.8438 57,575
Common Stock	10/19/2004		M		180,000	A	\$ 3.8125 237,575
Common Stock	10/19/2004		S <sup>(1)</sup>		230,000	D	\$ 30.5555 7,575 <sup>(4)</sup>

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

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(9-02)

**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 Underlying Security (Instr. 3 and 4)	
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title
Nonqualified Stock Option (Right to Buy)	\$ 2.3438	10/19/2004		M	3,200	01/01/1998 <sup>(2)</sup>	01/01/2007	Common Stock
Nonqualified Stock Option (Right to Buy)	\$ 4.6875	10/19/2004		M	6,800	10/01/1998 <sup>(3)</sup>	10/01/2007	Common Stock
Nonqualified Stock Option (Right to Buy)	\$ 4.8438	10/19/2004		M	40,000	07/01/1998	03/16/2008	Common Stock
Nonqualified Stock Option (Right to Buy)	\$ 3.8125	10/19/2004		M	180,000	07/01/1999 <sup>(4)</sup>	07/01/2008	Common Stock

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MERRELL CYNTHIA B 9416 PALM BAY CIRCLE RALEIGH, NC 27617			CFO and Treasurer	

## Signatures

Cynthia B. Merrell  
10/19/2004

\_\_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 August 20, 2004.
- (2) Option vested and became exercisable as to 3,200 shares on each of 1/1/1998, 1/1/1999, 1/1/2000, 1/1/2001 and 1/1/2002.
- (3) Option vested and became exercisable as to 3,200 shares on each of 10/1/1998, 10/1/1999, 10/1/2000, 10/1/2001 and 10/1/2002.

- Includes the following shares purchased by Ms. Merrell in the Cree, Inc. Employee Stock Purchase Plan: 922 shares on 10/31/2000; 561 shares on 4/30/2001; 661 shares on 10/31/2001; 1,337 shares on 4/30/2002; 84 shares on 10/31/2002; 2,000 shares on 4/30/2003; 71 shares on 10/31/2003; and 1,409 shares on 4/30/2004.

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.