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CREE INC
Form 8-K
April 18, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): April 13, 2005

CREE, INC.
(Exact name of registrant as specified in its charter)

| | | |
|---------------------------------------------------------------------|----------------------------------------|----------------------------------------------------------|
| North Carolina (State or other jurisdiction of incorporation) | 0-21154 (Commission File Number) | 56-1572719 (I.R.S. Employer Identification Number) |
|---------------------------------------------------------------------|----------------------------------------|----------------------------------------------------------|

| | |
|------------------------------------------------------------------------------------------|---------------------|
| 4600 Silicon Drive Durham, North Carolina (Address of principal executive offices) | 27703 (Zip Code) |
|------------------------------------------------------------------------------------------|---------------------|

(919) 313-5300
Registrant's telephone number, including area code

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement

On April 13, 2005, the Compensation Committee of the Board of Directors of Cree, Inc. (the "Company") approved accelerating the vesting of certain "out-of-the money" options to purchase shares of the Company's common stock granted under its 2004 Long-Term Incentive Compensation Plan, its Equity Compensation Plan and its 2001 Nonqualified Stock Option Plan. As a result of

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the Committee's approval, options to purchase approximately 1.76 million shares that were subject to vesting at various times from June 2005 through February 2009 became fully vested on April 15, 2005, the effective date of the acceleration. The affected options have exercise prices ranging from \$24.97 to \$71.53 per share, with the shares subject to acceleration having a weighted average exercise price of \$32.95 per share. The last reported sale price of the Company's common stock on The Nasdaq Stock Market on April 15, 2005 was \$24.94. Under the resolutions approved by the Committee, the terms of each affected option are deemed amended such that the option became fully vested and exercisable on April 15, 2005, except that certain options granted within six months before April 15, 2005 became fully vested but not exercisable until six months after the date the option was granted. Options held by non-employee directors are excluded from the acceleration. Any affected options held by executive officers and other senior management employees that are exercised prior to the original vesting date will be subject to restrictions prohibiting sale or other transfer of the shares until the earlier of the original vesting date or the individual's termination of service.

The purpose of accelerating vesting of the options was to enable the Company to avoid recognizing future compensation expense associated with these options upon adoption of Financial Accounting Standards Board Statement No. 123, "Share-Based Payment (revised 2004)" ("SFAS 123(R)"). Commencing with the Company's fiscal year that begins June 27, 2005, SFAS 123(R) will require that the Company recognize compensation expense equal to the fair value of equity-based compensation awards over the vesting period of each such award. The aggregate pre-tax expense for the shares subject to acceleration that, absent the acceleration of vesting, would have been reflected in the Company's consolidated financial statements beginning in fiscal 2006 is estimated to be a total of approximately \$22.6 million (approximately \$11.2 million in fiscal 2006, approximately \$8.7 million in fiscal 2007, approximately \$2.7 million in fiscal 2008 and approximately \$0.1 million in fiscal 2009).

The acceleration affects options to purchase 150,000 shares held by the Company's executive officers, with the shares subject to accelerated vesting under these options having a weighted average exercise price of \$31.53 per share. The following table summarizes the affected options held by the Company's executive officers:

| Name | Number of Shares Subject to Accelerated Vesting | Exercise Price Per Share |
|----------------------|----------------------------------------------------|--------------------------|
| ---- | ----- | ----- |
| F. Neal Hunter | 24,000 | \$31.24 |
| F. Neal Hunter | 16,000 | \$33.95 |
| Charles M. Swoboda | 50,000 | \$31.24 |
| John W. Palmour, Ph. | 30,000 | \$31.24 |
| Cynthia B. Merrell | 30,000 | \$31.24 |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CREE, INC.

By: /s/ Charles M. Swoboda

Charles M. Swoboda
Chief Executive Officer and President

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