

## CREE, INC. PURCHASE ORDER TERMS AND CONDITIONS

These Cree, Inc. Purchase Order Terms and Conditions ("**Terms and Conditions**"), together with the purchase order to which they are attached (the "**Purchase Order**"), govern the duties, obligations and relationship between the supplier identified on the face of the Purchase Order ("**Supplier**") and the Cree Entity identified on the face of the Purchase Order ("**Cree**") with respect to the sale by Supplier and the purchase by Cree of the merchandise, materials, goods, equipment and/or tools (collectively, the "**Merchandise**") and/or labor and services (the "**Services**") described in the Purchase Order. As used herein, the term "**Purchase Order**" will include any supplements thereto issued by Cree and all specifications and other documents referred to therein by Cree, "**Cree Entity**" refers to Cree, Inc. or one of its affiliates, and an "**affiliate**" of a party is a person or entity that controls, is controlled by, or is under common control with such party, where "**control**" means possession of the power to direct the management, operations or policies of the controlled person or entity through stock ownership, contract or other arrangements. With respect to Purchase Orders issued by an affiliate of Cree, Inc. for its own account, such affiliate will be solely responsible for all obligations related to the Services, Merchandise and/or other deliverables ordered by that affiliate.

Together, these Terms and Conditions and the Purchase Order are the "**Contract**" between Cree and Supplier. The Contract constitutes the complete and exclusive statement of the agreement between the parties with respect to the sale by Supplier and the purchase by Cree of the Services, Merchandise and/or other deliverables, and supersedes any prior agreements, understandings, proposals or other communications, whether oral or in writing, relating thereto. No addition or modification to the Contract will be enforceable unless otherwise agreed to in a writing signed by Cree. No terms or conditions appearing or incorporated by reference in Supplier's invoices or any other document furnished by or on behalf of Supplier that are different from, additional to, or in conflict with the Contract will be binding on Cree, and any such terms or conditions are hereby rejected by Cree and waived by Supplier. Cree's order of all Services, Merchandise and/or other deliverables from Supplier will be subject to the provisions of the Contract. In the event of any conflict between or among the provisions of one or more of these Terms and Conditions, the Purchase Order, and/or any other documents or agreements between Supplier and Cree that are incorporated herein or therein, the provisions most favorable to Cree will control.

1. Supplier's Acceptance. Supplier agrees to be bound by and to comply with all terms and conditions of the Contract. Supplier's written acceptance of Cree's Purchase Order, performance of the Services, or shipment of the Merchandise, or other deliverables called for by the Purchase Order, whichever occurs first, will be deemed acceptance of the Contract. Cree's Purchase Order does not constitute an acceptance by Cree of any offer to sell, quotation or proposal from Supplier. Reference in the Purchase Order to any such offer to sell, quotation, or proposal will in no way constitute a modification of any of the terms and conditions of the Contract or Cree's agreement to any of the terms and conditions of Supplier's offer to sell, quotation, or proposal (including any documents referred to therein) unless such modification or agreement is clearly and unequivocally intended by Cree and expressed in the Purchase Order.

By accepting the Purchase Order, Supplier agrees that the Cree Entity may instruct its affiliates, contractors, or suppliers (collectively "**Alternative Buyers**") to order Services, Merchandise, or other deliverables directly from Supplier for incorporation into or for use in manufacturing Cree products. (As used in this paragraph 1, "**Cree Entity**" refers only to a Cree Entity that issued a Purchase Order accepted by Supplier.) The Cree Entity will provide Supplier with written notice of any such instructions. In the event the Cree Entity instructs an Alternative Buyer to purchase Services, Merchandise or other deliverables directly from Supplier in accordance with the foregoing, Supplier further agrees that it will extend to the Alternative Buyer any special pricing provided for in the Contract, if better, and that these Terms and Conditions will be incorporated into the contract for the sale and purchase of the Services, Merchandise, or other deliverables by such Alternative Buyer (and for such purpose, the term "**Cree**" will be deemed to refer to the Alternative Buyer) and will control any interpretation thereof, notwithstanding any contrary provisions in any purchase or sale documents issued by Supplier or the Alternative Buyer. For avoidance of doubt, the most recent drawings, specifications, samples, quality standards, product content restrictions, or other descriptions furnished or adopted by Cree, Inc. or a Cree affiliate will apply for Services, Merchandise, or other deliverables purchased by Alternative Buyers. In the event of any inconsistency between instructions received from Cree, Inc. or a Cree affiliate and from any Alternative Buyer that is not a Cree affiliate, Supplier will consult Cree, Inc. or a Cree affiliate for resolution.

A purchase order for Services, Merchandise, or other deliverables issued by an Alternative Buyer will constitute a contractual relationship between the Alternative Buyer and Supplier only, and Supplier will look only to such entity for the performance of the obligations under such purchase order. Notwithstanding the foregoing, Cree will be a third party

beneficiary of purchases made by Alternative Buyers of Services, Merchandise, or other deliverables for incorporation into or for use in manufacturing Cree products and will be entitled to all of the Alternative Buyer's rights and benefits arising under the contractual relationship between the Alternative Buyer and Supplier (including without limitation, warranty remedies and indemnification rights) as if the Services, Merchandise, or other deliverables were originally purchased under a Cree Purchase Order.

The provisions of this paragraph 1 will survive performance of the Contract and will not expire until twelve (12) months after the last purchase order for Services, Merchandise, or other deliverables from Cree or an Alternative Buyer has been fulfilled.

2. Performance of Services and Delivery of Merchandise or Other Deliverables. Unless otherwise stated in the Purchase Order, time is of the essence in Supplier's performance thereunder. Performance of Services and deliveries of Merchandise and other deliverables will be made in the quantities and at the time or times specified in the Purchase Order. Notwithstanding the foregoing, if the Purchase Order is identified as a blanket Purchase Order, the quantities specified in such blanket Purchase Order are included for administrative purposes only and will not be considered a binding order by Cree to purchase any Services, Merchandise, or other deliverables. Cree will have no obligation with respect to a blanket Purchase Order unless and until Cree issues a release order to the Supplier to provide the Services, Merchandise, or other deliverables, and such release order will represent a commitment only for the quantities specified therein.

In the event the Contract is terminated in whole or in part for any reason, unless expressly agreed in writing by Cree, Cree will have no obligation to pay Supplier for unperformed Services or undelivered or properly rejected Merchandise and other deliverables. In addition to Cree's other remedies, and without further liability, Cree reserves the right: (a) if any performance or delivery is made before the time or times specified in the Purchase Order, in excess of quantities ordered or to a Cree location other than the delivery location specified in the Purchase Order, (i) to refuse performance or delivery and to return Merchandise or other deliverables at Supplier's risk and expense, including, without limitation, any warehouse or other storage costs and extra handling costs incurred, or (ii) to accept performance or delivery, charge the Supplier for any warehouse or other storage costs and extra handling costs incurred, and determine payment due dates based on the originally scheduled performance or delivery date, and (b) if any performance or delivery is not made by the time or times and/or in the quantities specified, to take one or a combination of the following actions with respect to the late performance or delivery and charge Supplier with any resultant loss,

including, without limitation, consequential or incidental damages, unless delayed performance or delivery has been authorized in writing by Cree: (i) to terminate the Contract in whole or in part without liability by notice effective when received by Supplier and to purchase Services, Merchandise, or other deliverables elsewhere, or (ii) to direct Supplier to make expedited performance of Services or delivery of all or part of the delayed or omitted Merchandise or other deliverables and to pay any incremental cost for such expedited performance or delivery.

In addition to the foregoing, Cree may require Supplier to discount the price for the delayed Services, Merchandise, or other deliverables that are accepted by Cree by one-half of one percent (0.5%) for each calendar day of delay, computed from the delivery due date without grace period, up to an aggregated discount per Purchase Order of twenty percent (20%) of the total price of the delayed Services, Merchandise, or other deliverables. Supplier will not, however, be liable in accordance with the foregoing for delays or defaults in deliveries due to causes beyond its reasonable control and without its fault or negligence.

At any time Supplier has reason to believe that performance of Services or deliveries of Merchandise or other deliverables will not be made as scheduled for any reason, it will immediately give Cree verbal notice setting forth the causes of the anticipated delay and its expectation as to when delivery or performance will be made. Such verbal notice will be confirmed within seven (7) days by written notice from Supplier. If Cree accepts delivery of Merchandise or other deliverables that fall short of the quantities set forth on the shipping documents, Cree will adjust the quantities and extended price on the related invoice to reflect the quantities actually received. Cree's acceptance of Services, Merchandise, or other deliverables is subject to any terms and conditions for acceptance in the Purchase Order or incorporated therein.

3. Shipping; Packaging; Risk of Loss. No charges for unauthorized transportation will be allowed. Any unauthorized shipment that will result in excess transportation charges must be fully prepaid by Supplier. Cree will not be charged for any packaging, labeling, or boxing not separately itemized in the Purchase Order.

All items ordered will be suitably packed and labeled for shipping. Supplier will be liable to Cree for any loss or damage resulting from Supplier's failure to provide adequate protection during shipment. The total concentration of lead, mercury, cadmium and hexavalent chromium used in any packaging materials, including those materials sold to Cree as Merchandise or used by Supplier to pack and ship Merchandise to Cree, will not exceed 100 parts per million by weight. Any Merchandise or other deliverable (including the parts or materials incorporated therein), which have Electro-Static Discharge ("ESD") or Electromagnetic Forces ("EMF") sensitive characteristics, or both, will be processed and packaged in accordance with one of the following electromagnetic discharge control standards for electrical and electronic parts, as applicable: MIL-STD-1686 or ANSI/ESD S20.20.

Unless a different shipping term is stated in the Purchase Order, Supplier will deliver the Merchandise or other deliverable FOB the delivery point specified in the Purchase Order if the shipping and delivery points are both within the United States, or DAP (Incoterms 2010) the delivery point specified in the Purchase Order in all other cases. Title to and risk of loss will remain with Supplier until the Merchandise or other deliverable is delivered in accordance with the applicable shipping term, and an authorized representative of Cree has acknowledged receipt of the Merchandise or other deliverable in writing, as applicable. Cree's acknowledgment of receipt will not constitute acceptance of the Merchandise or other deliverable.

4. Shipping Documents. The Purchase Order number must appear on all shipping documents, invoices, quality certificates, if any, and packing slips. All shipments will include a packing slip on the master carton. The packing slip will include the following information: (a) Purchase Order number, (b) name of Cree representative requesting the Merchandise or other deliverable, and (c) a unique packing slip number.

The shipping label will state the Purchase Order number and the name of the Cree representative requesting the Merchandise or other deliverable. If Supplier does not comply with the terms of this paragraph 4, Supplier authorizes Cree to deduct from any invoice of Supplier (or to charge back to Supplier) any increased costs incurred by Cree as a result of Supplier's noncompliance.

5. Supplier's Representations and Warranties. Supplier expressly represents and warrants to Cree, Cree's affiliates, Cree's customers, and to the ultimate end user that: (a) the Merchandise (including Merchandise sold to Cree but manufactured by others) and other deliverables, as well as all material, packaging and work covered by the Contract will: (i) conform to the drawings, specifications, samples or other descriptions furnished or adopted by Cree; (ii) conform to all representations of and specifications provided by Supplier, including without limitation all information provided in the product qualification process, unless otherwise instructed by Cree in writing; (iii) meet or exceed the quality standards furnished or adopted by Cree; (iv) be merchantable and free from defects in material and workmanship; (v) be authentic and new; and (vi) conform to such other requirements communicated by Cree to Supplier in writing; (b) the Services will be performed in a timely, reasonable, and workmanlike manner and in accordance with generally accepted industry standards; (c) the performance of the Services and the sale and/or use, alone or in combination, of the Merchandise or other deliverables does not and will not infringe or violate any U.S. or foreign letters patent, any right in or to any patented invention or idea, or any trademark or copyright or misappropriate trade secrets of a third party and have not been the subject of an allegation of infringement or misappropriation of a third party's intellectual property rights; (d) the performance of the Services and the production, storage, packaging, labeling, listing, pricing, delivery, and sale of Merchandise or other deliverables hereunder are in compliance with all foreign, U.S., state and local laws, rules and regulations, and all international and national standards applicable thereto, including, without limitation, any local law or requirement applicable to the designated delivery location for listing and labeling by a third party testing agency of Merchandise or other deliverables that constitutes electrical or industrial equipment or machinery; and (e) Supplier is conveying good title to the Merchandise or other deliverables, free and clear of any liens or encumbrances. Supplier acknowledges that it has knowledge of Cree's intended use of the Merchandise and warrants that all Merchandise has been manufactured by Supplier based on Cree's intended use and will be fit and sufficient for the particular purposes intended by Cree.

All Merchandise (or deliverables resulting from Supplier's performance of Services) that is purchased by Cree for incorporation into a Cree product or for resale as a Cree product ("**Resale Materials**") will comply with Environmental Regulations, and Supplier shall provide Cree with supporting documents evidencing such compliance upon request. "**Environmental Regulations**" means (i) EU Directive 2011/65/EU dated 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment (including restrictions on use of Deca-BDE) and any implementing regulations, as amended or supplemented ("**RoHS2 Directive**"); (ii) the halogen-free standard for Joint Industry Guide for Material Composition Declaration for Electronic Products dated April 2005, as amended or supplemented, and standardized using IEC/JEDEC procedures (copy available at [www.eia.org/jig](http://www.eia.org/jig)); (iii) EU Regulation No. 1907/2006 dated December 18th 2006 about Registration, Evaluation and Authorization of Chemicals and any implementing regulations, as amended or supplemented ("**REACH**"); and (iv) such other product environmental requirements applicable to the Merchandise or other deliverables as communicated in writing to Supplier.

For all Resale Materials, Supplier will provide Cree all data and information necessary to meet Cree's reporting obligations to the Securities and Exchange Commission pursuant to Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of July 21, 2010, including any subsequent amendments or implementing

regulations (the "Act"). Further, with respect to such Resale Materials, Supplier will exercise due diligence to comply with the Cree, Inc. Conflict Minerals Policy located at <http://www.cree.com/Support/Conflict-Minerals>, which includes a requirement that Supplier certify that any Resale Materials supplied to Cree by Supplier are not known to fund armed conflict in the Democratic Republic of the Congo or adjoining country (the "DRC Region"). Supplier's due diligence must be exercised in accordance with the Organization for Economic Co-operation and Development Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (the "OECD Guidance"). Supplier will not use in Resale Materials supplied to Cree any "conflict minerals" (as such term is defined in the Act; currently, tin, tantalum, tungsten, or gold) unless Supplier can reasonably demonstrate that it has exercised due diligence in accordance with the OECD Guidance with respect to the source and chain of custody of that mineral. In particular, Supplier must perform a Reasonable Country of Origin Inquiry ("RCOI") of its supply chain back to the point at which the mineral was refined by the refiner or smelter. Supplier agrees to provide to Cree, at least once annually, complete and accurate information as to Supplier's due diligence efforts for determining the origin country of any conflict minerals used in the manufacture of the Merchandise or deliverables supplied to Cree (whether or not Supplier is a person or entity subject to the Act) using the most-current version of the Electronic Industry Citizenship Coalition ("EICC") Conflict Minerals Reporting Template ("CMRT"). In the event that Supplier is unable to certify that the Merchandise or deliverables supplied to Cree hereunder are "DRC conflict free" (as that term is defined in the Act) within a reasonable, mutually agreed upon time period, Cree and the Supplier will discuss appropriate next steps, which may include discontinuation of the supplier relationship with Cree. Supplier must immediately notify Cree if it becomes aware that it has sourced a conflict mineral used in the Resale Materials supplied to Cree from a source within the DRC Region that directly or indirectly financed or benefited armed groups supporting human rights abuses.

Further, Supplier hereby certifies that all labor used to design, manufacture, and sell, and all parts or materials incorporated into Merchandise (including Merchandise sold by Supplier to Cree but manufactured by others) and other deliverables, will comply with the slavery, human trafficking, and child labor laws in the country or countries in which Supplier does business and in which the parts, materials, Merchandise or other deliverables are designed, manufactured, and sold. Supplier will adopt in its business dealings the ethical rules set out in the United Nations Global Compact on human rights, labor standards, the environment, and anti-corruption, as well as the applicable standards found in the Cree Supplier Code of Conduct. The commitment of Supplier to be familiar with and satisfy the requirements of the United Nations Global Compact and the Cree Supplier Code of Conduct, and to comply with the rules and procedures established by Cree to implement such Supplier Code of Conduct, is a prerequisite to continued business dealings between Cree and Supplier. The Cree Supplier Code of Conduct is located at <http://www.cree.com/About-Cree/Info-for-Cree-Suppliers>.

Immediate remediation of any violation of the United Nations Global Compact and the Cree Supplier Code of Conduct is required, and, notwithstanding any other language in the Contract, Cree may terminate the Contract without further liability if Supplier fails to take any required corrective actions. Any Service, Merchandise, or other deliverable provided by Supplier that is not in accordance with the foregoing representations and warranties will be deemed to be defective and may be rejected by Cree. Cree's approval of Supplier's specifications and/or Cree's inspection, test, acceptance, payment for, or use of Services, Merchandise, or other deliverables furnished hereunder will not relieve Supplier of any of its warranty obligations.

6. Defective or Non-Conforming Merchandise or Services. Supplier will immediately notify Cree of any defective or nonconforming Merchandise or other deliverables that Supplier discovers prior to shipment and will not ship any known defective or nonconforming

Merchandise or other deliverables without Cree's prior written approval. Any shipping approval by Cree is conditional and will not constitute a waiver of Cree's right to reject the defective or nonconforming Merchandise or other deliverables if later determined not to be suitable for Cree's use. If any Merchandise or other deliverable is defective, unsuitable, or does not conform to all specifications, the terms and conditions of the Contract, and/or all warranties implied by law, Cree may at its option return any or all of such Merchandise or other deliverables to Supplier for replacement with conforming Merchandise or other deliverables, as applicable, or for a full credit or refund of the purchase price paid by Cree (or if not yet paid, credit the amount charged to Cree) for the returned items, or repair the defective or non-conforming returned items itself at Supplier's expense. In addition, Cree may charge Supplier for the cost of any incurred inbound and outbound freight and a handling, storage and inspection charge of ten percent (10%) of the invoice price for any defective or nonconforming Merchandise or other deliverable returned by Cree.

If modifications are required by Cree to meet specifications, Supplier will pay all costs of such modifications. In addition to and without limiting the foregoing, it is understood and agreed by the parties that, if there is a failure rate greater than one percent (1%) in any one lot or shipment of Merchandise or other deliverables furnished by Supplier, Cree in its sole discretion may require Supplier to accept the return of all Merchandise or other deliverables in such lot or shipment, without having to demonstrate that all such items are defective or have failed, and, at Cree's option, to either replace the returned Merchandise or other deliverables with conforming Merchandise or other deliverables or issue a full credit or refund of the purchase price paid by Cree (or if not yet paid, credit the amount charged to Cree) for the returned Merchandise or other deliverables. In addition to charging Supplier for freight and handling charges as described above, if the failure rate exceeds one percent (1%) in any one lot or shipment, Cree may charge Supplier for all costs and expenses incurred by Cree to remove and replace Merchandise or other deliverables from such lot or shipment that have been put into productive use.

Any Merchandise or other deliverable rejected by Cree and subsequently reworked or repaired by Supplier and resubmitted to Cree for acceptance will include the following on Supplier's certificate of conformance (or other shipping document if a certificate of conformance is not required by Cree): (i) a statement that the Merchandise or other deliverable has been reworked or repaired by Supplier and resubmitted to Cree for acceptance, (ii) the applicable Purchase Order number, and (iii) any Cree rejection document number associated with the Merchandise or other deliverable.

7. Quality Assurance: Counterfeit Components and Supplier Corrective Action Request. Supplier will maintain qualified personnel and a quality assurance system which is adequate to detect and prevent shipment of nonconforming Merchandise or other deliverables, including verification of the effectiveness of the quality assurance system of any subcontractor or vendor used by Supplier in connection with the manufacture or production of the Merchandise or other deliverables. Supplier will comply with any Cree, Inc. Supplier Quality Assurance Requirements, as the same may be amended from time to time ("**Supplier Quality Manual**"), that Cree has advised the Supplier in writing are applicable to the Services, Merchandise, or other deliverables. Upon request, Supplier will provide Cree with product test specimens (i.e., production method, number, storage conditions and the like) and reasonable quantities of product samples, which may be required for design approvals, inspection, qualification, or verification, investigations, audit or any other purpose deemed reasonably necessary by Cree.

Supplier is responsible for the performance of any subcontractor or vendor used by Supplier hereunder, and no subcontracting or vendor approval by Cree will release Supplier from its responsibility for its obligations to Cree under the Contract. Supplier will remain Cree's sole point of contact regarding the Services, Merchandise, or other

deliverables provided hereunder. Supplier will be responsible for the payment of all subcontractors or vendors hired by Supplier.

If the Merchandise or deliverables resulting from Supplier's performance of Services are Resale Materials, Supplier's quality assurance system must meet the requirements for certification under ISO 9001 or higher standards. Supplier will only purchase electronic components to be provided as or incorporated into Merchandise or other deliverables sold to Cree directly from the Original Component Manufacturer ("OCM")/Original Equipment Manufacturer ("OEM") or through an OCM/OEM authorized distribution chain. Electronic components will not be acquired from independent distributors or brokers unless approved in advance in writing by Cree. Supplier will immediately notify Cree and provide all relevant details if Supplier becomes aware or suspects that it has delivered Merchandise or other deliverables that include counterfeit electronic components. When requested by Cree, Supplier will provide documentation that traces the authenticity of the electronic components to the applicable OCM/OEM.

Cree, its customers, and authorities that regulate Cree's business (including Underwriters Laboratories, where applicable) will have the right to review Supplier's quality assurance system and, with prior notice and at reasonable times, to conduct an on-site inspection of the factory(ies) where the Merchandise or other deliverables are manufactured or produced. All Services, Merchandise and other deliverables purchased under the Contract will meet the quality, reliability and safety criteria as specified by Cree in the Purchase Order. Supplier will provide to Cree Material Safety Data Sheets ("MSDS") upon delivery of the Merchandise for any Merchandise or other deliverables designated by industry, state, national or federal agencies or applicable laws as hazardous material or as otherwise reasonably requested by Cree. Supplier will provide any technical and/or testing reports as may be requested by Cree regarding the quality, authenticity, safety, and reliability of Merchandise or other deliverables.

If Cree issues a Supplier Corrective Action Request ("SCAR") to Supplier due to the receipt of defective or non-conforming Services, Merchandise or other deliverables, Supplier will promptly respond as follows: (a) each response will be in the format specified in Cree's SCAR (or an equivalent format); (b) Supplier's initial response, including containment actions, will be received by Cree within forty-eight (48) hours of receipt of the SCAR; and (c) Supplier's final report will be received by Cree within seven (7) calendar days (or such longer period as may be approved by Cree in writing) of receipt of the SCAR. In the event of any recall affecting the Merchandise or any other deliverables due to the fault or negligence of Supplier, Supplier will indemnify Cree, Cree's affiliates, Cree's customers, and the ultimate end users of the Merchandise or other deliverables in accordance with paragraph 22 below. Cree will have the right to control the recall process, and Supplier will fully cooperate with Cree in connection with the recall.

Supplier will flow down the applicable requirements of this paragraph 7 to all tiers of its supply chain in the performance of its obligations under the Contract.

8. Prices and Price Warranty. Supplier agrees that the prices stated in the Purchase Order are complete, and no additional charges of any type will be due and payable by Cree unless and except to the extent Cree expressly assumes responsibility for such additional charges in the Purchase Order. Such additional charges include, but are not limited to, shipping, packaging, labeling, custom duties, taxes, storage, insurance, handling, and crating. Supplier represents and warrants that the prices for Services, Merchandise, and/or other deliverables sold to Cree hereunder are no less favorable than those currently extended by Supplier to any other customer for the same or similar Services, Merchandise or other deliverables in similar quantities or under similar terms and conditions. If Supplier reduces its price for such items before Supplier completes performance of the Contract, Supplier agrees to reduce the prices under the Contract correspondingly.

9. Payment Terms; Invoices; Deduction and Set Off. Payment terms will be as set forth in the Purchase Order. If not indicated in the Purchase Order, the payment terms are net forty-five (45) days after the date of receipt of any Merchandise or other deliverables or after the date of acceptance of any Services. Invoices are paid less any cash discount indicated in the Purchase Order or provided for in paragraph 2 above. Taxes, if any, must be separately itemized. Any sums payable to Supplier will be subject to all claims and defenses of Cree, whether arising from this or any other transaction, and Cree may set off and deduct against such sums all present and future indebtedness of Supplier to Cree. Cree will provide a copy of the deduction voucher(s) for debits taken by Cree against Supplier's account as a result of any returns or adjustments. Supplier will be deemed to have accepted each such deduction unless Supplier, within sixty (60) days following receipt of the deduction voucher, notifies Cree in writing as to why a deduction should not be made and provides appropriate supporting documentation therefor.

10. Changes By Cree. Cree will have the right at any time to make changes in drawings, designs, specifications, materials, packaging, time and place of delivery, and/or method of transportation to the extent not yet performed. If any such changes cause an increase or decrease in the cost or the time required for the performance, the parties will make an equitable adjustment and modify the Contract in writing accordingly. Supplier will be required to accept any commercially reasonable change provided for in this paragraph 10.

11. Changes By Supplier. After initial qualification of Merchandise or other deliverables by Cree, Supplier agrees that it will not make any distinguishable change to the design, specifications, materials, manufacturing equipment, materials sourcing, manufacturing process, and/or manufacturing location of the Merchandise or other deliverables qualified by Cree or the location for the performance of Services without Cree's prior written approval. This obligation will survive performance of the Contract. For all approved changes, Supplier will properly identify and provide the revision status of all relevant technical data, drawings, process requirements, inspection or verification instructions, and other critical items as required by Cree. Changes requiring Cree's prior approval in accordance with this paragraph 11 will include, but not be limited to: (a) a change in safety standards; (b) a change in design, specifications, or materials that affects the form, fit, function, safety, and/or reliability of the Merchandise or other deliverables; (c) a material change in inspection methods; (d) a change in the manufacturing or performance location; (e) a change in the source of a subcomponent or raw material; (f) a change in key management personnel of Supplier necessary to the performance of the Contract; (g) the addition of new equipment or the rearrangement or movement of existing equipment in the production line; and (h) any other change that may affect the quality of the Services, Merchandise or other deliverables. In the event any one or more of the changes identified in (a) through (h) occurs with respect to Supplier during performance of the Contract, Supplier will immediately notify Cree of such changes in writing. By accepting the Purchase Order, Supplier also agrees to an on-going obligation to notify Cree in writing in the event any one or more of the changes identified in (a) through (h) occurs with respect to Supplier after performance of the Contract. If the Supplier Quality Manual is applicable, it will control in the event of any inconsistency with the provisions in this paragraph 11. The provisions of this paragraph 11 will survive performance of the Contract for twelve (12) months after the last purchase order for Services, Merchandise, or other deliverables from Cree or an Alternative Buyer has been fulfilled.

12. Limited Shelf-Life Merchandise or deliverables. Supplier will identify all Merchandise or other deliverables, including any parts or materials incorporated therein, that have characteristics vulnerable to quality degradation over time or under certain environments. Supplier will make such identification by affixing a legend detailing the relevant quality degradation information directly on the Merchandise or deliverable itself or on the Merchandise or deliverable container. The following information will be set forth on such legend: (i) start date of useful life; (ii) end date of useful life; (iii) storage conditions that result in quality

degradation, including temperature, humidity, and any other known factors; and (iv) Supplier recommended storage conditions or stock rotation recommendations for preserving the quality of the Merchandise, deliverables, or parts or materials thereof. Notwithstanding the foregoing, unless otherwise agreed by Cree in writing, all Merchandise and other deliverables will have a minimum of ninety percent (90%) shelf-life remaining from the date of delivery to Cree. Any Merchandise or other deliverable not meeting the foregoing shelf-life minimum will be subject to rejection and return to Supplier, at Supplier's sole cost, and in addition, to any other remedy available to Cree under the Contract.

13. Cree's Right to Cancel. Unless expressly agreed otherwise in writing by Cree, Cree may terminate all or part of the Contract at any time for its convenience, without cause and without further liability with respect to Merchandise not yet shipped or Services not yet rendered, by providing written notice to Supplier. Notwithstanding any agreed upon non-cancellation provision, in the event of any default by Supplier or if Supplier fails to comply with any terms or conditions set forth in the Contract, Cree may terminate all or part of the Contract for cause, without further liability with respect to Merchandise not yet shipped or Services not yet rendered, and without regard to such non-cancellation provision, by providing written notice to Supplier. In the event of cancellation, Supplier will promptly refund to Cree any amounts previously paid with respect to such cancelled Merchandise or Services less the amount of any applicable cancellation charge agreed to by Cree.

14. Confidentiality. Supplier shall consider all specifications, plans, instructions, samples or other information furnished by Cree or prepared by Supplier specifically for Cree in connection with the Contract to be confidential and shall not: (a) disclose any such information to any other persons; (b) use such information itself for any purpose other than performing the Contract; or (c) export or permit the export or re-export of any technical data received under the Contract except with Cree's prior written approval and in compliance with the Export Administration Act (22 USC § 2778) and the International Traffic in Arms Regulations, if applicable. Without Cree's prior written permission, which may be withheld in its sole discretion, Supplier shall not advertise or publish the fact that Cree has contracted to purchase Services, Merchandise, or other deliverables from Supplier, disclose information relating to the Contract, or use the name of Cree, or any of its affiliates, contractors, or customers, in advertising or other publication. Unless otherwise expressly agreed in writing by Cree, no information, including, without limitation, commercial, financial, or technical information, disclosed in any manner or at any time by Supplier to Cree or its agents or representatives will be deemed secret or confidential, and Supplier will have no rights against Cree with respect to such information except such rights as may exist under patent or copyright laws. This paragraph 14 is in addition to, and not in lieu of, any other confidentiality or similar agreements between the parties relating to the subject matter of the Contract, which agreements are incorporated by reference as if fully set forth herein.

15. Cree Material and Special Tooling. Any tooling, materials, supplies, or replacements thereof furnished to Supplier by Cree or paid for by Cree (including where the cost of which, or any charge or allowance to cover any depreciation and/or amortization thereof, is included in the price specified in the Purchase Order), or which is based upon a design or process confidential or proprietary to Cree (collectively, "**Material and Special Tooling**"), will be and remain the sole property of Cree. Each item of Material and Special Tooling will be plainly marked or adequately identified by Supplier as "Property of Cree, Inc." and will be safely stored apart from Supplier's property where practicable. Material and Special Tooling, while in Supplier's care, custody, possession or control will be kept in good condition, and Supplier will bear all risk of loss thereof and damage thereto, normal wear and tear excepted. Any loss of or damages to the Material and Special Tooling, while in the care of Supplier will be reported promptly to Cree in writing, and Supplier will not use damaged Material and Special Tooling for further processing. Any damaged Material and Special Tooling will be repaired or disposed of in accordance with Cree's instructions. Supplier may not substitute, alter or

replace any Material and Special Tooling provided by Cree without the prior express written consent of Cree.

Where Cree has supplied excess Material and Special Tooling, such as for a scrap allowance, Supplier must account for and promptly return to Cree any such excess. Supplier will receive Cree's prior written consent before reworking or modifying the Material and Special Tooling in any manner other than in accordance with Cree's written instructions and/or specifications. Material and Special Tooling will be insured by and at the expense of Supplier, with Cree being named as loss payee, against all risk of loss or damage in an amount equal to the full replacement value, and Supplier will forward proper evidence of such insurance to Cree upon request. Cree will be entitled to sole and exclusive possession of any and all Material and Special Tooling upon demand, if and when Cree requests possession. At Cree's request, Supplier will prepare such Material and Special Tooling for shipment and will deliver same to Cree pursuant to Cree's shipping instructions, at Cree's expense. Supplier will not directly or indirectly use any Material and Special Tooling for the benefit of a third party, nor will Supplier ever permit the use of any Material and Special Tooling so that it accrues to the benefit of any competitor of Cree or to the detriment of Cree in any way. Supplier agrees not to mortgage, pledge, sell, lease, or otherwise encumber, dispose of or subject to a lien or security interest any Material and Special Tooling that is the subject of or covered by the Contract.

16. Intellectual Property. Supplier represents and warrants that the Services, Merchandise, and any other deliverables supplied hereunder, including any use thereof, will be free of any allegations, claims, demands, suits, actions, or other proceedings (collectively, "**Claims**") of infringement of any patent, trademark or other intellectual property rights or misappropriation of third party trade secrets, and agrees to indemnify and hold harmless Cree and each of its affiliates, and their respective shareholders, members, managers, officers, directors, employees, agents, customers, affiliates, successors and assigns, and any other third party to whom Cree may owe a similar obligation by contract or by operation of law (each an "Indemnified Person"), from any judgments, debts, fines, penalties, damages, expenses, costs, losses or liabilities (including, without limitation, consequential and incidental damages, reasonable attorneys' fees and other legal expenses) (collectively, "**Damages**") resulting from or arising out of any Claim of such infringement or misappropriation; provided that Supplier makes no representations or warranties and will have no indemnification obligation with respect to Claims to the extent arising from Services performed or Merchandise and other deliverables designed or manufactured in accordance with custom designs or specifications supplied by Cree if the alleged infringement or misappropriation would not have occurred but for Supplier's compliance with Cree's custom designs or specifications. Upon request by Cree, Supplier will, at Supplier's sole expense, take over the defense of any such Claim or related litigation against an Indemnified Person; provided, however, that Cree and any other Indemnified Person may retain its own counsel and participate in any such litigation for further protection of Cree's or such other Indemnified Person's interests.

17. Inventions and Works of Authorship. Cree will be the owner of, and Supplier agrees to assign and does hereby assign to Cree all rights Supplier may have in, any inventions conceived, reduced to practice or otherwise made by Supplier and any works of authorship created by Supplier, whether alone or jointly with others, and whether considered to be "works made for hire" or not, in the course of performing Services for Cree under the Contract. Supplier agrees upon request to execute such documents as may be reasonably requested by Cree to confirm such ownership.

18. Record Retention. Supplier agrees to retain and make available to Cree promptly upon request copies of certifications, test data, chemical and/or physical test reports, lot control data, inspection records, and other pertinent data requirements for a minimum period of ten (10) years after shipment of the Merchandise or other deliverable to Cree, or as otherwise specified on the Purchase Order when unique record

retention requirements are imposed. If the Supplier Quality Manual is applicable, it will control in the event of any inconsistency with the provisions in this paragraph 18.

19. Software License Grant. Unless otherwise agreed in writing by the parties, Cree will have a non-exclusive, irrevocable license to reproduce, create derivative works of, and use for internal purposes only in connection with Cree's and its affiliates business and operations, any software furnished to Cree by Supplier under the Contract in connection with the purchase of Merchandise, and Cree will be permitted to assign or transfer any such software and license rights in connection with the assignment or transfer of the Merchandise for which it was supplied.

20. Equal Employment Opportunity Compliance. During the performance of the Contract, the Supplier agrees to comply with all applicable foreign, U.S., state and local laws respecting non-discrimination in employment, affirmative action, and non-segregation of facilities, including but not limited to, the requirements set forth under 41 CFR §§ 60-1.4, 60-1.8, 60-250.5 and 60-741.5 of the U.S. Code of Federal Regulations, which equal opportunity clauses are incorporated herein by this reference. The Supplier agrees to include this provision in any subcontract relating to performance of the Contract.

21. U.S. Federal Government Contract Purchases. If the Purchase Order indicates that the purchase of Services, Merchandise, or other deliverables is being made by Cree under a United States government contract, then additional terms and conditions as set forth or incorporated in the Purchase Order will apply. Supplier will flow down all such additional terms and conditions, if required thereby, to all tiers of the supply chain in the performance of its obligations under the Contract. Supplier hereby certifies that it is not ineligible, suspended, debarred or otherwise excluded from participating in transactions with any Federal department or agency. Supplier will immediately notify Cree in writing of any change in status regarding Supplier's ability to participate in transactions with any Federal department or agency. When a Purchase Order is designated as a Defense Priorities and Allocations System ("DPAS") priority rated order, Supplier will follow all of the provisions of the DPAS rules and regulations set forth under 15 CFR Part 700.

22. Indemnification. Supplier will indemnify, defend, pay and hold harmless all Indemnified Persons, from and against any and all Claims, Damages, and illnesses or injuries to persons (including death), or damage to or loss of property, arising or allegedly arising out of or in any manner resulting from or connected with the following: (a) the Services, Merchandise, other deliverables, or the design, manufacture, sale, purchase, consumption or use thereof (except to the extent directly resulting from Services performed or Merchandise and other deliverables designed or manufactured in accordance with custom designs or specifications supplied by Cree if the Claim, Damage, personal illness or injury, or property damage, or loss would not have occurred but for Supplier's compliance with Cree's custom designs or specifications, or from materials supplied by Cree or Cree's negligence or willful misconduct); (b) the acts or omissions of Supplier's officers, employees, agents or subcontractors; or (c) defaults, breaches or misrepresentations by or on behalf of Supplier. This paragraph 22 is in addition to, and not in lieu of, any other indemnification agreement(s) between the parties relating to the subject matter of the Contract, which agreements are incorporated by reference as if fully set forth herein.

23. Independent Contractor. Supplier agrees that all Services performed under the Contract will be performed by Supplier as an independent contractor, that the persons performing such Services will not be considered employees of Cree, and that Supplier will be solely responsible for payment of any wages, benefits, taxes and other employer obligations related to such personnel. Supplier will maintain the types and amounts of insurance and satisfy any special insurance requirements established by Cree in its supplier qualification process, and if specific types and amounts of insurance are not otherwise specified by Cree in writing, the Supplier will maintain all necessary

insurance coverages, including commercial general liability, workers' compensation, and employer's liability insurance, with coverage limits that are appropriate for the nature of its business. On behalf of itself and its insurers, Supplier waives any right of subrogation it has or may have against Cree or the owner, lender, or property manager of any property where Services are performed by Supplier for the benefit of Cree.

24. Insolvency. If Supplier ceases to conduct its operations in the normal course of business, including being subject to an inability to meet its obligations as they mature, or if any proceeding under federal or national bankruptcy or any state insolvency laws is brought by or against Supplier, or a receiver for Supplier is appointed or applied for, or an assignment for the benefit of creditors is made by Supplier, Cree may terminate the Contract without further liability.

25. Attorney Fees: Costs and Expenses of Litigation. If either party institutes legal proceedings against the other based upon a cause of action arising out of the Contract, the prevailing party will be entitled to recover its costs and expenses, including reasonable attorneys' fees, incurred in filing and prosecuting or defending such action.

26. No Waiver. Failure by Cree to enforce any terms and conditions set forth in the Contract or to exercise any right accruing through the default of Supplier will not affect or impact Cree's rights in case such default continues or in case of any subsequent default of Supplier, and such failure will not constitute a waiver of other or future defaults to Supplier.

27. Non-Assignment. Supplier will promptly notify Cree of any change in Supplier's corporate structure or legal entity through stock ownership, merger, contract, by operation of law, or other arrangements. Assignment by Supplier of the Contract (by any means, including by operation of law) or any interest therein, or any payment due or to become due hereunder, without the prior written consent of Cree, will be void. This paragraph 27 is not intended to require Cree's consent for Supplier to use independent contractors in activities related to the performance of Services or the development, manufacture, or shipment of Merchandise or other deliverables ordered hereunder; however, Supplier will remain solely responsible to Cree for compliance with the terms and conditions of the Contract.

28. Force Majeure. Upon notice to Supplier, Cree may delay delivery or acceptance of Services, Merchandise or other deliverables ordered hereunder due to causes beyond its reasonable control. Supplier will hold such Merchandise or other deliverables at the direction of the Cree and will deliver the same when the cause affecting the delay has been removed. Cree will be responsible only for Supplier's direct additional costs in holding the Merchandise or delaying performance of the Contract at Cree's request. Causes beyond Cree's reasonable control will include, without limitation, government action or failure of the government to act where such action is required, strike or other labor trouble, war, acts of terrorism, fire or unusually severe weather.

29. Limitation on Cree's Liability. **IN NO EVENT WILL CREE BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, SPECIAL OR INDIRECT DAMAGES, PENALTIES, ANTICIPATED PROFITS OR LIQUIDATED DAMAGES OF ANY DESCRIPTION ARISING OUT OF OR RELATING TO THE SERVICES, MERCHANDISE, OR OTHER DELIVERABLES, THE CONTRACT, OR THE PARTIES' RELATIONSHIP. CREE'S LIABILITY ON ANY CLAIM OF ANY KIND FOR ANY LOSS OR DAMAGE ARISING OUT OF OR IN CONNECTION WITH OR RESULTING FROM THE CONTRACT OR FROM ITS PERFORMANCE OR BREACH THEREOF WILL IN NO CASE EXCEED THE PRICE ALLOCABLE TO THE SERVICE, MERCHANDISE, OR OTHER DELIVERABLE WHICH GIVES RISE TO THE CLAIM. ANY ACTION RESULTING FROM ANY BREACH OR ALLEGED BREACH ON THE PART OF CREE UNDER THE CONTRACT MUST BE COMMENCED WITHIN ONE YEAR AFTER THE CAUSE OF ACTION HAS ACCRUED.**

30. Governing Law. If Cree is an entity formed under the laws of a state in the United States of America, the laws of the state set forth in the Cree billing address on the face of the Purchase Order will govern the Contract, including (except as modified herein) the Uniform Commercial Code as adopted in such state, as if it were an agreement solely between residents of such state to be performed entirely within such state. If Cree is an entity organized under the laws of any other jurisdiction, the laws of the jurisdiction where such Cree entity was organized will govern the Contract as if it were an agreement solely between residents of such jurisdiction to be performed entirely within the jurisdiction. The Uniform Law on the Formation of Contracts for the Sale of Goods, based on the United Nations Convention on Contracts for the International Sale of Goods will not apply to the Contract.

31. Work on Cree's Premises. If the Contract involves the performance of Services by Supplier on Cree's premises, Supplier will comply with and take all precautions required by any safety and security regulations and internal policies or procedures of Cree to prevent the occurrence of any injury to person or property during the performance of such Services. Supplier also agrees that any employee, subcontractor or agent provided under the Contract to perform Services on Cree's premises will abide by the employment policies of Cree that address sexual and other unlawful harassment, drug and alcohol abuse, and equal employment opportunity. In addition to any other remedies available to Cree, Cree may, without notice or an opportunity to cure, expel from its property/worksites, any employee, subcontractor or agent of Supplier who violates any Cree policy. Prior to Cree issuing any "No-Escort" badges to Supplier's employees, subcontractors, or agents performing Services on Cree's premises or having any access to Cree computer information systems for any period of time, Supplier, will, at its own expense, obtain a drug screen and background investigation on the individual in accordance with standards established by Cree's security organization. For purposes of these Terms and Conditions, "Cree's premises" refers to property owned or leased by Cree or third party property on which the Services are performed for Cree's benefit.

32. Miscellaneous. All rights granted to Cree hereunder will be in addition to and not in lieu of Cree's rights arising by operation of law. Any provision of a hard copy Purchase Order that is manually entered (that is, not preprinted) or handwritten by Cree will supersede any contrary or inconsistent printed provision herein or therein. The words "include," "includes" and "including" when used herein shall be deemed in each case to be followed by the words "without limitation." The word "herein," "hereunder," and similar references mean, except where a specific document or paragraph is expressly indicated, the entire Contract rather than any specific document or paragraph. The headings contained in the Contract are for reference purposes only and shall not affect the meaning or interpretation of the Contract. No modification of the terms of the Contract will be valid without the prior written authorization of Cree. Should any of the provisions of the Contract be declared by a court of competent jurisdiction to be invalid, such decision will not affect the validity of any remaining provisions. If the parties have a trading partner agreement concerning electronic data interchange ("EDI") in the creation and management of transactions relating to the sale by Supplier and the purchase by Cree of Services, Merchandise, or other deliverables, the terms of such trading partner agreement are incorporated herein and made a part hereof by this reference. The obligations of the parties under the Contract, which by their nature would continue beyond the delivery of the Merchandise or other deliverables or the termination, cancellation or expiration of the Contract, including by way of illustration only and not limitation, those in the warranty, confidentiality, intellectual property, software license grant, product change notification, indemnification and limitation of liability provisions, will survive following the delivery of the Merchandise or other deliverables or the termination, cancellation or expiration of the Contract.