

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): **November 13, 2014**

Charles & Colvard, Ltd.

(Exact name of registrant as specified in its charter)

North Carolina
(State or other jurisdiction of
incorporation)

000-23329
(Commission File
Number)

56-1928817
(I.R.S. Employer
Identification No.)

170 Southport Drive
Morrisville, North Carolina
(Address of principal executive offices)

27560
(Zip Code)

(919) 468-0399
(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))
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Item 2.02 Results of Operations and Financial Condition.

On November 13, 2014, Charles & Colvard, Ltd. (the “Company”) issued a press release regarding its financial results for the fiscal quarter and nine months ended September 30, 2014. A copy of this press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Pursuant to General Instruction B.2 of Current Report on Form 8-K, the information in Item 2.02 of this report, including the press release attached as Exhibit 99.1, is furnished and shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. Furthermore, such information shall not be deemed to be incorporated by reference into the filings of the Company under the Securities Act of 1933, as amended.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description of Document</u>
99.1	Press Release dated November 13, 2014

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.

Charles & Colvard, Ltd.

November 13, 2014

By: /s/ Kyle Macemore

Kyle Macemore
Senior Vice President and
Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description of Document
99.1	Press Release dated November 13, 2014



CHARLES & COLVARD

Charles & Colvard Reports Third Quarter 2014 Financial Results

Conference Call to Be Held Today at 4:30 PM EST

MORRISVILLE, NC—November 13, 2014—Charles & Colvard, Ltd. (NASDAQ: CTHR), the sole source of created moissanite and *Forever Brilliant*[®], *The World's Most Brilliant Gem*[®], reports financial results for the third quarter ended September 30, 2014.

“This quarter, our financial results reflect a decrease in sales compared to the third quarter of 2013, primarily as a result of decreases in sales in our international markets. In the third quarter of 2013, as we began to expand the China market, we had significant sales to several international distributors. Due to economic and market conditions and our ongoing evaluation of our distributors, we were unable to replicate those results this quarter and as a result saw a decrease in sales to distributors in the China market,” said Randy N. McCullough, Chief Executive Officer of Charles & Colvard. “While we are very disappointed in these results, we remain focused on increasing sales regardless of market conditions. As such, we are concentrating on several initiatives to strengthen our positioning well into the future and drive revenue growth, especially in the U.S. market, for the fourth quarter which historically has been strong for us.”

Mr. McCullough continued, “For example, we formalized an agreement last month with another large retailer’s ecommerce site to offer Forever Brilliant[®] moissanite jewelry for sale. Offering Forever Brilliant[®] via multiple retailers’ websites represents one of our initiatives to expand the availability of moissanite. We expect our fulfillment capabilities to continue expanding our retailer base while increasing our visibility among new groups of consumers, and ultimately increasing Forever Brilliant[®] brand awareness.

“In addition, expanding on the collaborative theme that inspired the launch of the Survivor Collection[™], we are exploring additional partnerships with sellers, designers and artists. We believe these are steps in the right direction that will allow us to leverage not only our relationships and channels, but the brands and channels of others as well. Simultaneously, as our online sales continue to improve, we are bolstering our online presence and marketing in several ways. Most recently, this is demonstrated by the launch of our new, user friendly, welcoming and highly functional website which you can see at www.CharlesandColvard.com. Also, we launched a Survivor Collection[™] website that has received some significant recognition among cancer survivors. We look forward to sharing news about our progress as these and other initiatives unfold,” said Mr. McCullough.

Financial Highlights for the Third Quarter 2014:

- Third quarter 2014 sales were \$4.5 million compared with \$6.9 million in the year-ago third quarter, a decrease of 34%.
- U.S. sales were \$3.5 million for the third quarter compared with \$3.9 million in the year-ago third quarter, a 9% decrease.
- International sales were \$1.0 million for the third quarter, compared with \$3.0 million for the third quarter of 2013, a decrease of 66%.
- Loose jewel sales, including the Company's whiter *Forever Brilliant*[®] moissanite, were \$2.3 million for the quarter, compared with \$4.8 million for the year-ago third quarter, a decrease of 52%. Finished jewelry sales were \$2.2 million for the quarter, compared with \$2.0 million in the year-ago third quarter, an 8% increase.
- The Company's wholesale business decreased 46% for the quarter to \$3.4 million of sales, or 76% of sales, compared with \$6.4 million in the year-ago third quarter, or 93% of sales.
- The Company's direct-to-consumer businesses, Moissanite.com and Lulu Avenue[®], increased 114% for the quarter to \$1.1 million of sales, or 24% of sales, compared with \$0.5 million in the third quarter of 2013, or 7% of sales.
- Operating expenses were \$4.3 million for the third quarter of 2014, compared with \$4.2 million in the year-ago third quarter.
- Net loss for the third quarter was \$3.1 million, or \$0.15 per share, compared with net loss of \$1.2 million, or \$0.06 per share, in the year-ago third quarter.

Financial Highlights for the Nine Months ended September 30, 2014:

- Nine-month 2014 sales were \$18.4 million compared with \$19.9 million in the year-ago period, a decrease of 7%.
 - U.S. sales were \$16.5 million for the nine-month period compared with \$14.3 million in the year-ago period, a 15% increase.
 - International sales were \$2.0 million for the nine-month period compared with \$5.5 million for the year-ago period, a 65% decrease.
 - Loose jewel sales, including the Company's whiter *Forever Brilliant*[®] moissanite, were \$10.0 million for the first nine months of 2014, compared with \$13.2 million for the year-ago nine-month period, a decrease of 24%. Finished jewelry sales were \$8.4 million for the first nine months of 2014, compared with \$6.6 million in the year-ago nine-month period, a 27% increase.
 - The Company's wholesale business decreased 15% for the first nine months of 2014 to \$15.4 million of sales, or 84% of sales, compared with \$18.3 million in the year-ago nine-month period, or 92% of sales.
 - The Company's direct-to-consumer businesses, Moissanite.com and Lulu Avenue[®], increased 85% for the nine-month period to \$3.0 million or 16% of sales, compared with \$1.6 million in the nine-month period of 2013, or 8% of sales.
 - Operating expenses were \$12.4 million for the first nine months of 2014 compared with \$11.3 million in the year-ago nine-month period.
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Net loss for the nine months was \$10.3 million, or \$0.51 per share, compared with a net loss of \$1.4 million or \$0.07 per share in the year-ago nine-month period.

Financial Position

Cash and liquid investments totaled \$2.7 million at September 30, 2014, up \$88,000 from approximately \$2.6 million at December 31, 2013, and the Company had no debt outstanding as of September 30, 2014. Total inventory, including long-term and consigned inventory, was \$41.1 million as of September 30, 2014, compared to \$42.4 million at December 31, 2013.

Investor Conference Call

Shareholders and other interested parties may participate in the upcoming investor conference call by dialing 877-317-6789 (international/local participants dial 412-317-6789) and asking to be connected to the "Charles & Colvard, Ltd. Conference Call" a few minutes before 4:30 p.m. EST on Thursday November 13, 2014. The call will also be broadcast live on the Internet at <http://www.webcaster4.com/Webcast/Page/346/3110>.

A replay of the conference call will be available one hour after the call until 9:00 a.m. EST on Friday, November 28, 2014 by dialing 877-344-7529 (U.S.) or 412-317-0088 (international) and entering the conference ID number 10038573.

The conference call will also be archived for review on the Internet at <http://www.webcaster4.com/Webcast/Page/346/3110> and on the Company's website at <http://www.charlesandcolvard.com/investor-relations/events> until Friday November 28, 2014.

About Charles & Colvard, Ltd.

Charles & Colvard, Ltd., is the global sole source of moissanite, a unique, near-colorless created gem that is distinct from other gems and jewels based on its exceptional fire, brilliance, luster, durability, and rarity. *Charles & Colvard Created Moissanite*[®] and *Forever Brilliant*[®] are currently incorporated into fine jewelry sold through domestic and international retailers and other sales channels. Charles & Colvard, Ltd.'s common stock is listed on the NASDAQ Global Select Market under the symbol "CTHR." For more information, please visit www.charlesandcolvard.com.

Forward-Looking Statement

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements expressing expectations regarding our future and projections relating to products, sales, revenues, and earnings are typical of such statements and are made under the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about our plans, objectives, representations, and contentions and are not historical facts and typically are identified by use of terms such as "may," "will," "should," "could," "expect," "plan," "anticipate," "believe," "estimate," "predict," "continue," and similar words, although some forward-looking statements are expressed differently.

All forward-looking statements are subject to the risks and uncertainties inherent in predicting the future. You should be aware that although the forward-looking statements included herein represent management's current judgment and expectations, our actual results may differ materially from those projected, stated, or implied in these forward-looking statements as a result of many factors including, but not limited to, our dependence on consumer acceptance and growth of sales of our products resulting from our strategic initiatives; dependence on a limited number of customers; the impact of the execution of our business plans on our liquidity; our ability to fulfill orders on a timely basis; the financial condition of our major customers and their willingness and ability to market our products; dependence on Cree, Inc. as the sole current supplier of the raw material; our current wholesale customers' potential perception of us as a competitor in the finished jewelry business; intense competition in the worldwide jewelry industry; general economic and market conditions, including the current economic environment; risks of conducting business in foreign countries; the pricing of precious metals, which is beyond our control; the potential impact of seasonality on our business; our ability to protect our intellectual property; the risk of a failure of our information technology infrastructure to protect confidential information and prevent security breaches; possible adverse effects of governmental regulation and oversight; and the failure to evaluate and integrate strategic opportunities, in addition to the other risks and uncertainties described in our filings with the Securities and Exchange Commission, or the SEC, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 and subsequent reports filed with the SEC. Forward-looking statements speak only as of the date they are made. We undertake no obligation to update or revise such statements to reflect new circumstances or unanticipated events as they occur except as required by the federal securities laws, and you are urged to review and consider disclosures that we make in the reports that we file with the SEC that discuss other factors relevant to our business.

Contacts:

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Investor Relations:

Taglich Brothers, Inc.

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CHARLES & COLVARD, LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,661,280	\$ 2,573,405
Accounts receivable, net	5,505,913	10,244,732
Inventory, net	15,833,756	13,074,428
Prepaid expenses and other assets	981,795	951,635
Deferred income taxes	-	1,197,832
Total current assets	<u>24,982,744</u>	<u>28,042,032</u>
Long-term assets:		
Inventory, net	25,314,540	29,337,674
Property and equipment, net	1,983,865	1,717,692
Intangible assets, net	258,859	325,867
Deferred income taxes	-	2,841,891
Other assets	327,217	58,696
Total long-term assets	<u>27,884,481</u>	<u>34,281,820</u>
TOTAL ASSETS	<u>\$ 52,867,225</u>	<u>\$ 62,323,852</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,603,811	\$ 3,670,551
Accrued cooperative advertising	192,000	188,000
Accrued expenses and other liabilities	578,908	642,186
Total current liabilities	<u>3,374,719</u>	<u>4,500,737</u>
Long-term liabilities:		
Accrued rent	693,277	-
Accrued income taxes	404,589	395,442
Total long-term liabilities	<u>1,097,866</u>	<u>395,442</u>
Total liabilities	<u>4,472,585</u>	<u>4,896,179</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value	53,949,001	53,949,001
Additional paid-in capital – stock-based compensation	11,230,884	9,940,980
Accumulated deficit	(16,785,245)	(6,462,308)
Total shareholders' equity	<u>48,394,640</u>	<u>57,427,673</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 52,867,225</u>	<u>\$ 62,323,852</u>

CHARLES & COLVARD, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net sales	\$ 4,521,894	\$ 6,858,252	\$ 18,431,094	\$ 19,875,826
Costs and expenses:				
Cost of goods sold	3,268,803	3,805,227	12,256,826	10,076,520
Sales and marketing	2,520,426	2,449,679	6,886,651	7,228,883
General and administrative	1,790,588	1,723,676	5,543,269	3,917,461
Research and development	3,863	6,755	15,364	21,779
Loss on abandonment of assets	-	-	2,201	95,052
Total costs and expenses	<u>7,583,680</u>	<u>7,985,337</u>	<u>24,704,311</u>	<u>21,339,695</u>
Loss from operations	(3,061,786)	(1,127,085)	(6,273,217)	(1,463,869)
Other income (expense):				
Interest income	2	5,135	51	19,609
Interest expense	(583)	(202)	(901)	(1,176)
Total other (expense) income, net	<u>(581)</u>	<u>4,933</u>	<u>(850)</u>	<u>18,433</u>
Loss before income taxes	(3,062,367)	(1,122,152)	(6,274,067)	(1,445,436)
Income tax net (expense) benefit	(3,093)	(88,550)	(4,048,870)	49,422
Net loss	<u>\$ (3,065,460)</u>	<u>\$ (1,210,702)</u>	<u>\$ (10,322,937)</u>	<u>\$ (1,396,014)</u>
Net loss per common share:				
Basic	\$ (0.15)	\$ (0.06)	\$ (0.51)	\$ (0.07)
Diluted	\$ (0.15)	\$ (0.06)	\$ (0.51)	\$ (0.07)
Weighted average number of shares used in computing net loss per common share:				
Basic	20,357,333	20,001,543	20,272,897	19,825,532
Diluted	20,357,333	20,001,543	20,272,897	19,825,532

CHARLES & COLVARD, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine Months Ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (10,322,937)	\$ (1,396,014)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	861,658	584,734
Amortization of bond premium	-	4,069
Stock-based compensation	1,289,904	1,192,823
Provision for uncollectible accounts	897,878	17,195
Provision for sales returns	(853,000)	(101,000)
Provision for inventory reserves	281,000	197,000
Provision (benefit) for deferred income taxes	4,039,723	(66,092)
Loss on abandonment of assets	2,201	95,052
Changes in assets and liabilities:		
Accounts receivable	4,693,941	(816,011)
Interest receivable	-	(3,907)
Inventory	982,806	(7,817,735)
Prepaid expenses and other assets, net	(298,681)	(282,582)
Accounts payable	(1,066,740)	2,966,274
Accrued cooperative advertising	4,000	293,000
Accrued income taxes	9,147	8,771
Other accrued liabilities	629,999	5,365
Net cash provided by (used in) operating activities	<u>1,150,899</u>	<u>(5,119,058)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,007,506)	(673,588)
Patent, license rights, and trademark costs	(55,518)	(109,658)
Net cash used in investing activities	<u>(1,063,024)</u>	<u>(783,246)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Stock option exercises	-	241,265
Net cash provided by financing activities	<u>-</u>	<u>241,265</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	87,875	(5,661,039)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,573,405	11,860,842
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 2,661,280</u>	<u>\$ 6,199,803</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$ 901	\$ 1,176
Cash paid during the period for income taxes	\$ -	\$ 7,899