
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): **January 30, 2018**

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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On February 1, 2018, Charles & Colvard, Ltd. (the “Company”) issued a press release regarding its preliminary revenue results for the fiscal quarter ended December 31, 2017 and highlighting 2018 strategic objectives. 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 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Modification of Awards Under 2017 Senior Management Equity Incentive Program

On January 30, 2018, the Compensation Committee of the Board of Directors (the “Board”) of the Company, reviewed preliminary 2017 corporate performance and determined the achievement levels of the performance goals under the Charles & Colvard, Ltd. 2017 Senior Management Equity Incentive Program (the “2017 Program”). The Compensation Committee exercised its discretion, as permitted by the 2017 Program, to deem the threshold level to have been achieved, even though the Company’s shared revenue goal was not achieved at the stretch threshold level due to a mid-year shift in focus towards financial profitability. The Compensation Committee modified the awards granted under the 2017 Program to reflect a 75% achievement level of the Company’s shared financial goals. In addition, the Compensation Committee modified the awards from wholly restricted stock awards to awards consisting of 70% restricted stock and 30% cash in lieu of restricted stock.

Adoption of 2018 Senior Management Equity Incentive Program

On January 30, 2018, the Compensation Committee approved the Charles & Colvard, Ltd. 2018 Senior Management Equity Incentive Program (the “2018 Program”), with effect as of January 1, 2018. The 2018 Program supersedes and replaces all prior management incentive plans or programs.

The 2018 Program provides an incentive opportunity for the Company’s executive officers and vice presidents, other than the Senior Vice President of Sales and Vice Presidents of Sales (the “Eligible Employees”), through the grant of an award, with both performance and service measures (the “Award”), consisting of (i) a restricted stock award representing 70% of the Award’s value (the “Restricted Stock Component”) and (ii) a cash bonus award representing 30% of the Award’s value (the “Cash Component”). The value of Awards is expressed in “Share Equivalents,” which is the number of shares of the Company’s restricted stock that would be granted pursuant to each Award if the Restricted Stock Component equaled 100% of the Award.

Achievement of an Eligible Employee's performance measures will be measured by the Compensation Committee as follows: (i) 70% of each Award will be based on the achievement of a shared Company goal regarding revenue (the "Revenue Measure"), (ii) 10% of each Award will be based on the achievement of a shared Company goal regarding EBITDA (together with the Revenue Measure, the "Company Measures") and (iii) 20% of each Award will be based on the achievement of individual performance goals (the "Personal Measures"), all for the period from January 1, 2018 to June 30, 2018, reflecting the change in the Company's fiscal year detailed in Item 5.03 below. If the Company does not achieve 80% of the Revenue Measure, the Restricted Stock Component of each Award will be forfeited and the Cash Component of each Award will not be paid. The Company must achieve at least 90% of the Revenue Measure in order for the portion of the Award attributed to the Company Measures to be vested/paid, as applicable. Achievement on a sliding scale from 90% to 120% of the Revenue Measure will result in payment ranging from 75% and 140% of the portion of the Award attributed to the Revenue Measure. Eligible Employees may achieve from 0% to 100% of his or her Personal Measures. The Restricted Stock Component and Cash Component of each Award will be reduced proportionately by any performance that is measured below 100% accordingly. The Personal Measures and Company Measures are determined by the Compensation Committee and may be modified by the Compensation Committee to reflect certain types of events as permitted by the Company's 2008 Stock Incentive Plan (the "2008 Plan"). In addition, an Eligible Employee must remain in continuous service until July 31, 2018 for restrictions to fully lapse on the Restricted Stock Component and for the Cash Component to be paid.

Under the 2018 Program, the Compensation Committee has granted the Chief Executive Officer 75,000 Share Equivalents, the Chief Financial Officer and Chief Operating Officer 37,500 Share Equivalents, and each eligible Vice President 17,500 Share Equivalents. The 2018 Program also provides the Compensation Committee discretion to make additional Awards above the targeted award level in recognition of extraordinary performance. The Restricted Stock Component of all Awards granted pursuant to the 2018 Program is issued under and pursuant to the 2008 Plan and subject to the terms of the Company's standard performance-based restricted stock award agreement.

The foregoing description of the 2018 Program does not purport to be complete and is qualified in its entirety by reference to the 2018 Program, a copy of which is filed as Exhibit 10.1 to this Form 8-K and is incorporated herein by reference.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

On January 30, 2018, the Board approved a change in the Company's fiscal year from a fiscal year beginning on January 1 and ending on December 31 of each year to a fiscal year beginning on July 1 and ending on June 30 of each year. The Company plans to file a transition report on Form 10-KT with the Securities and Exchange Commission for the six-month transition period from January 1, 2018 to June 30, 2018.

Item 8.01 Other Events.

On February 1, 2018, in connection with the change in the Company's fiscal year, the Company announced that it is changing the timing of its annual shareholders' meeting (the "Annual Meeting") from May to November 2018. Upon setting the date of the Annual Meeting, the Company will disclose the new advance notice and shareholder proposal deadlines in accordance with Rule 14a-5(f) promulgated under the Securities Exchange Act of 1934, as amended.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description of Document
10.1	Charles & Colvard, Ltd. 2018 Senior Management Equity Incentive Program, effective January 1, 2018
99.1	Press Release dated February 1, 2018

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.

February 1, 2018

By: /s/ Clint J. Pete
Clint J. Pete
Chief Financial Officer

CHARLES & COLVARD, LTD.
2018 SENIOR MANAGEMENT EQUITY INCENTIVE PROGRAM

Adopted January 30, 2018

The Charles & Colvard 2018 Senior Management Equity Incentive Program (the “Program”) is a compensatory program established pursuant to the Charles & Colvard, Ltd. 2008 Stock Incentive Plan (the “2008 Plan”) for the 2018 fiscal year (i.e., January 1, 2018 through June 30, 2018). The Compensation Committee (the “Committee”) of the Board of Directors of Charles & Colvard Ltd. (the “Company”) is charged with administering the Program. The Program covers performance-based restricted stock awards and cash bonus awards for Company personnel at the level of Vice-President and above, other than the Senior Vice President of Sales and Vice Presidents of Sales (the “Eligible Employees”).

The Program supersedes and replaces all prior long-term incentive plans or programs for all periods commencing on or after January 1, 2018.

Purpose and Objective

The Program is intended to further strengthen the Company’s pay for performance philosophy and more closely align the Eligible Employees’ interests with those of the Company and its shareholders by granting Eligible Employees significant equity and cash compensation awards that are tied to both Company and individual performance. The Program provides for a mixture of both performance-based and time-based vesting of equity compensation awards to permit the Committee to tie vesting to the attainment of specific performance measures under the 2008 Plan while also encouraging the longer-term retention of Eligible Employees.

Description of Awards

Each award (an “Award”) granted under this Program shall consist of (1) a restricted stock award representing 70% of the Award’s value (the “Restricted Stock Component”), to be granted to Eligible Employees upon approval of this Program, and (2) a cash bonus award representing 30% of the Award’s value (the “Cash Component”), to be paid to Eligible Employees on the payroll date following the Vesting Date (as defined below).

The value of Awards shall be expressed in “Share Equivalents,” which is the number of shares of the Company’s restricted stock that would be granted pursuant to each Award if the Restricted Stock Component equaled 100% of the Award. For example, if an Award is expressed as 100 Share Equivalents and all performance goals are achieved at the 100% level (as more fully described below), the Restricted Stock Component would equal 70 Share Equivalents and the Cash Component would equal 30 Share Equivalents. The value of the Share Equivalents shall be set on the grant date of the Restricted Stock Component of the Awards.

Achievement of Awards

Awards granted under this Program have both performance and service measures. Achievement of an Eligible Employee's performance measures shall be measured by the Committee as follows: (1) 70% of each Award shall be based on the achievement of a shared Company goal regarding revenue (the "Revenue Measure"), (2) 10% of each Award shall be based on the achievement of a shared Company goal regarding EBITDA (together with the Revenue Measure, the "Company Measures") and (3) 20% of each Award shall be based on the achievement of individual performance goals (the "Personal Measures"), all for the period from January 1, 2018 to June 30, 2018 (the "Performance Measurement Period"). If the Company does not achieve 80% of the Revenue Measure, the Restricted Stock Component of each Award shall be forfeited and the Cash Component of each Award shall not be paid. The Company must achieve at least 90% of the Revenue Measure in order for the portion of the Award attributed to the Company Measures to be vested/paid, as applicable. Achievement on a sliding scale from 90% to 120% of the Revenue Measure shall result in payment ranging from 75% to 140% of the portion of the Award attributed to the Revenue Measure. Eligible Employees may achieve from 0% to 100% of his or her Personal Measures. The Restricted Stock Component and Cash Component of each Award shall be reduced proportionately by any performance that is measured below 100% accordingly. The Personal Measures and Company Measures are determined by the Committee and may be modified by the Committee during, and after the end of, the Performance Measurement Period to reflect extraordinary, unusual, or nonrecurring events that occur during the restriction period as permitted by the 2008 Plan. In addition, an Eligible Employee must remain in continuous service until July 31, 2018 (the "Vesting Date") for restrictions to fully lapse on the Restricted Stock Component and for the Cash Component to be paid.

Under this Program, the Committee has granted the following Awards:

Position	Maximum Share Equivalents
Chief Executive Officer	75,000
Chief Financial Officer and Chief Operating Officer	37,500
Eligible Vice President(s)	17,500

The Program provides the Committee discretion to make additional Awards above the targeted award level in recognition of extraordinary performance.

Committee Discretion in Granting Awards and Administering the Program for Future Employees

Any person who commences employment with the Company after January 1, 2018 may be designated an Eligible Employee for purposes of the Program for such fiscal year at the discretion of the Committee and receive an Award with a pro-rated number of Share Equivalents.

Source of Equity Compensation Awards; Coordination with 2008 Plan

The Restricted Stock Component of all Awards granted pursuant to the Program shall be issued under and pursuant to the 2008 Plan. All terms, conditions, and requirements of the 2008 Plan are expressly incorporated into the Program by reference. The Restricted Stock Component of all Awards granted pursuant to the Program shall be evidenced by an appropriate Award Agreement in the form approved by the Committee for use under the 2008 Plan, and the Restricted Stock Component of each Award hereunder shall be subject to the terms and conditions set forth in the applicable Award Agreement and the 2008 Plan. To the extent there is any conflict or ambiguity between the terms of this Program and the 2008 Plan or between this Program and any applicable Award Agreement, the terms of the 2008 Plan or the applicable Award Agreement shall control.

Amendment and Termination of the Program

The Program may be amended or terminated at any time by the Committee or the Company's Board of Directors. The Committee shall have unilateral authority to amend the Program and any Award granted pursuant to the Program (without the recipient's consent) to the extent necessary to comply with applicable laws, rules, or regulations or changes to applicable laws, rules, or regulations (including but not limited to Section 409A of the Internal Revenue Code of 1986, as amended, federal securities laws, or related regulations or other guidance).

Withholding; Tax Matters

In accordance with the terms of the 2008 Plan and applicable Award Agreements thereunder, the Company shall withhold, or shall require the recipient to pay the Company in cash, the amount of any local, state, federal, foreign, or other tax or other amount required by any governmental authority to be withheld and paid over by the Company to such authority for the account of the recipient. The Company makes no warranties or representations with respect to the tax consequences (including but not limited to income tax consequences) related to the transactions contemplated by this Program and the 2008 Plan. A recipient should consult with his/her own attorney, accountant, and/or tax advisor regarding the decision to accept equity compensation awards under the Program and the consequences thereof. The Company has no responsibility to take or refrain from taking any actions in order to achieve a certain tax result for any recipient.

CHARLES & COLVARD

THE ORIGINAL CREATED MOISSANITE

CHARLES & COLVARD ANNOUNCES POSITIVE PRELIMINARY FOURTH QUARTER 2017 RESULTS AND HIGHLIGHTS 2018 STRATEGIC OBJECTIVES

- *Generated Significant Net Sales Growth in Q4 2017 over Prior Year Quarter -*
- *Achieved Profitability in Q4 2017 -*
- *2018 to Build on Success in Driving Growth through Branding and Omni-channel Initiatives -*
- *Strategic Corporate Change Shifts Fiscal Year End to June 30 -*
- *Q4 and Full Year 2017 Conference Call Scheduled for March 8, 2018 at 4:30 PM EST -*

RESEARCH TRIANGLE PARK, NC – February 1, 2018 – Charles & Colvard, Ltd. (NASDAQ: CTHR) (the “Company”), the original and leading worldwide source of created moissanite, provided preliminary fourth quarter 2017 results, highlighted strategic objectives and announced recent actions by its Board of Directors related to fiscal year timing and executive compensation.

The Company estimates net sales for the fourth quarter 2017 to be in the range of \$8.2 million to \$8.5 million, as compared to \$6.0 million in the fourth quarter of 2016, and positive net income and earnings per share in the fourth quarter 2017.

Suzanne Miglucci, President and CEO of the Company, said, “Over the past year, we have made significant progress on our key initiatives, including building a direct-to-consumer business by amplifying our marketing outreach and targeting millennials; intensifying our omni-channel sales effort and applying our e-commerce initiatives to new channels; expanding our jewelry line and Forever One™ gemstone products; and evolving our customer experience.”

“Our Q4 2017 performance is indicative of the level of momentum we’re seeing since the re-launch of our brand and validates several factors – that we’ve engaged our target audience, they’re comfortable shopping online for moissanite products, and we’ve successfully established the consumer brand we promised when we embarked on this journey. We look forward to providing further detail on our recent performance and upcoming plans during our fourth quarter and full year 2017 investor conference call scheduled on March 8, 2018,” Ms. Miglucci commented.

“As we springboard from the great momentum created in 2017, we are focusing our efforts to grow the business as a premier, global jewelry brand through the following four strategic objectives,” Ms. Miglucci concluded.

2018 Strategic Objectives

- **Drive organic revenue growth in the U.S. and maintain attractive margins.** We plan to continue engaging our target customers through creative and progressive marketing campaigns, and we will leverage technology to ensure efficiencies in our marketing, sales and customer service functions.
- **Expand our gemstone and jewelry offerings to serve a broad range of customers.** We plan to continue innovating our moissanite gemstone offerings and further enhance our jewelry offerings to include unique, curated collections and new styles at multiple price points that will appeal to a broad audience.
- **Target the global market opportunity through continued brand building, focused channel expansion and world-class customer service.** We plan to diversify and expand our global customer base in a low-risk manner by introducing our brand in select markets via cross-border trade initiatives and through established marketplaces.
- **Balance growth-oriented investments to generate sustainable earnings improvement.** We plan to maintain financial flexibility and use data-driven business decisions to balance investments in future growth with consistent near-term financial performance.

Change in Fiscal Year

The Board of Directors approved a change in the Company's fiscal year from a fiscal year beginning on January 1 and ending on December 31 of each year to a fiscal year beginning on July 1 and ending on June 30 of each year. This change enables the management team to shift its annual planning and budgeting process away from the holiday season, so the focus during that time is on revenue-generating opportunities with customers. The Company plans to file a transition report on Form 10-KT with the Securities and Exchange Commission (the "SEC") for the six-month transition period from January 1, 2018 to June 30, 2018.

In connection with the change in the Company's fiscal year, the Company's 2018 annual meeting of shareholders (the "Annual Meeting") will be held in November 2018 instead of May 2018. Upon setting the date of the Annual Meeting, the Company will disclose the new advance notice and shareholder proposal deadlines in accordance with SEC Rule 14a-5(f).

Executive Compensation

The Compensation Committee of the Board of Directors reviewed 2017 corporate performance, determined achievement levels of 2017 performance goals and modified executive stock awards accordingly. The Compensation Committee also approved the 2018 senior management equity incentive program. These actions were reported on Form 4s filed with the SEC, which show the modification of 2017 equity awards as "Disposed" shares (cancelled, not sold) and the award of potential 2018 equity incentive awards as "Acquired" shares (granted, not vested).

Cautionary Statement Regarding Preliminary Results for the Fourth Quarter of 2017

The estimated fourth quarter 2017 results are derived from preliminary internal financial reports and are preliminary, unaudited, and subject to revision based on the Company's financial closing procedures and controls associated with the completion of its year-end financial reporting, including all customary reviews and approvals, and completion by the Company's independent registered public accounting firm of its audit of such financial statements for the year ended December 31, 2017. Accordingly, actual final results for 2017 may differ from these preliminary results, whether due to adjustments and other developments that may arise between the issuance of this press release and the issuance of the final audited results for the fiscal year ended December 31, 2017 or otherwise, and such differences may be material. These preliminary results should not be viewed as a substitute for full financial statements prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP") and are not necessarily indicative of the results to be achieved for any future period. Neither the Company's independent registered public accounting firm nor any other independent registered public accounting firm has audited, reviewed or compiled, examined or performed any procedures with respect to the preliminary results, nor have they expressed any opinion or any other form of assurance on the preliminary results.

About Charles & Colvard, Ltd.

Charles & Colvard, Ltd., based in the Research Triangle Park area of North Carolina, is the original creator and leading source of Forever One™, Forever Brilliant® and Forever Classic™ moissanite gemstones for fine jewelry. Moissanite is unique, available in three color grades (colorless, near-colorless and faint color) and produced from silicon carbide (SiC) crystals. Charles & Colvard Created Moissanite® is sold with a Limited Lifetime Warranty to wholesale distributors, manufacturers, retailers, TV shopping networks, and designers as loose stones or set in a wide variety of quality metal setting options. Charles & Colvard, Ltd. also sells direct to consumers through its wholly owned operating subsidiary, charlesandcolvard.com, LLC and through third-party marketplaces. Charles & Colvard, Ltd.'s common stock is listed on the NASDAQ Capital Market under the symbol "CTHR." For more information, please visit www.charlesandcolvard.com.

Forward-Looking Statements

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 our 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 awareness, 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 our exclusive supply agreement with Cree, Inc. for the sole supply of the raw material; intense competition in the worldwide jewelry industry; our ability to maintain compliance with the continued listing requirements of The Nasdaq Stock Market LLC; our current customers' potential perception of us as a competitor in the finished jewelry business; quality control challenges from time to time that can result in lost revenue and harm to our brands and reputation; general economic and market conditions, including the current economic environment; risks of conducting business in foreign countries; the impact of natural disasters on our operations; 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; the impact of significant changes in e-commerce opportunities, technology, or models; the impact on our brand and reputation of negative or inaccurate information on social media; the failure to evaluate and integrate strategic opportunities; possible adverse effects of governmental regulation and oversight; and the impact of anti-takeover provisions included in our charter documents, in addition to the other risks and uncertainties described in our filings with the SEC, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 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.

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