

COMPENSATION COMMITTEE CHARTER
OF
CHARLES & COLVARD, LTD.

(as amended and restated by the Board of Directors on March 15, 2016)

Purpose

The purpose of the Compensation Committee of Charles & Colvard, Ltd. (the “Company”) is to carry out the overall responsibility of the Board of Directors (the “Board”) relating to executive compensation, evaluation and development.

Membership and Procedure

The Compensation Committee shall consist of at least three directors. Members of the Compensation Committee shall be appointed by the Board upon the recommendation of the Nominating and Governance Committee and shall serve until their successors are appointed and qualified or until their earlier resignation, death or removal. All members of the Compensation Committee shall be independent in accordance with applicable requirements for director and compensation committee member independence of the Securities and Exchange Commission (the “SEC”) and The NASDAQ Stock Market LLC (“NASDAQ”). At least two members of the Compensation Committee will also meet the definition of “non-employee director” set forth in Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the “1934 Act”) and the definition of “outside director” set forth in Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”). For purposes of this Charter, the term “officer” will have the meaning given to it in Rule 16a-1 under the 1934 Act.

The Board will designate the Chairman of the Compensation Committee or, if the Board fails to do so, the members of the Compensation Committee will elect a Chairman by majority vote. The Board will have the power at any time to change the size and membership of the Compensation Committee and to fill vacancies on the Compensation Committee, provided that any new member must satisfy the requirements of this Charter and any other applicable requirements. The rules and procedures of the Compensation Committee will be governed by the North Carolina Business Corporation Act (the “NCBCA”) and the Company’s bylaws and, to the extent not inconsistent with the NCBCA and the bylaws, this Charter and the Company’s corporate governance, conflicts of interest and other related policies, principles and guidelines.

The Compensation Committee will meet at least once a year and at such other times as are necessary to carry out the Compensation Committee’s responsibilities. The Chairman of the Compensation Committee, the Chairman of the Board or the Chief Executive Officer (the “CEO”) may call meetings of the Compensation Committee.

The Compensation Committee will record and maintain minutes of its meetings. The Chairman of the Compensation Committee or a Compensation Committee member designated by the Chairman will make a report to the Board of the Compensation Committee’s meetings, actions taken at meetings or by consent, and recommendations made since the most recent Board

meeting, unless the Compensation Committee has previously circulated an interim report addressing the matter or matters.

Responsibilities

The Compensation Committee shall have the following authority and responsibilities:

- To review and approve on an annual basis the evaluation process and compensation structure for the Company's officers, which will give appropriate consideration to linking the compensation of the Company's officers to the long-term interests of shareholders and to aligning the components of compensation with the Company's compensation philosophy. The Compensation Committee shall evaluate the performance of the Company's officers and shall approve the annual compensation, including salary, bonus, incentive and equity compensation, and any special or supplemental benefits, for such officers. In evaluating and determining officer compensation, the Compensation Committee shall also consider the results of the most recent advisory vote on executive compensation ("Say on Pay Vote").
- To review and approve on an annual basis the corporate goals and objectives with respect to compensation for the CEO. The Compensation Committee shall evaluate at least once a year the CEO's performance in light of these established goals and objectives and based upon these evaluations, shall set the CEO's annual compensation, including salary, bonus, incentive and equity compensation. In evaluating and determining the CEO's annual compensation, the Compensation Committee shall also consider the results of the most recent Say on Pay Vote. The CEO shall not be present during any Compensation Committee deliberations or voting with respect to his or her compensation.
- To review and approve any employment agreements, severance agreements, or change in control agreements with the CEO or other officers or amendments to such agreements as, when and if appropriate.
- To review, approve and when appropriate, recommend to the Board for approval, incentive and equity compensation plans, which includes the ability to adopt, amend and terminate such plans. In reviewing and making recommendations regarding incentive and equity compensation plans, including whether to adopt, amend or terminate any such plans, the Committee shall consider the results of the most recent Say on Pay Vote. The Compensation Committee shall have and shall exercise all the authority of the Board with respect to the administration of such plans, including the approval of awards under such plans.
- If such disclosure is required, to review and discuss with management, prior to filing with the SEC, the Company's Compensation Discussion and Analysis disclosure and determine whether to formally recommend to the Board that such Compensation Discussion and Analysis disclosure be included in the Company's annual report on Form 10-K (either directly or by incorporation by reference to the Company's subsequently filed annual proxy statement).

- To oversee the Company's compliance with SEC rules and regulations regarding shareholder approval of certain executive compensation matters, including Say on Pay Votes and the frequency of such Say on Pay Votes, and the requirement under NASDAQ rules that, with limited exceptions, shareholders approve equity compensation plans.
- To assist the Board in developing and evaluating potential candidates for executive positions, including the CEO, and to oversee the development of executive succession plans.
- To periodically evaluate and make recommendations to the Board concerning the compensation of directors, including, if applicable, equity-based compensation.
- To maintain regular contact with the leadership of the Company.
- If such report is required, to prepare and publish the compensation committee report to be included in the Company's annual report on Form 10-K (either directly or by incorporation by reference to the Company's subsequently filed annual proxy statement).

The Compensation Committee may condition its approval of any compensation on ratification by the Board if Board action is required to comply with applicable law, including the NCBCA or Section 162(m) of the Internal Revenue Code.

The Compensation Committee will engage in an annual self-assessment with the goal of continuing improvement, and will annually review and reassess the adequacy of its Charter, and recommend any changes to the Board.

The Compensation Committee shall have authority to retain or obtain the advice of such compensation consultants, legal counsel and other advisers as the Compensation Committee may deem appropriate in its sole discretion, but only after taking into consideration factors relevant to the adviser's independence from management specified in NASDAQ Listing Rule 5605(d)(3)(D), if applicable. The Compensation Committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, legal counsel and other adviser retained by the Compensation Committee and shall have sole authority to approve related fees and retention terms. The Company shall provide appropriate funding to the Compensation Committee, as determined by the Compensation Committee, for payment of compensation to any outside consultants and advisers.

The Compensation Committee shall have the authority to delegate any of its responsibilities to subcommittees as the Compensation Committee may deem appropriate in its sole discretion.