

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): **May 4, 2017**

**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.

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**Item 2.02 Results of Operations and Financial Condition.**

On May 4, 2017, Charles & Colvard, Ltd. (the “Company”) issued a press release regarding its financial results for the fiscal quarter ended March 31, 2017. 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 3.01 Notice of Delisting or Failure to Satisfy a Continued Listing Rule or Standard; Transfer of Listing.**

On May 4, 2017, Charles & Colvard, Ltd. (the “Company”) received a notification letter from NASDAQ’s Listing Qualifications Department indicating that the Company is not in compliance with NASDAQ Listing Rule 5450(a)(1) because the minimum bid price of its common stock on the NASDAQ Global Select Market has closed below \$1.00 per share for 30 consecutive business days. The notification letter has no immediate effect on the NASDAQ listing or trading in the Company’s common stock.

In accordance with NASDAQ Listing Rule 5810(c)(3)(A), the Company has 180 calendar days, or until October 31, 2017, to regain compliance with the minimum \$1.00 bid price per share requirement. To regain compliance, any time before October 31, 2017, the bid price of the Company’s common stock must close at \$1.00 per share or more for a minimum of 10 consecutive business days.

If the Company does not regain compliance by October 31, 2017, the Company expects that NASDAQ will provide written notification that the Company’s common stock will be delisted. At that time, the Company may appeal NASDAQ’s delisting determination to a NASDAQ hearing panel. Alternatively, the Company may be eligible to transfer to The NASDAQ Capital Market in order to receive an additional 180-day grace period if it satisfies all of the requirements, other than the minimum bid price requirement, for listing on The NASDAQ Capital Market.

The Company intends to actively monitor the bid price of its common stock and will consider available options to regain compliance with the listing requirements.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description of Document</u>
99.1	Press Release dated May 4, 2017

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**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.**

May 4, 2017

By: /s/ Suzanne Miglucci  
Suzanne Miglucci  
President and Chief Executive Officer

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EXHIBIT INDEX

<b>Exhibit No.</b>	<b>Description of Document</b>
99.1	Press Release dated May 4, 2017

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# CHARLES & COLVARD®

THE ORIGINAL CREATED MOISSANITE™

## CHARLES & COLVARD REPORTS FIRST QUARTER 2017 FINANCIAL RESULTS

- Net Sales from Online Channels Increased 5% -
- Increased Website Traffic and Strong Valentine's Sales Drove E-Commerce Growth -
- Conference Call to Be Held Today at 4:30 PM EDT -

**RESEARCH TRIANGLE PARK, NC – May 4, 2017** – Charles & Colvard, Ltd. (NASDAQ: CTHR), the original and leading worldwide source of created moissanite, reports financial results for the first quarter ended March 31, 2017. Continuing operations for the quarter and prior periods do not include the results of Charles & Colvard Direct, LLC (dba Lulu Avenue®), which are now being reported as a discontinued operation following the sale of certain assets on March 4, 2016 to Yanbal USA, Inc.

Suzanne Miglucchi, President and CEO of Charles & Colvard, said, “During the first quarter, we began to see positive momentum as the outcomes of our re-branding effort took hold. Our online channels, including charlesandcolvard.com, generated a 5% increase in net sales over the same period in 2016. We believe this growth was fueled by our ongoing digital marketing efforts, driving strong Valentine’s Day sales and overall increased traffic to our many e-commerce outlets. We remain on track with our strategic programs including the expansion of our direct-to-consumer business, continued growth within our traditional channels, and our move up-market with our Forever One™ gemstone leading the charge. The ongoing rollout of Forever One™, the world’s first colorless moissanite jewel, has been met with great enthusiasm from channel partners and consumers, and now represents 86% of our sales.”

“On the financial front, our continued actions to enhance margins have resulted in a substantially expanded gross margin, which more than doubled to 43% from 20% in the year-ago quarter. Additionally, we revised our segment reporting this quarter to better reflect the way we manage our business. This provides a more accurate measure of the collective impact of our online channel growth. During the first quarter of 2017, net sales from our online channels segment represented 38% of total sales, up from a level of 18% in the year-ago quarter. This is a compelling indicator of the progress we are making in this strategic area,” Ms. Miglucchi concluded.

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## Revised Segment Reporting

Previously, the Company managed its business through two operating and reportable segments: wholesale distribution transacted through the parent entity, and the direct-to-consumer distribution channel transacted through the Company's wholly owned operating subsidiary, charlesandcolvard.com, LLC. During the three months ended March 31, 2017, the Company began managing its business through two newly defined operating and reportable segments based on its distribution channels: its "Traditional" segment, which consists of wholesale, retail, and television customers; and its "Online Channels" segment, which consists of e-commerce customers including charlesandcolvard.com, marketplaces, drop-ship, and other pure-play, exclusively e-commerce customers.

## Recent Corporate Highlights

- Expanded the Forever One™ moissanite collection through continuous innovations to include four sought-after shapes: emerald, hearts and arrows, pear and radiant;
- Continued product line expansion through multiple online marketplaces;
- Continued deployment of digital marketing, social media and public relations campaigns to increase market awareness of Charles & Colvard brands, products and marketplaces; and
- Enhanced the management team with the addition of the Senior Director of Merchandising, Jose Ayala, who brings extensive brand management expertise having worked in premier organizations including Colombian Emeralds, Tiffany & Co, Saks Fifth Avenue and HSN/Cornerstone Brands.

## Financial Summary for the First Quarter 2017

- Net sales from continuing operations were \$5.6 million for the quarter, a decrease of 50% compared with \$11.4 million in the year-ago first quarter, which included a sale, in a single transaction, for \$6.8 million of legacy loose gemstone inventory.
  - Loose jewel net sales from continuing operations were \$3.9 million for the quarter, compared with \$9.6 million for the year-ago first quarter, a decrease of 59%.
  - Finished jewelry net sales from continuing operations were \$1.7 million for the quarter, compared with \$1.8 million in the year-ago first quarter, a 2% decrease.
  - In the Company's Traditional segment, which consists of wholesale, retail, and television customers, net sales decreased 63% to \$3.5 million, or 62% of net sales for the quarter, compared with \$9.3 million, or 82% of net sales in the year-ago first quarter.
  - In the Company's Online Channels segment, which consists of e-commerce customers including charlesandcolvard.com, marketplaces, drop-ship, and other e-commerce customers, net sales increased 5% to \$2.2 million, or 38% of net sales for the quarter, compared with \$2.1 million, or 18% of net sales in the year-ago first quarter.
  - Operating expenses from continuing operations were \$3.0 million for the first quarter of 2017, compared with \$3.0 million in the year-ago first quarter.
  - Net loss from continuing operations for the first quarter of 2017 was \$0.6 million, or \$0.03 per share, compared with a net loss from continuing operations of \$0.7 million, or \$0.04 per share, in the year-ago first quarter.
  - Net loss for the first quarter of 2017 was \$0.6 million, or \$0.03 per share, compared with a net loss of \$1.3 million, or \$0.06 per share, in the year-ago first quarter.
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## **Financial Position**

Cash and cash equivalents totaled \$6.6 million at March 31, 2017, a decrease of \$0.8 million from \$7.4 million at December 31, 2016. The Company had no debt outstanding as of March 31, 2017. Total inventory was \$28.9 million at March 31, 2017 compared with \$28.1 million at December 31, 2016.

## **Investor Conference Call**

Shareholders and other interested parties may participate in the upcoming investor conference call by dialing 844-875-6912 (U.S. toll-free) or 412-317-6708 (international) and asking to be connected to the "Charles & Colvard, Ltd. Conference Call" a few minutes before 4:30 p.m. EDT on Thursday, May 4, 2017. A replay of this conference call will be available until May 11, 2017 at 877-344-7529 (U.S. toll-free) or 412-317-0088 (international). The replay conference ID is 10101206. The call will also be available live and for replay in the Investor Relations section of the Company's website at <http://ir.charlesandcolvard.com/events>.

## **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 Global Select Market under the symbol "CTHR." For more information, please visit [www.charlesandcolvard.com](http://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.

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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 successfully manage the transition of our Chief Financial Officer and other organizational change; our ability to maintain compliance with the continued listing requirements of The Nasdaq Stock Market LLC; our current wholesale 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 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 Securities and Exchange Commission, or 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.

**Contacts:**

Clint J. Pete  
Interim Chief Financial Officer  
919-468-0399  
cpete@charlesandcolvard.com

Investor Relations:  
Taglich Brothers, Inc.  
Christopher Schreiber  
212-661-6886

-Financial Tables Follow-

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**CHARLES & COLVARD, LTD.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(unaudited)

	March 31, 2017	December 31, 2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 6,629,587	\$ 7,427,273
Accounts receivable, net	2,234,486	2,794,626
Inventory, net	9,498,212	9,770,206
Prepaid expenses and other assets	618,570	682,083
Total current assets	<u>18,980,855</u>	<u>20,674,188</u>
Long-term assets:		
Inventory, net	19,426,350	18,360,211
Property and equipment, net	1,481,841	1,391,116
Intangible assets, net	9,372	8,808
Other assets	70,100	71,453
Total long-term assets	<u>20,987,663</u>	<u>19,831,588</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 39,968,518</u></u>	<u><u>\$ 40,505,776</u></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 3,900,663	\$ 3,977,149
Accrued cooperative advertising	54,000	50,000
Accrued expenses and other liabilities	660,076	581,107
Total current liabilities	<u>4,614,739</u>	<u>4,608,256</u>
Long-term liabilities:		
Accrued expenses and other liabilities	564,440	594,916
Accrued income taxes	448,071	433,983
Total long-term liabilities	<u>1,012,511</u>	<u>1,028,899</u>
Total liabilities	<u>5,627,250</u>	<u>5,637,155</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value; 50,000,000 shares authorized; 21,629,685 and 21,369,885 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	54,243,816	54,243,816
Additional paid-in capital	14,315,249	14,282,956
Accumulated deficit	(34,217,797)	(33,658,151)
Total shareholders' equity	<u>34,341,268</u>	<u>34,868,621</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>\$ 39,968,518</u></u>	<u><u>\$ 40,505,776</u></u>

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

	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
Net sales	\$ 5,645,382	\$ 11,393,271
Costs and expenses:		
Cost of goods sold	3,220,615	9,163,888
Sales and marketing	1,915,335	1,528,585
General and administrative	1,054,171	1,442,695
Research and development	819	1,868
Total costs and expenses	<u>6,190,940</u>	<u>12,137,036</u>
Loss from operations	(545,558)	(743,765)
Other expense:		
Interest expense	-	(1,507)
Total other expense	<u>-</u>	<u>(1,507)</u>
Loss before income taxes from continuing operations	(545,558)	(745,272)
Income tax net expense from continuing operations	(14,088)	(3,243)
Net loss from continuing operations	<u>(559,646)</u>	<u>(748,515)</u>
Discontinued operations:		
Loss from discontinued operations	-	(574,370)
Gain on sale of assets from discontinued operations	-	15,463
Net loss from discontinued operations	<u>-</u>	<u>(558,907)</u>
Net loss	<u>\$ (559,646)</u>	<u>\$ (1,307,422)</u>
Net loss per common share:		
Basic – continuing operations	\$ (0.03)	\$ (0.04)
Basic – discontinued operations	-	(0.02)
Basic – total	<u>\$ (0.03)</u>	<u>\$ (0.06)</u>
Diluted – continuing operations	\$ (0.03)	\$ (0.04)
Diluted – discontinued operations	-	(0.02)
Diluted – total	<u>\$ (0.03)</u>	<u>\$ (0.06)</u>
Weighted average number of shares used in computing net loss per common share:		
Basic	21,118,335	20,730,419
Diluted	21,118,335	20,730,419

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

	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (559,646)	\$ (1,307,422)
Net loss from discontinued operations	-	(558,907)
Net loss from continuing operations	(559,646)	(748,515)
Adjustments to reconcile net loss from continuing operations to net cash (used in) provided by operating activities of continuing operations:		
Depreciation and amortization	107,656	146,491
Stock-based compensation	32,293	285,076
Provision for uncollectible accounts	9,000	(93,558)
Provision for sales returns	80,000	(34,000)
Provision for inventory reserves	(266,000)	55,000
Changes in operating assets and liabilities:		
Accounts receivable	471,140	1,340,615
Inventory	(528,145)	7,259,887
Prepaid expenses and other assets, net	64,866	8,698
Accounts payable	(76,486)	(1,310,599)
Accrued cooperative advertising	4,000	7,000
Accrued income taxes	14,088	3,243
Accrued expenses and other liabilities	48,493	(199,136)
Net cash (used in) provided by operating activities of continuing operations	(598,741)	6,720,202
Net cash used in operating activities of discontinued operations	-	(744,511)
Net cash (used in) provided by operating activities	(598,741)	5,975,691
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(197,953)	(38,505)
Intangible assets	(992)	-
Net cash used in investing activities of continuing operations	(198,945)	(38,505)
Net cash provided by investing activities of discontinued operations	-	368,671
Net cash (used in) provided by investing activities	(198,945)	330,166
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(797,686)</b>	<b>6,305,857</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>7,427,273</b>	<b>5,274,305</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 6,629,587</b>	<b>\$ 11,580,162</b>
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$ -	\$ 1,507