

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 5, 2009**

Charles & Colvard, Ltd.

(Exact name of registrant as specified in its charter)

North Carolina
(State or other jurisdiction of
incorporation or organization)

000-23329
(Commission File
Number)

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

300 Perimeter Park Drive, Suite A
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 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(c) On November 5, 2009, the Board of Directors (the “Board”) of Charles & Colvard, Ltd. (the “Company”) appointed Randy N. McCullough as the Company’s President and Chief Executive Officer.

Mr. McCullough’s career spans 36 years of diverse, progressive responsibilities in the jewelry industry. For the past 12 years, Mr. McCullough, age 56, was with Samuels Jewelers, a privately held retail specialty jewelry store chain with 150 stores located primarily in regional shopping malls, where he started in 1997 as Senior Vice President of Merchandising and Marketing, became President and Chief Executive Officer in 1998, and, in 2008, became Chairman of the Board. Prior to Samuels Jewelers, Mr. McCullough was President and Chief Executive Officer of Silverman’s Factory Jewelers, a vertically integrated retail jewelry chain in the Southwestern United States. Mr. McCullough began his career with A.A. Friedman Company, a privately held retail jewelry store chain that grew from 23 stores to over 120 stores during his tenure. Mr. McCullough is a National Jeweler Retailer Hall of Fame inductee and has served as Chairman of the Diamond Council of America, a Committee Chairman of the Gemological Institute of America, and a Director of the Jewelers Summit Advisory Council.

In connection with Mr. McCullough’s appointment as President and Chief Executive Officer, the Company entered into an employment agreement with Mr. McCullough effective as of November 5, 2009 (the “Agreement”). The Agreement has a term of one year and renews automatically on an annual basis. Under the terms of the Agreement, Mr. McCullough will receive an initial annual base salary of \$325,000. Beginning in 2010 and for each year thereafter for the term of the Agreement, Mr. McCullough will be entitled to compensation under a mutually agreed upon incentive bonus plan up to 75% of his existing salary, based upon the Company’s performance toward achieving targets in a business plan and budget submitted by Mr. McCullough and approved by the Board. In addition, on November 5, 2009, Mr. McCullough was granted an incentive stock option to purchase 189,252 shares of the Company’s common stock at an exercise price of \$0.58 per share. The option vests over a three-year period, with 25% of the award vesting on the grant date and 25% of the award vesting on each of the following three anniversary dates of the grant date. Mr. McCullough is also entitled to additional incentive stock option grants for 100,000 shares of the Company’s common stock on each of the next two anniversary dates of employment with an identical vesting schedule. Mr. McCullough will receive such benefits as are made available to other executives of the Company, including, but not limited to, life, medical, and disability insurance, retirement benefits, and such vacation as is provided to the other executives of the Company.

The Company has agreed to provide Mr. McCullough with a moving allowance of up to \$20,000 as long as the relocation occurs within six months of November 5, 2009. The Company will also reimburse Mr. McCullough for lodging and travel expenses for a six-month period in accordance with the Company’s travel policy.

If Mr. McCullough’s employment is terminated by the Company by notice of non-renewal or without just cause (as defined in the Agreement), Mr. McCullough will continue to receive his base salary at the time of termination for a period of one year from such termination (the “Termination Compensation”), so long as he complies with certain covenants in the Agreement.

If the Company experiences a change of control (as defined in the Agreement), Mr. McCullough may voluntarily terminate his employment for good reason (as defined in the Agreement) within one year after such change of control and be entitled to receive in a lump sum any compensation due but not yet paid through the date of termination and an amount equal to the Termination Compensation. Any equity-based incentive compensation will fully vest and be immediately exercisable upon a change of control.

During his employment with the Company and for a period of one year following termination of his employment, Mr. McCullough is prohibited from competing with the Company or attempting to solicit the Company's customers or executives.

The foregoing summary of the terms of the Agreement does not purport to be complete and is qualified in its entirety by reference to the Agreement, a copy of which is filed as Exhibit 10.1 to this report and incorporated herein by reference.

(d) On November 5, 2009, the Board appointed H. Marvin Beasley to serve as director of the Company. Mr. Beasley was also appointed to serve as a member of the Audit Committee of the Board and as chairman of a newly created Long-Term Planning Committee of the Board, which will work with management to establish a long-term strategy for the Company. Current Board members George R. Cattermole and Dr. Charles D. Lein have also been appointed to serve on the Long-Term Planning Committee.

Mr. Beasley, age 66, recently retired from Helzberg Diamonds ("Helzberg"), a retail jewelry store chain, where he was Chief Executive Officer for the past five years. From 2000 to 2004, Mr. Beasley was President and Chief Operating Officer of Helzberg, responsible for merchandising and marketing, distribution, and store operations. He started at Helzberg in 1989 as Senior Vice President of Merchandising and Distribution. Mr. Beasley began his retail jewelry career in 1973 as a Merchandise Manager for Best Products Company.

Pursuant to the Company's director compensation policy, effective May 18, 2009 and filed with the Securities and Exchange Commission on August 14, 2009 as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, Mr. Beasley was granted an award of 45,820 shares of restricted stock of the Company on November 5, 2009. The restrictions on these shares will lapse on the date of the Company's 2010 Annual Meeting of Shareholders, subject to continued service on the Board. Mr. Beasley will also receive an annual retainer and per meeting fees for attendance at Board and committee meetings.

A copy of the press release announcing the appointment of Mr. McCullough as the Company's President and Chief Executive Officer and Mr. Beasley's appointment to the Board is attached as Exhibit 99.1 to this report.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description of Document
10.1	Employment Agreement, effective as of November 5, 2009, between Charles & Colvard, Ltd. and Randy N. McCullough
99.1	Press release, dated November 9, 2009

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 12, 2009

By: /s/ Timothy L. Krist

Timothy L. Krist
Chief Financial Officer

EXHIBIT INDEX

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EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into effective as of November 5, 2009 by and between Charles & Colvard, Ltd., a North Carolina company with its principal office at 300 Perimeter Park Drive, Suite A, Morrisville, North Carolina, 27560 (the "Company"), and Randy N. McCullough, an individual currently residing at 405 Palos Verdes Drive, Austin, Texas 73734 ("Executive").

Statement of Purpose

The Company wishes to obtain the services of Executive on the terms and conditions and with the benefits set forth in this Agreement. Executive desires to be employed by the Company on such terms and conditions and to receive such additional consideration as set out herein.

In consideration of the mutual covenants contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Executive agree as follows:

1. Employment. The Company hereby agrees to employ Executive, and Executive hereby accepts such employment, on the terms and conditions set forth in this Agreement.

2. Term of Employment. The term of Executive's employment under this Agreement shall commence as of the date of this Agreement and shall continue for one year. Termination of employment shall be governed by Paragraph 7 of this Agreement, and unless terminated by either party as provided in Paragraph 7, this Agreement shall automatically, at the expiration of each then existing term, renew for successive additional one year terms (such annual period being hereinafter referred to as the "Term").

3. Position and Duties. Executive shall serve as President and Chief Executive Officer of the Company. Executive will, under the direction of the Board of Directors of the Company, faithfully and to the best of his ability perform the duties as set as may be reasonably assigned by the Board of Directors of the Company. Executive agrees to devote his entire working time, energy and skills to the Company while so employed, subject to periods of vacation and sick leave. Executive, subject to the prior approval of the Board, may serve on the Board of Directors of corporations other than the Company.

4. Compensation and Benefits. Executive shall receive compensation and benefits for the services performed for the Company under this Agreement as follows:

(a) Base Salary. Executive shall receive an initial base salary of \$325,000 annually, payable in accordance with Company policy ("Base Salary").

(b) Executive Benefits. Executive shall receive such benefits as are made available to the other Executives of the Company, including, but not limited to, life, medical and disability insurance, retirement benefits, and such vacation as is provided to the other Executives of the Company (the "Executive Benefits"). Employer reserves the right to reduce, eliminate or change such Executive Benefits, in its sole discretion, subject to any applicable legal and regulatory requirements.

(c) Option Grant. The Company shall grant incentive stock options (ISOs) to purchase 1% of the current outstanding Company shares at the closing price of the stock on the day this Agreement is signed and Executive becomes an employee of the Company, with vesting over a three-year period in accordance with the following vesting schedule: 25% on date of grant, and 25% on each of the following three anniversary dates of the date of grant. On each of the next two anniversary dates of employment, an equivalent ISO grant with identical vesting schedule for 100,000 ISOs will be granted. The ISO treatment of options is subject to applicable tax law limitations.

(d) Incentive Compensation. For 2010 and each year thereafter for the term of this Agreement, a mutually agreed upon incentive bonus plan up to 75% of existing salary, based upon Company performance toward achieving targets in a business plan and budget as submitted by the Executive and approved by the Board of Directors.

(e) Indemnification. The Executive will be eligible for indemnification to the fullest extent authorized under the Company's Articles of Incorporation and By-Laws (as applicable) and will be eligible for coverage under the Company's Director's & Officer's liability insurance policy as approved by the Board, subject to the terms and conditions contained therein.

5. Moving Expenses. The Company will provide an allowance for the total cost of moving your possessions and family from Austin, Texas to the Raleigh, NC area up to \$20,000 as long as moving occurs within 6 months of the date hereof. This allowance can cover the costs of travel to search for a residence, moving personal property, and closing costs on the purchase/sale of a residence.

6. Reimbursement of Expenses. Commuting costs for lodging and travel for up to a six month period will be reimbursed in accordance with our Travel Policy. Additionally, the Company shall reimburse Executive for all reasonable out-of-pocket expenses incurred by Executive specifically and directly related to the performance by Executive of the services under this Agreement.

7. Withholding. The Company may withhold from any payments or benefits under this Agreement all federal, state or local taxes or other amounts as may be required pursuant to applicable law, government regulation or ruling.

8. Termination of Employment.

(a) Death of Executive. If Executive shall die during the Term, this Agreement and the employment relationship hereunder will automatically terminate on the date of death.

(b) Termination by the Company for Just Cause. The Company shall have the right to terminate Executive's employment under this Agreement at any time for Just Cause, which termination shall be effective immediately. Termination for "Just Cause" shall include, termination for Executive's personal dishonesty, gross incompetence, willful misconduct, breach of a fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule, regulation (other than traffic violations or similar offenses), written Company policy or final cease-and-desist order, conviction of a felony or of a misdemeanor involving moral turpitude, unethical business practices in connection with the Company's business, misappropriation of the Company's assets (determined on a reasonable basis), disability or material breach of any other provision of this Agreement or any other conduct by Executive of

a similar nature. For purposes of this subsection, the term “disability” means the inability of Executive, due to the condition of his physical, mental or emotional health, to satisfactorily perform the duties of his employment hereunder for a continuous three month period; provided further that if the Company furnishes long term disability insurance for Executive, the term “disability” shall mean that continuous period sufficient to allow for the long term disability payments to commence pursuant to the Company’s long term disability insurance policy. In the event Executive’s employment under this Agreement is terminated for Just Cause, Executive shall have no right to receive compensation or other benefits under this Agreement for any period after such termination.

(c) Termination by the Company Without Cause. The Company may terminate Executive’s employment other than for “Just Cause,” as described in Subsection (b) above, at any time upon written notice to Executive, which termination shall be effective immediately. For the avoidance of doubt, a notice by the Company that the Agreement is not automatically renewing as provided in Section 2 hereof shall constitute a termination by the Company without cause under this Subsection (c). In the event the Company terminates Executive pursuant to this Subsection (c), Executive will continue to receive his Base Salary at time of termination for a one (1) year period from such termination (the “Termination Compensation”), so long as Executive complies with Section 9, 10 and 11 of the Agreement. Such amounts shall be payable at the times such amounts would have been paid in accordance with Section 4. Notwithstanding anything in this Agreement to the contrary, if Executive breaches Sections 9, 10 or 11 of this Agreement, Executive will not be entitled to receive any further compensation pursuant to this Section 8(c).

(d) Change of Control Situations. In the event of a Change of Control of the Company at any time after the date hereof, Executive may voluntarily terminate employment with Company up until one (1) year after the Change of Control for “Good Reason” (as defined below) and, subject to Section 8(f), be entitled to receive in a lump sum within two (2) months of the consummation of the Change of Control equal to (i) any compensation due but not yet paid through the date of termination and (ii) in lieu of any further salary payments from the date of termination to the end of the then existing term, an amount equal to the Termination Compensation. Any equity based incentive compensation (including but not limited to stock options, restricted stock, SARs, etc.) shall fully vest and be immediately exercisable in full upon a Change of Control, not withstanding any provision in any applicable plan and whether “Good Reason” exists or not. Any such benefits shall be paid by the Company to the same extent as they were so paid prior to the termination or the Change of Control of Company.

“Good Reason” shall mean the occurrence of any of the following events without Executive’s express written consent:

- (i) the assignment to Executive of duties materially inconsistent with the position and status of Executive with the Company immediately prior to the Change of Control;
 - (ii) a material reduction by the Company in Executive’s pay grade or base salary as then in effect, or the exclusion of Executive from participation in Company’s benefit plans in which he previously participated as in effect at the date hereof or as the same may be increased from time to time during the Term;
 - (iii) an involuntary relocation of Executive more than 50 miles from the location where Executive worked immediately prior to the Change of Control or the breach by the Company of any material provision of this Agreement; or
-

(iv) any purported termination of the employment of Executive by Company which is not effected in accordance with this Agreement.

A “Change of Control” shall be deemed to have occurred if (i) any person or group of persons (as defined in Section 13(d) and 14(d) of the Securities Exchange Act of 1934) together with its affiliates, excluding Executive benefit plans of Company, becomes, directly or indirectly, the “beneficial owner” (as defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934) of securities of Company representing 51% or more of the combined voting power of Company’s then outstanding securities; or (ii) during the then existing term of the Agreement, as a result of a tender offer or exchange offer for the purchase of securities of Company (other than such an offer by the Company for its own securities), or as a result of a proxy contest, merger, consolidation or sale of assets, or as a result of any combination of the foregoing, individuals who at the beginning of any year period during such term constitute the Company’s Board of Directors, plus new directors whose election by Company’s shareholders is approved by a vote of at least two-thirds of the outstanding voting shares of the Company, cease for any reason during such year period to constitute at least two-thirds of the members of such Board of Directors; or (iii) the shareholders of the Company approve a merger or consolidation of the Company with any other corporation or entity regardless of which entity is the survivor, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) at least 60% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or (iv) any event which the Company’s Board of Directors determines should constitute a Change of Control. Notwithstanding anything in this Agreement to the contrary, in no event shall any of the following occurrences constitute a “Change of Control”: (i) the Company’s making any assignment for the benefit of its creditors or consenting to the appointment of a receiver or commencing any proceeding in bankruptcy or for dissolution, liquidation, winding-up, composition or other relief under state or federal bankruptcy laws or (ii) any proceeding in bankruptcy or for dissolution, liquidation, winding-up, composition or other relief under state or federal bankruptcy laws being commenced against the Company, or a receiver or trustee being appointed for the Company or a substantial part of its property.

(e) Executive’s Right to Payments. In receiving any payments pursuant to this Section 8, Executive shall not be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive hereunder, and such amounts shall not be reduced or terminated whether or not Executive obtains other employment.

(f) Reduction in Agreement Payments. Notwithstanding anything in this Agreement to the contrary, if any of the payments provided for under this Agreement (the “Agreement Payments”), together with any other payments that Executive has the right to receive (such other payments together with the Agreement Payments are referred to as the “Total Payments”), would constitute a “parachute payment” as defined in Section 280G(b)(2) of the Internal Revenue Code of 1986, as amended (the “Code”) (a “Parachute Payment”), the Agreement Payments shall be reduced by the smallest amount necessary so that no portion of such Total Payments would be Parachute Payments. In the event the Company shall make an Agreement Payment to Executive that would constitute a Parachute Payment, Executive shall return such payment to the Company (together with interest at the rate set forth in Section 1274(b)(2)(B) of the Code). For purposes of determining whether and the extent to which the Total Payments constitute Parachute Payments, no portion of the Total Payments the receipt of which Executive has effectively waived in writing shall be taken into account.

9. Covenant Not to Compete. Executive agrees that during his employment with the Company and for a period of one (1) year following the termination of his employment with the Company, for whatever reason:

(a) Executive shall not, directly or indirectly, own any interest in, manage, operate, control, be employed by, render advisory services to, or participate in the management or control of any business that operates in the Business. For purposes of this Agreement, the Executive and the Company specifically agree that the "Business" shall mean the business of: (i) marketing or distributing jewelry, diamonds or gemstones or (ii) fabricating (wafering, preforming and faceting), marketing and distributing moissanite gemstones or other diamond simulants to the gem and jewelry industry, unless Executive's duties, responsibilities and activities for and on behalf of such business are not related in any way to products which are in competition with the Company's products. For purposes of this section, "competition with the Company" shall mean competition for customers in the United States and in any country in which the Company is selling the Company's products at the time of termination. Notwithstanding any other provision of this Agreement to the contrary, the following shall NOT be deemed to be a violation of this Agreement: (i) Executive's ownership of less than one percent of the issued and outstanding stock of a public corporation engaged in the Business; (ii) the ownership of less than four percent of the stock of Samuels Jewelers, Inc.; (iii) the ownership of a limited partnership interest in Diamond Fire Ltd., a Texas limited partnership, a family owned and managed wholesale business which engages in the business of trading in stocks, diamonds and diamond jewelry and as for which Executive does not manage, operate, control, act as an employee, provide advisory services to, nor participate in the management, nor control the management, of this entity; and (iv) upon termination of this Agreement for any reason, Executive's ownership and operation of a privately owned, brick and mortar, retail jewelry business. Executive recognizes that the possible restriction on his activities which may occur as a result of his performance of his obligations under Paragraph 8(a) are substantial, but that such restriction is required for the reasonable protection of the Company.

(b) Executive shall not, directly or indirectly, influence or attempt to influence any customer of the Company to discontinue its purchase of any product of the Company which is manufactured or sold by the Company at the time of termination of Executive's employment or to divert such purchases to any other person, firm or employer.

(c) Executive shall not, directly or indirectly, interfere with, disrupt or attempt to disrupt the relationship, contractual or otherwise, between the Company and any of its suppliers.

(d) Executive shall not, directly or indirectly, solicit any Executive of the Company to work for any other person, firm or employer.

10. Confidentiality. In the course of his employment with the Company, Executive will have access to confidential information, records, data, customer lists, lists of product sources, specifications, trade secrets and other information which is not generally available to the public and which the Company and Executive hereby agree is proprietary information of the Company ("Confidential Information"). During and after his employment by the Company, Executive shall not, directly or indirectly, disclose the Confidential Information to any person or use any Confidential Information, except as is required in the course of his employment under this Agreement. All Confidential Information as well as records, files, memoranda, reports, plans, drawings, documents, models, equipment and the like, including copies thereof, relating to the Company's business, which Executive shall prepare or use or come into contact with during the course of his employment, shall be and remain the Company's sole property, and upon termination of Executive's employment with the Company, Executive shall return all such materials to the Company.

11. Proprietary Information. Executive shall assign to the Company, its successors or assigns, all of Executive's rights to copyrightable works and inventions which, during the period of Executive's employment by the Company or its successors in business, Executive makes or conceives, either solely or jointly with others, relating to any subject matter with which Executive's work for the Company is or may be concerned ("Proprietary Information"). Executive shall promptly disclose in writing to the Company such copyrightable works and inventions and, without charge to the Company, to execute, acknowledge and deliver all such further papers, including applications for copyrights and patents for such copyrightable works and inventions, if any, in all countries and to vest title thereto in the Company, its successors, assigns or nominees. Upon termination of Executive's employment hereunder, Executive shall return to the Company or its successors or assigns, as the case may be, any Proprietary Information. The obligation of Executive to assign the rights to such copyrightable works and inventions shall survive the discontinuance or termination of this Agreement for any reason.

12. Entire Agreement. This Agreement contains the entire agreement of the parties with respect to Executive's employment by the Company and supersedes any prior agreements between them, whether written or oral.

13. Waiver. The failure of either party to insist in any one or more instance, upon performance of the terms and conditions of this Agreement, shall not be construed as a waiver or a relinquishment of any right granted hereunder or of the future performance of any such term or condition.

14. Notices. Any notice to be given under this Agreement shall be deemed sufficient if addressed in writing and delivered personally, by telefax with receipt acknowledged, or by registered or certified U.S. mail to the address first above appearing, or to such other address as a party may designate by notice from time to time.

15. Severability. In the event that any provision of any paragraph of this Agreement shall be deemed to be invalid or unenforceable for any reason whatsoever, it is agreed such invalidity or unenforceability shall not affect any other provision of such paragraph or of this Agreement, and the remaining terms, covenants, restrictions or provisions in such paragraph and in this Agreement shall remain in full force and effect and any court of competent jurisdiction may so modify the objectionable provision as to make it valid, reasonable and enforceable.

16. Amendment. This Agreement may be amended only by an agreement in writing signed by each of the parties hereto.

17. Arbitration. Any controversy or claim arising out of or relating to this Agreement, or breach thereof, shall be settled by arbitration in Raleigh, North Carolina in accordance with the expedited procedures of the Rules of the American Arbitration Association, and judgment upon the award may be rendered by the arbitrator and may be entered in any court having jurisdiction thereof.

18. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of North Carolina. Each of the parties hereto irrevocably submits to the exclusive jurisdiction of the courts located in North Carolina for the purposes of any suit, action or other proceeding contemplated hereby or any transaction contemplated hereby.

19. Benefit. This Agreement shall be binding upon and inure to the benefit of and shall be enforceable by and against the Company, its successors and assigns, and Executive, his heirs, beneficiaries and legal representatives. It is agreed that the rights and obligations of Executive may not be delegated or assigned except as may be specifically agreed to by the parties hereto.

20. Compliance with Section 409A. The parties hereto intend that this Agreement comply with Section 409A of the Internal Revenue Code of 1986, as amended (including any applicable regulations, proposed regulations, guidance or other interpretive authority thereunder (for purposes of this section, collectively, "Section 409A")), to the extent applicable. The parties hereby agree that this Agreement shall be construed in a manner to comply with Section 409A and that should any provision be found not in compliance with Section 409A, the parties are hereby contractually obligated to execute any and all amendments to this Agreement deemed necessary and recommended by legal counsel for the Company to achieve compliance with Section 409A. By execution and delivery of this Agreement, the Company and Executive each irrevocably waive any objections it or he may have to the amendments required or necessitated, in the reasonable opinion of the Company, by Section 409A.

<signature page follows>

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CHARLES & COLVARD, LTD.

By: /s/ George R. Cattermole
George R. Cattermole, Interim Chief Executive Officer

EXECUTIVE

/s/ Randy N. McCullough
Randy N. McCullough

{Charles & Colvard Logo}

NEWS RELEASE

300 Perimeter Park Drive, Suite A
Morrisville, North Carolina 27560
919.468.0399

Company Contact:

Timothy Krist
Chief Financial Officer
919.468.0399, ext. 295
tkrist@charlesandcolvard.com

Investor Relations:

Fran Barsky
919.244.7357
fbarsky@charlesandcolvard.com

FOR IMMEDIATE RELEASE

CHARLES & COLVARD APPOINTS RANDY N. MCCULLOUGH AS CHIEF EXECUTIVE OFFICER AND H. MARVIN BEASLEY TO BOARD OF DIRECTORS

MORRISVILLE, N.C., November 9, 2009 - Charles & Colvard, Ltd. (NASDAQ: CTHR), the sole manufacturer of moissanite jewels, The Most Brilliant Jewel in the World™, announced today the appointments of Randy N. McCullough as its Chief Executive Officer and H. Marvin Beasley to its Board of Directors. Mr. McCullough's responsibilities will include the development of short- and long-term operating strategies designed to enhance shareholder value by growing top-line revenue and improving net profit and cash flow. Mr. Beasley's responsibilities will be to add additional jewelry industry expertise to Charles & Colvard's Board of Directors.

Mr. McCullough's career spans 36 years of diverse, progressive responsibilities in the jewelry industry. For the past 12 years, Mr. McCullough, age 56, was with Samuels Jewelers, a privately held retail specialty jewelry store chain with 150 stores located primarily in regional shopping malls, where he started in 1997 as Senior Vice President of Merchandising and Marketing, became President and Chief Executive Officer in 1998, and, in 2008, became Chairman of the Board. Prior to Samuels Jewelers, Mr. McCullough was President and Chief Executive Officer of Silverman's Factory Jewelers, a vertically integrated retail jewelry chain in the Southwestern United States. Mr. McCullough began his career with A.A. Friedman Company, a privately held retail jewelry store chain that grew from 23 stores to over 120 stores during his tenure. Mr. McCullough is a National Jeweler Retailer Hall of Fame inductee and has served as Chairman of the Diamond Council of America, a Committee Chairman of the Gemological Institute of America, and a Director of the Jewelers Summit Advisory Council.

Mr. Beasley, age 66, recently retired from Helzberg Diamonds, a retail jewelry store chain, where he was Chief Executive Officer for the past five years. From 2000 to 2004, Mr. Beasley was President and Chief Operating Officer of Helzberg, responsible for merchandising and marketing, distribution, and store operations. He started at Helzberg in 1989 as Senior Vice President of Merchandising and Distribution. Mr. Beasley began his retail jewelry career in 1973 as a Merchandise Manager for Best Products Company.

George R. Cattermole, Chairman of the Board of Charles & Colvard commented, "We are extremely pleased to add Randy and Marvin to our team, and we believe their jewelry and merchandising backgrounds will be the differentiating factors to Charles & Colvard's future success. With our recent additions of Tim Krist as our Chief Financial Officer and Tom Pautz as our Vice President of Sales and Marketing, we believe we have the right cross-section of talent that can execute the strategic initiatives to increase shareholder value and to reintroduce Charles & Colvard to the world."

About Charles & Colvard, Ltd.

Charles & Colvard, Ltd. (NASDAQ: CTHR), based in the Research Triangle Park area of North Carolina, is the global sole source of lab-created moissanite, a unique, near-colorless jewel that is distinct from other gemstones and jewels based on its exceptional fire, brilliance, luster, durability and rarity. Charles & Colvard Created Moissanite is currently used in fine jewelry sold primarily through domestic and international retailers. For more information, please access www.moissanite.com or www.charlesandcolvard.com.

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This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. 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, the recent downturn in the worldwide economy and its ongoing impact on our business and the business of our customers and suppliers, any continued trends in the general economy that would adversely affect consumer spending, a further decline in our sales, dependence on consumer acceptance of our products, dependence on Cree, Inc. as the current supplier of most of the raw material, ability to develop a material second source of supply, dependence on a limited number of customers, risks of conducting operations in foreign countries, dependence on third parties for the sales and marketing of our products to end consumers, continued listing of our common stock on the NASDAQ Global Select Market, and the impact of significant changes in our management on our ability to execute our business strategy in the near-term, in addition to the other risks and uncertainties described in more detail 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, 2008 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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