

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 9, 2001

CHARLES & COLVARD, LTD.
(Exact name of Registrant as specified in its charter)

North Carolina 0-23329 56-0308470
(State or other jurisdiction of (Commission File No.) (IRS Employer Identification No.)
incorporation or organization)

3800 Gateway Boulevard
Suite 310
Morrisville, North Carolina 27560
(Address of principal executive offices, including zip code)
(919) 468-0399
(Registrant's telephone number, including area code)

(Former name or Former Address if
Changed Since Last Report)

ITEM 5. Other Events.

On January 9, 2001, Charles & Colvard, Ltd. announced its shipments and revenue expectations for the fourth quarter of 2000, its approximate cash position as of year-end and its letter agreement with Cree, Inc., its sole supplier, with respect to 2001 purchases.

A copy of the press release issued by the Company is filed herewith as Exhibit 99.1. A copy of the agreement with Cree, Inc. is filed herewith as Exhibit 99.2

ITEM 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(c) Exhibits

99.1 Press Release dated January 9, 2001.
99.2+ Letter Agreement between with Cree, Inc. and Charles &
Colvard, Ltd. dated as of December 7, 2000.

+ We have requested confidential treatment of specific portions of this exhibit pursuant to Rule 24b-2 of the Securities Exchange Act of 1934. The entire agreement has been filed separately with the Securities and Exchange Commission.

SIGNATURE

Pursuant to the requirements of the Securities and 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.

Date: January 9, 2001

By: /s/ Robert S. Thomas

Robert S. Thomas
President and Chief Executive Officer

[MOISSANITE CHARLES & COLVARD(TM) LOGO]

For Immediate Release

Contact: Jessica Blue, Richard French &
Associates 919-832-6300Charles & Colvard Provides Updates on
Fourth Quarter Performance and Business Developments

MORRISVILLE, N.C., January 9, 2001 -- Charles & Colvard, Ltd., (Nasdaq:CTHR) the sole source of moissanite - a created jewel available for use in fine jewelry - today reported an update on fourth quarter and year-end shipments and other business developments.

While the quarter's results have yet to be finalized, the company shipped approximately 18,600 carats, which reflect a 26 percent increase over the same period in 1999. The company expects dollar sales for the quarter to be approximately the same as the fourth quarter of 1999. Total carat shipments for 2000 aggregated 68,800 carats, as compared to 1999 carat shipments of 55,000. Full financial results for 2000 will be released on February 28, 2001.

Robert S. Thomas, president and chief executive officer of Charles & Colvard, said, "Our decision to partner with domestic distributors in the second quarter of 2000 continued to generate increased volume in the fourth quarter. Domestic carat shipments are up 65 percent over 1999, while our international carat shipments dipped, in part, due to the strong dollar.

Thomas continued, "The company's average selling prices were approximately the same as the third quarter of 2000, but decreased compared to fourth quarter of 1999 due to volume discounts offered to domestic distributors. Our cash position at year end was approximately \$3.7 million, reflecting our ongoing efforts to manage our liquidity."

In other corporate news, the company and Cree, Inc. have agreed on a framework for purchases of silicon carbide crystals for calendar 2001. Under the terms of the agreement, Charles & Colvard will be obligated to purchase silicon carbide crystals only upon issuance and Cree's acceptance of purchase orders. The company currently has no purchase commitment.

Thomas added, "This new agreement reflects the evolution of the business relationship between the company and Cree. While we work to reduce overall inventory levels in 2001, new material will be required to replace the most popular shapes and sizes of gemstones."

-more-

Charles & Colvard
January 9, 2001
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Charles & Colvard, based in the Research Triangle Park area of North Carolina, became a public company in 1997. For more information, please access www.moissanite.com.

This press release contains forward-looking statements that relate to the company's future plans and objectives. These statements are subject to numerous risks and uncertainties, including without limitation the limited operating history upon which the company and its prospects can be evaluated, the need for further development of the company's products, the company's reliance on Cree, Inc. as a developer and supplier of silicon carbide crystals, the small size of the current market for the company's products and uncertainty of market acceptance and demand for such products in the future. These and other risks and uncertainties, which are detailed in the company's filings with the SEC including Forms 10-K and 10-Q, could cause actual results and developments to be materially different from those expressed or implied by any of the forward-looking statements included in this press release.

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THE REGISTRANT HAS REQUESTED THAT CERTAIN PORTIONS OF THIS EXHIBIT
BE GIVEN CONFIDENTIAL TREATMENT. SUCH PORTIONS HAVE BEEN FILED
SEPARATELY WITH THE COMMISSION.

Robert S. Thomas
President & CEO
Charles & Colvard, Ltd.
Post Office Box 13533
Research Triangle Park, NC 27709-3533

This letter, when signed by both parties, will serve as an agreement between Charles & Colvard, Ltd. (formerly C3, Inc.) and Cree, Inc. as set forth below and will apply to SiC production crystals purchased by Charles & Colvard from Cree, during the period of twelve months beginning January 1, 2001.

1. Charles & Colvard intends to purchase and Cree intends to sell production crystals in the quantities and according to the following schedule, and at a price of \$*** per gram of "usable material," determined in the manner described in Paragraph 3. Purchases of the indicated quantity for the 3 monthly periods beginning 3/26/01 will be committed only upon issuance of a purchase order by Charles & Colvard on or before 1/5/01 and Cree's written acceptance of such order. Purchases of the indicated quantity for the monthly periods June 25 through December 23, 2001 will be committed only upon issuance of a purchase order by Charles & Colvard and Cree's written acceptance of such order. The price of \$*** per gram is contingent on purchase orders requesting minimum monthly quantities of *** grams. Cree will quote lead times dependent on business conditions at the time of issuance of the purchase order.

Delivery Period	Forecasted Quantity (grams)
1/1/01 - 1/21/01	*** grams
1/22/01 - 2/18/01	*** grams
2/19/01 - 3/25/01	*** grams
3/26/01 - 4/22/01	*** grams
4/23/01 - 5/20/01	*** grams
5/21/01 - 6/24/01	*** grams
6/25/01 - 7/22/01	*** grams
7/23/01 - 8/19/01	*** grams
8/20/01 - 9/23/01	*** grams
9/24/01 - 10/21/01	*** grams
10/22/01 - 11/18/01	*** grams
11/19/01 - 12/23/01	*** grams

REDACTED- OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE
COMMISSION AND IS NOTED HEREIN BY ***

2. The quantity of "usable material" of crystals delivered to Charles & Colvard pursuant to this agreement will be determined according to the following:
 - A. Material will be graded using the same practices used by the parties to grade crystals during calendar 2000 and in accordance with Attachment A.
 - B. Grams of usable material will be calculated on a crystal by crystal basis according to the following equation:

(usable mm) as a percent of total length of the crystal in mm multiplied by the actual weight of the crystal in grams

"Usable mm" has the meaning defined in Attachment A.
 - C. Crystals shipped to Charles & Colvard must contain at least *** grams of usable material for 2" crystals or *** grams for 3" crystals. Crystal diameter to be shipped will be 2" or 3" as determined by Cree.
 - D. All grading will be concluded in a timely manner and consistent with past practice.
4. Charles & Colvard shall not be obligated to fund, and Cree shall not be obligated to carry out, the development program described in the July 1, 1998 Amended and Restated Development Agreement, as amended (the "Development Agreement"), for the period from January 1, 2001 through June 30, 2001.
5. Except as provided above, purchases will be subject to the terms and conditions of the Supply Agreement and the development program will be subject to the terms and conditions of the Development Agreement.

6. The contents of this letter shall be considered "Confidential Information" of each party subject to the provisions of Section 5 of the Supply Agreement.

REDACTED- OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION
AND IS NOTED HEREIN BY ***

If acceptable, please sign below and date to indicate Charles & Colvard's binding agreement to these terms.

/s/ Charles M. Swoboda

Charles M. Swoboda
President & COO

/s/ Robert S. Thomas

Robert S. Thomas
President & CEO

REDACTED- OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE COMMISSION AND IS NOTED HEREIN BY ***

Attachment A

Specification of usable material:

Except where noted below, ^ "Usable mm" is calculated by adding the length of net "light" material plus ***% of the length of the net "medium light" material.

Except where noted below, ^ Net material is calculated as "light" or "medium light" material, as applicable, minus the % yield loss caused by the color grading green and the inclusions and defects listed below, determined in accordance with the practices followed by the parties in grading production crystals during calendar 2000.

The inclusions and defects considered in determining yield loss are:

ID	D-Type
1	***
2	***
3	***
5	***
6	***
8	***
9	***

^ Note: The sum total of the net medium light and non-gray net light included in the "usable mm" shall be limited to ***% of the total usable mm shipped in any given fiscal month (i.e., the monthly periods defined in paragraph 1 of the attached letter agreement). Beyond this limit, said material shipped for the remainder of that month will not be included in "usable mm" calculations.