

The Depository Trust Company

IMPORTANT

B#: 1278

DATE: January 29, 2001

TO: All Participants

CATEGORY: Dividends

FROM: Nilesh Desai, Supervisor, Dividend Department

ATTENTION: Dividend Managers, Cashiers & Reorganization Managers

SUBJECT: Rights: Charles & Colvard, Ltd.
Common CUSIP#: 159765106 R/D: 1/12/2001
Rights Contra CUSIP#: 159765999
Expires: 2/14/01 (5:00 p.m. E.S.T.) Rate: 100%

***** Warning Time Critical *****

Charles & Colvard, Ltd. is distributing non-transferable subscription rights to shareholders who owned shares of their common stock on January 12, 2001. Each holder is entitled one subscription right for each share of common stock held.

The Depository Trust Company ("DTC") credited rights to participants' accounts on January 26, 2001.

THE DIVIDEND POSITION AND ALLOCATION HISTORY (DPAL) OPTION, ACCESSED VIA THE PTS DIVIDEND ANNOUNCEMENTS INQUIRY (DIVA) FUNCTION, SHOULD BE USED TO CONFIRM YOUR RECORD DATE POSITION HISTORY AND PAYMENT INFORMATION.

IT IS IMPORTANT THAT PARTICIPANTS REFER TO THE DTC REORGANIZATION INQUIRY FOR PARTICIPANTS (RIPS CODE 59) FOR INFORMATION REGARDING THE SUBSCRIPTION PRIVILEGE WHICH WILL BE AVAILABLE SHORTLY.

If participants have any questions concerning this Important Notice, please contact Mr. Raymond Lew or Mr. Neil Drepaal of DTC's Dividend Department at (212) 855-4523/4532.

If participants have any questions regarding the offering, they may contact Mr. Mark Hon of the company at (919) 468-0399.