
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): **August 29, 2025**

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))

Securities registered pursuant to Section 12(b) of the Act: None.

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 1.01 Entry into a Material Definitive Agreement.*Note Conversion Agreement*

As previously disclosed, on June 24, 2025, Charles & Colvard, Ltd. (the “Company”) entered into a Convertible Secured Note Purchase Agreement (the “Note Purchase Agreement”) with Ethara Capital LLC (the “Holder”), a Delaware limited liability company. James Tu, Chairman of the Company’s Board of Directors (the “Board”), and Ruten Bhanderi, a member of the Board, might be considered affiliates of the Holder. In connection with the Note Purchase Agreement, the Company issued a convertible secured note (the “Note”) to the Holder for an aggregate total purchase price of \$2.0 million, issued in two tranches: (i) an initial closing in the amount of \$500,000 on July 3, 2025, and (ii) a subsequent and final closing of \$1.5 million on July 21, 2025. On August 29, 2025, the Company entered into a Note Conversion Agreement (the “Note Conversion Agreement”) with the Holder whereby the parties agreed to convert \$200,000.00 in principal and accrued but unpaid interest on the Note into 1,353,180 shares of the Company’s common stock at a conversion price of \$0.1478 set forth in the Note, which was the 30-day volume weighted average price of the Company’s common stock at the time the Note Purchase Agreement was executed. The foregoing description of the Note Conversion Agreement does not purport to be complete and is qualified in its entirety by the full text of the Note Conversion Agreement, a copy of which is filed as Exhibit 10.1 to this Current Report on Form 8-K and incorporated herein by reference.

Item 3.02 Unregistered Sales of Equity Securities.

The disclosure provided in Item 1.01 of this Current Report on Form 8-K is hereby incorporated by reference into this Item 3.02. On August 29, 2025, the Company issued 1,353,180 unregistered shares of its common stock, in reliance on the exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended, and Rule 506(b) of Regulation D promulgated thereunder. The Company’s reliance on Section 4(a)(2) and Rule 506(b) in issuing the shares is based on the following factors: (1) the issuance of the shares is an isolated private transaction by the Company that does not involve a public offering, (2) the Holder is the only recipient of the shares, (3) the negotiations for the issuance of the shares took place directly between the Holder and the Company, and (4) the Holder represented that it is an accredited investor as defined in Rule 501(a) of Regulation D, with sufficient experience and ability to evaluate and bear the risks of the investment.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
10.1	Note Conversion Agreement, dated August 29, 2025, by and between the Company and Ethara Capital LLC.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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.

September 5, 2025

By /s/ Clint J. Pete
Clint J. Pete
Chief Financial Officer

NOTE CONVERSION AGREEMENT

This Note Conversion Agreement (this “*Agreement*”) is effective as of August 29, 2025 (the “*Effective Date*”), by and between Charles & Colvard, Ltd., a North Carolina corporation (the “*Company*”) and the undersigned (the “*Note Holder*”).

RECITALS

- A. The Note Holder lent to the Company an aggregate principal amount of \$2.0 million and in exchange therefor the Company issued to the Note Holder a secured convertible Note (the “*Note*”). Capitalized terms used herein but not otherwise defined have the meaning ascribed to them in the Note.
- B. Subject to obtaining Company shareholder approval, the Note Holder may, in its sole discretion, convert all or any portion of the Accreted Principal Amount (plus accrued and unpaid interest) into shares of the Company’s common stock, no par value per share (the “*Common Stock*”), at any time after the issuance of the Note, at the then-applicable Conversion Price.
- C. The Conversion Price currently in effect is \$0.1478.
- D. The Company and the Note Holder wish to provide for a partial conversion of the Note on the terms set forth herein, which is in the best interests of the Company and its shareholders in that it reduces the amount of debt on the Company’s balance sheet and further aligns the Note Holder’s interests with the other shareholders of the Company.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises, representations, warranties, covenants and conditions set forth in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement mutually agree as follows:

1. The Note Holder hereby agrees to convert \$200,000.00 in Accreted Principal Amount into 1,353,180 shares of the Company’s Common Stock at the Conversion Price (the “*Conversion Shares*”) and the Company hereby agrees to issue the Conversion Shares, which it represents and warrants will be duly and validly issued, fully paid and non-assessable voting shares outstanding for all purposes as of the date hereof.
 2. The Note Holder is an “accredited investor” as such term is defined in Rule 501 promulgated under the Securities Act of 1933, as amended (the “*Securities Act*”), and has sufficient experience in business, financial, and investment matters to be able to evaluate the risks involved in an investment in the Conversion Shares and to make an informed investment decision with respect to such Conversion Shares.
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3. The Note Holder can afford a complete loss of the value of the Note Holder's Conversion Shares and is able to bear the economic risk of holding such Conversion Shares for an indefinite period.

4. The Note Holder acknowledges that the Company has encouraged the Note Holder to consult its own advisers to determine the tax consequences of acquiring the Conversion Shares at this time.

5. The Note Holder understands that (i) the Conversion Shares have not been registered under the Securities Act and are "restricted securities" within the meaning of Rule 144 under the Securities Act and (ii) the Conversion Shares cannot be sold, transferred or otherwise disposed of unless they are subsequently registered under the Securities Act or an exemption from registration is then available.

6. The Company and the Note Holder each hereby waives compliance by the Company with the shareholder approval requirement in Section 3(b)(i) of the Note and agrees that the absence of such approval shall not be considered an Event of Default or a violation of the terms of the Note.

7. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have entered into this Note Conversion Agreement as of the date first set forth above.

COMPANY:

CHARLES & COLVARD, LTD.

By: /s/ Don O'Connell
Don O'Connell
President and Chief Executive Officer

NOTE HOLDER:

ETHARA CAPITAL LLC

By: /s/ Ruten Bhanderi
Ruten Bhanderi
Authorized Signatory
