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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K  
CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

August 14, 2007 (Date of earliest event reported)

Commission file number: 0-23329

**Charles & Colvard, Ltd.**

(Exact name of registrant as specified in its charter)

**North Carolina**

(State or other jurisdiction of  
incorporation or organization)

**56-1928817**

(I.R.S. Employer  
Identification No.)

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

(Address of principal executive offices)  
(Zip code)

**(919) 468-0399**

(Registrant's telephone number, including area code)

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 (see General Instruction A.2. below):

- 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 1.01 Entry into a Material Definitive Agreement**

On August 14, 2007, Charles & Colvard, Ltd. (the "Company") entered into a letter agreement with Cree, Inc. ("Cree"), effective on and after August 1, 2007 (the "New Letter Agreement"), which amended and supplemented the letter agreement between the Company and Cree entered into on December 29, 2006 (filed with the Securities and Exchange Commission (the "SEC") on January 4, 2007 as Exhibit 10.96 to the Current Report on Form 8-K). The New Letter Agreement reduces the Company's commitment for purchases of silicon crystals from Cree during the fourth quarter of 2007 from approximately \$3,200,000 to approximately \$1,700,000. The price per gram paid to Cree during the fourth quarter of 2007 will increase by 8% over the price paid during the first three quarters of 2007.

The description of the New Letter Agreement set forth in this Item 1.01 is a summary of the material terms of the New Letter Agreement and is qualified in its entirety by reference to the copy of the New Letter Agreement attached hereto as Exhibit 10.102.

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits

Exhibit 10.102      Letter Agreement, effective August 1, 2007, between Cree, Inc. and Charles & Colvard, Ltd.\*

\* Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission as part of an application for confidential treatment pursuant to the Securities Exchange Act of 1934, as amended.

**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.

By: \_\_\_\_\_ /s/ JAMES R. BRAUN  
James R. Braun  
Vice President of Finance  
& Chief Financial Officer

Date: August 16, 2007

**EXHIBIT INDEX**

<u>Exhibit No.</u>	<u>Exhibit Description</u>
Exhibit 10.102	Letter Agreement, effective August 1, 2007, between Cree, Inc. and Charles & Colvard, Ltd.*

\* Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission as part of an application for confidential treatment pursuant to the Securities Exchange Act of 1934, as amended.

REDACTED – OMITTED MATERIAL HAS BEEN SEPARATELY FILED WITH THE COMMISSION PURSUANT TO RULE 24b-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND IS DENOTED HEREIN BY \*\*\*\*\*



4600 Silicon Drive, Durham, North Carolina 27703 (919) 313-5300

Robert S. Thomas  
President & CEO  
Charles & Colvard, Ltd.  
300 Perimeter Park, Suite A  
Morrisville, NC 27560

Cengiz Balkas  
Vice President, Materials  
Cree, Inc.  
4600 Silicon Drive  
Durham, NC 27703

This letter, when signed on behalf of Charles & Colvard, Ltd. ("C&C") and Cree, Inc. ("Cree"), will serve as an agreement between C&C and Cree effective on and after August 1, 2007 (the "Amendment") to amend the parties' December 25, 2006 letter agreement (the "Letter Agreement") as follows:

1. Paragraph 2 of the Letter Agreement is hereby deleted in its entirety and replaced with the following:

"For each of the first three quarters of calendar 2007, C&C will purchase \*\*\*\*\* kg of 'usable material' at a price of \$\*\*\*\*\*. For the fourth quarter of calendar 2007, C&C will purchase \*\*\*\*\* kg of 'usable material' at a price of \$\*\*\*\*\*. 'Usable material' will be determined in the manner described in Paragraph 3. Provided that Cree uses its best commercially reasonable efforts to deliver the quantities of usable material required by this letter agreement, Cree will not be held in breach for delays in delivery. As used in this letter agreement, 'quarter' refers to fiscal quarters of Cree ending during the indicated period."

2. Item C. of Paragraph 3 of the Letter Agreement is hereby deleted in its entirety and replaced with the following:

"C. Crystals shipped to C&C must contain at least \*\*\*\*\* grams of usable material for the 2" crystals, \*\*\*\*\* grams for 2.25" crystals, \*\*\*\*\* grams for 2.40" crystals or \*\*\*\*\* grams for 3" crystals. This usable area must be contiguous. Crystal diameter to be shipped will be 2", 2.25", 2.40" or 3", as determined by Cree."

3. Except as set forth in this Amendment, all terms and provisions of the Letter Agreement remain unchanged and in full force and effect. The parties hereby ratify and confirm the Letter Agreement as herein amended and agree to be bound by all of its terms and conditions as herein amended.
4. The Letter Agreement, as modified by this Amendment, is the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous oral and written agreements and discussions.

5. The contents of this Amendment will be considered “Confidential Information” of each party subject to the provisions of Section 5 of the Supply Agreement (as such term is defined in the Letter Agreement).

**Accepted and Agreed:**

CHARLES & COLVARD, LTD.

CREE, INC.

BY:                                   /S/ ROBERT S. THOMAS                                    
**Robert S. Thomas, President & CEO**  
**Date: August 14, 2007**

By:                                   /S/ CENGIZ BALKAS                                    
**Cengiz Balkas, Vice President, Materials**  
**Date: August 13, 2007**