

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): **April 9, 2020**

**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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value per share	CTHR	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2).

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 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

In response to the impacts of the COVID-19 pandemic upon the business of Charles & Colvard, Ltd. (the “Company”), on April 9, 2020, the Company entered into amendments (the “Amendments”) to the employment agreements of each of Suzanne Miglucchi (the Company’s Chief Executive Officer), Clint J. Pete (the Company’s Chief Financial Officer), and Don O’Connell (the Company’s Chief Operating Officer) (collectively, the “Executives”), pursuant to which the Executives’ base salaries will be reduced by 25%, 15%, and 15%, respectively, beginning April 13, 2020 and ending on June 30, 2020. The Executives will not be entitled to any back pay for the period of time that their base salaries are reduced.

The foregoing description of the Amendments does not purport to be complete and is qualified in its entirety by reference to the Amendments, copies of which are filed as Exhibits 10.1, 10.2, and 10.3 to this Form 8-K and are incorporated herein by reference.

**Item 7.01. Regulation FD Disclosure.**

On April 9, 2020, the Company issued a press release providing an update on actions being implemented in response to the COVID-19 pandemic, including (1) deploying a work from home policy for all but essential employees due to a mandated stay-at-home order by the State of North Carolina; (2) continuing to process online orders on the Company’s e-commerce website during the closure period, with limited shipping and fulfillment capabilities until state and municipal stay at home orders permit full operations to resume; (3) working with third party partners to enable alternate distribution options, though there may be limited ability to deploy these contingency plans due to global stay-at-home restrictions; (4) furloughing approximately 50% of employees starting April 13, 2020, and funding all health insurance premiums during the furlough for all eligible employees impacted by these measures; (5) implementing temporary salary reductions for all employees, including the Executives; (6) instituting a 50% reduction in fees paid to our Board of Directors; (7) reducing non-payroll expenses, including product development, digital marketing, and travel; and (8) working with advisors to maximize participation in all eligible government or other initiatives available to businesses or employees impacted by the COVID-19 pandemic, such as extending Families First Coronavirus Response Act (FFCRA) benefits to impacted employees and applying for government-subsidized business loans. The Company also extended new 401(k) benefits to assist employees with additional distributions and loan terms during this challenging time. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information in this Item 7.01 of Form 8-K is being furnished and shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”), nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description of Document</u>
<a href="#">10.1</a>	<a href="#">Amendment to 2015 Employment Agreement, dated April 9, 2020, by and between Charles &amp; Colvard, Ltd. and Suzanne Miglucchi</a>
<a href="#">10.2</a>	<a href="#">Amendment to 2017 Employment Agreement, dated April 9, 2020, by and between Charles &amp; Colvard, Ltd. and Clint J. Pete</a>
<a href="#">10.3</a>	<a href="#">Amendment to 2017 Employment Agreement, dated April 9, 2020, by and between Charles &amp; Colvard, Ltd. and Don O’Connell</a>
<a href="#">99.1</a>	<a href="#">Press Release dated April 9, 2020</a>

**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.**

April 9, 2020

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

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## AMENDMENT TO 2015 EMPLOYMENT AGREEMENT

**THIS AMENDMENT TO 2015 EMPLOYMENT AGREEMENT** (this “Amendment”), made and entered into on the 9<sup>th</sup> day of April, 2020 by and between **Charles & Colvard, Ltd.** (the “Company”) and Suzanne Miglucchi (the “Executive”). This Amendment shall be effective as of the date the Amendment is approved by the Board of Directors of the Company (the “Amendment Effective Date”).

**RECITALS:**

The Executive has heretofore been employed by the Company as its President and Chief Executive Officer pursuant to the terms of an Employment Agreement dated December 1, 2015 (the “2015 Employment Agreement”). The Company desires to continue to employ the Executive and the Executive desires to continue to be employed by the Company. In recognition of the services previously rendered and to be rendered in the future to the Company, it is deemed necessary and advisable to amend the 2015 Employment Agreement to reflect updated terms regarding the Executive’s base salary.

**NOW, THEREFORE**, in consideration of the mutual covenants and obligations herein and the compensation and benefits the Company agrees herein to pay the Executive, and of other good and valuable consideration, the receipt of which is hereby acknowledged, the Company and the Executive agree that the 2015 Employment Agreement shall be amended, effective as of the Amendment Effective Date, as follows:

1. All provisions of the 2015 Employment Agreement shall remain in full force and effect except to the extent such provisions are expressly modified by this Amendment. Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the 2015 Employment Agreement. It is the intent of the Parties that the execution, delivery and performance of this Amendment shall not operate as a waiver of or consent to any past, present or future breach of any provision of the 2015 Employment Agreement.

2. Section 4(a) of the 2015 Employment Agreement is hereby deleted and replaced in its entirety with the following:

“**Base Salary.** Effective April 13<sup>th</sup>, 2020 until June 30, 2020, Employee shall receive a base salary of Two Hundred Seventy-Seven Thousand, Nine Hundred Thirty-Eight and 00/100 Dollars (\$277,938.00), payable in regular and equal installments in accordance with the Company’s regular payroll schedule and practices (“Base Salary”). Effective July 1, 2020, Employee’s Base Salary shall be increased to Three Hundred Seventy Thousand, Five Hundred Eighty-Four and 00/100 Dollars (\$370,584.00), payable in regular and equal installments in accordance with the Company’s regular payroll schedule and practices, and subject to upward or downward adjustment as determined in the Board’s discretion, subject to the terms of Section 6(f) of this Agreement.”

3. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Amendment delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Amendment.

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4. Each party agrees that the electronic signatures, whether digital or encrypted, of the parties included in this Agreement are intended to authenticate this writing and to have the same force and effect as manual signatures. Electronic signature means any electronic sound, symbol, or process attached to or logically associated with a record and executed and adopted by a party with the intent to sign such record, including facsimile or email electronic signatures.

**IN WITNESS WHEREOF**, the parties have executed this Amendment to 2015 Employment Agreement as of the day and year first above written.

**EXECUTIVE**

/s/ Suzanne Miglucci

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Suzanne Miglucci

**CHARLES & COLVARD, LTD.**

By: /s/ Clint J. Pete

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Name: Clint J. Pete

Title: Chief Financial Officer

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## AMENDMENT TO 2017 EMPLOYMENT AGREEMENT

**THIS AMENDMENT TO 2017 EMPLOYMENT AGREEMENT** (this “Amendment”), made and entered into on the 9<sup>th</sup> day of April, 2020 by and between **Charles & Colvard, Ltd.** (the “Company”) and Clint J. Pete (the “Executive”). This Amendment shall be effective as of the date the Amendment is approved by the Board of Directors of the Company (the “Amendment Effective Date”).

**RECITALS:**

The Executive has heretofore been employed by the Company as its Chief Financial Officer and Treasurer pursuant to the terms of an Employment Agreement dated May 23, 2017 (the “2017 Employment Agreement”). The Company desires to continue to employ the Executive and the Executive desires to continue to be employed by the Company. In recognition of the services previously rendered and to be rendered in the future to the Company, it is deemed necessary and advisable to amend the 2017 Employment Agreement to reflect updated terms regarding the Executive’s base salary.

**NOW, THEREFORE**, in consideration of the mutual covenants and obligations herein and the compensation and benefits the Company agrees herein to pay the Executive, and of other good and valuable consideration, the receipt of which is hereby acknowledged, the Company and the Executive agree that the 2017 Employment Agreement shall be amended, effective as of the Amendment Effective Date, as follows:

1. All provisions of the 2017 Employment Agreement shall remain in full force and effect except to the extent such provisions are expressly modified by this Amendment. Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the 2017 Employment Agreement. It is the intent of the Parties that the execution, delivery and performance of this Amendment shall not operate as a waiver of or consent to any past, present or future breach of any provision of the 2017 Employment Agreement.

2. Section 4(a) of the 2017 Employment Agreement is hereby deleted and replaced in its entirety with the following:

“**Base Salary.** Effective April 13, 2020 until June 30, 2020, Employee shall receive a base salary of Two Hundred Sixteen Thousand, Four Hundred Twenty-Four and 00/100 Dollars (\$216,424.00), payable in regular and equal installments in accordance with the Company’s regular payroll schedule and practices (“Base Salary”). Effective July 1, 2020, Employee’s Base Salary shall be increased to Two Hundred Fifty-Four Thousand, Six Hundred Sixteen and 00/100 Dollars (\$254,616.00), payable in regular and equal installments in accordance with the Company’s regular payroll schedule and practices, and subject to upward or downward adjustment as determined in the Board’s discretion, subject to the terms of Section 6(f) of this Agreement.”

3. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Amendment delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Amendment.

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4. Each party agrees that the electronic signatures, whether digital or encrypted, of the parties included in this Agreement are intended to authenticate this writing and to have the same force and effect as manual signatures. Electronic signature means any electronic sound, symbol, or process attached to or logically associated with a record and executed and adopted by a party with the intent to sign such record, including facsimile or email electronic signatures.

**IN WITNESS WHEREOF**, the parties have executed this Amendment to 2017 Employment Agreement as of the day and year first above written.

**EXECUTIVE**

/s/ Clint J. Pete

Clint J. Pete

**CHARLES & COLVARD, LTD.**

By: /s/ Suzanne Miglucchi

Name: Suzanne Miglucchi

Title: Chief Executive Officer

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## AMENDMENT TO 2017 EMPLOYMENT AGREEMENT

**THIS AMENDMENT TO 2017 EMPLOYMENT AGREEMENT** (this “Amendment”), made and entered into on the 9<sup>th</sup> day of April, 2020 by and between **Charles & Colvard, Ltd.** (the “Company”) and Don O’Connell (the “Executive”). This Amendment shall be effective as of the date the Amendment is approved by the Board of Directors of the Company (the “Amendment Effective Date”).

**RECITALS:**

The Executive has heretofore been employed by the Company as its Chief Operating Officer and Senior Vice President, Supply Chain pursuant to the terms of an Employment Agreement dated May 23, 2017 (the “2017 Employment Agreement”). The Company desires to continue to employ the Executive and the Executive desires to continue to be employed by the Company. In recognition of the services previously rendered and to be rendered in the future to the Company, it is deemed necessary and advisable to amend the 2017 Employment Agreement to reflect updated terms regarding the Executive’s base salary.

**NOW, THEREFORE**, in consideration of the mutual covenants and obligations herein and the compensation and benefits the Company agrees herein to pay the Executive, and of other good and valuable consideration, the receipt of which is hereby acknowledged, the Company and the Executive agree that the 2017 Employment Agreement shall be amended, effective as of the Amendment Effective Date, as follows:

1. All provisions of the 2017 Employment Agreement shall remain in full force and effect except to the extent such provisions are expressly modified by this Amendment. Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the 2017 Employment Agreement. It is the intent of the Parties that the execution, delivery and performance of this Amendment shall not operate as a waiver of or consent to any past, present or future breach of any provision of the 2017 Employment Agreement.

2. Section 4(a) of the 2017 Employment Agreement is hereby deleted and replaced in its entirety with the following:

“**Base Salary.** Effective April 13<sup>th</sup>, 2020 until June 30, 2020, Employee shall receive a base salary of Two Hundred Forty-Seven Thousand, Nine Hundred Eighty-Six and 00/100 Dollars (\$247,986.00), payable in regular and equal installments in accordance with the Company’s regular payroll schedule and practices (“Base Salary”). Effective July 1, 2020, Employee’s Base Salary shall be increased to Two Hundred Ninety One Thousand, Seven Hundred Forty-Eight and 00/100 Dollars (\$291,748.00), payable in regular and equal installments in accordance with the Company’s regular payroll schedule and practices, and subject to upward or downward adjustment as determined in the Board’s discretion, subject to the terms of Section 6(f) of this Agreement.”

3. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Amendment delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Amendment.

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4. Each party agrees that the electronic signatures, whether digital or encrypted, of the parties included in this Agreement are intended to authenticate this writing and to have the same force and effect as manual signatures. Electronic signature means any electronic sound, symbol, or process attached to or logically associated with a record and executed and adopted by a party with the intent to sign such record, including facsimile or email electronic signatures.

**IN WITNESS WHEREOF**, the parties have executed this Amendment to 2017 Employment Agreement as of the day and year first above written.

**EXECUTIVE**

/s/ Don O'Connell

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Don O'Connell

**CHARLES & COLVARD, LTD.**

By: /s/ Suzanne Miglucci

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Name: Suzanne Miglucci

Title: Chief Executive Officer

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# CHARLES & COLVARD<sup>®</sup>

## CHARLES & COLVARD PROVIDES BUSINESS UPDATE RELATED TO COVID-19

### FOR IMMEDIATE RELEASE

**RESEARCH TRIANGLE PARK, N.C.** – April 9, 2020 – Charles & Colvard, Ltd. (Nasdaq: CTHR), the original and leading worldwide source of created moissanite, provided an update on actions being implemented in response to the COVID-19 pandemic.

“During this evolving environment, we have acted quickly to focus on three key areas,” commented Suzanne Miglucchi, President and CEO of Charles & Colvard. “These include safeguarding the health and safety of our employees; streamlining operations while ensuring support of our brand and customers; and maintaining our financial strength and stability.”

“We have had to make some tough decisions, including furloughing a large portion of our workforce. We are committed to emerging from this crisis as a strong, growth-oriented company and will make every effort to bring our team members back to their jobs as quickly as possible. Despite these short-term disruptions, we believe the underlying trends that will drive our business over the long-term remain intact, including our e-commerce oriented Millennial and Gen Z customer base and the large and expanding global market for lab-created gemstones and ethically-sourced jewelry,” said Ms. Miglucchi.

The Company is implementing a number of measures to help mitigate the operating and financial impact related to the pandemic, including:

- Deploying a work from home policy for all but essential employees due to a mandated stay-at-home order by the state of North Carolina;
  - Continuing to process online orders on the Company’s e-commerce website during the closure period, with limited shipping and fulfillment capabilities until state and municipal stay at home orders permit full operations to resume;
  - Working with third party partners to enable alternate distribution options, though there may be limited ability to deploy these contingency plans due to global stay-at-home restrictions;
  - Furloughing approximately 50% of employees, starting April 13, 2020, and funding all health insurance premiums during the furlough for all eligible employees impacted by these measures;
  - Implementing temporary salary reductions for all employees, including 25% for the Chief Executive Officer and 15% for the Chief Financial Officer and Chief Operating Officer;
  - Instituting a 50% reduction in Board Director fees;
  - Reducing non-payroll expenses, including product development, digital marketing, and travel;
  - Working with advisors to maximize participation in all eligible government or other initiatives available to businesses or employees impacted by the COVID-19 pandemic such as extending Families First Coronavirus Response Act (FFCRA) benefits to impacted employees, and applying for government-subsidized business loans. The Company also extended new 401(k) benefits to assist employees with additional distributions and loan terms during this challenging time.
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“As we continue to navigate the rapidly-changing business and regulatory environment, we are committed to assisting our impacted employees with benefits that will help them remain safe and solvent, to maintaining the high level of service our customers have come to expect of Charles & Colvard, and to communicating with all of our stakeholders to provide periodic updates on our progress. Please refer to the [COVID-19 status on the charlesandcolvard.com](#) website for updates as they become available,” concluded Ms. Miglucchi.

#### **About Charles & Colvard, Ltd.**

Charles & Colvard, Ltd. (Nasdaq: CTHR) believes luxury can be beautiful and conscientious. As an e-commerce driven business, the Company brings revolutionary gemstones and jewelry to market through the use of innovative technology and direct-to-consumer engagement. Charles & Colvard is the original pioneer of lab-created moissanite, a rare gemstone formed from silicon carbide. Consumers seek Charles & Colvard fashion, bridal and fine jewelry because of its exceptional quality, incredible value and shared beliefs in environmental and social responsibility. Charles & Colvard was founded in 1995 and is based in North Carolina’s Research Triangle. For more information, please visit <https://www.charlesandcolvard.com/>.

#### **Forward-Looking Statements**

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements expressing expectations regarding our future and projections relating to our 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 impact of a public health crisis or disease outbreak, epidemic or pandemic, such as the recent novel coronavirus on our business; our dependence on increased consumer acceptance, growth of sales of our products, and operational execution of our strategic initiatives; the impact of the execution of our business plans on our liquidity; intense competition in the worldwide jewelry industry; the financial difficulties or insolvency of one or more of our major customers and their willingness and ability to market our products; certain risks due to our international operations, distribution channels and vendors; general economic and market conditions, including the current economic environment; dependence on a limited number of distributor and retail partners in our Traditional segment; our ability to fulfill orders on a timely basis; dependence on our exclusive supply agreement with Cree, Inc. for the supply of our silicon carbide crystals for the foreseeable future; inaccuracies in assumptions, estimates and data we use to calculate certain of our key operating metrics; our ability to maintain compliance with The Nasdaq Stock Market’s continued listing requirements; quality control challenges from time to time that can result in lost revenue and harm to our brands and reputation; the potential impact of seasonality on our business; the impact of natural disasters and other events beyond our control on our operations; the pricing of precious metals, which is beyond our control; our current customers’ potential perception of us as a competitor in the finished jewelry business; the impact of significant changes in e-commerce opportunities, technology, or models; the risk of a failure of our information technology infrastructure or a failure to protect confidential information against security breaches; our ability to protect our intellectual property; the potential adverse impact of negative or inaccurate information on social media; the failure to evaluate, implement, and integrate strategic opportunities; possible adverse effects of governmental regulation and oversight; and the impact of anti-takeover provisions included in our charter documents, in addition to the other risks and uncertainties described 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 June 30, 2019 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.

**Contacts:**

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Source: Charles & Colvard, Ltd.