
**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

July 11, 2008 (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.

(a) Letter Agreement

On July 11, 2008, Charles & Colvard, Ltd. (the “Company”) executed a letter agreement dated June 26, 2008 (the “Letter Agreement”) between the Company and Samuel Aaron Inc. (“SAI”). Pursuant to the Letter Agreement and the applicable terms and conditions thereto, the Company has agreed to sell to SAI commercially reasonable amounts of moissanite for use by SAI in the manufacturing of fine jewelry. The Company will, among other things: (i) allow SAI to participate in a co-op advertising program whereby the Company will fund a specified amount of certain advertising/promotional activity expenses submitted by SAI; (ii) provide SAI with any required training materials, marketing strategy and product positioning for moissanite and (iii) provide SAI with certain product return benefits. SAI will, among other things: (i) provide, to the best of its ability, retail forecasting and reporting on a timely basis, to the Company for all major programs that SAI sells moissanite jewelry; (ii) endeavor to protect all Company trademarks, copyrights and intellectual property; (iii) market Company created moissanite to the best of its knowledge and in accordance with the Company’s brand identity guidelines; and (iv) use commercially reasonable efforts to ensure that its customers abide by the same brand identity guidelines. The Letter Agreement will renew annually each December 31 for a one-year term unless terminated in accordance with the terms and conditions of the Letter Agreement or notice is given by either the party to the other party of its intent not to renew the Letter Agreement at least 30 days prior to the end of the then current one-year term.

The description of the Letter Agreement set forth in this Item 1.01 is a summary of the material terms of the Letter Agreement and is qualified in its entirety by reference to the copy of the Letter Agreement filed as Exhibit 10.120 to this Current Report on Form 8-K.

(b) Licensing Agreement

On July 11, 2008, the Company executed a Licensing Agreement between the Company and SAI (the “Licensing Agreement”). Pursuant to the terms of the Licensing Agreement, the Company granted to SAI the non-exclusive right to use certain trademarks and copyright works in connection with SAI’s advertisement, promotion and sale of SAI products that incorporate Charles & Colvard created moissanite jewels. SAI’s right to use these trademarks and copyright works is generally limited to the United States and Canada, it is not obligated to pay any royalties to the Company for use of the trademark or copyright works, and it may not assign or transfer any of its rights under the Licensing Agreement without the Company’s prior approval. Subject to certain enumerated conditions, SAI may sublicense its rights under the Licensing Agreement to certain jewelry distributors or retailers that are engaged in the sale of SAI’s products that incorporate Charles & Colvard created Moissanite jewels. The Licensing Agreement will renew annually each December 31 for a one-year term unless terminated in accordance with the terms and conditions of the Letter Agreement.

The description of the Licensing Agreement set forth in this Item 1.01 is a summary of the material terms of the Licensing Agreement and is qualified in its entirety by reference to the copy of the License Agreement filed as Exhibit 10.121 to this Current Report on Form 8-K.

Item 1.02 Termination of a Material Definitive Agreement.**(a) Letter Agreement**

On July 11, 2008, the Company and SAI, by entering into the Letter Agreement described in Item 1.01 and a copy of which is attached hereto as Exhibit 10.120, terminated the Letter Agreement between the Company and SAI dated August 18, 2006 and entered into by the Company on October 2, 2006 (the “2006 Letter Agreement”). Under the 2006 Letter Agreement, the Company, among other things, (i) allowed SAI to participate in an allowance program that allowed SAI certain credits on net purchases during a calendar year; (ii) provided SAI with any required training materials, marketing strategy and product positioning for moissanite; (iii) provided SAI with certain reimbursement and product return benefits; (iv) refrained from selling jewels or jewelry directly to retail customers whose initial relationship with the Company was established by SAI; and (v) maintained SAI’s existing consignment relationship with the Company. Under the 2006 Letter Agreement, SAI, among other things: (i) endeavored to protect all Company trademarks, copyrights and intellectual property; (ii) marketed Company created moissanite to the best of its knowledge and in accordance with the Company’s brand identity guidelines; and (iii) used commercially reasonable efforts to ensure that its customers abided by the same brand identity guidelines. The 2006 Letter Agreement was to renew on each successive December 31 for a one-year term unless terminated in accordance with the terms and conditions of the 2006 Letter Agreement or notice was given by either party to the other party of its intent not to renew the 2006 Letter Agreement at least 30 days prior to the end of the then current one-year term.

(b) License Agreement

On July 11, 2008, the Company and SAI, by entering into the Letter Agreement described in Item 1.01 and a copy of which is attached hereto as Exhibit 10.120, and the License Agreement described in Item 1.01 and a copy of which is attached hereto as Exhibit 10.121, terminated the License Agreement between the Company and SAI dated October 2, 2006 (the “2006 License Agreement”). Pursuant to the terms of the 2006 Licensing Agreement, the Company granted to SAI the non-exclusive right to use certain trademarks and copyright works in connection with SAI’s advertisement, promotion and sale of SAI products that incorporated Charles & Colvard created moissanite jewels. SAI’s right to use these trademarks and copyright works was generally limited to the United States and Canada. The Licensing Agreement was to end simultaneously with the termination of the 2006 Letter Agreement, unless sooner terminated by either the Company or SAI.

Item 9.01 Financial Statements and Exhibits.**(d) Exhibits**

Exhibit 10.120 Letter Agreement, effective July 11, 2008, between Samuel Aaron Inc. and Charles & Colvard, Ltd.*

Exhibit 10.121 Licensing Agreement, dated July 11, 2008, between Samuel Aaron 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: July 17, 2008

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Exhibit Description</u>
Exhibit 10.120	Letter Agreement, effective July 11, 2008, between Samuel Aaron Inc. and Charles & Colvard, Ltd.*
Exhibit 10.121	Licensing Agreement, dated July 11, 2008, between Samuel Aaron 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 *****

CHARLES & COLVARD®
Created
M O I S S A N I T E

June 26, 2008

Mr. Richard Katz, CFO
Samuel Aaron Inc.
31-00 47th Avenue, 4th Floor
Long Island City, NY 11101

Re: Manufacturing Agreement & Licensing Agreement

Dear Mr. Katz:

This letter agreement sets forth the terms and conditions of the sale of Charles & Colvard created Moissanite by Charles & Colvard, Ltd. ("C&C"), to Samuel Aaron Inc. ("Buyer"). This letter, together with the attached price list, terms and conditions, and License Agreement constitutes the entire agreement (the "Agreement") between our companies and supersedes the previous Agreement dated August 18, 2006.

C&C hereby agrees to sell to Buyer commercially reasonable amounts of moissanite for use by Buyer in the manufacturing of fine jewelry, and C&C and Buyer agree to:

1. C&C will allow SAI to participate in a co-op advertising program, whereby C&C will fund at *****% of ***** pre-approved, eligible advertising/promotional activity expenses submitted by the Buyer. This funding is limited to 10% of net purchases made by the Buyer or its affiliated designee (who has been pre-approved by C&C). In accordance with the Cooperative Advertising Program Guidelines, C&C must pre-approve all advertising expense being charged against co-op. Prior to the approval of any and all advertising/promo activity by C&C the new program needs to have been approved in writing by ***** or *****.
2. The parties may mutually agree to additional alternative marketing arrangements for specific customers by written agreement. This may result in a promotional activity outside the 10% limit.
3. Provide Buyer with any required training materials and guidance concerning moissanite, C&C's marketing strategy and C&C's product positioning for moissanite.
4. On Asset purchase programs only, not including ***** or Consignment Programs, Buyer will return moissanite jewels which are broken during setting and receive credit for specific stones at the price of the stone one size below the broken stone. No credit will be given for any damaged jewels smaller than 3.5mm. SAI agrees that the determination of whether a jewel is damaged is mutually agreeable to both parties. If SAI disagrees with C&C on whether a jewel is damaged, SAI must notify C&C within the ordinary course of receiving the credit memo, and SAI's sole remedy is to request that the disputed jewels be sent back to SAI, for re-examination and retention instead of accepting the credit.

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June 26, 2008

Mr. Richard Katz, CFO

Samuel Aaron Inc.

Manufacturing Agreement (cont'd)

5. SAI, starting January 1, 2008, will have the ability to return (primarily for stock balancing) up to *****% of its calendar year purchases (including up to *****% of its purchases from designated factories, i.e. affiliated designee). Returns will be for full credit if undamaged and will be done on a quarterly basis by 45 days after the end of the quarter. The above allowance excludes the breakage allowance as defined in paragraph 4 above. If SAI decides to use jewels from its own inventory to support a SPIFF program, C&C will not give SAI credit for SAI's use of stones for a SPIFF program and will be limited at C&C's sole discretion to replace the stones that SAI used for the SPIFF.
6. SAI will have until January 31, 2008 to return any jewels against the 2007 *****% allowance. All returns after January 31, 2008 will be applied to the 2008 allowance. RA# 43737 sent January 2008 will be part of 2007.
7. Subject to the attached terms and conditions all purchases of SAI and its designated factories will be at ***** day payment terms, unless mutually agreed on "special deals" dating.
8. Buyer agrees to provide, to the best of its ability and apply best efforts to provide retail forecasting and reporting on a timely basis, to C&C for all major programs that Buyer sells moissanite jewelry.
9. Amendments of dates of ongoing Consignment Programs and ***** as outlined.

Buyer hereby recognizes, and agrees to cooperate with C&C to the best of Buyer's knowledge in the protection of, all C&C trademarks, copyrights and intellectual property. Further, C&C and Buyer agree to approve certain Charles & Colvard created Moissanite as appropriate for Buyer's catalog and trade show presentations during the term of this Agreement. Buyer acknowledges receipt of the brand identity guidelines provided by C&C and agrees to market Charles & Colvard created Moissanite to the best of their knowledge in a manner consistent with such guidelines. Additionally, Buyer to the best of their knowledge shall use commercially reasonable efforts to ensure its customers abide by such guidelines.

Buyer specifically agrees that it will NOT sell C&C created moissanite as loose stones, and will sell moissanite only in jewelry mountings as commercially reasonable upon pre-approval by C&C.

This Agreement shall renew annually on December 31 for one year terms unless terminated pursuant to Section 7 of the Terms and Conditions section of this Agreement or notice is given by either party to the other party of its intent not to renew the Agreement at least 30 days prior to the end of the then current one-year term.

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June 26, 2008

Mr. Richard Katz, CFO

Samuel Aaron Inc.

Manufacturing Agreement (cont'd)

If the forgoing meets with your understanding of our agreement, please sign and return one copy of this letter for our files.

Charles & Colvard, Ltd.

Agreed and Accepted by "Buyer"

By: /s/ Dennis M. Reed

By: /s/ Richard Katz

Name: Dennis M. Reed

Name: Richard Katz

Title: President & CMO

Title: CFO/COO

Date: July 11, 2008

Date: June 27, 2008

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TERMS AND CONDITIONS

1. ACCEPTANCE OF ORDERS. C&C's acceptance of all orders for Charles & Colvard created Moissanite (the "Product") and all offers and sales by C&C are subject to and expressly conditioned upon Buyer's acceptance of the terms and conditions of this Agreement, and Buyer's acceptance of any offer by C&C must be made on such terms and conditions exactly as offered by C&C. Any of Buyer's terms and conditions which are different from or in addition to those contained in this Agreement are objected to by C&C and shall be of no effect unless specifically agreed to in writing by C&C. Shipment of the Product shall not be construed as acceptance of any of Buyer's terms and conditions which are different from or in addition to those contained herein, unless alternative terms are mutually agreed to in writing prior to the order. Buyer's acceptance of the Product furnished by C&C pursuant hereto shall constitute Buyer's acceptance of the terms and conditions of this Agreement.

This Agreement shall be governed by and construed under the laws of the State of North Carolina as if made and to be performed entirely within such state.

2. PRICES. The prices stated in this Agreement are F.O.B. C&C's manufacturing facilities and do not include transportation, insurance or any sales, use, excise or other taxes, duties, fees or assessments imposed by any jurisdiction. On each shipment buyer will be charged a freight charge that includes transportation and insurance costs. Buyer is a re-seller and accordingly no sales or use taxes apply. Buyer shall promptly reimburse C&C for any taxes paid by C&C which are the responsibility of Buyer hereunder. All prices and other terms are subject to correction for typographical or clerical errors. Prices are subject to change annually at the sole discretion of C&C. C&C will inform buyer 3 months before said change will occur and will honor prices on all submitted quotes previously submitted.

3. TERMS OF SALE & PAYMENT. C&C shall provide the Product in the "very good" grade which includes slight possible color saturations and inclusions as determined from a C&C master set provided by C&C to Buyer. Payment, including credit terms if any shall be as mutually agreed in writing, or in the absence of agreement in cash upon delivery. Each shipment shall be considered a separate and independent transaction and payment for each shipment shall be due accordingly.

Invoices will be issued upon shipment and payment shall be due in full within ***** (*****) days from the ship date. C&C reserves the right to change the amount of or withdraw any credit, prior to acceptance of an order: Change will be in writing to buyer prior to shipment to Buyer.

Amounts not paid when due shall be subject to interest at the rate of one and one-half percent (1 1/2%) per month or, if less, the maximum rate permitted by law.

In the event of the bankruptcy or insolvency of Buyer, or the filing of any proceeding by or against Buyer under any bankruptcy, insolvency or receivership law, or in the event Buyer makes an assignment for the benefit of creditors, C&C may, at its election and without prejudice to any other right or remedy, exercise all rights and remedies granted to C&C in Section 7 as in the case of a default by Buyer under this Agreement.

4. DELIVERY, TITLE AND RISK OF LOSS. All sales hereunder shall be F.O.B. C&C's manufacturing facilities. C&C shall select carrier and provide adequate insurance to cover any lost shipments. The insurance cost will be included in freight costs on each invoice. SAI will not be responsible for payment on any shipments they do not receive.

Buyer shall inspect all Product promptly upon receipt and file claims with the transportation company in the event there is evidence of shipping damage.

5. PERFORMANCE. C&C shall make a reasonable effort to observe the dates specified herein or such later dates as may be agreed to by Buyer for delivery or other performance, but C&C shall not be liable for any delay in delivery or failure to perform due to acceptance of prior orders, strike, lockout, riot, war, fire, act of God, accident, delays caused by any subcontractor or supplier or by Buyer, technical difficulties, failure or breakdown of machinery or components necessary to order completion, inability to obtain or substantial rises in the price of labor or materials or manufacturing facilities, or compliance with any law, regulation, order or direction, whether valid or invalid, of any governmental authority or instrumentality thereof, or due to any unforeseen circumstances or any causes beyond its control, whether similar or dissimilar to the foregoing and whether or not foreseen. Provided C&C was not aware of said events prior and during the order period: where C&C could provide adequate or timely disclosure of said event.

6. ACCEPTANCE. All Product delivered hereunder shall be deemed accepted by Buyer as conforming to this Agreement, and Buyer shall have no right to revoke any acceptance, unless written notice of the claimed nonconformity is received by C&C within twenty (20) days of delivery thereof. Notwithstanding the foregoing, any use of the Product by Buyer, its agents, employees, contractors or licensees, for any purpose, after delivery thereof, shall constitute acceptance of that product by Buyer, as long as said products are produced within reasonable guidelines as established.

7. DEFAULT AND TERMINATION. Buyer may terminate this Agreement if C&C materially defaults in the performance of its obligations hereunder and fails to cure such default within sixty (60) days after written notice thereof from Buyer. In no event shall C&C be liable for incidental, consequential, special, punitive or exemplary damages of any kind, including but not limited to lost profits, loss of business or other economic harm as a result of a default; provided however that if C&C has lead times of ***** weeks C&C will accept penalties for late delivery of standard jewels shapes and sizes described on the attached price list in excess of \$***** caused by C&C not meeting above lead times. C&C will accept liability for such disclosed penalties caused by C&C shipments which shipped date was confirmed via e-mail from a C&C Vice President and default for product delivery occurred as a result of moissanite jewels supplied by C&C. This default does not pertain to orders of non-standard shapes and sizes.

Buyer shall be deemed in material default under this agreement if buyer fails to pay any material (defined as any amounts over \$***** amounts when due in normal course, as long as said issues are not related to memo agreements, previously entered into oral, written or otherwise, or fails to pay C&C any sums due under any other agreement or otherwise, or if Buyer materially defaults in the performance of any other obligation hereunder and fails to cure such default within thirty (30) days after receipt of written notice from C&C. This written notice needs to be sent via certified mail, attention: R. Katz. In the event of a material default by Buyer, C&C may, upon written notice to Buyer, after the cure period expires, (1) suspend its performance and withhold shipments, in whole or in part, (2) terminate this Agreement, (3) declare all sums owing to C&C immediately due and payable and/or (4) recall Product in transit, , and Buyer agrees that all Product so recalled, taken or repossessed shall be the property of C&C, provided that Buyer is given full credit therefore. Exercise of any of the foregoing remedies shall not be construed as limiting, in any manner, any of the rights or remedies available to C&C under the Uniform Commercial Code or other laws.

8. PATENTS AND OTHER INTELLECTUAL PROPERTY RIGHTS. The sale of the Product hereunder does not convey any expressed or implied license under any patent, copyright, trademark or other proprietary rights owned or controlled by C&C, whether relating to the Product sold or any manufacturing process or other matter. All rights under any such patent, copyright, trademark or other proprietary rights are expressly reserved by C&C. Refer to separate agreement.

9. MANUFACTURING PRACTICES. When engaged in the design, production or distribution of any jewelry containing the Product, Buyer and its agents, sub-manufacturers, or contractors involved in the design, production, or distribution of jewelry containing the Product shall not engage in the use of child labor, prison or any type of forced labor, or any other labor practices that may violate the sensibilities of the American public. Buyer shall certify to C&C from time to time, upon C&C's written demand that it, as well as its agents, sub-manufacturers, or contractors involved in the design, production, or distribution of the Product does not engage in such labor practices. Upon C&C's demand, Buyer shall also certify that all rules and regulations, as well as all measures of safety, health, and labor practices, recommended or requested by the relevant authorities of Buyer's governing municipalities, as well as the governing municipalities of Buyer's agents, sub-manufacturers, or contractors involved in the design, production or distribution of the Product have been complied with. Buyer shall indemnify C&C for, and hold C&C harmless from, all claims, actions or demands arising from any action or omission that occurs on Buyer's, its agent's, sub-manufacturer's or contractor's premises. Furthermore, C&C guarantees that no radioactive process has been utilized in the manufacturing process of the Product.

10. LIMITED WARRANTY. Other than as set out herein, C&C makes no warranty or other representation concerning the Product; and, other than as specifically provided in this Agreement, C&C's liability is limited to replacement of any Product not conforming to the specifications set out in Section 3 of this Agreement upon their return to C&C. Buyer reserves the right to return any Product not conforming to the specifications set out herein to C&C. C&C shall pay return shipping, handling and insurance on the replacements for the Product that does not meet the specifications in Section 3. All returned Product must be accompanied by a return authorization number that should be displayed prominently on the outside of the package. All other shipping, handling and insurance for returns shall be paid by Buyer. The warranty set forth in this Section 10 is intended solely for the benefit of Buyer. All claims hereunder shall be made by Buyer and may not be made by Buyer's customers. **THE WARRANTY SET FORTH ABOVE IS IN LIEU OF ALL OTHER WARRANTIES, EXPRESSED OR IMPLIED, WHICH ARE HEREBY DISCLAIMED AND EXCLUDED BY C&C, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY OF FITNESS FOR A PARTICULAR PURPOSE OF USE.**

12. Consignment Agreements will be governed by individual agreements for any new agreements mutually agreed to subsequent to the signing of this Agreement.

Jewel Price List

[*****]

[Entire 5-page document is redacted]

LICENSING AGREEMENT

This Agreement is by and between Charles & Colvard, Ltd., having its principal office at 300 Perimeter Park Drive, Suite A, Morrisville, North Carolina 27560 ("Licensor") and Samuel Aaron Inc. having its principal office at 31-00 47th Avenue, 4th Floor, Long Island City, NY 11101 ("Licensee"):

A. Licensor desires to license certain of its trademarks, which are set forth in the Brand Identity Guidelines.

B. The Trademarks and Copyright Works are valuable rights of the Licensor. Licensor desires to and Licensee agrees to protect the integrity of the Trademarks and Copyright Works so as to avoid consumer confusion and to distinguish Licensor's products from those of its competitors. Licensee shall exercise this protection by conforming to certain guidelines concerning the use of the Trademarks and Copyright Works, as described in the Brand Identity Guidelines.

C. Licensee wishes to use the Trademarks and Copyright Works in connection with the advertising, promotion and sale of Licensee's products which incorporate Charles & Colvard created Moissanite jewels.

Now, therefore, in consideration of the mutual promises of the Agreement, the parties agree as follows:

1. GRANT OF LICENSE

Licensor grants to Licensee, subject to the terms and conditions of this Agreement, the non-exclusive right unless initially agreed upon to use the Trademarks and Copyright Works listed in the Brand Identity Guidelines, in connection with Licensee's advertisement, promotion and sale of Licensee's products which incorporate Charles & Colvard created Moissanite jewels. Licensee may use the Trademarks and Copyright Works: (i) only in the United States of America and Canada except with knowledge of C&C its agents or employees; (ii) only in connection with Licensee's advertisements, sales promotional and sales materials (including but not limited to online advertising and promotion) (collectively "Advertisements"); and (iii) only as permitted by this Agreement. Licensee may make no other use of the Trademarks and Copyright Works and Licensor reserves any rights, benefits and opportunities not expressly granted to Licensee under this Agreement, except with the written approval of Charles & Colvard.

2. TERM AND TERMINATION

The term of this Agreement shall begin on the date of this Agreement and end simultaneously with the termination of the Manufacturing Agreement between Licensor and Licensee concerning manufacture of jewelry incorporating Charles & Colvard created Moissanite Jewels unless sooner terminated by either party hereto.

3. ROYALTIES

Licensee is not obligated to pay Licensor any royalties for the use of the Trademarks or Copyright Works under the terms of this agreement.

4. QUALITY AND APPROVAL

(a) Purpose of Quality Control; Prior Approval Licensee shall not use the Trademarks and/or Copyright Works in connection with Advertisements before obtaining Licensor's approval, except as detailed in (b) and (c).

(b) Pre-approved Materials. All advertising, promotional and sales material bearing or incorporating the Trademarks and/or Copyright Works which are supplied to Licensee directly by Licensor, or previously approved by Licensor, without change or alteration of any kind, shall be considered approved.

(c) Purpose of Quality Control. In order to maintain the quality and reputation of the Trademarks and the rights in the Copyright Works, all Advertisements that are instituted solely by Licensee and are not co-op, retail initiated, etc., shall have approval, oral or otherwise by Licensor, Licensee is not responsible for advertisements from its customers but will make best efforts to maintain the quality and reputation of C&C branding with its customer.

5. TRADEMARK AND COPYRIGHT OWNERSHIP AND NOTICES

(a) Licensee's use of the Trademarks shall, depending upon the directions provided by Licensor, in every instance be combined with one of the following notices: (i) Reg. U.S. Pat. & TM. Off.; (ii) ®; (iii) Trademark of Charles & Colvard; (iv) TM; or (v) such other similar language as shall have Licensor's prior approval.

(b) Licensor and Licensee agree and intend that all material, including without limitation all artwork and designs, created by Licensee or any other person or entity retained or employed by Licensee bearing, displaying or containing the Trademarks or Copyright Works ("Copyright Materials") are works made for hire within the meaning of the United States Copyright Act and shall be the property of Licensor, where such work is specific to trademarks of C&C for all other marketing, trade names, copyrights owned by Licensee (artwork, design, etc.) ownership shall remain with Licensee. As owner, Licensor shall be entitled to use and license others to use the Copyright Materials. To the extent the Copyright Materials are not works made for hire, Licensee hereby irrevocably assigns to Licensor, its successors and assigns, the entire right, title and interest in perpetuity throughout the world in and to any and all rights, including all copyrights and related rights in such Copyright Materials. All other Materials produced for marketing by Licensee which do not contain the Copyright Materials shall remain the property of Licensee. Licensee warrants and represents that: (i) the Copyright Materials are completely original and are not based on or derived from the work or works of any third party; (ii) only Licensee created or contributed to the Copyright Materials; (iii) the Copyright Materials are an original work of authorship, and no royalties, honorariums or fees were, are or will be payable to other persons by reason of Licensor's use of the Copyright Materials; and (iv) the Copyright Materials do not infringe the rights of others. If Licensee wishes to retain a third party to assist Licensee in the creation of the Copyright Materials, Licensee shall obtain Licensor's prior approval and shall obtain and provide to Licensor an original assignment from the third party to Licensor of the third party's rights in the Copyright Materials.

(c) SAI will use best efforts to ensure the following notice (or such other notice as shall have Licensor's prior approval) shall appear in connection with the Copyright Works and/or Copyright Materials at least once on Advertisements using Copyright Works and/or Copyright Materials: © (year of first publication) **Charles & Colvard® All Rights Reserved.**

(d) Upon Licensor's reasonable request in writing and at no cost to Licensee, Licensee agrees to execute such additional documents reasonably proposed by Licensor, or do or have done all things as may be reasonably requested and at no cost by Licensor to vest and/or confirm the sole and exclusive ownership of all right, title and interest, including copyrights and related rights in and to the Copyright Materials in favor of Licensor, its successors and assigns.

6. RIGHTS IN THE TRADEMARKS AND COPYRIGHT WORKS

(a) Licensee shall not make any unlicensed use, file any application for registration or claim any other proprietary right to any of the Trademarks, Copyright Works, Copyright Materials or derivations or adaptations thereof, or any marks or works similar thereto as to the best of its knowledge and such filing pertaining to moissanite material.

(b) Licensee acknowledges the validity of and Licensor's title to the Trademarks, Copyright Works and Copyright Materials as disclosed to it by Licensor and shall not do, to the best of its knowledge, or suffer to be done any act or thing, which will impair the rights of Licensor in and to such Trademarks, Copyright Works or Copyright Materials. Licensee shall not acquire and shall not claim any title or any other proprietary right to the Trademarks, Copyright Works, Copyright Materials or in any derivation, adaptation, variation or name thereof by virtue of this license or Licensee's creation or usage, unless as discussed in Section 5 (b).

7. ELECTRONIC MATERIALS - CD ROM USE AND WEBSITE

Licensor hereby grants to Licensee a limited, non-exclusive, royalty-free license to use certain trademarks and certain copyrights in works as are made available by Licensor on specified CD Rom or from Licensor's website (the "Licensed Materials") solely in connection with the advertising, promotion, and sale of Licensee's products which incorporate Charles & Colvard created Moissanite. Licensee is granted the right to use the Licensed Materials only in conformity with the terms of this agreement and the guidelines concerning the use of Licensor's trademarks and copyright works as described in the Brand Identity Guidelines, as may be amended from time to time. Licensee may make no other use of the Licensed Materials without first obtaining the specific written consent of Licensor.

Licensee shall have no right to, nor shall it attempt to challenge, assign, sublicense, transfer, pledge, lease, rent, or share the rights granted under this License Agreement to or with any third party, in whole or in part, without the prior written consent of Licensor. Licensee acknowledges and agrees that such Licensed Materials (and trademarks and copyrights therein) as disclosed to it by Licensor are proprietary to Licensor and protected under applicable U. S. and foreign laws.

Upon termination of this Agreement, Licensee must destroy all copies, electronic or otherwise, of the Licensed Materials and/or any materials incorporating parts thereof.

Licensee agrees to comply with Licensor's standards for controlling the quality of products sold under or in connection with the Licensed Materials. Licensee may not reverse engineer, modify, or create derivative works based upon the Licensed Materials or any part thereof, except as is specifically permitted in the Brand Identity Guidelines.

The following notice (or such other notice as shall have Licensor's prior written approval) shall appear in connection with the Licensed Materials at least once on all documentation: "Used pursuant to license from Charles & Colvard, Ltd." License shall also use "© (year of first publication) Charles & Colvard, Ltd. All Rights Reserved" in connection with copyright works and ™ or ®, as appropriate, in connection with trademarks.

Furthermore, upon notice from Licensor posted electronically that it has changed the appearance of the Licensed Materials (or any of the trademarks and/or copyright works therein), Licensee shall use only the changed version in any and all materials produced by Licensee within no less than four (4) weeks following Licensor's initial notice.

8. COOPERATION WITH LICENSOR

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From time to time, Licensor may add other articles, trademarks, or copyright works to the Brand Identity Guidelines, and the parties agree that by such action this Agreement shall be amended to include such additions. Furthermore, upon notice from Licensor that it has changed the appearance of any of the Trademarks or Copyright Works, Licensee shall incorporate the new version of the changed Trademark or Copyright Work into all Advertisements bearing the changed Trademark or Copyright Work within four (4) weeks following Licensor's initial notice.

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Licensee represents and warrants that the Advertisements shall comply with, meet and/or exceed all Federal, State or Provincial, and local laws, ordinances, standards, regulations and guidelines, including, but not limited to, those pertaining to product, quality, labeling and propriety. Licensee agrees that it will not publish material in its Advertisements or cause or permit any material to be published, in violation of any such Federal, State or Provincial, or local law, ordinance, standard, regulation or guideline.

11. POST-TERMINATION AND-EXPIRATION RIGHTS AND OBLIGATIONS

(a) At the expiration or termination of this Agreement, all rights granted to Licensee under this Agreement shall forthwith revert to Licensor, and Licensee shall refrain from further use of the Copyright Works, Copyright Materials and/or the Trademarks, either directly or indirectly, or from use of any marks or designs similar to the Copyright Works, Copyright Materials or the Trademarks. Licensee will immediately cease all use of Advertisements bearing or including the Trademarks, Copyright Works and/or Copyright Materials. Licensee also shall turn over to Licensor all photographs, codes and other materials, which reproduce the Copyright Works, Copyright Materials or the Trademarks or shall provide evidence satisfactory to Licensor of their destruction. Licensee shall be responsible to Licensor for any damages caused by the unauthorized use by Licensee or by others of such photographs, codes and

other materials, which are not turned over to Licensor. Upon termination of this agreement, to facilitate the selling of any remaining inventory Licensee may request the use of certain rights under this agreement for a 90 day period, the approval of which will not be unreasonably denied by the Licensor.

(b) Licensee acknowledges that any breach or threatened breach of any of Licensee's covenants in this Agreement relating to the Trademarks, Copyright Works and/or Copyright Materials, including without limitation, Licensee's failure to remove such materials from its Advertisements at the termination or expiration of this Agreement will result in immediate and irreparable damage to Licensor and to the rights of any subsequent license of Licensor. Licensee acknowledges and admits that there is no adequate remedy at law for any such breach or threatened breach, and Licensee agrees that in the event of any such breach or threatened breach, Licensor shall be entitled to injunctive relief and such other relief as any court with jurisdiction may deem just and proper, without the necessity of Licensor posting any bond.

12. ASSIGNMENT AND SUBLICENSE

(a) Licensee shall not assign or transfer any of its rights under this Agreement or delegate any of its obligations under this Agreement (whether voluntarily, by operation of law, change in control or otherwise) without Licensor's prior approval. Any attempted assignment, transfer, or delegation by Licensee without such approval shall be void and a material breach of this Agreement. A change in the majority ownership or a material change in the management of Licensee shall constitute an assignment of rights under this Section requiring Licensor's prior approval.

(b) Licensee may sublicense its rights hereunder to authorized jewelry distributors or retailers engaged in the sale of Licensee's products which incorporate Charles & Colvard created Moissanite jewels; provided Licensee shall first notify, in writing, Licensor of any such authorized jewelry distributor or retailer to be sublicensed hereunder and each of which must agree to be bound by the terms of this Agreement. Each such sublicense shall be deemed automatically approved by Licensor. Any other proposed sublicense shall require Licensor's prior written approval. Licensee shall use all commercially reasonable efforts to insure the use of the rights granted by the sublicense are used in conformity with the terms of this Agreement, including but not limited to notification by Licensee to Licensor of any misuse of the rights and full cooperation with Licensor in asserting Licensor's rights to the full extent of the law.

13. INDEPENDENT CONTRACTOR

Licensee is an independent contractor and not an agent, partner, joint venture, affiliate or employee of Licensor. No fiduciary relationship exists between the parties. Neither party shall be liable for any debts, accounts, obligations or other liabilities of the other party, its agents or employees, Licensee shall have no authority to obligate or bind Licensor in any manner. Licensor has no proprietary interest in Licensee and has no interest in the business of Licensee, except to the extent expressly set forth in this Agreement.

14. SEVERABILITY

If any provision of this Agreement shall be determined to be illegal and unenforceable by any court of law or any competent government or other authority, the remaining provisions shall be severable and enforceable in accordance with their terms so long as this Agreement without such terms or provisions does not fail of its essential purpose or purposes. The parties will negotiate in good faith to replace any such illegal or unenforceable provision or provisions with suitable substitute provisions which will maintain the economic purposes and intentions of this Agreement.

15. SURVIVAL

Licensee's obligations and agreements under Sections 5, 6, 9, 10 and 11 shall survive the termination or expiration of this Agreement.

16. MISCELLANEOUS

(a) Captions. The captions for each Section have been inserted for the sake of convenience and shall not be deemed to be binding upon the parties for the purpose of interpretation of this Agreement.

(b) Scope and Amendment of Agreement. This Agreement constitutes the entire agreement between the parties with respect to the use of Licensor's Trademarks, Copyright Works and Copyright Materials and supersedes any and all prior and all

written requirements agreed in said agreements “term”, “license”, or otherwise, are to be delivered certified mail attention “Richard Katz” at Samuel Aaron Inc., 31—47th Avenue, Long Island City, NY 10514.

With the exception of the addition of new Trademarks, Copyright Works, and Copyright Materials as provided for in Section 5, this Agreement may be amended only by written instrument expressly referring to this Agreement, setting forth such amendment and signed by Licensor and Licensee.

(c) Governing Law and Interpretation. This Agreement will be deemed to have been executed in the State of North Carolina, United States of America and will be construed and interpreted according to the laws of that State without regard to its conflicts of law principles or rules. The parties agree that each party and its counsel have reviewed this Agreement and the normal rule of construction that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

(d) Attorneys’ Fees. If Licensor brings any legal action or other proceeding to interpret or enforce the terms of this Agreement, or if Licensor retains a collection agent to collect any amounts due under this Agreement, then Licensor shall be entitled to recover reasonable attorneys’ fees and any other costs incurred, in addition to any other relief to which it is entitled only if Licensee’s allegations are favorable in a binding legal proceeding.

(e) Waiver. The failure of Licensor to insist in any one or more instances upon the performance of any term, obligation or condition of this Agreement by Licensee or to exercise any right or privilege herein conferred upon Licensor shall not be construed as thereafter waiving such term, obligation, or condition or relinquishing such right or privilege, and the acknowledged waiver or relinquishment by Licensor of any default or right shall not constitute waiver of any other default or right. No waiver shall be deemed to have been made unless expressed in writing and signed by the Chief Executive Officer of Licensor.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their authorized representatives on the dates indicated below.

CHARLES & COLVARD, LTD.

LICENSEE: SAMUEL AARON INC.

By: /s/ Dennis M. Reed Date: 7/11/08
Dennis M. Reed
President & CMO

By: /s/ Richard Katz Date: 6/27/08
Richard Katz
Chief Operating Officer