

CHARLES & COLVARD LTD  
Form 8-K  
October 06, 2006

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**

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

October 2, 2006 (Date of earliest event reported)

Commission file number: 0-23329

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**Charles & Colvard, Ltd.**

(Exact name of registrant as specified in its charter)

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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)

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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 October 2, 2006, Charles & Colvard, Ltd. (the Company) executed a letter agreement dated August 18, 2006 (the Letter Agreement) between the Company and Samuel Aaron International (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 an allowance program that will allow SAI certain credits on net purchases during a calendar year; (ii) provide SAI with any required training materials, marketing strategy and product positioning for moissanite; (iii) provide SAI with certain reimbursement and product return benefits; (iv) refrain from selling jewels or jewelry directly to retail customers whose initial relationship with the Company was established by SAI; and (v) maintain SAI's existing consignment relationship with the Company. SAI will, among other things: (i) endeavor to protect all Company trademarks, copyrights and intellectual property; (ii) market Company created moissanite to the best of its knowledge and in accordance with the Company's brand identity guidelines; and (iii) use commercially reasonable efforts to ensure that its customers abide by the same brand identity guidelines. The Letter Agreement will renew annually on December 31, 2006 and on each successive 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 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 10.94 to this Current Report on Form 8-K.

(b) Licensing Agreement

On October 2, 2006, the Company entered into 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. In addition, SAI 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 end simultaneously with the termination of the Letter Agreement, unless sooner terminated by either the Company or SAI.

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 Licensing Agreement filed as Exhibit 10.95 to this Current Report on Form 8-K.

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits

Exhibit 10.94 Letter Agreement, effective October 2, 2006, between Samuel Aaron International and Charles & Colvard, Ltd.\*

Exhibit 10.95 Licensing Agreement, dated October 2, 2006, between Samuel Aaron International and Charles & Colvard, Ltd.

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\* 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: October 6, 2006

**EXHIBIT INDEX**

**Exhibit No.      Exhibit Description**

Exhibit 10.94   Letter Agreement, effective October 2, 2006, between Samuel Aaron International and Charles & Colvard, Ltd.\*

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