
**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 2, 2009 (Date of earliest event reported)

Commission file number: 000-23329

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:

- 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 1.02 Termination of a Material Definitive Agreement.

Please see the discussion of the Mutual Termination and Release Agreement, made and entered into on July 2, 2009, by and among Charles & Colvard, Ltd. (the “Company”), Bird Capital Group, Inc. (“BCG”) and Richard A. Bird, as more fully described in Item 5.02 of this Current Report on Form 8-K (the “Report”) below and incorporated herein by reference, which terminated the Management Services Agreement between the Company and BCG, dated February 3, 2009 (the “Management Services Agreement”), which had provided for, among other things, the services of Richard A. Bird as the Company’s Chief Executive Officer.

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

(b), (e)

On July 2, 2009, Richard A. Bird resigned as the Company’s Chief Executive Officer and as a member of the Company’s Board of Directors effective as of the close of business on July 2, 2009 (the “Effective Time”). In connection with Mr. Bird’s resignation, the Company entered into a Mutual Termination and Release Agreement with BCG and Mr. Bird dated July 2, 2009 (the “Termination Agreement”) to terminate the Management Services Agreement. The Termination Agreement provides that, from and after the Effective Time, neither the Company, BCG nor Mr. Bird shall have any further rights, duties or obligations under the Management Services Agreement, including without limitation any obligations on the part of the Company to make payments related to the potential short- and long-term bonuses described in the Management Services Agreement. The Termination Agreement also provides for the mutual release by each party of the other from certain claims arising out of, based upon, resulting from or relating to the Management Services Agreement and activities, services and transactions contemplated thereby. BCG and Bird are also subject to a covenant not to compete with the Company during the period beginning at the Effective Time and continuing for a period of eighteen (18) months thereafter, within the territory as defined in the Termination Agreement. The foregoing summary of the terms of the Termination Agreement does not purport to be complete, and is qualified in its entirety by reference to the Termination Agreement, a copy of which is filed as Exhibit 10.131 to this Report and is incorporated herein by reference.

Also in connection with Mr. Bird’s resignation, the Company entered into a Consulting Agreement with BCG (the “Consulting Agreement”), pursuant to which BCG shall provide the services of Mr. Bird to render consulting and advisory services as the Company may reasonably request in order to assist the Company in transitioning to a new management team. The term of the Consulting Agreement shall commence as of the Effective Time and terminate no later than August 31, 2009, or earlier at the option of the Company. Under the Consulting Agreement, the Company shall pay to BCG a monthly cash consulting fee in the amount of \$20,000, pro rated to account for any partial month. BCG shall be reimbursed by the Company in accordance with the reasonable policies and procedures that are established from time to time by the Company for all reasonable and necessary out-of-pocket expenses that are incurred by BCG in performing its duties under the Consulting Agreement, including, without limitation, reasonable travel expenses incurred by BCG. The foregoing summary of the terms of the Consulting Agreement does not purport to be complete, and is qualified in its entirety by reference to the Consulting Agreement, a copy of which is filed as Exhibit 10.132 to this Report and is incorporated herein by reference.

A press release announcing the resignation of Mr. Bird as the Company’s Chief Executive Officer and as a member of the Board of Directors is attached as Exhibit 99.1 to this Report.

Item 9.01 Financial Statements and Exhibits.

(d)

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
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- 10.131 Mutual Termination and Release Agreement, made and entered into on July 2, 2009, by and among Charles & Colvard, Ltd., Bird Capital Group, Inc. and Richard A. Bird.
 - 10.132 Consulting Agreement, made and entered into as of July 2, 2009, by and among Charles & Colvard, Ltd. and Bird Capital Group, Inc.
 - 99.1 Press release, dated July 7, 2009.

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/ Timothy L. Krist
Timothy L. Krist
Chief Financial Officer

Date: July 9, 2009

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
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10.132	Consulting Agreement, made and entered into as of July 2, 2009, by and among Charles & Colvard, Ltd. and Bird Capital Group, Inc.
99.1	Press release, dated July 7, 2009.

MUTUAL TERMINATION AND RELEASE AGREEMENT

MUTUAL TERMINATION AND RELEASE AGREEMENT (this "Agreement") is made and entered into this 2nd day of July, 2009, by and among Charles & Colvard, Ltd., a North Carolina corporation ("C&C"), Bird Capital Group, Inc., a Nevada corporation ("BCG"), and Richard A. Bird, an individual resident of the State of Texas ("Bird").

RECITALS:

- A. C&C, BCG and Bird are parties to that certain Management Services Agreement dated February 3, 2009 (the "Prior Agreement").
- B. C&C, BCG and Bird by mutual agreement now desire to terminate the Prior Agreement.
- C. Capitalized terms used in this Agreement but not otherwise defined herein shall have the meanings ascribed to such terms in the Prior Agreement.

NOW, THEREFORE, in consideration of the terms and conditions herein provided, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged by the parties, the parties hereto agree as follows:

1. Termination. C&C, BCG and Bird mutually agree that the Prior Agreement shall terminate and be of no further force or effect as of the close of business on July 2, 2009 (the "Effective Time"), and that, from and after the Effective Time, neither C&C, BCG nor Bird shall have any further rights, duties or obligations under the Prior Agreement, including without limitation any obligations on the part of C&C to make payments related to the potential short- and long-term bonuses described in Sections 3 and 4 of the Prior Agreement. Bird hereby resigns as both a director and an officer of C&C, such resignations to be effective as of the Effective Time. C&C hereby accepts such resignations as of the Effective Time.

2. Indemnification and D&O Insurance. C&C acknowledges and agrees that the Indemnification Agreement effective as of May 27, 2008, by and between C&C and Bird shall continue in force and effect in accordance with its terms. In addition, C&C agrees to indemnify and hold harmless BCG and Bird from and against any and all losses, claims, suits, actions, judgments, damages, costs, liabilities, and reasonable expenses (including legal and other expenses reasonably incurred by BCG or Bird in connection with investigating or defending against any such loss, claim, damage, or liability) (each a "Loss") as and when incurred (including, without limitation, the advancement of expenses incurred by BCG or Bird in connection with defending any Loss upon receipt of an undertaking by or on behalf of BCG or Bird to repay such amount unless it shall be ultimately determined that it or he is entitled to be indemnified by C&C against such expenses) arising out of or based upon (a) the Prior Agreement, and/or (b) BCG's and/or Bird's activities or services under the Prior Agreement. C&C shall not be liable, however, in any such case to the extent that any such Loss is found in a final judgment by a court of competent jurisdiction to have resulted primarily from bad faith, willful misconduct or gross negligence on the part of BCG or any affiliate of BCG or to the

extent such Losses relate to BCG's, Bird's or their affiliate's activities which were at the time taken known or believed by BCG, Bird or their affiliates to be clearly in conflict with the best interests of C&C. Furthermore, C&C shall (i) from and after the Effective Time maintain coverage of Bird under C&C's directors and officers liability insurance policies in existence from time to time so that Bird will continue to have coverage for any claims relating to periods during which Bird served as an officer and /or director of C&C, and (ii) fully cooperate with BCG or Bird, should BCG or Bird desire to obtain one or more fully paid directors and officers "tail" liability insurance policies, that shall cover Bird (as a former director and officer of C&C and for the periods during which Bird was a director and/or officer of C&C).

3. **Mutual Release.** C&C, on behalf of itself and on behalf of each of its agents, professionals, assigns, affiliates (corporate or otherwise), and successors, and any other person who may assert a claim through or on behalf of any of them, hereby irrevocably and unconditionally releases, acquits and forever discharges BCG, Bird and each of their respective shareholders, officers, directors, employees, agents, professionals, subsidiaries, predecessors, affiliates, successors and assigns, from any and all Released Claims, including, without limitation, all Released Claims arising out of, based upon, resulting from or relating to (a) the Prior Agreement or any of the transactions contemplated thereby, and/or (b) BCG's and/or Bird's activities or services under the Prior Agreement. Each of BCG and Bird, on behalf of themselves and on behalf of each of their agents, professionals, assigns, affiliates (corporate or otherwise), and successors, and any other person who may assert a claim through or on behalf of any of them, hereby irrevocably and unconditionally releases, acquits and forever discharges C&C and each of its shareholders, officers, directors, employees, agents, professionals, subsidiaries, predecessors, affiliates, successors and assigns, from any and all Released Claims, including, without limitation, all Released Claims arising out of, based upon, resulting from or relating to the Prior Agreement or any of the transactions contemplated thereby. "Released Claims" as used herein shall mean any and all rights, charges, complaints, claims, causes of action, promises, agreements, rights to payment, rights to any equitable remedy, rights to any equitable subordination, rights to any financial, economic or equity interest, breaches of contract, breaches of duty or of any relationship, acts, omissions, misfeasance, malfeasance, demands, indebtedness, liabilities, obligations, express or implied contracts, controversies, obligations of payment or performance, rights of offset or recoupment, accounts, sums of money, compensation, remuneration, damages, costs, losses or expenses (including attorneys' and other professional fees and expenses) of every type, kind, nature, description or character, and irrespective of how, why or by reason of what facts, whether heretofore or now existing or disclosed or undisclosed, or that could, might or may be claimed to exist, of whatever kind or name, whether known or unknown, suspected or unsuspected, liquidated or unliquidated, claimed or unclaimed, absolute or contingent, direct or derivative, whether based on contract, tort, breach of any duty, or other legal or equitable theory of recovery, each as though fully set forth herein at length (collectively, "Claims"), that arose, or whose underlying events occurred, prior to the date of this Agreement, whether asserted prior to the date of this Agreement or thereafter, specifically including, but without limitation, Claims arising from or out of, connected with, or relating to the Prior Agreement and/or the transactions contemplated thereby. Notwithstanding the foregoing, "Released Claims" do not include any actual or potential Claims held by any party hereto (or any rights or duties related to such Claims) which arise from or out of this Agreement, which Claims are expressly reserved. The parties hereto expressly understand that both direct and indirect breaches of this Section 3 are proscribed, and, therefore, each party hereto covenants that it will not directly or indirectly encourage or aid,

except as required by due legal process, the commencement or prosecution of any action or other proceeding based upon any Released Claim.

4. Non-Disparagement. Each party hereto agrees that he or it will not directly or indirectly disparage or criticize any other party hereto, or issue any communication, written or otherwise, that reflects adversely on or encourages any adverse action against any other party hereto; provided that nothing contained herein shall prevent any party from testifying truthfully under oath pursuant to any lawful court order or subpoena or otherwise responding to or providing disclosures required by law.

5. Representations and Warranties of the Parties Hereto. Each party hereto represents and warrants to the other as follows:

(a) Such party has the requisite corporate or other legal power and authority to execute, deliver and carry out this Agreement, and has taken all necessary corporate or other legal action, as applicable, to authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby.

(b) This Agreement has been duly and validly authorized, executed and delivered by such party and constitutes a valid and binding obligation of such party, enforceable against such party in accordance with its terms.

(c) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will conflict with or constitute a violation of or default under any contract, commitment, agreement, arrangement or restriction of any kind to which such party is a party or by which such party is bound.

(d) As of the date on which this Agreement is executed on its behalf, such party has the sole right, power, capacity and authority to execute this Agreement and that it has not assigned, conveyed, sold, transferred or otherwise disposed of its rights in or to any Released Claims.

6. Attorney's Fees. If any party to this Agreement breaches or fails to honor any of the terms or conditions of this Agreement, then such party shall pay reasonable attorneys' fees, costs and expenses incurred by any other party (including any third-party beneficiary hereof) in the prosecution and enforcement of the terms and conditions of this Agreement.

7. Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto as well as the other parties being released pursuant to Section 3, who shall be deemed to be third-party beneficiaries hereunder. Each such other released party may enforce any provision hereof, notwithstanding that such party is not a signatory to this Agreement.

8. Governing Law; Exclusive Venue. THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER THE LAWS OF THE STATE OF NORTH CAROLINA AND FOR ALL PURPOSES SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF SAID STATE APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED WITHIN SAID STATE WITHOUT CONSIDERATION OF ANY CONFLICTS OF LAW PROVISIONS THEREOF. Each party to this Agreement (i) hereby irrevocably submits to the

exclusive jurisdiction of any United States District Court sitting in North Carolina for the purposes of any suit, action or proceeding arising out of or relating to this Agreement or any of the transactions contemplated hereby, (ii) hereby waives, and agrees not to assert in any such suit, action or proceeding, any claim that he or it is not personally subject to the jurisdiction of such court, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper, and (iii) hereby waives any and all rights he or it may have to a trial by jury with respect to any suit, action or proceeding based on, or arising out of, under, or in connection with, this Agreement.

9. Headings. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

10. Entire Agreement. This Agreement evidences the entire understanding and agreement of the parties hereto relative to the matters discussed herein. This Agreement supersedes any and all other agreements and understandings, whether written or oral, relative to the matters discussed herein.

11. Covenant Not to Compete. During the period beginning at the Effective Time and continuing for eighteen (18) months thereafter, and within the Territory as defined herein, BCG and Bird (the "Covenanting Parties") shall not knowingly, either directly or indirectly, invest in, own, manage, operate, or control or participate in the ownership, management, operation or control of, as employee, consultant or otherwise, any business or entity engaged in, planning to become engaged in and/or otherwise generally conducting the business of manufacturing, distributing or selling silicon carbide jewels or silicon carbide jewelry. For purposes hereof "Territory" shall mean the entire world, including without limitation the United States of America, Canada, Mexico, the North American continent, the South American continent, India, China, Japan, England, Ireland, the continents of Europe, Asia, Africa, Antarctica and Australia, New Zealand, Bermuda, the Caribbean islands, the islands of the South Pacific, the Channel Islands and Iceland. The Covenanting Parties acknowledge that C&C conducts a world-wide business and that the covenant herein is a reasonable restriction with respect to time, scope and territory and is entered into for a valuable consideration. C&C may enforce this covenant by injunction and exercise such other remedies as are available at law and in equity.

12. Return of All Assets of C&C; Expense Reimbursements. BCG and Bird shall return to C&C all assets of C&C not required for the services to be provided under the Consulting Agreement to be entered into between the parties covering periods following the Effective Time, including but not limited to any confidential or proprietary material, any marketing material, surveys, reports and related materials in connection with the K&G lawsuit and sales and marketing notes (the "C&C Assets"). During the term of such Consulting Agreement, BCG and Bird shall fully cooperate to update C&C concerning all C&C Assets, and upon the termination of the Consulting Agreement shall return the C&C Assets to C&C. C&C shall reimburse BCG and Bird for all expenses reimbursable under the Prior Agreement for periods prior to the Effective Time for which BCG or Bird has submitted (or will submit) to the Company appropriate documentation of such unreimbursed expenses. Each such expense reimbursement shall be made by the Company (a) with respect to appropriate documentation which has been or is submitted to the Company prior to the Effective Time, within 10 days of the Effective

Time, or (b) with respect to appropriate documentation which is submitted to the Company after the Effective Time, within 10 days of the submission of such documentation.

13. Notices. All notices hereunder shall be in writing and shall be delivered personally or sent by recognized overnight courier (such as Federal Express) for next business day delivery, postage prepaid, by certified U.S. Mail, return receipt requested and postage prepaid, or by facsimile with electronic confirmation of receipt, to the parties at the following addresses: to BCG and/or Bird, 1330 Post Oak Boulevard, Suite 1600, Houston, Texas 77056, attn: Richard A. Bird, Telephone No. 713-302-3312, with a copy to Warren W. Garden, Esq., Block & Garden, LLP, Sterling Plaza, 5949 Sherry Lane, Suite 900, Dallas Texas 75225, Telephone No. 214-866-0993, Fax No. 214-866-0991; and to C&C, 20 South Hampshire Court, Wilmington, Delaware 19807, attn: George R. Cattermole, Fax No. 302-636-0559, with a copy to Womble Carlyle Sandridge & Rice, PLLC, One Wachovia Center, Suite 3500, 301 South College Street, Charlotte, North Carolina 28202-6037, attn: Cyrus M. Johnson, Jr., Fax No. 704-338-7809. A notice shall be deemed to be given only upon the confirmation of delivery by receipt by the party or refusal of acceptance of delivery. Any party may change the address to which notice is given by giving notice of such change of address in accordance herewith.

14. Severability. If any term, provision covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their reasonable efforts to find and employ a valid, legal, nonvoid and enforceable alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

15. Assignment. This Agreement and the rights and obligations of the parties hereunder shall not be assignable, in whole or in part, by any party hereto without the prior written consent of the other party hereto, except by operation of law.

16. Binding Effect. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, permitted assigns, spouses, heirs and personal and legal representatives.

17. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

18. Amendments/Waivers. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

[Remainder of page intentionally left blank; signature page to follow.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

CHARLES & COLVARD, LTD.

By: /s/ George R. Cattermole
George R. Cattermole, *Chairman*

BIRD CAPITAL GROUP, INC.

By: /s/ Richard A. Bird
Richard A. Bird, *President*

/s/ Richard A. Bird
Richard A. Bird, *individually*

CONSULTING AGREEMENT

CONSULTING AGREEMENT (this "Agreement"), made and entered into as of the 2nd day of July, 2009, by and between Charles & Colvard, Ltd., a North Carolina corporation (the "Company"), and Bird Capital Group, Inc., a Nevada corporation ("Consultant").

WITNESSETH:

WHEREAS, the Company desires to retain Consultant to provide the services of Richard A. Bird ("Bird") to render consulting and advisory services for the Company on the terms and conditions set forth in this Agreement, and Consultant desires to be retained by the Company on such terms and conditions.

NOW THEREFORE, in consideration of the premises, the respective covenants and commitments of the Company and Consultant set forth in this Agreement, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and Consultant agree as follows:

1. Retention of Consultant; Services to be Performed. The Company hereby retains Consultant to provide the services of Bird to render such business consulting advisory services as the Company may reasonably request during the term of this Agreement in order to assist the Company in transitioning to a new executive management team. Consultant hereby accepts such engagement and agrees to perform such services for the Company upon the terms and conditions set forth in this Agreement. During the term of this Agreement, Consultant shall devote such time to the Company as may be reasonably required to transition Company matters to a new executive management team and to perform such other services as may be required by this Agreement, and shall assume and perform to the best of its ability such reasonable duties, consistent with the first sentence of this Section 1. During the term of this Agreement, Consultant shall report to George R. Cattermole.

2. Term and Termination. The term of this Agreement shall commence as of the close of business on the date of this Agreement and shall terminate no later than August 31, 2009, or earlier at the option of the Company. Upon the termination of this Agreement, neither party shall thereafter have any further rights, duties or obligations under this Agreement (except that the provisions of Sections 5, 6 and 7, and Consultant's right to receive any unpaid consulting fees and expense reimbursements with respect to periods prior to the effective date of termination, shall survive any termination of this Agreement).

3. Compensation. As compensation in full for Consultant's services hereunder, the Company shall pay to Consultant a monthly cash consulting fee in the amount of \$20,000, pro rated to account for any partial month. The consulting fee shall be payable to Consultant in arrears on the last day of each month during the term of this Agreement.

4. Expenses. Consultant shall be reimbursed by the Company in accordance with the reasonable policies and procedures that are established from time to time by the Company for all reasonable and necessary out-of-pocket expenses that are incurred by Consultant in performing his

duties under this Agreement, including, without limitation, reasonable travel expenses incurred by Consultant. The Company will purchase in advance required air travel tickets for Consultant to travel to and from Morrisville, North Carolina as required, and the Company will pay directly as incurred for hotel costs for Consultant while working in Morrisville or otherwise traveling for the Company in accordance with the reasonable policies and procedures that are established from time to time by the Company.

5. Indemnification. The Company agrees to indemnify and hold harmless Consultant and its officers, directors, employees, agents and affiliates (including, without limitation, Bird) (each of the foregoing, an "Indemnified Party"), from and against any and all losses, claims, suits, actions, judgments, damages, costs, liabilities, and reasonable expenses (including legal and other expenses reasonably incurred by any Indemnified Party in connection with investigating or defending against any such loss, claim, damage, or liability) (each a "Loss") as and when incurred (including, without limitation, the advancement of expenses incurred by BCG or Bird in connection with defending against any Loss upon receipt of an undertaking by or on behalf of BCG or Bird to repay such amount unless it shall be ultimately determined that it or he is entitled to be indemnified by C&C against such expenses) arising out of or based upon (a) this Agreement, and/or (b) Consultant's or Bird's activities or services under this Agreement.

6. Return of All Assets of the Company. During the term of this Agreement, Consultant shall return to the Company all assets of the Company in the possession of Consultant, including any confidential or proprietary material.

7. Miscellaneous.

(a) Assignment. This Agreement and the rights and obligations of the parties hereunder shall not be assignable, in whole or in part, by either party without the prior written consent of the other party.

(b) Governing Law; Exclusive Venue. THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER THE LAWS OF THE STATE OF NORTH CAROLINA AND FOR ALL PURPOSES SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF SAID STATE APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED WITHIN SAID STATE WITHOUT CONSIDERATION OF ANY CONFLICTS OF LAW PROVISIONS THEREOF. Each party to this Agreement (i) hereby irrevocably submits to the exclusive jurisdiction of any United States District Court sitting in North Carolina for the purposes of any suit, action or proceeding arising out of or relating to this Agreement or any of the transactions contemplated hereby, (ii) hereby waives, and agrees not to assert in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such court, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper, and (iii) hereby waives any and all rights it may have to a trial by jury with respect to any suit, action or proceeding based on, or arising out of, under, or in connection with, this Agreement.

(c) Entire Agreement. This Agreement evidences the entire understanding and agreement of the parties hereto relative to the consulting arrangement between Consultant and the

Company. This Agreement supersedes any and all other agreements and understandings, whether written or oral, relative to the consulting arrangement between Consultant and the Company. This Agreement may only be amended by a written document signed by both Consultant and the Company.

(d) Severability. If any term, provision covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their reasonable efforts to find and employ a valid, legal, nonvoid and enforceable alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(e) Notices. All notices hereunder shall be in writing and shall be delivered personally or sent by recognized overnight courier (such as Federal Express) for next business day delivery, postage prepaid, by certified U.S. Mail, return receipt requested and postage prepaid, or by facsimile with electronic confirmation of receipt, to the parties at the following addresses: to Consultant, 1330 Post Oak Boulevard, Suite 1600, Houston, Texas 77056, attn: Richard A. Bird, Telephone No. 713-302-3312, with a copy to Warren W. Garden, Esq., Block & Garden, LLP, Sterling Plaza, 5949 Sherry Lane, Suite 900, Dallas Texas 75225, Telephone No. 214-866-0993, Fax No. 214-866-0991; and to the Company, 20 South Hampshire Court, Wilmington, Delaware 19807, attn: George R. Cattermole, Fax No. 302-636-0559, with a copy to Womble Carlyle Sandridge & Rice, PLLC, One Wachovia Center, Suite 3500, 301 South College Street, Charlotte, North Carolina 28202-6037, attn: Cyrus M. Johnson, Jr., Fax No. 704-338-7809. A notice shall be deemed to be given only upon the confirmation of delivery by receipt by the party or refusal of acceptance of delivery. Any party may change the address to which notice is given by giving notice of such change of address in accordance herewith.

(f) Status of Consultant. In rendering services pursuant to this Agreement, Consultant shall be acting as an independent contractor and not as an employee or agent of the Company. As an independent contractor, Consultant shall have no authority, express or implied, to commit or obligate the Company in any manner whatsoever, except as specifically authorized from time to time in writing by an authorized representative of the Company, which authorization may be general or specific. Nothing contained in this Agreement shall be construed or applied to create a partnership. Consultant shall be responsible for the payment of all federal, state or local taxes payable with respect to all amounts paid to Consultant under this Agreement.

[Remainder of page intentionally left blank; signature page to follow.]

IN WITNESS WHEREOF, the Company and Consultant have executed this Agreement as of the date set forth in the first paragraph.

CHARLES & COLVARD, LTD.

By: /s/ George R. Cattermole
George R. Cattermole, *Chairman*

BIRD CAPITAL GROUP, INC.

By: /s/ Richard A. Bird
Richard A. Bird, *President*

300 Perimeter Park Drive, Suite A
Morrisville, North Carolina 27560
919.468.0399

Company Contact:
Timothy L. Krist, CFO
919.468.0399, ext. 295
tkrist@charlesandcolvard.com

Investor Relations:
Deborah K. Pawlowski
Investor Relations
716.843.3908
dpawlowski@keiadvisors.com

Charles & Colvard, Ltd. Announces Management Change

MORRISVILLE, North Carolina July 7, 2009 – Charles & Colvard, Ltd. (NASDAQ: CTHR) announced today that due to mounting evidence that recovery of the depressed worldwide jewelry markets will be later and slower than previously expected, Charles & Colvard, Ltd. and Bird Capital Group, Inc. are in agreement that Charles & Colvard's current business model must be modified to work within the current economic environment as a low cost operation and have mutually agreed on July 2, 2009 to terminate the Management Services Agreement between the parties. Concurrently, Richard Bird resigned as a director and officer of Charles & Colvard effective July 2, 2009. The Board has initiated the search, led by Dr. Charles D. Lein, for a new chief executive officer.

Mr. Bird has agreed to consult for Charles & Colvard until August 31, 2009, to assist in the transition to a new management team. In this transition period, Charles & Colvard employees will report to Mr. Timothy Krist, chief financial officer. During this period both Mr. Bird and Mr. Krist will report to the Board of Directors through George Cattermole, Chairman of the Board.

Mr. Cattermole said: "We want to thank Bird Capital Group for its contributions. We believe that the combination of changes we are making will position the Company not only to move forward during these difficult times, but also to emerge as a much stronger, more successful company."

About Charles & Colvard, Ltd.

Charles & Colvard, Ltd. (NASDAQ: CTHR), based in the Research Triangle Park area of North Carolina, is the global sole source of lab-created moissanite, a unique, near-colorless jewel that is distinct from other gemstones and jewels based on its exceptional fire, brilliance, luster, durability and rarity. Charles & Colvard created Moissanite® is currently used in fine jewelry sold primarily through domestic and international retailers. For more information, please access www.moissanite.com or www.charlesandcolvard.com

Safe Harbor Statement

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 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," "potential," "continue" and similar words, although some forward-looking statements are expressed differently.

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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 recent downturn in the worldwide economy and its ongoing impact on our business and the business of our customers and suppliers, any continued trends in the general economy that would adversely affect consumer spending, a further decline in our sales, dependence on consumer acceptance of the Company's products, dependence on Cree, Inc. as the current supplier of most of the raw material, ability to develop a material second source of supply, dependence on a limited number of customers, risks of conducting operations in foreign countries, dependence on third parties, continued listing of our common stock on the NASDAQ Global Select Market, the impact of significant changes in our management on our ability to execute our business strategy in the near term and the impact of adverse resolution of legal proceedings on our operating results or financial condition. These and other risks and uncertainties, many of which are addressed in more detail in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission, could cause our actual results and developments to be materially different from those expressed or implied by any of these forward-looking statements. 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 Securities and Exchange Commission that discuss other factors relevant to our business.

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