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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**

**June 22, 2009 (Date of earliest event reported)**

**Commission file number: 000-23329**

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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:

- 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 4.01 Changes in Registrant's Certifying Accountant.**

(a), (b) On June 22, 2009, Charles & Colvard, Ltd. (the "Company") dismissed Deloitte & Touche LLP ("Deloitte") as the Company's independent registered public accounting firm and approved the engagement of FROST, PLLC ("FROST") as its independent registered public accounting firm for the fiscal year ending December 31, 2009. The decision to change independent registered public accounting firms was recommended and approved by the Audit Committee of the Company's Board of Directors (the "Board").

During the fiscal years ended December 31, 2007 and December 31, 2008 and the subsequent interim period through June 22, 2009, the Company had (i) no disagreements within the meaning of Item 304(a)(1)(iv) of Regulation S-K with Deloitte on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, any of which that, if not resolved to Deloitte's satisfaction, would have caused it to make reference to the subject matter of such disagreements in connection with its reports; and (ii) no reportable events within the meaning of Item 304(a)(1)(v) of Regulation S-K in the context of the Company's relationship with Deloitte.

Deloitte's reports on the Company's consolidated financial statements for the fiscal years ended December 31, 2007 and December 31, 2008 did not contain any adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope, or accounting principles. Deloitte's reports on the Company's consolidated financial statements for the fiscal years ended December 31, 2007 and December 31, 2008 did contain a separate paragraph stating that in 2007 the Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*, and in the report for the fiscal year ending December 31, 2007, such paragraph also stated that in 2006 the Company adopted Statement of Financial Accounting Standards No. 123R, *Share-Based Payment*.

During the fiscal years ended December 31, 2007 and December 31, 2008 and the subsequent interim period through June 22, 2009, neither the Company nor anyone on the Company's behalf consulted with FROST regarding (i) the application of accounting principles to a specific transaction, either completed or proposed, (ii) the type of audit opinion that might be rendered on the Company's consolidated financial statements, (iii) any matter that was the subject of a disagreement within the meaning of Item 304(a)(1)(iv) of Regulation S-K, or (iv) any reportable event within the meaning of Item 304(a)(1)(v) of Regulation S-K.

In accordance with Item 304(a)(3) of Regulation S-K, the Company has provided Deloitte with a copy of the disclosures it is making in this Current Report on Form 8-K (the "Report") prior to the filing with the Securities and Exchange Commission ("SEC") and requested that Deloitte furnish the Company with a letter addressed to the SEC stating whether or not Deloitte agrees with the above statements. A copy of such letter, dated June 25, 2009, is filed as Exhibit 16.1 to this Report.

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

(c), (e) On June 23, 2009, effective immediately, the Board unanimously appointed Timothy L. Krist as the Company's Chief Financial Officer and Treasurer. As Chief Financial Officer, Mr. Krist will serve as the Company's principal financial officer and principal accounting officer for SEC reporting purposes.

Mr. Krist, age 41, previously served as Chief Financial Officer of Smart Online, Inc., a publicly traded company that develops and markets software products and services targeted to small businesses that are delivered via a Software-as-a-Service, or SaaS, model, from July 2008 to May 2009. While at Smart Online, Inc., Mr. Krist was responsible for all finance and accounting, treasury, and investor relations activities. Prior to his employment at Smart Online, Inc., Mr. Krist was employed by KB Home, a national homebuilder, as Director of Finance from January 2006 to June 2008.

and as Finance Manager from August 2004 to December 2005. Mr. Krist has also worked with the public accounting firm of Deloitte & Touche LLP, where he was a Senior Auditor. He holds a B.S. degree in Accountancy from Miami University and an M.B.A. from Arizona State University.

In connection with Mr. Krist's appointment as Chief Financial Officer and Treasurer, the Company entered into an employment agreement with Mr. Krist effective as of June 23, 2009 (the "Agreement"). The Agreement has a term of one year and renews automatically on an annual basis. Under the terms of the Agreement, Mr. Krist shall receive an initial annual base salary of \$215,000. In addition, Mr. Krist shall participate in such incentive equity, cash, and other plans as may be approved by the Board from time to time for members of management, which shall include an initial award of 60,000 shares of restricted stock of the Company under the Company's 2008 Stock Incentive Plan, with all restrictions lapsing on June 15, 2010. Mr. Krist shall also receive such benefits as are made available to other employees of the Company, including, but not limited to, life, medical and disability insurance, retirement benefits, and such vacation as is provided to the other employees of the Company.

If Mr. Krist's employment is terminated by the Company by notice of non-renewal or without just cause (as defined in the Agreement), Mr. Krist shall continue to receive his base salary at the time of termination for a period of one year from such termination (the "Termination Compensation"), so long as he complies with certain covenants in the Agreement. The Company shall also pay Mr. Krist's insurance plan premiums under the Consolidated Omnibus Budget Reconciliation Act to continue his and his family's health insurance coverage for all periods that Mr. Krist receives the Termination Compensation.

If the Company experiences a change of control (as defined in the Agreement) and Mr. Krist voluntarily terminates his employment for good reason (as defined in the Agreement) within one year after such change of control following assignment to Mr. Krist of duties materially inconsistent with his position and status, a material reduction in his pay grade or base salary as then in effect, if he is forced to relocate over 50 miles, or if his employment is terminated by the Company following such change of control, the Company shall (i) pay Mr. Krist in a lump sum any compensation due but not yet paid through the date of termination and an amount equal to the Termination Compensation and (ii) pay Mr. Krist's insurance plan premiums under the Consolidated Omnibus Budget Reconciliation Act to continue his and his family's health insurance coverage for a period of one year, and any unvested benefits under any equity-based incentive compensation plan shall immediately vest and become exercisable. Upon the termination of his employment with the Company, Mr. Krist is prohibited from competing with the Company or attempting to solicit the Company's customers or employees for a period of one year.

The foregoing summary of the terms of the Agreement does not purport to be complete, and is qualified in its entirety by reference to the Agreement, a copy of which is filed as Exhibit 10.130 to this Report and is incorporated herein by reference.

A press release announcing the appointment of Mr. Krist as the Company's Chief Financial Officer is attached as Exhibit 99.1 to this Report.

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

- 10.130 Employment Agreement between Charles & Colvard, Ltd. and Timothy L. Krist, made and entered into effective as of June 23, 2009
- 16.1 Letter from Deloitte & Touche LLP to the SEC, dated June 25, 2009
- 99.1 Press Release, dated June 25, 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/ Richard A. Bird  
Richard A. Bird  
Chief Executive Officer

Date: June 26, 2009

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into effective as of June 23, 2009 by and between Charles & Colvard, Ltd., a North Carolina company with its principal office at 300 Perimeter Park Drive, Suite A, Morrisville, North Carolina, 27560 (the "Company"), and Timothy L. Krist, an individual currently residing at 820 Magalloway Drive, Cary, North Carolina, 27519 ("Employee").

Statement of Purpose

The Company wishes to obtain the services of Employee on the terms and conditions and with the benefits set forth in this Agreement. Employee desires to be employed by the Company on such terms and conditions and to receive such additional consideration as set out herein.

As a result of his employment, Employee will be in a position of trust and confidence and will have access to, learn of and benefit from certain confidential and proprietary information, know-how, trade secrets and customer relationships of the Company and the Company is entitled to be protected from the use of this information and relationships in competition with it. Accordingly, in consideration of the mutual covenants contained in this Agreement, the additional consideration of \$500 paid by the Company to the Employee, the Company's covenants set forth in Sections 7(c) and 7(d) which are all in addition to anything to which the Employee is already entitled the Employee agrees to the restrictive covenants contained herein.

Therefore, the Company and Employee agree as follows:

1. Employment. The Company hereby agrees to employ Employee, and Employee hereby accepts such employment, on the terms and conditions set forth in this Agreement.

2. Term of Employment. The term of Employee's employment under this Agreement shall commence as of the date of this Agreement and shall continue for one year. Termination of employment shall be governed by Paragraph 7 of this Agreement, and unless terminated by either party as provided in Paragraph 7, this Agreement shall automatically, at the expiration of each then existing term, renew for successive additional one year terms (such annual period being hereinafter referred to as the "Term").

3. Position and Duties. Employee shall serve as Chief Financial Officer of the Company, which shall include positions of Principal Accounting Officer and Principal Financial Officer for SEC purposes. Employee will, under the direction of the Chief Executive Officer of the Company, faithfully and to the best of his ability perform the duties as set as may be reasonably assigned by the CEO or the Board of Directors of the Company. Employee agrees to devote his entire working time, energy and skills to the Company while so employed.

4. Compensation and Benefits. Employee shall receive compensation and benefits for the services performed for the Company under this Agreement as follows:

(a) Base Salary. Employee shall receive an initial base salary of \$215,000, payable in regular and equal semi-monthly installments (“Base Salary”).

(b) Employee Benefits. Employee shall receive such benefits as are made available to the other employees of the Company, including, but not limited to, life, medical and disability insurance, retirement benefits, and such vacation as is provided to the other employees of the Company (the “Employee Benefits”). Employer reserves the right to reduce, eliminate or change such Employee Benefits, in its sole discretion, subject to any applicable legal and regulatory requirements.

(c) Incentive Compensation. Employee shall participate in such incentive equity, cash and other plans as may be approved by the Board of Directors from time-to-time for members of management, which shall include an initial award of 60,000 shares of restricted stock under the Company’s 2008 Stock Incentive Plan, with all restrictions lapsing on June 15, 2010.

5. Reimbursement of Expenses. The Company shall reimburse Employee for all reasonable out-of-pocket expenses incurred by Employee specifically and directly related to the performance by Employee of the services under this Agreement.

6. Withholding. The Company may withhold from any payments or benefits under this Agreement all federal, state or local taxes or other amounts as may be required pursuant to applicable law, government regulation or ruling.

7. Termination of Employment.

(a) Death of Employee. If Employee shall die during the Term, this Agreement and the employment relationship hereunder will automatically terminate on the date of death.

(b) Termination by the Company for Just Cause. The Company shall have the right to terminate Employee’s employment under this Agreement at any time for Just Cause, which termination shall be effective immediately. Termination for “Just Cause” shall include, termination for Employee’s personal dishonesty, gross incompetence, willful misconduct, breach of a fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule, regulation (other than traffic violations or similar offenses), written Company policy or final cease-and-desist order, conviction of a felony or of a misdemeanor involving moral turpitude, unethical business practices in connection with the Company’s business, misappropriation of the Company’s assets (determined on a reasonable basis), disability or material breach of any other provision of this Agreement or any other conduct by Employee of a similar nature. For purposes of this subsection, the term “disability” means the inability of Employee, due to the condition of his physical, mental or emotional health, to satisfactorily perform the duties of his employment hereunder for a continuous three month period; provided further that if the Company furnishes long term disability insurance for Employee, the term “disability” shall mean that continuous period sufficient to allow for the long term disability payments to commence pursuant to the Company’s long term disability

insurance policy. In the event Employee's employment under this Agreement is terminated for Just Cause, Employee shall have no right to receive compensation or other benefits under this Agreement for any period after such termination.

(c) Termination by the Company Without Cause. The Company may terminate Employee's employment other than for "Just Cause," as described in Subsection (b) above, at any time upon written notice to Employee, which termination shall be effective immediately. For the avoidance of doubt, a notice by the Company that the Agreement is not automatically renewing as provided in Section 2 hereof shall constitute a termination by the Company without cause under this Subsection (c). In the event the Company terminates Employee pursuant to this Subsection (c), Employee will continue to receive his Base Salary at time of termination for a one (1) year period from such termination (the "Termination Compensation"), so long as Employee complies with Section 8, 9 and 10 of the Agreement. Such amounts shall be payable at the times such amounts would have been paid in accordance with Section 4. In addition, the Company shall pay Employee's insurance plan premiums under the Consolidated Omnibus Budget Reconciliation Act to continue his and his family's health insurance coverage for all periods that Employee receives Termination Compensation. Notwithstanding anything in this Agreement to the contrary, if Employee breaches Sections 8, 9 or 10 of this Agreement, Employee will not be entitled to receive any further compensation or benefits pursuant to this Section 7(c).

(d) Change of Control Situations. In the event of a Change of Control of the Company at any time after the date hereof, Employee may voluntarily terminate employment with Company up until one (1) year after the Change of Control for "Good Reason" (as defined below) and, subject to Section 7(f), (y) be entitled to receive in a lump sum (i) any compensation due but not yet paid through the date of termination and (ii) in lieu of any further salary payments from the date of termination to the end of the then existing term, an amount equal to the Termination Compensation within two (2) months of the consummation of the Change of Control, and (z) the Company shall pay Employee's insurance plan premiums under the Consolidated Omnibus Budget Reconciliation Act to continue his and his family's health insurance coverage for a period of one year following termination of employment by Employee, on the same terms as were in effect either (A) at the date of such termination, or (B) if such plans and programs in effect prior to the Change of Control of Company are, considered together as a whole, materially more generous to the officers of Company, then at the date of the Change of Control. Any equity based incentive compensation (including but not limited to stock options, restricted stock, SARs, etc.) shall fully vest and be immediately exercisable in full upon a Change of Control, notwithstanding any provision in any applicable plan. Any such benefits shall be paid by the Company to the same extent as they were so paid prior to the termination or the Change of Control of Company.

“Good Reason” shall mean the occurrence of any of the following events without Employee’s express written consent:

- (i) the assignment to Employee of duties materially inconsistent with the position and status of Employee with the Company immediately prior to the Change of Control;
- (ii) a material reduction by the Company in Employee’s pay grade or base salary as then in effect, or the exclusion of Employee from participation in Company’s benefit plans in which he previously participated as in effect at the date hereof or as the same may be increased from time to time during the Term;
- (iii) an involuntary relocation of Employee more than 50 miles from the location where Employee worked immediately prior to the Change of Control or the breach by the Company of any material provision of this Agreement; or
- (iv) any purported termination of the employment of Employee by Company which is not effected in accordance with this Agreement.

A “Change of Control” shall be deemed to have occurred if (i) any person or group of persons (as defined in Section 13(d) and 14(d) of the Securities Exchange Act of 1934) together with its affiliates, excluding employee benefit plans of Company, becomes, directly or indirectly, the “beneficial owner” (as defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934) of securities of Company representing 51% or more of the combined voting power of Company’s then outstanding securities; or (ii) during the then existing term of the Agreement, as a result of a tender offer or exchange offer for the purchase of securities of Company (other than such an offer by the Company for its own securities), or as a result of a proxy contest, merger, consolidation or sale of assets, or as a result of any combination of the foregoing, individuals who at the beginning of any year period during such term constitute the Company’s Board of Directors, plus new directors whose election by Company’s shareholders is approved by a vote of at least two-thirds of the outstanding voting shares of the Company, cease for any reason during such year period to constitute at least two-thirds of the members of such Board of Directors; or (iii) the shareholders of the Company approve a merger or consolidation of the Company with any other corporation or entity regardless of which entity is the survivor, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) at least 60% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or (iv) any event which the Company’s Board of Directors determines should constitute a Change of Control. Notwithstanding anything in this Agreement to the contrary, in no event shall any of the following occurrences constitute a “Change of Control”: (i) the Company’s making any assignment for the benefit of its creditors or consenting to the appointment of a receiver or commencing any proceeding in bankruptcy or for dissolution, liquidation, winding-up, composition or other relief under state or federal bankruptcy laws or (ii) any proceeding in bankruptcy or for dissolution, liquidation, winding-up, composition or other relief under state or federal bankruptcy laws being commenced against the Company, or a receiver or trustee being appointed for the Company or a substantial part of its property.



(e) Employee's Right to Payments. In receiving any payments pursuant to this Section 7, Employee shall not be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Employee hereunder, and such amounts shall not be reduced or terminated whether or not Employee obtains other employment.

(f) Reduction in Agreement Payments. Notwithstanding anything in this Agreement to the contrary, if any of the payments provided for under this Agreement (the "Agreement Payments"), together with any other payments that Employee has the right to receive (such other payments together with the Agreement Payments are referred to as the "Total Payments"), would constitute a "parachute payment" as defined in Section 280G(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code") (a "Parachute Payment"), the Agreement Payments shall be reduced by the smallest amount necessary so that no portion of such Total Payments would be Parachute Payments. In the event the Company shall make an Agreement Payment to Employee that would constitute a Parachute Payment, Employee shall return such payment to the Company (together with interest at the rate set forth in Section 1274(b)(2)(B) of the Code). For purposes of determining whether and the extent to which the Total Payments constitute Parachute Payments, no portion of the Total Payments the receipt of which Employee has effectively waived in writing shall be taken into account.

8. Covenant Not to Compete. Employee agrees that during his employment with the Company and for a period of one (1) year following the termination of his employment with the Company, for whatever reason:

(a) Employee shall not, directly or indirectly, own any interest in, manage, operate, control, be employed by, render advisory services to, or participate in the management or control of any business that operates in the Business. For purposes of this Agreement, the Employee and the Company specifically agree that the "Business" shall mean the business of: (i) marketing or distributing jewelry, diamonds or gemstones or (ii) fabricating (wafering, preforming and faceting), marketing and distributing moissanite gemstones or other diamond simulants to the gem and jewelry industry, unless Employee's duties, responsibilities and activities for and on behalf of such business are not related in any way to products which are in competition with the Company's products. For purposes of this section, "competition with the Company" shall mean competition for customers in the United States and in any country in which the Company is selling the Company's products at the time of termination. Employee's ownership of less than one percent of the issued and outstanding stock of a corporation engaged in the Business shall not by itself be deemed to be a violation of this Agreement. Employee recognizes that the possible restriction on his activities which may occur as a result of his performance of his obligations under Paragraph 8(a) are substantial, but that such restriction is required for the reasonable protection of the Company.

(b) Employee shall not, directly or indirectly, influence or attempt to influence any customer of the Company to discontinue its purchase of any product of the Company which is manufactured or sold by the Company at the time of termination of Employee's employment or to divert such purchases to any other person, firm or employer.

(c) Employee shall not, directly or indirectly, interfere with, disrupt or attempt to disrupt the relationship, contractual or otherwise, between the Company and any of its suppliers.

(d) Employee shall not, directly or indirectly, solicit any employee of the Company to work for any other person, firm or employer.

9. Confidentiality. In the course of his employment with the Company, Employee will have access to confidential information, records, data, customer lists, lists of product sources, specifications, trade secrets and other information which is not generally available to the public and which the Company and Employee hereby agree is proprietary information of the Company ("Confidential Information"). During and after his employment by the Company, Employee shall not, directly or indirectly, disclose the Confidential Information to any person or use any Confidential Information, except as is required in the course of his employment under this Agreement. All Confidential Information as well as records, files, memoranda, reports, plans, drawings, documents, models, equipment and the like, including copies thereof, relating to the Company's business, which Employee shall prepare or use or come into contact with during the course of his employment, shall be and remain the Company's sole property, and upon termination of Employee's employment with the Company, Employee shall return all such materials to the Company.

10. Proprietary Information. Employee shall assign to the Company, its successors or assigns, all of Employee's rights to copyrightable works and inventions which, during the period of Employee's employment by the Company or its successors in business, Employee makes or conceives, either solely or jointly with others, relating to any subject matter with which Employee's work for the Company is or may be concerned ("Proprietary Information"). Employee shall promptly disclose in writing to the Company such copyrightable works and inventions and, without charge to the Company, to execute, acknowledge and deliver all such further papers, including applications for copyrights and patents for such copyrightable works and inventions, if any, in all countries and to vest title thereto in the Company, its successors, assigns or nominees. Upon termination of Employee's employment hereunder, Employee shall return to the Company or its successors or assigns, as the case may be, any Proprietary Information. The obligation of Employee to assign the rights to such copyrightable works and inventions shall survive the discontinuance or termination of this Agreement for any reason.

11. Entire Agreement. This Agreement contains the entire agreement of the parties with respect to Employee's employment by the Company and supersedes any prior agreements between them, whether written or oral.

12. Waiver. The failure of either party to insist in any one or more instance, upon performance of the terms and conditions of this Agreement, shall not be construed as a waiver or a relinquishment of any right granted hereunder or of the future performance of any such term or condition.

13. Notices. Any notice to be given under this Agreement shall be deemed sufficient if addressed in writing and delivered personally, by telefax with receipt acknowledged, or by registered or certified U.S. mail to the address first above appearing, or to such other address as a party may designate by notice from time to time.

14. Severability. In the event that any provision of any paragraph of this Agreement shall be deemed to be invalid or unenforceable for any reason whatsoever, it is agreed such invalidity or unenforceability shall not affect any other provision of such paragraph or of this Agreement, and the remaining terms, covenants, restrictions or provisions in such paragraph and in this Agreement shall remain in full force and effect and any court of competent jurisdiction may so modify the objectionable provision as to make it valid, reasonable and enforceable.

15. Amendment. This Agreement may be amended only by an agreement in writing signed by each of the parties hereto.

16. Arbitration. Any controversy or claim arising out of or relating to this Agreement, or breach thereof, shall be settled by arbitration in Raleigh, North Carolina in accordance with the expedited procedures of the Rules of the American Arbitration Association, and judgment upon the award may be rendered by the arbitrator and may be entered in any court having jurisdiction thereof.

17. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of North Carolina. Each of the parties hereto irrevocably submits to the exclusive jurisdiction of the courts located in North Carolina for the purposes of any suit, action or other proceeding contemplated hereby or any transaction contemplated hereby.

18. Benefit. This Agreement shall be binding upon and inure to the benefit of and shall be enforceable by and against the Company, its successors and assigns, and Employee, his heirs, beneficiaries and legal representatives. It is agreed that the rights and obligations of Employee may not be delegated or assigned except as may be specifically agreed to by the parties hereto.

19. Compliance with Section 409A. The parties hereto intend that this Agreement comply with Section 409A of the Internal Revenue Code of 1986, as amended (including any applicable regulations, proposed regulations, guidance or other interpretive authority thereunder (for purposes of this section, collectively, "Section 409A")), to the extent applicable. The parties hereby agree that this Agreement shall be construed in a manner to comply with Section 409A and that should any provision be found not in compliance with Section 409A, the parties are hereby contractually obligated to execute any and all amendments to this Agreement deemed necessary and recommended by legal counsel for the Company to achieve compliance with Section 409A. By execution and delivery of this Agreement, the Company and Employee each irrevocably waive any objections it or he may have to the amendments required or necessitated, in the reasonable opinion of the Company, by Section 409A.

*<signature page follows>*

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

**CHARLES & COLVARD, LTD.**

By: /s/ Richard A. Bird  
Richard A. Bird, Chief Executive Officer

**EMPLOYEE**

/s/ Timothy L. Krist  
Timothy L. Krist



**Deloitte & Touche LLP**

Suite 1800  
150 Fayetteville Street  
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USA

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June 25, 2009

Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-7561

Dear Sirs/Madams:

We have read Item 4.01 of Charles & Colvard, Ltd.'s Form 8-K dated June 22, 2009 and have the following comments:

1. We agree with the statements made in the first, second, third and fifth paragraphs.
2. We have no basis on which to agree or disagree with the statements made in the fourth paragraph.

Yours truly,

A handwritten signature in black ink that reads "Deloitte &amp; Touche LLP". The "L" in "LLP" is underlined.

Member of  
**Deloitte Touche Tohmatsu**

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

**Company Contact:**  
Richard A. Bird, CEO  
919.468.0399, ext. 224  
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**Investor Relations:**  
Deborah K. Pawlowski  
Investor Relations  
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**FOR IMMEDIATE RELEASE****Charles & Colvard Appoints Timothy L. Krist as Chief Financial Officer**

MORRISVILLE, North Carolina, June 25, 2009 - Charles & Colvard (NASDAQ: CTHR), the sole manufacturer of moissanite jewels, The Most Brilliant Jewel in the World, announced today that its Board of Directors has appointed Timothy L. Krist as Charles & Colvard's Chief Financial Officer. Mr. Krist brings over 20 years of finance, public accounting and leadership experience to the company.

Richard Bird, CEO of Charles & Colvard, commented, "Tim's experience in the public company arena and his understanding of accounting, finance and business make him a great addition to our team. We look forward to the contributions he can make through his expertise and capabilities in accounting, financial controls, budgeting and planning, finance, and investor relations."

Mr. Krist most recently served as Chief Financial Officer of Smart Online, Inc., a publicly traded company that develops and markets software products and services targeted to small businesses that are delivered via a Software-as-a-Service, or SaaS, model, where he created Sarbanes-Oxley compliant business processes and policies, enhanced the financial reporting process and implemented cost saving strategies. Prior to his employment at Smart Online, Inc., he held various financial leadership positions at KB Home and Blackboard, Inc. He began his career at Deloitte and Touche LLP, where he was a Senior Auditor. Mr. Krist holds a Bachelor of Science in Accountancy from Miami University in Oxford, Ohio and earned his Masters in Business Administration from Arizona State University.

**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](http://www.moissanite.com) or [www.charlesandcolvard.com](http://www.charlesandcolvard.com).

~more~

**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.

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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