
**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

October 2, 2006 (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 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.

* 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

<u>Exhibit No.</u>	<u>Exhibit Description</u>
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.

* 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

August 18, 2006

Mr. Richard Katz, CFO
 Samuel Aaron International
 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 International ("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 March 29, 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 agrees to:

1. C&C will allow SAI to participate in an allowance program, whereby allowing SAI a credit not to exceed 10% on ***** net purchases incurred throughout a calendar year by SAI or its designated manufacturing companies (including but not limited to Top Creations and Thailink). (The above purchase will relate to SAI or its affiliates). Allowances will be related to advertising (co-op or otherwise) and are promotional in nature (will be documented and approved by designee of C&C). Credits to include but not limited to approximately \$***** of ***** promo and all approved credits to be applied to balances due C&C. The parties may mutually agree to alternative arrangements for specific customers by written agreement.
2. Provide Buyer with any required training materials and guidance concerning moissanite, C&C's marketing strategy and C&C's product positioning for moissanite.
3. Reimburse Buyer for *****% of the approved budget for design expenses incurred by ***** while contracted by Buyer for work in connection with the design of a moissanite line of jewelry at a rate of \$***** per day and ***** on Travel & Entertainment. Buyer will approve ***** invoices to Buyer's satisfaction (as to time incurred, rates charged etc.) and forward such invoices to C&C for payment of C&C's portion.
4. 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.
5. SAI 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). Returns will be for full credit, (merchandise returned will be undamaged) and credited at terms of 90 days. The above allowance is in addition to its breakage allowance as defined elsewhere.
6. Subject to the attached terms and conditions all purchases of SAI and its designated factories will be at ***** days with the exception of the initial asset purchase of ***** and ***** . The initial asset purchase of ***** and ***** will be ***** days, whose combined asset and memo purchases from C&C are estimated to approximate ***** US dollars. (Estimated as approximately \$***** asset – ***** days, \$***** – *****). Pursuant to our ***** *****% of the allocable amount of the initial ***** order will be ***** and accordingly will be paid and accounted as such. Under mutual consent terms may change for future orders and accordingly will be in writing.
7. In accordance with Section 7 of the attached terms and conditions as long as SAI's performance with C&C and various retailers are in good standing, as it relates to moissanite jewels C&C will not sell jewels and or jewelry directly to retail customers whose initial relationship with C&C moissanite jewelry was established

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August 18, 2006

Mr. Richard Katz, CFO

Samuel Aaron International

Manufacturing Agreement (cont'd)

by SAI. These initial customers include ***** and ***** (et al). If it is determined by C&C that SAI's performance has been determined **not** to be in good standing C&C will inform SAI in writing of its deficiencies in performance and allow SAI approximately 30 days to cure such deficiencies.

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. C&C recognizes and confirms the specific Consignment Program currently in effect with C&C, Buyer and ***** for its term, and the Consignment Program being currently developed for half of the ***** initial order to Samuel Aaron and for other consignment orders that may arise from time to time. Consignment orders will be documents via a separate agreement.

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 to the best of Buyer's knowledge it will NOT sell C&C created moissanite as loose stones, and will sell moissanite only in jewelry mountings.

This Agreement shall renew annually on December 31, 2006, 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.

If the forgoing meets with your understanding of our agreement, please sign and return one copy of this letter for my 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: EVP & CMO 10/2/06

Title: COO

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.

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, except for ***** days for the initial ***** and ***** orders estimated at \$*****. 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 Buyer provides C&C with notice of *****, ***** and other customers' forecasts and specific orders with express penalties for late delivery, C&C will accept liability for such disclosed penalties in excess of \$***** caused by C&C shipments which are over two weeks late from the shipment date for such order which shipped date was confirmed via e-mail from a C&C Vice President and default for product liability as a result of moissanite jewels supplied by C&C.

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.

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.**

11. Other matters not discussed including *****% return allowance, 10% allowance program, *****% reimbursement for designer, stone breakage and exclusivity arrangement will be governed under the terms agreed to in its August 18, 2006 letter addressed to Richard Katz at Samuel Aaron International.

12. Consignment Arrangements will be governed by individual agreements to terms for *****, ***** and ***** including any new agreements mutually agreed to subsequent to the signing of this Agreement.

Jewel Price List

Effective May 1, 2006. All prices listed in US\$. All prices subject to change without notice.

SRB (mm)	Average Carat Weight	Price	Suggested Wholesale	Minimum Advertised Price	Suggested Retail	Tray Capacity
2.5	0.05	*****	*****	*****	*****	78
3	0.09	*****	*****	*****	*****	78
3.25	0.11	*****	*****	*****	*****	78
3.5	0.14	*****	*****	*****	*****	78
4	0.22	*****	*****	*****	*****	40
4.5	0.29	*****	*****	*****	*****	40
5	0.41	*****	*****	*****	*****	40
5.5	0.54	*****	*****	*****	*****	21
6	0.68	*****	*****	*****	*****	21
6.5	0.88	*****	*****	*****	*****	21
7	1.10	*****	*****	*****	*****	21
7.5	1.35	*****	*****	*****	*****	10
8	1.60	*****	*****	*****	*****	10
8.5	1.90	*****	*****	*****	*****	10
9	2.26	*****	*****	*****	*****	10
9.5	2.75	*****	*****	*****	*****	10
10	3.08	*****	*****	*****	*****	10
10.5	3.57	*****	*****	*****	*****	10
11	4.11	*****	*****	*****	*****	5
11.5	4.72	*****	*****	*****	*****	5
12	5.32	*****	*****	*****	*****	5
12.5	6.01	*****	*****	*****	*****	5
13	6.80	*****	*****	*****	*****	5
13.5	7.60	*****	*****	*****	*****	5
14	8.46	*****	*****	*****	*****	5
14.5	9.51	*****	*****	*****	*****	5
15	10.46	*****	*****	*****	*****	5

All SRB (standard round brilliant) moissanite jewels are sold by piece by size (mm).
The average carat weights listed are for informational purposes only.

SCR (mm)	Carat Weight	Price	Suggested Wholesale	Minimum Advertised Price	Suggested Retail	Average Pieces/Bag
1	3	*****	*****	*****	*****	869
1.1	3	*****	*****	*****	*****	653
1.2	3	*****	*****	*****	*****	440
1.3	3	*****	*****	*****	*****	370
1.4	3	*****	*****	*****	*****	295
1.5	3	*****	*****	*****	*****	255
1.6	3	*****	*****	*****	*****	190

1.7	3	*****	*****	*****	*****	167
1.8	3	*****	*****	*****	*****	140
1.9	3	*****	*****	*****	*****	112
2	3	*****	*****	*****	*****	109
2.1	3	*****	*****	*****	*****	94
2.2	3	*****	*****	*****	*****	82
2.3	3	*****	*****	*****	*****	71
2.4	3	*****	*****	*****	*****	63

All SCR (single cut round) moissanite jewels are sold by weight in bulk bags weighing 3 carats each.
The average pieces per bag listed are for informational purposes only.

Baguette (mm)	Carat Weight	Price	Suggested Wholesale	Minimum Advertised Price	Suggested Retail	Average Pieces/Bag
4x2	3	*****	*****	*****	*****	29
5x2.5	3	*****	*****	*****	*****	16
Tapered Baguette	Carat Weight	Price	Suggested Wholesale	Minimum Advertised Price	Suggested Retail	Average Pieces/Bag
5x2.5x2	3	*****	*****	*****	*****	19

All Baguette moissanite jewels are sold by weight in bulk bags weighing 3 carats each.
The average pieces per bag listed are for informational purposes only.

Jewel Price List

Effective May 1, 2006. All prices listed in US\$. All prices subject to change without notice.

Castle (mm)	Average Carat Weight	Price	Suggested Wholesale	Minimum Advertised Price	Suggested Retail	Tray Capacity
2.5	0.05	*****	*****	*****	*****	40
3	0.09	*****	*****	*****	*****	40
3.5	0.15	*****	*****	*****	*****	40
4	0.21	*****	*****	*****	*****	40
4.5	0.30	*****	*****	*****	*****	40
5	0.40	*****	*****	*****	*****	40
5.5	0.52	*****	*****	*****	*****	21
6	0.69	*****	*****	*****	*****	21
6.5	0.88	*****	*****	*****	*****	21
7	1.09	*****	*****	*****	*****	21
7.5	1.33	*****	*****	*****	*****	10
8	1.61	*****	*****	*****	*****	10

Cushion (mm)	Average Carat Weight	Price	Suggested Wholesale	Minimum Advertised Price	Suggested Retail	Tray Capacity
2	0.04	*****	*****	*****	*****	40
2.5	0.07	*****	*****	*****	*****	40
3	0.12	*****	*****	*****	*****	40
3.5	0.19	*****	*****	*****	*****	40
4	0.30	*****	*****	*****	*****	40
4.5	0.42	*****	*****	*****	*****	40
5	0.57	*****	*****	*****	*****	21
5.5	0.75	*****	*****	*****	*****	21
6	0.96	*****	*****	*****	*****	21
6.5	1.21	*****	*****	*****	*****	21
7	1.49	*****	*****	*****	*****	21
7.5	1.80	*****	*****	*****	*****	10
8	2.15	*****	*****	*****	*****	10
8.5	2.54	*****	*****	*****	*****	10
9	2.98	*****	*****	*****	*****	10
9.5	3.74	*****	*****	*****	*****	10
10	4.18	*****	*****	*****	*****	5
10.5	4.99	*****	*****	*****	*****	5
11	5.79	*****	*****	*****	*****	5
11.5	6.82	*****	*****	*****	*****	5
12	8.07	*****	*****	*****	*****	5

Heart (mm)	Average Carat Weight	Price	Suggested Wholesale	Minimum Advertised Price	Suggested Retail	Tray Capacity
3	0.08	*****	*****	*****	*****	78
3.5	0.14	*****	*****	*****	*****	40
4	0.21	*****	*****	*****	*****	40
4.5	0.30	*****	*****	*****	*****	40
5	0.42	*****	*****	*****	*****	40
5.5	0.54	*****	*****	*****	*****	21
6	0.70	*****	*****	*****	*****	21
6.5	0.86	*****	*****	*****	*****	21
7	1.10	*****	*****	*****	*****	21
7.5	1.32	*****	*****	*****	*****	21
8	1.61	*****	*****	*****	*****	10
8.5	1.99	*****	*****	*****	*****	10
9	2.43	*****	*****	*****	*****	10
9.5	2.83	*****	*****	*****	*****	10
10	3.30	*****	*****	*****	*****	10

All moissanite jewels on this page are sold by piece by size (mm), average carat weights listed are for informational purposes only.

Jewel Price List

Effective May 1, 2006. All prices listed in US\$. All prices subject to change without notice.

Marquise (mm)	Average Carat Weight	Price	Suggested Wholesale	Minimum Advertised Price	Suggested Retail	Tray Capacity
4x2	0.06	*****	*****	*****	*****	40
5x2.5	0.12	*****	*****	*****	*****	40
6x3	0.21	*****	*****	*****	*****	21
7x3.5	0.32	*****	*****	*****	*****	21
8x4	0.47	*****	*****	*****	*****	21
9x4.5	0.67	*****	*****	*****	*****	21
10x5	0.90	*****	*****	*****	*****	21
11x5.5	1.26	*****	*****	*****	*****	12
12x6	1.58	*****	*****	*****	*****	12
13x6.5	1.98	*****	*****	*****	*****	12
14x7	2.48	*****	*****	*****	*****	12

Octagon (mm)	Average Carat Weight	Price	Suggested Wholesale	Minimum Advertised Price	Suggested Retail	Tray Capacity
2	0.03	*****	*****	*****	*****	78
2.5	0.07	*****	*****	*****	*****	78
3	0.11	*****	*****	*****	*****	78
3.5	0.17	*****	*****	*****	*****	78
4	0.25	*****	*****	*****	*****	40
4.5	0.36	*****	*****	*****	*****	40
5	0.47	*****	*****	*****	*****	40
5.5	0.62	*****	*****	*****	*****	21
6	0.80	*****	*****	*****	*****	21
6.5	1.02	*****	*****	*****	*****	21
7	1.26	*****	*****	*****	*****	21
7.5	1.56	*****	*****	*****	*****	10
8	1.87	*****	*****	*****	*****	10
8.5	2.19	*****	*****	*****	*****	10
9	2.58	*****	*****	*****	*****	10
9.5	3.02	*****	*****	*****	*****	10

Oval (mm)	Average Carat Weight	Price	Suggested Wholesale	Minimum Advertised Price	Suggested Retail	Tray Capacity
4x2	0.09	*****	*****	*****	*****	40
5x3	0.23	*****	*****	*****	*****	40
6x4	0.43	*****	*****	*****	*****	21
7x5	0.84	*****	*****	*****	*****	21
8x6	1.33	*****	*****	*****	*****	10

9x7	1.91	*****	*****	*****	*****	10
10x8	2.72	*****	*****	*****	*****	10
11x9	3.74	*****	*****	*****	*****	10
12x10	5.18	*****	*****	*****	*****	5
14x10	6.58	*****	*****	*****	*****	5
14x10.5	6.93	*****	*****	*****	*****	5

Pear (mm)	Average Carat Weight	Price	Suggested Wholesale	Minimum Advertised Price	Suggested Retail	Tray Capacity
5x3	0.20	*****	*****	*****	*****	21
6x4	0.39	*****	*****	*****	*****	21
7x5	0.69	*****	*****	*****	*****	21
7.5x5	0.76	*****	*****	*****	*****	21
8x5	0.85	*****	*****	*****	*****	21
9x6	1.33	*****	*****	*****	*****	12
10x7	1.93	*****	*****	*****	*****	12
10.5x7	2.13	*****	*****	*****	*****	12
12x7.5	2.87	*****	*****	*****	*****	12
12x8	3.09	*****	*****	*****	*****	5

All moissanite jewels on this page are sold by piece by size (mm), average carat weights listed are for informational purposes only.

Jewel Price List

Effective May 1, 2006. All prices listed in US\$. All prices subject to change without notice.

Princess (mm)	Average Carat Weight	Price	Suggested Wholesale	Minimum Advertised Price	Suggested Retail	Tray Capacity
2x2	0.04	*****	*****	*****	*****	78
2.5x2.5	0.08	*****	*****	*****	*****	78
3x3	0.14	*****	*****	*****	*****	40
3.5x3.5	0.21	*****	*****	*****	*****	40
4x4	0.33	*****	*****	*****	*****	21
4.5x4.5	0.44	*****	*****	*****	*****	21
5x5	0.64	*****	*****	*****	*****	21
5.5x5.5	0.83	*****	*****	*****	*****	10
6x6	1.07	*****	*****	*****	*****	10
6.5x6.5	1.35	*****	*****	*****	*****	10
7x7	1.64	*****	*****	*****	*****	10
7.5x7.5	2.08	*****	*****	*****	*****	10
8x8	2.51	*****	*****	*****	*****	10
8.5x8.5	2.87	*****	*****	*****	*****	10
9x9	3.49	*****	*****	*****	*****	5
9.5x9.5	3.97	*****	*****	*****	*****	5
10x10	4.80	*****	*****	*****	*****	5
10.5x10.5	5.38	*****	*****	*****	*****	5
11x11	6.31	*****	*****	*****	*****	5
11.5x11.5	7.23	*****	*****	*****	*****	5
12x12	8.14	*****	*****	*****	*****	5
12.5x12.5	8.86	*****	*****	*****	*****	5
13.0x13.0	9.94	*****	*****	*****	*****	5

Radiant (mm)	Average Carat Weight	Price	Suggested Wholesale	Minimum Advertised Price	Suggested Retail	Tray Capacity
4x2	0.10	*****	*****	*****	*****	40
5x3	0.30	*****	*****	*****	*****	40
6x4	0.61	*****	*****	*****	*****	21
7x5	1.04	*****	*****	*****	*****	10
8x6	1.67	*****	*****	*****	*****	10
9x7	2.43	*****	*****	*****	*****	10
10x8	3.51	*****	*****	*****	*****	10
11x9	4.79	*****	*****	*****	*****	5
12x10	6.45	*****	*****	*****	*****	5
14x10	8.41	*****	*****	*****	*****	5
14x12	11.72	*****	*****	*****	*****	5

SBC (mm)	Average Carat Weight	Price	Suggested Wholesale	Minimum Advertised Price	Suggested Retail	Tray Capacity
2x2	0.04	*****	*****	*****	*****	78
2.5x2.5	0.11	*****	*****	*****	*****	78
3x3	0.16	*****	*****	*****	*****	40
3.5x3.5	0.24	*****	*****	*****	*****	40
4x4	0.37	*****	*****	*****	*****	21
4.5x4.5	0.51	*****	*****	*****	*****	21
5x5	0.71	*****	*****	*****	*****	21
5.5x5.5	0.91	*****	*****	*****	*****	10
6x6	1.18	*****	*****	*****	*****	10
6.5x6.5	1.50	*****	*****	*****	*****	10
7x7	1.88	*****	*****	*****	*****	10
7.5x7.5	2.28	*****	*****	*****	*****	10
8x8	2.78	*****	*****	*****	*****	10
8.5x8.5	3.28	*****	*****	*****	*****	10
9x9	3.94	*****	*****	*****	*****	5
9.5x9.5	4.62	*****	*****	*****	*****	5
10.0x10.0	5.29	*****	*****	*****	*****	5

All moissanite jewels on this page are sold by piece by size (mm), average carat weights listed are for informational purposes only.

Jewel Price List

Effective May 1, 2006. All prices listed in US\$. All prices subject to change without notice.

Triangle (mm)	Average Carat Weight	Price	Suggested Wholesale	Minimum Advertised Price	Suggested Retail	Tray Capacity
2x2x2	0.02	*****	*****	*****	*****	78
2.5x2.5x2.5	0.06	*****	*****	*****	*****	78
3x3x3	0.09	*****	*****	*****	*****	78
3.5x3.5x3.5	0.14	*****	*****	*****	*****	40
4x4x4	0.21	*****	*****	*****	*****	40
4.5x4.5x4.5	0.30	*****	*****	*****	*****	21
5x5x5	0.40	*****	*****	*****	*****	21
5.5x5.5x5.5	0.52	*****	*****	*****	*****	21
6x6x6	0.67	*****	*****	*****	*****	21
6.5x6.5x6.5	0.83	*****	*****	*****	*****	10
7x7x7	1.06	*****	*****	*****	*****	10
7.5x7.5x7.5	1.28	*****	*****	*****	*****	10
8x8x8	1.48	*****	*****	*****	*****	10
8.5x8.5x8.5	1.79	*****	*****	*****	*****	10
9x9x9	2.12	*****	*****	*****	*****	10
9.5x9.5x9.5	2.41	*****	*****	*****	*****	10

Trillion (mm)	Average Carat Weight	Price	Suggested Wholesale	Minimum Advertised Price	Suggested Retail	Tray Capacity
2x2x2	0.02	*****	*****	*****	*****	78
2.5x2.5x2.5	0.05	*****	*****	*****	*****	78
3x3x3	0.08	*****	*****	*****	*****	78
3.5x3.5x3.5	0.13	*****	*****	*****	*****	40
4x4x4	0.18	*****	*****	*****	*****	40
4.5x4.5x4.5	0.27	*****	*****	*****	*****	21
5x5x5	0.36	*****	*****	*****	*****	21
5.5x5.5x5.5	0.47	*****	*****	*****	*****	21
6x6x6	0.61	*****	*****	*****	*****	21
6.5x6.5x6.5	0.74	*****	*****	*****	*****	10
7x7x7	0.94	*****	*****	*****	*****	10
7.5x7.5x7.5	1.16	*****	*****	*****	*****	10
8x8x8	1.44	*****	*****	*****	*****	10
8.5x8.5x8.5	1.66	*****	*****	*****	*****	10
9x9x9	2.16	*****	*****	*****	*****	10
9.5x9.5x9.5	2.41	*****	*****	*****	*****	10
10x10x10	2.77	*****	*****	*****	*****	5
10.5x10.5x10.5	3.34	*****	*****	*****	*****	5
11x11x11	3.85	*****	*****	*****	*****	5

All moissanite jewels on this page are sold by piece by size (mm), average carat weights listed are for informational purposes only.

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 International 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 dated August 18, 2006 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

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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 International, 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.

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 INTERNATIONAL

By: /s/ Robert S. Thomas

By: /s/ Richard Katz

Robert S. Thomas
President & CEO

Richard Katz
Chief Operating Officer & CFO

Date: 2 Oct. '06

Date: 10/2/06