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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**

**August 28, 2007 (Date of earliest event reported)**

**Commission file number: 0-23329**

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**Charles & Colvard, Ltd.**

(Exact name of registrant as specified in its charter)

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**North Carolina**  
(State or other jurisdiction of  
incorporation or organization)

**56-1928817**  
(I.R.S. Employer  
Identification No.)

**300 Perimeter Park Drive, Suite A**  
**Morrisville, North Carolina 27560**  
(Address of principal executive offices)  
(Zip code)

**(919) 468-0399**  
(Registrant's telephone number, including area code)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

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

(e)

On August 28, 2007, the Company amended the employment agreements of Robert S. Thomas, Chairman & Chief Executive Officer, James R. Braun, Vice President of Finance & Chief Financial Officer, and Dennis M. Reed, President & Chief Marketing Officer. The amendments clarify certain language in the officers' respective employment agreements and synchronize certain provisions that are intended to be applied consistently to each of the officers. In addition, the amendments reflect changes required by Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

The following description of each of the amendments is qualified in its entirety by reference to the amendments included as Exhibits 10.103, 10.104 and 10.105 to this report and incorporated herein by reference.

Amendment to Employment Agreement of Robert S. Thomas

The Company and Robert S. Thomas previously entered into an employment agreement effective as of March 1, 1999. On August 28, 2007, the parties amended the employment agreement as follows:

- Section 7(c), Termination without Cause, has been amended to clarify that if the Company terminates Mr. Thomas without cause, he will continue to receive the base salary in effect at the time of termination for a period of one year following termination.
- In Section 7(d), Change of Control Situations, the definition of "Good Reason" has been amended as follows:
  - subsection (i) now requires that any assignment of duties to Mr. Thomas following a change of control must be materially inconsistent with Mr. Thomas' duties prior to the change of control in order for such assignment to constitute "Good Reason";
  - subsection (ii) has been revised so that "Good Reason" exists when there has been a material reduction in pay rather than a mere reduction; and
  - subsection (ii) has been revised so that the failure to implement minimum annual increases in base salary no longer constitutes "Good Reason."
- New Section 19 has been added to the employment agreement to address compliance with Section 409A of the Code.

#### Amendment to Employment Agreement of James R. Braun

The Company and James R. Braun previously entered into an employment agreement effective as of June 4, 2001. On August 28, 2007, the parties amended the employment agreement as follows:

- Section 7(c), Termination without Cause, has been amended to clarify that if the Company terminates Mr. Braun without cause, he will continue to receive the base salary in effect at the time of termination for a period of one year following termination.
- The first sentence of Section 7(d), Change of Control Situations, has been amended to extend from six weeks to one year the period of time during which Mr. Braun may voluntarily terminate his employment with the Company for "Good Reason."
- In Section 7(d), Change of Control Situations, the definition of "Good Reason" has been amended as follows:
  - subsection (i) now requires that any assignment of duties to Mr. Braun following a change of control must be materially inconsistent with Mr. Braun's duties prior to the change of control in order for such assignment to constitute "Good Reason"; and
  - subsection (ii) has been revised so that "Good Reason" exists when there has been a material reduction in pay rather than a mere reduction.
- New Section 19 has been added to the employment agreement to address compliance with Section 409A of the Code.

#### Amendment to Employment Agreement of Dennis M. Reed

The Company and Dennis M. Reed entered into an employment agreement effective as of August 1, 2004. On August 28, 2007, the parties amended the employment agreement as follows:

- Section 7(c), Termination without Cause, has been amended to clarify that if the Company terminates Mr. Reed without cause, he will continue to receive the base salary in effect at the time of termination for a period of one year following termination.
- The first sentence of Section 7(d), Change of Control Situations, has been amended to extend from six weeks to one year the period of time during which Mr. Reed may voluntarily terminate his employment with the Company for "Good Reason."
- In Section 7(d), Change of Control Situations, the definition of "Good Reason" has been amended as follows:
  - subsection (i) now requires that any assignment of duties to Mr. Reed following a change of control must be materially inconsistent with Mr. Reed's duties prior to the change of control in order for such assignment to constitute "Good Reason"; and

- subsection (ii) has been revised so that “Good Reason” exists when there has been a material reduction in pay rather than a mere reduction.
- New Section 19 has been added to the employment agreement to address compliance with Code Section 409A.

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits

Exhibit 10.103	Amendment to Employment Agreement of Robert S. Thomas, dated August 28, 2007
Exhibit 10.104	Amendment to Employment Agreement of James R. Braun, dated August 28, 2007
Exhibit 10.105	Amendment to Employment Agreement of Dennis M. Reed, dated August 28, 2007

**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: August 31, 2007

**EXHIBIT INDEX**

<u>Exhibit No.</u>	<u>Exhibit Description</u>
Exhibit 10.103	Amendment to Employment Agreement of Robert S. Thomas, dated August 28, 2007
Exhibit 10.104	Amendment to Employment Agreement of James R. Braun, dated August 28, 2007
Exhibit 10.105	Amendment to Employment Agreement of Dennis M. Reed, dated August 28, 2007

**AMENDMENT TO EMPLOYMENT AGREEMENT  
OF ROBERT S. THOMAS**

WHEREAS, Charles & Colvard, Ltd., a North Carolina company with its principal office at 300 Perimeter Park Drive, Suite A, Morrisville, North Carolina 27506 (the "Company"), and Robert S. Thomas ("Employee") previously entered into an employment agreement (the "Agreement") effective as of March 1, 1999; and

WHEREAS, Section 14 of the Agreement provides that it may be amended by an agreement in writing signed by each of the parties; and

WHEREAS, the parties wish to amend the Agreement to provide for certain additional payments upon the happening of a change of control of the Company; and

WHEREAS, the parties wish to make certain other minor amendments to the Agreement to comply with changes necessitated by Section 409A of the Internal Revenue Code of 1986, as amended;

NOW, THEREFORE, the parties hereby agree that the Agreement shall be amended, effective as of the date last executed below, as follows:

1. The second sentence of Section 7(c), Termination without Cause., shall be deleted and the following sentence shall be inserted in its place:

"In the event the Company terminates Employee pursuant to this Subsection (c), (i) the Employee will continue to receive Base Salary at time of termination for a one (1) year period from such termination ("Termination Compensation"), so long as the Employee complies with Section 8, 9 and 10 of the Agreement and (ii) the Company shall take such action as may be required to vest any unvested benefits of the Employee under any employee stock-based or other benefit plan or arrangement."

2. The definition of "Good Reason" provided in Section 7(d), Change of Control Situations., shall be deleted and the following inserted in its place:

"Good Reason" shall mean the occurrence of any of the following events without the Employee's express written consent:

- (i) the assignment to the Employee of duties materially inconsistent with the position and status of the Employee with the Company immediately prior to the Change of Control;
- (ii) a material reduction by the Company in the 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 the Employee more than 50 miles from the location where the Employee worked immediately prior to the Change in 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.

3. A new Section 19, Compliance with Section 409A, shall be added as follows:

"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 the 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."

CHARLES & COLVARD, LTD.

Dated: August 28, 2007

By: /s/ Robert S. Thomas  
Title: Chief Executive Officer & Chairman

Dated: August 28, 2007

/s/ Robert S. Thomas  
Robert S. Thomas



**AMENDMENT TO EMPLOYMENT AGREEMENT  
OF JAMES BRAUN**

WHEREAS, Charles & Colvard, Ltd., a North Carolina company with its principal office at 300 Perimeter Park Drive, Suite A, Morrisville, North Carolina 27506 (the "Company"), and James Braun ("Employee") previously entered into an employment agreement (the "Agreement") effective as of June 4, 2001; and

WHEREAS, Section 15 of the Agreement provides that it may be amended by an agreement in writing signed by each of the parties; and

WHEREAS, the parties wish to amend the Agreement to provide for certain additional payments upon the happening of a change of control of the Company; and

WHEREAS, the parties wish to make certain other minor amendments to the Agreement to comply with changes necessitated by Section 409A of the Internal Revenue Code of 1986, as amended;

NOW, THEREFORE, the parties hereby agree that the Agreement shall be amended, effective as of the date last executed below, as follows:

1. The second sentence of Section 7(c), Termination without Cause., shall be deleted and the following sentence shall be inserted in its place:

"In the event the Company terminates Employee pursuant to this Subsection (c), the Employee will continue to receive Base Salary at time of termination for a one (1) year period from such termination ("Termination Compensation"), so long as the Employee complies with Section 8, 9 and 10 of the Agreement."

2. The first thirty-four words of Section 7(d), Change of Control Situations., shall be deleted and the following thirty-four words shall be inserted in their place:

"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"

3. The definition of "Good Reason" provided in Section 7(d), Change of Control Situations., shall be deleted and the following inserted in its place:

"Good Reason" shall mean the occurrence of any of the following events without the Employee's express written consent:

- (i) the assignment to the Employee of duties materially inconsistent with the position and status of the Employee with the Company immediately prior to the Change of Control;
- (ii) a material reduction by the Company in the 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 the Employee more than 50 miles from the location where the Employee worked immediately prior to the Change in 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.

4. A new Section 19, Compliance with Section 409A, shall be added as follows:

"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 the 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>*

Dated: August 28, 2007

By: /s/ Robert S. Thomas

Title: Chief Executive Officer & Chairman

Dated: August 28, 2007

/s/ James Braun

James Braun

**AMENDMENT TO EMPLOYMENT AGREEMENT  
OF DENNIS REED**

WHEREAS, Charles & Colvard, Ltd., a North Carolina company with its principal office at 300 Perimeter Park Drive, Suite A, Morrisville, North Carolina 27506 (the "Company"), and Dennis Reed ("Employee") previously entered into an employment agreement (the "Agreement") effective as of August 1, 2004; and

WHEREAS, Section 15 of the Agreement provides that it may be amended by an agreement in writing signed by each of the parties; and

WHEREAS, the parties wish to amend the Agreement to provide for certain additional payments upon the happening of a change of control of the Company; and

WHEREAS, the parties wish to make certain other minor amendments to the Agreement to comply with changes necessitated by Section 409A of the Internal Revenue Code of 1986, as amended;

NOW, THEREFORE, the parties hereby agree that the Agreement shall be amended, effective as of the date last executed below, as follows:

1. The second sentence of Section 7(c), Termination without Cause., shall be deleted and the following sentence shall be inserted in its place:

"In the event the Company terminates Employee pursuant to this Subsection (c), the Employee will continue to receive Base Salary at time of termination for a one (1) year period from such termination ("Termination Compensation"), so long as the Employee complies with Section 8, 9 and 10 of the Agreement."

2. The first thirty-four words of Section 7(d), Change of Control Situations., shall be deleted and the following thirty-four words shall be inserted in their place:

"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"

3. The definition of "Good Reason" provided in Section 7(d), Change of Control Situations., shall be deleted and the following inserted in its place:

"Good Reason" shall mean the occurrence of any of the following events without the Employee's express written consent:

- (i) the assignment to the Employee of duties materially inconsistent with the position and status of the Employee with the Company immediately prior to the Change of Control;
- (ii) a material reduction by the Company in the 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 the Employee more than 50 miles from the location where the Employee worked immediately prior to the Change in 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."

4. A new Section 19, Compliance with Section 409A, shall be added as follows:

"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 the 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>*

Dated: August 28, 2007

By: /s/ Robert S. Thomas

Title: Chief Executive Officer & Chairman

Dated: August 28, 2007

/s/ Dennis Reed

Dennis Reed