
**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 27, 2008 (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:

- 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

On October 27, 2008, Charles & Colvard, Ltd. (the “Company”) entered into an amendment (the “Amendment”) with Reeves Park, Inc. (“Reeves Park”) which supersedes, but only as to the specific terms contained in the Amendment, the terms and conditions of the sale of moissanite by the Company to Reeves Park as set out in the Manufacturing Agreement dated March 14, 2008 (the “Agreement”), which was filed as Exhibit 10.111 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on March 20, 2008. The Company entered into the Amendment to ensure a flow of jewelry to retailers during the holiday season while it continues to work towards reducing the outstanding balance due from Reeves Park.

The Amendment provides Reeves Park with the required notice of “good cause” to terminate the Agreement due to Reeves Park’s repeated failure to make timely payments for moissanite shipped to Reeves Park. Reeves Park has 30 days from its receipt of such notice to bring such accounts within terms to be in compliance with the Agreement. The Amendment also provides, among other things, that:

- Reeves Park can purchase new asset orders of moissanite from the Company on a prepaid basis (100% of the order amount) if all other terms of the Amendment are met. For consignment orders, payment must be received equal to the value of any additional goods for consignment.
- The Company has received payment from Reeves Park for open consignment billings past due as required by the Amendment. All other consignment billings must be paid in full on or before the due date listed on monthly account statements provided to Reeves Park by the Company.
- If Reeves Park defaults on the Amendment, and such default remains uncured for 15 days after written notice thereof, Reeves Park authorizes the Company to directly contact its retail customers to establish a method of doing business with the Company, including without Reeves Park, for periods after the default, and releases the Company from any claim or liability arising from such contacts. If Reeves Park at any time informs any of its retail customers that it is no longer in the moissanite business, the Company will then have the immediate right to contact these customers directly to establish a method of doing business with the Company, without Reeves Park. Such notice by Reeves Park to its customers must be in writing, with a copy to the Company.
- Reeves Park agrees to provide retail forecasting and reporting on a monthly basis, 15 days in arrears, to the Company for all major programs for which Reeves Park sells moissanite jewelry.

The description of the Amendment set forth in this Item 1.01 is a summary of the material terms of the Amendment and is qualified in its entirety by reference to the copy of the Amendment attached hereto as Exhibit 10.126 and incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit 10.126	Amendment to Manufacturing Agreement, dated October 23, 2008, between Reeves Park, Inc. and Charles & Colvard, Ltd., signed by Charles & Colvard, Ltd. on October 27, 2008.*
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* Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission as part of an application for confidential treatment pursuant to the Securities Exchange Act of 1934, as amended.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Charles & Colvard, Ltd.

By: /s/ Dennis M. Reed

Dennis M. Reed

President & Chief Marketing Officer

Date: October 31, 2008

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Exhibit Description</u>
Exhibit 10.126	Amendment to Manufacturing Agreement, dated October 23, 2008, between Reeves Park, Inc. and Charles & Colvard, Ltd., signed by Charles & Colvard, Ltd. on October 27, 2008.*

* 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

October 23, 2008

Mr. Klaus H. Jung
 President
 Reeves Park, Inc.
 5050 Lincoln Drive
 Suite 470
 Edina, MN 55436

Re: Agreement to Amend the March 14, 2008 Manufacturing Agreement Notice of “Good Cause”

Dear Klaus:

This letter agreement (the “Agreement”) will supersede, but only as to the specific terms contained in this Agreement, the terms and conditions of the sale of Charles & Colvard created Moissanite (“Moissanite”) by Charles & Colvard, Ltd. (“C&C”), to Reeves Park, Inc., a Minnesota corporation (“Buyer”) as set out in the March 14, 2008 Manufacturing Agreement between C&C and Buyer, a true and correct copy of which is attached hereto and labeled as Exhibit A. Additionally, this letter provides you with the required notice of “good cause” required pursuant to the Manufacturing Agreement to terminate the Manufacturing Agreement due to Reeves Park’s repeated failure to make timely payments for moissanite jewels shipped to Reeves Park. Reeves Park has 30 days from the receipt of this notice to bring such accounts within terms to be in compliance with the Manufacturing Agreement. Effective immediately, the Manufacturing Agreement is amended to provide:

1. Buyer can purchase moissanite from C&C on a prepaid basis (100% of the order amount) if all other terms of this Agreement are met. C&C must have cash in hand, via wire transfer or ACH deposit, to the banking instructions attached as Exhibit B to this agreement, before it will ship any orders to Buyer. This requirement is for all new asset orders, and prior to a consignment order being shipped, a payment must be received equal to the value of any additional goods for consignment. On asset orders, all payments will be applied towards the invoice for the new shipment and for consignment orders, payment will be applied to the oldest prior accounts receivable.
2. As of October 24, 2008, there will be \$***** of open consignment billings past due from Buyer to C&C. Buyer will immediately send payment for this amount upon execution of this agreement via wire transfer or ACH deposit, to the banking instructions attached as Exhibit B to this agreement. All consignment billings will be segregated on the monthly account statements provided to Buyer by C&C and payment for these billings must be made on or before the due date listed on the monthly statement.
3. If Buyer defaults on this Agreement, and such default remains uncured for 15 days after written notice thereof, Buyer authorizes C&C to directly contact Buyer’s retail customers to establish a method of doing business with C&C, including without Buyer, for periods after the default, and hereby releases C&C from any claim or liability arising from such contacts. If Buyer at any time informs any of its retail customers that Buyer is no longer in the moissanite business, C&C will then have the immediate right to contact these customers directly to establish a method of doing business with C&C, without Buyer. Such notice by Buyer to its customers must be in writing, with copy to C&C.
4. Buyer agrees to provide retail forecasting and reporting on a monthly basis, 15 days in arrears, to C&C for all major programs (*****) for which Buyer sells Moissanite jewelry. This reporting will include monthly sales and inventory data by jewelry sku.

If the forgoing meets with your understanding of our Agreement, please sign two copies of this Agreement and return one fully executed copy for our files.

Charles & Colvard, Ltd.

Agreed and Accepted by “Buyer”

By: /s/ Dennis Reed

By: /s/ Klaus Jung

Name: Dennis Reed

Name: Klaus Jung

Title: President

Title: President/CEO

Date: 10/27/08

Date: 10/23/08

CONFIDENTIAL Charles & Colvard, Ltd.

CHARLES & COLVARD®
Created
M O I S S A N I T E

Mr. Klaus H. Jung
President
Reeves Park, Inc.
5050 Lincoln Drive
Suite 470
Edina, MN 55436

March 14, 2008

Re: Manufacturing Agreement

Dear Klaus:

This letter agreement (the "Agreement") sets forth the terms and conditions of the sale of Charles & Colvard created Moissanite ("Moissanite") by Charles & Colvard, Ltd. ("C&C"), to Reeves Park ("Buyer"). In addition to this letter and the attached terms and conditions there are other agreements between the two companies including but not limited to: a License Agreement, various Consignment Agreements and a Security Agreement.

C&C hereby agrees to sell to Buyer commercially reasonable amounts of Moissanite, using the pricing set forth in the then current price list, (Price File *****) for use by Buyer in the manufacturing of fine jewelry featuring Moissanite; provided, however, the prices charged to Buyer will be no more than the lowest charged for any jewelry industry manufacturing customer of C&C worldwide. In addition, the parties hereto agree to the following:

1. Effective July 1, 2007 C&C will fund at a *****% rate all pre-approved, eligible advertising/promotional activity expenses submitted by the Buyer dealing with advertising/promotional materials in which Moissanite is being promoted/advertised. This funding is limited to *****% of net purchases made by the Buyer. C&C agrees to consider additional funding greater than the *****% of net purchases amount on a specific pre-approved basis. Credit will be given via credit memo to Buyer's account within 30 days after Buyer presents sufficient supporting documentation to C&C.
2. Upon Buyer's request, C&C also agrees to provide the staff of the Buyer with any required training materials and guidance concerning Moissanite, C&C's marketing strategy and C&C's product positioning for Moissanite.
3. With respect to the sale and delivery of new Charles & Colvard created Moissanite, Buyer shall have 45 days within which to inspect and thereupon reject any new items that are damaged or that do not conform to Buyer's ordering specifications. If Buyer returns damaged or non-conforming items within the foregoing 45-day time period, then Buyer shall be given credit for an amount equal to 100% of the price charged to Buyer by C&C for such returned items. For purposes of this Agreement, the foregoing 45-day time period also applies to Moissanite shipped to a party, such as a manufacturer of jewelry, designated in writing by Buyer to receive the Moissanite. Notwithstanding the foregoing, to receive their credit, Buyer must report any damaged or non conforming items within 15 days subsequent to the end of a quarter or 30 days subsequent to the end of each calendar year.
4. With respect to Moissanite accepted and used by Buyer, the following provisions apply:
 - a. As of July 1, 2007 of the amount of new Moissanite thereafter purchased by Buyer during each calendar quarter Buyer may return up to an amount equal to *****% of such purchases for *****% of the price originally paid by Buyer for the returned items, and Buyer will not be charged a re-stocking fee or like charge in connection with the return of such items. No more than *****% of such items shall be damaged. These returns must be quantified within 30 days of the end of the applicable quarter and completed within a reasonable period thereafter.
 - b. For any damaged Moissanite not covered by the provisions of paragraph 4(a) above, Buyer may return such items and receive a credit of up to *****% of the price paid originally paid by Buyer for the returned items; and Buyer will not be charged a re-stocking fee or like charge in connection with the return of such items.
 - c. Under no circumstances will credit be given for any damaged jewels 3.0mm in size or smaller.

300 Perimeter Park, Suite A Morrisville, NC 27560 Telephone 919.468.0399
Facsimile 919.468.0486 www.moissanite.com

Mr. Klaus H. Jung
March 14, 2008
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5. C&C agrees to provide stock re-balancing quarterly on a dollar value per dollar value basis, up to a maximum of *****% of the purchases made by Buyer in the most recent quarter prior to the request for re-balancing. This stock balancing will occur within 15 days of the end of the quarter for which the charge applies.
6. As of and from the date hereof March 14, 2008, all stock ordered for use in trunk shows will be delivered to Buyer on a consignment basis. These consignment shipments will be governed by a separate written consignment agreement that will set forth the terms of the consignment arrangement including, but not limited to, the amount of consigned Moissanite jewelry and length of the consignment period.
7. 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.
8. With respect to the sale and delivery of new Charles & Colvard created moissanite, Buyer agrees to remit to C&C an amount equal to no less than *****% of the amount invoiced prior to the shipment of the amount invoiced. The parties hereto acknowledge and agree that the total amount so received by C&C shall be applied to amounts due C&C by Buyer for Moissanite previously ordered and shipped with the understanding that all monies will be applied to interest due first and then from the oldest invoices(s) first. With respect to the sale and delivery of new Charles & Colvard created Moissanite, an invoiced amount is due and payable ***** days from the invoice date for purposes of the computation of interest as contemplated by paragraph 10 below, and for other purposes under this Agreement.
9. Beginning with the 2nd calendar quarter in 2008, and for each calendar quarter thereafter until all amounts past due C&C from Buyer are paid in full, the amounts paid by Buyer pursuant to the provisions of paragraph 8 above shall be aggregated and during each calendar quarter Buyer agrees to remit to C&C at least \$*****. Such amounts shall also be applied to interest due first and then from the then oldest invoice(s) first. Buyer's failure to remit the minimum payment per quarter shall be considered a material breach of this Agreement for termination purposes. Any amount paid by Buyer in a calendar quarter under the provision of this paragraph 9 towards the \$***** minimum and which was not used to pay for new Charles & Colvard created Moissanite which was invoiced under the provisions of paragraph 8 above shall be automatically applied by C&C against amounts invoiced to Buyer in the following calendar quarter for shipments under the provision of paragraph 8. above.
10. Beginning April 1, 2008, C&C shall provide Buyer a monthly summary of accounts receivable by age and shall charge *****% per annum on amounts that are past due until paid in full; provided, however, if Buyer is able to secure financing from any source so that Buyer liquidates all of its past due obligations to C&C by December 31, 2008, then C&C agrees to immediately issue a credit to Buyer in an amount equal to all charges for interest theretofore imposed by C&C on Buyer's account.

Buyer hereby recognizes, and agrees to cooperate with C&C in the protection of, all C&C trademarks, copyrights and intellectual property. Buyer acknowledges receipt of the Brand Identity Guidelines provided by C&C and agrees to market Charles & Colvard created Moissanite in a manner consistent with such guidelines. Additionally, Buyer shall use commercially reasonable efforts to ensure its customers abide by such guidelines.

Unless sooner terminated, this Agreement remains in effect from the effective date hereof through December 31, 2009. Either party may terminate this Agreement only for "good cause". Good cause shall be any intentional, material, repeated or continuous breach of this Agreement by either party. The party intending to terminate shall give the other notice specifying the cause for termination, and the recipient may cure the breach within 30 days of receipt of such notice.

Mr. Klaus H. Jung
March 14, 2008
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Buyer hereby reissues, ratifies, and confirms the enforceability and validity of all consignment agreements and security agreements (whenever executed and as amended from time to time, the “Consignment and Security Agreements”) between Buyer and C&C with respect to Moissanite, and agrees that all Consignment and Security Agreements constitute the legal, valid, and binding obligations of Buyer, enforceable in accordance with their respective terms. In addition, and except as provided in the introductory paragraph of this Agreement, Buyer and C&C acknowledge and agree that neither the execution and delivery of any new manufacturing agreement or this Agreement nor any of the terms, provisions, covenants, or agreements contained in any new manufacturing agreement or this Agreement shall in any manner release, impair, lessen, modify, waive, or otherwise affect the liability and obligations of Buyer under the terms of the Consignment and Security Agreements.

If the forgoing meets with your understanding of our agreement, please sign two copies of this Agreement and return one fully executed copy for our files.

Charles & Colvard, Ltd.

Agreed and Accepted by “Buyer”

By: /s/ James R. Braun
Name: James R. Braun
Title: VP of Finance & CFO
Date: 3-17-08

By: /s/ Klaus Jung
Name: Klaus Jung
Title: President/CEO
Date: 3-14-08

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. 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. All applicable taxes shall be paid by Buyer, unless Buyer provides C&C with appropriate tax exemption certificates. 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. Buyer shall pay for the Product in cash upon delivery, unless an earlier or later time for payment is specified in the Agreement (in which case payment shall be due at the time so specified). Each shipment shall be considered a separate and independent transaction and payment for each shipment shall be due accordingly.

C&C may, at its option, elect to extend credit to Buyer. If C&C extends credit to Buyer, invoices will be issued upon shipment and payment shall be due in full within ***** from the invoice date. C&C reserves the right to change the amount of or withdraw any credit extended to Buyer at any time without notice to Buyer.

Amounts not paid when due shall be subject to interest at the rate of ***** 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, and the Product shall be deemed delivered to Buyer when delivered to the transportation company at the C&C's manufacturing facilities. Unless otherwise agreed in writing by C&C, all transportation charges and expenses shall be paid by Buyer, including the cost of any insurance against loss or damage in transit which C&C may obtain on Buyer's behalf. C&C reserves the right to ship the Product freight collect.

C&C hereby reserves, and Buyer hereby grants to C&C, a purchase money security interest in all Product purchased under this Agreement, together with all proceeds thereof, including insurance proceeds. Such security interest secures all of Buyer's obligations arising under this Agreement, and any other agreements between Buyer and C&C, until all amounts due C&C hereunder have been paid in full. Buyer agrees to promptly execute and deliver appropriate financing statements evidencing C&C's security interest upon C&C's request. This purchase money security interest shall be subordinate to Buyer's senior Well Fargo Loan facility

Title and risk of loss and/or damage to the Product shall pass to Buyer upon delivery of the Product to the transportation company at C&C's manufacturing facilities. Confiscation or destruction of or damage to the Product shall not release, reduce or in any way affect the liability of Buyer hereunder. In the event Buyer rejects or revokes acceptance of any Product for any reason, all risk of loss and/or damage to such Product shall nonetheless remain with Buyer unless and until the same are returned at Buyer's expense to such place as C&C may designate in writing.

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. No penalty of any kind shall be effective against C&C for delay or failure; provided, however, that if the delay or failure extends beyond six (6) months from the originally scheduled date either party may, with written notice to the other, terminate this Agreement without further liability.

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.

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. Such termination shall be Buyer's sole remedy in the event of a default by C&C.

Buyer shall be deemed in material default under this Agreement if Buyer fails to pay any amounts when due hereunder, cancels or attempts to cancel this Agreement prior to delivery or refuses delivery or otherwise fails to perform its obligations hereunder or fails to pay C&C any sums due under any other agreement or otherwise. In the event of a material default by Buyer, C&C may, upon written notice to Buyer, (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, retake same and repossess any Product held by C&C for Buyer's account, without the necessity of any other proceedings, and Buyer agrees that all Product so recalled, taken or repossessed shall be the property of C&C, provided that Buyer is given 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 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.**

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 Reeves Park, Inc. having its principal office at 5050 Lincoln Drive, Suite 470, Edina, MN 55436 (“Licensee”):

A. Licensor desires to license certain of its trademarks, which are set forth on the attached 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 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 without reasonable prior written notice to Licensor; (ii) only in connection with Licensee’s advertisements, 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.

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 of even date hereof between Licensor and Licensee concerning manufacture of jewelry incorporating Charles & Colvard created Moissanite Jewels, unless sooner terminated. Licensor may terminate this Agreement at any time and for any reason.

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

(a) Purpose of Quality Control. In order to maintain the quality and reputation of the Trademarks and the rights in the Copyright Works, all Advertisements must have Licensor’s prior approval.

(b) Pre-approved Materials. All advertising, promotional and sales material bearing or incorporating the Trademarks and/or Copyright Works which are supplied to Licensee directly by Licensor, without change or alteration of any kind, shall be considered approved.

(c) Materials Requiring Prior Approval. Licensor and Licensee shall cooperate in the development by Licensee of Advertisements containing the Trademarks and/or Copyright Works which are not pre-approved to facilitate the timely approval of such materials. Licensee shall submit to Licensor for prior approval any and all Advertisements containing or bearing the Trademarks and/or Copyright Works which are not pre-approved. Licensee shall not use the Trademarks and/or Copyright Works in connection with Advertisements before obtaining Licensor’s approval. Licensor may withhold its approval for any reason. If Licensor fails to approve a submittal within twenty (20) days after receipt of Licensee’s submission, such failure shall constitute a disapproval of the submittal.

(d) Changes. If during the term of this Agreement there is to be any change to Advertisements bearing or incorporating the Trademarks and/or Copyright Works (even if such changes do not relate to a change in the display of Trademarks and Copyright

Works) after the initial approval, the changed Advertisements shall be considered new proposed Advertisements and Licensee must comply with the provisions of Section 4(b) prior to using the changed Advertisements.

5. TRADEMARK AND COPYRIGHT OWNERSHIP AND NOTICES

(a) Licensee's use of the Trademarks shall, depending upon the directions provided by Licensor, in every instance be combined with one of the following notices: (i) Reg. U.S. Pat. & TM. Off.; (ii) ®; (iii) Trademark of Charles & Colvard; (iv) TM; or (v) such other similar language as shall have Licensor's prior approval.

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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 and 10 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.

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(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 has 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.

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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: REEVES PARK, INC.

By: /s/ James R. Braun
James R. Braun,
VP of Finance & CFO

Date: 3-17-08

By: /s/ Klaus H. Jung
Klaus H. Jung
President

Date: 3-14-08

WIRE TRANSFER INFORMATION
For Charles & Colvard, Ltd.

BANK NAME: *****
BANK ADDRESS: *****
SWIFT#: *****
ABA#: *****
ACCOUNT#: *****
FOR CREDIT TO: CHARLES & COLVARD
300 Perimeter Park Drive, Suite A
Morrisville, NC 27560

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