

**FORM 4**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

OMB APPROVAL	
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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP**

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person* <u>PAULSON CHESTER L F</u> _____ (Last) (First) (Middle) _____ (Street) _____ (City) (State) (Zip)	2. Issuer Name and Ticker or Trading Symbol <u>CHARLES &amp; COLVARD LTD [ CTHR ]</u>	5. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director 10% Owner Officer (give title below) <input checked="" type="checkbox"/> Other (specify below) See footnote (1)
	3. Date of Earliest Transaction (Month/Day/Year) 05/12/2003	
4. If Amendment, Date of Original Filed (Month/Day/Year)		

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	05/12/2003		s		50,000	D	4.35	1,532,900	I	See footnote(1)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4)	10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	11. Nature of Indirect Beneficial Ownership (Instr. 4)
				Code	V	(A)	(D)					

1. Name and Address of Reporting Person\*  
PAULSON CHESTER L F  
 \_\_\_\_\_  
 (Last) (First) (Middle)  
 \_\_\_\_\_  
 (Street)  
 \_\_\_\_\_  
 (City) (State) (Zip)

1. Name and Address of Reporting Person\*  
PAULSON CAPITAL CORP  
 \_\_\_\_\_  
 (Last) (First) (Middle)  
 \_\_\_\_\_  
 (Street)  
 \_\_\_\_\_  
 (City) (State) (Zip)

1. Name and Address of Reporting Person\*  
PAULSON JACQUELINE M  
 \_\_\_\_\_  
 (Last) (First) (Middle)  
 \_\_\_\_\_  
 (Street)  
 \_\_\_\_\_  
 (City) (State) (Zip)

**Explanation of Responses:**

1. Chester and Jacqueline Paulson are controlling managers of Paulson Family LLC, which is a controlling shareholder of Paulson Capital Corp. which is the parent company of Paulson Investment Company. The securities are held in the name of Paulson Investment Company. Mr. and Mrs. Paulson and Paulson Family LLC expressly disclaim any beneficial ownership of securities in the name of Paulson Investment

Company.

Carol A. Rice, Attorney-in-Fact for Chester L. F. Paulson, Chairman 05/15/2003

Carol A. Rice, Attorney-in-Fact for Chester L.F. Paulson, individually 05/15/2003

Carol A. Rice, Attorney-in-Fact for Jacqueline M. Paulson, individually 05/15/2003

Carol A. Rice, Authorized Agent for Paulson Family LLC 05/15/2003

Carol A. Rice, Authorized Agent for Paulson Investment Company 05/15/2003

\*\* Signature of Reporting Person      Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

\* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.**