

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(f) of the Investment Company Act of 1940

1. Name and Address of Reporting Person*
 Paulson Capital Corp.
 811 SW Naito Parkway, Suite 200
 Portland, OR 97204
2. Issuer Name and Ticker or Trading Symbol
 Charles & Colvard Ltd. (CTHR)
3. I.R.S. Identification Number of Reporting Person, if an entity (Voluntary)
 N/A
4. Statement for Month/Year
 12/05/02
5. If Amendment, Date of Original (Month/Year)
 N/A
6. Relationship of Reporting Person(s) to Issuer (Check all applicable)
 *Director
 *Officer (give title below)

 10% Owner
 Other (specify below) N/A
7. Individual or Joint/Group Filing (Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

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Table 1 -- Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)
 Common Stock
 2. Transaction Date(s) (Month/Day/Year)
 12/05/02
 3. Transaction Code (Instr. 8)
 Code: S
 V:
 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)
- | Date | Amount(Shares) | (A) or (D) | Price per share |
|----------|----------------|------------|-----------------|
| 12/05/02 | 400 | (D) | \$6.00 |
| 12/05/02 | 600 | (D) | \$5.90 |
5. Amount of Securities Beneficially Owned at End of Month (Instr. 3 and 4)
 1,650,800 (3)
 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)
 I
 7. Nature of Indirect Beneficial Ownership (Instr. 4)
 (4)

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)
N/A
2. Conversion or Exercise Price of Derivative Security
N/A
3. Transaction Date
N/A
4. Transaction Code (Instr. 8)
Code:
V:
5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)
N/A
6. Date Exercisable and Expiration Date (Month/Day/Year)
N/A
7. Title and Amount of Underlying Securities (Instr. 3 and 4)
N/A
8. Price of Derivative Security (Instr. 5)
N/A
9. Number of Derivative Securities Beneficially Owned at End of Month (Instr. 4)
N/A
10. Ownership Form of Derivative Security: Direct (D) or Indirect (I) (Instr. 4)
N/A
11. Nature of Indirect Beneficial Ownership (Instr. 4)
N/A

