

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

INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

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. Date of Event Requiring Statement (Month/Day/Year)
 2/16/2001
3. I.R.S. Identification Number of Reporting Person, if an entity (Voluntary)
 N/A
4. Issuer Name and Ticker or Trading Symbol
 Charles & Colvard, Ltd.(CTHR)
5. Relationship of Reporting Person(s) to Issuer (Check All Applicable)
 / / Director
 / / Officer (give title below)
 /X/ 10% Owner
 / / Other (specify below)
6. If Amendment, Date of Original (Month/Day/Year)
 N/A
7. Individual or Joint/Group Filing (Check Applicable Line)
 /X/ Form filed by One Reporting Person
 / / Form filed by More than One Reporting Person
 See next page for list of reporting persons

FORM 3 (CONTINUED)

Table 1 -- Non-Derivative Securities Beneficially Owned

1. Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
Common Stock	1,856,400	D(1)	

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 5(b)(v).

Table II -- Derivative Securities Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)	3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)	4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D) or Indirect (I) (Instr. 5)	6. Nature of Indirect Beneficial Ownership (Instr. 5)	
	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		
Common Stock Warrants (right to buy)	11/14/98	11/14/02	Common Stock	214,592	\$18.00	D

Explanation of Responses:

(1) The securities are held by Paulson Investment Company, Inc., a wholly owned subsidiary of reporting person.

Paulson Capital Corp.
/s/ CHESTER L.F. PAULSON

* Signature of Reporting Person

March 6, 2001

Date