

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, Chester L. F.
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
October, 2001
5. If Amendment, Date of Original (Month/Year)
6. Relationship of Reporting Person(s) to Issuer (Check all applicable)

/ /	*Director
/ /	*Officer (give title below)

/X/	10% Owner
/ /	Other (specify below)N/A

7. Individual or Joint/Group Filing (Check Applicable Line)

/X/	Form filed by One Reporting Person
/ /	Form filed by More than One Report 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)
10/18/01
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
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10/18/01	76,000	D	\$1.00
5. Amount of Securities Beneficially Owned at End of Month (Instr. 3 and 4)

D	184,400
I(1)	1,856,400
6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)

D	184,400
I(1)	1,856,400
7. Nature of Indirect Beneficial Ownership (Instr. 4)
(1)

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

Explanation of Responses:

(1) Reporting person may be deemed to be the beneficial owner of the securities pursuant to the rules and regulations of the Securities and Exchange Commission. The reporting person is a controlling shareholder of Paulson Capital Corp., the parent of Paulson Investment Company, Inc. (PIC) The securities are held in the name of PIC.

/s/CHESTER L. F. PAULSON

November 7, 2001

** Signature of Reporting Person
Chester L. F. Paulson

Date

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

Potential person(s) who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.