

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).

1. Name and Address of Reporting Person*

(Last) Paulson Capital Corp.

(First)

(Middle)

(Street) 811 SW Naito Parkway, Suite 200

(City) Portland

(State) OR

(Zip) 97204

2. Issuer Name and Ticker or Trading Symbol

(Issuer Name) Charles & Colvard LTD

(Ticker or Trading Symbol) CTHR

3. I.R.S. or Social Security Number of Reporting Person (Voluntary)

(I.D. Number) N/A

4. Statement for Month/Year

(Month) 3

(Year) 2002

5. If Amendment, Date of Original (Month/Year)

(Month)

(Year)

6. Relationship of Reporting Person(s) to Issuer (Check all applicable)

X

X(1) (Director)

(Officer, Include title)

X (10% Owner)

(Other, specify)

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

X

Form filed by One Reporting Person

X Form filed by More than One Reporting Person (2)

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

1. Title of Security (Instr. 3)	2. Transaction Date (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 at End of Month (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
		Code	V	Amount	(A) or (D)	Price			
Common Stock	3/8/2002	S		100,000	D	\$3.42	1,765,800(4)	I	(3)
Common Stock	3/15/2002	S		100,000	D	\$4.87	1,765,800(4)	I	(3)

Common Stock 3/28/2002 S 100,000 D \$4.96 1,765,800(4) I (3)

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).

FORM 4 (Continued)

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)	4. Transaction Code (Instr. 8)		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)	
			Code	V	(A)	(D)	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)
Title	Amount or Number of Shares				

Explanation of Responses:

- (1) Mr. Paulson, a member of the filing group described below, became a director on 5/14/2001.
- (2) In addition to Paulson Capital Corp. ("PLCC"), the following are reporting parties: Chester L. F. Paulson, Jacqueline M. Paulson, Paulson Family LLC ("LLC") and Paulson Investment Company, Inc. ("PIC"). The address for each of the reporting parties is the same as that provided for PLCC.
- (3) Mr. and Mrs. Paulson are controlling managers of LLC, which is a controlling shareholder of PLCC, which is the parent company of PIC. The securities are held in the name of PIC. Mr. and Mrs. Paulson and LLC expressly disclaim any beneficial ownership of securities held in the name of PIC.
- (4) Of the 1,765,800 shares of Common Stock owned by the reporting group, 1,481,400 is held in the name of PIC and 184,400 is held in the name of LLC.

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

/s/ Chester L.F. Paulson, Individually April 30, 2002

 **Signature of Reporting Person Date

/s/ Jacqueline M. Paulson, Individually

/s/ Paulson Family LLC

By: Chester L.F. Paulson, Manager

/s/ Paulson Capital Corp.

By: Chester L.F. Paulson, Chairman of the Board

/s/ Paulson Investment Company

By: Chester L.F. Paulson, Chairman of the Board

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

To view the actual filing form and general Instructions go to: <http://www.sec.gov/divisions/corpin/forms/form4.htm>
