

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

| OMB APPROVAL | |
|--|-----------|
| OMB Number: | 3235-0287 |
| Estimated average burden hours per response: | 0.5 |

| | | |
|---|--|--|
| 1. Name and Address of Reporting Person* <u>PAULSON CAPITAL CORP</u> (Last) (First) (Middle) <u>811 SW NAITO PARKWAY</u> <u>SUITE 200</u> (Street) <u>PORTLAND OR 97204</u> (City) (State) (Zip) | 2. Issuer Name and Ticker or Trading Symbol <u>CHARLES & COLVARD LTD [CTHR]</u> | 5. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director <input checked="" type="checkbox"/> 10% Owner Officer (give title below) <input checked="" type="checkbox"/> Other (specify below) See Footnote (1) |
| | 3. Date of Earliest Transaction (Month/Day/Year) <u>09/16/2003</u> | |
| | | 6. Individual or Joint/Group Filing (Check Applicable Line) <input checked="" type="checkbox"/> Form filed by One Reporting Person <input type="checkbox"/> Form filed by More than One Reporting Person |

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 Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|------------|-------|---|--|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 09/16/2003 | | S | | 6,100 | D | \$5.2 | 1,486,800 | 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 CAPITAL CORP
 (Last) (First) (Middle)
811 SW NAITO PARKWAY
SUITE 200
 (Street)
PORTLAND OR 97204
 (City) (State) (Zip)

1. Name and Address of Reporting Person*
PAULSON CHESTER L F
 (Last) (First) (Middle)
811 SW NAITO PARKWAY
SUITE 200
 (Street)
PORTLAND OR 97204
 (City) (State) (Zip)

1. Name and Address of Reporting Person*
PAULSON JACQUELINE M
 (Last) (First) (Middle)

811 SW NAITO PARKWAY

SUITE 200

(Street)

PORTLAND OR 97204

(City)

(State)

(Zip)

Explanation of Responses:

1. Form filed by more than one reporting person. 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. ("PICI"). These reporting parties collectively own over 10%. The address for each of the reporting parties is the same as that provided for PLCC. PICI is a registered broker/dealer and a wholly owned subsidiary of PLCC. Mr. and Mrs. Paulson are controlling managers of the LLC, which is a controlling shareholder of PLCC, which is the parent company of PICI. Mr. and Mrs. Paulson and the LLC expressly disclaim any beneficial ownership of securities held in the name of PLCC and PICI.

Remarks:

[Harry L. Striplin, Attorney-in-Fact for Chester L.F. Paulson](#) [09/18/2003](#)

[Harry L. Striplin, Authorized Agent for Paulson Capital Corp.](#) [09/18/2003](#)

[Harry L. Striplin, Authorized Agent for Paulson Investment Co., Inc.](#) [09/18/2003](#)

[Harry L. Striplin, Authorized Agent for Paulson Family, LLC.](#) [09/18/2003](#)

[Harry L. Striplin, Attorney-in-Fact for Jacqueline M. Paulson](#) [09/18/2003](#)

** 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.