

**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>THORNTON GEORGE A III</u>  (Last) (First) (Middle) <u>C/O CHARLES &amp; COLVARD, LTD.</u> <u>300 PERIMETER PARK DRIVE, SUITE A</u>  (Street) <u>MORRISVILLE NC 27560</u>  (City) (State) (Zip)	2. Issuer Name and Ticker or Trading Symbol <u>CHARLES &amp; COLVARD LTD [ CTHR ]</u>	5. Relationship of Reporting Person(s) to Issuer (Check all applicable) <input checked="" type="checkbox"/> Director 10% Owner  Officer (give title below) Other (specify below)
	3. Date of Earliest Transaction (Month/Day/Year) <u>07/26/2005</u>	
	4. If Amendment, Date of Original Filed (Month/Day/Year)	

**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	07/26/2005		M		4,125	A	\$4.248	51,566	D	
common stock	07/26/2005		S		4,125	D	\$26.05	47,441	D	
common stock	07/26/2005		M		8,400	A	\$4.705	55,841	D	
common stock	07/26/2005		S		8,400	D	\$26.05	47,441	D	
common stock	07/26/2005		S		1,095	D	\$26	46,346	D	
common stock	07/26/2005		S		900	D	\$26.07	45,446	D	
common stock	07/26/2005		S		1,300	D	\$26.09	44,146	D	
common stock	07/26/2005		S		400	D	\$26.11	43,746	D	
common stock	07/26/2005		S		500	D	\$26.12	43,246	D	
common stock	07/26/2005		S		800	D	\$26.14	42,446	D	
common stock	07/26/2005		S		887	D	\$26.18	41,559	D	
common stock	07/26/2005		S		313	D	\$26.58	41,246	D	
common stock	07/26/2005		S		250	D	\$26.6	40,996	D	
common stock	07/26/2005		S		155	D	\$26.62	40,841	D	
common stock	07/26/2005		S		100	D	\$26.08	40,741	D	

**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)		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)		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)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares				
stock option (right to buy)	\$4.248 <sup>(2)</sup>	07/26/2005		M			4,125 <sup>(1)</sup>	05/12/2004	05/11/2008	common stock	4,125	\$0	0	D	
stock option (right to buy)	\$4.705 <sup>(2)</sup>	07/26/2005		M			8,400 <sup>(1)</sup>	05/11/2005	05/10/2009	common stock	8,400	\$0	0	D	

**Explanation of Responses:**

- 1. Number of stock options adjusted 5% for 2005 stock dividend
- 2. Price of stock option adjusted 5% for 2005 stock dividend.

James R. Braun, by Power of Attorney, 07/26/2005

\*\* 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.**