

CHARLES & COLVARD LTD
Form 4
March 03, 2003

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

OMB APPROVAL
OMB Number:
3235-0287

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Expires: January 31, 2005
Estimated average burden hours per response: 0.5

Check 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, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

| | | | | | | |
|--|---------|----------|---|---|--|--|
| 1. Name and Address of Reporting Person* Paulson Capital Corp. | | | 2. Issuer Name and Ticker or Trading Symbol Charles & Colvard Ltd. (CTHR) | | 6. Relationship of Reporting Person(s) to Issuer (Check all applicable) <input checked="" type="checkbox"/> Director (1) <input checked="" type="checkbox"/> 10% Owner <input type="checkbox"/> Officer (give title below) <input type="checkbox"/> Other (specify below) <hr/> | |
| (Last) | (First) | (Middle) | 3. I.R.S. Identification Number of Reporting Person, if an entity (voluntary) | 4. Statement for Month/Day/Year 2/26/03 | | |
| 911 SW Naito Parkway, Suite 200 | | | | 5. If Amendment, Date of Original (Month/Day/Year) | | |
| (Street) Portland, OR 97204 | | | 7. Individual or Joint/Group Filing (Check Applicable Line) <input type="checkbox"/> Form filed by One Reporting Person <input checked="" type="checkbox"/> Form filed by More than One Reporting Person(1) | | | |
| (City) | (State) | (Zip) | Table I Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned | | | |

| 1. Title of Security (Instr. 3) | 2. Transaction Date (mm/dd/yy) | 2A. Deemed Execution Date, if any (mm/dd/yy) | 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 (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 | 2/26/2003 | | S | | 50,000 | D | \$4.80 | 1,582,900 (3) | I | (4) |
| | | | | | | | | | | |
| | | | | | | | | | | |
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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 Instructions 4(b)(v).

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 control Number.

(Over)
SEC 1474 (9-02)

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) | 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 Underlying Securities (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 Derivative Security (D) (I) (Instr. 4) |
|--|--|--------------------------------------|---|-------------------------------|---|--|-----|--|-----------------|---|----------------------------|--|--|---|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | | | |
| | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |

Explanation of Responses:

(1) Chester L.F. Paulson, a member of the filing group described below, became a director on 5/14/01. /s/ HARRY L. STRIPLIN, power of attorney for 02/28/03
Date

(2) In addition to Paulson Capital Corp. ("PCC"), the following are reporting parties: Chester L.F. 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 PCC. Chester L.F. Paulson, individually

(3) Of the 1,582,900 shares of common stock owned by the reporting group, 1,398,500 shares are held in the name of PIC and 184,000 shares are held in the name of the LLC. Paulson Family LLC

(4) Chester Paulson is a controlling manager of the LLC, which is a controlling shareholder of PCC, which is the parent company of PIC. The securities are held in the name of PIC. Chester Paulson and the LLC expressly disclaim any beneficial ownership of securities in the name of PIC. /s/ HARRY L. STRIPLIN

By: Harry L. Striplin,
Authorized Agent

Paulson Capital Corp.

/s/ HARRY L. STRIPLIN

By: Harry L. Striplin,
Senior Vice President - Compliance

Paulson Investment Company

/s/ HARRY L. STRIPLIN

By: Harry L. Striplin,
Senior Vice President - Compliance

**Signature of Reporting Person

** 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.

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