

CHARLES & COLVARD LTD  
Form 4  
July 26, 2005

**FORM 4**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0287  
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

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 \*  
THORNTON GEORGE A III

(Last) (First) (Middle)

C/O CHARLES & COLVARD,  
LTD., 300 PERIMETER PARK  
DRIVE, SUITE A

(Street)

MORRISVILLE, NC 27560

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
CHARLES & COLVARD LTD  
[CTHR]

3. Date of Earliest Transaction  
(Month/Day/Year)  
07/22/2005

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director  10% Owner  
 Officer (give title below)  Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 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 |   | 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 Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|---------------------|---|---|--------------|---|--|-----------------------------------|
|                                 |                                      |  | Code                | V | Amount  | Price        |   |  |                                   |
| common stock                    | 07/22/2005                           |  | M                   |   | 7,600   | A \$ 1.267   | 56,341 <sup>(3)</sup>   | D  |                                   |
| common stock                    | 07/22/2005                           |  | S                   |   | 7,600   | D \$ 28.2524 | 48,741  | D  |                                   |
| common stock                    | 07/25/2005                           |  | M                   |   | 275   | A \$ 1.267   | 49,016  | D  |                                   |
| common stock                    | 07/25/2005                           |  | M                   |   | 5,250   | A \$ 1.267   | 54,266  | D  |                                   |
|                                 | 07/25/2005                           |  | M                   |   | 8,400   | A \$ 5.381   | 62,666  | D  |                                   |

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|              |            |  |   |        |   |            |        |   |
|--------------|------------|--|---|--------|---|------------|--------|---|
| common stock |            |  |   |        |   |            |        |   |
| common stock | 07/25/2005 |  | M | 4,275  | A | \$ 4.248   | 66,941 | D |
| common stock | 07/25/2005 |  | S | 13,000 | D | \$ 27.4984 | 53,941 | D |
| common stock | 07/25/2005 |  | S | 5,200  | D | \$ 28.1    | 48,741 | D |
| common stock | 07/25/2005 |  | S | 300    | D | \$ 27.73   | 48,441 | D |
| common stock | 07/25/2005 |  | S | 600    | D | \$ 27.72   | 47,841 | D |
| common stock | 07/25/2005 |  | S | 400    | D | \$ 27.7    | 47,441 | D |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**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.**

SEC 1474  
(9-02)

**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) |              |                            |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--------------|----------------------------|
|  |  |                                      |  | Code                           | V (A) (D)   | Date Exercisable   | Expiration Date   | Title        | Amount or Number of Shares |
| stock option (right to buy)                | \$ 1.267<br>(4)  | 07/22/2005                           |  | M                              | 7,600<br>(2)  | 05/14/2002 <sup>(1)</sup>                                | 05/13/2006  | common stock | 7,600                      |
| stock option (right to buy)                | \$ 1.267<br>(4)  | 07/25/2005                           |  | M                              | 275<br>(2)  | 05/14/2002 <sup>(1)</sup>                                | 05/13/2006  | common stock | 275                        |
| stock option                               | \$ 1.267<br>(4)  | 07/25/2005                           |  | M                              | 5,250<br>(2)  | 05/14/2002   | 05/13/2006  | common stock | 5,250                      |

|                             |                 |            |   |              |            |            |              |       |  |
|-----------------------------|-----------------|------------|---|--------------|------------|------------|--------------|-------|--|
| (right to buy)              |                 |            |   |              |            |            |              |       |  |
| stock option (right to buy) | \$ 5.381<br>(4) | 07/25/2005 | M | 8,400<br>(2) | 05/20/2003 | 05/19/2007 | common stock | 8,400 |  |
| stock option (right to buy) | \$ 4.248<br>(4) | 07/25/2005 | M | 4,275<br>(2) | 05/12/2004 | 05/11/2008 | common stock | 4,275 |  |

## Reporting Owners

| Reporting Owner Name / Address   | Relationships |           |         |       |
|--|---------------|-----------|---------|-------|
|  | Director      | 10% Owner | Officer | Other |
| THORNTON GEORGE A III<br>C/O CHARLES & COLVARD, LTD.<br>300 PERIMETER PARK DRIVE, SUITE A<br>MORRISVILLE, NC 27560 | X             |           |         |       |

## Signatures

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

\_\_Signature of Reporting Person

Date

## Explanation of Responses:

- \* 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).
- (1) These options vest and become exercisable in three equal installments on 5/14/02, 5/14/03, and 5/14/04.
- (2) Number of stock options adjusted 5% for 2005 stock dividend
- (3) Number of shares owned adjusted for 2005 5% stock dividend
- (4) Price of stock option adjusted 5% for 2005 stock dividend.

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