

CHARLES & COLVARD LTD  
Form 4  
July 27, 2005

**FORM 4**

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

OMB APPROVAL

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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)  
07/26/2005

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 (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 Ownership (Instr. 4)
				(A) or (D)	Price		
common stock	07/26/2005		M	A	\$ 4,125 4.248	51,566	D
common stock	07/26/2005		S	D	\$ 4,125 26.05	47,441	D
common stock	07/26/2005		M	A	\$ 8,400 4.705	55,841	D
common stock	07/26/2005		S	D	\$ 8,400 26.05	47,441	D
	07/26/2005		S	D	\$ 1,095 26	46,346	D

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common stock							
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

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.**

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**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. Amount or Number of Shares
		07/26/2005		M	(A)	05/12/2004 05/11/2008		4,125

stock option (right to buy)	\$ 4,248 ( <u>2</u> )			4,125 ( <u>1</u> )				common stock
stock option (right to buy)	\$ 4,705 ( <u>2</u> )	07/26/2005	M	8,400 ( <u>1</u> )	05/11/2005	05/10/2009		common stock    8,400

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
THORNTON GEORGE A III C/O CHARLES & COLVARD, LTD. 300 PERIMETER PARK DRIVE, SUITE A 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) Number of stock options adjusted 5% for 2005 stock dividend
- (2) 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.