CHARLES & COLVARD LTD

Form 4 July 26, 2005

FORM 4

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

OMB

OMB APPROVAL

Check this box if no longer

Number:

3235-0287 January 31,

2005

0.5

subject to Section 16. Form 4 or

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

Estimated average burden hours per

Form 5 obligations may continue.

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

response...

Expires:

See Instruction 1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person * THORNTON GEORGE A III

2. Issuer Name and Ticker or Trading

5. Relationship of Reporting Person(s) to Issuer

Symbol

CHARLES & COLVARD LTD [CTHR]

(Check all applicable)

(Last) (First) (Middle)

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

07/22/2005

_X__ Director Officer (give title

10% Owner Other (specify

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

(Street)

(State)

(Zip)

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

6. Individual or Joint/Group Filing(Check

Applicable Line)

X Form filed by One Reporting Person Form filed by More than One Reporting Person

MORRISVILLE, NC 27560

(City)

| Table I - Non-Derivative | Committee A comined | Disposed of or | Danoficially Owned |
|--------------------------|---------------------|-------------------|--------------------|
| Table I - Non-Derivative | Securiues Acquired | . Disposed of, or | Denenciany Owned |

| | | Iai |)IC 1 - 110II | -Delivative | Secu | riues Acqui | icu, Disposcu oi, | or Denencian | y Owneu |
|--------------------------------------|--------------------------------------|---|--|-------------|------------------|---------------|--|---|---------|
| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transactio Code (Instr. 8) | | | | 5. Amount of Securities Beneficially Owned Following | 7. Nature of Indirect Beneficial Ownership (Instr. 4) | |
| | | | Code V | Amount | (A) or (D) | Price | Reported Transaction(s) (Instr. 3 and 4) | (I) (Instr. 4) | |
| common stock | 07/22/2005 | | M | 7,600 | A | \$ 1.267 | 56,341 (3) | 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 | |

Edgar Filing: CHARLES & COLVARD LTD - Form 4

| 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. Transactic Code (Instr. 8) | 5. Number on f Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisab 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 (4) | 07/22/2005 | | M | 7,600 (2) | 05/14/2002(1) | 05/13/2006 | common stock | 7,600 |
| stock option (right to buy) | \$ 1.267 (4) | 07/25/2005 | | M | 275 (2) | 05/14/2002(1) | 05/13/2006 | common stock | 275 |
| stock option | \$ 1.267 (4) | 07/25/2005 | | M | 5,250 (2) | 05/14/2002 | 05/13/2006 | common stock | 5,250 |

Edgar Filing: CHARLES & COLVARD LTD - Form 4

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

Reporting Owners

Reporting Owner Name / Address

Director 10% Owner Officer Other

THORNTON GEORGE A III

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

MORRISVILLE, NC 27560

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.

Reporting Owners 3