

PAULSON JACQUELINE M  
Form 3  
December 14, 2007

# FORM 3 UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

OMB APPROVAL

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## INITIAL STATEMENT OF 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 \*

Â PAULSON CAPITAL CORP

(Last) (First) (Middle)

811 SW NAITO  
PARKWAY,Â SUITE 200

(Street)

PORTLAND,Â ORÂ 97204

(City) (State) (Zip)

2. Date of Event Requiring  
Statement

(Month/Day/Year)

12/14/2007

3. Issuer Name **and** Ticker or Trading Symbol  
Converted Organics Inc. [COIN]

4. Relationship of Reporting  
Person(s) to Issuer

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

(Check all applicable)

\_\_\_\_ Director \_\_\_\_X\_\_ 10% Owner

\_\_\_\_ Officer \_\_\_\_X\_\_ Other

(give title below) (specify below)

See Footnote (1)

6. Individual or Joint/Group  
Filing(Check Applicable Line)

\_\_\_\_ Form filed by One Reporting  
Person

\_\_X\_\_ Form filed by More than One  
Reporting Person

### Table I - Non-Derivative Securities Beneficially Owned

1. Title of Security  
(Instr. 4)

2. Amount of Securities  
Beneficially Owned  
(Instr. 4)

3. Ownership  
Form:  
Direct (D)  
or Indirect  
(I)  
(Instr. 5)

4. Nature of Indirect Beneficial  
Ownership  
(Instr. 5)

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

SEC 1473 (7-02)

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information contained in this form are not  
required to respond unless the form displays a  
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### Table II - Derivative Securities Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security  
(Instr. 4)

2. Date Exercisable and  
Expiration Date  
(Month/Day/Year)

Date Expiration  
Exercisable Date

3. Title and Amount of  
Securities Underlying  
Derivative Security  
(Instr. 4)

Title Amount or  
Number of  
Shares

4. Conversion  
or Exercise  
Price of  
Derivative  
Security

5. Ownership  
Form of  
Derivative  
Security:  
Direct (D)  
or Indirect  
(I)

6. Nature of Indirect  
Beneficial  
Ownership  
(Instr. 5)

(Instr. 5)

|  |            |            |              |                    |                   |   |                         |
|--|------------|------------|--------------|--------------------|-------------------|---|-------------------------|
| Class A Warrants (Right to buy Common Stock) | 02/13/2007 | 02/12/2012 | Common Stock | 60,000             | \$ 8.25           | I | See Footnote <u>(1)</u> |
| Class B Warrants (Right to buy Common Stock) | 02/13/2007 | 02/12/2012 | Common Stock | 60,000             | \$ 11             | I | See Footnote <u>(1)</u> |
| Underwriter Warrants (Right to buy Unit)     | 02/13/2008 | 02/12/2012 | Common Stock | 486,000 <u>(2)</u> | \$ 6.6 <u>(2)</u> | I | See Footnote <u>(1)</u> |

## Reporting Owners

| Reporting Owner Name / Address  | Relationships |           |         |                  |
|---|---------------|-----------|---------|------------------|
|   | Director      | 10% Owner | Officer | Other            |
| PAULSON CAPITAL CORP<br>811 SW NAITO PARKWAY<br>SUITE 200<br>PORTLAND, OR 97204 | Â             | Â X       | Â       | See Footnote (1) |
| PAULSON CHESTER L F<br>811 SW NAITO PARKWAY<br>SUITE 200<br>PORTLAND, OR 97204  | Â             | Â X       | Â       | See Footnote (1) |
| PAULSON JACQUELINE M<br>811 SW NAITO PARKWAY<br>SUITE 200<br>PORTLAND, OR 97204 | Â             | Â X       | Â       | See Footnote (1) |

## Signatures

|  |            |
|--|------------|
| Harry L. Striplin, Attorney-in-Fact for Chester L.F. Paulson         | 12/14/2007 |
| <u>    </u> Signature of Reporting Person                            | Date       |
| Harry L. Striplin, Authorized Agent for Paulson Capital Corp.        | 12/14/2007 |
| <u>    </u> Signature of Reporting Person                            | Date       |
| Harry L. Striplin, Authorized Agent for Paulson Investment Co., Inc. | 12/14/2007 |
| <u>    </u> Signature of Reporting Person                            | Date       |
| Harry L. Striplin, Authorized Agent for Paulson Family LLC.          | 12/14/2007 |
| <u>    </u> Signature of Reporting Person                            | Date       |
| Harry L. Striplin, Attorney-in-Fact for Jacqueline M. Paulson        | 12/14/2007 |
| <u>    </u> Signature of Reporting Person                            | Date       |

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, *see* Instruction 5(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) Form filed by more than one reporting person. In addition to Paulson Capital Corp. (PLCC), the following are reporting parties: Chester L.F. Paulson, Jacqueline M. Paulson, Paulson Family LLC (LLC) and Paulson Investment Company, Inc. (PICI). These reporting parties collectively own over 10%. The address for each of the reporting parties is the same as that provided for PLCC. PICI is a registered

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broker-dealer and a wholly owned subsidiary of PLCC. Mr. and Mrs. Paulson are controlling managers of the LLC, which is a controlling shareholder of PLCC, which is the parent company of PICI. Mr. and Mrs. Paulson and the LLC expressly disclaim any beneficial ownership of securities held in the name of PLCC and PICI.

- (2) The Reporting Persons own 162,000 Underwriter Warrants. One (1) Underwriter Warrant is exercisable at \$6.60 into One (1) Unit of Converted Organics Inc. Each Unit consist of one (1) share of common stock, one (1) Class A Warrant and one (1) Class B Warrant. Each Class A Warrant is exercisable at \$8.25 into one (1) share of common stock and expire February 12, 2012. Each Class B Warrant is exercisable at \$11.00 into one (1) share of common stock and expire February 12, 2012.

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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