

PAULSON CHESTER L F  
Form 4  
March 06, 2008

**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 \*  
PAULSON CAPITAL CORP

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)  
811 SW NAITO  
PARKWAY, SUITE 200  
  
(Street)

3. Date of Earliest Transaction (Month/Day/Year)  
03/05/2008

\_\_\_\_ Director  10% Owner  
\_\_\_\_ Officer (give title below)  Other (specify below)  
See Footnote (1)

PORTLAND, OR 97204

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

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

(City) (State) (Zip)

**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 Indirect Beneficial Ownership (Instr. 4)
			Code	V Amount (A) or (D) Price			
Common Stock	03/05/2008		S	5,000 D \$ 15.1874	6,077	I	See Footnote (1)
Common Stock	03/06/2008		S	2,000 D \$ 16.006	4,077	I	See Footnote (1)
Common Stock	03/06/2008		S	2,000 D \$ 16.5	2,077	I	See Footnote (1)
Common Stock	03/06/2008		S	2,077 D \$ 17	0	I	See Footnote

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Common Stock	03/06/2008	X	<u>11,077</u> (2)	A	\$ 6.6 (2)	11,077	I	(1) See Footnote (1)
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Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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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 Security (Instr. 3 and 4)
				Code V (A) (D)		Date Exercisable Expiration Date	Title Amount or Number of S
Class B Warrants (Right to buy Common Stock)	\$ 11	03/05/2008		S	5,000	02/13/2007 02/12/2012	Common Stock 5,
Class B Warrants (Right to buy Common Stock)	\$ 11	03/05/2008		S	2,000	02/13/2007 02/12/2012	Common Stock 2,
Class A Warrants (Right to buy Common Stock)	\$ 8.25	03/05/2008		S	5,000	02/13/2007 02/12/2012	Common Stock 5,
Class A Warrants (Right to buy Common Stock)	\$ 8.25	03/05/2008		S	2,000	02/13/2007 02/12/2012	Common Stock 2,



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Carol A. Rice, Authorized Agent for Paulson Investment Co., Inc.	03/06/2008
**Signature of Reporting Person	Date
Carol A. Rice, Authorized Agent for Paulson Family LLC	03/06/2008
**Signature of Reporting Person	Date
Carol A. Rice, Attorney-in-Fact for Jacqueline M. Paulson	03/06/2008
**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) 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 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) These transactions result from the exercise of 9,113 underwriter warrants at a price of \$6.60 per underwriter warrant. One (1) underwriter warrant is exercisable into one (1) share of common stock, one (1) class "A" warrant, and one (1) class "B" warrant. In addition, the issuer has declared four (4) separate 5% stock dividends on the common stock. Therefore, Paulson Investment Company, Inc. received 11,077 shares of common stock, 9,113 shares of class "A" warrants, and 9,113 shares of class "B" warrants.

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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