

PAULSON JACQUELINE M  
Form 4  
March 18, 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

3. Date of Earliest Transaction  
(Month/Day/Year)  
03/17/2008

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

See Footnote (1)

(Street)  
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  
\_X\_ 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  | (D)  | Price   |
| Common Stock                    | 03/17/2008                           |  | S                              |   | 2,000   | D  | \$ 10.2084  |
|                                 |                                      |  |                                |   | 24,337  | I  |   |
| Common Stock                    | 03/18/2008                           |  | S                              |   | 1,000   | D  | \$ 10.87  |
|                                 |                                      |  |                                |   | 23,337  | I  |   |

See Footnote (1)

See Footnote (1)

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

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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 |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|-------------------------------|
| Class A Warrants (Right to buy Common Stock) | \$ 8.25  | 03/17/2008                           |  | S                              | 2,000   | 02/13/2007 02/12/2012                                    | Common Stock  | 2,000                         |
| Class B Warrants (Right to buy Common Stock) | \$ 11  | 03/17/2008                           |  | S                              | 2,000   | 02/13/2007 02/12/2012                                    | Common Stock  | 2,000                         |
| Class A Warrants (Right to buy Common Stock) | \$ 8.25  | 03/18/2008                           |  | S                              | 1,000   | 02/13/2007 02/12/2012                                    | Common Stock  | 1,000                         |
| Class B Warrants (Right to buy Common Stock) | \$ 11  | 03/18/2008                           |  | S                              | 1,000   | 02/13/2007 02/12/2012                                    | Common Stock  | 1,000                         |

## Reporting Owners

| Reporting Owner Name / Address                            | Relationships |           |         |                  |
|---|---------------|-----------|---------|------------------|
|   | Director      | 10% Owner | Officer | Other            |
| PAULSON CAPITAL CORP<br>811 SW NAITO PARKWAY<br>SUITE 200 |               | X         |         | See Footnote (1) |

PORTLAND, OR 97204

PAULSON JACQUELINE M  
811 SW NAITO PARKWAY  
SUITE 200  
PORTLAND, OR 97204

X

See Footnote (1)

PAULSON CHESTER L F  
811 SW NAITO PARKWAY  
SUITE 200  
PORTLAND, OR 97204

X

See Footnote (1)

## Signatures

|  |            |
|--|------------|
| Harry L. Striplin, Attorney-in-Fact for Chester L.F. Paulson         | 03/18/2008 |
| **Signature of Reporting Person                                      | Date       |
| Harry L. Striplin, Authorized Agent for Paulson Capital Corp.        | 03/18/2008 |
| **Signature of Reporting Person                                      | Date       |
| Harry L. Striplin, Authorized Agent for Paulson Investment Co., Inc. | 03/18/2008 |
| **Signature of Reporting Person                                      | Date       |
| Harry L. Striplin, Authorized Agent for Paulson Family LLC           | 03/18/2008 |
| **Signature of Reporting Person                                      | Date       |
| Harry L. Striplin, Attorney-in-Fact for Jacqueline M. Paulson        | 03/18/2008 |
| **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.

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.