PAULSON CHESTER L F
Form 4
February 20, 2008

FORM 4

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

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

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).

(Print or Type Responses)

1. Name and Address of Reporting Person *
PAULSON CAPITAL CORP

(Last) (First) (Middle)

811 SW NAITO PARKWAY, SUITE 200

(Street)

PORTLAND, OR 97204

(City) (State) (Zip)

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

3. Date of Earliest Transaction (Month/Day/Year)
02/20/2008

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director __X__ 10% Owner
_____ Officer (give title below) __X__ Other (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 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	02/20/2008		X		11,077 (2)	A	$ 6.6 (2)	11,077	I	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 Amou Underlying Secur (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Am or Nur of S
Underwriter Warrants (Right to buy units) (2)	$ 6.6	02/20/2008		X(2)			9,113 (2)	02/13/2008	02/12/2012	Common Stock and Warrants	29
Class A Warrants (Right to buy Common Stock) (2)	$ 8.25	02/20/2008		X(2)		9,113 (2)		02/13/2007	02/12/2012	Common Stock	9,
Class B Warrants (Right to buy Common Stock) (2)	$ 11	02/20/2008		X(2)		9,113 (2)		02/13/2007	02/12/2012	Common Stock	9,

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
PAULSON CAPITAL CORP 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)
PAULSON JACQUELINE M 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	02/20/2008
**Signature of Reporting Person	Date
Harry L. Striplin, Authorized Agent for Paulson Capital Corp.	02/20/2008
**Signature of Reporting Person	Date
Harry L. Striplin, Authorized Agent for Paulson Investment Co., Inc.	02/20/2008
**Signature of Reporting Person	Date
Harry L. Striplin, Authorized Agent for Paulson Family LLC	02/20/2008
**Signature of Reporting Person	Date
Harry L. Striplin, Attorney-in-Fact for Jacqueline M. Paulson	02/20/2008
**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 form 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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