



## PAULSON CAPITAL CORP. ANNOUNCES 2007 FIRST QUARTER RESULTS

*Company Reports Net Income of \$0.45 Earnings Per Share*

*Management to Host Teleconference Tomorrow Afternoon Beginning at 4:15 PM ET*

**PORTLAND, Ore. – (MARKET WIRE) – May 14, 2007** – Paulson Capital Corp. (Nasdaq:PLCC), parent company to Paulson Investment Company, Inc., today announced its financial results for the three months ended March 31, 2007.

### **Financial Highlights for Three Months Ended March 31, 2007 Compared to Three Months Ended March 31, 2006:**

- Total revenues climbed to \$9.7 million compared to total revenues of (\$958,000).
- Sales commissions and salaries remained relatively unchanged at \$4.0 million.
- Corporate finance revenues increased 1779% to \$996,000 from \$53,000.
- Investment income rose to \$3.2 million compared to investment losses of \$5.2 million.
- Trading income increased 3662% to \$1.3 million from \$36,000.
- Income before taxes was \$4.5 million compared to a loss before taxes of \$5.7 million.
- Net income totaled \$2.8 million, or \$0.45 earnings per basic and diluted share, compared to a net loss of \$3.5 million, or \$0.57 loss per basic and diluted share.

As of March 31, 2007, the Company had \$12.4 million in cash and receivables and \$37.3 million in total shareholders' equity. The value of the Company's trading securities, investment securities and underwriter warrants was \$29.7 million. During the 2007 first quarter period, the Company repurchased a total of 37,500 shares of its common stock under the stock repurchase program approved by the Board in September 2001.

Chester L.F. Paulson, founder and Chairman of Paulson, stated, "Our strong first quarter results are primarily a reflection of the favorable market conditions that have helped to restore and enhance value in our proprietary investment and trading accounts. In addition, with the completion of our initial public offering for Converted Organics, we saw a sizable gain in our corporate finance revenues. Overall, we're very proud of our performance and hope that we can continue this success in coming quarters."

The Company will host a teleconference tomorrow afternoon, Tuesday, May 15, 2007, beginning at 4:15 PM Eastern Time and invites all interested parties to join management in a discussion regarding the Company's financials, corporate progress and other developments. The conference call can be accessed by dialing toll-free 1-800-867-0448. For those unable to participate at that time, a replay of the teleconference can be accessed domestically by dialing 1-800-405-2236 and enter the passcode 11090156#. The replay will be available for 30 days.

### **About Paulson Capital Corporation**

Paulson Capital Corporation is the parent company to Paulson Investment Company, Inc. Located in Portland, Oregon, Paulson Investment Company is the Northwest's largest independent brokerage firm and a national leader in public offerings of small and emerging growth companies with capital needs of \$5 million to \$45 million. Founded by Chet Paulson in 1970, it has managed or underwritten more than 150 public offerings and has generated more than \$1 billion for client companies.

**FINANCIAL CHARTS TO FOLLOW**

**Paulson Capital Corp. and Subsidiary**  
**CONSOLIDATED BALANCE SHEETS**

	<u>March 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
	(Unaudited)	
<b>Assets</b>		
Cash and cash equivalents	\$ 151,104	\$ 219,341
Receivable from clearing organization	10,667,203	7,748,968
Notes and other receivables	1,624,620	1,651,002
Income taxes receivable	-	304,695
Trading securities, at market value	3,627,085	2,363,824
Investment securities, at market or estimated fair value	16,036,363	19,542,643
Underwriter warrants, at estimated fair value	10,015,000	5,650,000
Prepaid and deferred expenses	493,288	711,827
Furniture and equipment, at cost, net of accumulated depreciation and amortization of \$776,723 and \$747,759	248,929	271,766
Total Assets	<u>\$ 42,863,592</u>	<u>\$ 38,464,066</u>
<b>Liabilities and Shareholders' Equity</b>		
Accounts payable and accrued liabilities	\$ 580,221	\$ 570,823
Payable to clearing organization	155,590	-
Compensation, employee benefits and payroll taxes	1,153,942	954,981
Securities sold, not yet purchased, at market value	5,277	17,244
Income taxes payable - current	78,151	-
Income taxes payable - long-term	190,000	-
Deferred revenue	450,000	475,000
Deferred income taxes	2,906,248	1,670,000
Total Liabilities	<u>5,519,429</u>	<u>3,688,048</u>
<b>Commitments and Contingencies</b>	-	-
<b>Shareholders' Equity</b>		
Preferred stock, no par value; 500,000 shares authorized; none issued	-	-
Common stock, no par value; 20,000,000 shares authorized; shares issued and outstanding: 6,163,511 and 6,179,011	1,989,782	1,920,293
Retained earnings	35,354,381	32,855,725
Total Shareholders' Equity	<u>37,344,163</u>	<u>34,776,018</u>
Total Liabilities and Shareholders' Equity	<u>\$ 42,863,592</u>	<u>\$ 38,464,066</u>

**Paulson Capital Corp. and Subsidiary**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**(Unaudited)**

	<u>For the Three Months Ended March 31,</u>	
	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Commissions	\$ 4,116,568	\$ 4,103,034
Corporate finance	995,511	53,268
Investment income (loss)	3,184,344	(5,164,766)
Trading income	1,340,076	35,837
Interest and dividends	34,173	13,168
Other	25,375	1,173
	<u>9,696,047</u>	<u>(958,286)</u>
<b>Expenses</b>		
Commissions and salaries	3,964,709	3,717,009
Underwriting expenses	159,955	35,000
Rent, telephone and quotation services	313,235	296,508
Professional fees	203,945	224,287
Bad debt expense	47,689	1,517
Travel and entertainment	35,380	42,032
Advertising and promotion expense	48,006	36,034
Settlement expense	79,717	-
Depreciation and amortization	28,964	21,873
Other	314,048	337,452
	<u>5,195,648</u>	<u>4,711,712</u>
Income (loss) before income taxes	4,500,399	(5,669,998)
Income tax expense (benefit):		
Current	486,955	2,099,890
Deferred	1,236,247	(4,243,149)
	<u>1,723,202</u>	<u>(2,143,259)</u>
Net income (loss)	<u>\$ 2,777,197</u>	<u>\$ (3,526,739)</u>
Basic net income (loss) per share	<u>\$ 0.45</u>	<u>\$ (0.57)</u>
Diluted net income (loss) per share	<u>\$ 0.45</u>	<u>\$ (0.57)</u>
Shares used in per share calculations:		
Basic	<u>6,157,672</u>	<u>6,189,194</u>
Diluted	<u>6,166,906</u>	<u>6,189,194</u>

*This release may contain "forward-looking statements" based on current expectations but involving known and unknown risks and uncertainties. Actual results of achievements may be materially different from those expressed or implied. The Company's plan and objectives are based on judgments with respect to future conditions in the securities markets as well as general assumptions regarding the economy and competitive environment in the securities industry, which can be volatile and out of our control. In particular, we make assumptions about our ability to complete corporate finance transactions and increase the volume and size of our securities trading operations, which are difficult or impossible to predict accurately and often beyond the control of the Company. Therefore, there can be no assurance that any forward-looking statement will prove to be accurate.*

**FOR MORE INFORMATION, PLEASE CONTACT:**  
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