



PAULSON CAPITAL CORP. REPORTS SECOND QUARTER 2007 RESULTS

*For First Six Months of 2007, Company Achieves 188% Increase in Revenues
and Posts \$0.61 in Net Income Per Share*

Management to Host Teleconference Tomorrow Afternoon Beginning at 1:00 PM ET

PORTLAND, Ore. – (MARKET WIRE) – August 14, 2007 – Paulson Capital Corp. (Nasdaq:PLCC), parent company to Paulson Investment Company, Inc., today announced its financial results for the three and six months ended June 30, 2007.

Financial Highlights for Three Months Ended June 30, 2007 Compared to Three Months Ended June 30, 2006:

- Total revenues increased 12.6% to \$8.0 million from \$7.1 million.
- Commissions earned from securities brokerage activities totaled \$4.6 million, up from \$4.1 million.
- Corporate finance revenues rose 8.5% to \$3.5 million from \$3.2 million.
- Investment losses were \$629,000 compared to investment income of \$76,000.
- Trading income increased to \$371,000 from trading losses of \$255,000.
- Income before taxes grew 56.2% to \$1.7 million from \$1.1 million.
- Net income totaled \$1.0 million, or \$0.16 earnings per basic and diluted share, compared to net income of \$721,000, or \$0.12 earnings per basic and diluted share.

Financial Highlights for Six Months Ended June 30, 2007 Compared to Six Months Ended June 30, 2006:

- Total revenues increased 188% to \$17.7 million from \$6.1 million.
- Commissions earned from securities brokerage activities rose 6.6% to \$8.7 million from \$8.2 million.
- Corporate finance revenues totaled \$4.4 million, up 37.5% from \$3.2 million.
- Investment income rose to \$2.6 million from investment losses of \$5.1 million.
- Trading income increased to \$1.7 million from a trading loss of \$219,000.
- Income before taxes was \$6.2 million compared to a loss before taxes of \$4.6 million.
- Net income totaled \$3.8 million, or \$0.61 earnings per basic and diluted share, compared to a net loss of \$2.8 million, or \$0.45 loss per basic and diluted share.

As of June 30, 2007, the Company had \$16.1 million in cash and receivables and approximately \$38 million in total shareholders' equity. The value of the Company's trading securities, investment securities and underwriter warrants was \$34.2 million. During the first six months of 2007, the Company repurchased a total of 111,565 shares of its common stock under the stock repurchase program approved by the Board in September 2001.

Commenting on the results, Chester L.F. Paulson, founder and Chairman of Paulson, noted, "Improved stock prices in the first half of 2007 helped earnings in our four main areas: Trading, Retail, Investment Income account and Corporate Finance. Investment Banking activities for the first six months of 2007 included securing bridges for several companies and completing the initial public offering for Vaughan Foods. Currently, we have a number of projects in the pipeline, and, given a favorable market environment, are anticipating busy third and fourth quarters."

Paulson will host a teleconference tomorrow afternoon, August 15, 2007, beginning at 1:00 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 1-800-867-1054. 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 11094952#. The replay will be available for 30 days.

FINANCIAL CHARTS TO FOLLOW

Paulson Capital Corp. and Subsidiary Consolidated Balance Sheets

	June 30,	December 31,
	2007	2006
	(Unaudited)	
Assets		
Cash and cash equivalents	\$ 120,730	\$ 219,341
Receivable from clearing organization	14,311,661	7,748,968
Notes and other receivables	1,622,367	1,651,002
Income taxes receivable	-	304,695
Trading securities, at market value	8,769,088	2,363,824
Investment securities, at market or estimated fair value	12,774,205	19,542,643
Underwriter warrants, at estimated fair value	12,645,000	5,650,000
Prepaid and deferred expenses	269,865	711,827
Furniture and equipment, at cost, net of accumulated depreciation and amortization of \$804,086 and \$747,759	248,813	271,766
Total Assets	\$ 50,761,729	\$ 38,464,066
Liabilities and Shareholders' Equity		
Accounts payable and accrued liabilities	\$ 653,105	\$ 570,823
Payable to clearing organization	4,096,771	-
Compensation, employee benefits and payroll taxes	1,173,064	954,981
Securities sold, not yet purchased, at market value	2,686,879	17,244
Income taxes payable - current	279,298	-
Income taxes payable - long-term	190,000	-
Deferred revenue	425,000	475,000
Deferred income taxes	3,307,773	1,670,000
Total Liabilities	12,811,890	3,688,048
Commitments and Contingencies		
	-	-
Shareholders' Equity		
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: 6,089,446 and 6,179,011	1,972,747	1,920,293
Retained earnings	35,977,092	32,855,725
Total Shareholders' Equity	37,949,839	34,776,018
Total Liabilities and Shareholders' Equity	\$ 50,761,729	\$ 38,464,066

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30.	
	2007	2006	2007	2006
Revenues				
Commissions	\$ 4,603,971	\$ 4,076,360	\$ 8,720,539	\$ 8,179,394
Corporate finance	3,450,296	3,178,920	4,445,807	3,232,188
Investment income (loss)	(628,508)	75,735	2,555,836	(5,089,031)
Trading income (loss)	370,687	(254,547)	1,710,763	(218,710)
Interest and dividends	36,826	12,996	70,999	26,164
Other	146,700	440	172,075	1,614
	<u>7,979,972</u>	<u>7,089,904</u>	<u>17,676,019</u>	<u>6,131,619</u>
Expenses				
Commissions and salaries	4,818,382	4,727,534	8,783,091	8,444,543
Underwriting expenses	149,509	132,446	309,464	167,446
Rent, telephone and quotation services	303,945	289,758	617,180	586,266
Professional fees	141,228	226,090	345,173	450,377
Bad debt expense	107,160	101	154,849	1,618
Travel and entertainment	41,804	211,307	77,184	253,339
Advertising and promotion expense	36,720	49,669	84,726	85,703
Settlement expense	230,000	4,750	309,717	4,750
Depreciation and amortization	27,363	22,604	56,327	44,477
Other	461,811	361,963	775,859	699,415
	<u>6,317,922</u>	<u>6,026,222</u>	<u>11,513,570</u>	<u>10,737,934</u>
Income (loss) before income taxes	1,662,050	1,063,682	6,162,449	(4,606,315)
Income tax expense (benefit):				
Current	259,647	14,749	746,602	2,114,639
Deferred	401,526	327,524	1,637,773	(3,915,625)
	<u>661,173</u>	<u>342,273</u>	<u>2,384,375</u>	<u>(1,800,986)</u>
Net income (loss)	<u>\$ 1,000,877</u>	<u>\$ 721,409</u>	<u>\$ 3,778,074</u>	<u>\$ (2,805,329)</u>
Basic net income (loss) per share	<u>\$ 0.16</u>	<u>\$ 0.12</u>	<u>\$ 0.61</u>	<u>\$ (0.45)</u>
Diluted net income (loss) per share	<u>\$ 0.16</u>	<u>\$ 0.12</u>	<u>\$ 0.61</u>	<u>\$ (0.45)</u>
Shares used in per share calculations:				
Basic	<u>6,144,599</u>	<u>6,183,719</u>	<u>6,151,100</u>	<u>6,186,441</u>
Diluted	<u>6,154,496</u>	<u>6,231,599</u>	<u>6,161,051</u>	<u>6,186,441</u>

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.

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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