



## PAULSON CAPITAL CORP. REPORTS THIRD QUARTER 2007 RESULTS

### *Achieves 297% Revenue Growth and Posts EPS of \$0.73 for Nine Month Reporting Period*

**PORTLAND, Ore. – (MARKET WIRE) – November 9, 2007** Paulson Capital Corp. (Nasdaq:PLCC), parent company to Paulson Investment Company, Inc., today announced its third quarter financial results for the three and nine months ended September 30, 2007.

#### **Financial Highlights for Three Months Ended September 30, 2007 Compared to Three Months Ended September 30, 2006:**

- Total revenues increased to \$5.95 million from negative total revenues of \$181,000.
- Commissions from securities brokerage activities totaled \$4.09 million, a 30% increase over \$3.16 million.
- Corporate finance revenues declined to \$21,000 from \$1.41 million.
- Investment income was \$1.67 million compared to investment losses of \$3.17 million.
- Trading income increased to \$58,000 from trading losses of \$1.60 million.
- Income before taxes climbed to \$1.01 million from losses before taxes of \$4.82 million.
- Net income totaled \$670,000, or \$0.11 earnings per basic and diluted share, compared to net losses of \$3.22 million, or \$0.52 loss per basic and diluted share.

#### **Financial Highlights for Nine Months Ended September 30, 2007 Compared to Nine Months Ended September 30, 2006:**

- Total revenues rose to \$23.63 million, representing a 297% increase over \$5.95 million.
- Commissions earned from securities brokerage activities improved 13% to \$12.81 million from \$11.34 million.
- Corporate finance revenues modestly declined to \$4.47 million from \$4.65 million.
- Investment income increased to \$4.23 million from investment losses of \$8.26 million.
- Trading income climbed to \$1.77 million from trading losses of \$1.81 million.
- Income before taxes was \$7.17 million compared to a loss before taxes of \$9.43 million.
- Net income totaled \$4.45 million, or \$0.73 earnings per basic share and \$0.72 earnings per diluted share, compared to a net loss of \$6.02 million, or \$0.97 loss per basic and diluted share.

As of September 30, 2007, the Company had \$10.2 million in cash and receivables and approximately \$38.5 million in total shareholders' equity. The value of the Company's trading securities, investment securities and underwriter warrants was \$32.8 million. During the first nine months of 2007, the Company repurchased a total of 123,861 shares of its common stock under the stock repurchase program approved by the Board in September 2001.

"We are very pleased with our strong financial performance, particularly in light of challenging market conditions that otherwise adversely affected the overall small cap market during the third quarter," stated Chester L.F. Paulson, founder, Chairman and CEO of Paulson Capital Corp. "Despite not completing any corporate finance transactions in the three month reporting period, our retail brokerage and trading activities, coupled with the solid management of our proprietary investment accounts, all made positive contributions to our results. Looking ahead to year-end, we look forward to concluding 2007 on relatively sound terms."

Due to travel and schedule conflicts associated with senior management's involvement with Paulson Investment's 30<sup>th</sup> Annual Westergaard Conference held next week in New York City, there will be no investor conference call to discuss the 2007 third quarter results. Management will resume hosting quarterly conference calls following the next scheduled financial reporting period.

## Paulson Capital Corp. and Subsidiary Consolidated Balance Sheets

	<u>September 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
	(Unaudited)	
<b>Assets</b>		
Cash and cash equivalents	\$ 12,959	\$ 219,341
Receivable from clearing organization	10,229,352	7,748,968
Notes and other receivables	1,546,724	1,651,002
Income taxes receivable	-	304,695
Trading securities, at market value	4,756,474	2,363,824
Investment securities, at market or estimated fair value	14,385,274	19,542,643
Underwriter warrants, at estimated fair value	13,682,000	5,650,000
Prepaid and deferred expenses	743,812	711,827
Furniture and equipment, at cost, net of accumulated depreciation and amortization of \$833,353 and \$747,759	219,901	271,766
Total Assets	\$ 45,576,496	\$ 38,464,066
<b>Liabilities and Shareholders' Equity</b>		
Accounts payable and accrued liabilities	\$ 911,136	\$ 570,823
Payable to clearing organization	326,611	-
Compensation, employee benefits and payroll taxes	886,358	954,981
Securities sold, not yet purchased, at market value	250,148	17,244
Income taxes payable - current	1,107,299	-
Income taxes payable - long-term	218,000	-
Deferred revenue	400,000	475,000
Deferred income taxes	2,929,950	1,670,000
Total Liabilities	7,029,502	3,688,048
<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: 6,077,150 and 6,179,011	1,969,919	1,920,293
Retained earnings	36,577,075	32,855,725
Total Shareholders' Equity	38,546,994	34,776,018
Total Liabilities and Shareholders' Equity	\$ 45,576,496	\$ 38,464,066

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

	<u>For the Three Months Ended September 30,</u>		<u>For the Nine Months Ended September 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Revenues</b>				
Commissions	\$ 4,090,223	\$ 3,156,476	\$ 12,810,762	\$ 11,335,870
Corporate finance	21,230	1,414,620	4,467,037	4,646,808
Investment income (loss)	1,672,110	(3,170,780)	4,227,946	(8,259,811)
Trading income (loss)	58,344	(1,595,605)	1,769,107	(1,814,315)
Interest and dividends	48,988	15,203	119,987	41,367
Other	60,121	(680)	232,196	934
	<u>5,951,016</u>	<u>(180,766)</u>	<u>23,627,035</u>	<u>5,950,853</u>
<b>Expenses</b>				
Commissions and salaries	3,669,120	3,314,795	12,452,211	11,759,338
Underwriting expenses	14,529	188,579	323,993	356,025
Rent, telephone and quotation services	313,066	307,326	930,246	893,592
Professional fees	151,828	155,774	497,001	606,151
Bad debt expense	27,192	2,643	182,041	4,261
Travel and entertainment	107,505	45,722	184,689	299,061
Advertising and promotion	92,820	47,542	177,546	133,245
Settlement expense	190,000	185,461	499,717	190,211
Depreciation and amortization	29,267	29,032	85,594	73,509
Other	349,184	365,012	1,125,043	1,064,427
	<u>4,944,511</u>	<u>4,641,886</u>	<u>16,458,081</u>	<u>15,379,820</u>
Income (loss) before income taxes	1,006,505	(4,822,652)	7,168,954	(9,428,967)
Income tax expense (benefit):				
Current	714,423	(580,503)	1,461,025	1,534,136
Deferred	(377,823)	(1,025,833)	1,259,950	(4,941,458)
	<u>336,600</u>	<u>(1,606,336)</u>	<u>2,720,975</u>	<u>(3,407,322)</u>
Net income (loss)	<u>\$ 669,905</u>	<u>\$ (3,216,316)</u>	<u>\$ 4,447,979</u>	<u>\$ (6,021,645)</u>
Basic net income (loss) per share	<u>\$ 0.11</u>	<u>\$ (0.52)</u>	<u>\$ 0.73</u>	<u>\$ (0.97)</u>
Diluted net income (loss) per share	<u>\$ 0.11</u>	<u>\$ (0.52)</u>	<u>\$ 0.72</u>	<u>\$ (0.97)</u>
Shares used in per share calculations:				
Basic	<u>6,087,341</u>	<u>6,167,621</u>	<u>6,129,613</u>	<u>6,180,099</u>
Diluted	<u>6,097,321</u>	<u>6,167,621</u>	<u>6,139,665</u>	<u>6,180,099</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.*

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