

Paulson Capital Corporation
Code of Business Conduct and Ethics

Introduction

This Code of Business Conduct and Ethics (the “Code”) embodies the commitment of Paulson Capital Corporation and its subsidiary Paulson Investment Company, Inc. (together, “Paulson” or “we”) to conduct business in accordance with all applicable laws, rules and regulations and the highest ethical standards. Integrity and honesty lie at the heart of Paulson’s business. We expect our people to maintain high ethical standards in everything they do, both in their work for Paulson and in their personal lives. All employees, consultants, officers, and members of our Board of Directors (collectively, “Covered Persons”) are expected to adhere to these principles and to the procedures set forth in this Code. (For purposes of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder, Section I of this Code shall be Paulson’s code of ethics for Senior Financial Officers (as defined below).

Each Covered Person should also read and be familiar with the portions of Paulson’s firmwide Compliance Policies and Supervisory Procedures Manual applicable to him or her. In addition to the aforementioned items, Paulson also may, in the future, issue more specific policies, procedures, rules or directives that reflect these standards while addressing the special requirements or needs of a particular Paulson business group or division. If there are any inconsistencies between this Code and such other policies, procedures, rules or directives, the provisions and requirements of this Code shall apply.

SECTION I

A. Compliance and Reporting

Covered Persons should strive to identify and raise potential issues before they lead to problems, and should ask about the application of this Code whenever in doubt. Any Covered Person who becomes aware of any existing or potential violation of this Code should promptly contact Paulson’s Chief Compliance Officer. In the case of directors, the Chief Executive Officer, the Chief Financial Officer, the controller or principal accounting officer, and the Chief Compliance Officer (the “Senior Financial Officers”), Paulson’s General Counsel should be contacted. (We refer to Paulson’s Chief Compliance Officer and General Counsel as “Appropriate Ethics Contacts”). Paulson will take such disciplinary or preventive action as it deems appropriate to address any existing or potential violation of this Code brought to its attention.

Any questions relating to how these policies should be interpreted or applied should be addressed to an Appropriate Ethics Contact.

B. Conflicts of Interest

A “conflict of interest” occurs when an individual’s private interest improperly interferes, or gives the appearance of interfering, with the interests of Paulson. Conflicts of interest are prohibited as a matter of policy, unless they have been approved by an Appropriate Ethics Contact. In particular, a Covered Person must never use, or attempt to use, his or her position at Paulson to obtain any improper personal benefit for himself or herself, for his or her family members, or for any other person, including loans or guarantees of obligations, from any person or entity.

Service to Paulson should never be subordinated to personal gain and advantage. Conflicts of interest should, to the extent possible, be avoided. Any Covered Person who is aware of a material transaction or relationship that could reasonably be expected to give rise to a conflict of interest should discuss the matter promptly with an Appropriate Ethics Contact.

C. Public Disclosure

It is Paulson's policy that the information in its public communications, including SEC filings, be full, fair, accurate, timely and understandable. All Covered Persons who are involved in the company's disclosure process, including the Senior Financial Officers, are responsible for acting in furtherance of this policy. In particular, these individuals are required to maintain familiarity with the disclosure requirements applicable to Paulson and are prohibited from knowingly misrepresenting, omitting, or causing others to misrepresent or omit, material facts about Paulson to others, whether within or outside of Paulson, including Paulson's independent auditors. In addition, any Covered Person who has a supervisory role in Paulson's disclosure process has an obligation to discharge his or her responsibilities diligently.

D. Compliance with Laws, Rules and Regulations

It is Paulson's policy to comply with all applicable laws, rules and regulations. It is the personal responsibility of each Covered Person to adhere to the standards and restrictions imposed by those laws, rules and regulations. The Supervisory Procedures Manual provides guidance as to certain laws, rules and regulations that apply to the Paulson's activities.

Generally, it is both illegal and against Paulson policy for any Covered Person who is aware of material nonpublic information relating to Paulson, any of Paulson's clients or any other public, private or governmental issuer of securities to buy or sell any securities of those issuers, or recommend that another person buy, sell or hold the securities of those issuers.

More detailed rules governing the trading of securities by the Covered Persons are set forth in the Supervisory Procedures Manual. Any Covered Person who is uncertain about the legal rules involving his or her purchase or sale of any securities or any securities in issuers that he or she is familiar with by virtue of his or her work for Paulson should consult with an Appropriate Ethics Contact before making any such purchase or sale.

SECTION II

A. Corporate Opportunities

Covered Persons owe a duty to advance Paulson's legitimate business interests when the opportunity to do so arises. Covered Persons are prohibited from taking for themselves (or directing to a third party) a business opportunity that is discovered through the use of corporate property, information or position, unless Paulson has already been offered the opportunity and turned it down. More generally, Covered Persons are prohibited from using corporate property, information or position for personal gain or competing with Paulson.

Sometimes the line between personal and company benefits is difficult to draw, and sometimes both personal and company benefits may be derived from certain activities. The only prudent course of conduct for Covered Persons is to make sure that any use of Paulson's property or services that is not solely for the benefit of Paulson is approved beforehand through the Appropriate Ethics Contact.

B. Confidentiality

In carrying out Paulson's business, Covered Persons often learn confidential or proprietary information about Paulson, its clients/customers, prospective clients/customers or other third parties. Covered Persons must maintain the confidentiality of all information so entrusted to them, except when disclosure is authorized or legally mandated. Confidential or proprietary information includes, among other things, any non-public information concerning Paulson, including its businesses, financial performance, results or prospects, and any non-public information provided by a third party with the expectation that the information will be kept confidential and used solely for the business purpose for which it was conveyed. Covered Persons should refer to the policies set forth in the Supervisory Procedures Manual.

C. Fair Dealing

We have a history of succeeding through honest business competition. We do not seek competitive advantages through illegal or unethical business practices. Each Covered Person should endeavor to deal fairly with the Paulson's clients, service providers, suppliers, competitors and employees. No Covered Person should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any unfair dealing practice.

D. Equal Employment Opportunity and Harassment

Paulson's focus in personnel decisions is on merit and contribution to Paulson's success. Concern for the personal dignity and individual worth of every person is an indispensable element in the standard of conduct that we have set for ourselves. Paulson affords equal employment opportunity to all qualified persons without regard to any impermissible criterion or circumstance. This means equal opportunity in regard to each individual's terms and conditions of employment and in regard to any other matter that affects in any way the working environment of the employee. We do not tolerate or condone any type of discrimination prohibited by law, including harassment.

E. Protection and Proper Use of Company Assets

All Covered Persons should protect Paulson's assets and ensure their efficient use. All assets should be used for legitimate business purposes only.

SECTION III

Waivers of This Code

From time to time, Paulson may waive certain provisions of this Code. Any Covered Person who believes that a waiver may be called for should discuss the matter with an Appropriate Ethics Contact. Waivers for executive officers (including Senior Financial Officers) or directors may be made only by the Board of Directors or a committee of the Board.