

Edgar Filing: PAID INC - Form 10QSB

PAID INC
Form 10QSB
May 15, 2007

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

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2007

COMMISSION FILE NUMBER 0-28720

PAID, INC.

(Exact Name of Small Business Issuer as Specified in its Charter)

DELAWARE

(State or other jurisdiction of
Incorporation or organization)

73-1479833

(I.R.S. Employer
Identification No.)

4 Brussels Street, Worcester, Massachusetts 01610
(Address of principal executive offices)

(508) 791-6710

(Issuer's Telephone Number, Including Area Code)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 6, 2007, the issuer had outstanding 225,660,724 shares of its Common Stock, par value \$.001 per share.

Transitional Small Business Disclosure Format

Yes No

Paid, Inc.
and Subsidiary
Form 10-QSB

For the Three Months ended March 31, 2007

TABLE OF CONTENTS

Part I - Financial Information

Item 1. Financial Statements

Consolidated Balance Sheets
March 31, 2007 (unaudited) and

Edgar Filing: PAID INC - Form 10QSB

December 31, 2006.....	3
Consolidated Statements of Operations Three months ended March 31, 2007 and 2006 (unaudited).....	4
Consolidated Statements of Cash Flows Three months ended March 31, 2007 and 2006 (unaudited).....	5
Consolidated Statements of Changes in Shareholders' Equity Three months ended March 31, 2007 (unaudited).....	6
Notes to Consolidated Financial Statements Three months ended March 31, 2007 and 2006.....	7-11
Item 2. Management's Discussion and Analysis or Plan of Operation.....	11
Item 3. Controls and Procedures.....	14
Part II - Other Information	
Item 1. Legal Proceedings.....	15
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	15
Item 3. Defaults Upon Senior Securities.....	15
Item 4. Submission of Matters to a Vote of Security Holders.....	15
Item 5. Other Information	15
Item 6. Exhibits	15
Signatures.....	16

- 2 -

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

- 3 -

PAID, INC. AND SUBSIDIARY CONSOLIDATED BALANCE SHEETS

	March 31, 2007 ---- (unaudited)	December 31, 2006 ---- (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 520,083	\$ 138,326

Edgar Filing: PAID INC - Form 10QSB

Accounts receivable	50,071	34,731
Inventories, net	1,182,630	1,181,361
Deferred expenses	5,814	--
Prepaid expenses	275,607	80,975
Due from employees	34,862	32,803
Other current assets	9,073	9,073
	-----	-----
Total current assets	2,078,140	1,477,269
Property and equipment, net	161,498	191,518
Other intangible assets, net	11,533	11,768
	-----	-----
Total assets	\$ 2,251,171	\$ 1,680,555
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes and loans payable	\$ 80,000	\$ 98,000
Accounts payable	303,529	396,257
Accrued expenses	682,817	915,176
Deferred revenues	561,051	--
	-----	-----
Total current liabilities	1,627,397	1,409,433
	-----	-----
Commitments and contingencies	--	--
	-----	-----
Shareholders' equity:		
Common stock, \$.001 par value, 350,000,000 shares authorized; 225,105,000 and 218,329,910 shares issued and outstanding at March 31, 2007 and December 31, 2006, respectively	225,105	218,330
Additional paid-in capital	29,902,024	28,638,897
Accumulated deficit	(29,503,355)	(28,586,105)
	-----	-----
Total shareholders' equity	623,774	271,122
	-----	-----
Total liabilities and shareholders' equity	\$ 2,251,171	\$ 1,680,555
	=====	=====

See accompanying notes to consolidated financial statements

- 4 -

PAID, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31,
(Unaudited)

	2007	2006
	----	----
Revenues	\$ 468,421	\$ 2,806,841

Edgar Filing: PAID INC - Form 10QSB

Cost of revenues	187,395	1,951,495
	-----	-----
Gross profit	281,026	855,346
	-----	-----
Operating expenses:		
Selling, general, and administrative expenses	1,100,112	946,230
Website development costs	98,295	134,400
	-----	-----
Total operating expenses	1,198,407	1,080,630
	-----	-----
Loss from operations	(917,381)	(225,284)
	-----	-----
Other income (expense):		
Interest expense	(2,263)	(26,683)
Other income	2,394	3
	-----	-----
Total other income (expense), net	131	(26,680)
	-----	-----
Loss before income taxes	(917,250)	(251,964)
Provision for income taxes	--	--
	-----	-----
Net loss	\$ (917,250)	\$ (251,964)
	=====	=====
Loss per share (basic and diluted)	\$ (0.00)	\$ (0.00)
	=====	=====
Weighted average shares	222,498,093	198,844,439
	=====	=====

See accompanying notes to consolidated financial statements

- 5 -

PAID, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31,

	2007	2006
	----	----
Operating activities:		
Net loss	\$ (917,250)	\$ (251,964)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	32,787	36,917
Issuance of common stock for payment of professional and consulting fees	405,926	148,828

Edgar Filing: PAID INC - Form 10QSB

Issuance of common stock pursuant to exercise of stock options granted to employees for services	85,038	46,346
Changes in assets and liabilities:		
Accounts receivable	(15,340)	(120,365)
Inventories	(1,269)	20,470
Deferred expenses	(5,814)	294,901
Prepaid expense and other current assets	(196,691)	4,079
Accounts payable	(92,728)	41,295
Accrued expenses	(232,359)	77,757
Customer refunds payable	--	748,685
Deferred revenue	561,051	(2,084,624)
	-----	-----
Net cash used in operating activities	(376,649)	(1,037,675)
	-----	-----
Investing activities:		
Property and equipment additions	(2,532)	(56,457)
	-----	-----
Net cash used in investing activities	(2,532)	(56,457)
	-----	-----
Financing activities:		
Net Repayments of notes and loans payable	(18,000)	--
Proceeds from assignment of call options	15,538	--
Proceeds from sale of common stock	763,400	--
	-----	-----
Net cash provided by financing activities	760,938	--
	-----	-----
Net increase (decrease) in cash and cash equivalents	381,757	(1,094,132)
Cash and cash equivalents, beginning	138,326	1,502,987
	-----	-----
Cash and cash equivalents, ending	\$ 520,083	\$ 408,855
	=====	=====

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the period for:

Income taxes	\$ --	\$ --
	=====	=====
Interest	\$ 663	\$ 2,473
	=====	=====

See accompanying notes to consolidated financial statements

- 6 -

PAID, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2007

Edgar Filing: PAID INC - Form 10QSB

	Common stock		Additional Paid-in Capital
	Shares	Amount	
Balance, December 31, 2006	218,329,910	\$ 218,330	\$ 28,638,8
Issuance of common stock pursuant to exercise of stock options granted to employees for services	276,985	277	84,7
Issuance of common stock pursuant to exercise of stock options granted to professionals and consultants	2,480,209	2,480	403,4
Issuance of common stock	4,017,896	4,018	759,3
Proceeds from assignment of call options	--	--	15,5
Net loss	--	--	
Balance, March 31, 2007	225,105,000	\$ 225,105	\$ 29,902,0

See accompanying notes to consolidated financial statements

- 7 -

PAID, INC. AND SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 MARCH 31, 2007 AND 2006

Note 1. Organization and Significant Accounting Policies

Paid, Inc. and subsidiary (the "Company") provides businesses and clients with marketing, management, merchandising, auction management, website hosting, and authentication and consignment services for the entertainment, sports and collectibles industries. The Company also provides other services for celebrities and sports personalities including autograph signings, appearances, marketing opportunities and event ticketing. The Company continues to sell sports collectibles and merchandise through a variety of outlets, including online auctions and wholesale and distribution outlets.

General

The financial statements included in this report have been prepared by the Company pursuant to the rules and regulations of the United States Securities and Exchange Commission for interim financial reporting and include all adjustments (consisting only of normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation). Except for the balance sheet at December 31, 2006, these financial statements have not been audited.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to rules and regulations for interim reporting. The Company believes that the disclosures contained herein are adequate to make the information presented not misleading. However, these financial statements should be read in conjunction with the

Edgar Filing: PAID INC - Form 10QSB

financial statements and notes thereto included in the Company's annual report for the year ended December 31, 2006, which are included in the Company's Form 10-KSB.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of Paid, Inc. and its wholly-owned subsidiary, Rotman Collectibles, Inc. All inter-company balances and transactions have been eliminated.

Inventories

Inventories consist of collectible merchandise for sale and are stated at the lower of average cost or market on a first-in, first-out (FIFO) method. When a purchase contains multiple copies of the same item, they are stated at average cost.

On a periodic basis management reviews inventories on hand to ascertain if any is slow moving or obsolete. The reserve for excess/obsolete inventories totaled \$200,000 at March 31, 2007 and December 31, 2006.

Website Development Costs

The Company accounts for website development costs in accordance with the provisions of EITF 00-2, "Accounting for Web Site Development Costs", which requires that costs incurred in planning, maintaining, and operating stages that do not add functionality to the site be charged to operations as incurred. External costs incurred in the site application and infrastructure development stage and graphic development are capitalized. Such capitalized costs are included in "Property and equipment." During

- 8 -

the three months ended March 31, 2006 the Company capitalized approximately \$49,500 of website development costs. There were no such costs capitalized during the three months ended March 31, 2007.

Revenue Recognition

The Company generates revenue from sales of fan experiences, from fan club membership fees, from sales of its purchased inventories, from web hosting services, from appraisal services and from advertising and promotional services.

Fan experiences sales include tickets and related experiences at concerts and other events conducted by performing artists. Revenues associated with these fan experiences are generally reported gross, rather than net, following the criteria of EITF 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent", and are deferred until the related event has been concluded, at which time the revenues and related direct costs are recognized.

Fan club membership fees are recognized when the member joins and all direct costs associated with the membership have been incurred.

For sales of merchandise owned and warehoused by the Company, the Company is responsible for conducting the sale, billing the customer, shipping the merchandise to the customer, processing customer returns and collecting accounts receivable. The Company recognizes revenue upon verification of the credit card transaction and shipment of the merchandise, discharging all obligations of the Company with respect to the transaction.

Edgar Filing: PAID INC - Form 10QSB

The Company provides web hosting services under two types of arrangements. Revenue is recognized on a monthly basis as the services are provided for those where payment is to be received in cash. Professional athletes' web sites are hosted under arrangements that are settled by the athlete providing a certain number of autographs on merchandise to be sold by the Company. Revenue related to player websites is recognized upon sale of the autographed merchandise.

Advertising revenues are recognized at the time the advertisement is initially displayed on the Company's web site. Sponsorship revenues are recognized at the time that the related event is conducted.

Advertising Costs

Advertising costs totaling \$18,700 in 2007 and \$33,400 in 2006, are charged to expense when incurred.

Earnings Per Common Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflects additional common shares that would have been outstanding if potentially dilutive common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate to outstanding stock options and warrants. The number of common shares that would be included in the calculation of outstanding options and warrants is determined using the treasury stock method. The assumed conversion of outstanding dilutive stock options and warrants would increase the shares outstanding but would not require an adjustment of income as a result of the conversion. Stock options and warrants applicable to 27,280,198 shares and 27,136,054 shares at March 31, 2007 and 2006 respectively, have been excluded from the computation of diluted earnings per share because they were antidilutive. Diluted earnings per share have not been presented as a result of the Company's net loss for each year.

- 9 -

Note 2. Notes and Loans Payable

At March 31, 2007 and December 31, 2006 the Company was obligated on short-term demand notes payable totaling \$80,000 to a related party. The notes bear interest at 8%. Interest expense charged to operations in connection with these related party notes during each of the three months ended March 31, 2007 and 2006 totaled \$1,600. In addition, included in notes and loans payable at December 31, 2006 was an \$18,000 non-interest bearing loan.

Note 3. Accrued Expenses

At March 31, 2007 and December 31, 2006, accrued expense are comprised of the following:

	2007	2006
	----	----
Interest	\$ 45,801	\$ 44,201
Payroll and related costs	284,198	268,702
Professional and consulting fees	62,439	115,111
Consignments	172,782	172,782
Due to K Sports	30,500	30,500
Commissions	41,000	266,246
	46,097	17,634
Other	--	--

Edgar Filing: PAID INC - Form 10QSB

\$682,817

=====

\$915,176

=====

Note 4. Common Stock

Call Option Agreement

On May 9, 2005, the Company entered into a Settlement Agreement and Mutual Release with Leslie Rotman ("Seller") to settle all outstanding disputes regarding the value paid and the value received in the 2001 transaction in which Seller, Rotman Collectibles, Inc., and the Company entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which Rotman Collectibles, Inc., a Massachusetts corporation, was merged into the Company's Delaware subsidiary, now named Rotman Collectibles, Inc. Seller is the mother of Gregory Rotman, President of the Company, and Richard Rotman, CFO/Vice President/Secretary of the Company. To settle any possible differences or disputes between the value paid and the value received, Seller delivered 2,000,000 shares of the Company's common stock into escrow on May 6, 2005 (as set forth in the Settlement Agreement and Mutual Release) and granted the Company an option to purchase the shares for \$.001 per share. The option is assignable by the Company and, as most recently amended, expires on May 9, 2008. During 2006 and 2005 the Company assigned options to purchase 800,000 and 375,000 shares, respectively, of stock from Leslie Rotman to certain individuals in exchange for \$331,848 and \$96,885. During the three months ended March 31, 2007 the Company assigned options to purchase 50,000 to certain individuals in exchange for \$15,538. The proceeds from the assignments of these options were added to the paid in capital of the Company. At March 31, 2007, 775,000 call options remain outstanding.

Warrant

During the year ended December 31, 2005, the Company entered into an Agreement and sold a warrant to purchase common stock ("Warrant") to an investor. The investor paid the Company \$50,000 as a deposit ("Deposit") for the right to acquire up to 2,000,000 shares of unregistered common stock at any time within one year of the Agreement at \$.15 per share. During 2006 the expiration date of the Warrant was extended upon receipt of an additional \$50,000 payment. If exercised, \$100,000 will be applied as partial payment of the exercise price. If the Warrants are not exercised by June 1, 2008 the deposits will be forfeited. The deposits have been recorded as an addition to Paid in Capital.

- 10 -

Share-based Incentive Plan

At March 31, 2007, the Company had stock option plans that include both incentive and non-qualified options to be granted to certain eligible employees, non-employee directors, or consultants of the Company. The maximum number of shares currently reserved for issuance is 31,000,000 shares. The options granted have ten-year contractual terms and vest either immediately or annually over a five-year term.

At March 31, 2007, there were 5,492,000 shares available for future grants under the above stock option plans. The weighted average exercise price of options outstanding was \$.043 at March 31, 2007. No options were granted during the three months ended March 31, 2007.

All options outstanding at March 31, 2007 are fully vested and exercisable. Information pertaining to options outstanding at March 31, 2007 is as follows:

Edgar Filing: PAID INC - Form 10QSB

Options Outstanding

Exercise Prices -----	Number of shares -----	Weighted Average Remaining Contractual Life -----	Intrinsic Value -----
\$1.62	37,000	2	--
.001	99,054	8	\$ 55,371
.041	25,000,000	6	12,975,000

	25,136,054		
	=====		

The aggregate intrinsic value of options outstanding and vested at March 31, 2007 was \$13,030,371.

Note 5. Income Taxes

The Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 9" ("FIN No. 48"), on January 1, 2007. FIN No. 48 requires that the impact of tax positions be recognized in the financial statements if they are more likely than not of being sustained upon examination, based upon the technical merits of the position. As discussed in the consolidated financial statements in the 2006 Form 10-KSB, the Company has a valuation allowance against the full amount of its deferred tax assets. The Company currently provides a valuation allowance against deferred tax assets when it is more likely than not that some portion, or all, of its deferred tax assets, will not be realized. The implementation of FIN No. 48 had no effect on the Company's financial position or results of operations.

We recognize interest accrued related to unrecognized tax benefits in interest expense. Penalties, if incurred, are recognized as a component of income tax expense.

There was no provision for income taxes for the three months ended March 31, 2007 and 2006 due to the Company's net operating loss and its valuation reserve against deferred income taxes.

The difference between the provision for income taxes using amounts computed by applying the statutory federal income tax rate of 34% and the Company's effective tax rate is due primarily to the net operating loss incurred by the Company and the valuation reserve against the Company's deferred tax asset.

At March 31, 2007 the Company has federal and state net operating loss carry forwards of approximately \$22,298,000 and \$14,500,000, respectively, available to offset future taxable income. The state carry-forwards will expire intermittently through 2012, while the federal carry forwards will expire intermittently through 2027.

Note 6. Related party transactions

During the three months ended March 31, 2007 and 2006 the Company incurred \$72,000 of consulting fees paid to Steven Rotman, the father of Greg and Richard Rotman.

Edgar Filing: PAID INC - Form 10QSB

Note 7. Commitments

The Company leases office facilities in Boston Massachusetts under a five year lease beginning May 2006 requiring monthly payments of \$5,800, plus increases in real estate taxes and operating expenses, through April 2011.

In August 2006 the Company began paying rent, as a tenant at will, to a company in which Stephen Rotman, the father of Gregory and Richard Rotman, is a shareholder. Monthly payments under this arrangement of \$2,600 began on August 1, 2006.

During the three months ended March 31, 2007 rent expense charged to operations under the above leases totaled \$25,000, including \$7,400 to the related party.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

Overview

Our innovative products and services are utilized in celebrity services, ticketing, fan experiences, merchandising, online auctions and management, and web site development. Our celebrity services proprietary content management system provides an opportunity for our clients to offer more information, merchandise and experiences to their customers and communities. This proprietary system uses the AuctionInc. shipping calculator tools to provide improved customer service and fulfillment services. The technology is based on our patented process that streamlines back-office and shipping processes for online auctions and e-commerce. Our celebrity services offer athletes and entertainers official web sites and fan-club services including e-commerce storefronts, articles, polls, message boards, contests, biographies and custom features to attract thousands of visitors daily. Our autograph signing events, working in conjunction with our sports agent marketing services, have created more services and opportunities for our sports clientele.

Critical Accounting Policies

Our significant accounting policies are more fully described in Note 1 to our financial statements. However, certain of our accounting policies are particularly important to the portrayal of our financial position and results of operations and require the application of significant judgment by our management; as a result, they are subject to an inherent degree of uncertainty. In applying these policies, our management makes estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. Those estimates and judgments are based upon our historical experience, the terms of existing contracts, our observance of trends in the industry, information that we obtain from our customers and outside sources, and on various other assumptions that we believe to be reasonable and appropriate under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Our critical accounting policies include:

Inventories: Inventories are stated at the lower of average cost or market on a first-in, first-out method. On a periodic basis we review inventories on hand to ascertain if any is slow moving or obsolete. In connection with this review, we establish reserves based upon management's experience and assessment of current product demand.

Property and Equipment: Property and equipment are stated at cost. Depreciation and amortization are computed over estimated useful lives that are reviewed periodically. In connection with this review we consider changes in the economic

Edgar Filing: PAID INC - Form 10QSB

environment, technological advances, and management's assessment of future revenue potential and a review of the estimated useful lives of the various assets.

- 12 -

Results of Operations

The following discussion compares the Company's results of operations for the three months ended March 31, 2007 with those for the three months ended March 31, 2006. The Company's financial statements and notes thereto included elsewhere in this quarterly report contain detailed information that should be referred to in conjunction with the following discussion.

Revenues. For the three months ended March 31, 2007, revenues were \$468,400, 77% of which was attributable to sales of fan club memberships and merchandise related to performing artists. Sales of the Company's own product and fees from buyers and sellers through the Rotman Auction operations represented 10% of revenues, sports marketing revenues represented 8% of revenues and other revenues represented 5% of gross revenues. Gross sales of the Company's own product were \$47,900. Fan club memberships and related merchandise sales revenues were \$359,900, and sports marketing revenues were \$35,800. Management anticipates increases from fan club memberships, merchandise, and fan experiences from tours, products and services related to several performing artists during the remainder of 2007 and into 2008. During the quarter ended March 31, 2007 the Company generated \$561,000 of deferred revenues related to artist's tours to commence during April, 2007.

The Company's first quarter 2007 revenues represent a decrease of approximately \$2,338,000 from 2006 when revenues were \$2,806,800. For the three months ended March 31, 2006, sales of the Company's product were \$68,400, or 2% of gross sales, fan experiences, fan club memberships and related merchandise sales revenues were \$2,647,400, 94% of gross revenues, sports marketing revenues were \$89,100, or 3% of gross revenues.

The reason for the decrease in revenues was a \$2,287,600 decrease related to the tours of performing artists, lower revenues related to sports marketing services of \$53,400 and lower sales of Company owned product of approximately \$6,700 from the same period in 2006. The decrease in revenues related to tours of performing artists is attributable to the fact that none of the Company's artists were on tour during the first quarter of 2007. During the quarter ended March 31, 2007 the Company generated \$561,000 of deferred revenues related to tours to commence during April 2007. Gross profit from Company owned product sales for the three months ended March 31, 2007 was approximately \$48,300, \$20,700 more than in 2006.

Operating Expenses. Total operating expenses for the three months ended March 31, 2007 were \$1,198,400 compared to \$1,080,600 in 2006, an increase of \$117,800.

Sales, general and administrative ("SG&A") expenses for the three months ended March 31, 2007 were \$1,100,100, compared to \$946,200 for the three months ended March 31, 2006. The increase of \$153,900 in SG&A costs includes increases in payroll and related costs of \$51,400, professional fees of \$271,100 and rents of \$8,700 offset by decreases in depreciation and amortization of \$6,200 as certain assets became fully depreciated during 2007 and 2006, credit card commissions of \$19,800, travel of \$48,000, postage and shipping costs of \$62,800. The credit card commissions, travel and postage and shipping decreases are all principally attributable to the fact that there were no tours of performing artists during the three months ended March 31, 2007.

Edgar Filing: PAID INC - Form 10QSB

Costs associated with planning, maintaining and operating our web sites for the three months ended March 31, 2007 decreased by \$36,100 from 2006. This decrease is due primarily to a decrease in consulting costs of \$89,000, offset by \$49,500 fewer web site development costs being capitalized in 2007 than in 2006.

- 13 -

Interest Expense. For the three months ended March 31, 2007, the Company incurred approximately \$2,300 of interest charges compared to interest charges of \$26,700 in 2006, a decrease of \$24,400. \$23,000 of the decrease is attributable to retirement of the convertible debt during the first quarter of 2006 and the balance to lower balances of interest-bearing debt in 2007.

Net Loss. The Company realized a net loss for the three months ended March 31, 2007 of \$917,300 compared to a net loss of \$252,000 for the three months ended March 31, 2006. The 2007 and 2006 losses each represented less than \$.01 per share.

Inflation. The Company believes that inflation has not had a material effect on its results of operations.

Assets

At March 31, 2007, total assets of the Company were \$2,251,000 compared to \$1,681,000 at December 31, 2006. The increase was primarily due to higher cash balances generated from the issuance of common stock.

Operating Cash Flows

A summarized reconciliation of the Company's net losses to cash used in operating activities for the three months ended March 31, 2007 compared to March 31, 2006, is as follows:

	2007	2006
	----	----
Net loss	\$ (917,000)	\$ (252,000)
Depreciation and amortization	32,800	36,900
Common stock issued in payment of services	491,000	195,200
Net current assets and liabilities associated with advance ticketing	555,000	(1,041,000)
Changes in current assets and liabilities	(538,400)	23,200
	-----	-----
Net cash used in operating activities	\$ (376,600)	\$ (1,037,700)
	=====	=====

Working Capital and Liquidity

The Company had cash and cash equivalents of \$520,000 at March 31, 2007, compared to \$138,000 at December 31, 2006. The Company had \$451,000 of working capital at March 31, 2007 compared to \$68,000 at December 31, 2006. At March 31, 2007 current liabilities were \$1,627,000 compared to \$1,409,000 at December 31, 2006. Current liabilities increased at March 31, 2007 compared to December 31, 2006 primarily due to deferred revenues of \$561,000 associated with events scheduled to commence during the second and third quarters of 2007 offset by

Edgar Filing: PAID INC - Form 10QSB

lower accrued commissions, since there were no artists on tour during the first quarter of 2007.

The Company's independent registered public accounting firm has issued a going concern opinion on the Company's consolidated financial statements for the year ended December 31, 2006. The Company may need an infusion of additional capital to fund anticipated operating costs over the next 12 months. Management anticipates growth in revenues and gross profits during the remainder of 2007, and into 2008, from its celebrity services products and websites, and similar services to other entities; including memberships, fan experiences and ticketing, appearances, website development and hosting, and merchandise sales from both existing and new clients. In addition, "AuctionInc" which hosts a suite of management tools and enhanced shipping calculator solutions for small ecommerce enterprises, sales of movie posters, both from inventory and on consignment, and web hosting are expected to increase

- 14 -

revenues and result in higher total gross profit. Subject to the discussion below, management believes that the Company has sufficient cash commitments to fund operations during the next 12 months. These commitments include call options, expiring on May 9, 2008, for approximately 775,000 shares of common stock, which, once assigned by the Company, will generate between \$84,000 and \$495,000 (based solely upon the 52 week high and low closing prices of the Company's common stock) of cash. However, there can be no assurance that assignment of the call options can be concluded on reasonably acceptable terms. If assignments are not made, management may need to seek alternative sources of capital to support operations.

Forward Looking Statements

This Quarterly Report on Form 10-QSB contains certain forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934) regarding the Company and its business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements in this report. Additionally, statements concerning future matters such as the development of new services, technology enhancements, purchase of equipment, credit arrangements, possible changes in legislation and other statements regarding matters that are not historical are forward-looking statements.

Although forward-looking statements in this quarterly report reflect the good faith judgment of the Company's management, such statements can only be based on facts and factors currently known by the Company. Consequently, forward-looking statements are inherently subject to risks, contingencies and uncertainties, and actual results and outcomes may differ materially from results and outcomes discussed in this report. Although the Company believes that its plans, intentions and expectations reflected in these forward-looking statements are reasonable, the Company can give no assurance that its plans, intentions or expectations will be achieved. For a more complete discussion of these risk factors, see Exhibit 99, "Risk Factors", in the Company's Form 10-KSB for the fiscal year ended December 31, 2006.

For example, the Company's ability to achieve positive cash flow and to become profitable may be adversely affected as a result of a number of factors that could thwart its efforts. These factors include the Company's inability to successfully implement the Company's business and revenue model, tour or event cancellations, higher costs than anticipated, the Company's inability to sell

Edgar Filing: PAID INC - Form 10QSB

its products and services to a sufficient number of customers, the introduction of competing products by others, the Company's failure to attract sufficient interest in and traffic to its sites, the Company's inability to complete development of its sites, the failure of the Company's operating systems, and the Company's inability to increase its revenues as rapidly as anticipated. If the Company is not profitable in the future, it will not be able to continue its business operations.

ITEM 3. CONTROLS AND PROCEDURES

The Company's management, including the President of the Company and the Chief Financial Officer of the Company, has evaluated the effectiveness of the Company's "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon their evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that the Company files or submits under the Exchange Act with the Securities and Exchange Commission is recorded, processed, summarized and reported within the time period specified by the Securities and Exchange Commission's rules and forms, and is accumulated and communicated to the Company's management, including its principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

- 15 -

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) The Company sold 4,017,896 shares of its restricted common stock at \$.19 per share, or \$763,400 in the aggregate, during the quarter ended March 31, 2007, which includes (i) three issuances on January 3, 2007, including 1,315,790 shares to Kuekenhof Equity Fund LP, 1,157,895 shares to Lewis Opportunity Fund LP, and 157,895 shares to LAM Opportunity Fund, Ltd.; (ii) one issuance on February 20, 2007 including 526,316 shares to Judy Krandel; (iii) one issuance on March 31, 2007 to Byron Novasad for 860,000 shares. The issuance of the securities is exempt from registration under Section 4(2) of the Securities Act of 1933 and Regulation D promulgated thereunder.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

Edgar Filing: PAID INC - Form 10QSB

None.

ITEM 6. EXHIBITS

- 10.1 Amendment No. 2 to Settlement Agreement and Mutual Release
- 31.1 CEO Certification required under Section 302 of Sarbanes-Oxley Act of 2002
- 31.2 CFO Certification required under Section 302 of Sarbanes-Oxley Act of 2002
- 32 CEO and CFO Certification required under Section 906 of Sarbanes-Oxley Act of 2002

- 16 -

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PAID, INC.
Registrant

Date: May 14, 2007

/s/ Gregory Rotman

Gregory Rotman, President

Date: May 14, 2007

/s/ Richard Rotman

Richard Rotman, Chief Financial Officer,
Vice President and Secretary

- 17 -

LIST OF EXHIBITS

Exhibit No.	Description
-----	-----
10.1	Amendment No. 2 to Settlement Agreement and Mutual Release
31.1	CEO Certification required under Section 302 of Sarbanes-Oxley Act of 2002
31.2	CFO Certification required under Section 302 of Sarbanes-Oxley Act of 2002
32	CEO and CFO Certification required under Section 906 of Sarbanes-Oxley Act of 2002

- 18 -