

Edgar Filing: PAID INC - Form 10KSB

PAID INC
Form 10KSB
March 31, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2007

Commission File No. 0-28720

PAID, INC.

(Name of Small Business Issuer in its Charter)

Delaware

73-1479833

(State or Other Jurisdiction
of Incorporation or Organization)

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

4 Brussels Street, Worcester, Massachusetts 01610

(Address of Principal Executive Offices) (Zip Code)

(508) 791-6710

(Issuer's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(g) of the Exchange Act:

Common Stock, \$0.001 Par Value

(Title of Class)

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. []

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 [X] No []

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. []

Edgar Filing: PAID INC - Form 10KSB

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [] No [X]

State Issuer's revenues for its most recent fiscal year: \$3,383,294.

The aggregate market value of the voting and non-voting common equity held by non-affiliates on March 21, 2008 was approximately \$49,112,928 based upon the closing price of \$.23 per share on March 20, 2008.

As of March 21, 2008, the issuer had outstanding 235,525,700 shares of its Common Stock, par value of \$0.001, its only class of voting securities.

DOCUMENTS INCORPORATED BY REFERENCE

No documents are incorporated by reference into this Annual Report except those Exhibits so incorporated as set forth in the Exhibit Index.

TABLE OF CONTENTS

	PAGE

PART I	
Item 1. Description of Business	2
Item 2. Description of Property	8
Item 3. Legal Proceedings	8
Item 4. Submission of Matters to a Vote of Security Holders	8
PART II	
Item 5. Market for Common Equity, Related Stockholder Matters and Small Business Issuer Purchases of Equity Securities	8
Item 6. Management's Discussion and Analysis or Plan of Operation	10
Item 7. Financial Statements	13
Item 8. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure	14
Item 8A(T). Controls and Procedures	14
Item 8B. Other Information	15
PART III	
Item 9. Directors, Executive Officers, Promoters, Control Persons and Corporate Governance; Compliance with Section 16(a) of the Exchange Act	15
Item 10. Executive Compensation	17
Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	18
Item 12. Certain Relationships and Related Transactions, and Director Independence	19
Item 13. Exhibits	20
Item 14. Principal Accountant Fees and Services	21
Signatures	22

Edgar Filing: PAID INC - Form 10KSB

FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-KSB (including without limitation the Risk Factors included as Exhibit 99) may contain forward looking statements. We caution you to be aware of the speculative nature of "forward-looking statements". Statements that are not historical in nature, including the words "anticipate," "estimate," "should," "expect," "believe," "intend," and similar expressions, are intended to identify forward-looking statements. Although these statements reflect our good faith belief based on current expectations, estimates and projections about (among other things) the industry and the markets in which we operate, they are not guarantees of future performance.

Whether actual results will conform to our expectations and predictions is subject to a number of known and unknown risks and uncertainties, including the risks and uncertainties discussed in this Annual Report; general economic, market, or business conditions; the opportunities that may be presented to and pursued by us; competitive actions by other companies; changes in laws or regulations; and other circumstances, many of which are beyond our control. Consequently, all of the forward-looking statements made in this Annual Report are qualified by these cautionary statements and there can be no assurance that the actual results anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us or our business or operations. Except as required by applicable laws, we do not intend to publish updates or revisions of any forward-looking statements we make to reflect new information, future events or otherwise. Readers are urged to review carefully and to consider the various disclosures made by Paid, Inc. in this Annual Report, which attempts to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

PART I.

Item 1. Description of Business.

Paid, Inc. (the "Company") was incorporated in Delaware as Rose International Ltd. on August 9, 1995. The Company's main web address is located at www.paid.com, which offers updated information on various aspects of our operations. Information contained in the Company's website shall not be deemed to be a part of this Annual Report. The Company's principal executive offices are located at 4 Brussels Street, Worcester, Massachusetts 01610, and the Company's telephone number is (508) 791-6710.

BUSINESS

Our Business

The Company's primary focus is to provide businesses and clients with marketing, management, merchandising, auction management, website hosting, and authentication services for the entertainment, sports and collectible industries. We offer entertainers and athletes official web sites and fan-club services including e-commerce, VIP ticketing, fan club management, fan experiences, storefronts, articles, polls, message boards, contests, biographies and custom features. We also sell merchandise for celebrities, through official fan websites, on tour or at retail. 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. We provide business management tools for online retailers, through AuctionInc, which is home to our patented shipping calculator and automated auction checkout and order processing system. This system provides the fundamental structure for our celebrity web hosting and development services, and for individuals seeking

Edgar Filing: PAID INC - Form 10KSB

a professional and interactive presence on the Internet.

2

All the sales for our celebrity and entertainment services, other than retail and tour merchandising, are made through the artist's personal website and Paid's proprietary content managed system. A customer interested in a membership, merchandise, fan experience or ticketing would use our system to make purchases, and then depending on the sale, the Company either ships the merchandise, or delivers the fan experience at a concert or other event. The services offered by a client depend upon the client's desire and willingness to offer different initiatives. Not all artists and fan bases are the same and the Company works closely with its different clients to cater to their needs. Our services also include video production, marketing, management, sponsorship, mobile marketing, and website development and management. We provide these services for artists such as Aerosmith, Rockapella, The New Cars, Keith Lockhart, Joey Kramer, DMC, Patti LaBelle, Deep Purple and Return to Forever.

Other revenue in 2007 was derived primarily from sales of collectibles, and fees from buyers and sellers and sports marketing revenues. The sale of collectibles occurs in various sales channels; retail, online auction, charity auction, online direct sale, and wholesale distribution. Our merchandise consist of sports and non-sports cards, collectibles, Americana, autographed items, and movie memorabilia, among other types of collectibles from the 1800s to the present day. We also maintain a substantial inventory of memorabilia with popular and historical significance which allows customers to directly purchase the memorabilia without the competition from bidders in an auction format. We acquire inventory in the ordinary course of our business from a number of companies and individuals. We also may acquire inventory through acquisition of companies that own collectibles, or through the acquisition of substantially all the assets of a company that holds collectibles.

To assist with the inventory management and order processing the Company uses the AuctionInc platform for reducing order processing time, increasing sales and improving customer service. The AuctionInc system was originally designed to assist and improve just the Company's sales, but management realized that there was a need for an order management system for individuals and businesses that sell on the Internet, specifically at auction. In 2000 the Company's technology team focused its attention on the core fundamental piece of the system called the Shipping Calculator. The Company realized the potential importance of the calculator and filed for a patent before launching it to the public in April of 2001. The Company obtained a patent on the shipping calculator in January 2008. The product is modular based and continues to develop new tools and products for its customers.

AuctionInc Software. AuctionInc is a suite of online management tools assisting businesses with e-commerce storefronts, order processing, customer service, shipping solutions, inventory management, and auction processing. The application was designed originally to reduce overhead costs for auction sales, but based on its marketability the Company began to offer the application to other sellers in 2003. A seller's use of the application reduces overhead and labor costs, and through its customer-friendly setup improves customer relations and increases sales.

AIship is a shipping calculator that automatically estimates the shipping, sales tax, and insurance on auction listings. This module automatically calculates shipping costs, carrier insurance fees, optional shipping services, and offers an adjustable shipping fee markup, and co-branded shipping calculator page. It pre-configures shipping rates with handling costs, and provides a multiple auctions tab to calculate shipping on numerous auctions. The Company

Edgar Filing: PAID INC - Form 10KSB

receives a transaction fee for each auction listing that uses AIship.

AI seller is an auction management tool used to streamline a seller's order processing for improved customer service and higher sales. This module is designed for sellers who are selling more than 50 items per month at online auctions. It offers summary and detail order and sales reporting, auction/sales tracking, automated personalized e-mail notifications, auction re-listing reports, a complete integrated order management system, a customer checkout system, as well as automatic shipping rates

3

and sales tax calculations for consolidating multiple auctions. The Company does not actively market this product, but would receive a transaction fee for each listing at auction that uses AI seller.

PaidShipCalc is a shipping calculator that provides the most comprehensive shipping calculations available today. A customer can use this tool anywhere on the Internet, including its website, web store, or even classified listing. Shoppers can then choose from the shipping methods that the customer offers along with the ability to combine shipping, include your flexible handling charges, and calculate insurance and taxes if necessary.

PaidShopCart provides website and e-commerce store owners a fully functional shopping cart with shipping calculations from all the major carriers. We have designed the Paid ShopCart with a customer's needs in mind; an affordable, simple, easy to use cart that is feature heavy and an enhanced replacement for the carts being utilized today. This Paypal integrated shopping cart can be inserted into any web page by just pasting in just a few lines of HTML. It provides accurate rates for 25 domestic shipping services from USPS, UPS, FedEx, and DHL, and is configurable to match with a customer's web site design.

Paid Inc's Global Module is a direct plug into the PaidShopCart and PaidShipCalc. This module is used to add comparative international rate calculations to your PaidShopCart or PaidShipCalc products.

Paid's Shipping API provides e-Tailers and businesses the ability to integrate a shipping rating, comparison, and packaging engine into existing websites or applications. We provide developers access to a pre-built software module using a well defined data structure and subroutine calls. The shipping API enhances shipping calculation functionality with a quick and easy integration into existing products.

Interested clients may purchase any and all of our tools or applications for a flat quarterly fee and/or per-transaction fee depending on the module chosen. The Company may add more features and modules to the suite to enable it to grow with sellers and continue to provide them superior online selling tools.

Web Hosting and Development. The Company provides web hosting and development for various clients that pay monthly hosting fees and maintenance fees for updates. This service also uses the core AuctionInc platform for maintaining web portals and storefronts systems. The Company also maintains several corporate websites which it hopes to continue to expand and grow. Through improved customer awareness and a larger customer base we hope these websites will continue to grow and offer a revenue source to the Company. These websites provide minimal revenue to the Company, but offer awareness and advertising opportunities for the Company's other products.

Industry Background

Edgar Filing: PAID INC - Form 10KSB

Growth of the Internet and the Web

The Internet enables millions of people worldwide to share information, communicate and conduct business electronically. The growth in the number of Web users is being driven by the increasing importance of the Internet as a communications medium, an information resource, and a sales and distribution channel. The Internet has also evolved into a unique marketing channel. Unlike the traditional marketing channels, Internet retailers do not have many of the overhead costs borne by traditional retailers. The Internet offers the opportunity to create a large, geographically dispersed customer base more quickly than traditional retailers. The Internet also offers customers a broader selection of goods to purchase, provides sellers the opportunity to sell their goods more efficiently to a broader base of buyers and allows business transactions to occur at all hours.

4

State of Viral Communities on the Internet

The massive growth of online communities over the past decade has reached viral proportions. Internet communities are built revolving around ideas, music, individuals, artists, writers, or any tangible or intangible entity, and new content can be distributed within minutes of exposure. Artists can announce tours or other news, sell premium tickets to fan club members, sell merchandise, and other fan experiences. Viral communities and viral marketing are a phenomenon that web users are embracing with vigor. As traffic and communities continue to grow, more services will be required to sustain the appetite of these users.

Business Strategy

During 2007 we experienced continued expansion of our celebrity web-hosting and fan club and membership programs. We believe there will be an increase in online communities that will create an opportunity for more celebrity web-hosting and fan club services. It is our view that our services and programs will become more desirable as these communities grow. Our proprietary system was built to handle news, events, ticketing, fan experiences, e-commerce, authentication, charity auctions, chat, video editing, music streaming, mobile services, downloads and forums.

Our goal for our celebrity services is to build the best communication and quality services that provide unparalleled opportunities for viral communities, celebrities and their fans. This goal can be accomplished by implementing the following strategy:

- o Increase the number of celebrity services clients and programs we offer to capitalize on internet communities. Provide high quality services and continued impeccable customer and fulfillment services building on our solid reputation.
- o Expand into new services being offered that will generate larger partnerships and marketing opportunities for our clients.
- o Shift to a quarterly billing system on AuctionInc, reducing the initial fee but increasing the number of renewal receivables.
- o Increase the general awareness of our Shipping Calculators and continuing to offer cutting edge technology and services in the industry.

Edgar Filing: PAID INC - Form 10KSB

- o Offer more authentication services increasing our distribution and partnerships and limited costs and overhead associated with this service.
- o Increase our web hosting services, charging a one time set up fee plus monthly maintenance fees, and an hourly fee for any design or feature enhancements we make;

We expect the above plan will enable us to increase our celebrity services and offer a wider variety of management services providing more resources for a sales and a marketing campaign to promote the Company.

The business strategy described above is intended to enhance our opportunities in the online e-commerce market. However, there are a number of factors that may impact our plans and inhibit our success. See "Risk Factors" included as Exhibit 99. Therefore, we have no guarantees and can provide no assurances, that our plans will be successful.

5

Marketing and Sales

Successful branding of our corporate identity and services is the key to our success. We changed our name to Paid, Inc. at the end of 2003 and have consolidated our websites and brands under one internet presence.

Promoting and marketing Paid's celebrity services will continue by using various mediums of marketing; "adword" campaigns, traditional print methods, and industry trade shows. However, as our celebrity services continue to gain exposure, we have had substantial opportunity to grow our business through referrals. Networking and referral business is a large portion of sales and marketing for these types of services. As we market and promote our celebrity services, we also will be supporting our proprietary content management system and our shipping calculator products.

The Company will continue to market AuctionInc throughout 2008. In the past, representatives of the Company attended trade shows, events and conferences to analyze the potential for AuctionInc and to narrow the Company's marketing base. Based on experience with existing partnerships that promote AuctionInc, the Company believes that creating partnerships is an effective marketing tool to promote and encourage new registrations. The Company will continue to seek new partnerships. The Company may promote the AuctionInc product line in trade publications to reach small and midsize companies.

Although we believe that this marketing strategy, if successful, will lead to increased revenues, and attract more users to our site, we have no commitments that our marketing will be successful or our sales will increase. There are a number of factors that may impact our plans and inhibit our success. See "Risk Factors" described in Exhibit 99. Therefore, we have no guarantees and can provide no assurances that our plans will be successful.

Revenue Sources

In 2007, 93% of our revenues were derived from our celebrity services, fan club management, and ticketing and fan experiences. We also generated retail revenues from the sale of autographed merchandise and collectibles. Adding to these revenues were marketing opportunities for athletes and celebrity clients.

As additional services, we currently provide web hosting services. To date, we have generated minimal revenues from these services, but if the awareness of the AuctionInc product line increases, we will be able to increase

Edgar Filing: PAID INC - Form 10KSB

our advertising and marketing efforts, which we expect will generate revenue and may attract more visitors that will utilize these services on our site. In addition to web hosting, we expect to increase revenues through the development and design of third party websites.

Although we expect that this revenue model will generate increased revenue, if we are not successful in implementing this model, if the entertainment industry and fans do not accept the services we provide, if costs are higher than anticipated, or if revenues do not increase as rapidly as anticipated, we may not be able to continue positive cash flow. There are a number of factors that may impact our plans and inhibit our success. See "Risk Factors" included as Exhibit 99. Therefore, we have no guarantees and can provide no assurances, that our plans will be successful.

Competition

Electronic content management, fan club membership and fan experiences and ticketing services, are relatively new and growing industries. This industry has several hurdles for new companies; building a strong reputation, proficient operational skills in customer service and fulfillment, and gaining a client base. While these are big hurdles and present a strong barrier to entry, they are not insurmountable. There are several competitors in this industry like Live Nation, Music Today, UltraStar, and FanAsylum, each of whom offer unique solutions and services. There are other indirect competitors who deal in just merchandising or electronic memberships, but these companies serve a different customer base.

6

The electronic commerce market is relatively new, rapidly evolving and intensely competitive. Furthermore, we expect competition to intensify in the future. Barriers to entry are relatively low, and current and new competitors can launch new sites at relatively low cost using commercially available software.

There can be no assurance that we can maintain our competitive position against potential competitors, especially those with greater financial, marketing, customer support, technical and other resources than us. Increased competition is likely to result in reduced operating margins, loss of market share and a diminished brand franchise, any one of which could materially and adversely affect our business, results of operations and financial condition.

Intellectual Property

Our web hosting software program, AuctionInc software suite, is proprietary. We received a patent related to AIShip in January 2008. We do not have any other patents for our designs or innovations and we may not be able to obtain copyright, patent or other protection for our proprietary technologies or for the processes developed by our employees. Legal standards relating to intellectual property rights in computer software are still developing and this area of the law is evolving with new technologies. Our intellectual property rights do not guarantee any competitive advantage and may not sufficiently protect us against competitors with similar technology. To protect our interest in our intellectual property, we restrict access by others to our proprietary software. In addition, we have federally registered the "Paid" marks.

We believe that our products and other proprietary rights do not infringe on the proprietary rights of third parties. However, there can be no assurance that third parties will not assert infringement claims against us in the future with respect to current or future products or other works of ours. This

Edgar Filing: PAID INC - Form 10KSB

assertion may require us to enter into royalty arrangements or result in costly litigation.

We also utilize free open-source technology in certain areas. Unlike proprietary software, open-source software has publicly available source code and can be copied, modified and distributed with minimal restrictions. Our principal web servers' software is Apache, a free web server software. We are using PHPShop for our e-commerce to provide highly customizable storefronts. In addition to PHPShop we develop a substantial portion of our websites with the language PHP.

Research and Development

Over the past 2 years the Company has not made additional investments in research and development.

Employees

The Company currently employs 25 personnel, 20 of whom are employed full time. We believe that our future success will depend in part on our continued ability to attract, hire and retain qualified personnel.

Subsidiaries

Effective December 2007, the Company merged its only subsidiary, Rotman Collectibles, Inc., into it. The Company currently has no subsidiaries.

Government Regulation

We are not currently subject to direct federal, state or local regulation, and laws or regulations applicable to access or commerce on the Internet, other than regulations applicable to businesses generally. However, due to the increasing popularity and use of the Internet and other online services, it is possible that a number of laws and regulations may be adopted with respect to the Internet or other online services covering issues such as user privacy, freedom of expression, pricing, content and quality of products and services, taxation, advertising, intellectual property rights and information security.

7

Item 2. Description of Property.

Our corporate headquarters are located at 4 Brussels Street, Worcester, Massachusetts 01610. Currently, we are tenants-at-will, and pay \$2,600 monthly in rent. We also have an office at 236 Huntington Avenue, Boston, 5th Floor, and pay \$5,822 monthly under a 5-year lease. The condition of our offices is excellent. We do not invest in real estate or interests in real estate, real estate mortgages, or securities of or interests in persons primarily engaged in real estate activities, and we have no policies related to such investments.

Item 3. Legal Proceedings.

In Parshall v. Paid, Inc., Paul L. Parshall filed a lawsuit against the Company in the Court of Common Pleas of Franklin County, Ohio on October 3, 2006. Mr. Parshall claims to be the owner of 423,415 shares represented by Stock Certificate Number 01123. According to the Company's transfer agent, the Company's stock records show that Stock Certificate Number 01123 was cancelled on May 15, 1997. Mr. Parshall was affiliated with a previous transfer agent of the Company. The Company filed a motion to dismiss based on lack of personal jurisdiction through its Ohio counsel. The Court of Common Pleas granted the

Edgar Filing: PAID INC - Form 10KSB

Company's motion to dismiss on November 7, 2007. The order to dismiss is now on appeal before the Ohio Court of Appeals, Tenth Appellate District, Franklin County, Ohio. Mr. Parshall requests damages equal to the market value of the shares and for any loss for not recognizing the shares. The Company disputes Mr. Parshall's claims.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

PART II.

Item 5. Market for Common Equity, Related Stockholder Matters and Small Business Issuer Purchases of Equity Securities.

Our common stock, par value \$.001 per share, is presently traded on the Over-the-Counter Bulletin Board ("OTCBB") under the symbol, "PAYD".

The following table sets forth the high and low bid prices, rounded to the nearest penny, for our common stock as reported by OTCBB for the eight quarters ended December 31, 2007. The quotations from the OTCBB reflect inter-dealer prices without retail mark-up, mark-down, or commission and may not represent actual transactions.

2006	High	Low
	----	----
Quarter ended March 31, 2006	\$.22	\$.14
Quarter ended June 30, 2006	\$.71	\$.12
Quarter ended September 30, 2006	\$.58	\$.24
Quarter ended December 31, 2006	\$.38	\$.18

8

2007	High	Low
	----	----
Quarter ended March 31, 2007	\$.57	\$.24
Quarter ended June 30, 2007	\$.59	\$.34
Quarter ended September 30, 2007	\$.49	\$.34
Quarter ended December 31, 2007	\$.50	\$.28

As of March 21, 2008, there were approximately 1,892 holders of record of our common stock. Because many of the shares are held by brokers and other institutions on behalf of stockholders, the Company is unable to estimate the total number of individual stockholders represented by these holders of record.

We have not previously paid cash dividends on our common stock, and intend to utilize current resources to operate the business; thus, it is not anticipated that cash dividends will be paid on our common stock in the foreseeable future.

Equity Compensation Plan Information

Edgar Filing: PAID INC - Form 10KSB

	Number of Securities To be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number Remaini Future Equity Plans (Securit Column
	(a)	(b)	(c)
Equity Compensation Plans Approved by Security Holders	24,000,000	\$.041	5,000,
Equity Compensation Plans Not Approved by Security Holders	136,054	\$.044	6,325,
Total	24,136,054	\$.043	11,325,

Refer to Note 7, Notes to Consolidated Financial Statements for the Years ended December 31, 2007 and 2006, incorporated by reference herein from Part II, Item 7, of this Annual Report, for a discussion of the material features of the stock options, warrants and related stock plans.

We compensate a number of employees and consultants through stock option grants under the Company's 2001 Non-Qualified Stock Option Plan. Ninety million shares were registered under that plan since its inception in 2001. Typically, shares are immediately exercised by the employee or consultant. In 2007, employees received options for 778,044 shares equal to \$224,964 in compensation, and consultants and professionals received 6,663,479 shares equal to \$1,510,010 in compensation. The Company recently discovered that issuances and, most likely, sales of up to 2,633,194 shares under the 2001 Non-Qualified Stock Option Plan were issued and likely sold prior to an amendment to the registration being filed on Form S-8/A with the SEC on February 5, 2008. The Company has filed a registration statement covering an additional 10,000,000 shares.

Item 6. Management's Discussion and Analysis or Plan of Operation.

Overview

Our primary focus is to provide businesses and clients with marketing, management, merchandising, auction management, website hosting, and authentication services for the entertainment, sports and collectible industries. We offer entertainers and athletes official web sites and fan club services including e-commerce, VIP ticketing, fan club management, fan experiences, storefronts, articles, polls, message boards, contests, biographies and custom features. We also sell merchandise for celebrities, through official fan websites, on tour or at retail. 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. We provide business management tools for online retailers, through AuctionInc, which is home to our patented shipping calculator and automated auction checkout and order processing system.

Edgar Filing: PAID INC - Form 10KSB

Critical Accounting Policies

Our significant accounting policies are more fully described in Note 3 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. The Company's inventories are comprised of merchandise and collectibles that relates to performing artists and athletes and valuation of it is more subjective than with more standard inventories. General economic conditions, tour schedules of performing artists, and the reputation of the performing artists/athletes, might make sale or disposition of these inventories more or less difficult. Any increases in the reserves would cause a decline in profitability, since such increases are recorded as charges against income.

Revenue recognition: Certain components of revenues are recognized based upon an estimate of value since they are received in non-monetary transactions. Management estimates the amount of revenue based upon its historical experience in comparable cash transactions or its estimation of the value received, whichever is more reliable in the circumstances. Variations in the reliability of these judgments may result in enhancement or impairment of gross margins and results of operations in future periods.

Results of Operations

The following discussion compares the Company's results of operations for the year ended December 31, 2007 with those for the year ended December 31, 2006. The Company's financial statements and notes

10

thereto included elsewhere in this annual report contain detailed information that should be referred to in conjunction with the following discussion.

Revenues. For the year ended December 31, 2007, revenues were \$3,383,000, 93% of which was attributable to sales of fan club memberships, merchandise, and fan experiences related to tours of performing artists. Sales of the Company's own product and fees from buyers and sellers represented 6% of revenues, and sports marketing revenues represented 1% of revenues. Gross sales of the Company's own product were \$175,000. Fan experience, fan club membership and related merchandise sales revenues were \$3,144,000, and sports marketing revenues were \$36,000. Other revenues were \$28,000, less than 1% of gross revenues, during the year ended December 31, 2007. Management anticipates increases from fan club memberships, merchandise, and fan experiences from tours, products and services

Edgar Filing: PAID INC - Form 10KSB

related to several other performing artists during 2008. Performing artists typically do not announce tour plans until two to four months in advance of the first show. Several performing artists represented by the Company have announced tours that are scheduled to begin during the third and/or fourth quarter of 2008.

The Company's 2007 revenues represent a decrease of approximately \$4,666,000 or 58%, from 2006, when revenues were \$8,049,000. For the year ended December 31, 2006, sales of the Company's product were \$491,000 or 6% of gross sales, fan club membership and related merchandise sales revenues were \$7,278,000, 90% of gross revenues, sports marketing revenues were \$247,000, or 3% of gross revenues, and other revenues were \$33,000, or less than 1% of gross revenues.

The main reasons for the decrease in revenues was a \$4,133,000 decrease related to the tours of performing artists, lower revenues related to sports marketing services of \$212,000 and lower sales of Company owned product of approximately \$316,000 from the same period in 2006. Revenues related tours of performing artists are dependent upon tour schedules, the popularity of the artist(s) on tour, and whether the tour(s) are domestic or international. During 2006 a major artist was touring domestically while in 2007 this artist was touring internationally. Gross Profit from celebrity services for the years ended December 31, 2007 and 2006 was approximately \$1,209,000 and \$2,273,000 respectively. Gross profit from Company owned product sales for the year ended December 31, 2007 was approximately \$94,000, \$68,000 more than in 2006.

Operating Expenses. Total operating expenses for the year ended December 31, 2007 were \$4,074,000 compared to \$4,185,000 in 2006, a decrease of \$111,000.

Sales, general and administrative ("SG&A") expenses for the year ended December 31, 2007 were \$3,651,000, compared to \$3,666,000 for the year ended December 31, 2006. The decrease of \$15,000 in SG&A costs includes decreases in payroll and related costs of \$225,000, depreciation and amortization of \$21,000 as certain assets became fully depreciated during 2007, credit card commissions of \$59,000, tour expenses of \$82,000 and shipping and postage of \$105,000, offset by increases in professional fees of \$452,000, travel of \$33,000, and rents of \$34,000. The credit card commissions and postage and shipping decreases are principally attributable to lower levels of tours of performing artists. The increase in professional fees is attributable to new business development costs, which are expected to generate additional revenues in future periods.

Costs associated with planning, maintaining and operating our web sites for the year ended December 31, 2007 decreased by \$96,000 from 2006. This decrease is due primarily to a decrease in consulting costs of \$127,000, and computer costs of \$48,000, offset by \$49,500 less website development costs being capitalize in 2007 than in 2006.

Interest Expense. For the year ended December 31, 2007, the Company incurred approximately \$83,000 of interest charges compared to interest charges of \$18,000 in 2006, an increase of \$65,000. This increase

11

is attributable to the discount related to restricted stock granted in settlement of notes payable, interest and accrued expenses offset by lower average balances of short term interest bearing debt.

Net Loss. The Company realized a net loss for the year ended December 31, 2007 of \$2,724,000 compared to a net loss of \$1,704,000 for the year ended December 31, 2006. Losses for both years represent \$.01 per share.

Edgar Filing: PAID INC - Form 10KSB

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

Assets

At December 31, 2007, total assets of the Company were \$1,771,000 compared to \$1,681,000 at December 31, 2006.

Operating Cash Flows

A summarized reconciliation of the Company's net losses to cash provided by (used in) operating activities for the years ended December 31, 2007 compared to December 31, 2006, is as follows:

	2007	2006
Net loss	\$ (2,724,100)	\$ (1,704,100)
Depreciation and amortization	129,100	148,400
Intrinsic value of stock options awarded in payment of services	1,735,000	1,282,300
Common stock issued in payment of interest	75,000	137,800
Net current assets and liabilities associated with advance ticketing	--	(1,749,000)
Changes in current assets and liabilities	(379,500)	232,200
	-----	-----
Net cash provided by (used in) operating activities	(\$ 1,164,500)	(\$1,652,400)
	=====	=====

Working Capital and Liquidity

The Company had cash and cash equivalents of \$265,000 at December 31, 2007, compared to \$138,000 at December 31, 2006. The Company had \$923,000 of working capital at December 31, 2007 compared to \$68,000 at December 31, 2006. At December 31, 2007 current liabilities were \$762,000 compared to \$1,409,000 at December 31, 2006. Current liabilities decreased at December 31, 2007 compared to December 31, 2006 primarily due to lower levels of short term debt, accounts payable and accrued expenses, offset by an increase deferred revenues.

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, 2007. 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 in 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, our suite of management tools and patented shipping calculator solutions for small ecommerce enterprises, and web hosting are expected to increase revenues and result in higher total gross profit. Subject to the discussion below, management believes that the Company has sufficient cash resources to fund operations during the next 12 months. These resources include call options, expiring on May 9, 2008, for approximately 775,000 shares of common stock, which, once assigned by the Company, can generate between

Edgar Filing: PAID INC - Form 10KSB

\$181,000 and \$405,000 (based solely upon the 52 week high and low closing prices of the Company's common stock) of cash. In addition, management is exploring opportunities to monetize its recently issued patent. However, there can be no assurance that assignment of the call options can be concluded on reasonably acceptable terms or that the Company will be successful in monetizing its patent. Finally, management is seeking alternative sources of capital to support operations.

Forward Looking Statements

This Annual Report on Form 10-KSB 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 Annual 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, 2007.

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 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 7. Financial Statements.

The consolidated financial statements and supplementary data required by this item appear on Page F-1 immediately following the signature page, and are incorporated by reference herein.

13

Item 8. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Edgar Filing: PAID INC - Form 10KSB

Item 8A(T). Controls and Procedures.

Evaluation of Disclosure 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 this 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, except with respect to material weaknesses in internal control over financial reporting described below, 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. There were no significant changes in the Company's internal controls during the last fiscal quarter and as of the end of the period covered by this annual report 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.

Managements' Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting of the Company. Internal control over financial reporting is a process designed by, or under the supervision of, our chief executive and chief financial officers and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals.

Management, with the participation of our principal executive officer and principal financial officer, is required to evaluate the effectiveness of our internal controls over financial reporting as of December 31, 2007 based on criteria established under the COSO framework, an integrated framework for evaluation of internal controls issued to identify the risks and control objectives related to the evaluation of the control environment by the Committee of Sponsoring Organizations of the Treadway Commission. Management has concluded that our internal controls over financial reporting were not effective as of December 31, 2007 due to our inability to perform sufficient testing of internal controls on financial reporting. A factor for our internal control deficiencies is the small size of the Company and the lack of a financial expert on the Audit Committee of the Board of Directors and other corporate governance controls. As defined by the Public Company Accounting Oversight Board Auditing Standard No. 2, a material weakness is a significant control deficiency or a combination of significant control deficiencies that results in there being more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management continues to monitor and assess the controls to ensure compliance.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation requirements by

Edgar Filing: PAID INC - Form 10KSB

our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting during the quarter ended December 31, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 8B. Other Information.

None.

Part III.

Item 9. Directors, Executive Officers, Promoters, Control Persons and Corporate Governance; Compliance with Section 16(a) of the Exchange Act.

Directors and Executive Officers

The following table sets forth certain information regarding the directors and executive officers of Paid, Inc.:

Name	Age	Position
----	---	-----
Gregory Rotman*	42	Director, Chief Executive Officer & President
Richard Rotman*	37	Director, Chief Financial Officer, Vice President, Treasurer & Secretary
Andrew Pilaro	38	Director

*Gregory Rotman and Richard Rotman are brothers.

Each of the directors was elected as of September 19, 2000, for a term expiring at the 2001 Annual Meeting of Stockholders and until their successors are elected and qualified. The Company has not held an annual meeting or elected directors since September 19, 2000. Under the Delaware General Corporation Law, each director holds office until such director's successor is elected and qualified or until such director's earlier resignation or removal. The following is a description of the current occupation and business experience for at least five years for each director and executive officer.

Gregory Rotman has served as a Director and the Chief Executive Officer and President of Paid, Inc. since February 1999. From 1995 to 1998, he served as a Partner of Teamworks, LLC, which was responsible for the design, financing and build-out of MCI National Sports Gallery.

15

Richard Rotman has served as a Director and the Chief Financial Officer, Vice President, Treasurer and Secretary of Paid, Inc. since February 1999. Prior to joining Paid, Inc., he was involved in the management and day-to-day operations of Rotman Auction, which he formed in February 1997. From 1995 until February 1997, Mr. Rotman worked for the family business, Rotman Collectibles,

Edgar Filing: PAID INC - Form 10KSB

where he focused on sale and distribution of collectibles, including through auctions and on the Internet.

Andrew Pilaro has served as a Director of Paid, Inc. since September 2000. Since August, 1996, he has served as the Assistant to the Chairman of CAP Advisors Limited, an investment management company, with responsibility for asset management.

Other Significant Persons

Keith Garde, age 54, is President of the celebrity services group. Mr. Garde has more than 25 years of management and production experience in the entertainment industry. In 1995, Mr. Garde founded PKA Management, a Boston-based firm that manages national talent, manages video production and provides consulting services. Mr. Garde was one of the early pioneers in leveraging the Internet for entertainment entities, utilizing it for the digital distribution of artists' content and intellectual property. Mr. Garde has collaborated on special projects for MTV, VH1, A&E, ESPN, NFL, Disney, Paramount Pictures, Daimler-Chrysler, multiple record labels and many other major corporations and artists. He also serves as special projects manager for the artist Aerosmith.

Audit Committee/Code of Ethics

The Securities and Exchange Commission has adopted rules to implement certain requirements of the Sarbanes-Oxley Act of 2002 pertaining to public company audit committees. One of the rules requires a company to disclose whether it has an "audit committee financial expert" serving on its audit committee. Based on its review of the criteria of an audit committee financial expert under the rule adopted by the SEC, the Board of Directors does not believe that any member of the Board of Directors' Audit Committee would be described as an audit committee financial expert. At this time, the Board of Directors believes it would be desirable for the Audit Committee to have an audit committee financial expert serving on the committee. While from time to time informal discussions as to potential candidates have occurred, no formal search process has commenced.

The Company has adopted a Code of Ethics that applies to all of its directors, officers, and employees, including its principal executive officer, principal financial officer, principal accounting officer, or controller, or persons performing similar functions. A written copy of the Company's Code of Ethics will be provided to anyone, free of charge, upon request to: Richard Rotman, CFO, Paid, Inc., 4 Brussels Street, Worcester, Massachusetts 01610.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than 10% of the Company's outstanding Common Stock to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of Common Stock. These persons are required by SEC regulation to furnish the Company with copies of all such reports they file. To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and representations that no other reports were required, all Section 16(a) filing requirements applicable to its officers and directors and beneficial owners of more than 10% of the Company's stock, have been complied with for the period which this Form 10-KSB relates, except that Augustine Fund, L.P. filed no reports on Form 4 or Form 5. The Company has no knowledge as to whether Augustine Fund, L.P. or its affiliates should have filed a Form 4 or Form 5 or whether such entities were engaged in any reporting transactions.

Edgar Filing: PAID INC - Form 10KSB

Item 10. Executive Compensation.

The following table sets forth the compensation of the Company's chief executive officer, the chief financial officer, and each officer whose total cash compensation exceeded \$100,000, for the last two fiscal years ended December 31, 2007 and 2006.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (1)	Total
Gregory Rotman	2007	\$100,000	\$100,000
President and Chief Executive Officer	2006	\$100,000	\$100,000
Richard Rotman	2007	\$102,134	\$102,134
Chief Financial Officer, Vice President, Treasurer and Secretary	2006	\$ 88,461	\$ 88,461 (1)

(1) In 2006, with respect to Richard Rotman only, the Company paid the amount shown as compensation, but has accrued the difference between these amounts per annum for Richard Rotman and \$100,000.

On October 11, 2002, both Gregory Rotman and Richard Rotman were granted options to purchase 10,000,000 shares of common stock at an exercise price of \$.041, under the Company's 2002 Stock Option Plan, pursuant to the following vesting schedule: options to purchase 4,000,000 shares of common stock vested on April 11, 2003; options to purchase 3,000,000 shares of common stock vested on October 11, 2003, and options to purchase 3,000,000 shares vested on October 11, 2004. Each of Gregory Rotman and Richard Rotman exercised options to purchase 500,000 shares during 2007.

On January 10, 2008, each of Gregory Rotman and Richard Rotman received options to purchase 2,500,000 shares of common stock at \$.415 per share.

The following table sets forth certain information related to equity awards as of December 31, 2007 for Gregory Rotman and Richard Rotman. Other than the option awards described in the table below, there were no other equity or stock awards.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

		Option Awards
		Equity Incentive Plan Awards:
Number	Number	Number

Edgar Filing: PAID INC - Form 10KSB

Name	of Securities Underlying Unexercised Options (#) Exercisable	of Securities Underlying Unexercised Options (#) Unexercisable	of Securities Underlying Unexercised Option (#)	Option Exercise Price (\$)	Option Expiration Date
Gregory Rotman, President and CEO	9,500,000	0	0	\$.041	10/11/12
Richard Rotman, CFO, Vice President and Secretary	9,500,000	0	0	\$.041	10/11/12

None of the Company's directors received any separate compensation from the Company for serving as directors in 2007. However, on October 11, 2002, Andrew Pilaro received options to purchase 2,000,000 shares of common stock at an exercise price of \$.041, pursuant to the 2002 Stock Option Plan, subject to the following vesting schedule: options to purchase 800,000 shares of common stock vested immediately; options to purchase an additional 600,000 shares of common stock vested on October 11, 2003, and options to purchase 600,000 shares of common stock vested on October 11, 2004. These options expire on October 11, 2012.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

To the knowledge of the management of the Company the following table sets forth the beneficial ownership of our common stock as of March 21, 2008 of each of our directors and executive officers, and all of our directors and executive officers as a group.

Name and Address of Beneficial Owner (1)	Number of Shares Beneficially Owned	% of Class (5)
Gregory Rotman	19,401,079 (2)	7.57%
Richard Rotman	21,271,451 (3)	8.30%
Andrew Pilaro	2,068,700 (4)	.80%
All directors and executive officers as a group (3 individuals)	42,741,230	16.67%

(1) The address of each person named is the address of the Company.

(2) Includes options to purchase 9,500,000 shares of the Company's common stock at an exercise price of \$.041, granted on October 11, 2002, and options to purchase 2,500,000 shares of the Company's common stock at an exercise price of \$.415, granted on January 10, 2008.

(3) Includes options to purchase 9,250,000 shares of the Company's common stock at an exercise price of \$.041, granted on October 11, 2002, and options to purchase 2,500,000 shares of the Company's common stock at an exercise price of \$.415, granted on January 10, 2008.

Edgar Filing: PAID INC - Form 10KSB

(4) Includes 17,200 shares held indirectly as custodian for Mr. Pilaro's minor sons and options to purchase 2,000,000 shares of the Company's common stock at an exercise price of \$.041, 800,000 of which vested on October 11, 2002, 600,000 of which vested on October 11, 2003, and 600,000 of which vested on October 11, 2004.

(5) Percentages are calculated on the basis of the amount of outstanding securities plus for such person or group, any securities that person or group has the right to acquire within 60 days.

To the knowledge of the management of the Company, based solely on our review of SEC filings, and with respect to Augustine Fund, L.P., on our review of such fund's Form 13G/A dated March 14, 2007, the following table sets forth the beneficial ownership of our common stock as of March 21, 2008 of each beneficial owner of more than five percent of any class of the Company's Common Stock, other than as held by our directors and executive officers.

Name and Address of Beneficial Owner (1)	Number of Shares Beneficially Owned	% of Class
Augustine Fund, L.P. 141 W. Jackson Blvd., Suite 2182 Chicago, IL 60604	22,473,741	9.54%

The information regarding the Company's "Equity Compensation Plan Information" is incorporated herein by reference in Part II, Item 5 of this Annual Report on Form 10-KSB.

Item 12. Certain Relationships and Related Transactions, and Director Independence.

Steven Rotman is the father, and Leslie Rotman is the mother, of Gregory Rotman, President of the Company, and Richard Rotman, CFO/Vice President/Secretary of the Company. The Company entered into a number of transactions in the past with both Steven Rotman and Leslie Rotman. Management believes that these transactions are fair and reasonable to the Company and no less favorable than could have been obtained by an unaffiliated third party.

In December 2001, the Company engaged Steven Rotman to provide consulting services to the Company. Steven Rotman did not provide any consulting services in 2005. However, during 2005, for consulting fees owed and for consulting services provided prior to 2005, including \$160,000 in fees and services provided in 2004, the Company paid Steven Rotman \$251,659 in the form of options to purchase 1,264,630 shares of common stock of the Company pursuant to the Company's 2001 Non-Qualified Stock Option Plan. During 2006, the Company incurred \$86,154 of consulting fees paid to Steven Rotman. During 2007 the Company incurred \$144,000 of consulting fees paid to Steven Rotman which was paid to him in the form of options to purchase 757,299 shares of the Company's common stock. Under the 2001 Non-Qualified Stock Option Plan, employees and consultants may elect to receive their gross compensation in the form of options to acquire the number of shares of the Company's common stock equal to their gross compensation divided by the fair value of the stock on the date of grant.

In 2002, the Company obtained private financing from Mr. Steven Rotman in the aggregate amount of \$115,000 at an 8% interest rate, and borrowed an additional \$15,000 in 2003. In 2005, the Company repaid \$50,000, but as of December 31, 2006 continued to owe Steven Rotman \$80,000 in

Edgar Filing: PAID INC - Form 10KSB

principal, and \$40,322 in interest, including \$6,489 in interest which accrued in 2006. On December 19, 2007 the Company repaid the \$80,000 of principal plus \$46,646 of then outstanding interest through the issuance of 527,488 restricted shares of the Company's common stock. This conversion resulted in \$31,600 of additional interest representing the discount granted due to the restriction.

During 2003 and 2004 the Company sold a number of items owned by Mr. Steven Rotman under consignment arrangements resulting in accrued liabilities to Steven Rotman of \$62,776 and \$110,006, respectively. During 2007 the Company issued 719,925 restricted shares of its common stock in settlement of this \$172,782 accrued liability. This conversion resulted in \$43,400 of additional interest representing the discount granted due to the restriction.

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, pursuant to which Rotman Collectibles, Inc., a Massachusetts corporation, was merged into the Company's Delaware subsidiary, named Rotman Collectibles, Inc. 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 (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 now expires May 9, 2008. During 2006 the Company assigned options to purchase 800,000 shares of stock from Leslie Rotman to certain individuals in exchange for \$331,848. During 2007, the Company assigned options to purchase 50,000 shares of stock from Leslie Rotman to certain individuals in exchange for \$15,537. The Company still holds options to assign 775,000 shares.

In August 2006 the Company began paying rent, as a tenant at will, to a company in which Steven Rotman, the father of Greg and Richard Rotman, is a shareholder. Monthly payments under this arrangement of \$2,600 began on August 1, 2006. The Company had previously occupied the premises rent-free.

Item 13. Exhibits.

Exhibits are numbered in accordance with Item 601 of Regulation S-B.

Exhibit

Exhibit No.	Description of Exhibits
3.1	Certificate of Incorporation, as amended (incorporated by reference to Exhibit 3.1 to Form 8-K, filed on November 25, 2003)
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to Form 8-K, filed on December 8, 2004)
4.1	Specimen of certificate for Common Stock (incorporated by reference to Exhibit 4.1 to Form SB-2/A filed on December 1, 2000)
4.2	Agreement dated November 21, 2007, by and between the Company and Lewis Asset Management Equity Fund, LLP with respect to the purchase of 2,500,000 shares at \$.20 per share*
10.1	1999 Stock Option Plan (incorporated by reference to Exhibit 10.2 to Form SB-2/A filed on December 1, 2000)

Edgar Filing: PAID INC - Form 10KSB

- 10.2 1999 Omnibus Share Plan (incorporated by reference to Exhibit 10.3 to Form SB-2/A filed on December 1, 2000)
- 10.3 2001 Non-Qualified Stock Option Plan, as amended (incorporated by reference from Exhibit 99.1 to Form S-8 filed on September 5, 2003)

20

- 10.4 2002 Stock Option Plan (incorporated by reference from Exhibit 10.17 to Form 10-KSB filed on March 31, 2003)
- 10.5 Settlement Agreement and Mutual Release dated May 9, 2005 between the Company and Leslie Rotman (incorporated by reference to Exhibit 10.1 to Form 10-QSB filed on May 13, 2005)
- 10.6 Escrow Agreement dated May 9, 2005 between the Company, Leslie Rotman, and Escrow Agent (incorporated by reference to Exhibit 10.2 to Form 10-QSB filed on May 13, 2005)
- 23 Consent of Carlin, Charron & Rosen, LLP*
- 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*
- 99 Risk Factors*

* filed herewith

Item 14. Principal Accountant Fees and Services.

Audit Fees. The aggregate fees billed by Carlin, Charron & Rosen, LLP for the audit of the Company's annual consolidated financial statements for the fiscal year ended December 31, 2007 and 2006, and the reviews of the quarterly consolidated financial statements included in the Company's Forms 10-QSB for fiscal years 2007 and 2006, were \$55,200 and \$52,200, respectively.

Audit Related Fees. There were no fees billed to the Company by Carlin, Charron & Rosen, LLP for fiscal year ended December 31, 2007 or 2006 for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements.

Tax Fees. There were no fees billed to the Company by Carlin, Charron & Rosen, LLP in either of the past two fiscal years for professional services for tax compliance, tax advice, and tax planning.

All Other Fees. There were no fees billed to the Company by Carlin, Charron & Rosen, LLP for any other services for the past two fiscal years. The Audit Committee approves all audit and audit-related fees.

The Audit Committee is required to pre-approve all non-audit services to be performed by the auditor. The percentage of hours expended on the principal

Edgar Filing: PAID INC - Form 10KSB

accountant's engagement to audit the Company's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees was 0%.

21

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PAID, INC.

By: /s/ Gregory Rotman

Gregory Rotman, President

Date: March 31, 2008

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Gregory Rotman

Gregory Rotman, President and Director

Date: March 31, 2008

/s/ Richard Rotman

Richard Rotman, Vice President, Treasurer,
Secretary and Director

Date: March 31, 2008

/s/ Andrew Pilaro

Andrew Pilaro, Director

Date: March 31, 2008

22

PAID, INC. AND SUBSIDIARY DECEMBER 31, 2007 AND 2006 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets at December 31, 2007 and 2006	F-3
Consolidated Statements of Operations	
Years ended December 31, 2007 and 2006	F-4
Consolidated Statement of Changes in Shareholders' Equity (Deficit)	
Years ended December 31, 2007 and 2006	F-5
Consolidated Statements of Cash Flows	
Years ended December 31, 2007 and 2006	F-6
Notes to Consolidated Financial Statements	

Edgar Filing: PAID INC - Form 10KSB

Years ended December 31, 2007 and 2006 F-7

F-1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Paid, Inc.

We have audited the accompanying consolidated balance sheets of Paid, Inc. and subsidiary (the Company) as of December 31, 2007 and 2006, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Paid, Inc. and subsidiary as of December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered substantial losses in recent years and has an accumulated deficit of approximately \$31,300,000 at December 31, 2007. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding those matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Carlin, Charron & Rosen, LLP
Westborough, Massachusetts
March 31, 2008

F-2

PAID, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31,

Edgar Filing: PAID INC - Form 10KSB

	2007	2006
	-----	-----
ASSET		
Current assets:		
Cash and cash equivalents	264,811	138,326
Accounts receivable, net	--	34,731
Inventories, net	1,195,689	1,181,361
Prepaid expenses and other current assets	185,553	90,048
Due from employees	39,362	32,803
	-----	-----
Total current assets	1,685,415	1,477,269
Property and equipment, net	74,338	191,518
Other intangible asset, net	10,828	11,768
	-----	-----
Total assets	\$ 1,770,581	\$ 1,680,555
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes and loans payable	--	98,000
Accounts payable	272,476	396,257
Accrued expenses	380,276	915,176
Deferred revenues	109,500	--
	-----	-----
Total current liabilities	762,252	1,409,433
	-----	-----
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$.001 par value, 350,000,000 shares authorized; 234,636,742 and 218,329,910 shares issued and outstanding at December 31, 2007 and 2006, respectively	234,637	218,330
Additional paid-in capital	32,083,880	28,638,897
Accumulated deficit	(31,310,188)	(28,586,105)
	-----	-----
Total shareholders' equity	1,008,329	271,122
	-----	-----
Total liabilities and shareholders' equity	\$ 1,770,581	\$ 1,680,555
	=====	=====

See accompanying notes to consolidated financial statements

F-3

PAID, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31,

2007	2006
-----	-----

Edgar Filing: PAID INC - Form 10KSB

Revenues	3,383,294	8,048,854
Cost of revenues	1,965,619	5,556,635
	-----	-----
Gross profit	1,417,675	2,492,219
	-----	-----
Operating expenses:		
Selling, general, and administrative expenses	3,650,646	3,665,846
Web site development costs	423,308	519,096
	-----	-----
Total operating expenses	4,073,954	4,184,942
	-----	-----
Loss from operations	(2,656,279)	(1,692,723)
	-----	-----
Other income (expense):		
Interest expense	(82,659)	(17,877)
Other income	14,855	6,492
	-----	-----
Total other income (expense), net	(67,804)	(11,385)
	-----	-----
Loss before income taxes	(2,724,083)	(1,704,108)
Provision for income taxes	--	--
	-----	-----
Net loss	\$ (2,724,083)	\$ (1,704,108)
	=====	=====
Loss per share (basic and diluted)	\$ (0.01)	\$ (0.01)
	=====	=====
Weighted average shares (basic and diluted)	226,679,082	210,364,212
	=====	=====

See accompanying notes to consolidated financial statements

F-4

PAID, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Common stock		Additional	Accum
	Shares	Amount	Paid-in Capital	Def
	-----	-----	-----	-----
Balance, December 31, 2005	200,405,555	\$ 200,406	\$ 25,672,844	\$ (26,
Issuance of common stock pursuant to exercise of stock options granted to				

Edgar Filing: PAID INC - Form 10KSB

employees for services	1,195,799	1,196	261,820	
Issuance of common stock pursuant to exercise of stock options granted to professionals and consultants	6,769,876	6,770	1,012,549	
Common stock issued in payment of interest on note payable	838,450	838	136,956	
Common stock issued for payment of convertible debt	9,020,230	9,020	1,140,980	
Common stock issued in connection with acquisition of assets of K-sports & Entertainment, LLC	100,000	100	31,900	
Proceeds from assignment of call options	--	--	331,848	
Proceeds from sale of warrants	--	--	50,000	
Net loss	--	--	--	(1,
Balance, December 31, 2006	218,329,910	\$ 218,330	\$ 28,638,897	\$ (28,
Issuance of common stock pursuant to exercise of stock options granted to employees for services	778,044	778	224,186	
Issuance of common stock pursuant to exercise of stock options granted to professionals and consultants	6,663,479	6,663	1,503,347	
Issuance of common stock	6,517,896	6,519	1,256,881	
Options exercised	1,000,000	1,000	40,000	
Common stock issued in connection with acquisition of assets of K-sports & Entertainment, LLC	100,000	100	31,900	
Common stock issued in payment of notes payable	333,333	333	99,667	
Common stock issued in payment of interest	194,155	194	58,052	
Common stock issued in payment of accrued expenses	719,925	720	215,413	
Proceeds from assignment of call options	--	--	15,537	
Net loss	--	--	--	(2,
Balance, December 31, 2007	234,636,742	\$ 234,637	\$ 32,083,880	\$ (31,

See accompanying notes to consolidated financial statements

Edgar Filing: PAID INC - Form 10KSB

PAID, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2007

Operating activities:	
Net loss	\$ (2,724,083)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	129,074
Bad debt expense	26,622
Inventory reserve	--
Intrinsic value of stock options awarded to professionals and consultants in payment of fees for services provided	1,510,010
Intrinsic value of stock options awarded to employees in payment of compensation	224,964
Issuance of common stock in payment of interest on notes payable	--
Interest charge on discounted stock issuance	75,000
Changes in assets and liabilities:	
Accounts receivable	8,109
Inventories, net	(14,328)
Deferred expenses	--
Prepaid expense and other current assets	(100,564)
Accounts payable	(123,781)
Accrued expenses	(285,021)
Deferred revenue	109,500

Net cash (used in) operating activities	(1,164,498)

Investing activities:	
Property and equipment additions	(10,954)

Financing activities:	
Net proceeds (repayments) of notes and loans payable	(18,000)
Proceeds from sale of warrant	--
Proceeds from assignment of call options	15,537
Proceeds from exercise of stock options	41,000
Proceeds from sale of common stock	1,263,400

Net cash provided by financing activities	1,301,937

Net increase (decrease) in cash and cash equivalents	126,485
Cash and cash equivalents, beginning	138,326

Cash and cash equivalents, ending	\$ 264,811
	=====

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Edgar Filing: PAID INC - Form 10KSB

Cash paid during the period for:

Income taxes	\$	--
		=====
Interest	\$	1,357
		=====

SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES

Common stock issued in final payment of amounts due in connection with the 2004 acquisition of K-Sports and Entertainment, LLC	\$	32,000
		=====
Common stock issued in payment of notes payable	\$	80,000
		=====
Common stock issued in payment of accrued consignments and interest	\$	219,379
		=====

See accompanying notes to consolidated financial statements

F-6

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

Note 1. Organization

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 collectible industries. The Company offers celebrities, musical artists and athletes official web sites and fan-club services including e-commerce, VIP ticketing, fan club management, fan experiences, storefronts, articles, polls, message boards, contests, biographies and custom features. The Company also sells merchandise for celebrities, through official fan websites, on tour or at retail.

Note 2. Management's Plans

The Company has continued to incur significant losses. For the years ended December 31, 2007 and 2006 the Company reported losses of approximately \$2,724,000 and \$1,704,000, respectively. These conditions raise substantial doubt about the Company's ability to grow as a going concern.

To date the Company has met its cash needs from the proceeds of convertible debt, equity financing, and the assignment of call options discussed in Note 7.

Management anticipates growth in revenues and gross profits in 2008 from its celebrity services products and websites; including memberships, fan experiences and ticketing, appearances, and merchandise sales. In addition, "AuctionInc" which hosts a suite of management tools and our patented shipping calculator solutions for small e-commerce enterprises, and web hosting are expected to increase revenues and result in higher total gross profit. In addition, management is exploring opportunities to monetize its recently issued patent.

Edgar Filing: PAID INC - Form 10KSB

A 2005 Settlement Agreement provided the Company with call options for approximately 2 million shares of the Company's common stock. As of December 31, 2007 the Company still held call options for 775,000 shares of common stock, which currently expire on May 9, 2008. Assignment of these call options may generate between \$181,000 and \$405,000 based solely upon 52 week high and low closing prices of the Company's common stock.

Although there can be no assurances, the Company believes that the above anticipated additional revenues, and additional financing will be sufficient to meet the Company's working capital requirements through the end of 2008.

Note 3. Summary of Significant Accounting Policies

Principles of consolidation

The accompanying consolidated financial statements include the accounts of Paid, Inc. and its wholly-owned subsidiary, Rotman Collectibles, Inc. On December 27, 2007 Rotman Collectibles was merged into Paid, Inc. All inter-company balances and transactions have been eliminated.

F-7

Cash and cash equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

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. In connection with this review, at both December 31, 2007 and 2006 the Company provided for reserves totaling \$325,000.

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 the year ended December 31, 2007 no website development costs were capitalized while for the year ended December 31, 2006 the Company capitalized approximately \$49,500.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight line and double declining balance method over the estimated useful lives of 3 to 5 years.

Intangible Assets

Intangible assets, comprised principally of a patent, are being amortized on a

Edgar Filing: PAID INC - Form 10KSB

straight-line basis over an estimated useful life of 17 years.

Revenue Recognition

The Company generates revenue from sales of fan experiences, from fan club membership fees, from sales of its purchased inventories, and from web hosting 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 ratably over the term of the related membership, generally one year.

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

F-8

credit card transaction and shipment of the merchandise, discharging all obligations of the Company with respect to the transaction.

The Company provides web hosting services in conjunction with two types of arrangements - cash and receipt of publicly recognized autographs on merchandise. Revenue is recognized on a monthly basis as the services are provided under both arrangements. The amounts of revenues related to arrangements settled in other than cash are determined based upon management's estimate of the fair value of the service provided or the fair value of the autographs received, depending upon which measure is most reliable.

Cost of revenues

Cost of revenues includes event tickets, catering, merchandise, and commissions paid to celebrities.

Shipping and Handling fees and costs

All amounts billed to customers in sales transactions related to shipping and handling represent revenues earned and are reported as revenues. Costs incurred by the Company for shipping and handling totaling \$115,200 and \$188,000 in 2007 and 2006, respectively, are reported as a component of selling, general and administrative expenses.

Selling and Administrative expenses

Selling, general, and administrative expenses include travel, payroll, credit card commissions, postage and handling, and other general and administrative costs.

Advertising costs

Advertising costs totaling approximately \$16,500 in 2007 and \$42,500 in 2006, are charged to expense when incurred.

Edgar Filing: PAID INC - Form 10KSB

Segment reporting

The Company has determined that it has only one discreet operating segment consisting of activities surrounding the sale of fan experiences, fan club memberships, and merchandise associated with its relationships with performing artists and publicly recognized people.

Fair Value of Financial Instruments

Cash and cash equivalents, accounts receivable, accounts payable and accrued expenses - The carrying amount of these financial instruments approximates fair value because of the short-term nature of these instruments.

Notes payable - The carrying amount of these financial instruments approximates fair value as the interest rate approximates market rates.

Convertible debt - The carrying amount of these financial instruments approximates fair value as the interest rates approximate market rates.

F-9

Concentrations

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Company places its cash and cash equivalents with high credit quality institutions.

Approximately 87% of the Company's revenues for 2007 were generated from fan experiences and sales of merchandise related to one performing artist, Aerosmith.

Income Taxes

Income taxes are accounted for under the liability method. Under this method, deferred income taxes are provided for temporary differences between the financial reporting and the tax bases of assets and liabilities and are measured using enacted laws and rates that will be in effect when the differences are expected to reverse. A valuation allowance is provided when management believes it is more likely than not that some or all of the deferred tax assets will not be realized.

Use of Estimates

In preparing consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the balance sheets and reported amounts of revenue and expenses during the reporting periods. Material estimates that are particularly susceptible to significant change in the near term relate to inventories, deferred tax asset valuation, and revenue recognition with respect to web hosting services. Although these estimates are based on management's knowledge of current events and actions, they may ultimately differ from actual results.

Share Based Compensation

The Company accounts for share-based compensation in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) 123(R), Share-Based Payment. Under the provisions of SFAS 123(R), share-based compensation cost is measured at the grant date, based on the fair value of the

Edgar Filing: PAID INC - Form 10KSB

award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity grant).

The Company estimates the fair value of stock options using the Black-Scholes valuation model. Key input assumptions used to estimate the fair value of stock options include the exercise price of the award, the expected option term, the expected volatility of the Company's stock over the option's expected term, the risk-free interest rate over the option's expected term, and the Company's expected annual dividend yield. The Company believes that the valuation technique and the approach utilized to develop the underlying assumptions are appropriate in calculating the fair values of the Company's stock options. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by persons who receive equity awards.

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 dilutive potential 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 outstanding stock options and warrants. The

F-10

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 26,136,054 shares and 27,136,054 shares at December 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.

Asset Impairment

In accordance with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets", long lived assets to be held and used by the Company are reviewed to determine whether any events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. For long-lived assets to be held and used, the Company bases its evaluation on such indicators as the economic benefits of the assets, any historical or future profitability measurements, a review of estimated useful lives, as well as other external market conditions or factors that may be present. If such impairment indicators are present or other factors exist that indicate that the carrying amount of the asset may not be recoverable, the Company determines whether an impairment has occurred through the use of an undiscounted cash flow analysis of assets at the lowest level for which identifiable cash flow exist. If impairment has occurred, the Company recognizes a loss for the difference between the carrying amount and the estimated value of the asset. The fair value of the asset is measured using an estimate of discounted cash flow analysis.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which is effective for calendar year companies on January 1, 2008. The Statement defines fair value, establishes a framework for measuring fair value in accordance with Generally Accepted Accounting Principles, and expands

Edgar Filing: PAID INC - Form 10KSB

disclosures about fair value measurements. The Statement codifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The Company is currently assessing the potential impacts of implementing this standard.

In February, 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," which is effective for calendar year companies on January 1, 2008. The statement allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. Subsequent changes in fair value of these financial assets and liabilities would be recognized in earnings when they occur. SFAS 159 further establishes certain additional disclosure requirements. Management is currently evaluating the impact and timing of the adoption of SFAS 159 on the Corporation's financial condition and results of operations.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations", which replaces SFAS No. 141. SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. The Statement also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. SFAS 141(R) is effective for calendar year companies on January 1, 2009. The adoption of SFAS 141(R) will have an impact on accounting for business combinations once adopted, but the effect is dependent upon acquisitions at that time.

F-11

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements - an amendment of Accounting Research Bulletin No. 51", which establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. The Statement also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. SFAS 160 is effective for calendar year companies on January 1, 2009. The Company has not determined the effect that the application of SFAS 160 will have on its consolidated financial statements.

In December 2007, the SEC issued Staff Accounting Bulletin 110. SAB 110 expresses the views of the staff regarding the use of a "simplified" method, as discussed in SAB No. 107 ("SAB 107"), in developing an estimate of expected term of "plain vanilla" share options in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004). SAB 110 is not expected to have a significant impact on the entity consolidated financial statements.

Note 4. Property and Equipment

At December 31, property and equipment consisted of the following:

2007	2006
-----	-----

Edgar Filing: PAID INC - Form 10KSB

Computer equipment and software	\$ 175,744	\$ 164,790
Office furniture	2,850	2,850
Video and article archives	418,983	418,983
Website development cost	636,390	636,390
	-----	-----
	1,233,967	1,223,013
Accumulated depreciation	(1,159,629)	(1,031,495)
	-----	-----
	\$ 74,338	\$ 191,518
	=====	=====

Depreciation expense of property and equipment for the years ended December 31, 2007 and 2006 amounted to \$128,100 and \$126,800, respectively.

Note 5. Intangible Assets

At December 31, intangible assets are comprised of the following:

	2007	2006
	-----	-----
Patent pending	\$ 16,000	\$ 16,000
Accumulated amortization	(5,172)	(4,232)
	-----	-----
	\$ 10,828	\$ 11,768
	=====	=====

F-12

Amortization expense for intangible assets for the years ended December 31, 2007 and 2006 amounted to \$940 and \$21,500, respectively.

Estimated future annual amortization expense is \$1,000 for each year through 2019.

Note 6. Accrued Expenses

At December 31, accrued expenses are comprised of the following:

	2007	2006
	-----	-----
Interest	\$ 3,879	\$ 44,201
Payroll and related costs	169,969	268,702
Professional and consulting fees	164,145	115,111
Consignments - related party	--	172,782
Due to K Sports	--	30,500
Commissions	13,965	266,246
Other	28,318	17,634
	-----	-----
	\$ 380,276	\$ 915,176
	=====	=====

Note 7. Common Stock

Call Option Agreements

Edgar Filing: PAID INC - Form 10KSB

In connection with a May 9, 2005 settlement with Leslie Rotman regarding the value paid and the value received in a 2001 transaction the Company received a call option for 2,000,000 shares of the Company's common stock at \$.001 per share. Leslie Rotman is the mother, of Gregory Rotman, President of the Company, and Richard Rotman, CFO/Vice President/Secretary of the Company. The option is assignable by the Company and, as most recently amended, expires on May 9, 2008. During 2007, 2006 and 2005 the Company assigned options to purchase 50,000, 800,000 and 375,000 shares, respectively, of stock from Leslie Rotman to certain individuals in exchange for \$15,537, \$331,848 and \$96,885. The proceeds from the assignments of these options were added to the paid in capital of the Company. At December 31, 2007, 775,000 call options remain outstanding.

Warrants

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 pending receipt of an additional \$50,000 payment which was received during 2007. 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 in Additional Paid in Capital.

Share-based Incentive Plans

At December 31, 2007, the Company had a number of 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.

F-13

The 1999 Plan ("1999 Plan") provides for the award of non-qualified options for up to 1,000,000 shares. The maximum number of shares currently reserved for issuance is 492,000 shares. The options granted have ten-year contractual terms and vested either immediately or annually over a five-year term. There were no options granted under this plan during 2007 and 2006 and at both December 31, 2007 and 2006 there were 37,000 options outstanding with a weighted average exercise price of \$1.625.

The 2002 Plan ("2002 Plan") provides for the award of qualified and non-qualified options for up to 30,000,000 shares. The maximum number of shares currently reserved for issuance is 5,000,000 shares. The options granted have ten-year contractual terms and vested either immediately or annually over a five-year term. Information with respect to stock options granted under the above plans is as follows:

	Number of shares	Weighted average exercise price per share
	-----	-----
Options outstanding at December 31, 2006	25,000,000	\$.041
Exercised	(1,000,000)	.041

Options outstanding at December 31, 2007	24,000,000	\$.041
	=====	

The total intrinsic value of options exercised under the 2002 Plan during the

Edgar Filing: PAID INC - Form 10KSB

year ended December 31, 2007 was \$314,000.

On February 1, 2001 the Company adopted the 2001 Non-Qualified Stock Option Plan (the "2001 Plan") and has filed Registration Statements on Form S-8 to register 90,000,000 shares of its common stock. Under the 2001 Plan, employees and consultants may elect to receive their gross compensation in the form of options, exercisable at \$.001 per share, to acquire the number of shares of the Company's common stock equal to their gross compensation divided by the fair value of the stock on the date of grant. Information with respect to stock options granted under the above plans is as follows:

	Number of shares	Weighted average exercise price per share
Options outstanding at December 31, 2006	99,054	\$.001
Granted	7,441,523	.001
Exercised	(7,441,523)	.001

Options outstanding at December 31, 2007	99,054	\$.001
	=====	

F-14

A summary of the awards under this plan during the years ended December 31 is as follows:

	Number of Shares	Intrinsic Value
		2007

Employee payroll	778,044	\$ 224,964
Consulting and professional fees	6,663,479	1,510,010
	-----	-----
Total	7,441,523	\$ 1,734,974
	=====	=====
		2006

Employee payroll	1,195,799	\$ 263,016
Consulting and professional fees	6,769,876	1,019,319
	-----	-----
Total	7,965,675	\$ 1,282,335
	=====	=====

The maximum number of shares currently reserved for issuance is 7,465,806 shares. The options granted have ten-year contractual terms and vest immediately.

The fair value of the Company's 2007 and 2006 option grants was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

2007	2006
------	------

Edgar Filing: PAID INC - Form 10KSB

Expected term (based upon historical experience)