PAID INC
Form 10QSB
May 17, 2004

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

FORM 10-QSB

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

For the quarterly period ended March 31, 2004

COMMISSION FILE NUMBER 0-28720

PAID, INC.
(Exact Name of Small Business Issuer as specified 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)

(508) 791-6710
(Issuer's Telephone Number, Including Area Code)

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

Yes |X| No |_|

As of May 3, 2004, the issuer had outstanding 160,742,278 shares of its Common Stock, par value $.001 per share.

Transitional Small Business Disclosure Format

Yes |_| No |X|

Paid, Inc.
and Subsidiary
Form 10-QSB
For the Three Months ended March 31, 2004

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PAID, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

ASSETS	March 31, 2004 (Unaudited)	December 31, 2003 (Audited)
Current assets:		
Cash and cash equivalents	$ 113,379	$ 104,397
Accounts receivable	11,891	3,529
Inventories, net	668,997	702,078
Prepaid expenses	98,270	57,364
Other current assets	26,560	22,331

Total current assets	919,097	889,699
Property and equipment, net	308,655	397,950
Other intangible assets, net	1,210,982	1,414,737
Total assets	$ 2,438,734	$ 2,702,386

LIABILITIES AND SHAREHOLDERS' DEFICIT

Current liabilities:		
Notes payable	$ 130,000	$ 145,000
Accounts payable	71,676	204,698
Accrued expenses	773,118	663,993
Total current liabilities	974,794	1,013,691
Convertible debt	3,123,246	3,001,573
Shareholders' deficit:		
Common stock, $.001 par value, 350,000,000 shares authorized; 160,437,419 and 159,100,218 shares issued and outstanding at March 31, 2004 and December 31, 2003, respectively	160,437	159,100
Additional paid-in capital	18,335,219	17,832,123
Accumulated deficit	(20,154,962)	(19,304,101)
Total shareholders' deficit	(1,659,306)	(1,312,878)
Total liabilities and shareholders' deficit	$ 2,438,734	$ 2,702,386

See accompanying notes to consolidated financial statements

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

	2004	2003
Revenues	$ 385,982	$ 425,900
Cost of revenues	200,914	212,597

Gross profit	185,068	213,303
Operating expenses:		
Selling, general, and administrative expenses	760,132	804,018
Web site development costs	147,603	182,591
Total operating expenses	907,735	986,609
Loss from operations	(722,667)	(773,306)
Other income (expense):		
Interest expense	(128,238)	(88,477)
Other income	44	7
Total other expense, net	(128,194)	(88,470)
Loss before income taxes	(850,861)	(861,776)
Provision for income taxes	--	--
Net loss	$ (850,861)	$ (861,776)
Loss per share (basic and diluted)	$ (0.01)	$ (0.01)
Weighted average shares	159,978,229	130,726,073

See accompanying notes to consolidated financial statements

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

	2004	2003
Operating activities:		
Net loss	$(850,861)	$(861,776)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	293,409	396,312
Amortization of unearned compensation	--	44,619
Beneficial conversion feature	80,131	52,673
Common stock issued in payment of professional and consulting fees	283,639	168,090

Issuance of common stock pursuant to exercise of stock options granted to employees for services	31,734	15,984
Changes in assets and liabilities:		
Accounts receivable	(8,362)	(2,311)
Inventories	33,081	(54,251)
Prepaid expenses and other current assets	(45,135)	9,349
Accounts payable	(133,022)	96,250
Accrued expenses	109,125	51,157
Net cash used in operating activities	(206,261)	(83,904)
Investing activities:		
Property and equipment additions	(359)	--
Financing activities:		
Net proceeds from notes payable	(15,000)	40,000
Proceeds from convertible debt	65,926	36,700
Proceeds from assignment of call options	164,500	--
Proceeds from exercise of stock options	176	--
Net cash provided by financing activities	215,602	76,700
Net increase (decrease) in cash and cash equivalents	8,982	(7,204)
Cash and cash equivalents, beginning	104,397	41,283
Cash and cash equivalents, ending	$ 113,379	$ 34,079

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:		
Income taxes	$ --	$ --
Interest	$ 1,125	$ 367

See accompanying notes to consolidated financial statements

PAID, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S DEFICIT
FOR THE THREE MONTHS ENDED MARCH 31, 2004
(Unaudited)

	Common stock		Additional
	Shares	Amount	Paid-in Capital

Balance, December 31, 2003	159,100,218	$159,100	$17,832,123
Common stock issued pursuant to exercise of stock options granted to employees for services	143,814	144	31,590
Common stock issued in payment of professional and consulting fees	1,017,137	1,017	282,622
Stock options exercised	176,250	176	--
Beneficial conversion discount	--	--	24,384
Proceeds from assignment of call options			164,500
Net loss	--	--	--
Balance, March 31, 2004	160,437,419	$160,437	$18,335,219

See accompanying notes to consolidated financial statements

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PAID, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2004 AND 2003

Note 1. Organization and Summary Of Significant Accounting Policies

Line of business

Paid, Inc. and subsidiary (the "Company") operates and maintains an internet portal dedicated to collectibles in a variety of categories. The Company conducts person-to-person online auctions of its own merchandise and items posted under consignment arrangements by third party sellers.

General

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

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations for interim reporting. The Company believes that the disclosures contained herein are adequate to make the information presented not misleading. However, these financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual report for the year ended December 31, 2003, which are included in the Company's Form 10-KSB.

Principles of consolidation

The accompanying financial statements include the accounts of Paid, Inc. and its wholly-owned subsidiary, Rotman Collectibles, Inc.

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.

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 March 31, 2004 and December 31, 2003 the Company has provided for reserves totaling $270,000.

Revenue Recognition

The Company generates revenue on sales of its purchased inventories, from fees and commissions on sales of merchandise under consignment type arrangements, from web hosting services, from appraisal services and from advertising and promotional services.

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

For sales of merchandise under consignment-type arrangements, the Company takes physical possession of the merchandise, but is not obligated to, and does not take title or ownership of merchandise. When an auction is completed, consigned merchandise that has been sold is shipped upon receipt of payment. The Company recognizes the net commission and service revenues relating to the consigned merchandise upon receipt of the gross sales proceeds and shipment of the merchandise. The Company then releases the net sales proceeds to the Consignor, discharging all obligations of the Company with respect to the transaction.

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

Appraisal revenues are recognized when the appraisal is delivered to the customer.

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

Advertising Costs

Advertising costs totaling approximately $26,000 in 2004 and $23,000 in 2003 are charged to expense when incurred.

Earnings Per Common Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflects additional common shares that would have been outstanding if 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 to convertible debt and outstanding stock options and warrants. The number of common shares that would be issued upon conversion of the convertible debt would have been 12,413,286 as of March 31, 2004, and 119,217,282 as of March 31, 2003. The number of common shares that would be included in the calculation of outstanding options and warrants is determined using the treasury stock method. The assumed conversion of outstanding dilutive stock options and warrants would increase the shares outstanding but would not require an adjustment of income as a result of the conversion. Stock options and warrants totaling 25,466,000 at March 31, 2004 and 25,642,250 at March 31, 2003 have been excluded from the computation of diluted earnings per share, as have the common shares that would be issued upon conversion of the convertible debt, because they are antidilutive. Diluted earnings per share have not been presented as a result of the Company's net loss for each period.

Web Site and Software Development Costs

The Company accounts for website development costs in accordance with the provisions of EITF 00-2, "Accounting for Web Site Development Costs" ("EITF 00-2"), 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."

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Note 2. Notes and Loan Payable

At March 31, 2004 and December 31, 2003, the Company was obligated on short-term notes payable totaling $130,000 and $145,000, respectively. At both March 31, 2004 and December 31, 2003 $130,000 was to a related party. The related party notes bear interest at 8%, while the remainder bear interest at 18%. All of the short-term debt is due in 2004. Interest expense charged to operations in connection with the related party notes totaled $2,628 and $2,500 for the three months ended March 31, 2004 and 2003 respectively.

Note 3. Common Stock

Call Option Agreements

The Company was granted call options for 2,283,565 unregistered common shares held by ChannelSpace Entertainment, Inc. ("CSEI") at an exercise price of $.001 per share. The call options expire on January 31, 2005.

In February and March 2004 the Company assigned options to purchase 275,000 shares of stock from CSEI to certain individuals in exchange for $164,500, which was added to the paid in capital of the Company.

Stock Options

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 60,000,000 shares of its common stock. Under the 2001 Plan employees and consultants may elect to receive their gross compensation in the form of options 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. During the three months ended March 31, 2004, the Company granted options for 1,160,951 shares at various dates aggregating $315,373 under this plan. During the three months ended March 31, 2003 the Company granted options for 3,933,774 shares at various dates aggregating $184,074 under this plan. All options granted during each period were exercised.

The Company applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its stock option plans. Accordingly, compensation cost has been recognized based on the difference between the fair market value of the common stock at the grant date and the exercise price. The following table reflects proforma net loss and loss per share had the Company elected to adopt the fair value approach for SFAS No. 123, as amended by SFAS No. 148.

	For the three months ended	
	March 31, 2004	March 31, 2003
Net loss, as reported	($ 850,861)	($861,776)
Add stock compensation costs on options granted below fair market value		44,619
Less stock compensation costs had option expense been measured at fair value	(67,650)	(333,737)
Proforma net loss, as adjusted	($918,511)	($1,150,894)
Weighted average shares	159,978,229	130,726,073
Loss per share (basic and diluted), as reported	($.01)	($.01)
Proforma loss per share (basic and diluted), as adjusted	($.01)	($.01)

These proforma amounts may not be representative of future disclosures since the estimated fair value of stock options is amortized to expense over the vesting period, and additional options may be granted in future years.

Note 4. Income Taxes

There was no provision for income taxes for the periods ended March 31, 2004 and 2003 due to the Company's net operating loss and its valuation reserve against deferred income taxes.

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

At March 31, 2004, the Company has federal and state net operating loss carry forwards of approximately $16,000,000 available to offset future taxable income. The state carry-forwards will expire intermittently through 2009, while the federal carry forwards will expire intermittently through 2024.

Note 5. Convertible Debt Financing

As of March 31, 2004 the Company has issued $3,438,480 of convertible debt, which is presented net of unamortized beneficial conversion discounts of $315,234.

On March 23, 2000, the Company entered into a Securities Purchase Agreement (the "Agreement") whereby the Company sold an 8% convertible note in the amount of $3,000,000 (the "Series A Note") due in shares of common stock on March 31, 2002 to Augustine Fund, L.P. (the "Buyer"). The Series A Note, as most recently modified on May 21, 2002, is convertible into common stock at a conversion price equal to the lesser of: (1) $.375 per share, or (2) seventy-three percent (73%) of the average of the closing bid price for the common stock for the five (5) trading days immediately preceding the conversion date. In connection with the agreement, the Company also issued warrants to the Buyer and Delano Group Securities to purchase 300,000 and 100,000 shares of common stock, respectively. The purchase price per share of common stock is equal to $2.70, one hundred and twenty percent (120%) of the lowest of the closing bid prices for the common stock during the five (5) trading days prior to the closing date. The warrants will expire on March 31, 2005. A May 21, 2002 modification agreement extended the maturity date of the note until September 30, 2002, provided for additional ninety-day extensions, the most recent of which was exercised on March 31, 2004, beyond that date until March 31, 2005, waived interest for periods after March 31, 2002, and released the Company from all requirements to register any common shares issuable under the note or to keep any existing registration statements effective. As of March 31,

2004 the outstanding balance of this note was $1,188,480, since $1,811,520 has been converted into 20,431,313 shares of the Company's common stock during 2002 and 2003 at conversion prices ranging from $.028 to $.159 per share.

On November 7, 2001, the Company entered into a Loan Agreement, whereby it issued an 8% convertible note in the amount of $1,000,000, due November 7, 2003 (the "Series B Note") to Buyer. This note was modified most recently on October 31, 2003, to, among other things, allow the Company to borrow up to $2,250,000. The Series B Note, as modified, is convertible into common stock at a conversion price equal to the lesser of: (1) $.25 per share, or (2) seventy-three percent (73%) of the average of the closing bid price for the common stock for the five (5) trading days immediately preceding the conversion date. Based upon advances through March 31, 2004, had the Buyer converted the Series B Note at issuance, Buyer would have received $3,082,193 in aggregate value of the Company's common stock upon conversion of the convertible note. As a result, in accordance with EITF 00-27, the intrinsic value of the beneficial conversion feature of $832,193 is being charged to interest expense over the term of the related note. The beneficial conversion feature that was charged to interest expense totaled $80,131 and $52,673 during the three months ended March 31, 2004 and 2003, respectively. The total beneficial conversion discount related to this note has been recorded as an increase in additional paid in capital and the unamortized portion as a reduction in the related note. In addition, the Company entered into a Registration Rights Agreement whereby the Company agreed to file a Registration Statement with the Securities and Exchange Commission (SEC) within sixty (60) days of a request from the Buyer ("Filing Date"), covering the common stock to be issued upon conversion of the Series B Note. If this Registration Statement is not declared effective by the SEC within sixty (60) days of the filing date the conversion percentage shall decrease by two percent (2%) for each month that the Registration Statement is not declared effective. One of the modification agreements extended the maturity date of the Series B Note to November 7, 2004, provided the opportunity to extend the maturity date to November 7, 2005, required that principal and interest be payable in shares of common stock, or cash, at the discretion of the Company, and provided that any fees or expenses related to any registration of the common stock will be borne equally by the Company and the Buyer.

Note 6. Issuance of Common Stock

During the three months ended March 31, 2004 and 2003 the Company issued 1,017,137 and 3,573,282 shares of common stock respectively, in connection with the payment of approximately $284,000 and $168,000 of professional and consulting fees, respectively.

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

Overview

Our primary business, based on our revenues, is the purchase and sale of collectibles and memorabilia. We operate an online auction site that provides a full range of services to sellers and buyers, and maintain multiple collectibles portals, offering integrated information and services to the collectibles community. The collectibles industry includes every person that collects items having either economic or sentimental value, such as antiques, sports and entertainment memorabilia, stamps, coins, figurines, dolls, collector plates, plush and die cast toys, cottage/village reproductions and other decorative or limited edition items that are intended for collecting and other memorabilia. A portal is an Internet web site that enables visitors to search for, and visit, other related sites, access related services, and obtain relevant data. Over the past two years, our focus has been portal development in our own industry of collectibles. To that end, we developed our web site www.CollectingChannel.com, and we acquired a large collection of entertainment memorabilia. We plan to turn our multiple sites into one integrated site in 2004. We also plan to build other portals, some that will charge fees to access their services, and others to leverage company-owned technology and web sites. In 2003, we began to offer "AuctionInc" software, a suite of online management tools developed by us during 2001 and 2002, to other online sellers, and we expanded our online appraisal services and autograph signing events.

Critical Accounting Policies

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

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

Property and Equipment and Intangible Assets: Property and equipment and intangible assets are stated at cost. Depreciation and amortization are computed over estimated useful lives that are reviewed periodically. In connection with this review we consider changes in the economic environment, technological advances, and management's assessment of future revenue potential.

Results of Operations

The following discussion compares the Company's results of operations for the three months ended March 31, 2004 with those for the three months ended March 31, 2003. The Company's financial statements and notes thereto included elsewhere in this quarterly report contain detailed information that should be referred to in conjunction with the following discussion.

Revenue. For the three months ended March 31, 2004, revenue was $386,000, 98% of which is attributable to sales of the Company's own product and fees from buyers and sellers through the Rotman Auction operations. Gross sales of the Company's own product were approximately $378,500. Advertising and web hosting fees were approximately $2,900 or 1% of gross revenues during the quarter ended March 31, 2004.

The Company's 2004 first quarter revenues represent an decrease of approximately $39,900, or 9%, from the three-month period ended March 31, 2003, in which revenue was approximately $425,900. For the three month period ended March 31, 2003, sales of the Company's product were approximately $415,600, or 98% of gross sales, and advertising and web hosting fees were $6,200, or 1% of gross revenues.

The reason for the decrease in revenues was lower sales of Company owned product of approximately $37,000 from the same period in 2003. Lower sales of Company owned product are a result of lower availability of product at attractive prices. Gross profit from Company owned product sales for the three months ended March 31, 2004 was approximately $178,000, which represents an decrease of $26,800 from the comparable quarter in 2003, in which gross profit from Company owned product sales was $204,600. Since gross margin percentages on Company owned product were approximately 2% lower for the first quarter of 2004 than in 2003, and sales of Company owned product were approximately $37,000 lower in the quarter ended March 31, 2004, the Company produced approximately $27,000 fewer gross margin dollars.

Operating Expenses. Total operating expenses for the three months ended March 31, 2004 were approximately $907,700, compared to $986,600 for the corresponding period in 2003, a decrease of $78,900. Sales, general and administrative ("SG&A") expenses for the three months ended March 31, 2004 were approximately $760,000, compared to $804,000 for the three months ended March 31, 2003. The decrease of $44,000 in SG&A costs includes a decrease in depreciation and amortization of $38,400 due to certain assets becoming fully depreciated during 2004. Costs associated with planning, maintaining and operating our web sites for the three months ended March 31, 2004 decreased approximately $35,000 from the corresponding period in 2003. This decrease is due primarily to a decrease in computer expense of $17,000 and depreciation of $14,500.

Interest Expense. For the quarter ended March 31, 2004, the Company incurred interest charges of approximately $128,200 principally associated with one convertible note, compared to interest charges of $88,500 for the corresponding period in 2003. The increase of $39,700 is attributable to higher balances of interest-bearing debt in 2004 as well as greater amortization of beneficial conversion features.

Net Loss. The Company realized a net loss for the three months ended March 31, 2004 of approximately $850,900, or $.01 per share, as compared to a loss of $861,800, or $.01 per share for the three months ended March 31, 2003.

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

Assets

At March 31, 2004, total assets of the Company were $2,439,000, compared to $2,702,400 at December 31, 2003. The decrease was primarily due to depreciation and amortization totaling $293,400.

Operating Cash Flows

A summarized reconciliation of the Company's net losses to cash used in operating activities for the three months ended March 31, 2004 compared to March 31, 2003, is as follows:

	2004	2003
Net loss	$(850,900)	$(861,800)
Depreciation and amortization	293,400	440,900
Amortization of beneficial conversion Discount and debt discount	80,100	52,700
Common stock issued in payment services	315,400	184,100
Changes in current assets and liabilities	(44,300)	100,200
Net cash used in operating activities	$(206,300)	$ (83,900)

Working Capital and Liquidity

The Company had cash and cash equivalents of $113,400 at March 31, 2004, compared to $104,400 at December 31, 2003. The Company had a $55,700 deficit in working capital at March 31, 2004, compared to working capital deficit of $124,000 at December 31, 2003. At March 31, 2004 current liabilities were $974,800 compared to $1,013,700 at December 31, 2003. During the quarter ended March 31, 2004 current liabilities decreased primarily due to reductions in accounts payable, offset by increases in accrued interest and consulting fees.

As discussed in Note 5 of the Financial Statements, the Company has outstanding convertible notes held by Augustine Fund, L.P. ("Augustine Fund"). The Series A Note, in the original principal amount of $3,000,000, has been reduced by $1,811,500 through the conversion of common stock.

The Company's independent auditors have issued a going concern opinion on the Company's consolidated financial statements for the year ended December 31, 2003. The Company needs an infusion of $600,000 of additional capital to fund anticipated operating costs over the next 12 months. However, management anticipates growth in gross profit, that its suite of management tools, called "AuctionInc", sales of movie posters, both from inventory and on consignment, and celebrity web hosting will increase revenues and result in higher gross profit. Subject to the discussion below, management believes that the Company has sufficient cash commitments to fund operations during the next 12 months. These commitments include call options for approximately 2 million shares of common stock, which, once assigned by the Company, can generate between $63,000 and $1,446,000 (based solely upon the 52 week high and low closing prices of the Company's common stock) of cash.

Management believes that these plans should result in obtaining sufficient operating cash through the next 12 months. However, there can be no assurance assignment of the call options can be concluded on reasonably acceptable terms. If assignments are not made, management may need to seek alternative sources of capital to support operations.

Forward Looking Statements

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

Although forward-looking statements in this quarterly report reflect the good faith judgment of the Company's management, such statements can only be based on facts and factors currently known by the Company. Consequently, forward-looking statements are inherently subject to risks, contingencies and uncertainties, and actual results and outcomes may differ materially from results and outcomes discussed in this report. Although the Company believes that its plans, intentions and expectations reflected in these forward-looking statements are reasonable, the Company can give no assurance that its plans, intentions or expectations will be achieved. For a more complete discussion of these risk factors, see Exhibit 99, "Risk Factors", in the Company's Form 10-KSB for the fiscal year ended December 31, 2003.

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, the collectibles community not accepting the services the Company offers, 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, it will not be able to continue its business operations.

ITEM 3. CONTROLS AND PROCEDURES

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

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES AND SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES

(c) During the first quarter of 2004, Augustine Fund, L.P. did not convert any of its March 23, 2000 convertible note into shares of common stock of the Company. Augustine Fund, L.P. is an accredited investor that represented that it acquired the convertible notes and the warrants issued in connection with the note for its own account. The issuance of the securities is exempt from registration under Section 4(2) of the Securities Act of 1933 and Regulation D promulgated thereunder. The Company did not issue any shares of its common stock, par value $.001 per share, to Augustine Fund, L.P., for interest due pursuant to the eight percent convertible note issued by the Company to the Augustine Fund, L.P. on November 7, 2001.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

None

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

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

(b) Reports on Form 8-K

The Company filed a report on Form 8-K with the Securities and Exchange Commission as of January 15, 2004, pursuant to Item 5, announcing that the Company had set a second mandatory exchange date of its stock certificates as January 16, 2004 because the operational processing by the industry for a mandatory exchange that the Company had intended upon its first mandatory exchange announces did not occur.

The Company filed a report on Form 8-K with the Securities and Exchange Commission as of February 24, 2004, pursuant to Item 5, announcing that the Company had substantially completed its mandatory exchange of stock certificates, which began on January 16, 2004, and that the Company expects in the future that all trades will be settled and cleared through physical delivery of stock certificates rather than through Depository Trust Company (DTC).

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

Dated: May 13, 2004

PAID, INC.
Registrant

/s/ Gregory Rotman
Gregory Rotman, President

/s/ Richard Rotman
Richard Rotman, Chief Financial Officer, Vice President and Secretary

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LIST OF EXHIBITS

Exhibit No.	Description
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