

PAID INC
Form 10-Q
November 08, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2010

COMMISSION FILE NUMBER 0-28720

PAID, INC.

(Exact Name of Registrant as Specified in its Charter)

DELAWARE

(State or Other Jurisdiction of Incorporation or
Organization)

73-1479833

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

4 Brussels Street, Worcester, Massachusetts 01610
(Address of Principal Executive Offices) (Zip Code)

(508) 791-6710

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated Filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

As of November 1, 2010, the issuer had outstanding 284,033,187 shares of its Common Stock, par value \$.001 per share.

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PAID, INC.
 Form 10-Q
 For the Three and Nine months ended September 30, 2010

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PAID, INC.
BALANCE SHEETS

| | September 30, 2010 (Unaudited) | December 31, 2009 (Audited) |
|--|--------------------------------------|-----------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,230,355 | \$ 730,433 |
| Accounts receivable, net | 524,738 | 182,266 |
| Inventories, net | 1,131,669 | 1,042,700 |
| Prepaid expenses and other current assets | 267,268 | 518,722 |
| Prepaid royalties | 755,414 | 439,879 |
| Due from employees | 87,185 | 19,640 |
| Total current assets | 3,996,629 | 2,933,640 |
| Property and equipment, net | 52,180 | 40,517 |
| Intangible asset, net | 8,242 | 8,948 |
| Total assets | \$ 4,057,051 | \$ 2,983,105 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 363,417 | \$ 159,716 |
| Accrued expenses | 742,774 | 592,350 |
| Deferred revenues | 172,956 | 190,753 |
| Total current liabilities | 1,279,147 | 942,819 |
| Commitments and contingencies (Note 7) | - | - |
| Shareholders' equity: | | |
| Common stock, \$.001 par value, 350,000,000 shares authorized; 283,777,013 and 268,174,642 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively | 283,777 | 268,175 |
| Additional paid-in capital | 43,955,405 | 41,370,985 |
| Accumulated deficit | (41,461,278) | (39,528,874) |
| Stock subscription receivable | - | (70,000) |
| Total shareholders' equity | 2,777,904 | 2,040,286 |
| Total liabilities and shareholders' equity | \$ 4,057,051 | \$ 2,983,105 |

See accompanying notes to consolidated financial statements

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PAID, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-------------|------------------------------------|----------------|
| | 2010 | 2009 | 2010 | 2009 |
| Revenues | \$4,186,737 | \$2,116,536 | \$6,459,282 | \$4,064,317 |
| Cost of revenues | 2,907,215 | 766,201 | 4,148,997 | 1,921,118 |
| Gross profit | 1,279,522 | 1,350,335 | 2,310,285 | 2,143,199 |
| Operation expenses | 1,623,475 | 1,141,206 | 4,242,498 | 3,881,901 |
| Income (loss) from operations | (343,953) | 209,129 | (1,932,213) | (1,738,702) |
| Other Income (expense) | | | | |
| Interest expense | (241) | - | (241) | (2,500) |
| Other income | - | 677 | 50 | 5,376 |
| Total other income (expense), net | (241) | 677 | (191) | 2,876 |
| Income (loss) before taxes | (344,194) | 209,806 | (1,932,404) | (1,735,826) |
| Provision for income taxes | - | - | - | - |
| Net income (loss) | \$(344,194) | \$209,806 | \$(1,932,404) | \$(1,735,826) |
| Income (loss) per share - basic and diluted | | | | |
| Basic | \$- | \$- | (0.01) | \$(0.01) |
| Diluted | N/A | \$- | N/A | N/A |
| Weighted average number of shares - basic and diluted | | | | |
| Basic | 279,750,389 | 257,294,430 | 274,484,126 | 255,072,645 |
| Diluted | N/A | 286,541,637 | N/A | N/A |

See accompanying notes to consolidated financial statements

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PAID, INC.
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30,
(Unaudited)

| | 2010 | 2009 |
|---|---------------|---------------|
| Operating activities: | | |
| Net loss | \$(1,932,404) | \$(1,735,826) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 19,240 | 12,936 |
| Share based compensation | 339,000 | 340,000 |
| Fair value of stock options awarded to professionals and consultants in payment of fees for services provided | 1,658,526 | 2,165,900 |
| Fair value of stock options awarded to employees in payment of compensation | 217,996 | 119,501 |
| Services received in consideration of payment of stock subscription receivable | 70,000 | 20,000 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (342,472) | (119,925) |
| Inventories | (88,969) | (108,056) |
| Prepaid royalties | (315,535) | (502,953) |
| Prepaid expense and other current assets | 183,909 | (286,085) |
| Accounts payable | 203,701 | 368,154 |
| Accrued expenses | 150,424 | 16,991 |
| Deferred revenue | (17,797) | 245,990 |
| Net cash provided by operating activities | 145,619 | 536,627 |
| Investing activities: | | |
| Property and equipment additions | (30,197) | (18,348) |
| Financing activities: | | |
| Proceeds from exercise of stock options | 384,500 | - |
| Proceeds from assignment of call options | - | 158,245 |
| Proceeds from sale of warrants | - | 80,000 |
| Proceeds from issuance of common stock | - | 103,124 |
| Net cash provided by financing activities | 384,500 | 341,369 |
| Net increase in cash and cash equivalents | 499,922 | 859,648 |
| Cash and cash equivalents, beginning | 730,433 | 106,948 |
| Cash and cash equivalents, ending | \$1,230,355 | \$966,596 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash paid during the period for: | | |
| Income taxes | \$- | \$1,885 |
| Interest | \$241 | \$- |
| SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING ACTIVITIES | | |
| Amounts due in connection with issuance of common stock | \$- | \$896,220 |

See accompanying notes to financial statements

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PAID, INC.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010
(Unaudited)

| | Common stock Shares | Common stock Amount | Additional Paid-in Capital | Accumulated Deficit | Stock subscription receivable | Total |
|----------------------------|------------------------|------------------------|----------------------------------|------------------------|-------------------------------------|-------|
| Balance, December 31, 2009 | | 268,174,642 | | | | |