

PAID INC  
Form 10-Q  
November 14, 2017

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

FORM 10-Q

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

For the quarterly period ended September 30, 2017

COMMISSION FILE NUMBER 0-28720

(Exact Name of Registrant as Specified in its Charter)

DELAWARE 73-1479833  
(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

200 Friberg Parkway, Westborough, Massachusetts 01581  
(Address of Principal Executive Offices) (Zip Code)

(617) 861-6050  
(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)	Emerging Growth Company

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If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 14, 2017, the issuer had outstanding 1,641,424 shares of its Common Stock.



PAID, INC.  
FORM 10-Q

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## PART I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## PAID, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$626,160	\$339,562
Accounts receivable, net	37,773	39,314
Other receivables	-	1,026
Funds held in trust	165,115	169,082
Prepaid expenses and other current assets	19,804	57,383
Total current assets	848,852	606,367
Property and equipment, net	86,676	92,552
Intangible assets, net	5,736,696	5,956,771
Goodwill	10,730,706	9,989,685
Total assets	\$17,402,930	\$16,645,375
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$697,191	\$563,860
Notes payable	80,338	17,850
Due to related parties	65,445	169,697
Capital leases - current portion	8,282	7,655
Accrued expenses	1,099,040	977,891
Deferred revenues	241,815	238,040
Total current liabilities	2,192,111	1,974,993
Long term liabilities:		
Capital leases - net of current portion	24,767	28,933
Deferred tax liability	1,353,861	1,260,369
Total liabilities	3,570,739	3,264,295
Commitments and contingencies		
Shareholders' equity:		
Preferred Stock, \$0.001 par value, 20,000,000 shares authorized 3,772,562 and 3,825,000 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively; liquidation value of \$11,430,863 and \$11,581,000 as of September 30, 2017 and December 31, 2016, respectively	3,773	3,825
	1,649	1,649

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Common stock, \$0.001 par value, 25,000,000 shares authorized; 1,648,960 shares issued 1,641,424 shares outstanding at September 30, 2017 and 1,648,960 shares issued and outstanding at December 31, 2016

Additional paid-in capital	68,730,129	68,782,432
Accumulated other comprehensive loss	1,022,771	-
Accumulated deficit	(55,911,801)	(55,406,826)
Common stock in treasury, at cost; 7,536 and 0 shares at September 30, 2017 and December 31, 2016, respectively	(14,330)	-
Total shareholders' equity	13,832,191	13,381,080
Total liabilities and shareholders' equity	\$17,402,930	\$16,645,375

See accompanying notes to condensed consolidated financial statements

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## PAID, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Revenues, net	\$1,949,815	\$127,246	\$5,465,807	\$391,009
Cost of revenues	1,397,048	6,023	3,890,505	18,231
Gross profit	552,767	121,223	1,575,302	372,778
Operating expenses	779,158	217,845	2,147,662	779,174
Loss from operations	(226,391)	(96,622)	(572,360)	(406,396)
Other income (expense):				
Interest expense	(8,554)	(229)	(12,171)	(679)
Other income, net	555	4,345	7,759	62,333
Unrealized gain (loss) on stock price guarantee	(3,329)	(12,812)	(16,036)	28,541
Total other income (expense), net	(11,328)	(8,696)	(20,448)	90,195
Loss before provision for income taxes	(237,719)	(105,318)	(592,808)	(316,201)
Provision for income taxes	-	-	1,494	807
Net loss	(237,719)	(105,318)	(594,302)	(317,008)
Preferred share redemption discount	89,327	-	89,327	-
Preferred dividends	(5,989)	-	(18,898)	-
Net loss available to common stockholders	\$(154,381)	\$(105,318)	\$(523,873)	\$(317,008)
Net loss per share – basic and diluted	\$(0.09)	\$(0.10)	\$(0.32)	\$(0.30)
Weighted average number of common shares outstanding - basic and diluted	1,644,045	1,098,960	1,647,304	1,055,270
Condensed consolidated statements of comprehensive loss				
Net loss	\$(237,719)	\$(105,318)	\$(594,302)	\$(317,008)
Other comprehensive income (loss):				
Foreign currency translation adjustments	535,599	-	1,022,771	-
Comprehensive income (loss)	\$297,880	\$(105,318)	\$428,469	\$(317,008)

See accompanying notes to condensed consolidated financial statements



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

	2017	2016
Cash flows from operating activities:		
Net loss	\$(594,302)	\$(317,008)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	638,926	77,179
Gain on sale of property and equipment	-	(2,179)
Share-based compensation	118,572	41,814
Unrealized loss (gain) on stock price guarantee	16,036	(28,541)
Write-off of other receivables	1,026	-
Changes in assets and liabilities:		
Accounts receivable	2,360	3,846
Prepaid expenses and other current assets	54,055	43,202
Advanced royalties	-	5,000
Accounts payable	91,596	19,316
Accrued expenses	98,888	(668)
Deferred revenues	(12,564)	259
Net cash provided by (used in) operating activities	414,593	(157,780)
Cash flows from investing activities:		
Proceeds from the sale of property and equipment	-	2,179
Purchase of property and equipment	(17,977)	-
Net cash (used in) provided by investing activities	(17,977)	2,179
Cash flows from financing activities:		
Payments on capital leases	(4,161)	(3,097)
Payments on notes payable	(32,711)	(24,202)
Proceeds from the exercise of common stock warrants	-	180,000
Payments on amounts due to related parties	(111,208)	-
Net cash (used in) provided by financing activities	(148,080)	152,701
Effect of exchange rate changes on cash and cash equivalents	38,062	-
Net change in cash and cash equivalents	248,536	(2,900)
Cash and cash equivalents, beginning of period	339,562	123,913
Cash and cash equivalents, end of period	\$266,160	\$121,013

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the period for:

Income taxes	\$1,494	\$807
Interest	\$3,617	\$679

SUPPLEMENTAL DISCLOSURES OF NON-CASH ITEMS

Repurchase of preferred and common stock with note payable	\$95,931	\$-
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See accompanying notes to condensed consolidated financial statements



PAID, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

September 30, 2017

#### Note 1. Organization and Significant Accounting Policies

PAID, Inc. (“PAID”, the “Company”, “we”, “us”, “our”) has developed AuctionInc, which is a suite of online shipping and tax management tools assisting businesses with e-commerce storefronts, shipping solutions, tax calculation, inventory management, and auction processing. The product has tools to assist with other aspects of the fulfillment process, but the main purpose of the product is to provide accurate shipping and tax calculations and packaging algorithms that provide customers with the best possible shipping and tax solutions.

BeerRun Software is a brewery management and Alcohol and Tobacco Tax and Trade Bureau tax reporting software. Small craft brewers can utilize the product to manage brewery schedules, inventory, packaging, sales and purchasing. Tax reporting can be processed with a single click and is fully customizable by state or province. The software is designed to integrate with QuickBooks accounting platforms by using our powerful sync engine. We currently offer two versions of the software BeerRun and BeerRun Light which excludes some of the enhanced features of BeerRun without disrupting the core functionality of the software. Additional features include Brewpad and Kegmaster and can be added on to the base product. Craft brewing is on the rise in North America and we feel that there is a large potential to grow this portion of our business.

SpiritRun is a product of BeerRun and is designed specifically for distilleries. This product was recently enhanced, and we feel that with additional marketing and visibility in the distillery industry, SpiritRun has the right core resources to be a valuable tool in distilleries around the United States.

ShipTime Inc. has developed a SaaS based application, which focuses on the small and medium business segments. This offering allows members to quote, process, generate labels, dispatch and track courier and LTL shipments all from a single interface. The application provides customers with a choice of today’s leading couriers and freight carriers all with discounted pricing allowing members to save on every shipment. ShipTime can also be integrated into on-line shopping carts to facilitate sales via ecommerce. We actively sell directly to small and medium businesses and through long standing partnerships with selected associations throughout Canada.

#### General Presentation and Basis of Consolidated Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), and to the rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2016, that was filed on March 31, 2017.

In the opinion of management, the Company has prepared the accompanying unaudited condensed consolidated financial statements on the same basis as its audited consolidated financial statements, and these unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments necessary for a fair presentation of the results of the interim periods presented. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full year 2017.

On November 9, 2016, the Company’s board of directors agreed to effectuate a reverse split immediately followed by a forward split. The process was completed with FINRA on January 23, 2017. As a result of the split, every ten shares

of common stock outstanding prior to the reverse split were consolidated into one share, reducing the number of common shares outstanding on the effective date from 10,989,608 to 1,098,960. All share and per share information in this Form 10-Q has been retroactively adjusted to reflect the reverse stock split.

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### Going Concern and Management's Plan

The accompanying unaudited condensed consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has continued to incur losses, although it has taken significant steps to reduce them. For the nine months ended September 30, 2017, the Company reported a net loss of \$594,302. The Company has an accumulated deficit of \$55,911,801 and has a working capital deficit of \$(1,343,259) as of September 30, 2017. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Management feels that the addition of ShipTime's services will return a valuable impact on the Company's growth in the near future. The positive cash flow from operations is a significant indicator of our successful transition to the new shipping services. In addition to the existing services provided, ShipTime will launch products that are complementary to the current offering of AuctionInc, BeerRun and SpiritRun. Combined, the Company believes that all segments of the operations will benefit from ShipTime.

Although there can be no assurances, the Company believes that the above management plan will be sufficient to meet the Company's working capital requirements through the end of 2017 and will have a positive impact on the Company for 2017 and future years.

### Principles of Consolidation

The consolidated financial statements include the accounts of PAID, Inc. and its wholly owned subsidiaries, PAID Run, LLC and ShipTime Canada, Inc. All intercompany accounts and transactions have been eliminated.

### Foreign Currency

The currencies of ShipTime, the Company's international subsidiary, are in Canadian dollars. Foreign currency denominated assets and liabilities are translated into U.S. dollars using the exchange rates in effect at September 30, 2017. Results of operations and cash flows are translated using the average exchange rates throughout the period. The effect of exchange rate fluctuations on translation of assets and liabilities is included as a component of shareholders' equity in accumulated other comprehensive income (loss).

During the quarter ended September 30, 2017, management of the Company determined that the intangible assets, goodwill and deferred tax liability generated from the ShipTime acquisition were not properly translated into U.S. dollars as of March 31, 2017 and June 30, 2017. As the translation error did not have an impact on the condensed consolidated statements of operations, including no impact on revenues, net loss, net loss available to common stockholders or net loss per share, management of the Company concluded that it was not considered material to the condensed consolidated financial statements as of and for the periods ended March 31, 2017 and June 30, 2017. The net impact would have been an increase in total assets, total liabilities and shareholders' equity of \$127,042, \$10,270, and \$116,772, respectively, as of March 31, 2017 and \$540,351, \$44,184, and \$496,167, respectively, as of June 30, 2017. In addition, the net impact on the foreign currency translation adjustment for the three months ended March 31, 2017 was \$116,772 and the six months ended June 30, 2017 was \$496,167. The condensed consolidated statements of comprehensive income (loss) will be recast to effect the above changes in future filings.

### Long-Lived Assets

The Company reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected future cash flow from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is

recognized and measured using the fair value of the related asset. No impairment charges were incurred during the nine months ended September 30, 2017 and 2016. There can be no assurance, however, that market conditions will not change or demand for the Company's services will continue, which could result in impairment of long-lived assets in the future.

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## Revenue Recognition

The Company generates revenue principally from fees for coordinating shipping services, sales of shipping calculator subscriptions, brewery management software subscriptions, and client services.

The Company recognizes revenues in accordance with the FASB ASC Topic 605. Accordingly, the Company recognizes revenues when there is persuasive evidence that an arrangement exists, product delivery and acceptance have occurred, the sales price is fixed or determinable, and collectability of the resulting receivable is reasonably assured.

ShipTime recognizes revenues primarily from fees for shipping coordination services. Customers use an online tool to calculate shipping and generate a shipping label. The majority of the transactions are paid via credit card when the label is generated. Revenues are recognized when the customer completes the online transaction.

For shipping calculator revenues and brewery management software revenues the Company recognizes subscription revenue on a monthly basis. Shipping calculator customers' renewal dates are based on their date of installation and registration of the shipping calculator line of products. The payments for shipping calculator services are made via credit card for the month preceding the service and are recorded as deferred revenues until the service has been provided. Brewery management software subscribers are billed on a calendar month at the first of the month with payments processed via credit card for the month following.

Client services revenues include web development and design, creative services, marketing services and general business consulting services. For contracts that are of a short duration and fixed price, revenue is recognized when there are no significant obligations and upon acceptance by the customer of the completed project. Services that are performed on a time and material basis are recognized as the related services are performed.

## Earnings (Loss) Per Common Share

Basic earnings (loss) per share represent income (loss) available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) 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 (loss) that would result from the assumed issuance. The potential common shares that may be issued by the Company relate to outstanding stock options and have been excluded from the computation of diluted earnings (loss) per share because they would reduce the reported loss per share and therefore have an anti-dilutive effect.

For the three months ended September 30, 2017 and 2016 and the nine months ended September 30, 2017 and 2016, there were approximately 61,000 and 32,000 and 67,000 and 34,000, respectively, dilutive shares that were excluded from the diluted earnings (loss) per share as their effect would have been antidilutive for the periods then ended.

The Company computes its loss applicable to common stockholders by subtracting dividends on preferred stock, including undeclared or unpaid dividends if cumulative, and any deemed dividends or discounts on redeemed preferred stock from its reported net loss and reports the same on the face of the condensed consolidated statements of operations.

## Segment Reporting

The Company reports information about segments of its business in its annual consolidated financial statements and reports selected segment information in its quarterly reports issued to shareholders. The Company also reports on its

entity-wide disclosures about the products and services it provides and reports revenues and its major customers. The Company's four reportable segments are managed separately based on fundamental differences in their operations. At September 30, 2017, the Company operated in the following four reportable segments:

- a. Client services
- b. Shipping calculator services
- c. Brewery management software
- d. Shipping coordination and label generation services



The Company evaluates performance and allocates resources based upon operating income. The accounting policies of the reportable segments are the same as those described in this summary of significant accounting policies. The Company's chief operating decision makers are the Chief Executive Officer and Chief Financial Officer.

The following table compares total revenue for the periods indicated.

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Client services\$	3,639	\$2,275	\$20,192	\$12,937
Shipping calculator services	46,990	46,141	153,023	135,862
Brewery management software	78,211	78,830	235,026	242,210
Shipping coordination and label generation services	1,820,975	-	5,057,566	-
Total revenues	\$1,949,815	\$127,246	\$5,465,807	\$391,009

The following table compares total loss from operations for the periods indicated.

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Client services\$	2,898	\$3,404	\$15,499	\$11,971
Shipping calculator services	(356,028)	(110,655)	(855,778)	(442,629)
Brewery management software	14,462	10,629	27,028	24,262
Shipping coordination and label generation services	112,227	-	240,891	-
Total loss from operations	\$(226,391)	\$(96,622)	\$(572,360)	\$(406,396)

#### Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases, which requires the lease rights and obligations arising from lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the balance sheet. ASU 2016-02 is effective for reporting periods beginning after December 15, 2018 with early adoption permitted. While the Company is still evaluating ASU 2016-02, the Company expects the adoption of ASU 2016-02 to have a material effect on the Company's financial condition due to the recognition of the lease rights and obligations as assets and liabilities. The Company does not expect ASU 2016-02 to have a material effect on the Company's results of operations and cash flows.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments: Recognition and Measurement of Financial Assets and Financial Liabilities, which addresses certain aspects of recognition, measurement, presentation and disclosure of financial statements. This guidance will be effective in the first quarter of fiscal year 2019 and early



adoption is not permitted. The Company is currently evaluating the impact that this guidance will have on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. This updated guidance supersedes the current revenue recognition guidance, including industry-specific guidance. The updated guidance introduces a five-step model to achieve its core principal of the entity recognizing revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The updated guidance is effective for interim and annual periods beginning after December 15, 2016, and early adoption is not permitted. In July 2015, the FASB decided to delay the effective date of ASU 2014-09 until December 15, 2017. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. The Company is currently evaluating which transition method it will adopt and the expected impact of the updated guidance, but does not believe the adoption of the updated guidance will have a significant impact on its consolidated financial statements.



In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the definition of a business. The amendments in this updated guidance clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of businesses. The guidance in this update is effective for fiscal years beginning after December 15, 2017, and interim periods within those years.

In January 2017, the FASB also issued ASU 2017-04, Intangibles - Goodwill and other (Topic 350): Simplifying the test for goodwill impairment. The amendments in this Update remove the second step of the current goodwill impairment test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. This guidance is effective for impairment tests in fiscal years beginning after December 15, 2019.

#### Note 2. Accrued Expenses

Accrued expenses are comprised of the following:

	September 30, 2017 (unaudited)	December 31, 2016 (audited)
Payroll and related costs	\$1,538	\$3,136
Royalties	51,838	51,838
Stock price guarantee	883,439	867,403
Other	162,225	55,514
Total	\$1,099,040	\$977,891

#### Note 3. Acquisitions and Intangible Assets

The Company holds several patents for the real-time calculation of shipping costs for items purchased through online auctions using a zip code as a destination location indicator. It includes shipping charge calculations across multiple carriers and accounts for additional characteristics of the item being shipped, such as weight, special packaging or handling, and insurance costs. These patents help facilitate rapid and accurate estimation of shipping costs across multiple shipping carriers and also include real-time calculation of shipping.

On October 7, 2015, the Company, through a newly formed limited liability company named PAID Run, LLC, entered into an asset purchase agreement to purchase assets related to BeerRun Software and SpiritRun Software and related intellectual property. The purchase price and additional development for these assets was \$297,500, which include all of the client lists, along with all rights, benefits and privileges associated with the software and intellectual property, associated contracts, and books and records.

On December 30, 2016, the Company completed a merger with ShipTime Inc. and its subsidiary to acquire assets related to the technology, client base and other intellectual property. The Company engaged an outside independent third party valuation firm to assist in establishing a value for the ShipTime Inc.

At September 30, 2017 and December 31, 2016, intangible assets consisted of the following:

September 30, December 31,

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	2017	2016
Patents	\$16,000	\$16,000
Software	83,750	83,750
Trade Name	797,000	797,000
Technology	509,000	509,000
Client list / relationship	4,687,750	4,687,750
Accumulated amortization	(745,936)	(136,729)
	5,347,564	5,956,771
Effect of exchange rate changes	389,132	-
	\$5,736,696	\$5,956,771

Amortization expense of intangible assets for all subsidiaries for the nine months ended September 30, 2017, and 2016 was \$609,206 and \$75,081, respectively.



## Goodwill

Of the total estimated purchase price, \$9,989,685 was allocated to goodwill and is attributable to expected synergies between the combined companies, including the ability for the combined companies to estimate and process shipping calculations and support eCommerce shopping cart platforms in addition to the acquired workforce. Goodwill represents the excess of the purchase price of the acquired business over the estimated fair value of the underlying net tangible and intangible assets acquired. In the event the Company determines that the value of goodwill has become impaired, it will incur an accounting charge for the amount of the impairment during the fiscal quarter in which the determination is made. None of the goodwill is expected to be deductible for income tax purposes.

For the nine months ended September 30, 2017, goodwill activity was as follows:

	For the Nine Months Ended September 30, 2017
Beginning Balance	\$9,989,685
Effect of exchange rate changes	741,021
Ending Balance	\$10,730,706

## Pro Forma Financial Information

The following table presents the Company's unaudited pro forma results (including ShipTime) for the three and nine month periods ended September 30, 2016 as though the companies had been combined as of the beginning of the periods presented.

The pro forma information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of each period presented, nor is it indicative of results of operations which may occur in the future. The unaudited pro forma results presented include amortization charges for intangible assets and eliminations of intercompany transactions.

	For the Three Months Ended September 30, 2016	For the Nine Months Ended September 30, 2016
Total revenues	\$1,609,400	\$4,580,962
Net loss	\$(247,239)	\$(768,011)

## Note 4. Commitments and Contingencies

## Notes Payable

In October 2016, the Company entered into a \$30,000 note payable with a financial institution. The term of the note is for a period of one year and is payable in 10 monthly installments of \$2,632 at an interest rate of 3%. The note was paid in full as of September 30, 2017.

In August 2017 the Company entered into a \$120,000 CAD (\$95,931 USD) note payable with a shareholder to repurchase common and preferred shares (see Note 5). The term of the note is for a period of one year and is payable in 12 monthly installments of \$10,327.97 CAD at an interest rate of 3%. The balance due on the note payable as of September 30, 2017 was \$100,495 CAD (\$80,338 USD).

#### Due to Related Parties

Prior to the Company's acquisition of ShipTime, two notes were issued. One note was issued at an 8% interest rate and was due to mature in December 2017. During the quarter ended September 30, 2017, the Company repaid the note in full. A second note was issued in 2014 with a 6% interest rate and was due to mature in June 2014. In June 2017, the Company agreed make monthly payments of \$5,000 CAD for seven months followed by monthly payments of \$15,000 CAD with one final payment in May 2018. As of September 30, 2017, the note balance is \$65,445.





### Stock Price Guarantee

In connection with the Company's advance royalties with a client, the Company guaranteed that shares of common stock would sell for at least \$60.00 per share as adjusted for the reverse stock split. If the shares are not at the required \$60.00 per share when they are sold, the Company has the option of issuing additional shares at their fair value or making cash payments for the difference between the guaranteed price per share and the fair value of the stock. As of September 30, 2017 and December 31, 2016, the stock price guarantee was \$883,439 and \$867,403, respectively, as the Company's stock price was below \$60.00 per share at September 30, 2017 and December 31, 2016, although some or all of the stock may already be sold and no longer subject to a guaranty and any required payment would be disputed by the Company. For the nine months ended September 30, 2017 and 2016, the Company recorded an unrealized (loss)/gain on stock price guarantee of (\$16,036) and \$28,541, respectively.

### Legal Matters

In the normal course of business, the Company periodically becomes involved in litigation. As of September 30, 2017, in the opinion of management, the Company had no pending litigation that would have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

### Indemnities and Guarantees

The Company has made certain indemnities and guarantees, under which it may be required to make payments to a guaranteed or indemnified party, in relation to certain actions or transactions. The Company indemnifies its directors, officers, employees and agents, as permitted under the laws of the State of Delaware. In connection with its facility leases, the Company has agreed to indemnify its lessors for certain claims arising from the use of the facilities. The duration of the guarantees and indemnities varies, and is generally tied to the life of the agreements. These guarantees and indemnities do not provide for any limitation of the maximum potential future payments the Company could be obligated to make. Historically, the Company has not been obligated nor incurred any payments for these obligations and, therefore, no liabilities have been recorded for these indemnities and guarantees in the accompanying consolidated balance sheets.

### Note 5. Shareholders' Equity

#### Preferred Stock

On December 19, 2016, the Company filed an amendment to its Certificate of Incorporation to authorize the issuance of 20,000,000 shares of blank-check preferred stock at \$.001 par value, of which 3,825,000 shares have been reserved for future issuance. The Board of Directors will be authorized to fix the designations, rights, preferences, powers and limitations of each series of the preferred stock.

The Company filed a Certificate of Designations effective on December 30, 2016 which sets aside 5,000,000 shares of Preferred Stock as Series A Preferred Stock. The Series A Preferred Stock holders have no voting rights and have an aggregate liquidation value of approximately \$11,430,863 and \$11,581,000 as of September 30, 2017 and December 31, 2017. The Series A Preferred Stock also carries a coupon payment obligation of 1.5% per year calculated by taking the 30-day average closing price for an equal number of shares of common stock for the month immediately preceding the coupon payment date, which is made annually. Payout of the coupon may be made out of existing cash or in shares of Series A Preferred stock of the Company. The Series A Preferred Stock have no voting or conversion rights. If purchased, redeemed, or otherwise acquired (other than conversion), the preferred stock may be reissued.

#### Common Stock

In November 2016, the majority shareholders approved an amendment to the Company's Certificate of Incorporation to increase the Company's authorized shares of common stock from 1,100,000 to 25,000,000, to issue up to 2,000,000 shares of blank check preferred stock and to make effective, a reverse stock split at a range of 1 for 500 through 1 for 3,000 immediately followed by a forward split of the outstanding common stock at an exchange rate of 50 for 1 through 300 for 1 to reduce the number of authorized shares of the Company's common stock, subject to the Board of Directors' discretion.

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In January 2017, the Company completed a reverse split of 1-for 3,000 immediately followed by a forward split of 300 for 1. As a result of the split every ten shares of common stock outstanding were consolidated into one share, reducing the number of common shares outstanding on the effective date from 10,989,608 to 1,098,960. All share and per share information on this Form 10-Q has been retroactively adjusted to reflect the reverse stock split.

The Company has authorized and reserved for future issuance 550,000 shares of common stock and 3,825,000 shares of preferred stock with respect to the exchangeable shares issued as a result of the merger.

#### Share Repurchase

In August 2017, the Company entered into an agreement to repurchase 157 exchangeable shares of ShipTime Canada common stock. Based on the amalgamation agreement, each exchangeable share exchanges into 334 preferred shares and 48 common shares, totaling 52,438 preferred shares and 7,536 common shares. The shares were repurchased through a note payable of \$120,000 CAD (\$95,931 USD) (see Note 4). The discount on the repurchase of the preferred stock was \$1.12 and is recorded in Company's accumulated deficit and was added to the net loss available to common stockholders in accordance with ASC 260-10-S99-2. The repurchase of the common shares was recorded at its cost of \$1.90.

#### Share-based Incentive Plans

During the period ended September 30, 2017, the Company had three stock option plans that include both incentive and non-qualified options to be granted to certain eligible employees, non-employee directors, or consultants of the Company. The Company issued 37,500 stock options to board members during the three months ended September 30, 2017. The options vested immediately and expire if not exercised within ten years, the exercise price is \$3.30 per share. As a result of the issuance, the Company recorded a share-based compensation expense of \$118,572.

#### Note 6. Subsequent Events

The Company has evaluated subsequent events through the filing date of this Form 10-Q, and have determined that no subsequent events have occurred that would require recognition in the condensed consolidated financial statements or disclosure in the notes thereto, other than as disclosed herein.



## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Forward Looking Statements

This Quarterly Report on Form 10-Q 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 PAID, Inc. (the "Company") and its business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates", "could", "may", "should", "will", "would", 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 Item 1A, "Risk Factors", in the Company's Form 10-K for the fiscal year ended December 31, 2016 that was filed on March 31, 2017.

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, 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 or services by others, the Company's failure to attract sufficient interest in, and traffic to, its site, the Company's inability to complete development of its products, 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

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 the Company in this Quarterly Report, which attempts to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

### Overview

ShipTime Inc. has developed a SaaS based application, which focuses on the small and medium business segments. This offering allows members to quote, process, generate labels, dispatch and track courier and LTL shipments all from a single interface. The application provides customers with a choice of today's leading couriers and freight carriers all with discounted pricing allowing members to save on every shipment. ShipTime can also be integrated into on-line shopping carts to facilitate sales via ecommerce. We actively sell directly to small and medium businesses and through long standing partnerships with selected associations throughout Canada. Our focus in 2017 will be to significantly grow this portion of our business.

The Company has developed AuctionInc, which is a suite of online shipping and tax management tools assisting businesses with e-commerce storefronts, shipping solutions, tax calculation, inventory management, and auction

processing. The product does have tools to assist with other aspects of the fulfillment process, but the main purpose of the product is to provide accurate shipping and tax calculations and packaging algorithms that provide customers with the best possible shipping and tax solutions. In 2017, new shipping calculator technology will be released to upgrade the clients using the AuctionInc platform.

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BeerRun Software is a brewery management and Alcohol and Tobacco Tax and Trade Bureau tax reporting software. Small craft brewers can utilize the product to manage brewery schedules, inventory, packaging, sales and purchasing. Tax reporting can be processed with a single click and is fully customizable by state or province. The software is designed to integrate with QuickBooks accounting platforms by using our powerful sync engine. We currently offer two versions of the software BeerRun and BeerRun Light which excludes some of the enhanced features of BeerRun without disrupting the core functionality of the software. Additional features include Brewpad and Kegmaster and can be added on to the base product. Craft brewing is on the rise in North America and we feel that there is a large potential to grow this portion of our business.

Paid products are in development and include PaidCart, PaidApp and PaidWeb. These additional offerings will provide a full e-Commerce solution for small businesses.

### Significant Accounting Policies

Our significant accounting policies are more fully described in Note 3 to our consolidated financial statements for the years ended December 31, 2016 and 2015 included in our Form 10-K filed on March 31, 2017, as updated and amended in Note 1 of the Notes to Condensed Consolidated Financial Statements included herein. However, certain of our accounting policies, most notably with respect to revenue recognition, 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.

### Results of Operations

Comparison of the three months ended September 30, 2017 and 2016.

The following discussion compares the Company's results of operations for the three months ended September 30, 2017 with those for the three months ended September 30, 2016. The Company's condensed consolidated financial statements and notes thereto included elsewhere in this quarterly report contain detailed information that should be referred to in conjunction with the following discussion.

### Revenues

The following table compares total revenue for the periods indicated.

	Three months Ended September 30,		
	2017	2016	% Change
Client services	3,639	\$2,275	60%
Brewery management software	78,211	78,830	(1)%

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Shipping coordination and label generation services	1,820,975		100%
Shipping calculator services	46,990	46,141	2
Total revenues	1,949,815	\$127,246	1,432%

Revenues increased 1,432% in the third quarter primarily from the acquisition of the new segment of our business that provides shipping services.

Client service revenues increased \$1,364 or 60% to \$3,639 in the third quarter of 2017 compared to \$2,275 in 2016. This growth is a result of the rise in movie poster auctions resulting in an increase in our movie poster sales in the third quarter.

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Brewery management software revenues decreased \$619 to \$78,211 in 2017 from \$78,830 in 2016. The decrease in revenues is due to a reduced number of new clients due to the seasonal slowdown where breweries customarily decrease activity during the summer months.

Shipping calculator services revenue increased \$849 or 2% to \$46,990 in the third quarter of 2017 compared to \$46,141 in 2016. The increase was primarily due to a spike in usage of our largest client.

Shipping coordination and label generation service revenues are a new addition to our revenue sources in 2017 and resulted in an increase of revenue of \$1,820,975.

#### Gross Profit

Gross profit increased \$431,544 or 356% in the third quarter of 2017 to \$552,767 compared to \$121,223 in 2016. Gross margin decreased 67 percentage points to 28% from 95% in the third quarter of 2016. The decrease in gross margin was due to the cost associated with shipping coordination and label generation services that the Company now offers.

#### Operating Expenses

Total operating expenses in the third quarter 2017 were \$779,158 compared to \$217,845 in the third quarter 2016, an increase of \$561,313 or 258%. The increase is due to the depreciation and amortization of \$213,276 in the third quarter of 2017 compared to \$25,728 for the same period in 2016 in addition to the option compensation of \$118,572 in 2017 compared to \$4,281 in 2016. Personnel, development, and advertising and facility expenses associated with the operations of ShipTime Canada also contributed to the increase.

#### Other Income/Expense, net

Net other income (expense) in the third quarter of 2017 was (\$11,328) compared to (\$8,696) in the same period of 2016, a change of \$2,632. This is primarily attributable to the unrealized loss on stock price guarantee of \$3,329 in the third quarter of 2017 compared to a loss of \$12,812 in the same period of 2016.

#### Net Loss

The Company realized a net loss in the third quarter of 2017 of (\$237,719) compared to a net loss of (\$105,318) for the same period in 2016. The net loss available to common stockholders for the third quarter of 2017 and 2016 represent (\$0.09) and (\$0.10) per share, respectively.

Comparison of the nine months ended September 30, 2017 and 2016.

The following discussion compares the Company's results of operations for the nine months ended September 30, 2017 with those for the nine months ended September 30, 2016. The Company's condensed consolidated financial statements and notes thereto included elsewhere in this quarterly report contain detailed information that should be referred to in conjunction with the following discussion.

#### Revenues

The following table compares total revenue for the periods indicated.

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Nine months Ended  
September 30,

	2017	2016	% Change
Client services	\$20,192	\$12,937	56%
Brewery management software	235,026	242,210	(6)%
Shipping coordination and label generation services	5,057,566	-	100%
Shipping calculator services	153,023	135,862	13%
Total revenues	\$5,465,807	\$391,009	1,298%



Revenues increased 1,298% primarily from the acquisition of the new segment of our business that provides shipping services.

Client service revenues increased \$7,255 or 56% to \$20,192 in 2017 compared to \$12,937 in 2016. This increase is a result of the large number of movie poster auctions held year to date in 2017.

Brewery management software revenues decreased \$7,184 to \$235,026 in 2017 from \$242,210 in 2016. The decrease in revenues is due to the loss of several larger clients offset against new clients that are signing up on our lower tiered service plan.

Shipping calculator services revenue increased \$17,161 or 13% to \$153,023 in 2017 compared to \$135,862 in 2016. The increase was largely due to a significant increase in volume and an adjusted price plan for one of the largest clients.

Shipping coordination and label generation service revenues are a new addition to our revenue sources in 2017 resulting in an increase of revenue of \$5,057,566.

#### Gross Profit

Gross profit increased \$1,202,524 or 323% in 2017 to \$1,575,302 compared to \$372,778 in 2016. Gross margin decreased 66 percentage points to 29% from 95% in 2016. The decrease in gross margin was due to the cost associated with the new segment of shipping services that the Company now offers.

#### Operating Expenses

Total operating expenses in 2017 were \$2,147,662 compared to \$779,174 in 2016, an increase of \$1,368,488 or 176%. The increase is primarily due to the depreciation and amortization of \$638,926 in 2017 compared to \$77,179 for the same period in 2016. Additional expenses associated with ShipTime Canada related to personnel, development, and advertising and facility operations also contributed to the increase.

#### Other Income/Expense, net

Net other income (expense) in 2017 was (\$20,448) compared to \$90,195 in the same period of 2016, a change of \$110,643. This is attributable to the one-time gain on the settlement of the litigation with eBay. The Company also incurred an unrealized loss on stock price guarantee of (\$16,036) in 2017 compared to a gain of \$28,541 in the same period of 2016.

#### Net Loss

The Company realized a net loss in the third quarter of 2017 of (\$594,302) compared to a net loss of (\$317,008) for the same period in 2016. The net loss available to common stockholders for the nine months ended September 30, 2017 and 2016 represent (\$0.32) and (\$0.30) per share, respectively.

#### Cash Flows from Operating Activities

A summarized reconciliation of the Company's net loss to cash and cash equivalents used in operating activities for the nine months ended September 30, 2017 and 2016 is as follows:

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	2017	2016
Net loss	\$(594,302)	\$(317,008)
Depreciation and amortization	638,926	77,179
Gain on sale of property and equipment	-	(2,179)
Share-based compensation	118,572	41,814
Unrealized loss (gain) on stock price guarantee	16,036	(28,541)
Write-off of other receivable	1,026	-
Changes in current assets and liabilities	234,335	70,955
Net cash provided by (used in) operating activities	\$414,593	\$(157,780)

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## Working Capital and Liquidity

The Company had cash and cash equivalents of \$626,160 at September 30, 2017, compared to \$339,562 at December 31, 2016. The Company had a negative working capital of (\$1,343,259) at September 30, 2017, an improvement of \$25,367 compared to (\$1,368,626) at December 31, 2016. The decrease in working deficit is attributable to the improved revenues and expense management associated with ShipTime Canada. The increase to the cash and cash equivalents is due to an increase in revenues associated with the new segment of our operations.

The Company may need an infusion of additional capital to fund anticipated operating costs over the next 12 months, however, management believes that the Company has adequate cash resources to fund operations. There can be no assurance that anticipated growth will occur, and that the Company will be successful in launching new products and services. If necessary, management will seek alternative sources of capital to support operations.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, the Company is not required to provide the information for this Item 3.

## ITEM 4. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

The Company's management, including the Chief Executive Officer of the Company and the Chief Financial Officer of the Company, as its principal financial officers have 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 Chief Executive Officer, and Chief Financial Officer both have concluded that, as of September 30, 2017, the Company's disclosure controls and procedures were not effective, due to material weaknesses in internal control over financial reporting, 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.

The Company has identified nine material weaknesses in internal control over financial reporting as described in the Company's Form 10-K for the year ended December 31, 2016.

### Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during the quarter ended September 30, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the normal course of business, the Company periodically becomes involved in litigation. As of September 30, 2017, in the opinion of management, the Company had no material pending litigation other than ordinary litigation incidental to the business.

ITEM 1A. RISK FACTORS

There are no material changes for the risk factors previously disclosed on Form 10-K for the year ended December 31, 2016.

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

There were no issuances of unregistered securities during the nine months ended September 30, 2017.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. 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

- 101.INS XBRL Instance Document (filed herewith)
- 101.SCH XBRL Taxonomy Extension Schema (filed herewith)
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase (filed herewith)
- 101.DEF XBRL Taxonomy Extension Definition Linkbase (filed herewith)
- 101.LAB XBRL Taxonomy Extension Label Linkbase (filed herewith)
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase (filed herewith)



SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PAID, INC.

By: /s/ Allan Pratt  
Allan Pratt, Chief Executive Officer

By: /s/ W. Austin Lewis IV  
Date: November 14, 2017 W. Austin Lewis, IV, Chief Financial Officer



LIST OF EXHIBITS

Exhibit No.	Description
<u>31.1</u>	CEO Certification required under Section 302 of Sarbanes-Oxley Act of 2002
<u>31.2</u>	CFO Certification required under Section 302 of Sarbanes-Oxley Act of 2002
<u>32</u>	CEO and CFO Certification required under Section 906 of Sarbanes-Oxley Act of 2002
101.INS XBRL	Instance Document (filed herewith)
101.SCH XBRL	Taxonomy Extension Schema (filed herewith)
101.CAL XBRL	Taxonomy Extension Calculation Linkbase (filed herewith)
101.DEF XBRL	Taxonomy Extension Definition Linkbase (filed herewith)
101.LAB XBRL	Taxonomy Extension Label Linkbase (filed herewith)
101.PRE XBRL	Taxonomy Extension Presentation Linkbase (filed herewith)