

PAID INC  
Form 10-K  
March 30, 2018

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2017 or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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)

Securities registered under Section 12(b) of the Act:  
None

Securities registered under Section 12(g) of the Act:  
Common Stock, \$0.001 Par Value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

Edgar Filing: PAID INC - Form 10-K

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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	Emerging Growth Company
-------------------------	-------------------	-----------------------	---------------------------	-------------------------



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

The aggregate market value of the common stock held by non-affiliates of the registrant based on the last sale price of such stock as reported by the Over-the-Counter Bulletin Board on June 30, 2017 (the last business day of the Registrant's most recently completed second fiscal quarter) was approximately \$ 3,895,430

As of March 30, 2018, the registrant had 1,629,217 shares of Common Stock outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE

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



PAID, INC.

FORM 10-K  
FOR THE YEAR ENDED DECEMBER 31, 2017

TABLE OF CONTENTS

PART I

<u>Item 1. Business</u>	1
<u>Item 1A. Risk Factors</u>	3
<u>Item 1B. Unresolved Staff Comments</u>	10
<u>Item 2. Properties</u>	10
<u>Item 3. Legal Proceedings</u>	10
<u>Item 4. Mine Safety Disclosure</u>	10

PART II

-	-
<u>Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	11
<u>Item 6. Selected Financial Data</u>	12
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	12
<u>Item 7A. Quantitative and Qualitative Disclosure about Market Risk</u>	16
<u>Item 8. Financial Statements and Supplementary Data</u>	16
<u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	17
<u>Item 9A. Controls and Procedures</u>	17
<u>Item 9B. Other Information</u>	22

PART III

<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	23
<u>Item 11. Executive Compensation</u>	25
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	27
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	27
<u>Item 14. Principal Accountant Fees and Services</u>	28

PART IV

<u>Item 15. Exhibits and Financial Statement Schedules</u>	29
<u>Item 16. Form 10-K Summary</u>	29
<u>Signatures</u>	30
<u>Exhibit Index</u>	



Table of Contents

PART I

Forward Looking Statements

This Annual Report on Form 10-K 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", "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, purchases of equipment, credit arrangements, possible changes in legislation and other statements regarding matters that are not historical are forward-looking statements.

Although forward-looking statements in this Annual Report reflect the good faith judgment of the Company's management, such statements can only be based on facts and factors currently known by the Company. Consequently, forward-looking statements are inherently subject to risks, contingencies and uncertainties, and actual results and outcomes may differ materially from results and outcomes discussed in this Annual 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".

For example, the Company's ability to maintain a 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 by others, the Company's inability to complete development of its core 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 Annual Report, which attempts to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

Item 1. Business

Overview

PAID, Inc. (the "Company" or "PAID") was incorporated in Delaware on August 9, 1995. The Company has multiple web addresses, [www.paid-corp.com](http://www.paid-corp.com), which offers updated information on various aspects of our operations and [www.shiptime.com](http://www.shiptime.com) which showcases our online label generation software. Information contained in the Company's website shall not be deemed to be a part of this Annual Report. The Company's principal executive offices are located at 200 Friberg Parkway, Westborough, Massachusetts 01581 with offices also located at 700 Dorval Drive Oakville Ontario, Canada. The Company's telephone number is (617) 861-6050.

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K with the Securities and Exchange Commission (the "SEC"). These reports, any amendments to these reports, proxy and



information statements and certain other documents we file with the SEC are available through the SEC's website at [www.sec.gov](http://www.sec.gov) or free of charge on our website as soon as reasonably practicable after we file the documents with the SEC. The public may also read and copy these reports and any other materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

#### Our Business

ShipTime Inc. ShipTime's platform provides its members with the ability to quote, process, track and dispatch shipments while getting preferred rates on packages and skidded (LTL) freight shipments throughout North America and around the world. In addition to these features, ShipTime also provides what it refers to as "Heroic Multilingual Customer Support." In this capacity, ShipTime acts as an advocate on behalf of its clients in resolving matters concerning orders and shipping. With an increasing focus and service offering for e-commerce merchants; which include online shopping carts, inventory management, payment services, client prospecting and retention software, ShipTime can help merchants worldwide grow and scale their businesses. ShipTime generates monthly recurring revenue through transactions and "software as a service" (SAAS) offerings. It currently serves in excess of 30,000 members in North America and has plans to expand its services into Europe and then worldwide.



## Table of Contents

AuctionInc Software. AuctionInc 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 application was designed to focus on real-time carrier calculated shipping rates and tax calculations. 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.

BeerRun Software. 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 continues to grow in the United States and we feel that there is considerable potential to grow this portion of our business.

## Business Strategy

The Company's focus in 2017 was to effectively execute the integration of Paid Inc. and ShipTime while ensuring that our mission; ("To provide a comprehensive e-commerce platform for global small to medium enterprises that deliver the infrastructure and the tools to allow our members to seamlessly market, ship and manage their businesses to thrive in an online world") continued to move with the velocity needed for our members to compete in today's on-line marketplace.

While the ShipTime portion of our business is now our key revenue driver; our strategy in 2017 was to continue to buildout the foundation of our e-commerce platform while driving our core business forward with double digit growth. By continuing to offer small to medium enterprises meaningful solutions and an integrated infrastructure platform we can enhance the value proposition to both our channel partners and our growing customer base allowing us to cost effectively break into new markets.

Our strategy for the shipping calculator clients includes upgrading the AuctionInc clients to our new "PaidCart" platform. We are increasing our product offerings to include plugins for several online shopping cart platforms. The process of augmenting our service offering to our BeerRun clients began in the 4th quarter of 2017 with a roll-out continuing throughout 2018. BeerRun continues to be a valuable component of the Company, we hope to maintain and grow our client base in the Craft Brewery industry.

The business strategy described above is intended to expand our markets, increase revenue per member while enhancing our opportunities in the online e-commerce market. There are always a variety of factors that may impact our plans and inhibit our success. See "Risk Factors" included in Item 1A. Therefore, we have no guarantees and can provide no assurances, that our plans will be successful.

## Marketing and Sales

The Company continues to successfully nurture and grow the relationships with our channel partners and is moving forward with adding new relationships that are global in scope. While much of the growth and success in 2017 was the result of the cooperative efforts of ShipTime and our channel partners with new marketing initiatives, this strategy alone will not be enough to drive our new service offerings without enhancing our marketing strategy. A foundation was mapped out in 2017 to pursue new digital marketing efforts, a new marketing site and an in-house sales team to

fast forward our growth. New leadership was added at the end of the year to support these marketing initiatives.

The Company will continue to market PAID, ShipTime and BeerRun throughout 2018 and beyond. Cross selling efforts will be enhanced and new features are being added to our Paid platform. Based on experience and feedback with existing partnerships that promote our product lines, the Company believes that creating additional partnerships beyond North America is an effective marketing tool to promote and encourage new registrations. Additional resources and marketing initiatives will be utilized to increase onboarding and converting our members to being active long-time users of the Company's services in order to accelerate our growth.

#### Revenue Sources

In 2017, our revenues were primarily derived from our label generation services. This portion of our business is new due to the merger with ShipTime in 2016 and we expect that the revenues from these services will grow as we are continually expanding our onboarding processes and developing new carrier relationships. In addition to the label generation services we continue to focus on launching our new e-commerce platforms and releasing enhancements to our brewery management software. See "Risk Factors" included in Item 1A. We have no guarantees and can provide no assurances, that our plans will be successful.



## Table of Contents

### Competition

Technology within the logistics industry is highly competitive and we have focused a variety of differentiators including on Heroic Customer Support™ to elevate our services beyond those of our competition. Our product offerings may also be available from other companies in our industry and we continue to emphasize value and quality customer support. The ShipTime trademark has been registered in both Canada and the United States. Our line of AuctionInc shipping calculator software is proprietary. Our intellectual property rights do not guarantee any competitive advantage and may not sufficiently protect us against competitors with similar technology. We believe that our products and other proprietary rights do not infringe on the proprietary rights of third parties. However, there can be no assurance that third parties will not assert infringement claims against us in the future with respect to current or future products or other works of ours

We also utilize free open-source technology in certain areas. Unlike proprietary software, open-source software has publicly available source code and can be copied, modified and distributed with minimal restrictions. We use open source software and technology as well to support the growing social and viral opportunities on the internet. By using 'best-of-breed' products and tools we can maximize our clients' opportunities while minimizing our costs, which we are able to pass on to our customers.

As with any software product BeerRun is not excluded from the competitive market. There are three or four competitors in the industry all with a unique perspective. The launch of our new offering has helped us maintain a presence in the brewery management industry. Our sales and support team stays informed with the competition and we have the ability to modify our product as the industry changes.

### Research and Development

Over the past years the Company has made significant progress developing new integrations with e-commerce shopping cart platforms. The Company now employs several developers who are focused on the growth of the PAID brand and ShipTime products and their technologies. Our technology roadmap has been projected for the 2018 calendar year and we have enhancements scheduled for all aspects of our businesses. Our strategy includes a product redesign, new websites, e-commerce shopping cart solutions, shipping calculator enhancements and many additional features and upgrades to our online shopping and shipping tools.

### Employees

As of March 30, 2018, the Company currently has four part time and twelve full time equivalent employees. We have no collective bargaining agreements and consider the relationship with our employees to be good.

### Government Regulation

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

### Item 1A. Risk Factors

You should carefully consider the risks and uncertainties described below before deciding to invest in shares of our common stock. If any of the following risks or uncertainties actually occurs, our business, prospects, financial condition and operating results would likely suffer. In that event, the market price of our common stock could decline and you could lose all or part of your investment.

#### Risks Relating to the Company

We have experienced operating losses.

Our business and prospects must be considered in light of the risks, expenses and difficulties that are inherent in our business. The risks include:

our ability to anticipate and adapt to a developing market;

our ability to market, license and enforce our shipping calculator and shopping cart;

development of equal or superior internet portals, shipping calculators and related services by competitors; and

our ability to maintain competitive pricing with our carriers





Table of Contents

To address these risks, we must, among other things, successfully market our e-commerce shopping cart, our shipping label generation services and brewery management solutions, continue to develop new relationships with carriers, e-commerce service providers and craft brewers, maintain our customer base, attract significant numbers of new customers, respond to competitive developments, and continue to develop and upgrade our technologies. We cannot offer any assurances that we will be successful in addressing these risks.

We incurred substantial losses each year since 1999. There can be no assurance that we will be profitable in the future.

Our capital is limited and we may need additional financing to continue operations.

We require substantial working capital to fund our business. If we are unable to obtain additional financing in the amounts desired and on acceptable terms, or at all, or issue stock, we could be required to reduce significantly the scope of our expenditures, which would have a material adverse effect on our business potential and the market price of our common stock. By raising additional funds by issuing equity securities, our shareholders will be further diluted. Based on our cash position as of December 31, 2017 we may need additional capital to fund our anticipated operating expenses over the next 12 months. If we require additional funding, there can be no assurances that the financing will be obtained, or if obtained, that funding will be obtained on reasonably acceptable terms.

We are unable to guarantee that the marketplace will accept our software products.

The software markets are characterized by rapid technological change, frequent new product enhancements, uncertain product life cycles, changes in customer demands and evolving industry standards. Our software products could be rendered obsolete if products based on new technologies are introduced or new industry standards emerge, or if we do not obtain adequate intellectual property protection. We are unable to provide any assurances that the marketplace will accept our software products and services, or that we will be able to provide these products and services at a profit.

Our operating results are unpredictable.

You should not rely on the results for any period as an indication of future performance. Our operating results and rate of growth are unpredictable and are expected to fluctuate in the future due to a number of additional factors, many of which are outside our control. These factors beyond our control include:

our ability to significantly increase our customer base and traffic to our websites, maintain gross margins, and maintain customer satisfaction;

our ability to market and sell our software products;

consumer confidence in encrypted transactions in the internet environment;

the announcement or introduction of new types of services or products by our competitors;

technical difficulties with respect to customer use of our technologies;

governmental regulation by federal or local governments; and

general economic conditions and economic conditions specific to the internet and e-commerce.

As a strategic response to changes in the competitive environment, we may from time to time make certain service, marketing or supply decisions or acquisitions that could have a material adverse effect on our results of operations and financial condition. In 2017, our revenues were derived from our shipping coordination, shipping label generation services, shipping calculator services, and brewery management software solutions.

-4-



Table of Contents

The successful operation of our business depends upon the supply of critical technology elements from other third parties, including our internet service provider and technology licensors.

Our operations depend on a number of third parties for internet/telecom access, delivery services, and software services. We have limited control over these third parties and no long-term relationships with many of them. We rely on an internet service provider to connect our websites to the internet. From time to time, we have experienced temporary interruptions in our websites connection and also our telecommunications access. We license technology and related databases from third parties for certain elements of our properties. Furthermore, we are dependent on hardware suppliers for prompt delivery, installation, and service of servers and other equipment to deliver our products and services. Our internally developed software depends on operating system, database and server software that was developed and produced by and licensed from third parties. We have from time to time discovered errors and defects in the software from these third parties and, in part, rely on these third parties to correct these errors and defects in a timely manner. Any errors, failures, interruptions, or delays experienced in connection with these third-party technologies and information services could negatively impact our relationship with users and adversely affect our brand and our business, and could expose us to liabilities to third parties.

Our failure to manage growth could place a significant strain on our management, operational and financial resources.

Growth places a significant strain on our management, operational and financial resources, and has placed significant demands on our management, which currently include two executive officers. In order to manage growth, we will be required to expand existing operations, particularly with respect to enhanced product offerings, customer service and development, to improve existing and implement new operational, financial systems, procedures and controls.

We have experienced some strain on our resources because of:

the need to manage relationships with various technology licensors, advertisers, other websites and services, internet service providers and other third parties; and

pressures for the continued development of our core of software products

the need for additional sales and marketing personnel

Difficulties we may encounter in dealing successfully with the above risks could seriously harm our operations. We cannot offer any assurance that our current personnel, systems, procedures and controls will be adequate to support our future operations or that management will be able to identify, hire, train, retain, motivate and manage required personnel.

Our Company's success still depends upon the continued services of its current management and other relationships.

We are substantially dependent on the continued services of our key executive officers, Allan Pratt as Chief Executive Officer and W. Austin Lewis, IV, as Chief Financial Officer. Mr. Pratt brings valuable relationships with carriers and their affiliates in both Canada and the United States and, Mr. Lewis has specialized knowledge and skills with respect to our Company and our operations and relationships with our clients. As a result, if Mr. Lewis or Mr. Pratt were to leave our Company, we could face some difficulties in hiring qualified successors. We do not maintain any key person life insurance.

Our Company's success will depend on our ability to attract and retain qualified personnel.

We believe that our future success will depend upon our ability to identify, attract, hire, train, motivate and retain other highly skilled managerial, accounting, technical consulting, marketing and customer service personnel. We cannot offer assurances that we will be successful in attracting, assimilating or retaining the necessary personnel, and the failure to do so could have an adverse effect on our business.

Our success depends upon market awareness of our brand.

Development and awareness of our Company will depend largely on our success in increasing our customer base, specifically in the United States. To attract and retain customers and to promote and maintain our Company in response to competitive pressures, we may find it necessary to increase our marketing and advertising budgets and otherwise to increase substantially our financial commitment to creating and maintaining brand loyalty among consumers. We will need to continue to devote substantial financial and other resources to increase and maintain the awareness of our online brands among website users, advertisers, affiliate relationships, and e-commerce entities that we have advertising relationships with through:

web advertising, marketing, and social media;

traditional media advertising campaigns;

Canadian seller resources; and

trade show exhibits in the United States and Canada



Table of Contents

Our results of operations could be seriously harmed if our investment of financial and other resources, in an attempt to achieve or maintain a leading position in internet commerce or to promote and maintain our brand, does not generate a corresponding increase in net revenue, or if the expense of developing and promoting our online brands becomes excessive.

System failures could result in interruptions in our service, which could harm our business.

A key element of our strategy is to generate a high volume of traffic to, and use of, our products. Accordingly, the satisfactory performance, reliability and availability of the shipping calculations, transaction processing systems and network infrastructure are critical to our operating results, as well as our reputation and our ability to attract and retain customers and maintain adequate customer service levels.

We periodically have experienced minor systems interruptions, including internet disruptions. Some of the interruptions are due to upgrading our equipment to increase speed and reliability. During these upgrades the outages have generally lasted less than an hour. Any systems interruptions, including internet disruptions, which result in the unavailability of our services, could harm our business. In addition to placing increased burdens on our engineering staff, these outages create a large number of user questions and complaints that need to be responded to by our personnel. We cannot offer assurances that:

we will be able to accurately project the rate or timing of increases if any, in the use of our services;

we will be able to expand and upgrade on a timely basis our systems and infrastructure to accommodate increases in the use of these services;

we will have uninterrupted access to the internet

we or our suppliers' network will be able to timely achieve or maintain a sufficiently high capacity of data transmission, especially if the customer usage of the services increases.

Any disruption in the internet access to our websites and services or any systems failures could significantly reduce consumer demand for our services, diminish the level of traffic to our products, impair our reputation and reduce our e-commerce and advertising revenues.

We currently identify vulnerabilities with our communications hardware and computer hardware.

Our main servers are cloud based and are located within two separate third party hosting facilities. One is located in Michigan with a fail over facility located in Ohio and our ShipTime servers are located in Canada with daily operations conducted in Oakville, Ontario. Neither our Massachusetts facilities nor our Canadian facilities are protected from flood, power loss, telecommunication failure, break-in and similar events however the equipment located at these offices is not considered critical to our service offerings.

As with all servers, our cloud based servers are also vulnerable to computer viruses, physical or electronic break-ins, attempts by third parties to deliberately exceed the capacity of our systems and similar disruptive problems. Computer viruses, break-ins or other problems caused by third parties could lead to interruptions, delays, loss of data or cessation in service to users of our services and products and could seriously harm our business. Our implementation of redundancies minimizes the risk of loss though there are no guarantees.

There are certain provisions of Delaware law that could have anti-takeover effects.

Certain provisions of Delaware law and our Certificate of Incorporation, and Bylaws could make an acquisition of our Company by means of a tender offer, a proxy contest or otherwise, and the removal of our incumbent officers and directors more difficult. Our Certificate of Incorporation and Bylaws do not provide for cumulative voting in the election of directors. Our Bylaws include advance notice requirements for the submission by stockholders of nominations for election to the Board of Directors and for proposing matters that can be acted upon by stockholders at a meeting.

We are subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law (the "DGCL"), which will prohibit us from engaging in a "business combination" with an "interested stockholder" for three years after the date of the transaction in which the person became an interested stockholder unless the business combination is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years prior to the determination of interested stockholder status, did own) 15% or more of a corporation's voting stock. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by the Board of Directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by stockholders. Section 203 could adversely affect the ability of stockholders to benefit from certain transactions, which are opposed by the Board or by stockholders owning 15% of our common stock, even though such a transaction may offer our stockholders the opportunity to sell their stock at a price above the prevailing market price.





## Table of Contents

Our success is dependent in part on our ability to obtain and maintain proprietary protection for our technologies and processes.

Our most important intellectual property relates to the software for our shipping calculator, label generation and brewery management products. We do not have any patents or patent applications for our designs or innovations, except for our patent with respect to our online auction shipping and tax calculator. We may not be able to obtain copyright, patent or other protection for our proprietary technologies or for the processes developed by our employees. Legal standards relating to intellectual property rights in computer software are still developing and this area of the law is evolving with new technologies. Our intellectual property rights do not guarantee any competitive advantage and may not sufficiently protect us against competitors with similar technology.

As part of our confidentiality procedures, we generally enter into agreements with our employees and consultants and limit access to and distribution of our software, documentation and other proprietary information. We cannot offer assurances that the steps we have taken will prevent misappropriation of our technology or that agreements entered into for that purpose will be enforceable. Notwithstanding the precautions we have taken, it might be possible for a third party to copy or otherwise obtain and use our software or other proprietary information without authorization or to develop similar software independently. Policing unauthorized use of our technology is difficult, particularly because the global nature of the internet makes it difficult to control the ultimate destination or security of software or other data transmitted. The laws of other countries may afford our Company little or no effective protection of its intellectual property. Because our success in part relies upon our technologies, if proper protection is not available or can be circumvented, our business may suffer.

Intellectual property infringement claims would harm our business.

We may in the future receive notices from third parties claiming infringement by our software or other aspects of our business. Any future claim, with or without merit, could result in significant litigation costs and diversion of resources, including the attention of management, and require us to enter into licensing agreements, which could have a material adverse effect on our business, results of operations and financial condition. Licensing agreements, if required, may not be available on terms acceptable to the Company or at all. In the future, we may also need to file lawsuits to enforce our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of the proprietary rights of others. This litigation, whether successful or unsuccessful, could result in substantial costs and diversion of resources, which could have a material adverse effect on our business, results of operations and financial condition.

Our success is dependent on licensed technologies.

We rely on a variety of technologies that we license from third parties. We also rely on encryption and authentication technology licensed from a third party through an online user agreement to provide the security and authentication necessary to effect secure transmission of confidential information.

We cannot make any assurances that these third-party technology licenses will continue to be available to us on commercially reasonable terms. Although no single software vendor licensor provides us with irreplaceable software, the termination of a license and the need to obtain and install new software on our systems would interrupt our operations. Our inability to maintain or obtain upgrades to any of these technology licenses could result in delays in completing our proprietary software enhancements and new developments until equivalent technology could be identified, licensed or developed and integrated. These delays would materially and adversely affect our business, results of operations and financial condition.

We may be exposed to liability for content retrieved from our websites.

Our exposure to liability from providing content on the internet is currently uncertain. Due to third party use of information and content downloaded from our websites, we may be subject to claims relating to:

the content and publication of various materials based on defamation, libel, negligence, personal injury and other legal theories;

copyright, trademark or patent infringement and wrongful action due to the actions of third parties; and

other theories based on the nature and content of online materials made available through our websites.

Our exposure to any related liability could result in us incurring significant costs and could drain our financial and other resources. We do not maintain insurance specifically covering these claims. Liability or alleged liability could further harm our business by diverting the attention and resources of our management and by damaging our reputation in our industry and with our customers.



## Table of Contents

The Company may be exposed to potential risks relating to our significant deficiencies and material weaknesses in our internal controls over financial reporting.

As directed by Section 404 of the Sarbanes-Oxley Act of 2002 (“SOX 404”), the Securities and Exchange Commission adopted rules requiring public companies to include a report of management on the Company's internal control over financial reporting in their annual reports, including Form 10-K. We have identified significant deficiencies and material weaknesses in our internal controls and have taken steps to remediate them as cost-effectively as possible. Based on these significant deficiencies and material weaknesses, investors and others may lose confidence in the reliability of our financial statements and our ability to obtain equity or debt financing could suffer.

### Risks Associated With Our Industry

The market for online services is intensely competitive with low barriers to entry.

The market for internet products and services is very competitive. Barriers to entry are relatively low, and current and new competitors can launch new sites at relatively low costs using commercially available software. We currently or potentially compete with a variety of other companies depending on the type of services offered to customers. These competitors include a number of indirect competitors that specialize in e-commerce shipping calculator solutions or derive a substantial portion of their revenue from e-commerce products and those that specialize in brewery management solutions.

It is possible that new competitors or alliances may emerge and rapidly acquire market share. Increased competition is likely to result in reduced operating margins, loss of market share and a diminished brand franchise, any one of which could materially adversely affect our business, results of operations and financial condition. Many of our current and potential competitors have greater financial, marketing, customer support, technical and other resources than the Company. As a result, these competitors may be able to provide services on more favorable terms than we can, and they may be able to respond more quickly to changes in customer preferences or to devote greater resources to the development of their products than the Company.

We may be adversely affected by the deterioration in economic conditions, which could affect consumer and corporate spending and our ability to raise capital, and, therefore, significantly adversely impact our operating results.

The impact of slowdowns on our business is difficult to predict, but they may result in reductions in new client registrations and our ability to generate revenue. The risks associated with our businesses may become more acute in periods of a slowing economy or a recession, which may be accompanied by a decrease in e-commerce business. Instability in the financial markets as a result of recession or otherwise, as well as insufficient financial sector liquidity, also could affect the cost of capital and energy suppliers and our ability to raise capital.

Our business depends on discretionary consumer and corporate spending. Many factors related to corporate spending and discretionary consumer spending, including economic conditions affecting disposable consumer income such as employment, fuel prices, interest and tax rates and inflation can significantly impact our operating results. Business conditions, as well as various industry conditions, including corporate marketing and promotional spending and interest levels, can also significantly impact our operating results. Negative factors such as challenging economic conditions, public concerns over terrorism and security incidents, particularly when combined, can impact corporate and consumer spending and one negative factor can impact our results more than another. There can be no assurance that consumer and corporate spending will not be adversely impacted by economic conditions, thereby possibly impacting our operating results and growth.

Security breaches and credit card fraud could harm our business.

We rely on encryption and authentication technology licensed from a third party through an online user agreement to provide the security and authentication necessary to effect secure transmission of confidential information. We believe that a significant barrier to e-commerce and communications is the secure transmission of confidential information over public networks. We cannot give an assurance that advances in computer capabilities, new discoveries in the field of cryptography or other events or developments will not result in a compromise or breach of the algorithms we use to protect customer transaction data. If this compromise of our security were to occur, it could have a material adverse effect on our business, results of operations and financial condition. A party who is able to circumvent our security measures and those of our third party providers could misappropriate proprietary information or cause interruptions in our operations. To the extent that activities of our Company or third-party contractors involve the storage and transmission of proprietary information. Security breaches could expose us to a risk of loss or litigation and possible liability. We may be required to expend significant capital and other resources to protect against the threat of security breaches or to alleviate problems caused by these breaches. We cannot offer assurances that our security measures will prevent security breaches or that failure to prevent these security breaches will not have a material adverse effect on our business.



## Table of Contents

Our industry may be exposed to increased government regulation.

Our Company is not currently subject to direct regulation by any government agency, other than regulations applicable to businesses generally, and laws or regulations directly applicable to access to, or commerce on, the internet. Today there are relatively few laws specifically directed towards online services, other than to protect user privacy or children. However, due to the increasing popularity and use of the internet, it is possible that a number of laws and regulations may be adopted with respect to the internet, covering issues such as user privacy, freedom of expression, pricing, content and quality of products and services, fraud, taxation, advertising, intellectual property rights and information security. Compliance with additional regulation could hinder our growth or prove to be prohibitively expensive.

The applicability to the internet of existing laws in various jurisdictions governing issues such as property ownership, sales tax, libel and personal privacy is uncertain and may take time to resolve. In addition, because our service is available over the internet in multiple states, and we sell to numerous consumers resident in these states, these jurisdictions may claim that we are required to qualify to do business as a foreign corporation in each state. Our failure to qualify as a foreign corporation in a jurisdiction where it is required to do so could subject our Company to taxes and penalties for the failure to qualify. Any new legislation or regulation, or the application of laws or regulations from jurisdictions whose laws do not currently apply to our business, could have a material adverse effect our business, results of operations and financial condition.

### Risks Associated with our Common Stock

Our stock price has been and may continue to be very volatile.

The market price of the shares of our common stock has been, and is likely to be, highly volatile. During the year ended December 31, 2017 our stock price as quoted on the OTC Pink operated by the OTC Markets Group, Inc., on the OTC PINK has ranged from a high of \$7.20 per share to a low of \$2.11 per share. The variance in our share price makes it difficult to forecast with any certainty the stock price at which you may be able to buy or sell your shares of our common stock. The market price for our stock could be subject to wide fluctuations in response to factors that are out of our control such as:

actual or anticipated variations in our results of operations

announcements of new products, services or technological innovations by our competitors;

short selling our common stock and stock price manipulation

merger, split or issuance;

developments in internet regulation; and

general conditions and trends in the internet and e-commerce industries.

The trading prices of many technology companies' stock have experienced extreme price and volume fluctuations. These fluctuations often have been unrelated or disproportionate to the operating performance of these companies. These broad market factors may adversely affect the market price of our common stock. These market fluctuations, as well as general economic, political and market conditions such as recessions or interest rate fluctuations, may



adversely affect the market price of our common stock. Any negative change in the public's perception of the prospects of Internet or e-commerce companies could depress our stock price regardless of our results.

#### Reverse Stock Split

On November 9, 2016, the 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. Due to the rounding that occurred during the reverse split the Company's shares outstanding were reduced by an additional 303 shares.

On October 7, 2015, we filed an amendment to our Certificate of Incorporation to affect a reverse split of our common stock with a ratio of one post-split share for every fifty shares issued and outstanding. As a result of the reverse stock split, the number of authorized shares of our common stock decreased to 11 million shares, without any change in the par value of such shares.

All references in the financial statements and notes to the number of shares, price per share and weighted average number of shares outstanding of our common stock prior to the reverse stock split have been adjusted to reflect the reverse stock split on a retroactive basis unless otherwise noted.



## Table of Contents

“Penny stock” regulations may impose certain restrictions on marketability of securities.

The SEC adopted regulations which generally define "penny stock" to be an equity security that has a market price of less than \$5.00 per share. Our common stock may be subject to rules that impose additional sales practice requirements on broker-dealers who sell these securities to persons other than established customers and accredited investors (generally those with assets in excess of \$1,000,000, or annual incomes exceeding \$200,000 or \$300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of these securities and have received the purchaser's prior written consent to the transaction.

Additionally, for any transaction, other than exempt transactions, involving a penny stock, the rules require the delivery, prior to the transaction, of a risk disclosure document mandated by the SEC relating to the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and, if the broker-dealer is the sole market-maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Finally, monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. Consequently, the "penny stock" rules may restrict the ability of broker-dealers to sell our common stock and may affect the ability to sell our common stock in the secondary market.

The market for our Company's securities is limited and may not provide adequate liquidity.

Our common stock is currently quoted on the OTC/PINK, a regulated quotation service that displays real-time quotes, last-sale prices, and volume information in over-the-counter equity securities. As a result, an investor may find it more difficult to dispose of, or obtain accurate quotations as to the price of, our securities than if the securities were traded on the Nasdaq Stock market, or another national exchange. There are a limited number of active market makers of our common stock. In order to trade shares of our common stock you must use one of these market makers unless you trade your shares in a private transaction. In the year ended December 31, 2017 the actual daily trading volume ranged from a low of 0 shares of common stock to a high of over 8,192 shares of common stock. Selling our shares can be more difficult because smaller quantities of shares are bought and sold and news media coverage about us is limited. These factors result in a limited trading market for our common stock and therefore holders of our Company's stock may be unable to sell shares purchased should they desire to do so.

### Item 1B. Unresolved Staff Comments

None.

### Item 2. Properties

The Company's offices are located at 200 Friberg Parkway, Westborough, Massachusetts and 700 Dorval Drive, Oakville, Ontario, pursuant to lease agreements which expire in June 2018 and June 2019, respectively.

### Item 3. Legal Proceedings

From time to time we may be a party to various legal proceedings arising in the ordinary course of our business. Our management is not aware of any litigation outstanding, threatened or pending as of the date hereof by or against us or our properties which we believe would be material to our financial condition or results of operations.

### Item 4. Mine Safety Disclosure

Not applicable.

-10-



Table of Contents

## PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock, par value \$0.001 per share, is presently quoted on the OTC Pink operated by the OTC Markets Group Inc., on the OTC PINK under the symbol "PAYD".

The following table sets forth the high and low bid information for our common stock as reported by OTC PINK for the eight quarters ended December 31, 2017 (retroactively to reflect the reverse stock split). The quotations from the OTC PINK reflect inter-dealer prices without retail mark-up, mark-down, or commission and may not represent actual transactions.

2016	High	Low
Quarter ended March 31, 2016	\$9.00	\$1.42
Quarter ended June 30, 2016	\$6.10	\$3.40
Quarter ended September 30, 2016	\$4.00	\$2.55
Quarter ended December 31, 2016	\$5.20	\$2.50
2017	High	Low
Quarter ended March 31, 2017	\$7.20	\$2.11
Quarter ended June 30, 2017	\$5.10	\$2.83
Quarter ended September 30, 2017	\$3.81	\$2.70
Quarter ended December 31, 2017	\$3.58	\$2.65

As of March 28, 2018, there were approximately 882 holders of record of our common stock. Because many of the shares are held by brokers and other institutions on behalf of stockholders, the Company is unable to estimate the total number of individual stockholders represented by these holders of record.

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

## Exchangeable Shares

Holders of our subsidiary's exchangeable shares have the same dividend and distribution rights as holders of Company shares, and if Company shares are subdivided or in the event of a Company stock dividend, the exchangeable shares will be equally subdivided, as exchangeable shares are intended to be economically the same as shares of common or preferred stock of the Company. The Company will have a "liquidation call right" in the event of proposed liquidation, dissolution or winding up of ShipTime Canada Inc. Absent prior events, the Company will redeem the exchangeable shares on the fifth anniversary whereby the Company will redeem the exchangeable shares for shares of the Company's preferred stock and common stock. By agreement, exchangeable shares also may be purchased by ShipTime Canada Inc. for cancellation. The Company also has a right to call the shares in the event of a change in the applicable laws.

The holders of exchangeable shares have an “automatic exchange right” in the event of any bankruptcy or insolvency or in general, related proceedings, of ShipTime Canada Inc. or the Company. The exchangeable shares would at such time be converted automatically into that number of shares of common stock and preferred stock of the Company at the agreed upon conversion ratio. Moreover, Callco will have an overriding call right to purchase some or all of the exchangeable shares. This mechanism will be triggered with the automatic exchange right and is necessary to comply with Canadian tax laws. The exercise of this call right does not alter the outcome of the exchangeable share transaction.

Under a Support Agreement, the Company is required to treat holders of Exchangeable Shares substantially similar, or economically equivalent, to holders of Company stock. As such, under the Support Agreement, the Company cannot declare or pay any dividend or other distribution on Company stock unless ShipTime Inc. simultaneously declares or pays the dividend or distribution on the Exchangeable Shares and has sufficient money or other assets to meet these requirements. In turn, the ShipTime Inc. would effect a corresponding dividend or distribution of its securities related to the Exchangeable Shares. The Company also undertakes to advise ShipTime Inc. of the declaration of dividend or distribution, among other similar events, and to cooperate with it to effect the dividend or distribution as of the same record and effective date. The Company is also required in this case to segregate funds to pay for the dividend, and to reserve sufficient number of shares to permit the exchange of the Exchangeable Shares into the required number of Company shares of common stock and preferred stock. The Support Agreement is also binding on any successor to the Company and with respect to any successor transaction.





Table of Contents

## Equity Compensation Plan Information

	Number of Securities To be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity Compensation Plans Approved by Security Holders	16,000	\$23.33	44,000
Equity Compensation Plans Not Approved by Security Holders	79,000	\$2.08	1,000
Total	95,000	\$5.66	45,000

See Note 11, Notes to Consolidated Financial Statements for the years ended December 31, 2017 and 2016 included in Part IV, Item 15, of this Annual Report, for a discussion of the material features of the stock options, warrants and related stock plans.

## Repurchase of Equity Securities

During the year ended December 31, 2017 the Company purchased 14,535 shares of common stock which are held in treasury stock for future issuance.

## Item 6. Selected Financial Data

As a smaller reporting company, the Company is not required to provide the information for this Item 6.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

## Forward Looking Statements

This Annual Report on Form 10-K 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", "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 Annual Report reflect the good faith judgment of the Company's management, such statements can only be based on facts and factors currently known by the Company. Consequently,

forward-looking statements are inherently subject to risks, contingencies and uncertainties, and actual results and outcomes may differ materially from results and outcomes discussed in this report. Although the Company believes that its plans, intentions and expectations reflected in these forward-looking statements are reasonable, the Company can give no assurance that its plans, intentions or expectations will be achieved. For a more complete discussion of these risk factors, see Item 1A, "Risk Factors."

For example, the Company's ability to maintain a 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 sites, 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.



## Table of Contents

### Overview

ShipTime Inc. has developed a SaaS based application, which focuses on the small business to medium business segment. 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 e-commerce. We actively sell directly to small businesses and through long standing partnerships with selected associations throughout Canada. Our focus in 2018 will be to significantly grow this portion of our business.

PAID, Inc. (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.

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 providence. 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 the United States and we feel that there is a large potential to grow this portion of our business.

### Critical Accounting Policies

Our significant accounting policies are more fully described in Note 3 to our consolidated 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:

#### Revenue Recognition

The Company generates revenue principally from the sales related to the label generation services, shipping calculator services, 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.

For label generation service revenues the Company recognizes revenue when a customer has successfully prepared a shipping label and scheduled a pickup. The service is offered to consumers via an online registration and allows users to create a shipping label using a credit card on their account. Customers that cancel shipments are refunded at the time of cancellation and revenue is adjusted in the month of the cancellation. ShipTime in partnership with the Canadian Federation of Independent Businesses offers a rebate to customers that ship with ShipTime. The rebate is held on their account for future use. Rebate revenue is recognized when the rebate is used. All clients must have a valid credit card on file to process shipments on the ShipTime platform.

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. Brewery management software subscribers are billed on a calendar month at the first of the month. All payments are made via credit card for the month following.

Client services revenue includes movie poster auctions sales, affiliate agreements, licensing agreements and royalty payments. These revenues are recognized when the payment for these services is received.



Table of Contents

## 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 December 31, 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).

## 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 for long lived assets were incurred during the years ended December 31, 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.

## Share- Based Compensation

The Board of Directors has on occasion voted to award stock options to employees or directors. The price at which the option shares may be purchased is based on the fair market value of the shares on the date of the agreement. Each recipient's option agreement may differ; the vesting terms may vary from fully vested immediately to one third immediately, one third vesting in 18 months and the final on third vesting in 36 months from the date of the grant. Historically the options granted have had a 10 year term. If the recipient's employment or relationship with the Company is terminated the options recipient may be allowed up to three months to exercise their options. Option compensation is calculated by using the Black-Scholes-Merton option pricing model to estimate the fair value of these share-based awards.

## Results of Operations

## Comparison of the years ended December 31, 2017 and 2016

The following discussion compares the Company's results of operations for the year ended December 31, 2017 with those for the year ended December 31, 2016. The Company's consolidated financial statements and notes thereto included elsewhere in this Annual 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.

Years ended December 31,

2017	2016	% Change
------	------	----------

Edgar Filing: PAID INC - Form 10-K

Client services	\$22,702	\$18,556	22%
Shipping calculator services	205,748	184,976	11%
Brewery management software	309,049	320,215	(3)%
Shipping coordination and label generation services	7,034,498	-	100%
Total revenues	\$7,571,997	\$523,747	1,346%

Revenues increased 1,346% in 2017 primarily from the addition of shipping coordination and label generation services added to the core of our product offerings. This increase was a result of the merger with ShipTime on December 30, 2016.

Client services revenues increased \$4,146 or 22% to \$22,702 compared to \$18,556 in 2016. The increase was attributable to success of our auction related items in 2017.

-14-





Table of Contents

Shipping calculator service revenues increased \$20,772 or 11% to \$205,748 compared to \$184,946 in 2016. The increase was attributed to increased volume and the related price increase in per call related overage fees for some of our larger clients.

Brewery management software revenues decreased \$11,166 or 3% to \$309,049 in 2017 compared to \$320,215 in 2016. The decrease is attributable to the additional competition in the brewery management software industry.

## Gross Profit

Gross profit increased \$1,413,887 or 300% to \$1,885,360 compared to \$471,473 in 2016. Gross margin decreased 65 percentage points to 25% from 90% in 2017. The decrease in gross margin was mainly due to the costs associated with the new segment of label generation services that the Company now offers.

## Operating Expenses

Total operating expenses in 2017 were \$2,576,112 compared to \$926,183 in 2016, an increase of \$1,649,929 or 178%. The increase is mainly due to the additional expenses associated with ShipTime Canada related to personnel, development, marketing and facility operations.

## Net Loss

The Company incurred a net loss in 2017 of \$ 617,020 compared to a net loss of \$347,581 for the same period in 2016. The losses for 2017 and 2016 represent \$(0.28) and \$(0.33) per common share, respectively.

## Inflation

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

## Comparison of the years ended December 31, 2016 and 2015

The following discussion compares the Company's results of operations for the year ended December 31, 2016 with those for the year ended December 31, 2015. The Company's consolidated financial statements and notes thereto included elsewhere in this Annual 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.

	Years ended December 31,		
	2016	2015	% Change
Client services	\$18,556	\$28,392	(35)%
Shipping calculator services	184,976	163,690	13%
Brewery management software	320,215	80,838	296%

Total revenues                      \$523,747    \$272,920    92%

Revenues increased 92% in 2016 primarily from a 296% increase in our brewery management software revenue. This increase was a result of the purchase of BeerRun Software in 2015 and the reporting of only one quarter of revenue compared to a full year in 2016.

Client services revenues decreased \$9,836 or 354% to \$18,556 compared to \$28,392 in 2015. The decrease was attributable to decrease in auction related items for 2016.

Shipping calculator service revenues increased \$21,286 or 13% to \$184,976 compared to \$163,690 in 2015. The increase was attributed to the continued success of our newer products and an increase in per call related overage fees for some of our larger clients.

Brewery management software revenues were a new addition to our revenue sources in 2015 resulting in a 296% or \$239,377 increase of revenues in 2016. During the year ended 2015 only one quarter of revenue was reported due to the purchase date.



Table of Contents

## Gross Profit

Gross profit increased \$238,057 or 102% to \$471,473 compared to \$233,416 in 2015. Gross margin increased 4 percentage points to 95% from 86% in 2016. The increase was mainly due to the focus on our shipping calculator line of products which provide a higher gross profit and the acquisition of BeerRun Software which also has an elevated gross profit margin. Our continued efforts to reduce costs are also reflected in the gross profit margins.

## Operating Expenses

Total operating expenses in 2016 were \$926,183 compared to \$1,067,216 in 2015, a decrease of \$141,033 or 13%. The decrease is largely due to the continued efforts to streamline operations and recognize opportunities to reduce public company expenses.

## Net Loss

The Company incurred a net loss in 2016 of \$347,581 compared to a net loss of \$1,309,497 for the same period in 2015. The losses for 2016 and 2015 represent \$(0.33) and \$(1.82) per share, respectively.

## Inflation

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

## Operating Cash Flows

A summarized reconciliation of the Company's net loss to cash provided by (used in) operating activities for the years ended December 31, 2017 and 2016 is as follows:

	2017	2016
Net loss	\$(617,020)	\$(347,581)
Depreciation and amortization	859,210	102,905
Gain on sale of equipment	-	(2,179)
Write-off of other receivables	1,044	-
Provision for bad debt	14,824	-
Share-based compensation	118,572	41,814
Deferred income taxes	(77,078)	-
Unrealized loss (gain) on stock price guarantee	13,310	(46,179)
Changes in current assets and liabilities	113,845	45,430
Net cash provided by (used in) operating activities	\$426,707	\$(205,790)

## Working Capital and Liquidity

The Company had cash and cash equivalents of \$535,520 at December 31, 2017 compared to \$339,562 at December 31, 2016. The Company had negative working capital of \$1,314,844 at December 31, 2017 a decrease of \$54,132 compared to a negative working capital of \$1,368,626 at December 31, 2016. The decrease in negative working capital is attributed to the increase in cash on hand at year end as a result of the positive cash flow from operations.

The Company may need an infusion of additional capital to fund anticipated operating costs over the next 12 months. Management believes that the Company may have adequate cash resources to fund operations during the next 12 months. In addition, management continues to explore opportunities and has organized additional resources to monetize its patents. However, there can be no assurance that anticipated growth in new business will occur, and that the Company will be successful in monetizing its patents. Management continues to seek alternative sources of capital to support operations.

Item 7A. Quantitative and Qualitative Disclosure about Market Risk

As a smaller reporting company, the Company is not required to provide the information for this Item 7A.

Item 8. Financial Statements and Supplementary Data

The financial statements listed in Item 15(a) are incorporated herein by reference and are filed as a part of this report and follow the signature pages to this Annual Report on Form 10-K on page 31.



Table of Contents

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. 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 December 31, 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.

As described in our accompanying Management's Annual Report on Internal Control over Financial Reporting, we have identified six remaining material weaknesses in internal control over financial reporting. Because of these remaining material weaknesses, we concluded that, as of December 31, 2017, our internal control over financial reporting was not effective based on the criteria outlined in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Accordingly, we have also concluded that our disclosure controls and procedures were not effective as of December 31, 2017.

We continue to implement new procedures and controls in 2017 and expect to take further steps to remediate the material weaknesses at the entity and activity levels, and to review further our procedures and controls in 2018. In addition, we expect to make additional changes to our infrastructure, personnel and related processes that we believe are also reasonably likely to strengthen and materially affect our internal control over financial reporting.

Prior to the complete remediation of these material weaknesses, there remains risk that the processes and procedures on which we currently rely will fail to be sufficiently effective, which could result in material misstatement of our financial position or results of operations and require a restatement. Moreover, because of the inherent limitations in all control systems, no evaluation of controls-even where we conclude the controls are operating effectively-can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, our control systems, as we develop them, may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected and could be material to our financial statements.

The certifications of our principal executive officer and principal financial officer required in accordance with Rule 13a-14(a) under the Exchange Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached as exhibits to this



Annual Report on Form 10-K. The disclosures set forth in this Item 9A contain information concerning (i) the evaluation of our disclosure controls and procedures, and changes in internal control over financial reporting, referred to in paragraph 4 of the certifications, and (ii) material weaknesses in the design or operation of our internal control over financial reporting, referred to in paragraph 5 of the certifications. Those certifications should be read in conjunction with this Item 9A for a more complete understanding of the matters covered by the certifications.

#### Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting of the Company. Internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.



Table of Contents

Our internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Management, with the participation of our principal executive officer and principal financial officer, is required to evaluate the effectiveness of our internal controls over financial reporting as of December 31, 2017 based on criteria established under the COSO integrated framework of internal controls. The COSO framework identifies five components of internal control and provides a basis for evaluating the effectiveness of internal controls. Management has concluded that our internal controls over financial reporting were not effective as of December 31, 2017 due to the following:

1.

Entity Level Controls

-

Ineffective control environment, including lack of corporate governance

-

Ineffective communication of information

-

Ineffective monitoring of activities

2.

Activity Level Controls

-

Lack of procedures and control documentation

-

Lack of segregation of duties

-

Lack of information technology controls and documentation.

1. Inadequate Entity Level Controls

Ineffective Control Environment, Including Lack of Corporate Governance

The Control Environment is the tone of an organization and how the tone influences the control consciousness of its people. Control Environment factors include, the integrity, ethical values, and competence of the entity's people; management's philosophy and operating style; the way management assigns authority and responsibility; the way management organizes and develops its people; and the attention and direction provided by the audit committee and board of directors. The Control Environment includes the Company's Corporate Governance which is made up of a set of practices, policies, laws, and principals, designed to provide guidance and structure to directors, managers, and employees with a clear view of corporate goals and business objectives. These processes and procedures need to be clearly defined, presented and administered to each participant in the organization, and should document the distribution of rights and responsibilities among employees, management, clients and customers.



Table of Contents

Steps taken towards Remediation for an Ineffective Control Environment:

The Company has strengthened its hiring and employment practices by completing in-depth screenings of new personnel, and has initiated formal employee review procedures.

Management has direct oversight and responsibility for independent contractors and consultants. All independent contractors and consultants are required to follow strict corporate policies relating to confidential information, and non-disclosure of corporate and client data. Management sets project goals and objectives for each independent contractor and consultant and measures the performance of each on a regular basis.

Management and the Board formally meet to discuss our filings and the discussions are being documented for future reference. During these discussions, our auditors, and legal counsel may present to the Company various information which may be of material importance to our financial reporting and internal controls.

The Company has made improvements by designing and drafting a corporate governance policy which has been approved by the Board of Directors, which documents the role of the Board and management, functions of the Board, role of the Audit Committee, agenda items for Board meetings, recoupment of unearned compensation, indemnification, reporting of concerns and complaints, and director access to management.

The Board of Directors has been increased from 3 to 5 members to create awareness and assist with decisions presented to the Board.

The Board of Directors has appointed a Compensation Committee Chairman to oversee matters relating to employment, personnel and independent contractors.

Ineffective Communication of Information

Information and communication systems support the identification, capture, and, exchange of information in a form and time frame that enable people to carry out their responsibilities. This component includes information technology controls which are specific activities performed by persons of systems designed to ensure that the business objective can be met, protect the business from fraud and collusion, and keep the corporate assets protected and safe.

Steps taken towards Remediation of Ineffective Communication of Information:

Enhanced the documentation and procedures of our information technology to control assurance that changes to financial applications are properly authorized and tested and that access to our information systems and financial applications are appropriately restricted.

Updated our information systems user profiles to improve access controls.

Implemented improvements to our information systems to further address control deficiencies.

Updated secure backup procedures with best practice methodologies for protecting our financial data and, in case of a problem.

Enhanced the documentation of certain core proprietary technologies so that there is more redundancy and protection of corporate assets.

#### Ineffective Monitoring of Activities

Monitoring is a process that assesses the quality of internal control performance over time.





Table of Contents

Steps taken towards Remediation of Ineffective Monitoring of Activities:

The Company has reorganized the organizational reporting structure to enable greater oversight and control of operations which has increased the level of awareness and accountability.

The Company meets regularly throughout the year to review operating results, policies and procedures, and employee reviews and practices.

New management personnel are required to review their procedures and policies to make sure they are effective. The Company is evaluating the procedure and polices that have material weakness and developing corrective action plans to strengthen our internal controls.

The Company has made changes to its policies and procedures with regard to its financial reporting systems. Upgrades to software systems have been made which has resulted in the automation of accounting transactions and has enhanced our financial reporting and timeliness of operating results. Management and staff are more integrated into the review process.

Finance staff is required to review expenses for proper approval and accounting treatment. Managers and staff are required to have expenditures pre-approved by their supervisor. All significant expenditures require multiple approvals including Company officers.

The Company believes significant improvements have been made to remediate its material weakness in the internal controls over financial reporting at the entity level, but does not have the appropriate documentation to support its efforts. The Company also believes that further work is still required to develop appropriate controls in some aspects of entity level control to provide reasonable assurance that controls are designed in the most effective and efficient manner possible. While we believe these changes will be effective at mitigating risk of material error, there continues to be additional work required for us to conclude that all three of these control areas are operating effectively. As noted in the Management's Report on Internal Control over Financial Reporting, we consider each of these control areas within the entity level control to constitute a material weakness.

2. Inadequate Activity Level Controls

Lack of Procedures and Control Documentation

The Company is working toward documentation all processes and procedures relating to certain accounts, revenue recognition, accounts payable, and financial closing, which in effect make these internal controls ineffective. The lack of documentation in internal controls relating to these accounts may affect the financial statements and will directly affect the nature and timing of other auditing procedures for certain activities.

Steps taken towards Remediation of Revenue Recognition:

The Company upgraded its transactional processing systems which resulted in the automation of several manual accounting tasks. This automation eliminated the risk of human error for these manual tasks and created a more concise audit trail in the revenue recognition process.

All sales are reconciled across the Company's multiple revenue and accounting systems comparing for any discrepancies.

The Company continues to document new processes and procedures to assure employees are following proper protocols with regard to activity that has an effect on the financial transactions of the Company.

Steps taken towards Remediation of Expenditures and Accounts Payable:

Expenses are reviewed as incurred for proper accounting treatment and approval.

The Vendor Master File is reviewed for updates and changes and any changes are analyzed and monitored for their activity and frequency.

Management evaluates all new client relationships for savings opportunities and value.

The Chief Financial Officer is required to review and approve all cash disbursements.

Steps taken towards Remediation of Financial Closing:

The Company closes its books and reconciles all accounts monthly, and provides management with a quarterly comprehensive set of financial and operating reports and analysis of results.

The CEO and CFO receive monthly financial updates on each segment of the Company.



## Table of Contents

### Lack of Segregation of Duties

A clear and concise segregation of duties is important to maximize checks and balances so that no single individual has control over two or more phases of a transaction or operation. A strong segregation of duty also is critical to reduce effectively the risk of mistakes and inappropriate actions preventing fraud and discourages collusion. It can be difficult for small businesses to always have a clear separation of duties because there simply are not enough personnel to cover each and every process and procedure. Ultimately, checks and balances need to be in place as a supportive measure to the business operations, but also as a fraud prevention measure as well.

#### Steps taken towards Remediation for Lack of Segregation of Duties:

The Company has changed processes and procedures, and has made upgrades to its management system to better align duties and responsibilities so that there is a greater segregation of duties.

Transactional processing requires review and approval from an independent staff member or manager. Manual tasks are required to follow written or verbal procedures that have been approved by the Company.

The Company has added additional staff to the finance team in addition to including the CEO in the quarterly review process.

The roles of CEO and CFO have been divided between two personnel to assist with financial review and assists with areas of weakness.

### Lack of Information Technology Controls and Documentation

Information technology controls are specific activities performed by persons or systems designed to ensure that the business objectives can be met, protect the business from fraud and collusion, and keep the corporate assets protected and safe.

#### Steps taken towards Remediation of Information Technology Controls and Documentation:

Enhanced the documentation and procedures of our information technology to control assurance that changes to financial applications are properly authorized and tested and that access to our information systems and financial applications are appropriately restricted.

Updated our information systems user profiles to improve access controls.

Implemented improvements to our information systems to further address control deficiencies.

Updated secure backup procedures with best practice methodologies for protecting our financial data and, in case of a problem, continuously testing restoration from backups and;

Enhanced the documentation of certain core proprietary technologies so that there is more redundancy and protection of corporate assets.



Table of Contents

The Company has made significant improvements to the activity level controls specifically with regard to the deficiencies with the financial close. In addition, further work is required to develop appropriate controls in the other aspects of activity level control to provide reasonable assurance that controls are designed in the most effective and efficient manner possible. Therefore, while we believe these changes are effective at mitigating risk of material error, there continues to be additional work required for us to conclude that both of these control areas are operating effectively. Therefore, as noted in the Management's Report on Internal Control over Financial Reporting, we consider each of these control areas within the activity level control to constitute a material weakness.

A factor for our internal control deficiencies is the small size of the Company and the lack of a financial expert on the Audit Committee of the Board of Directors and other corporate governance controls. As defined by the Public Company Accounting Oversight Board Auditing Standard No. 5, a material weakness is a significant control deficiency or a combination of significant control deficiencies that results in there being more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management continues to monitor and assess the controls to ensure compliance.

As a smaller reporting company, our independent registered public accounting firm is not required to issue a report on the Company's internal control over financial reporting as of December 31, 2017.

Changes in Internal Control Over Financial Reporting

As discussed in the Managements' Annual Report on Internal Control over Financial Reporting, the Company made continuous improvements to the entity and activity controls and expects to take further steps in 2018 to remediate the outlined deficiencies. However, while we believe they are effective at mitigating risk of material error, we have not yet concluded that they are operating effectively. There was no change in our internal control over financial reporting during the fourth fiscal quarter of 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.





Table of Contents

## PART III

## Item 10. Directors, Executive Officers and Corporate Governance

## Directors and Executive Officers

The following table sets forth certain information regarding the directors and executive officers of PAID:

Name	Age	Position
Allan Pratt	60	CEO
W. Austin Lewis, IV	42	CFO
Andrew Pilaro	48	Director
Laurie Bradley	63	Director
David Ogden	54	Director

Andrew Pilaro was elected as of September 19, 2000, for a term expiring at the 2001 Annual Meeting of Stockholders and until their successors are elected and qualified. W. Austin Lewis was appointed on July 31, 2012. In December 2016, Terry Fokas resigned from the Board of Directors to be replaced by Allan Pratt. On December 30, 2016 the Company amended its Bylaws to expand the existing Board of Directors from three positions to five positions. Two additional members were added to the board, David Ogden and Laurie Bradley. Under Delaware law, unless otherwise provided in the certificate of incorporation or bylaws, directors are elected for one year terms at the annual meeting of shareholders. The Amended Bylaws would provide for the Board to be divided into three classes of directors serving staggered three-year terms. As a result, approximately one-third of the Board will be elected each year. Initially, five directors will serve between one to three year terms. The directors placed in a Class I position will serve for approximately one year. The directors placed in a Class II position will serve for approximately two years. The directors placed in a Class III position will serve approximately three years. After this transitional arrangement, the Directors will serve for three year terms, with one class being elected each year.

Andrew Pilaro has served as a Director of PAID since September 2000. Since 2005, he has served as Chairman of CAP Advisors Limited, an investment management company, with responsibility for asset management. Mr. Pilaro was asked to serve as a director because he provides investment management skills and general business background.

W. Austin Lewis, IV currently serves as CFO and Director of PAID as well as serving as a member of the Audit Committees and Compensation Committees for MAM Software, Inc. (MAMS), Medite (MDIT), and FlouroPharma Medical, Inc. (FPMI). Since 2004, Mr. Lewis has served as Chief Executive Officer of Lewis Asset Management Corporation, an investment management company he founded, where he is also the Portfolio and Chief Investment Officer of the Lewis Opportunity Fund. Prior to founding Lewis Asset Management, Mr. Lewis held a variety of positions with investment firms, including Puglisi & Co., Thompson Davis & Co., and Branch Cabell & Company. Mr. Lewis holds a Bachelor of Science in Finance and a Bachelor of Science in Financial Economics from James Madison University. Mr. Lewis was asked to serve as a director because he had a thorough knowledge, through his prior investment in the Company, of the Company's strengths and weaknesses and has a strong background in being able to make companies run efficiently and successfully.

Allan Pratt is named CEO and President and Director of the Company. Mr. Pratt formed emergeIT in 2008 and is its co-founder, CEO and President. emergeIT, also known as ShipTime, is a world leader in web delivered solutions in the transportation industry representing major channel partners such as Costco with over 35,000 members and growing. In 1985, Pratt began the creation of an operational and sales network in the US to provide a next day service to Canada from 50 US cities into a Canadian regional carrier's primary footprint. The business continued to grow and

evolve until the acquisition by FedEx in 1988. As a Global Sales Manager at FedEx and Vice President of Canada's largest freight forwarder and LTL provider, Mr. Pratt developed teams of vertical market specialists providing cycle time reduction and information technology solutions. In the automotive and telecommunications industry, Mr. Pratt was instrumental in developing and implementing new supply chain models which led to an overall decrease in North American distribution centers, improved order fulfillment, cycle times and overall cost reductions, while increasing customer satisfaction levels. Mr. Pratt has been selected for his strong management and leadership skills.

David Ogden is President of Soho Management Consulting since November 2013. He was also Senior Vice President of International Operations of Delhivery.com from October 2015 to October 2016. Further, he was Senior Vice President for Operations & Logistics to Global Access from March 2015 to August 2015, and owners of Soho Print, a digital print and promotions firm, from 2003 through 2013. Mr. Ogden also held positions with Helios-SinoGulf Property Development, Egypt Express, and FedEx Logistics. Mr. Ogden has been selected as Director for his expertise in shipping and delivery in commerce.



## Table of Contents

Laurie Bradley is the President of ASG Renaissance and is responsible for corporate strategy and business development including the delivery of human capital solutions and development of partnership relationship. In 2009 Ms. Bradley launched Blue Force Services a subsidiary of ASG focusing the Company's defense and security services, training programs, technical documentation services and program management to both commercial and defense clients. In 2007 Ms. Bradley launched the Mosaic Advantage, a network of minority, women, and veteran owned businesses providing them with access to larger business opportunities, coaching, mentoring and financial services. Ms. Bradley has worked in both the public and private sectors specializing in talent management, executive leadership and advisory services. Ms. Bradley holds a Bachelor of Arts degree from McMaster University and a certificate in Business Strategy from Cornell University.

The Company has not made any material changes to the procedures by which security holders may recommend nominees to the Board of Directors. The Board does not have a separate nominating committee or compensation committee.

### Audit Committee

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

### Audit Committee Report

The Audit Committee reviewed and discussed our audited consolidated financial statements for the year ended December 31, 2017 with our management. The Audit Committee also reviewed and discussed our audited consolidated financial statements and the matters required to be discussed, by the Public Company Accounting Oversight Board ("PCAOB"), including material weaknesses and other internal control deficiencies with KMJ Corbin & Company LLP, our independent registered public accounting firm. The Audit Committee received from KMJ Corbin & Company LLP the written disclosures and letter required by applicable requirements of the PCAOB regarding the independent accountant's communications with the audit committee concerning independence, and has discussed with the independent accountant the independent accountant's independence.

Based on the reviews and discussions referred to above, the Audit Committee recommended to our Board of Directors that our audited consolidated financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2017.

The Audit Committee  
Andrew Pilaro

### Code of Ethics

The Company has adopted a Code of Ethics that applies to all of its directors, officers, and employees, including its principal executive officer, principal financial officer, principal accounting officer, or controller, or persons

performing similar functions. A written copy of the Company's Code of Ethics will be provided to anyone, free of charge, upon request to: W. Austin Lewis, CFO, PAID, Inc., 200 Friberg Parkway, Westborough, Massachusetts 01581.

Any waiver of the code of business conduct and ethics for directors or executive officers, or any amendment to the code that applies to directors or executive officers, may only be made by the board of directors. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this code of ethics by posting such information on our website, at the address and location specified above. To date, no such waivers have been requested or granted.



Table of Contents

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than 10% of the Company's outstanding Common Stock to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of Common Stock. These persons are required by SEC regulation to furnish the Company with copies of all such reports they file. To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and representations that no other reports were required, all Section 16(a) filing requirements applicable to its officers and directors and beneficial owners of more than 10% of the Company's stock, have been complied with for the period which this Form 10-K relates.

Item 11. Executive Compensation

On May 10, 2017, the Board of Directors appointed Laurie Bradley as the Chairman of the Compensation Committee. Ms. Bradley along with the remaining Board of Directors will be responsible for carrying out the Boards responsibilities relating to executive compensation, employment agreements, executive succession and equity based compensation programs and practices of the Company.

Compensation to the Named Executive Officers

The following table sets forth the compensation of the Company's president, chief executive officer, the chief financial officer, and each officer whose total cash compensation exceeded \$100,000, for the last two fiscal years ended December 31, 2017 and 2016.

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Option Awards (\$)	Total
W. Austin Lewis, IV (1),(2) (CFO)	2017	\$180,000	\$0	\$0	\$180,000
	2016	\$180,000	\$50,962	\$6,640	\$237,602
Allan Pratt (CEO)	2017	\$185,000	\$0	\$0	\$185,000
	2016	\$0	\$0	\$0	\$0

1.  
Mr. Lewis's start date was July 31, 2012.

2.  
Mr. Lewis's salary was approved by the Board of Directors at \$180,000.

3.  
Mr. Pratt's start date was December 30, 2016

4.

Mr. Pratt's salary and employment agreement were approved by the Board of Directors on December 19, 2016.

-25-





Table of Contents

The following tables set forth certain information related to outstanding equity awards as of December 31, 2017 for our executive officers.

## Option Awards

Name	Number of Securities		Equity Incentive Plan Awards:		Option Exercise Price (\$)	Option Expiration Date
	Underlying Options (#)	Unexercised Exercisable	Number of Securities Underlying Unexercised Options (#)	Unexercised Unearned Options (#)		
W. Austin	10,000	-	-	-	\$0.975	08/08/2022
Lewis, IV	10,000	-	-	-	\$0.975	10/15/2022
CFO (PFO)	2,000	-	-	-	\$0.975	12/06/2022
(PEO)	2,000	-	-	-	\$0.975	05/21/2023
	4,000	-	-	-	\$0.975	11/18/2024
	2,000	-	-	-	\$0.975	04/01/2026

None of the Company's executive officers who serve as directors receive separate compensation from the Company for serving as directors.

On August 26, 2016 the Board of Directors approved to vote to reprice 53,500 stock options and fully vest any unvested options for two employees and three board members. The grant price was lowered to \$0.975 which reflects the market value of the stock.

The following table provides compensation information for the one-year period ended December 31, 2017 for the only non-employee members of our Board of Directors.

## Director Compensation in 2017

Name and	Fees earned or paid in cash	Option Awards (\$)	Total
Andrew Pilaro	\$-	\$47,430	\$47,430
Laurie Bradley	\$-	\$39,522	\$39,522
David Ogden	\$-	\$31,620	\$31,620

In 2017, the Company did not issue any compensation to employees through stock option grants.

## Employment Agreement

Mr. Allan Pratt was unanimously appointed the Company's President and Chief Executive Officer. Effective December 30, 2016, Mr. Pratt entered into a 3 year employment agreement. The Employee shall have such duties and

authority as are normally associated with the senior officer of a corporation and any other duties reasonably assigned to the Employee by the Board of Directors of the Company. Compensation was set at \$185,000 US with options for bonus and equity awards. In the event that the Mr. Pratt's employment is terminated by the Company during the initial term without cause or terminated by Mr. Pratt "for good reason", the Company is required to pay a lump sum severance payment equal to three times his compensation set forth as base salary and bonus until Employee's second anniversary, and thereafter during the Initial Term for a lump sum severance payment equal to three times his base salary only.



Table of Contents

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

To the knowledge of the management of the Company the following table sets forth the beneficial ownership of our common stock as of March 15, 2018 of each of our directors and executive officers, and all of our directors and executive officers as a group, and other beneficial owners holding more than five percent of the Company's issued and outstanding shares.

	Amount and Nature of Beneficial Ownership	Percent of Class (3)
W. Austin Lewis, IV	369,179	(1), (4) 23%
Allan Pratt	211,156	(4) 13%
John Smith	111,770	(4) 7%
Christopher Coghlin	163,390	10%
Andrew Pilaro	28,337	(2) 2%
All directors beneficial owners	883,832	54%

(1)

Included are options to purchase 30,000 shares of the Company's common stock, 34,425 warrants and 47,100 shares held for which W. Austin Lewis, IV is the General Partner.

(2)

Includes options to purchase 26,000 shares of the Company's common stock.

(3)

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

(4)

Included in this amount are shares authorized and reserved for future issuance from exchangeable shares.

To the knowledge of the management of the Company, based solely on our review of SEC filings, four shareholders are the beneficial owner of more than five percent of the Company's common stock.

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

## Item 13. Certain Relationships and Related Transactions, and Director Independence

The Company did not engage in any transaction in 2017 or 2016, and does not currently propose any transaction, in which the Company was is a participant and the amount involved exceeds \$120,000, and in which any related person had or will have a direct or indirect material interest.

## Review, Approval or Ratification of Transactions with Related Parties

It is our unwritten policy, which policy is not otherwise evidenced, for any related party transaction that involves more than a de minimis obligation, expense or payment or stock option or equity grants, to obtain approval by our entire

board of directors prior to our entering into any such transaction. In conformity with our various policies on related party transactions, any transactions discussed in this Item 13 has been reviewed and approved by our board of directors.

#### Director Independence

We are currently quoted on the OTC/PINK. Accordingly, we are not required to and do not have a majority of independent directors or a compensation or nominating committee. Andrew Pilaro is the sole member of the audit committee.

Our board of directors currently consists of five members. Our board of directors determined that the three directors, Andrew Pilaro, Laurie Bradley and David Ogden, are independent under the standards of the "Nasdaq Global Market" pursuant to Nasdaq Listing Rule 5605.



Table of Contents

## Item 14. Principal Accountant Fees and Services

KMJ Corbin & Company LLP (“KMJ”) is our independent registered public accounting firm for the years ended December 31, 2017, and 2016.

The following is a summary of the fees billed to the Company by KMJ for professional services rendered for the years ended December 31, 2017 and 2016. These fees are for work performed in the years indicated and, in some instances, we have estimated the fees for services rendered but not yet billed.

	2017	2016
Audit Fees:		
Consists of fees billed for professional services rendered for the audit of the Company’s annual financial statements and the review of the interim financial statements included in the Company’s Quarterly Reports (together, the “Financial Statements”) and for services normally provided in connection with statutory and regulatory filings or engagements	\$37,800	\$33,000
Audit Related Fees	-	-
All Other Fees:		
Merger -Related Fees		
Consists of fees billed for review of the financial statements and pro forma financial statements related to the documents required for the proxy statement and merger. Additional review for the SEC Comment letter, foreign reporting and purchase price allocation.	13,315	2,500
Tax Fees		
Consists of fees billed for tax compliance, tax advice and tax planning	4,600	4,525
Total All Fees	\$55,715	\$40,025

The Audit Committee approves all audit and audit-related fees. The Audit Committee is required to pre-approve all non-audit services to be performed by the auditor. The percentage of hours expended on the principal accountant's engagement to audit the Company's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees was 0%.





Table of Contents

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements

For a list of the financial information included herein, see “Index to Audited Financial Statements” on page 31 of this Annual Report on Form 10-K.

(a)(2) Financial Statements Schedules

All schedules are omitted because they are not applicable or the required information is included in the financial statements or notes thereto.

(a)(3) Exhibits

The list of exhibits filed as a part of this Annual Report on Form 10-K is set forth on the Exhibit Index immediately preceding the exhibits hereto and is incorporated herein by reference.

Item 16. Form 10-K Summary

None.



Table of Contents

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, CEO and President

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Andrew Pilaro	Director	March 30, 2018
/s/ Allan Pratt	Director	March 30, 2018
/s/ W. Austin Lewis, IV	Director	March 30, 2018
/s/ Laurie Bradley	Director	March 30, 2018
/s/ David Ogden	Director	March 30, 2018



Table of Contents

PAID, INC.  
INDEX TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

<u>Report of Independent Registered Public Accounting Firm</u>	F-2
<u>Consolidated Balance Sheets as of December 31, 2017 and 2016</u>	F-3
<u>Consolidated Statements of Operations and Comprehensive Income (Loss) for the Years ended December 31, 2017 and 2016</u>	F-4
<u>Consolidated Statements of Changes in Shareholders' Equity (Deficit) for the Years ended December 31, 2017 and 2016</u>	F-5
<u>Consolidated Statements of Cash Flows for the Years ended December 31, 2017 and 2016</u>	F-6
<u>Notes to Consolidated Financial Statements</u>	F-7

F-1



Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of PAID, Inc. and subsidiaries (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity (deficit) and cash flows for each of the two years in the period ended December 31, 2017, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a working capital deficit of \$1,313,844 and an accumulated deficit of \$55,845,766 as of December 31, 2017, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.



/s/ KMJ Corbin & Company LLP

We have served as the Company's auditor since 2013.

Costa Mesa, California

March 30, 2018

F-2



Table of Contents

PAID, INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF DECEMBER 31,

	2017	2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$535,520	\$339,562
Accounts receivable, net	38,287	39,314
Other receivables	-	1,026
Funds held in trust	203,170	169,082
Prepaid expenses and other current assets	44,088	57,383
Total current assets	821,065	606,367
Property and equipment, net	92,486	92,552
Intangible assets, net	5,502,322	5,956,771
Goodwill	10,695,120	9,989,685
Total assets	\$17,110,993	\$16,645,375
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$636,997	\$563,860
Notes payable	113,033	17,850
Related party notes payable	30,176	169,697
Capital leases - current portion	8,459	7,655
Accrued expenses	1,066,994	977,891
Deferred revenues	279,250	238,040
Total current liabilities	2,134,909	1,974,993
Long term liabilities:		
Capital leases - net of current portion	22,494	28,933
Deferred tax liability	1,269,660	1,260,369
Total liabilities	3,427,063	3,264,295
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$0.001 par value, 20,000,000 shares authorized 3,724,547 and 3,825,000 shares issued and outstanding at December 31, 2017 and 2016, respectively; liquidation value of \$11,301,999 and \$11,581,000 at December 31, 2017 and 2016, respectively	3,725	3,825
Common stock, \$0.001 par value, 25,000,000 shares authorized; 1,648,657 issued and 1,634,122 outstanding at December 31, 2017 and 1,648,960 shares issued and outstanding at December 31, 2016	1,649	1,649
Additional paid-in capital	68,574,974	68,782,432
Accumulated other comprehensive income	975,877	-

Edgar Filing: PAID INC - Form 10-K

Accumulated deficit	(55,845,766)	(55,406,826)
Common stock in treasury, at cost, 14,535 and 0 shares at December 31, 2017 and 2016, respectively	(26,529)	-
Total shareholders' equity	13,683,930	13,381,080
Total liabilities and shareholders' equity	\$17,110,993	\$16,645,375

See accompanying notes to consolidated financial statements

F-3



Table of Contents

PAID, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)  
FOR THE YEARS ENDED DECEMBER 31,

	2017	2016
Net revenue	\$7,571,997	\$523,747
Cost of revenue:		
Cost of revenues	5,395,262	24,357
Amortization of acquired technology	291,375	27,917
Gross profit	1,885,360	471,473
Operating expenses:	764,767	538,627
Salaries and related		
General and administrative	1,278,208	315,366
Amortization of other acquired intangible assets	533,137	72,190
Total operating expenses	2,576,112	926,183
Loss from operations	(690,752)	(454,710)
Other income (expense):		
Interest expense, net	(14,127)	(927)
Other income, net	24,960	62,333
Unrealized (loss) gain on stock price guarantee	(13,310)	46,179
Total other income (expense), net	(2,477)	107,585
Loss before income taxes	(693,229)	(347,125)
Income tax (benefit) provision	(76,209)	456
Net loss	(617,020)	(347,581)
Preferred share redemption discount	178,080	-
Preferred dividends	(25,141)	-
Net loss available to common shareholders	\$(464,081)	\$(347,581)
Net loss per share – basic and diluted	\$(0.28)	\$(0.33)
Weighted average number of common shares outstanding – basic and diluted	1,645,542	1,067,755
Consolidated statements of comprehensive income (loss)		
Net loss	\$(617,020)	\$(347,581)
Other comprehensive income (loss):		
Foreign currency translation adjustments	975,877	-
Comprehensive income (loss)	\$358,857	\$(347,581)

See accompanying notes to consolidated financial statements

F-4





Table of Contents

PAID, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)  
FOR THE FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Preferred Stock		Common Stock		Additional Paid-in	Treasury	Stock	Accumulated Other Comprehensive	Accumulated
	Shares	Amount	Shares	Amount	Capital	Shares	Amount	Income	Deficit
Balance, January 1, 2016	-	\$-	893,246	\$893	\$54,426,199	-	\$-	\$-	\$(55,059,245)
Issuance of common stock for the exercise of warrants	-	-	205,714	206	179,794	-	-	-	-
Issuance of common and preferred stock and warrants to purchase common stock related to emergeIT merger	3,825,000	3,825	550,000	550	14,134,625	-	-	-	-
Share-based compensation expense	-	-	-	-	41,814	-	-	-	-
Net loss	-	-	-	-	-	-	-	-	(347,581)
Balance, December 31, 2016	3,825,000	\$3,825	1,648,960	\$1,649	\$68,782,432	-	\$-	\$-	\$(55,406,826)
Cancelled common shares due to the reverse/forward split	-	-	(303)	-	-	-	-	-	-

Edgar Filing: PAID INC - Form 10-K

Repurchase of common and preferred shares	(100,453)	(100)	-	-	(326,030)	(14,535)	(26,529)	-	178,080
Foreign currency translation adjustment	-	-	-	-	-	-	-	975,877	-
Share-based compensation expense	-	-	-	-	118,572	-	-	-	-
Net loss	-	-	-	-	-	-	-	-	(617,020)
Balance, December 31, 2017	3,724,547	\$3,725	1,648,657	\$1,649	\$68,574,974	(14,535)	\$(26,529)	\$975,877	\$(55,845,766)

See accompanying notes to consolidated financial statements



Table of Contents

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

	2017	2016
Cash flows from operating activities:		
Net loss	\$(617,020)	\$(347,581)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	859,210	102,905
Gain on sale of property and equipment	-	(2,179)
Write-off of other receivables	1,044	-
Provision for bad debt	14,824	-
Deferred income taxes	(77,078)	-
Share-based compensation	118,572	41,814
Unrealized loss (gain) on stock price guarantee	13,310	(46,179)
Changes in assets and liabilities:		
Accounts receivable	(12,717)	896
Prepaid expenses and other current assets	(6,625)	50,753
Advanced royalties	-	5,000
Accounts payable	37,000	(33,785)
Accrued expenses	71,948	12,294
Deferred revenues	24,239	10,272
Net cash provided by (used in) operating activities	426,707	(205,790)
Cash flows from investing activities:		
Purchase of property and equipment	(28,710)	-
Cash received in merger with emergeIT	-	278,709
Proceeds from the sale of property and equipment	-	2,179
Net cash (used in) provided by investing activities	(28,710)	280,888
Cash flows from financing activities:		
Payments on capital leases	(6,130)	(3,097)
Payments on notes payable	(55,700)	(36,352)
Payments on amounts due to related parties	(146,350)	-
Repurchase of common and preferred shares	(26,529)	-
Proceeds from the exercise of common stock warrants	-	180,000
Net cash (used in) provided by financing activities	(234,709)	140,551
Effect of exchange rate changes on cash and cash equivalents	32,670	-
Net change in cash and cash equivalents	195,958	215,649
Cash and cash equivalents, beginning of year	339,562	123,913
Cash and cash equivalents, end of year	\$535,520	\$339,562

## SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the period for:

Income taxes	\$456	\$806
Interest	\$14,127	\$927

SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES

Debt financing of directors & officers insurance	\$-	\$30,000
Preferred and common stock and warrants to purchase stock related to emergeIT merger	\$-	\$14,139,000
Repurchase of common and preferred shares with notes payable	\$148,050	\$-

See accompanying notes to consolidated financial statements



Table of Contents

PAID, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016  
NOTE 1. ORGANIZATION

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 providence. 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 the United States 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 released and we feel that there 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.

NOTE 2. GOING CONCERN AND MANAGEMENT’S PLANS

The accompanying 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. For the year ended December 31, 2017, the Company reported a net loss of \$617,020. The Company has an accumulated deficit of \$55,845,766 and has a working capital deficit of \$1,313,844 at December 31, 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 2018 and will have a positive impact on the Company

for 2018 and future years.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation and Basis of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

F-7





## Table of Contents

### Principles of Consolidation

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

On November 9, 2016, the 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-K has been retroactively adjusted to reflect the reverse stock split.

### 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 December 31, 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).

### Geographic Concentrations

The Company conducts business in the US and Canada. For customers headquartered in their respective countries, the Company derived approximately 93% of its revenues from Canada and 7% from the US during the year ended December 31, 2017, compared to 100% of its revenues from the US during the year ended December 31, 2016.

At December 31, 2017, the Company maintained 96% of its net property and equipment in Canada and the remaining 4% in the US. At December 31, 2016, the Company maintained 93% of its net property and equipment in Canada and the remaining 7% in the US.

### Comprehensive Income

Comprehensive income includes all changes in equity (net assets) during a period from non-owner sources. For the years ended December 31, 2017 and 2016, the components of comprehensive income consist of solely foreign currency translation gains.

### Business Combinations

The Company accounts for business combinations by recognizing the assets acquired and liabilities assumed at their fair values on the acquisition date. The purchase price allocation process requires management to make estimates and assumptions at the acquisition date, especially with respect to intangible assets and pre-acquisition contingencies. Examples of critical estimates in valuing certain of the intangible assets the Company has acquired or may acquire in the future include but are not limited to: unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, and estimates compared to actual results.

### Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and

liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by the Company's management include, but are not limited to, the collectability of accounts receivable, the recoverability of long-lived assets and goodwill, the allocation of purchase price in a business combination transaction, the valuation of deferred tax assets and liabilities and the estimated fair value of the royalty and advance guarantees and share-based transactions. Actual results could materially differ from those estimates.



## Table of Contents

### Fair Value Measurements

The Company measures the fair value of certain of its financial assets on a recurring basis. A fair value hierarchy is used to rank the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as unadjusted quoted prices for similar assets and liabilities, unadjusted quoted prices in the markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

At December 31, 2017 and 2016, the Company's financial instruments include cash and cash equivalents, accounts receivable, other receivables, funds held in trust, accounts payable, notes payable, funds due to and from related parties, and accrued expenses. The carrying amount of cash and cash equivalents, accounts receivable, other receivables, accounts payable, capital leases, notes payable and accrued expenses approximates fair value due to the short-term maturities of these instruments.

### Cash and Cash Equivalents

The Company considers all highly liquid temporary cash investments with an initial maturity of three months or less to be cash equivalents. Management believes that the carrying amounts of cash equivalents approximate their fair value because of the short maturity period.

### Concentration of Credit Risk

The Company maintains cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to USD \$250,000 and the Canadian Depositors Insurance Corporation ("CDIC") up to CAD \$100,000. At December 31, 2017, the Company had amounts that exceeded the CDIC insurance limits but none that were in excess of the FDIC insurance limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to these deposits.

The Company extends credit based on an evaluation of the customer's financial condition, generally without requiring collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. The Company monitors its exposure for credit losses and maintains allowances for anticipated losses. Although the Company expects to collect amounts due, actual collections may differ from the estimated amounts. As of December 31, 2017 and 2016, the Company recorded a provision for doubtful accounts of \$55,434 and \$40,609, respectively.

For the year ended December 31, 2017 and 2016 no revenues from any one individual client accounted for more than 10% of the total revenues.

### Funds Held in Trust

Funds held in trust consist of rebates earned by ShipTime customers that have existing relationships with the Canadian Federation of Independent Business (“CFIB”). The rebate is held in escrow at CFIB for one year until earned by the customer, they then have three years after the last shipment to use the rebate after which time the rebate expires.

#### Advanced Royalties

Advanced royalties represented amounts the Company had advanced to certain clients and were recoupable against future royalties earned by the clients. Advances were issued in either cash or shares of the Company’s common stock and advanced amounts were calculated based on the clients’ projected earning potential over a fixed period of time. Advances made by issuing common stock or common stock options are recorded at their fair value on the date of issue. If the shares do not reach the required price per share, the Company has the option of issuing additional shares or making cash payment of the difference between the sales price and the fair value of the stock. The Company records a liability for the difference between the fair value of the stock and the guaranteed sales price amount. The change in fair value of the stock price guarantee is recorded in the accompanying consolidated statements of operations (see Note 10).



## Table of Contents

### Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of 3 to 8 years. Any leasehold improvements are depreciated at the lesser of the useful life of the asset or the lease term. Equipment purchased under capital leases is amortized on a straight-line basis over the estimated useful life of the asset or the term of the lease, whichever is shorter. Expenditures for repairs and maintenance are charged to expense as incurred.

### Intangible Assets

Intangible assets consist of patents, client lists, trade names, customer relationships, brewery and distillery management software and shipping label generation technology which are being amortized on a straight-line basis over their estimated useful life. Currently the intangible assets are being amortized between 2 and 17 years.

### 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 for long lived assets were incurred during the years ended December 31, 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.

### Revenue Recognition

The Company generates revenue principally from the sales related to the shipping coordination and label generation services, 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.

For label generation service revenues the Company recognizes revenue when a customer has successfully prepared a shipping label and scheduled a pickup. The service is offered to consumers via an online registration and allows users to create a shipping label using a credit card on their account. Customers that cancel shipments are refunded at the time of cancellation and revenue is adjusted in the month of the cancellation. ShipTime in partnership with the CFIB offers a rebate to customers that ship with ShipTime. The rebate is held on their account for future use. Rebate revenue is recognized when the rebate is used. All clients must have a valid credit card on file to process shipments on the ShipTime platform.

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. Brewery management software subscribers are billed on a calendar month at the first of the month. All payments are made via credit card for the month following.

### Cost of Revenues



Cost of revenues includes carrier services, web hosting, data storage, and commissions, carrier insurance costs and amortization of acquired technology.

#### Operating Expenses

Operating expenses include indirect expenses, including credit card processing fees, marketing, payroll, travel, facility costs, amortization of other intangibles and other general and administrative expenses.

F-10



## Table of Contents

### Advertising

Advertising costs are charged to expense as incurred. For the years ended December 31, 2017 and 2016, advertising expense totaled \$156,856 and \$7,854, respectively, and are included in general and administrative expenses in the accompanying consolidated statements of operations and comprehensive income (loss).

### Share-Based Compensation

The Company grants options to purchase the Company's common stock to employees, directors and consultants under stock option plans. The benefits provided under these plans are share-based payments that the Company accounts for using the fair value method.

The fair value of each option award is estimated on the date of grant using a Black-Scholes-Merton option pricing model ("Black-Scholes-Merton model") that uses assumptions regarding a number of complex and subjective variables. These variables include, but are not limited to, expected stock price volatility, actual and projected employee stock option exercise behaviors, risk-free interest rate and expected dividends. Expected volatilities are based on the historical volatility of the Company's common stock. The expected terms of options granted are based on analyses of historical employee termination rates and option exercises. The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of the grant. Since the Company does not expect to pay dividends on common stock in the foreseeable future, it estimated the dividend yield to be 0%.

Share-based compensation expense recognized during a period is based on the value of the portion of share-based payment awards that is ultimately expected to vest and is amortized under the straight-line attribution method. As share-based compensation expense recognized in the accompanying consolidated statements of operations and comprehensive income (loss) for the years ended December 31, 2017 and 2016 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. The fair value method requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company estimates forfeitures based on historical experience. Changes to the estimated forfeiture rate are accounted for as a cumulative effect of change in the period the change occurred.

Since the Company has a net operating loss carry-forward as of December 31, 2017 and 2016, no excess tax benefits for tax deductions related to share-based awards were recognized from stock options exercised in the years ended December 31, 2017 and 2016 that would have resulted in a reclassification from cash flows from operating activities to cash flows from financing activities.

### Income Taxes

The Company accounts for income taxes and the related accounts under the liability method. Deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the income tax bases of assets and liabilities. A valuation allowance is applied against any net deferred tax asset if, based on available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Therefore, the Company has recorded a full valuation allowance against the net deferred tax assets. The Company's income tax provision consists of state minimum taxes.

The Company recognizes any uncertain income tax positions on income tax returns at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained.

The total unrecognized tax benefit resulting in an increase in deferred tax assets and corresponding decrease in the valuation allowance at December 31, 2017 is approximately \$6,000,000. There are no unrecognized tax benefits included in the consolidated balance sheet that would, if recognized, affect the effective tax rate.

The Company's policy is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company had \$0 accrued for interest and penalties on each of the Company's consolidated balance sheets at December 31, 2017 and 2016.

The Company is subject to taxation in the U.S. and various state jurisdictions. The Company's tax years for 2013 and forward for federal and 2012 and forward for state purposes are subject to examination by the U.S., Massachusetts and New Jersey tax authorities due to the carry-forward of unutilized net operating losses. The Company does not foresee material changes to its gross uncertain income tax position liability within the next twelve months.



## Table of Contents

### 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 year ended December 31, 2017, there were no dilutive shares that were included in the diluted earnings (loss) per share as their effect would have been antidilutive for the year 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 consolidated statements of operations and comprehensive income (loss).

### 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 December 31, 2017, the Company operated in the following four reportable segments (see Note 13):

- a.  
Client services,
- b.  
Shipping calculator services
- c.  
Brewery management software and
- 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.

### Reclassification

Certain amounts were reclassified in the accompanying consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2016 in order to conform to the current period presentation.

### 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 has elected to adopt the Cumulative-Effect Adjustment method and has determined there is no impact on its consolidated financial statements.





## Table of Contents

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 4. ACQUISITION – emergeIT

In September 2016, the Company announced that it entered into an Amalgamation Agreement (the “Amalgamation Agreement”) with emergeIT Inc., an Ontario corporation, which does business as “ShipTime” (“emergeIT” or “ShipTime”) to acquire emergeIT and merge it with a newly formed PAID subsidiary. The closing for the Amalgamation Agreement occurred on December 19, 2016, and the amalgamation was effective on December 30, 2016.

The transaction has been accounted for as a business combination and the financial results of ShipTime have been included in the Company’s consolidated financial statements for the period subsequent to its acquisition. At estimated acquisition date of the fair value of consideration transferred, assets acquired and liabilities assumed for ShipTime are presented below and represent the Company’s best estimates.

#### Fair Value of Consideration Transferred

Pursuant to the Amalgamation Agreement the Company formed a new subsidiary under Canadian law (“Callco”). The new subsidiary formed its own Canadian subsidiary (“Exchangeco”), and Callco is the sole shareholder of Exchangeco. Both Callco and Exchangeco are incorporated in Ontario under the province’s Business Corporations Act. Effective December 30, 2016 (the “Effective Date”), Exchangeco merged (amalgamated) with emergeIT so that as of the effective date, the Company owns, indirectly through Callco, all of the issued and outstanding shares of common stock of emergeIT. At that time, the amalgamated entity was renamed “ShipTime Canada Inc.” and is the operating company with respect to the emergeIT assets.

emergeIT was privately held by 13 holders (“emergeIT Sellers”). The emergeIT Sellers owned “Class A” and “Class B” common shares, which converted into “exchangeable shares” of ShipTime Canada Inc. in the merger. Exchangeable shares are rights to the Company’s common stock and preferred stock. These rights can be exercised by the conversion of the exchangeable shares into shares of common and preferred stock of the Company, in accordance with an Exchange and Call Rights Agreement, described below.

emergeIT Class A common shares and Class B common shares were converted into exchangeable shares with rights to receive 447 shares of the Company’s common stock and 3,109 shares of preferred stock, provided that upon the reverse/forward split described below, the right shall be to receive 45 shares of the Company’s common stock and 311 shares of the Company’s Preferred Stock. As of the effective date, outstanding emergeIT options and warrants were replaced by exchangeable shares in the same manner as emergeIT’s Class A and Class B common shares. The Company currently reserves for 550,000 shares of its common stock with regard to the exchangeable shares. Warrants have been issued to an entity controlled by the Company’s CFO for exchangeable shares and are valued at \$523,000 on

the date of the acquisition.

Pursuant to the Amalgamation Agreement, 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 had an aggregate liquidation value of approximately \$11,581,000. The Series A Preferred Stock also carries a coupon payment obligation of 1.5% per year in cash or common stock 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.

F-13



Table of Contents

The total acquisition date fair value of the consideration transferred is estimated at approximately as follows:

Preferred stock issuance to emergeIT Sellers	\$11,581,000
Common stock issuance to the emergeIT Sellers	2,035,000
Warrant issuance to an emergeIT warrant holder	523,000
Total acquisition date fair value	\$14,139,000

## Allocation of Consideration Transferred

The identifiable assets acquired and liabilities assumed were recognized and measured as of the acquisition date based on their estimated fair values as of December 30, 2016, the acquisition date. The excess of the acquisition date fair value of consideration transferred over the estimated fair value of the net tangible assets and intangible assets acquired was recorded as goodwill.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date.

Cash and cash equivalents	\$278,709
Accounts receivable	13,514
Due from related party	1,026
Prepaid expenses and other assets	20,742
Funds held in trust	169,082
Property and equipment	86,517
Intangible assets	5,780,000
Total assets acquired	6,349,590
Accounts payable and accrued liabilities	538,792
Other liabilities	401,114
Deferred tax liabilities	1,260,369
Total liabilities assumed	2,220,275
Goodwill	9,989,685
Net assets acquired	\$14,139,000

## Results of Operations

Since the effective date of the acquisition and merger, revenues and expenses of ShipTime have been included in the Company's consolidated statement of operations for the period ended December 31, 2017 and were insignificant.

## Pro Forma Financial Information

The following table presents the Company's unaudited pro forma results (including ShipTime) for the year ended December 31, 2016 as though the companies had been combined as of the beginning of the period 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 Year Ended December 31, 2016

Total Revenues	\$6,091,401
Net loss	(1,011,764)

F-14



Table of Contents

Management engaged a third-party valuation firm to assist in the determination of the fair value of the acquired intangible assets of ShipTime. In determining the fair value of the intangible assets, the Company considered, among other factors, the best use of acquired assets, analyses of historical financial performance of ShipTime and estimates of future performance of ShipTime. The fair values of the identified intangible assets related to ShipTime's customer relationships, trade name, and technology. The fair value of customer relationships was calculated using the income approach. The fair value of the trade name and technology were calculated using the cost approach. The following table sets forth the components of identified intangible assets associated with the ShipTime acquisition and their estimated useful lives.

	Fair Value	Useful Life
Customer relationships	\$4,474,000	15 Years
Trade Name	797,000	5 years
Technology	509,000	2 years
	\$5,780,000	

The Company determined the useful lives of intangible assets based on the expected future cash flows and contractual lives associated with the respective asset. Trade names represent the fair value of the brand and name recognition associated with the marketing of ShipTime's formulations and services. Customer relationships represent the expected benefit from customer contracts that, at the date of acquisition, were reasonably anticipated to continue given the history and operating practices of ShipTime.

In preparing its report, the third-party valuation firm used various financial and other information provided to the valuation firm by the Company's and emergeIT's management or obtained from other private and public sources including financial projections prepared by emergeIT management, and relied on the accuracy and completeness of this information. There is no assurance that the valuation firm, or any other financial adviser that the Company might choose, will utilize the same process of methodologies in connection with future valuations of emergeIT, or that such advisor(s) will reach conclusions that are consistent with those presented.

## NOTE 5. PROPERTY AND EQUIPMENT

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

	2017	2016
Computer equipment and software	\$135,271	\$134,657
Office furniture and equipment	69,521	66,263
Website development costs	377,052	345,197
	581,844	546,157
Accumulated depreciation	(489,358)	(453,565)
	\$92,486	\$92,552

Depreciation expense of property and equipment for the years ended December 31, 2017 and 2016 amounted to \$34,698 and \$2,798.

## NOTE 6. 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.





Table of Contents

At December 31, intangible assets consisted of the following:

	2017	2016
Patents	\$16,000	\$16,000
Software	83,750	83,750
Trade Name	850,311	797,000
Technology	540,201	509,000
Client list / relationship	4,998,130	4,687,750
Accumulated amortization	(986,070)	(136,729)
	\$5,502,322	\$5,956,771

Amortization expense of intangible assets for the years ended December 31, 2017 and 2016 was \$824,512 and \$100,107, respectively.

Amortization of intangible assets for future years ending December 31, are as follows:

Year Ended December 31,

2018	837,698
2019	489,985
2020	489,985
2021	489,985
2022	319,329
Total 5 year amortization	\$2,262,982

### 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 e-commerce 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. As of December 31, 2017 no impairment has been recognized on the value of goodwill.

For the year ended December 31, 2017, goodwill activity was as follows;

For the year ended December 31, 2017

Beginning Balance	\$9,989,685
-------------------	-------------

Effect of exchange rate changes	705,435
Ending Balance	\$10,695,120

NOTE 7. ACCRUED EXPENSES

At December 31, accrued expenses consist of the following:

	2017	2016
Payroll and related costs	\$3,448	\$3,136
Royalties	51,838	51,838
Stock price guarantee (see Note 10)	880,713	867,403
Other	130,995	55,514
Total	\$1,066,994	\$977,891



Table of Contents

## NOTE 8. OTHER LIABILITIES

## Notes Payable

In October 2016, the Company entered into a \$30,000 note payable with a financial institution. The term of the note was for a period of one year and was 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 2017, the Company entered into two notes payable with a shareholder to repurchase common and preferred shares. The first note is for a period of one year for CAD \$120,000 with payment terms of twelve equal installments of CAD \$10,328 at an interest rate of 6%. The second note is an interest free seven month note for CAD \$70,992 with payment terms of one payment of CAD \$10,000 followed by six equal installments of CAD \$10,165. The balance of the notes on December 31, 2017 is USD \$113,033, both notes are expected to be paid in full in July 2018.

## Capital Lease Obligations

The Company is obligated under capital leases for equipment, which expire at various dates through 2020 and 2021. The assets capitalized under these leases and associated accumulated depreciation at December 31, are as follows:

	2017	2016
Property and equipment	\$49,440	\$129,025
Accumulated depreciation	(10,986)	(83,000)
	\$38,454	\$46,025

Depreciation of equipment under capital leases is included in depreciation expense.

Minimum future lease payments under capital lease obligations as of December 31, 2017 are as follows:

Year Ended December 31,

2018	\$11,110
2019	11,110
2020	11,110
2021	2,974
Total future minimum lease payments	36,304
Less amount representing interest	(5,351)
Present value of net minimum lease payment	30,953
Less current portion	(8,459)
	\$22,494

## NOTE 9. RELATED PARTY NOTES PAYABLE

Prior to the acquisition of ShipTime, two notes were issued. One note issued was issued at an 8% interest rate and was paid in full in September 2017. A second note was issued in 2014 and renegotiated in June 2017 with a 6% interest rate and is due to mature in March 2018. For the years ended December 31, 2017 and 2016 the balance on the notes due to related parties was \$30,176 and \$169,697. Interest expense related to the notes payable totaled \$10,731 for the year ended December 31, 2017.

NOTE 10. COMMITMENTS AND CONTINGENCIES

Operating Leases

In November 2016, the Company renewed its office lease located at 200 Friberg Parkway, Westborough, MA. The terms of the lease are for 18 months at a rate of \$500 per month. In July 2016, ShipTime entered into in an office lease located at 700 Dorval Street, Oakville Ontario at a rate of CAD \$2,254 per month. The terms of this lease are 3 years. The approximate future minimum rents under the current operating leases are:

2018	\$24,884
2019	\$11,607
	\$36,491



## Table of Contents

### 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. 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 December 31, 2017 and 2016, the stock price guarantee was \$880,713 and \$867,403, respectively, and included in accrued expenses in the consolidated balance sheets, although any required payment would be disputed by the Company.

### Legal Matters

In the normal course of business, the Company periodically becomes involved in litigation. As of December 31, 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.

The Company commenced on December 20, 2013 patent infringement litigation against eBay, Inc. (Paid, Inc. v. eBay, Inc.; CV No. 4:13-cv-40151-TSH) in the United States District Court for the District of Massachusetts Central Division. This litigation was settled pursuant to a Confidential Settlement and License Agreement dated March 11, 2016. Under the agreement, the Company received \$53,500 after costs as full and final payment for such settlement of the lawsuit and non-exclusive licensing of the Company's patents. The payment was received in full in April 2016 and recorded in other income in the consolidated statements of operations.

### 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 agreement. 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 11. SHAREHOLDERS' EQUITY (DEFICIT)

### 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 were reserved for the amalgamation agreement. The Board of Directors will be authorized to fix the designations, rights, preferences, powers and limitations of each series of the preferred stock. See Note 4 for information regarding the preferred stock.

### 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.

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-K has been retroactively adjusted to reflect the reverse stock split. As a result of the round up during the reverse split followed by the forward split the Company reduced its shares outstanding by 303 shares.

During the year ended December 31, 2016, the Company issued a total of 205,714 shares of common stock for gross proceeds of \$180,000 from the exercise of warrants.

In December 2016, the Company issued 550,000 shares of common stock in connection with the Amalgamation Agreement (see Note 4).



Table of Contents

## Share Repurchase

During 2017, the Company entered into three agreements to repurchase exchangeable shares of ShipTime Canada common stock. Each ShipTime exchangeable share exchanges into 311 preferred shares and 45 common shares. The total shares exchanged in these transactions were 14,535 common share and 100,453 preferred shares. The allocated discount on the repurchase of the preferred stock was \$1.77 per share of preferred stock and has been 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 an allocated cost of \$1.83 per share.

## Share-based Incentive Plans

During the years ended December 31, 2017 and 2016, 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. In 2017 there were 37,500 stock options granted to board members. 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 during 2017, the Company recorded a share-based compensation expense of \$118,572.

## Active Plans:

## 2012 Plan

On October 15, 2012, the Company adopted the 2012 Non-Qualified Stock Option Plan (the "2012 Plan"). The purpose of the 2012 Plan, is to provide long-term incentives and rewards to those employees of the Company, and any other individuals, whether directors, consultants or advisors who are in a position to contribute to the long-term success and growth of the Company. The options granted have a 10 year contractual term and vest one hundred percent on the date of grant. There are no shares reserved for future issuance under this plan. Information with respect to stock options granted under this plan during the year ended December 31, 2017:

	Number of shares	Weighted average exercise price per share
Options outstanding at January 1, 2017	36,000	\$0.98
Granted	-	-
Cancelled	-	-
Exercised	-	-
Options outstanding at December 31, 2017	36,000	\$0.98

## 2011 Plan

On February 1, 2011, the Company adopted the 2011 Non-Qualified Stock Option Plan (the "2011 Plan"). Under the 2011 Plan, employees and consultants may elect to receive their gross compensation in the form of options, exercisable at \$0.98 per share, to acquire the number of shares of the Company's common stock equal to their gross compensation divided by the fair value of the stock on the date of grant. The options granted have a 10 year contractual term and have vesting periods that range from one hundred percent on the date of grant to one third immediately, one third vesting in 18 months and the final on third vesting in 36 months from the date of the grant. Information with respect to stock options granted under this plan during the years ended December 31, 2017 is as follows:

Edgar Filing: PAID INC - Form 10-K

	Number of shares	Weighted average exercise price per share
Options outstanding at January 1, 2017	5,500	\$0.98
Granted	37,500	3.30
Cancelled	-	-
Exercised	-	-
Options outstanding at December 31, 2017	43,000	\$3.00

At December 31, 2017 there are no shares reserved for issuance under this plan.

F-19



Table of Contents

## 2002 Plan

The 2002 Stock Option Plan (“2002 Plan”) provides for the award of qualified and non-qualified options for up to 60,000 shares. The options granted have a ten-year contractual term and have a vesting schedule of either immediately, two years, or four years from the date of grant. Information with respect to stock options granted under this plan during the year ended December 31, 2017 is as follows:

	Number of shares	Weighted average exercise price per share
Options outstanding at January 1, 2017	16,000	\$23.33
Granted	-	-
Cancelled	-	-
Exercised	-	-
Options outstanding at December 31, 2017	16,000	\$23.33

There are currently no shares reserved for issuance under this plan.

## Fair value of issuances

The fair value of the Company's option grants under the 2012, 2011, and 2002 Plans was estimated at the date of grant using the Black-Scholes model with the following weighted average assumptions:

	2017
Expected term (based upon historical experience)	5 years
Expected volatility	296%
Expected dividends	None
Risk free interest rate	1.0%

For the years ended December 31, 2017 and 2016, the Company recorded share-based compensation expense related to stock options of \$118,572 and \$41,814 and are included in general and administrative expenses in the accompanying consolidated statements of operations and comprehensive income (loss), respectively.

On August 26, 2016, the Board of Directors approved to vote to reprice and immediately vest 52,500 stock options for two employees and three board members. The grant price was lowered to \$0.975 which reflects the market value of the stock. The incremental expense for the repricing of the options was approximately \$17,000.

The Company has no unrecognized share-based compensation expense for options outstanding as of December 31, 2017.

Information pertaining to options outstanding and exercisable at December 31, 2017 is as follows:

Options Outstanding

Options Exercisable

Exercise Prices	Number of shares	Weighted Average Remaining contractual Life (In Years)	Number of shares	Weighted Average Remaining contractual Life (In Years)
0.98	52,500	5.93	52,500	5.93
72.50	5,000	3.86	5,000	3.86
3.30	37,500	9.75	37,500	9.75
	95,000	7.33	95,000	7.33

F-20





Table of Contents

Summary of all stock option plans during the year ended December 31, 2017 is as follows:

	Number of Shares	Weighted Average Price	Weighted Average Remaining Contractual Life (In Years)	Aggregate Intrinsic Value
Options exercisable at January 1, 2017	57,500	\$7.20		
Granted	37,500	\$3.30		
Expired	-	-		
Options outstanding and exercisable at December 31, 2017	95,000	\$5.66	7.33	\$ 137,363

## Warrants

From time to time, the Company issues warrants to purchase share of the Company's common stock to investors, note holders and to non-employees for service rendered or to be rendered in the future.

A summary of the warrant activity during the year ended December 31, 2017 is as follows:

	Number of Shares Subject to Warrants Outstanding	Weighted Average Exercise Price
Warrants outstanding - January 1, 2017	34,425	\$0.87
Granted	-	\$-
Exercised	-	\$-
Warrants outstanding and exercisable - December 31, 2017	34,425	\$0.87
Weighted average remaining contractual life of the outstanding warrants in years	4.0 years	

## NOTE 12. INCOME TAXES

The Company is subject to taxation in the United States, Canada, and Massachusetts. The provision for income taxes for the years ended December 31, 2017 and 2016 are summarized below:

	December 31,	December 31,
	2017	2016

Current:

Edgar Filing: PAID INC - Form 10-K

Federal	\$-	\$-
State	456	456
Foreign	-	-
Total current	456	456
Deferred:		
Federal	-	-
State	-	-
Foreign	(76,665)	-
	(76,665)	-
Total deferred	-	-
Income tax provision (benefit)	\$(76,209)	\$456

F-21



Table of Contents

A reconciliation of income taxes computed by applying the statutory U.S. income tax rate to the Company's loss before income taxes to the income provision is as follows:

	December 31,	December 31,
	2017	2016
U.S. federal statutory tax rate	34.00%	34.00%
State tax benefit, net	2.61%	5.17%
Other	(6.02)%	41.65%
Tax law change	(904.97)%	-%
Valuation allowance	885.38%	(80.95)%
Effective income tax rate	11.00%	(0.13)%

Deferred tax assets and liabilities reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets are as follows:

	December 31,	December 31,
	2017	2016
Deferred taxes:		
NOL's	\$10,526,744	\$16,478,100
Inventory and other reserves	31,892	40,000
Depreciation and amortization	(1,341,573)	(1,438,600)
Change in value of stock	240,611	340,700
NQ stock option expense	523,026	705,400
Other	58,896	55,000
Total deferred tax assets	10,039,596	16,180,600
Valuation allowance	(11,309,256)	(17,441,000)
Net deferred tax liabilities	\$(1,269,660)	\$(1,260,400)

Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance. The valuation allowance is approximately \$6,000,000 in 2017.

As of December 31, 2017, the Company had net operating loss carryforwards for federal income tax purposes of approximately \$46,000,000 which expire beginning in the year 2019. As of December 31, 2017, the Company had net operating loss carryforwards for state income tax purposes of approximately \$12,000,000 which expire beginning in the year 2030.

As of December 31, 2017, the Company also had Canada net operating loss carryforwards of \$229,000 which expire beginning in the year 2034.

Utilization of the net operating losses may be subject to substantial annual limitation due to federal and state ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such annual limitations could result in the expiration of the net operating losses and credits before their utilization. The Company has not performed an analysis to determine the limitation of the net operating loss carryforwards.

For income tax purposes, emergeIT has non-capital losses which can be applied to reduce future years' taxable income totaling approximately \$229,000. These losses expire between 2030 and 2037. The Company also has a Scientific Research and Experimental Development Expenditure pool balance of approximately \$59,000 which may be used to reduce future year's taxable income. The expenditure pool can be carried forward indefinitely.

A valuation allowance of 100% has been established in respect of the net deferred income tax assets due to the uncertainty of the Company's utilization of such deferred tax assets for US Federal and State.

At December 31, 2017, both Paid, Inc. and ShipTime have no unrecognized tax benefits as a result of tax positions taken in the current or prior years, and accordingly there are neither unrecognized tax that will change benefits or would affect the effective tax rate, nor there are any situations where it is reasonably possible that the unrecognized tax benefit significantly within twelve months of the reporting date. As of December 31, 2017, the Company has no unrecognized tax exposure.



Table of Contents

The Company's policy is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company had \$0 accrued for interest and penalties on each of the Company's consolidated balance sheets at December 31, 2017 and 2016.

The income tax provision at December 31, 2017 reflects a full accounting of tax filings under ASC Subtopic 740-10. Paid, Inc. is subject to U.S. federal and Massachusetts state tax. With limited exceptions, we are no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2012. Generally, the tax years remain open for examination by the federal authority under three-year statute of limitation; however, states generally keep their statute open for four years. In addition, the Company's tax years from inception are subject to examination by the United States and Massachusetts authorities due to the carry forward of unutilized net operating losses. ShipTime is subject to taxation in Canada and Ontario. As of December 31, 2017, the Company's tax years for 2012 through 2017 are subject to examination by tax authorities. The Company recognizes interest and penalties, as estimated or incurred, as general and administrative expense.

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act ("the Act"). The Act amends the Internal Revenue Code to reduce tax rates and modify policies, credits, and deductions for individuals and businesses. For businesses, the Act reduces the corporate tax rate from a maximum of 35% to a flat 21% rate. The rate reduction is effective January 1, 2018. As a result of the rate reduction, the Company has reduced the deferred tax asset balance as of December 31, 2017 by \$6,300,000. Due to the Company's full valuation allowance position, the Company has also reduced valuation allowance by the same amount.

Due to uncertainties which currently exist in the interpretation of the provisions of the Tax Cuts and Jobs Act of 2017 regarding Internal Revenue Code section 162(m), the Company has not evaluated the potential impacts of IRC Section 162(m) as amended by the Tax Cuts and Jobs Acts of 2017 on its consolidated financial statements.

On December 22, 2017 Staff Accountant Bulletin No. 118 ("SAB 118") was issued to address the application of US GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Act. In accordance with SAB 118, the Company has determined that there is no deferred tax benefit of expense with respect to the remeasurement of certain deferred tax assets and liabilities due to the full valuation allowance against the net deferred tax assets. Additional analysis of the law and the impact to the Company will be performed and any impact will be recorded in the respective quarter in 2018.

**NOTE 13. SEGMENT REPORTING**

The Company reports information about segments of its business in its annual financial statements and reports selected segment information in its quarterly reports. 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 three reportable segments, client services, brewery management software and shipping calculator services, are managed separately based on fundamental differences in their operations.

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 revenues for the years indicated.

Edgar Filing: PAID INC - Form 10-K

Year Ended

	December 31, 2017	December 31, 2016
Client services	\$22,702	\$18,556
Brewery management software	309,049	320,215
Shipping calculator services	205,748	184,976
Shipping coordination and label generation services	7,034,498	-
Total revenues, net	\$7,571,997	\$523,747

F-23





The following table compares total income (loss) from operations for the years indicated.

	Year Ended	
	December 31, 2017	December 31, 2016
Client services	\$17,380	\$13,761
Brewery management software	36,040	40,176
Shipping calculator services	(389,640)	(508,647)
Shipping coordination and label generation services	(354,532)	-
Total loss from operations	\$(690,752)	\$(454,710)

#### NOTE 14. SUBSEQUENT EVENTS

On March 23, 2018 the Board of Directors approved the 2018 Non-Qualified Stock Option Plan which reserves for issuance 450,000 shares of the Corporation's Common Stock. The Board also approved the issuance of 172,300 option grants to employees with vesting periods from immediately to two years.

In January 2018, the Company entered into a note payable with a shareholder to repurchase 4,905 common shares which are held in treasury and 33,899 preferred shares. The interest free note is for a period of 8 months for CAD \$66,708 with payment terms of one installment of CAD \$10,000 followed by seven equal installments of CAD \$8,101.



Table of Contents

## EXHIBIT INDEX

No.	Description of Exhibits
<u>3.1</u>	Certificate of Incorporation, as amended (incorporated by reference to Exhibit 3.1 to Form 8-K, filed on November 25, 2003)
<u>3.2</u>	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to Form 8-K, filed on December 8, 2004)
<u>3.3</u>	Certificates of Amendment of Certificate of Incorporation of the Company effective December 30, 2016 (incorporated by reference to Exhibit 3.1 to Form 8-K filed on December 23, 2016)
<u>3.4</u>	Amendment No. 1 to Bylaws effective December 30, 2016 (incorporated by reference to Exhibit 3.2 to Form 8-K filed on December 23, 2016)
<u>4.1</u>	Specimen of certificate for Common Stock (incorporated by reference to Exhibit 4.1 to Form SB-2/A filed on December 1, 2000)
<u>4.2</u>	Agreement dated November 21, 2008, by and between the Company and Lewis Asset Management Equity Fund, LLP with respect to the purchase of 2,500,000 shares at \$.20 per share (incorporated by reference to Exhibit 4.2 to Form 10-KSB filed on March 31, 2009)
<u>4.3</u>	Form of Warrant to Lewis Asset Management with respect to Promissory Note dated April 29, 2009 (incorporated by reference to Exhibit 4.2 to Form 10-Q filed on May 12, 2009)
<u>10.1+</u>	2001 Non-Qualified Stock Option Plan, as amended (incorporated by reference from Exhibit 99.1 to Form S-8 filed on September 5, 2003)
<u>10.2+</u>	2002 Non-Qualified Stock Option Plan (incorporated by reference from Exhibit 10.17 to Form 10-KSB filed on March 31, 2003)
<u>10.3+</u>	2011 Non-Qualified Stock Option Plan (incorporated by reference from Exhibit 99.1 to Form S-8 filed on February 2, 2011)
<u>10.4</u>	Promissory Note dated April 29, 2009 for up to \$2,500,000 to Lewis Asset Management (incorporated by reference to Exhibit 10.2 to Form 10-Q filed on May 12, 2009)
<u>10.5</u>	Lease agreement, dated December 7, 2011 between Forty Washington, LLC and the Company (incorporated by reference to Exhibit 10.1 to Form 8-K/A filed on December 13, 2011)
<u>10.6+</u>	PAID, Inc. 2012 Non-Qualified Stock Option Plan (incorporated by reference to Exhibit 10.1 to Form 10-Q filed on October 18, 2012)
<u>10.7+</u>	Agreement for Non-Qualified Stock Option under the PAID, Inc. 2012 Non-Qualified Stock Option Plan awarded to W. Austin Lewis, IV, dated October 15, 2012 (incorporated by reference to Exhibit 10.2 to Form 10-Q filed on October 18, 2012)
<u>10.8+</u>	Agreement for Non-Qualified Stock Option under the PAID, Inc. 2011 Non-Qualified Stock Option Plan awarded to W. Austin Lewis, IV, dated August 8, 2012 (incorporated by reference to Exhibit 10.3 to Form 10-Q filed on October 18, 2012)
<u>10.9</u>	Agreement dated January 31, 2013 between Paid, Inc., and MCN Interactive, LLC d/b/a Music City Networks (incorporated by reference to Exhibit 10.1 to Form 8-K filed on February 5, 2013)
<u>10.10</u>	Second amendment to lease agreement dated November 12, 2013 between Forty Washington LLC and PAID, Inc. (incorporated by reference to Exhibit 10.1 to Form 10-Q filed on November 14, 2013)
<u>10.11</u>	Amalgamation Agreement dated September 1, 2016 by and among PAID, Inc., emergeIT, Inc., 2534845 Ontario Inc. and 2534841 Ontario Inc. (incorporated by reference to Exhibit 10.1 to Form 8-K filed on December 23, 2016)
<u>10.12</u>	Exchange and Call Rights Agreement (incorporated by reference to Exhibit 10.2 to Form 8-K filed on December 23, 2016)
<u>10.14</u>	Support Agreement (incorporated by reference to Exhibit 10.4 to Form 8-K filed on December 23, 2016)

Edgar Filing: PAID INC - Form 10-K

<u>10.15+</u>	Employment Agreement for Allan Pratt (incorporated by reference to Exhibit 10.6 to Form 8-K filed on December 23, 2016)
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
32.0*	CEO and CFO Certification required under Section 906 of Sarbanes-Oxley Act of 2002
EX-101.INS	XBRL Instance Document
EX-101.SCH	XBRL Taxonomy Extension Schema
EX-101.CAL	XBRL Taxonomy Extension Calculation Linkbase
EX-101.DEF	XBRL Taxonomy Extension Definition Linkbase
EX-101.LAB	XBRL Taxonomy Extension Label Linkbase
EX-101.PRE	XBRL Taxonomy Extension Presentation Linkbase

\*filed herewith  
+Indicates a  
management  
contract or any  
compensatory  
plan, contract or  
arrangement

F-25