

ELDORADO GOLD CORP /FI  
Form 6-K  
July 25, 2003

**FORM 6K**

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

**Report of Foreign Issuer**

**Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934**

For the month of **July, 2003**

Commission File Number **001-31522**

**Eldorado Gold Corporation**

(Translation of registrant's name into English)

**Suite 920 - 1055 West Hasting Street  
Vancouver, British Columbia V6E 2E9**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F

Form 20-F       Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

**Note:** Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

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Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b) 82

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**SIGNATURE**

Pursuant to the requirements 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.

**ELDORADO GOLD CORPORATION**

Date: July 24, 2003

/s/ Dawn Moss  
Dawn Moss, Corporate Secretary

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**NEWS RELEASE**  
**TSX: ELD AMEX: EGO**

**ELD No. 03-13**  
**July 24, 2003**

**SECOND QUARTER 2003 FINANCIAL RESULTS**  
**NET INCOME \$1.8 M (\$0.01 PER SHARE)**  
(all figures in United States dollars unless otherwise indicated)

Paul N. Wright, President and Chief Executive Officer of Eldorado Gold Corporation (Eldorado, the Company, or we) is pleased to announce the Company's Unaudited Second Quarter 2003 Financial Results.

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SIGNATURE

## Highlights

2Q Net Income \$1.8 M (Six months Net Income \$4.4 M)  
Environmental Positive Certificate received for Kisladag Gold Project  
São Bento performing to plan  
São Bento shaft deepening programme progressing

## Financial Results

The Company reported its Second Quarter 2003 Unaudited Financial Results with net income for the quarter amounting to a profit of \$1.8 M (\$0.01 per share) and six months of \$4.4 M (\$0.02 per share) compared to \$2.3 M (\$0.02) in the second quarter of 2002 and \$2.1 M (\$0.02 per share) in the first six months of 2002. Second quarter 2003 positive results were mainly a gain of foreign exchange of \$2.5 M compared to a gain of \$0.1 M in the second quarter of 2002. The six months 2003 gain on foreign exchange of \$4.7 M compared to loss of \$0.1 M in the first six months of 2002 is a result of the strengthening of the Canadian dollar versus the US dollar. Eldorado currently holds \$41.4 M in cash, of this amount 84% is held in Canadian dollars.

Second quarter 2003 gold revenues were \$9.0 M compared to \$10.4 M for the second quarter of 2002. The decreased revenues are the result of the sale of 24,368 ounces of gold at a realized price of \$344 per ounce (excluding a total hedging gain of \$634) compared to sale of 31,376 of gold at a realized price of \$303 per ounce (excluding a total hedging gain of \$868 in 2002). Six months 2003 gold revenues were \$18.2 M compared to \$15.4 M for the first six months of 2002. The increased revenues is the result of the sale of 48,222 ounces of gold at a realized price of \$350 per ounce (excluding a total hedging gain of \$1.3 M) compared to a sale of 45,168 ounces of gold at a realized price of \$300 per ounce (excluding a total hedging gain of \$1.8 M in 2002).

The Company benefited from the São Bento mine autoclaves operating at normal capacity after the completion of a scheduled maintenance of the #1 autoclave during the first quarter of 2003. Cash flow for the second quarter of 2003 was \$0.1 M compared to \$1.0 M in the second quarter of 2002.

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### The São Bento Mine, Brazil ( São Bento )

In the second quarter 2003 São Bento produced 26,772 ounces of gold at cash operating cost of \$230 per ounce compared to the 27,702 ounces at a cash operating cost of \$195 in the second quarter of 2002. Contributing to lower production in 2003 was the slower than planned advancement of the ramp development resulting in a reduced ore contribution from development. Contributing to the higher cash costs was the 19% appreciation of the Brazilian Real since the beginning of the year.

Our decision in April to deepen the shaft combined with the appreciation of the Brazilian Real will impact our scheduled production during the next two years. We have revised our 2003 and 2004 production and cost forecasts to 95,000 ounces with cash costs of \$230 per ounce. The second quarter performance is consistent with this revision.

We have completed approximately 6,490 meters of the 12,000 meters underground exploration and infill drilling programme designed to both extend and upgrade São Bento's resource base. At mid year our underground exploration and definition drilling program remain on schedule with 6,500 meters completed of the 12,000 meters planned for the year.

### The Kisladag Gold Project, Turkey ( Kisladag )

The Environmental Impact Assessment report on our 100% owned Kisladag Gold Project located in western Turkey was accepted by the Turkish Ministry of Environment ( MOE ) in early June. The MOE granted the Environmental Positive Certificate ( EPC ) to our wholly owned Turkish subsidiary Tüprag Metal Madencilik Sanayi Ve Ticaret Limited at the end of June. With the timely receipt of the EPC we continue to anticipate a construction decision in the fourth quarter of 2003. We are drilling on the project with the objective to upgrade inferred resources

within the existing pit design.

The Company is pleased to announce the appointment of Mr. Berne Jansson as General Manager, Kisladag Project effective September 1, 2003. Mr. Jansson is a mining engineer with thirty years of construction and operation experience drawn from work in Europe, Africa, North and South America and the Middle East.

#### Corporate Development

Gold Fields Limited ( Gold Fields ) confirmed on June 20, 2003 that it has divested of its entire shareholding in Eldorado Gold. The Company considers Gold Fields' divested shares to be widely held.

#### ON BEHALF OF ELDORADO GOLD CORPORATION

Paul N. Wright  
President and Chief Executive Officer

*Certain of the statements made herein may contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, which involve known and unknown risk, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward looking statements. Specific reference is made to Narrative Description of the Business Risk Factors in the Company's Annual Information Form. Forward-looking statements in this release include statements regarding the expectations and beliefs of management, the assumed long-term price of gold, the estimation of mineral*

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*reserves and resources, the realization of mineral reserve estimates, the potential of Eldorado's properties and expectations of growth. We do not expect to update forward-looking statements continually as conditions change and you are referred to the full discussion of the Company's business contained in the Company's reports filed with the securities regulatory authorities.*

Eldorado Gold Corporation's shares trade on the Toronto Stock Exchange (TSX: ELD) and the American Stock Exchange (AMEX: EGO). The TSX has neither approved nor disapproved the form or content of this release.

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Eldorado Gold Corporation

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Vancouver, BC V6E 2E9

Web site: [www.eldoradogold.com](http://www.eldoradogold.com)

**Eldorado Gold Corporation**  
**Consolidated Balance Sheets**

(Expressed in thousands of U.S. dollars)

	June 30, 2003	June 30, 2002	December 31, 2001
	(Unaudited)	(Unaudited)	
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 41,438	\$ 8,266	\$ 37,627
Restricted cash	--	1,008	--
Accounts receivable	2,259	3,740	1,380
Inventories	6,193	5,890	5,866
	49,890	18,904	44,873
Property, plant and equipment	61,826	64,696	62,103
Mineral properties and deferred development	34,372	31,428	32,958
Investments and advances	158	125	108
Other assets and deferred charges	66	1,098	90
	\$ 146,312	\$ 116,251	\$ 140,132
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 8,010	\$ 9,119	\$ 8,225
Current portion of long term debt	--	2,650	--
	8,010	11,769	8,225
Provision for reclamation costs	3,467	3,467	3,467
Deferred gain	642	3,708	1,957
Future income taxes	234	196	196
Convertible debentures	6,882	6,719	6,796
Long term debt	--	950	--
	19,235	26,809	20,641
<b>SHAREHOLDERS' EQUITY</b>			
Share capital (Note 4)	369,207	334,372	366,046
Shares to be issued for convertible debentures	--	1,706	--
Equity portion of convertible debentures	1,094	1,094	1,094
Deficit	(243,224)	(247,730)	(247,649)
	127,077	89,442	119,491
	\$ 146,312	\$ 116,251	\$ 140,132

**Eldorado Gold Corporation**  
**Consolidated Balance Sheets**

(Expressed in thousands of U.S. dollars)

June 30,  
2003

June 30,  
2002

December 31,  
2001

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Approved by the Board

/s/ Paul N. Wright  
Paul N. Wright  
Director

Approved by the Board

/s/ Robert R. Gilmore  
Robert R. Gilmore  
Director

**Eldorado Gold Corporation**  
**Consolidated Statements of Operations and Deficit**  
(Expressed in thousands of U.S. dollars except per share amounts)

	Three months ended		Six months ended	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
	(Unaudited)	(Note 3) (Unaudited)	(Unaudited)	(Note 3) (Unaudited)
<b>Revenue</b>				
Gold sales	\$ 9,022	\$ 10,375	\$ 18,188	\$ 15,371
Interest and other income	326	1,977	608	3,136
	9,348	12,352	18,796	18,507
<b>Expenses</b>				
Operating costs	5,785	6,217	10,835	8,850
Depletion, depreciation and amortization	2,474	2,440	4,948	4,883
General and administrative	991	724	2,029	1,403
Exploration expense	370	149	620	268
Interest and financing costs	188	321	380	710
Conversion of convertible debenture	--	(463)	--	(463)
Foreign exchange (gain) loss	(2,469)	(78)	(4,736)	87
	7,339	9,310	14,076	15,738
Profit before the undernoted items	2,009	3,042	4,720	2,769
Loss on disposals of property, plant and equipment	--	(196)	--	(196)
Write down of investments and advances	(94)	--	(94)	--
<b>Profit before income taxes</b>	1,915	2,846	4,626	2,573
Taxes				
Current	(83)	(498)	(201)	(518)
<b>Net income for the period</b>	\$ 1,832	\$ 2,348	\$ 4,425	\$ 2,055
Deficit at the beginning of the period:				
As previously reported	(245,056)	(250,078)	(247,649)	(249,375)
Change in accounting policy (Note 3)	--	--	--	(410)
As restated	\$ (245,056)	\$ (250,078)	\$ (247,649)	\$ (249,785)
Deficit at the end of the period	\$ (243,224)	\$ (247,730)	\$ (243,224)	\$ (247,730)

**Eldorado Gold Corporation**  
**Consolidated Statements of Operations and Deficit**

(Expressed in thousands of U.S. dollars except per share amounts)

<b>Weighted average number of shares outstanding</b>	212,756,916	136,698,457	211,364,448	119,695,228
<b>Basic Income per share - U.S.\$</b>	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.02
<b>Basic Income per share - CDN.\$</b>	\$ 0.01	\$ 0.03	\$ 0.03	\$ 0.03
<b>Diluted Income per share - U.S.\$</b>	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.02



**Eldorado Gold Corporation**  
**Consolidated Statements of Cash Flows**  
(Expressed in thousands of U.S. dollars)

	Three months ended		Six months ended	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
	(Unaudited)	(Note 3) (Unaudited)	(Unaudited)	(Note 3) (Unaudited)
<b>Cash flows from operating activities</b>				
Net income for the period	\$ 1,832	\$ 2,348	\$ 4,425	\$ 2,055
Items not affecting cash				
Depletion, depreciation and amortization	2,474	2,440	4,948	4,883
Loss on disposals of property, plant and equipment	--	196	--	196
Interest and financing costs	41	50	86	100
Gain on conversion of convertible debenture	--	(463)	--	(463)
Write down of investments and advances	94	--	94	--
Amortization of hedging gain	(635)	(868)	(1,315)	(1,837)
Amortization of financing fees	--	23	--	50
Foreign exchange (gain) loss	(3,059)	479	(5,489)	490
	747	4,205	2,749	5,474
(Increase) in accounts receivable	(832)	(2,063)	(879)	(775)
(Increase) decrease in inventories	(334)	896	(327)	(449)
(Decrease) Increase in accounts payable and accrued liabilities	545	(2,056)	(215)	(2,591)
	126	982	1,328	1,659
<b>Cash flow from investing activities</b>				
Property, plant and equipment	(2,741)	(1,440)	(4,647)	(2,964)
Proceeds from disposals of property, plant and equipment	--	50	--	50
Mineral properties and deferred development	(619)	(498)	(1,414)	(755)
Investments and advances	(136)	--	(136)	--
Restricted cash	--	(3)	--	(533)

**Eldorado Gold Corporation**  
**Consolidated Statements of Cash Flows**  
(Expressed in thousands of U.S. dollars)

	(3,496)	(1,891)	(6,197)	(4,202)
<b>Cash flow from financing activities</b>				
Repayment of long-term debt	--	(2,845)	--	(11,354)
Issue of common shares:				
Voting - for cash	158	3,120	3,161	17,998
Other assets and deferred charges	--	--	--	(114)
	158	275	3,161	6,530
Foreign exchange gain (loss) on cash held in foreign currency	3,079	(469)	5,519	(473)
<b>Net Increase (decrease) in cash and cash equivalents</b>	(133)	(1,103)	3,811	3,514
Cash and cash equivalents at beginning of the period	41,571	9,369	37,627	4,752
<b>Cash and cash equivalents at end of the period</b>	\$ 41,438	\$ 8,266	\$ 41,438	\$ 8,266
<b>Supplemental cash flow information</b>				
Interest paid	\$ 295	\$ 431	\$ 295	\$ 555
Income tax paid	\$ 5	\$ 39	\$ 15	\$ 59

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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

2nd Quarter ended June 30, 2003 and 2002 (in thousands of U.S. dollars except per share and per ounce amounts)

### **1. Nature of Operations**

Eldorado Gold Corporation ( Eldorado , the Company ) is engaged in gold mining and related activities, including exploration, extraction, processing and reclamation. Gold, the primary product, is produced in Brazil and exploration activities are carried on in Brazil and Turkey.

The Company has not determined whether all its development properties contain ore reserves that are economically recoverable. The recoverability of the amount shown for mineral properties and deferred development is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing, licenses and permits to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The amounts shown as mineral properties and deferred development represent net costs to date, less amounts amortized and/or written off and do not necessarily represent present or future values.

## 2. Significant Accounting Policies

### *Basis of presentation*

These interim financial statements do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements. These interim financial statements should be read in conjunction with the most recent annual financial statements of the company.

These financial statements follow the same accounting policies and methods of application as the most recent annual financial statements of the company.

### *Earnings (loss) per share*

Earnings or loss per common share is calculated using the weighted average number of common shares outstanding during each period. Diluted earnings or loss per common share is calculated using the treasury stock method which assumes that stock options are only exercised when the exercise price is below the average market price during the period, and that the Company will use the proceeds to purchase its common shares at their average market price during the period.

## 3. Change in Accounting Policy

The Company has changed its method of recording revenue to recording sales when the goods have been delivered and title passes to the purchaser. Previously the Company recorded revenue on a production basis at the net realized value of doré sales. The Company has applied the changes retroactively and prior periods have been restated. The effects of the restatement are presented below.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2nd Quarter ended June 30, 2003 and 2002 (in thousands of U.S. dollars except per share and per ounce amounts)

## 3. Change in Accounting Policy (continued)

Income Statement	Three months ended		Six months ended	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
	(Unaudited)	(Note 3) (Unaudited)	(Unaudited)	(Note 3) (Unaudited)
Revenue before change	\$9,022	\$ 9,279	\$18,188	\$ 15,215
Change in accounting policy	--	1,096	--	156
Revenue after change	\$9,022	\$10,375	\$18,188	\$ 15,371
Operating costs before change	\$5,785	\$ 5,570	\$10,835	\$ 8,466
Change in accounting policy	--	647	--	384
Operating costs after change	\$5,785	\$ 6,217	\$10,835	\$ 8,850
Net Income before change	\$1,832	\$ 1,899	\$ 4,425	\$ 2,283
Change in accounting policy	--	449	--	(228)
Net Income after change	\$1,832	\$ 2,348	\$ 4,425	
Capital leases net of current	30,700		48,600	
Total Liabilities	1,421,300		2,546,200	
Commitments and contingencies				
Shareholders' equity:				
Common stock, \$0.001 par value, 350,000,000 shares authorized; 328,874,050 shares issued and outstanding at September 30, 2013 and December 31, 2012	328,900		328,900	
Additional paid-in capital	52,618,700		52,376,500	
Accumulated other comprehensive loss	(86,500)		-	
Accumulated deficit	(51,112,200)		(50,956,100)	
Stock subscription receivable	(64,000)		(64,000)	
Total shareholders' equity	1,684,900		1,685,300	
Total liabilities and shareholders' equity	\$ 3,106,200		\$ 4,231,500	

See accompanying notes to condensed financial statements

**PAID, INC.**  
**CONDENSED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Revenues	\$ 1,110,800	\$ 7,093,500	\$ 3,111,800	\$ 10,661,100
Cost of revenues	686,100	5,696,200	2,029,300	8,125,500
Gross profit	424,700	1,397,300	1,082,500	2,535,600
Operating expenses	457,800	1,662,100	1,639,500	5,183,900
Loss from operations	(33,100)	(264,800)	(557,000)	(2,648,300)
Other income (expense):				
Interest expense	(800)	(1,300)	(2,500)	(4,800)
Other income	-	11,000	-	11,000
Unrealized gain (loss) on investments	-	27,100	94,800	(24,400)
Unrealized gain (loss) on stock price guarantee	160,400	(683,300)	308,600	(919,500)
Total other income (expense), net	159,600	(646,500)	400,900	(937,700)
Income (loss) before income taxes	126,500	(911,300)	(156,100)	(3,586,000)
Provision for income taxes				
Net income (loss)	126,500	(911,300)	(156,100)	(3,586,000)
Net unrealized loss on investments	(86,500)	-	(86,500)	-
Total comprehensive income (loss)	\$ 40,000	\$ (911,300)	\$ (242,600)	\$ (3,586,000)
Earnings (loss) per share				
Basic	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.01)
Diluted	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.01)
Weighted average shares outstanding				
Basic	328,874,050	325,699,374	328,874,050	317,962,401
Diluted	336,848,737	325,699,374	328,874,050	317,962,401

See accompanying notes to condensed financial statements

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

	2013	2012
Operating activities:		
Net loss	\$ (156,100)	\$ (3,586,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	57,800	56,000
Loss on disposal of assets	4,300	-
Unrealized (gain) loss on investment	(94,800)	24,400
Share-based compensation	242,200	532,500
Change in fair value of stock price guarantee	(308,600)	919,500
Amortization of prepaid facility costs	176,700	287,400
Fair value of stock options awarded to professionals and consultants in payment of fees for services provided	-	2,126,800
Fair value of stock options awarded to employees in payment of compensation	-	40,000
Changes in assets and liabilities:		
Accounts receivable	(79,000)	(726,100)
Inventories	397,000	(134,600)
Prepaid expense and other current assets	(201,400)	203,100
Advanced royalties	13,700	(144,000)
Accounts payable	(372,800)	165,300
Accrued expenses	(283,800)	(91,200)
Deferred revenue	(139,300)	43,300
Net cash used in operating activities	(744,100)	(283,600)
Investing activities:		
Property and equipment additions	-	(136,400)
Net cash used in investing activities	-	(136,400)
Financing activities:		
Payments on capital leases	(20,400)	(14,600)
Proceeds from assignment of call options	-	1,000
Net cash used in financing activities	(20,400)	(13,600)
Net decrease in cash	(764,500)	(433,600)
Cash, beginning of period	1,433,000	996,000
Cash, end of period	\$ 668,500	\$ 562,400
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the period for:		
Income taxes	\$	\$
Interest	\$ 2,500	\$ 4,800
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION</b>		
Acquisition of property and equipment under capital lease	\$ -	\$ 61,600

See accompanying notes to condensed financial statements





**PAID, INC.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
**September 30, 2013 and 2012**

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

The primary focus of PAID, Inc. (the "Company" or "PAID") has been the providing of brand-related services to businesses and celebrity clients in the entertainment, sports and collectible industries. PAID's brand management, brand marketing, social media marketing, product design and merchandising, fulfillment services, website design, development and hosting, and authentication services are designed to grow each client's customer base in size, loyalty and revenue generation. We offer entertainers, celebrity athletes and business entities a comprehensive web-presence and related services by supporting and managing clients' official websites and fan-community services including e-commerce, VIP ticketing, live event fan experiences, user-generated content, and client content publishing and distribution.

*General Presentation and Basis of Financial Statements*

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), and to the rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with the Company's audited financial statements included in the Annual Report on Form 10-K for the years ended December 31, 2012 and 2011 that was filed on April 15, 2013.

In the opinion of management, the Company has prepared the accompanying financial statements on the same basis as its audited financial statements, and these financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of the interim periods presented. The operating results for the interim periods presented are not necessarily indicative of the results expected for the full year 2013.

*Going Concern and Management's Plan*

The accompanying financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has continued to incur losses, although it has taken significant steps to reduce them. For the nine months ended September 30, 2013, the Company reported a net loss of \$156,100 and for the year ended December 31, 2012, the Company reported a loss of \$4,146,200. The Company has an accumulated deficit of \$51,112,200 at September 30, 2013 and used \$744,100 of cash in operations for the nine months ended September 30, 2013. These factors raise substantial doubt about the Company's ability to continue as a going concern.

In January 2013, the Company entered into a partnership agreement with Music City Networks ("MCN"). In accordance with the agreement, as of the effective date, MCN will be providing the above mentioned client based services directly to the Company's clients in exchange for a profit participation as defined in the agreement. Going forward the primary focus of PAID is to expand upon and monetize its Intellectual Property.

Management has reduced the Company's losses in the music and entertainment area and focused the Company on its growing patent portfolio. The Company has restructured personnel and has partnered with MCN to oversee business functions, such as fulfillment operations, client services, and business development. This changes the business model for engaging in these activities to improve efficiency and reduce costs. The Company will continue to develop key partnerships to aid in the acquisition of new clients and services and thus continue to be involved in this aspect of the business.

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These changes have reduced revenues and gross profits thus far in 2013 and management believes that these changes will continue to reduce revenues and gross profits for the remainder of 2013. However, the costs of doing business have been and will be significantly reduced in hopes of eliminating the net loss and providing positive cash flow from operations. Although there is a reduction in revenues and gross profits, the reduction should be offset by the profit participation in MCN's activities. In addition, the Company continues to increase its efforts to generate income from its patents.

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 2013.

#### *Use of Estimates*

The preparation of condensed financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed 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 realizability of inventories, the fair value of investments in marketable securities, the recoverability of long-lived assets, valuation of deferred tax assets and liabilities and the estimated fair value of the royalty and advance guarantees, stock options, warrants and shares issued for non-cash consideration. Actual results could materially differ from those estimates.

#### *Investments*

As of July 1, 2013, the Company reclassified its investments from trading securities to available for sale securities. Management determines the appropriate classification of its investments in debt and equity securities at the time of purchase and reevaluates such determinations at each balance sheet date. Marketable debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized as earnings. Debt securities are classified as held for maturity when the Company has the positive intent and ability to hold the securities to maturity. Held to maturity securities are recorded as either short term or long term on the balance sheet based on contractual maturity dates and are stated at cost. Securities not classified as held to maturity or as trading, are classified as available-for-sale, and are carried at fair market value, with the unrealized gains and losses, net of tax, included in the determination of comprehensive income (loss) and reported in shareholders' equity.

#### *Accounts Receivable*

Accounts receivable, are carried at original invoice amount less an estimate for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Accounts receivable are presented net of an allowance for doubtful collections of \$53,300 at September 30, 2013 and December 31, 2012. In determining this allowance, objective evidence that a single receivable is uncollectible as well as a historical pattern of collections of accounts receivable that indicates the entire face amount of a portfolio of accounts receivable may not be collectible is considered at each balance sheet date. Accounts are written off when significantly past due after exhaustive efforts at collection.

### *Inventories*

Inventories consist of merchandise for sale and are stated at the lower of average cost or market determined on a first-in, first-out method. When a purchase contains multiple copies of the same item, they are stated at average cost.

Management periodically reviews inventories on hand to ascertain if any are slow moving or obsolete. In connection with this review, lower of cost or market write-downs are considered permanent adjustments to the cost basis of the excess or obsolete inventories.

### *Advanced Royalties*

In accordance with GAAP, advanced royalties, which consist of artist royalty advances, are deferred when paid and expensed based on the completion of performances, shows or other activities. Certain royalty agreements contain guarantees by the Company on the amount of proceeds the holder will receive from the sale of the Company's common stock, and the liability is accounted for at fair value on the date of issuance.

### *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 5 years. Leasehold improvements are amortized over the lesser of the useful life of the asset or the respective lease term.

### *Intangible Assets*

Intangible assets consist of patents, which are being amortized on a straight-line basis over their estimated useful life of 17 years.

### *Asset Impairment*

Long-lived assets held and used are reviewed to determine whether any events or changes in circumstances indicate that their carrying amount may not be recoverable. The Company bases its evaluation on indicators about the future economic benefits that the assets can be expected to provide including historical or future profitability measurements. Management reviews the estimated useful lives, as well as other external market conditions or factors that may be present. If such impairment indicators are present or other factors exist that indicate that the carrying amount of the asset may not be recoverable, if impairment is indicated, the Company recognizes a loss for the difference between the carrying amount and the estimated fair value of the asset.

### *Fair Value of Financial Instruments*

Financial instruments and certain non-financial assets and liabilities are measured at their fair value as determined based on the assets highest and best use. GAAP has established a framework for measuring fair value that is based on a hierarchy, which requires that the valuation technique used be based on the most objective inputs available for measuring a particular asset or liability. There are three broad levels in the fair value hierarchy, which describe the degree of objectivity of the inputs used to determine fair value. The fair value hierarchy is set forth below:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.



Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. They are based on best information available in the absence of level 1 and 2 inputs.

The fair value of the Company's cash, accounts receivable, investments, accounts payable, accrued expenses, and capital leases are approximately the same as their carrying amounts.

#### *Income Taxes*

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the enactment occurs. Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company had no accrual for interest or penalties on the Company's condensed balance sheets at September 30, 2013 and December 31, 2012, and has not recognized interest and/or penalties in the condensed statements of operations for the three and nine months ended September 30, 2013 and 2012.

#### *Revenue Recognition*

The Company generates revenue principally from sales of fan experiences, fan club membership fees, sales of its purchased inventories and from client services.

Fan experience sales generally include tickets and related experiences at concerts and other events conducted by performing artists associated with these fan experience revenues, are deferred until the related event has been concluded, at which time the revenues and related direct costs are recognized.

Fan club membership fees are recognized ratably over the term of the related membership, generally one year.

The Company recognizes merchandise sales revenue upon verification of the credit card transaction, shipment of the merchandise, and the discharge of all obligations of the Company with respect to the transaction.

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

#### *Cost of Revenues*

Cost of revenues include, event tickets, ticketing and venue fees, shipping and handling fees associated with e-commerce sales, merchandise and royalties paid to clients.



### *Selling and Administration Expenses*

Selling, general, and administrative expenses include indirect client related expenses, including credit card processing fees, payroll, travel, facility costs, and other general and administrative expenses.

### *Advertising Costs*

Advertising costs, totaling \$2,300 and \$4,000 for the nine months ended September 30, 2013 and 2012, respectively, are included in operating expenses in the accompanying consolidated statements of operations and are charged to expense when incurred.

### *Share-Based Compensation*

For valuing stock option awards, the Company has elected to use the Black-Scholes Merton option pricing valuation model ("Black-Scholes"). For the expected term, the Company uses a simple average of the vesting period and the contractual term of the option. Volatility is a measure of the amount by which the Company's stock price is expected to fluctuate during the expected term of the option. For volatility the Company considers its own volatility as applicable for valuing its options and warrants. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The risk-free interest rate is based on the relevant U.S. Treasury Bill Rate at the time of each grant. The dividend yield represents the dividend rate expected to be paid, over the option's expected term; the Company currently has no plans to pay dividends.

### *Concentrations*

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash. The Company maintains cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At September 30, 2013, the Company had balances of approximately \$151,000 in these accounts in excess of the FDIC insurance limits. The Company places its cash in stable high credit quality institutions, and management believes that the risk of loss is negligible.

For the nine months ended September 30, 2013 and 2012, revenues from a limited number of clients accounted for approximately 63% and 72%, respectively, of total revenues.

### *Earnings (Loss) Per Common Share*

Basic earnings (loss) per share represents 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 warrants, and have been excluded from the computation of diluted earnings (loss) per share because they would reduce the reported loss per share and therefore have an anti-dilutive effect.

For the three and nine months ended September 30, 2013, there were approximately 653,000 and 6,030,000 potentially dilutive shares, respectively, that were excluded from the diluted earnings (loss) per share as their effect would have been antidilutive for the periods then ended.

### *Reclassifications*



Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation with no effect on previously reported net loss or accumulated deficit.

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**Note 2. Accrued Expenses**

Accrued expenses are comprised of the following:

	September 30, 2013	December 31, 2012 (audited)
Payroll and related costs	\$ 5,600	\$ 18,100
Professional and consulting fees	10,500	77,400
Royalties	636,900	858,300
Stock price guarantee liabilities	134,600	443,200
Other	132,800	115,800
Total	\$ 920,400	\$ 1,512,800

**Note 3. Common Stock****Share-based Incentive Plans**

During the period ended September 30, 2013, the Company had four 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.

**Share-based Incentive Plans****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 1,000,000 shares reserved for future issuance under this plan. Information with respect to stock options granted under this plan during the period ended September 30, 2013 is as follows:

	Number of shares	Weighted average exercise price per share
Options outstanding at December 31, 2012	7,000,000	\$ 0.043
Granted	2,000,000	0.092
Cancelled or Expired	-	-
Exercised		
Options outstanding at September 30, 2013	9,000,000	\$ 0.054

**2011 Plan**

On February 1, 2011, the Company adopted the 2011 Non-Qualified Stock Option Plan (the "2011 Plan"), to replace the 2001 Plan discussed below, and has filed Registration Statements on Form S-8 to register 30,000,000 shares of its common stock. Under the 2011 Plan, employees and consultants may elect to receive their gross compensation in the form of options, exercisable at \$.001 per share, to acquire the number of shares of the Company's common stock equal

to their gross compensation divided by the fair value of the stock on the date of grant. The options granted have a 10 year contractual term and vest one hundred percent on the date of grant. Information with respect to stock options granted under this plan during the period ended September 30, 2013 is as follows:

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	Number of shares	Weighted average exercise price per share
Options outstanding at December 31, 2012	3,000,000	\$ 0.145
Granted	1,500,000	0.092
Cancelled or Expired	(1,500,000)	0.145
Exercised	-	-
Options outstanding at September 30, 2013	3,000,000	\$ 0.118

**2002 Plan**

The 2002 Stock Option Plan ("2002 Plan") provides for the award of qualified and non-qualified options for up to 30,000,000 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 period ended September 30, 2013 is as follows:

	Number of shares	Weighted average exercise price per share
Options outstanding at December 31, 2012	8,000,000	\$ 0.095
Granted	-	-
Cancelled or Expired	-	-
Exercised	-	-
Options outstanding at September 30, 2013	8,000,000	\$ 0.095

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

**2001 Plan**

The 2001 Non-Qualified Stock Option Plan (the "2001 Plan") expired on January 31, 2011. The Company adopted the 2001 Plan on February 1, 2001 and filed Registration Statements on Form S-8 to register 120,000,000 shares of its common stock. Under the 2001 Plan, employees and consultants could have elected to receive their gross compensation in the form of options, exercisable at \$0.001 per share, to acquire the number of shares of the Company's common stock equal to their gross compensation divided by the fair value of the stock on the date of grant. Information with respect to stock options granted under this plan during the period ended September 30, 2013 is as follows:

	Number of shares	Weighted average exercise price per share
Options outstanding at December 31, 2012	30,582	\$ 0.001
Granted	-	-
Cancelled or Expired	-	-
Exercised	-	-
Options outstanding at September 30, 2013	30,582	\$ 0.001

***Fair value of issuances***

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

	September 30, 2013	September 30, 2012		
Expected term (based upon historical experience)	5-6 years	<1 week		
Expected volatility	130.36	% 118.33	%	
Expected dividends	None	None		
Risk free interest rate	0.01	% 0.06	%	

The stock volatility for each grant is determined based on a review of the experience of the weighted average of historical daily price changes of the Company's common stock over the expected option term. The expected term was determined using the simplified method for estimating expected option life, which qualify as "plain-vanilla" options; and the risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option.

Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value*
\$ 0.001	30,582	1.12	\$ 3,181
\$ 0.041	5,000,000	9.05	\$ 320,000
\$ 0.048	2,000,000	9.19	\$ 114,000
\$ 0.065	5,000,000	8.86	\$ 200,000
\$ 0.092	3,500,000	9.64	\$ 45,500
\$ 0.145	4,500,000	8.12	\$ -
weighted	20,030,582	8.90	\$ 682,681

\*The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option.

Summary of all stock option plans during the period ended September 30, 2013 is as follows:

	Number of Shares	Weighted average exercise price per share
Options outstanding at December 31, 2012	18,030,582	\$ 0.083
Granted	3,500,000	\$ 0.092
Cancelled or Expired	(1,500,000)	\$ 0.145
Exercised	-	\$ -
Options outstanding at September 30, 2013	20,030,582	\$ 0.080

#### **Note 4. Commitments and contingencies**

##### *Legal Matters*

In the normal course of business, the Company periodically becomes involved in litigation. As of September 30, 2013, in the opinion of management, the Company had no pending litigation that would have a material adverse effect on the Company's financial position, results of operations, or cash flows.

##### *Indemnities and Guarantees*

The Company has made certain indemnities and guarantees, under which it may be required to make payments to a guaranteed or indemnified party, in relation to certain actions or transactions. The Company indemnifies its directors, officers, employees and agents, as permitted under the laws of the State of Delaware. In connection with its facility leases, the Company has agreed to indemnify its lessors for certain claims arising from the use of the facilities. The duration of the guarantees and indemnities varies, and is generally tied to the life of the 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 condensed balance sheets.

#### **Note 5. Advanced Royalties**

Advanced royalties represent amounts the Company has advanced to certain clients and are recoupable against future royalties earned by the clients. Advances are issued in either cash or shares of the Company's common stock and advanced amounts are calculated based on the clients' projected earning potential over a fixed period of time. Advances made by issuing 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 condensed statements of operations.

#### **Note 6. Fair Value Disclosures**

The following table presents fair values for those assets and liabilities measured at fair value on a recurring basis and the level within the fair value hierarchy in which the measurements fall. No transfers among the levels within the fair value hierarchy occurred during the three and nine months ended September 30, 2013.

	Fair Value Level	September 30, 2013	December 31, 2012 (audited)
Investments	1	237,600	142,800
Royalty guarantee	2	(22,800)	(79,000)
Advance guarantee	2	(111,800)	(364,200)

**Note 7. Subsequent Events**

The Company has amended its lease agreement with Forty Washington LLC, dated December 7, 2011 as amended on June 13, 2012. Under the revised terms, the lease expiration date is changed to November 30, 2013 from March 31, 2017. Due to the early termination of the lease, the Company will forfeit its security deposit of \$83,134 and pay a termination fee of \$166,865, which amount has been previously paid with shares of common stock of the Company.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.****Forward Looking Statements**

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

Although forward-looking statements in this quarterly report reflect the good faith judgment of the Company's management, such statements can only be based on facts and factors currently known by the Company. Consequently, forward-looking statements are inherently subject to risks, contingencies and uncertainties, and actual results and outcomes may differ materially from results and outcomes discussed in this report. Although the Company believes that its plans, intentions and expectations reflected in these forward-looking statements are reasonable, the Company can give no assurance that its plans, intentions or expectations will be achieved. For a more complete discussion of these risk factors, see Item 1A, "Risk Factors", in the Company's Form 10K for the fiscal year ended December 31, 2012 that was filed on April 15, 2013.

For example, the Company's ability to achieve positive cash flow and to become profitable may be adversely affected as a result of a number of factors that could thwart its efforts. These factors include the Company's inability to successfully implement the Company's business and revenue model, tour or event cancellations, higher costs than anticipated, the Company's inability to sell its products and services to a sufficient number of customers, the introduction of competing products 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 sites, the failure of the Company's operating systems, and the Company's inability to increase its revenues as rapidly as anticipated. If the Company is not profitable in the future, it will not be able to continue its business operations.

**Overview**

The primary focus of PAID, Inc. (the "Company" or "PAID") has been the providing of brand-related services to businesses and celebrity clients in the entertainment, sports and collectible industries. PAID's brand management,

brand marketing, social media marketing, product design and merchandising, fulfillment services, website design, development and hosting, and authentication services are designed to grow each client's customer base in size loyalty and revenue generation. We offer entertainers, celebrity athletes and business entities a comprehensive web-presence and related services by supporting and managing clients' official websites and fan-community services including e-commerce, VIP ticketing, live event fan experiences, user-generated content, and client content publishing distribution.



In January 2013, the Company entered into a partnership agreement with Music City Networks (“MCN”). In accordance with the agreement, as of the effective date, MCN will be providing the above mentioned client based services directly to the Company’s clients in exchange for a profit participation as defined in the agreement. Going forward the primary focus of PAID is to expand upon and monetize its Intellectual Property.

### Significant Accounting Policies

Our significant accounting policies are more fully described in Note 3 to our financial statements included in our Form 10-K filed on April 15, 2013, as updated and amended in Note 1 of the Notes to Condensed Financial Statements included herein. However, certain of our accounting policies, most notably with respect to revenue recognition, are particularly important to the portrayal of our financial position and results of operations and require the application of significant judgment by our management; as a result, they are subject to an inherent degree of uncertainty. In applying these policies, our management makes estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. Those estimates and judgments are based upon our historical experience, the terms of existing contracts, our observance of trends in the industry, information that we obtain from our customers and outside sources, and on various other assumptions that we believe to be reasonable and appropriate under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

### Results of Operations

#### *Comparison of the three and nine months ended September 30, 2013 and 2012.*

The following discussion compares the Company's results of operations for the three and nine months ended September 30, 2013 with those for the three and nine months ended September 30, 2012. The Company's financial statements and notes thereto included elsewhere in this quarterly report contain detailed information that should be referred to in conjunction with the following discussion.

#### *Revenues*

The following table compares total revenue for the periods indicated.

	Three Months Ended September 30,		% Change	
	2013	2012		
Merchandising and fulfillment	\$ 112,000	\$ 1,515,300	(93)	%
Client services	12,600	58,900	(79)	%
Touring revenues	986,200	5,519,300	(82)	%
Total revenues	\$ 1,110,800	\$ 7,093,500	(84)	%

Revenues decreased 84% in the third quarter primarily from a 93% decrease in merchandising revenues, a 79% decrease in client services revenue, and a 82% decrease in touring revenues.

Merchandising and fulfillment revenues decreased \$1,403,300 or 93% to \$112,000 compared to \$1,515,300 in 2012. This is a direct result of our partnership with MCN.

Client services revenues decreased \$46,300 or 79% to \$12,600 compared to \$58,900 in 2012. The decrease was attributable to the completion of a large website build project in 2012 and a decrease in client services we have provided within the music industry.

Touring revenues decreased \$4,533,100 or 84% to \$986,200, compared to \$5,519,300 in 2012. The Company has generated a consistent touring base and revenues are directly impacted by our client's touring schedules and frequency.

During the third quarter of 2013 there was a limited amount of touring when compared to the third quarter of 2012.

#### *Gross Profit*

Gross profit decreased \$972,600 or 70% to \$424,700 compared to \$1,397,300 in 2012. Gross margin increased 18 percentage points to 38% from 20% in the third quarter of 2012. The increase was mainly because of the MCN relationship which allowed the Company to focus on expanding and monetizing its Intellectual Property. It is to be expected that this service line will be less costly to pursue, explaining the increase in gross margin.

#### *Operating Expenses*

Total operating expenses in the third quarter 2013 were \$457,800 compared to \$1,662,100 in the third quarter 2012, a decrease of \$1,204,300 or 72%. The decrease is largely due to the relationship with MCN in addition to decreases in payroll, accounting fees and consulting and related costs.

#### *Net Income (Loss)*

The Company realized a net income in the third quarter of 2013 of \$126,500 compared to a net loss of \$911,300 for the same period in 2012. The income for the third quarter of 2013 and loss for 2012 each represent \$0.00 and \$0.00 per share.

#### *Revenues*

The following table compares total revenue for the periods indicated.

	Nine months Ended September 30,		% Change	
	2013	2012		
Merchandising and fulfillment	\$ 957,400	\$ 2,840,800	(66)	%
Client services	46,600	337,400	(86)	%
Touring revenues	2,107,800	7,482,900	(72)	%
Total revenues	\$ 3,111,800	\$ 10,661,100	(71)	%

Revenues decreased 71% in the first three quarters primarily from a 86% decrease in client services revenues, a 66% decrease in merchandising and fulfillment, and a 72% decrease in touring revenues.

Merchandising and fulfillment revenues decreased \$1,883,400 or 66% to \$957,400 compared to \$2,840,800 in 2012. This is a direct result of our partnership with MCN.

Client services revenues decreased \$290,800 or 86% to \$46,600 compared to \$337,400 in 2012. The decrease was attributable to the completion of a large website build project in 2012 and a decrease in client services we have provided within the music industry.



Touring revenues decreased \$5,375,100 or 72% to \$2,107,800, compared to \$7,482,900 in 2012. The Company has generated a consistent touring base and revenues are directly impacted by our client's touring schedules and frequency. During the first three quarters of 2013 there was a limited amount of touring.

#### *Gross Profit*

Gross profit decreased \$1,453,100 or 57% to \$1,082,500 compared to \$2,535,600 in 2012. Gross margin increased 11 percentage points to 35% from 24% in 2012.

#### *Operating Expenses*

Total operating expenses in the first three quarters of 2013 were \$1,639,500 compared to \$5,183,900 in 2012, a decrease of \$3,544,400 or 68%. The decrease is largely due to the relationship with MCN in addition to decreases in payroll, accounting fees and consulting and related costs.

#### *Net Loss*

The Company realized a net loss in the first three quarters of 2013 of \$156,100 compared to a net loss of \$3,586,000 for the same period in 2012. The losses for first three quarters of 2013 and 2012 represent \$0.00 and \$0.01 per share, respectively.

#### **Operating Cash Flows**

A summarized reconciliation of the Company's net loss to cash used in operating activities for the nine months ended September 30, 2013, and 2012 is as follows:

	2013	2012
Net loss	\$ (156,100)	\$ (3,586,000)
Depreciation and amortization	57,800	56,000
Loss on disposal of assets	4,300	-
Unrealized (gain) loss on investment	(94,800)	24,400
Share based compensation	242,200	532,500
Change in fair value of stock price guarantee	(308,600)	919,500
Amortization of prepaid facility costs	176,700	287,400
Fair value of stock options awarded to professionals and consultants in payment of fees for services provided	-	2,126,800
Fair value of stock options awarded to employees in payment of compensation	-	40,000
Deferred revenue	(139,300)	43,300
Changes in current assets and liabilities	(526,300)	(727,500)
Net cash used in operating activities	\$ (744,100)	\$ (283,600)

## **Working Capital and Liquidity**

The Company had cash of \$668,500 at September 30, 2013, compared to \$1,433,000 at December 31, 2012. The Company had \$708,200 of working capital at September 30, 2013, an increase of \$220,500, compared to \$487,700 at December 31, 2012. The decrease in cash on hand is attributable to the use of cash to fund operating activities for the nine months ended September 30, 2013.

As discussed in Note 1 of the accompanying condensed financial statements, there exists substantial doubt regarding the Company's ability to continue as a going concern. The Company may need an infusion of additional capital to fund anticipated operating costs over the next 12 months. Management believes that the Company has 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.

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

Not applicable for smaller reporting companies.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

The Company's management, including the President of the Company, as its principal executive officer, and the Chief Financial Officer of the Company, as its principal financial officer, 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 President and Chief Financial Officer concluded that, as of September 30, 2013, the Company's disclosure controls and procedures were not effective, due to material weaknesses in internal control over financial reporting, for the purpose of ensuring that the information required to be disclosed in the reports that the Company files or submits under the Exchange Act with the Securities and Exchange Commission is recorded, processed, summarized and reported within the time period specified by the Securities and Exchange Commission's rules and forms, and is accumulated and communicated to the Company's management, including its principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

The Company has identified five material weaknesses in internal control over financial reporting as described in the Company's Form 10-K for the year ended December 31, 2012.

#### **Changes in Internal Control Over Financial Reporting**

There was no change in our internal control over financial reporting during the quarter ended September 30, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

In the normal course of business, the Company periodically becomes involved in litigation. As of September 30, 2013, in the opinion of management, the Company had no material pending litigation other than ordinary litigation incidental to the business.



**ITEM 1A. RISK FACTORS**

There are no material changes for the risk factors previously disclosed on Form 10-K for the year ended December 31, 2012.

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

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.

**ITEM 5. OTHER INFORMATION**

The Company has amended its lease agreement with Forty Washington LLC, dated December 7, 2011 as amended on June 13, 2012. Under the revised terms, the lease expiration date is changed to November 30, 2013 from March 31, 2017. Due to the early termination of the lease, the Company will forfeit its security deposit of \$83,134 and pay a termination fee of \$166,865, which amount has been previously paid with shares of common stock of the Company.

**ITEM 6. EXHIBITS**

- 10.1 Second Amendment to Lease Agreement by and between the Company and Forty Washington LLC.
- 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
- 32.1 and 32.2 CEO and CFO Certification required under Section 906 of Sarbanes-Oxley Act of 2002
- 101.INS XBRL Instance Document (furnished herewith)
- 101.SCH XBRL Taxonomy Extension Schema (furnished herewith)
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase (furnished herewith)
- 101.DEF XBRL Taxonomy Extension Definition Linkbase (furnished herewith)
- 101.LAB XBRL Taxonomy Extension Label Linkbase (furnished herewith)
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase (furnished herewith)

## SIGNATURES

Pursuant to the requirements 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.  
Registrant

Date: November 14, 2013

By: /s/ W. Austin Lewis, IV  
W. Austin Lewis, IV, President, CEO and  
CFO (Principal Executive, Financial and  
Accounting Officer)

## LIST OF EXHIBITS

Exhibit No.	Description
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