PAID INC
Form 10KSB
March 31, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-KSB

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2004

Commission File No. 0-28720

PAID, INC.
(Name of Small Business Issuer in its Charter)

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

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

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

Securities registered pursuant to Section 12(g) of the Exchange Act:

Common Stock, $0.001 Par Value
(Title of Class)

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

Yes |X| No |_|

Check if there is no disclosure of delinquent filers pursuant to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. |X|

State Issuer's revenues for its most recent fiscal year: $1,852,545.

The aggregate market value of the voting and non-voting common equity held by non-affiliates on March 7, 2005 was approximately $53,318,629 based upon the average over the counter sales price of $.34 per share on such date.

As of March 7, 2005, the issuer had outstanding 175,277,654 shares of its Common Stock, par value of $0.001, its only class of voting securities.

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.

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FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-KSB (including without limitation the Risk Factors included as Exhibit 99) may contain forward looking statements. We caution you to be aware of the speculative nature of "forward-looking statements". Statements that are not historical in nature, including the words "anticipate," "estimate," "should," "expect," "believe," "intend," and similar expressions, are intended to identify forward-looking statements. Although these statements reflect our good faith belief based on current expectations, estimates and projections about (among other things) the industry and the markets in which we operate, they are not guarantees of future performance.

Whether actual results will conform to our expectations and predictions is subject to a number of known and unknown risks and uncertainties, including the risks and uncertainties discussed in this Annual Report; general economic, market, or business conditions; the opportunities that may be presented to and pursued by us; competitive actions by other companies; changes in laws or regulations; and other circumstances, many of which are beyond our control. Consequently, all of the forward-looking statements made in this Annual Report are qualified by these cautionary statements and there can be no assurance that the actual results anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us or our business or 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 carefully review and consider the various disclosures made by Paid, Inc. 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.

PART I.

Paid, Inc. (the "Company") was incorporated in Delaware as Rose International Ltd. on August 9, 1995. The Company's main web address is located at www.paid.com, which offers updated information on various aspects of our operations, as well as access to our three primary collectibles sites: www.rotmanauction.com, www.collectingexchange.com, and www.collectingchannel.com. The Company has one subsidiary, Rotman Collectibles, Inc. Information contained in the Company's websites shall not be deemed to be a part of this Annual Report. The Company's principal executive offices are located at 4 Brussels Street, Worcester, Massachusetts 01610, and the Company's telephone number is (508) 791-6710.

Item 1. Description of Business.

BUSINESS

Our Business

The Company's primary focus is to provide businesses and clients with marketing, management, merchandising, auction management, website hosting, and authentication and consignment services for the collectibles, sports, and entertainment industries. We provide business management tools for online retailers, through AuctionInc, which is home to our patent pending shipping calculator and automated auction checkout and order processing system. This system provides the fundamental structure for our celebrity web hosting and development services, and for individuals seeking a professional and interactive presence on the Internet. Rotman Auction provides the merchandise and fulfillment services for these websites, using 20 years of experience to maintain the best customer service and integrity for these celebrities. Rotman Auction also offers merchandise for sale through eBay auctions and live and private autograph signings.

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We have a large customer base dedicated to the collectibles industry from our collectibles portals. Rotman Auction and AuctionInc took advantage of this customer base and expanded and grew its operation to include and provide additional services for these customers. Our collectibles community provides access to Maloney's Antiques & Collectibles Resource Directory and our Ask the Appraiser(TM) online appraisal service. The collectibles industry includes every person that collects items that have either economic or sentimental value, such as antiques, sports and entertainment memorabilia, stamps, coins, figurines, dolls, collector plates, plush and die cast toys, cottage/village reproductions and other decorative or limited edition items that are intended for collecting and other memorabilia.

In 2004 we added the services of the newly acquired K Sports brand which specializes in athlete agent services and marketing and promoting these celebrities. K Sports delivers personalized attention to each client for services that include contract negotiations, endorsements, public relations, or charitable organizations. The merger of K Sports' experience and clientele with Paid's expertise in merchandising, website hosting, and auction management developed services for fan clubs and tour and travel packages is intended to create a business that is unrivaled in the sports and entertainment industry.

For the year ended December 31, 2004, substantially all of our revenues are derived from our auction services, conducted through our Rotman Auction brand. Rotman Auction is an auction house that has provided a full range of services to sellers and buyers, including live online bidding of premier collectibles, authentication of merchandise, digital photography, fulfillment of orders and the purchase and sale of authentic memorabilia. Most of the auctions take place through eBay.com, a person-to-person auction service. Our auctions consist of sports and non-sports cards, collectibles, Americana, autographed items, and movie memorabilia, among other types of collectibles from the 1800s to the present day. Rotman Auction also maintains a substantial inventory of memorabilia with popular and historical significance which allows customers to directly purchase the memorabilia without the competition from bidders in an auction format. Most of these sales are consummated through our website located at www.rotmanauction.com. We acquire inventory in the ordinary course of our business from a number of companies and individuals. We also may acquire inventory through acquisition of companies that own collectibles, or through the acquisition of substantially all the assets of a company that holds collectibles. Merchandise is also auctioned by Rotman Auction under consignment-type arrangements with the public where we receive a consignment fee that is paid to us from the final sale of the merchandise. For periods through 2003, our Rotman Auction operations generated approximately 97% of our revenues.

We engage in autograph signing activities under the "Rotman Auction" name, at public and private autograph signing events. We contract and pay the celebrities for their services and supplying products for the event. We hosted celebrities such as Adam Viniateri, Bronson Arroyo, Troy Brown, Johnny Damon, Deion Branch, Jim Rice, Ty Law, Terry O'Reilly, Pete Rose, Ray Bourque, Paul Pierce, Trot Nixon, Brian Daubach, Sergei Samsonov, Corey Dillon, Byron Dafoe, Derek Lowe, Tedy Bruschi, Shea Hillenbrand and Alfonso Soriano. Our autograph signing events include the creation, development and maintenance of celebrity websites. We provide a comprehensive content managed websites that include message boards, shopping, articles, statistics, biographical information and event schedules. We currently host such celebrities' websites as David Givens, Jerry Rice, Matt Light, Deuce McAllister, and Chris Chambers. Revenues are generated from sales of product produced by the celebrity. Full and part-time employees, as well as interns update the news and information on these sites. We receive payment in the form of autographs for maintaining and hosting the website. We also provide management services for order fulfillment and product distribution for the celebrities.

To assist with the inventory management and order processing Rotman Auction uses the AuctionInc platform for reducing order processing, increasing sales and improving customer service. The AuctionInc system was originally designed to just assist and improve Rotman Auction's business, but management realized that there was a need for an order management system for individuals and businesses that sell on the Internet, specifically at auction. In 2000 the technology team focused its attention on the core fundamental piece of the system called the Shipping Calculator. The Company realized the potential importance of the calculator and filed for a patent before launching it to the public in April of 2001. The product is modular based and continues to develop new tools and products for its customers.

AuctionInc Software. AuctionInc is a suite of online management tools assisting businesses with e-commerce storefronts, order processing, customer service, shipping solutions, inventory management, and auction processing. The application was designed originally to reduce overhead costs for Rotman Auction, but based on its marketability the Company began to offer the application to other sellers in 2003. A seller's use of the application reduces overhead and labor costs, and through its customer-friendly setup improves customer relations and increases sales.

AIship is a shipping calculator that automatically estimates the shipping, sales tax, and insurance on auction listings. This module automatically calculates shipping costs, carrier insurance fees, optional shipping services, and offers an adjustable shipping fee markup, and co-branded shipping calculator page. It pre-configures shipping rates with handling costs, and provides a multiple auctions tab to calculate shipping on numerous auctions. The Company receives a transaction fee for each auction listing that uses AIship.

AIseller is an auction management tool used to streamline a seller's order processing for improved customer service and higher sales. This module is designed for sellers who are selling more than 50 items per month at online auctions. It offers summary and detail order and sales reporting, auction/sales tracking, automated personalized e-mail notifications, auction re-listing reports, a complete integrated order management system, a customer checkout system, as well as automatic shipping rates and sales taxes calculations for consolidating multiple auctions. The Company receives a transaction fee for each listing at auction that uses AIseller.

The Company unveiled three new products during the fourth quarter of 2004, Paid Shopcart, Paid Shipcalc and Paid Global, each of which utilize AuctionInc.'s core business application of shipping rate engine. Paid's new eCommerce product suite will answer the question that small to medium etailers have been asking--How do I provide accurate shipping calculations to my customers? Accurate shipping calculations have historically increased the average order size and sales, due to a reduction in cart abandonment. Our products not only provide accurate shipping calculations but allow sellers to include insurance fees, flexible handling charges and advanced packaging algorithms. The Company receives an annual subscription fee based on each product subscribed for by the customer.

Sellers may access the Company to purchase any and all of our tools or applications for a flat fee and/or per-transaction fee depending on the module chosen. The Company expects to add more features and modules to the suite to enable it to grow with sellers and continue to provide them superior online selling tools.

Paid, Inc. provides web hosting and development for various clients that pay monthly hosting fees and maintenance fees for updates. This service also uses the core AuctionInc platform for maintaining web portals and storefronts systems. The Company also maintains several corporate websites which it hopes to continue to expand and grow. Through improved customer awareness and a larger customer base we hope these websites will continue to grow and offer a revenue source to the Company. These websites provide minimal revenue to the Company, but offer awareness and advertising opportunities for the Company's other products.

The Collecting Channel features extensive coverage of all aspects of collecting from its twelve micro-channels devoted to Antiques, Automotive, Books/Movies/Music, Jewelry/Gems, Stamps/Coins, Collectibles, Glass/Pottery, Dolls/Figures, Photo/Electronics, Toys/Beanie Babies, Sports and Miscellaneous. By combining information from the Collecting Exchange with the Collecting Channel

portal, we have created a comprehensive collectibles site, offering services such as web searching, broadcast services, appraisal and valuation information, auction site sign-ins, price guides, shopping and classified ads. The CollectingChannel has approximately 15,000 articles, 6,000 minutes of video, and 150,000 items in the realized pricing database archived in various collecting databases.

Appraisal Services. As part of the services we make available on our site, we also offer a completely interactive and dynamic appraisal service called Ask the AppraiserTM. The appraisal area permits visitors to send us an image in order to obtain an online appraisal of their item for a fee of $19.95 per appraisal. This service enables visitors to make informed decisions regarding their purchases, and helps sellers define the prices for their goods.

Research Center. Our research center located on the CollectingChannel.com enables users to obtain historical pricing information, view actual images, access experts on authentication and visit websites regarding the collectibles articles they are researching. The site allows a visitor to validate that a particular collectible item exists, and provides access to services that can authenticate that the item is genuine. As a means of preventing the purchases of fraudulently sold items, we have designed the research center to provide visitors with the research tools to complete transactions based on the most accurate, verified material available. Further, to the extent that the user desires to validate the authenticity of a particular item, we offer the Ask the AppraiserTM service. Authenticity can also be determined by searching dealer sites for similar items or communicating directly with dealers regarding the origin, price, and history of an item. Finally, by enabling the user to verify prices of an item or other similar items, the user is able to obtain information necessary to strike a realistic bargain.

Other Amenities. The CollectingChannel.com website also includes other amenities such as chat rooms, message boards, a classified posting area, and an information area regarding auctions. The My Collecting(TM) area of the website enables users to create and customize their own collecting pages, with personalized news, video, chat capability, wish lists and access to an extensive database of reference materials. The website also includes MaloneysOnline, a clearinghouse for hard to find information that contains the searchable Internet version of the book Maloney's Antiques & Collectibles Resource Directory. In 2003 the Company for the first time offered advertising in Maloney's Antiques & Collectibles Resource Directory.

Tartans.com is a Scottish community and portal that is home to thousands of registered users looking for information on Scotland, their heritage, and a community based area to discuss chat about their concerns. The website was moved onto the same consistent framework as all of our other websites and we have reduced maintenance time and labor costs associated with the website.

In the past year we have made significant improvements to our websites by optimizing our own proprietary software to permit the search engine to obtain faster results with greater accuracy. We provide video archives from the "Treasures in Your Home" television show, which aired between 1999 and 2001.

Industry Background

Growth of the Internet and the Web

The Internet enables millions of people worldwide to share information, communicate and conduct business electronically. The growth in the number of Web users is being driven by the increasing importance of the Internet as a communications medium, an information resource, and a sales and distribution channel. The Internet has also evolved into a unique marketing channel. Unlike the traditional marketing channels, Internet retailers do not have many of the overhead costs borne by traditional retailers. The Internet offers the opportunity to create a large, geographically dispersed customer base more quickly than traditional retailers. The Internet also offers customers a broader selection of goods to purchase, provides sellers the opportunity to sell their goods more efficiently to a broader base of buyers and allows business transactions to occur at all hours.

State of the Collectibles and Online Auction Industries

The online auction industry continues to be a strong and permanent player in e-commerce. Online auctions resolve the weaknesses of traditional auctions (i.e. limited geographical coverage, a dearth of product variety, high transaction costs and information inefficiency). The Internet overcomes these issues because it can handle large quantities of data and support an infinite number of products and services. It also allows buyers and sellers to trade on a global basis.

Business Strategy

We believe that the online auction market will continue to grow as a result of increased merchandise being offered in a variety of different categories, nostalgia for memorabilia, and investor confidence that collectibles will appreciate in value. It is our view that this growth in the e-commerce market is dependent upon the availability of reliable authentication and grading services, authoritative information necessary to value home goods, furnishings, merchandise, collectibles and trading forums or venues that enable buyers and sellers to maximize the value of their goods. We have therefore designed our portals to accommodate these concerns for collectors and auction participants. However, in order for collectors to have sellers to buy from, we have introduced the AuctionInc software suite of online tools to assist sellers. The success and growth of these directives is based on the accomplishments and progress experienced by Rotman Auction.

Our goal is to provide the tools needed to assist sellers to streamline their business operations and offer the best resources for merchants to make informed decisions by implementing the following business strategy:

- Continue auction sales on eBay for the Rotman Auction brand which provides higher profit margins by reducing the costs of producing and mailing catalogs and advertising for our own auctions. Items we sell through eBay have a much quicker turnaround time than those sold through our catalog auctions, and because the eBay sales are highly automated, the sales require less personnel to complete the sale;

- Increase the number of autograph signing events per calendar quarter while also increasing the quality of the celebrities and the number of celebrity website produced during this year;

- o Sell and generate revenue from the AuctionInc software suite through both print and online advertising and promotions;

- o Increase the volume of our online appraisals through high profile partnerships and more effective and efficient advertising and promotions;

- o Sell banner advertising on the CollectingChannel.com by charging a fee for every thousand clicks per banner, with the fee varying depending on the placement of the banner (i.e., a banner on our site's homepage would cost more per 1000 hits than a banner placed throughout the site);

- o Increase our web hosting services, charging a one time set up fee plus monthly maintenance fees, and an hourly fee for any design or feature enhancements we make;

- o Impose annual fees for dealers and stores listing products on our shopping area;

- o As the number of visitors to our site increases, impose monthly/annual membership fees.

We expect the above plan will enable us to increase our Rotman Auction brand while providing more resources for a sales and marketing campaign on both the Collecting Channel site and AuctionInc.

The business strategy described above is intended to enhance our opportunities in the online ecommerce market. However, there are a number of factors that may impact our plans and inhibit our

success. See "Risk Factors" included as Exhibit 99. Therefore, we have no guarantees and can provide no assurances, that our plans will be successful.

Marketing and Sales

The success of the Collecting Channel is contingent upon the visibility it will receive on the Internet and the revenues generated by advertising and services. Successful branding of our corporate identity and services is the key to our success. We changed our name to Paid, Inc. and are considering whether a single website would result in a more recognizable corporate entity.

Our marketing has been designed to position the Company as the premier collectibles site on the Internet. We target both traditional collectors as well as the new generation of collectors (as previously described in "Industry Background"). We target dealers, licensors, licensees, distributors and others to host collectible pavilions and other e-commerce sites and storefronts.

Marketing internet companies is a relatively new phenomenon. Whereas earlier internet advertising was mostly accomplished through banner advertising, the industry is now marketing websites through a combination of online advertising, more traditional media, and direct mail advertisement. We have adopted this approach in our marketing.

Our advertising to date has been minimal, and limited to very selective trade magazines. We believe that by advertising in a broader range of these magazines we would be able to increase our exposure substantially. We will also need to expand our advertising arrangements with auction sites and other companies in the sports, home furnishings, and collectibles. These website advertising arrangements will include mutual linking arrangements, such as other companies linking to our site and our site linking to the sites of those companies.

The Company will focus on marketing AuctionInc throughout 2005. In the past years, representatives of the Company attended trade shows, events and conferences to analyze the potential for AuctionInc and to narrow the Company's marketing base. Based on experience with existing partnerships that promote AuctionInc, the Company believes that creating partnerships is an effective marketing tool to promote and encourage new registrations. The Company will continue to seek new partnerships. The Company also intends to promote the AuctionInc product line in trade publications to reach small and midsize companies.

Although we believe that this marketing strategy will attract more users to our site, we have no commitments that our marketing will be successful or our sales will increase. There are a number of factors that may impact our plans and inhibit our success. See "Risk Factors" described in Exhibit 99. Therefore, we have no guarantees and can provide no assurances that our plans will be successful.

Revenue Sources

In 2004, 87% of our revenues were derived from our Rotman Auction operations. We also generate revenue from fan club memberships and related merchandise sales, sports marketing services, and advertising and web hosting fees.

It is anticipated that referral links may also become a source of advertising income for the Company. Sellers of merchandise will pay us for listing their storefronts on www.collectingchannel.com. When a site visitor requests a search for a collectible item, we will provide the visitor with a direct link to the seller's pavilion area or website, thus driving the sale. This referral link is the manner in which the seller can obtain visibility for their collectible item. In addition to pavilions and referral links, advertising revenues may also come from targeted banner advertising and general banner advertising.

In terms of services, we currently provide web hosting and online appraisal services. To date, we have generated minimal revenues from these services, but we expect that as the awareness of the

AuctionInc product line increases, we will be able to increase our advertising and marketing efforts, which we expect will generate revenue and may attract more visitors that will utilize these services on our site. As discussed in "Business Strategy," we also may derive revenues in the future from membership fees charged for accessing certain aspects of the Collecting Channel and fees from stores listing merchandise in our shopping area. In addition to web hosting, we expect to increase revenues through the development and design of third party websites. We have an interactive services agreement with AOL Canada pursuant to which we handle the content and maintenance of the website www.tartans.com (AOL keyword: clans) and we try to capitalize on that agreement by promoting our products and services on www.tartans.com by selling advertising space and company-owned product.

We also have an agreement with Krause Publications, pursuant to which Krause Publications prints Maloney's Antiques & Collectibles Resource Directory and we receive a percentage of the sales revenues from the book sales. We own "www.MaloneysOnline.com," a clearinghouse for hard to find information that contains the searchable Internet version of the resource directory.

Although we expect that this revenue model will generate increased revenue, if we are not successful in implementing this model, if the collectibles community is not accepting of the services we provide, if costs are higher than anticipated, or if revenues do not increase as rapidly as anticipated, we may not be able to continue positive cash flow. There are a number of factors that may impact our plans and inhibit our success. See "Risk Factors" included as Exhibit 99. Therefore, we have no guarantees and can provide no assurances, that our plans will be successful.

Competition

The electronic commerce market is relatively new, rapidly evolving and intensely competitive. Furthermore, we expect competition to intensify in the future. Barriers to entry are relatively low, and current and new competitors can launch new sites at relatively low cost using commercially available software. Our Rotman Auction operation competes with a variety of other companies depending on the type of merchandise and sales format offered to customers. These competitors include: (i) various Internet collectible companies, Collectors Universe, Shop at Home and Tri-Star Productions; (ii) a number of indirect competitors that specialize in electronic commerce or derive a substantial portion of their revenue from electronic commerce, including Internet Shopping Network and AOL, Shopping.com; and (iii) a variety of other companies that offer merchandise similar to that of our Company but through physical auctions.

In addition, several large companies sell specialty consumer products, including collectibles through interactive electronic media, including broadcast, cable and satellite television and, increasingly, the Internet. These companies include QVC, Home Shopping Network and Shop At Home. They generally have substantial financial resources and, while their current collectible offerings tend to be less focused than our collectible offerings, there can be no guarantee that they will not become significant competitors in the future.

Because our collectibles portal structure is not a buyer or seller of collectibles, it is not in direct competition with existing collectible or online auction sites. The portal will not compete with either the giants or the small players in the collectibles auction and e-commerce industries; rather, we will work in collaboration with these companies. Further, because the research capacity of the new website will be able to validate the authenticity of collectible items by providing visitors with the research tools to complete transactions based on the most accurate, verified material available, we believe other sites will value its services. We will, however, compete for banner advertisements with other portals that offer shopping search engines.

There can be no assurance that we can maintain our competitive position against potential competitors, especially those with greater financial, marketing, customer support, technical and other

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resources than us. 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 the our business, results of operations and financial condition.

Intellectual Property

Our web hosting, AuctionInc software suite, and research center software programs are proprietary. We have filed one application for a patent related to AIShip. We do not have any patents for our designs or innovations and 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. To protect our interest in our intellectual property, we restrict access by others to our proprietary software. In addition, we own the "Collecting Channel" mark and we have filed an application for the mark "Paid".

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. This assertion may require us to enter into royalty arrangements or result in costly litigation.

We are also dependent upon existing technology related to our operations that we license from third parties. When we acquired the assets of the Collecting Channel we were granted two perpetual licenses for the proprietary software eCMS and we acquired the source codes for the software. eCMS is the content management system primarily used by www.collectingchannel.com. We rely on encryption and authentication technology licensed from VeriSign 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 the Company on commercially reasonable terms. 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. Any of these delays would materially adversely affect our business, results of operations and financial condition.

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. Our principal web servers' software is Apache, a free web server software. We are using PHPShop for our e-commerce to provide highly customizable storefronts. In addition to PHPShop we develop a substantial portion of our websites with the language PHP.

Research and Development

Over the past 2 years the Company has not made additional investments in research and development.

Employees

We currently employ 28 personnel, 23 of whom are employed full time. We believe that our future success will depend in part on our continued ability to attract, hire and retain qualified personnel.

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 2. Description of Property.

Our corporate headquarters are located at 4 Brussels Street, Worcester, Massachusetts 01610. Currently, we are tenants-at-will, but we are not required to pay rent on the Brussels Street, Worcester location. The condition of our corporate headquarters is excellent. We do not invest in real estate or interests in real estate, real estate mortgages, or securities of or interests in persons primarily engaged in real estate activities, and we have no policies related to such investments.

Item 3. Legal Proceedings.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

PART II.

Item 5. Market for Common Equity, Related Stockholder Matters, and Small Business Issuer Purchases of Equity Securities.

Our common stock, par value $.001 per share, is presently traded on the Over-the-Counter Bulletin Board ("OTCBB") under the symbol, "PAYD".

The following table sets forth the high and low bid prices for our common stock as reported by OTCBB for the eight quarters ended December 31, 2004. The quotations from the OTCBB reflect inter-dealer prices without retail mark-up, mark-down, or commission and may not represent actual transactions.

2004	High	Low
Quarter ended March 31, 2004	$ .80	$ .175
Quarter ended June 30, 2004	$ .47	$ .275
Quarter ended September 30, 2004	$ .39	$ .221
Quarter ended December 31, 2004	$ .34	$ .05

2003	High	Low
Quarter ended March 31, 2003	$ .066	$ .035
Quarter ended June 30, 2003	$ .24	$ .035
Quarter ended September 30, 2003	$ .255	$ .095
Quarter ended December 31, 2003	$ .23	$ .115

As of March 7, 2005, there were approximately 2,936 holders of record of our common stock.

In 2003 the Company amended its bylaws to require that stock certificates include the name of the beneficial owner, who is the ultimate owner of the stock. Because of this requirement, all trades of our common stock were settled and cleared through physical delivery of stock certificates to our transfer agent rather than through Depository Trust Company. During the fourth quarter of 2004, the Company

amended its bylaws to no longer require that stock certificates include the name of the beneficial owner, and the Company's shares were promptly available for settlement and clearance through DTC.

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.

Equity Compensation Plan Information

	Number of Securities To be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number o Remainin Future I Equity C Plans (E Securiti Column ((c)
Equity Compensation Plans Approved by Security Holders	25,000,000	$.041	5,000,00
Equity Compensation Plans Not Approved by Security Holders	701,418	$.143	1,539,60
Total	25,701,418	$.044	6,539,60

Refer to Note 7, Notes to Consolidated Financial Statements for the Years ended December 31, 2004 and 2003, incorporated by reference in Part II, Item 7, of this Annual Report, for a detailed discussion of the stock options and warrants that are outstanding.

Item 6. Management's Discussion and Analysis or Plan of Operation.

Overview

Our innovative products and services are utilized in online auction management, e-commerce and web site development. AuctionInc. provides auction management tools and services to sellers and buyers. The technology is based on our patent-pending process that streamlines back-office and shipping processes for online auctions and e-commerce. Our new celebrity services offer famous people official web sites and fan-club services including e-commerce storefronts, articles, polls, message boards, contests, biographies and custom features to attract tens of thousands of visitors daily. Our autograph signing events, working in conjunction with our new sports agent marketing services, have created more services and opportunities for our sports clientele Our primary business, based on our revenues, is the purchase and sale of collectibles and memorabilia through our Rotman Auction brand. Rotman Auction is an eBay Platinum Powerseller that sells thousands of items each week on eBay and provides consignment services, authentication and public and private autograph events. We also build and maintain large database-driven portals across a broad array of industries, including CollectingChannel.com, which is home to our online appraisal service, Ask the Appraiser.

Critical Accounting Policies

Our significant accounting policies are more fully described in Note 3 to our financial statements. However, certain of our accounting policies are particularly important to the portrayal of our financial position and results of operations and require the application of significant judgment by our management; as a result, they are subject to an inherent degree of uncertainty. In applying these policies,

our management makes estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. Those estimates and judgments are based upon our historical experience, the terms of existing contracts, our observance of trends in the industry, information that we obtain from our customers and outside sources, and on various other assumptions that we believe to be reasonable and appropriate under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Our critical accounting policies include:

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

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

Results of Operations

The following discussion compares the Company's results of operations for the year ended December 31, 2004 with those for the year ended December 31, 2003. The Company's 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.

Revenue. For the year ended December 31, 2004, revenue was $1,853,000, 87% of which is attributable to sales of the Company's own product and fees from buyers and sellers through the Rotman Auction operations. Gross sales of the Company's own product were $1,613,500. Fan club membership and related merchandise sales revenues were $126,500, 7% of gross revenues, Sports marketing revenues were $90,200, 5% of gross revenues, and advertising and web hosting fees were $17,500 or 1% of gross revenues during the year ended December 31,

2004. Substantially all of fan club membership and sports marketing revenues were generated during the fourth quarter of 2004. Management anticipates continued increases in revenues from these sources during 2005.

The Company's 2004 revenues represent an increase of approximately $349,100, or 23%, from the year ended December 31, 2003, in which revenue was $1,503,500. For the year ended December 31, 2003, sales of the Company's product were $1,450,200, or 96% of gross sales, and advertising and web hosting fees were $38,800, or 3% of gross revenues.

The reason for the increase in revenues was higher sales of Company owned product of approximately $163,300 from the same period in 2003. Gross profit from Company owned product sales for the year ended December 31, 2004 was approximately $618,700, $63,400 more than in 2003. Since gross margin percentages on Company owned product were the same in both years, and sales of Company owned product were $163,300 higher in the year ended December 31, 2004, the Company produced $63,400 higher gross margin dollars in 2004. The increase in sales and gross profit margin is attributable to sales of higher dollar value items during 2004 and an increase in our average invoice amount. In addition, during the fourth quarter of 2004 the Company acquired the operating assets of K Sports & Entertainment LLC ("K Sports"), a sports marketing business and entered into a contract to host and manage the fan club website for a major performing artist. Revenues from these two sources accounted for $216,500 of revenues in 2004.

Operating Expenses. Total operating expenses for the year ended December 31, 2004 were $4,272,100, compared to $3,914,000 for the corresponding period in 2003, an increase of $358,000. Sales, general and administrative ("SG&A") expenses for the year ended December 31, 2004 were $3,492,300, compared to $3,294,100 for the year ended December 31, 2003. The increase of $198,200 in SG&A costs includes decreases in depreciation and amortization of $208,600 due to certain assets becoming fully depreciated during 2004, and professional fees of $23,800, offset by increases in payroll and related costs of $324,900 principally attributable to additional personnel related to the K Sports and fan club services, and other costs of $108,100 due to business development costs and related travel. Costs associated with planning, maintaining and operating our web sites for the year ended December 31, 2004 increased $159,800 from 2003. This increase is due primarily to an increase in personnel costs of $253,200 due to ramp up costs related to fan club memberships and increases in compensation to our technology staff, offset by a decrease in depreciation and amortization of $47,900 as certain website development costs became fully depreciated. In addition, during 2004 the company capitalized approximately $64,700 of website development costs.

Interest Expense. For the year ended December 31, 2004, the Company incurred interest charges of approximately $497,300 principally associated with one convertible note, compared to interest charges of $409,500 for the corresponding period in 2003. The increase of $87,900 is attributable to higher balances of interest-bearing debt in 2004 as well as greater amortization of beneficial conversion features.

Net Loss. The Company realized a net loss for the year ended December 31, 2004 of approximately $4,079,700, or $.02 per share, as compared to a loss of $3,714,900, or $.03 per share for the year ended December 31, 2003.

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

Assets

At December 31, 2004, total assets of the Company were $1,764,900, compared to $2,702,400 at December 31, 2003. The decrease was primarily due to depreciation and amortization totaling $1,077,900.

Operating Cash Flows

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

	2004	2003
Net loss	$(4,079,700)	$(3,714,900)
Depreciation and amortization	1,077,900	1,384,400
Amortization of beneficial conversion Discount and debt discount	291,500	245,500
Common stock issued in payment of services	1,401,500	1,037,700
Common stock issued in payment of interest	315,200	--
Changes in current assets and liabilities	264,900	518,600
Net cash used in operating activities	$ (728,700)	$ (528,700)

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Working Capital and Liquidity

The Company had cash and cash equivalents of $43,500 at December 31, 2004, compared to $104,400 at December 31, 2003. The Company had a $542,800 deficit in working capital at December 31, 2004, compared to a working capital deficit of $124,000 at December 31, 2003. At December 31, 2004 current liabilities were $1,446,000 compared to $1,013,700 at December 31, 2003. Current liabilities increased at December 31, 2004 compared to December 31, 2003 primarily due to higher payroll, professional and consulting, consignment and K-Sports and fan club accruals, offset by lower interest accruals and accounts payable. The Company was also obligated under $145,000 more short term interest bearing debt in 2004. As discussed in greater detail in Note 9 to the Financial Statements, included in Part I of this annual report and incorporated by reference herein, the Company has two outstanding convertible notes held by Augustine Fund, L.P. The Series A Note, in the original principal amount of $3,000,000, has been reduced to $251,900 as of December 31, 2004 through the conversion of principal into common stock. During the first quarter of 2005 the balance of this note was settled through further conversions to common stock. The Series B Note has a principal amount outstanding as of December 31, 2004 of $2,250,000.

The Company's independent auditors have issued a going concern opinion on the Company's consolidated financial statements for the year ended December 31, 2004. The Company needs an infusion of $600,000 to $800,000 of additional capital to fund anticipated operating costs over the next 12 months. Management anticipates growth in revenues and gross profits from its celebrity services products and websites; including memberships, fan experiences, ticketing, appearances, and merchandise sales. In addition, the Company hosts a suite of management tools and enhanced shipping calculator solutions for small ecommerce enterprises. These services, coupled with sales of movie posters, both from inventory and on consignment, and web hosting are expected to increase revenues and result in higher gross profit. Subject to the discussion below, Management believes that the Company has sufficient cash commitments to fund operations during the next 12 months. These commitments include call options for approximately 395,000 shares of common stock, which were assigned during the first quarter of 2005 in exchange for $100,000 of cash. Finally, Management believes that it has identified several potential funding sources for additional financing.

Management believes that these plans should result in obtaining sufficient operating cash through the next 12 months. However, there can be no assurance that the above mentioned potential financing can be completed on terms reasonably acceptable to the Company.

Forward Looking Statements

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

Although forward-looking statements in this 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 Exhibit 99, "Risk Factors", in the Company's Form 10-KSB for the fiscal year ended December 31, 2004.

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

Item 7. Financial Statements.

The consolidated financial statements and supplementary data required by this item appear on Page F-1 immediately following the signature page and certifications, and are incorporated by reference herein.

Item 8. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 8A. Controls and Procedures.

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

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

Item 8B. Other Information

None.

Part III.

Item 9. Directors and Executive Officers of the Registrant.

Directors and Executive Officers

The following table sets forth certain information regarding the directors and executive officers of Paid, Inc.:

Name	Age	Position
Gregory Rotman*	38	Director, Chief Executive Officer & President
Richard Rotman*	34	Director, Chief Financial Officer, Vice President, Treasurer & Secretary
Andrew Pilaro	35	Director

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*   Gregory Rotman and Richard Rotman are brothers.

Each of the directors 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. The Company has not held an annual meeting or elected directors since September 19, 2000. Under the Delaware General Corporation Law, each director holds office until such director's successor is elected and qualified or until such director's earlier resignation or removal. The following is a description of the current occupation and business experience for at least five years for each director and executive officer.

Gregory Rotman has served as a Director and the Chief Executive Officer and President of Paid, Inc. since February 1999. From 1995 to 1998, he served as a Partner of Teamworks, Inc., LLC , which was responsible for the design, financing and build-out of MCI National Sports Gallery.

Richard Rotman has served as a Director and the Chief Financial Officer, Vice President, Treasurer and Secretary of Paid, Inc. since February 1999. Prior to joining Paid, Inc., he was involved in the management and day-to-day operations of Rotman Auction, which he formed in February 1997. From 1995 until February 1997, Mr. Rotman worked for the family business, Rotman Collectibles, where he began in sales and distribution in the new product division. As the industry was changing, Rotman Collectibles began focusing on auctions as a more permanent division and during 1996, he began to create a presence on the Internet. Mr. Rotman's primary expertise is in management and daily operations. From 1994 to 1995, Mr. Rotman served as the director of an art gallery in Jackson, Wyoming, selling original artwork to high-end clientele.

Andrew Pilaro has served as a Director of Paid, Inc. since September 2000. Since August, 1996, he has served as the Assistant to the Chairman of CAP Advisors Limited, an investment management company, with responsibility for asset management. From August, 1995 to August, 1996, Mr. Pilaro was a clerk at Fowler, Rosenau & Geary, L.P., a stock specialist firm.

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.

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 stockholders, free of charge, upon request to: Richard Rotman, CFO, Paid, Inc., 4 Brussels Street, Worcester, Massachusetts 01610 or (508) 791-6710.

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 to Gregory Rotman and Richard Rotman, who are beneficial owners of more than 10% of the Company's stock, have been complied with for the period which this Form 10-KSB relates.

Item 10. Executive Compensation

The following table sets forth the compensation of the Company's chief executive officer, the chief financial officer, and each officer whose total cash compensation exceeded $100,000, for the last three fiscal years ended December 31, 2004, 2003, and 2002.

SUMMARY COMPENSATION TABLE

		Annual Compensation	Long-Term Compensation
			Awards
Name and Principal Position(1)	Fiscal Year (1)	Salary (2)	Securities Underlying Options (#)
Gregory Rotman	2004	$92,154	0
President and Chief Executive Officer	2003	$ 72,000	0
	2002	$ 83,464	10,000,000
Richard Rotman	2004	$93,491	0
Chief Financial Officer and Vice President and Secretary	2003	$ 90,532	0
	2002	$ 83,464	10,000,000

(1) On October 11, 2002, both Gregory Rotman and Richard Rotman were granted options to purchase 10,000,000 shares of common stock at an exercise price of $.041, under the Company's 2002 Stock Option Plan, pursuant to the following vesting schedule: options to purchase 4,000,000 shares of common stock vested on

April 11, 2003; options to purchase 3,000,000 shares of common stock vested on October 11, 2003, and options to purchase 3,000,000 shares vested on October 11, 2004.

(2) For 2004, 2003, and 2002, the Company paid the amount shown as compensation , but has accrued the difference between these amounts per annum for both Gregory Rotman and Richard Roman of $100,000.

No options were granted to the named executive officers during the last fiscal year.

The following table sets forth certain information related to the number of options exercised and the number and value of exercisable and unexercisable options of the named executive officers as of December 31, 2004:

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FY-END OPTION/SAR VALUES

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options/SARs at FY-End (#) Exercisable/ Unexercisable	Value of Unexercis In-The-Mon Options/SAR FY-End ($ Exercisabl Unexercisa
Gregory Rotman, President and CEO	0	$0	10,000,000/0	$2,340,000
Richard Rotman, Vice President, CFO and Secretary	0	$0	10,000,000/0	$2,340,000

(1) Based on closing price of $.275 on December 31, 2004 as reported by the OTC Bulletin Board.

None of the Company's directors receives any compensation from the Company for serving as directors. However, on October 11, 2002, Andrew Pilaro received options to purchase 2,000,000 shares of common stock at an exercise price of $.041, pursuant to the 2002 Stock Option Plan, subject to the following vesting schedule: options to purchase 800,000 shares of common stock vested immediately; options to purchase an additional 600,000 shares of common stock vested on October 11, 2003, and options to purchase 600,000 shares of common stock vested on October 11, 2004. Based on a closing price of the Company's common stock as report on the OTC Bulletin Board of $.25 as of December 31, 2004, Mr. Pilaro's exercisable options have a value of $468,000.

Item 11. 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 7, 2005 of each of our directors and executives officers, and all of our directors and executive officers as a group. The address of each person named below is the address of the Company.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	% of Class
Gregory Rotman	18,309,005(1)	9.9%
Richard Rotman	20,080,451(1)	10.8%
Andrew Pilaro	2,068,700(2)	1.2%
All directors and officers as a group (3 individuals)	40,458,156	21.6%

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(1) Includes options to purchase 10,000,000 shares of the Company's common stock at an exercise price of $.041, 4,000,000 of which vested on April 1, 2003, 3,000,000 of which vested on October 11, 2003, and 3,000,000 of which vested on October 11, 2004.

(2) Includes 17,200 shares held indirectly as custodian for Mr. Pilaro's minor sons and options to purchase 2,000,000 shares of the Company's common stock at an exercise price of $.041, 800,000 of which vested on October 11, 2002, 600,000 of which vested on October 11, 2003, and 600,000 of which vested on October 11, 2004.

To the knowledge of the Company's management, as of March 7, 2005, there are no persons and/or companies who or which beneficially own, directly or indirectly, shares carrying more than 5% of the voting rights attached to all outstanding shares of the Company, other than Gregory Rotman and Richard Rotman, as set forth above.

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-KSB.

Item 12. Certain Relationships and Related Transactions.

In December 2001, the Company engaged Steven Rotman to provide consulting services to the Company. Steven Rotman is the father of Gregory Rotman and Richard Rotman. At December 31, 2002, the Company owed Steven Rotman $43,074 in consulting fees for these services. During 2003, the Company incurred an additional $160,000 in consulting fees for these services, of which $111,416 was paid in the form of options to purchase 2,914,958 shares of common stock of the Company, pursuant to the Company's 2001 Non-Qualified Stock Option Plan, all of which were exercised. During 2004, the Company incurred another $160,000 in compensation to Steven Rotman, none of which was paid, for a total accrued but unpaid amount equal to $251,659 at December 31, 2002. Under the 2001 Non-Qualified Stock Option Plan employees and consultants may elect to receive their gross compensation in the form of options to acquire the number of shares of the Company's common stock equal to their gross compensation divided by the fair value of the stock on the date of grant. Management believes that the terms of the engagement with Steven Rotman are fair and reasonable to the Company and no less favorable than could have been obtained by an unaffiliated third party.

In 2002, the Company obtained private financing from Mr. Steven Rotman in the aggregate amount of $115,000 pursuant to 8% promissory notes, and borrowed an additional $15,000 in 2003, all of which is outstanding. Management believes that the terms of the financing with Steven Rotman are fair and reasonable to the Company and no less favorable than could have been obtained by an unaffiliated third party.

In 2003, the Company acquired approximately $63,000 of memorabilia for sale from Mr. Steven Rotman. In 2004, the Company acquired approximately $110,000 of memorabilia for sale from Mr. Steven Rotman.

Item 13. Exhibits, List and Reports on Form 8-K.

(a) Exhibits.

Exhibits are numbered in accordance with Item 601 of Regulation S-B.

Exhibit Description of Exhibits

No.	
3.1	Certificate of Incorporation, as amended (incorporated by reference to Exhibit 3.1 to Form 8-K, filed on November 25, 2003)
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to Form 8-K, filed on December 8, 2004)
4.1	Specimen of certificate for Common Stock (incorporated by reference to Exhibit 4.1 to Form SB-2/A filed on December 1, 2000)

4.2	Convertible Note dated March 23, 2000 issued to Augustine Fund, LP pursuant to Securities Purchase Agreement (incorporated by reference to Exhibit 10.3 to Form 10-KSB filed on April 14, 2000)
4.3	Convertible Note, dated November 7, 2001, issued to Leslie Rotman pursuant to Agreement and Plan of Merger (incorporated by reference from Exhibit 4.1 to Form 8-K filed on November 21, 2001)
4.4	Convertible Note, dated November 7, 2001, issued to Augustine Fund, L.P., pursuant to Loan Agreement (incorporated by reference from Exhibit 4.2 to Form 8-K filed on November 21, 2001)
4.5	Modification Agreement dated September 19, 2000 between the Registrant and Augustine Fund, L.P. (incorporated by reference to Exhibit 4.7 to Form S-3 filed on October 25, 2000).
4.6	Amended Modification Agreement dated July 15, 2001, between the Company and Augustine Fund, L.P. (incorporated by reference from Exhibit 4.1 to Form SB-2/A filed on August 8, 2001)
4.7	Second Amended Modification Agreement dated August 30, 2001 between the Company and Augustine Fund, L.P. (incorporated by reference from Exhibit 4.11 to Form SB-2 filed on August 31, 2001)
4.8	Third Amended Modification Agreement dated May 21, 2002 between the Company and Augustine Fund, L.P. (incorporated by reference from Exhibit 4.1 to Form 10-QSB/A filed on November 21, 2001)
4.9	Modification Agreement dated May 21, 2002 between the Company and Augustine Fund, L.P. (incorporated by reference from Exhibit 4.2 to Form 10-QSB/A filed on November 21, 2001)
4.10	Second Modification Agreement dated October 31, 2003 between the Company and Augustine Fund, L.P.
4.11	Warrant issued by the Registrant to Delano Group Securities, LLC (incorporated by reference to Exhibit 10.7 to Form 10-KSB

filed on April 14, 2000).

4.12	Warrant dated March 23, 2000 issued to Augustine Fund, LP pursuant to Securities Purchase Agreement (incorporated by reference to Exhibit 10.4 to Form 10-KSB filed on April 14, 2000)
10.1	1999 Stock Option Plan (incorporated by reference to Exhibit 10.2 to Form SB-2/A filed on December 1, 2000)
10.2	1999 Omnibus Share Plan (incorporated by reference to Exhibit 10.3 to Form SB-2/A filed on December 1, 2000)
10.3	2001 Non-Qualified Stock Option Plan, as amended (incorporated by reference from Exhibit 99.1 to Form S-8 filed on September 5, 2003)
10.4	2002 Stock Option Plan (incorporated by reference from Exhibit 10.17 to Form 10-KSB filed on September 5, 2003)
10.5	Securities Purchase Agreement dated March 23, 2000 between the Registrant and Augustine Fund, LP. (incorporated by reference to Exhibit 10.2 to Form 10-KSB filed on April 14, 2000)
10.6	Loan Agreement, dated November 7, 2001, by and between Augustine Fund, L.P. and the Company (incorporated by reference from Exhibit 10.1 to Form 8-K filed on November 21, 2001)
10.7	Loan Agreement dated May 21, 2002 between the Company and Augustine Fund, L.P. (incorporated by reference from Exhibit 4.4 to Form 8-K filed on November 21, 2001)
10.8	Agreement and Plan of Merger between the Company, Rotman Collectibles, Inc. and Leslie Rotman dated October 23, 2001 (incorporated by reference from Exhibit 2.1 to Form 8-K filed on November 21, 2001)
10.9	Registration Rights Agreement dated March 23, 2000 between the Company and Augustine Fund, L.P. (incorporated by reference to Exhibit 10.5 to Form 10-KSB filed on April 14, 2000)
10.10	Registration Rights Agreement, dated November 7, 2001, by and between Augustine Fund, L.P. and the Company (incorporated by reference from Exhibit 4.4 to Form 8-K filed on November 21, 2001)
10.11	Registration Rights Agreement, dated November 7, 2001, by and between Leslie Rotman and the Company (incorporated by reference from Exhibit 4.3 to Form 8-K filed on November 21, 2001)

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10.12	Escrow Agreement dated March 23, 2000 among the Registrant, Augustine Fund, LP and H. Glenn Bagwell, Jr. pursuant to Securities Purchase Agreement (incorporated by reference to Exhibit 10.6 to Form 10-KSB filed on April 14, 2000)
10.13	Software License Agreements dated November 8, 2000 between the

	Registrant and CSEI (incorporated by reference to Exhibit 10.1 to Form 8-K filed on November 22, 2000)
21	Subsidiaries of the Registrant (included in Item I)*
23	Consent of Carlin, Charron & Rosen, LLP*
31.1	CEO Certification required under Section 302 of Sarbanes-Oxley Act of 2002*
31.2	CFO Certification required under Section 302 of Sarbanes-Oxley Act of 2002*
32	CEO and CFO Certification required under Section 906 of Sarbanes-Oxley Act of 2002*
99	Risk Factors*

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* filed herewith

(b) Reports on Form 8-K.

The Company filed a report on Form 8-K with the Securities and Exchange Commission as of December 7, 2004, pursuant to Items 5.03 and 9.01, announcing that the Company amended and restated its bylaws to eliminate a requirement that stock certificates include the name of any beneficial owner.

Item 14. Principal Accountant Fees and Services.

Audit Fees. The aggregate fees billed by Carlin, Charron & Rosen, LLP for the audit of the Company's annual consolidated financial statements for the fiscal year ended December 31, 2004 and 2003, and the reviews of the consolidated financial statements included in the Corporation's Forms 10-QSB for fiscal years 2004 and 2003, were $50,000 and $48,000, respectively.

Audit Related Fees. There were no fees billed to the Company by Carlin, Charron & Rosen, LLP in either of the past two fiscal years for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements.

Tax Fees. There were no fees billed to the Company by Carlin, Charron & Rosen, LLP in either of the past two fiscal years for professional services for tax compliance, tax advice, and tax planning.

All Other Fees. There were no fees billed to the Company by Carlin, Charron & Rosen, LLP for any other services for the past two fiscal years.

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%.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PAID, INC.

By: /s/ Gregory Rotman

Gregory Rotman, President
Date: March 29, 2005

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Gregory Rotman

Gregory Rotman, President and Director
Date: March 29, 2005

/s/ Richard Rotman

Richard Rotman, Vice President, Treasurer,
Secretary and Director
Date: March 29, 2005

/s/ Andrew Pilaro

Andrew Pilaro, Director
Date: March 29, 2005

PAID, INC. AND SUBSIDIARY

DECEMBER 31, 2004 AND 2003

CONSOLIDATED FINANCIAL STATEMENTS

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Paid, Inc.

We have audited the accompanying consolidated balance sheets of Paid, Inc. and subsidiary (the Company) as of December 31, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity (deficit) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Paid, Inc. and subsidiary as of December 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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 incurred recurring losses, has had negative cash flows from operations, and has a shareholders' deficit at December 31, 2004. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding those 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.

/s/ Carlin, Charron & Rosen, LLP

Westborough, Massachusetts
March 16, 2005

PAID, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31,

ASSETS	2004	2003
Current assets:		
Cash and cash equivalents	$ 43,558	$ 104,397
Accounts receivable	45,739	3,529
Inventories, net	624,082	702,078
Prepaid expenses	125,180	57,364
Due from employees	55,656	19,508
Other current assets	9,073	2,823
Total current assets	903,288	889,699
Property and equipment, net	172,706	397,950
Other intangible assets, net	688,872	1,414,737
Total assets	$ 1,764,866	$ 2,702,386

LIABILITIES AND SHAREHOLDERS' DEFICIT	2004	2003
Current liabilities:		
Notes payable	$ 290,000	$ 145,000
Accounts payable	164,829	204,698
Accrued expenses	991,196	663,993
Total current liabilities	1,446,025	1,013,691
Convertible debt	2,398,021	3,001,573
Shareholders' deficit:		
Common stock, $.001 par value, 350,000,000 shares authorized; 173,320,731 and 159,100,228 shares issued and outstanding at December 31, 2004 and 2003, respectively	173,321	159,100
Additional paid-in capital	21,166,334	17,832,123
Accumulated deficit	(23,383,835)	(19,304,101)
Unearned compensation	(35,000)	--
Total shareholders' deficit	(2,079,180)	(1,312,878)
Total liabilities and shareholders' deficit	$ 1,764,866	$ 2,702,386

See accompanying notes to consolidated financial statements

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PAID, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31,

	2004	2003

Revenues	$ 1,852,545	$ 1,503,460
Cost of revenues	1,162,953	894,932
Gross profit	689,592	608,528
Operating expenses:		
Selling, general, and administrative expenses	3,492,264	3,294,051
Web site development costs	779,811	619,994
Total operating expenses	4,272,075	3,914,045
Loss from operations	(3,582,483)	(3,305,517)
Other income (expense):		
Interest expense	(497,320)	(409,469)
Other income	69	113
Total other expense, net	(497,251)	(409,356)
Loss before income taxes	(4,079,734)	(3,714,873)
Provision for income taxes	--	--
Net loss	$ (4,079,734)	$ (3,714,873)
Loss per share (basic and diluted)	$ (0.02)	$ (0.03)
Weighted average shares	163,762,845	143,882,625

See accompanying notes to consolidated financial statements

PAID, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	Common stock		Additional Paid-in	Accumulat
	Shares	Amount	Capital	deficit
Balance, December 31, 2002	128,309,528	$ 128,310	$15,231,677	$(15,589,
Amortization of stock-based compensation				
Issuance of common stock pursuant to exercise of stock options granted to employees for services	1,501,608	1,501	96,600	
Common stock issued in payment of professional and consulting fees	14,640,215	14,640	924,924	

Conversions of notes payable	14,648,877	14,649	1,367,621	
Beneficial conversion discount	--	--	211,301	
Net loss	--	--	--	(3,714,
Balance, December 31, 2003	159,100,228	159,100	17,832,123	(19,304,
Compensatory stock options granted	--	--	195,000	
Amortization of stock-based compensation	--	--	--	
Issuance of common stock pursuant to exercise of stock options granted to employees for services	800,679	801	192,714	
Common stock issued in payment of professional and consulting fees	4,240,573	4,241	1,043,743	
Common stock issued in payment of interest on convertible debt	3,924,905	3,925	311,300	
Common stock issued in connection with acquisition of assets of K-sports & Entertainment, LLC	195,313	195	62,305	
Conversions of notes payable	4,882,783	4,883	931,705	
Proceeds from assignment of call options	--	--	573,060	
Exercise of stock options	176,250	176	--	
Beneficial conversion discount	--	--	24,384	
Net loss	--	--	--	(4,079,
Balance, December 31, 2004	173,320,731	$ 173,321	$21,166,334	$(23,383,

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

	2004	2003
Operating activities:		
Net loss	$(4,079,734)	$(3,714,87
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,077,889	1,384,35

Bad debt expense	--	6,97
Amortization of unearned compensation	10,000	44,61
Beneficial conversion feature	291,494	245,46
Common stock issued in payment of interest	315,225	-
Common stock issued in payment of professional and consulting fees	1,047,984	939,56
Issuance of common stock pursuant to exercise of stock options granted to employees for services	193,515	98,10
Compensatory stock options granted	150,000	-
Changes in assets and liabilities:		
Accounts receivable	72,340	(3,01
Inventories	77,996	264,67
Prepaid expense and other current assets	(110,214)	25,26
Accounts payable	(39,869)	(55,84
Accrued expenses	264,703	235,98
Net cash used in operating activities	(728,671)	(528,73
Investing activities:		
Property and equipment additions	(66,330)	(9,45
Cash paid for assets of K Sports & Entertainment, LLC	(50,000)	-
Net cash used in investing activities	(116,330)	(9,45
Financing activities:		
Net proceeds from notes payable	145,000	30,00
Proceeds from convertible debt	65,926	571,30
Proceeds from assignment of call options	573,060	-
Proceeds from exercise of stock options	176	-
Net cash provided by financing activities	784,162	601,30
Net increase in cash and equivalents	(60,839)	63,11
Cash and equivalents, beginning	104,397	41,28
Cash and equivalents, ending	$ 43,558	$ 104,39

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:		
Income taxes	$ --	$ -
Interest	$ 1,125	$ 6,75

See accompanying notes to consolidated financial statements

PAID, INC. AND SUBSIDIARY

DECEMBER 31, 2004 AND 2003

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization

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

On October 7, 2004 the Company acquired operating assets of K Sports & Entertainment LLC ("K Sports") comprised of accounts receivable totaling $114,550, property and equipment valued at $5,550 and intangible assets comprised of contract rights, valued at $54,900. The purchase price, totaling $175,000, was paid with 195,313 unregistered shares of company stock, valued at $62,500, $50,000 in cash, and a commitment to issue an additional 195,312 unregistered shares of company stock, valued at $62,500 on October 7, 2005. K Sports operated as a sports agency business and is expected to supplement and enhance the Company's celebrity services offerings.

Note 2. Management's Plans

The Company has continued to incur significant losses. For the years ended December 31, 2004 and 2003 the Company reported losses of approximately $4,1900,000 and $3,700,000, respectively.

To date the Company has met its cash needs from the proceeds of convertible debt, the related warrants, and the assignment of call options discussed in Note 7.

Management anticipates growth in revenues and gross profits from its celebrity services products and websites; including memberships, fan experiences, ticketing, appearances, and merchandise sales. In addition, the Company hosts a suite of management tools, and enhanced shipping calculator solutions for small ecommerce enterprises. These services, coupled with sales of movie posters, both from inventory and on consignment, and web hosting services are expected to increase revenues and result in higher gross profit.

A 2002 Settlement Agreement provided the Company with call options for approximately 2.3 million shares of common stock. As of December 31, 2004 the Company still holds call options for 394,535 shares of common stock. Assignment of these call options during January 2005 generated approximately $100,000.

Management believes that it has identified several potential sources for additional financing. Based upon current cash positions, the Company needs an infusion of $600,000 to 800,000 of additional capital to fund anticipated operating costs over the next 12 months.

Although there can be no assurances, the Company believes that the above anticipated additional revenues, and additional financing will be sufficient to meet the Company's working capital requirements through the end of 2005.

Note 3. Summary Of Significant Accounting Policies

Principles of consolidation

The accompanying consolidated financial statements include the accounts of Paid, Inc. and its wholly-owned subsidiary, Rotman Collectibles, Inc. All inter-company balances and transactions have been eliminated.

Cash and cash equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Inventories

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

On a periodic basis management reviews inventories on hand to ascertain if any is slow moving or obsolete. In connection with this review, at December 31, 2004 and 2003 the Company has provided for reserves totaling $300,000 and $270,000, respectively.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight line and double declining balance method over the estimated useful lives of 3 to 5 years.

Intangible Assets

Intangible assets are being amortized on a straight-line basis over estimated useful lives of two to five years.

The Company accounts for intangible assets in accordance with Financial Accounting Standards Board Statement No. 142 "Goodwill and Other Intangible Assets" (SFAS No. 142). SFAS No. 142 addresses the initial recognition and measurement of intangible assets acquired outside of a business combination and the accounting for goodwill and other intangible assets subsequent to acquisition. SFAS No. 142 provides that intangible assets with finite lives be amortized and that goodwill and intangible assets with indefinite lives not be amortized, but rather be tested at least annually for impairment.

Revenue Recognition

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

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

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

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

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

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

Fan club membership fees are recognized when the member joins and all direct costs associated with the membership have been incurred.

Advertising Costs

Advertising costs totaling approximately $99,500 in 2004 and $96,200 in 2003, are charged to expense when incurred.

Fair Value of Financial Instruments

Cash and cash equivalents, accounts receivable, accounts payable and accrued expenses - The carrying amount of these financial instruments approximates fair value because of the short-term nature of these instruments.

Notes payable - The carrying amount of these financial instruments approximates fair value as the interest rate approximates market rates.

Convertible debt - The carrying amount of these financial instruments

approximates fair value as the interest rates approximate market rates.

Concentrations of Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable.

Cash and cash equivalents - The Company places its cash and cash equivalents with high credit quality institutions. The Company had no cash deposits in excess of federal depository insurance limits at December 31, 2004 and 2003.

Accounts receivable - The Company maintains receivable balances with certain of its customers and typically does not require collateral. The Company reviews a customer's credit history before extending credit and establishes an allowance for doubtful accounts based upon periodic reviews of the credit risk of specific customers and other information, if necessary. Based on experience to date, potential credit losses are considered minimal.

Income Taxes

Deferred tax asset and liabilities are recorded for temporary differences between the financial statement and tax bases of assets and liabilities using the enacted income tax rates expected to be in effect when the taxes are actually paid or recovered. A deferred tax asset is also recorded for net operating loss, capital loss and tax credit carry forwards to the extent their realization is more likely than not. The deferred tax expense for the period represents the change in the deferred tax asset or liability from the beginning to the end of the period.

Use of Estimates

In preparing consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the amounts reported as assets and liabilities as of the date of the balance sheets and reported amounts of revenue and expenses during the reporting periods. Material estimates that are particularly susceptible to significant change in the near term relate to inventories, intangible assets and deferred tax asset valuation. Although these estimates are based on management's knowledge of current events and actions, they may ultimately differ from actual results.

Stock Compensation Plans

The Company accounts for stock based employee compensation in accordance with Statement of Financial Accounting Standards (SFAS) No. 148, "Accounting for Stock Based Compensation - Transition and Disclosure". SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation" to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation and requires prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results.

Although SFAS Nos. 123 and 148 encourage all entities to adopt a fair value based method of accounting for employee stock compensation plans, they also allow an entity to continue to measure compensation cost for

those plans using the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," whereby compensation cost is the excess, if any, of the quoted market price of the stock at the grant date (or other measurement date) over the amount an employee must pay to acquire the stock. Stock options issued under the Company's stock option plan typically have no intrinsic value at the grant date, and under Opinion No. 25 no compensation cost is recognized for them. The Company has elected to continue with the accounting methodology in Opinion No. 25 and has provided pro forma disclosures, in accordance with SFAS No. 148, of net income and earnings per share as if the fair value based method of accounting had been applied (refer to Note 7).

Earnings Per Common Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate to convertible debt and outstanding stock options and warrants. The number of common shares that would be issued upon conversion of the convertible debt would have been 12,447,224 as of December 31, 2004 and 24,981,882 as of December 31, 2003. The number of common shares that would be included in the calculation of outstanding options and warrants is determined using the treasury stock method. The assumed conversion of outstanding dilutive stock options and warrants would increase the shares outstanding but would not require an adjustment of income as a result of the conversion. Stock options and warrants applicable to 26,101,418 shares and 25,642,250 shares at December 31, 2004 and 2003, respectively, have been excluded from the computation of diluted earnings per share, as have the common shares that would be issued upon conversion of the convertible debt, because they were antidilutive. Diluted earnings per share have not been presented as a result of the Company's net loss for each year.

Asset Impairment

In accordance with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets", long lived assets to be held and used by the Company are reviewed to determine whether any events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. For long-lived assets to be held and used, the Company bases its evaluation on such indicators as the economic benefits of the assets, any historical or future profitability measurements, a review of 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, the Company determines whether an impairment has occurred through the use of an undiscounted cash flow analysis of assets at the lowest level for which identifiable cash flow exist. If impairment has occurred, the Company recognizes a loss for the difference between the carrying amount and the estimated value of the asset. The fair value of the asset is measured using an estimate of discounted cash flow analysis. Web site and Software Development Costs

The Company accounts for website development costs in accordance with the provisions of EITF 00-2, "Accounting for Web Site Development Costs" ("EITF 00-2"), which requires that costs incurred in planning, maintaining, and operating stages that do not add functionality to the site be charged to operations as incurred. External costs incurred in the site application and infrastructure development stage and graphic development are capitalized. Such capitalized costs are included in "Property and equipment." During 2004 the Company capitalized approximately $65,000 of website development costs.

Recent Accounting Pronouncements

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs," an amendment of ARB No. 43, Chapter 4, "Inventory Pricing". This statement clarifies that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges and requires the allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The provisions of SFAS No. 151 are effective for inventory costs incurred during fiscal

years beginning after June 15, 2005. The Company does not produce products and therefore, does not expect adoption of this standard to have a material impact on its financial position, results of operations and cash flow.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment," a revision of SFAS No. 123, "Accounting for Stock-Based Compensation" and superseding APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123R requires the Company to expense grants made under stock option and employee stock purchase plans. The cost will be recognized over the vesting period of the plans. SFAS No. 123R is effective for the first interim or annual period beginning after June 15, 2005. The Company is evaluating the alternatives under the standard, which it is required to adopt in the third quarter of 2005.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets", an amendment of APB Opinion No. 29. SFAS No. 153 amends the guidance in APB Opinion No. 29, "Accounting for Nonmonetary Transactions", which is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged, with certain exceptions. SFAS No. 153 amends APB Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The provisions of SFAS No. 153 are effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company is evaluating the impact of this statement on the Company's financial position, results of operations and cash flow.

Note 4. Property and Equipment

At December 31 property and equipment consisted of the following:

	2004	2003
Computer equipment and software	$ 871,467	$ 864,283
Office furniture	61,927	61,927
Video and article archives	418,983	418,983
Video equipment	158,513	158,513
web site development cost	709,000	644,305
Purchased software	70,000	70,000
	2,289,890	2,218,011
Accumulated depreciation	(2,117,184)	(1,820,061)
	$ 172,706	$ 397,950

Depreciation expense of property and equipment for the years ended December 31, 2004 and 2003 amounted to approximately $297,100 and $519,300, respectively.

The Company uses office and warehouse facilities as a tenant at will in a building leased by a related party. No rent has been charged during the years ended December 31, 2004 and 2003.

Note 5. Intangible Assets

At December 31 intangible assets are comprised of the following:

	2004	2003
Software licenses	$ 2,882,660	$ 2,882,660
Patent pending	16,000	16,000
Domain names	77,025	77,025
Acquired web sites	762,301	762,301
Customer and user lists	327,157	327,157
Assigned contracts	54,900	0
Other	30,763	30,763
	4,150,806	4,095,906
Accumulated amortization	(3,461,934)	(2,681,169)
	$ 688,872	$ 1,414,737

Amortization expense for intangible assets for the years ended December 31, 2004 and 2003 amounted to approximately $780,800 and $865,100, respectively.

Estimated amortization expense for each of the next five years is approximately $656,000 in 2005 $21,000 in 2006 and $1,000 in each year 2006 to 2008.

Note 6. Accrued Expenses

At December 31 accrued expense are comprised of the following:

	2004	2003
Interest	$ 129,635	$ 247,513
Payroll	141,818	124,906
Professional & Consulting fees	378,210	171,659
Consignments	173,626	62,775
Due to K Sports	62,500	--
Commissions	40,000	--
Other	65,407	57,140
	$ 991,196	$ 663,993

Note 7. Common Stock

Call Option Agreements

In connection with the settlement agreement with CSEI, the Company was granted call options for 2,283,565 unregistered common shares held by CSEI at an exercise price of $.001 per share. The call options expired on January 31, 2005.

During 2004 the Company assigned options to purchase 1,889,000 shares of stock from CSEI to certain individuals in exchange for $573,060, which was added to the paid in capital of the Company. During January 2005 the remaining 394,565 options were assigned in exchange for approximately $100,000.

Stock Options

In June 1999, the Company's Board of Directors adopted the 1999 Stock Option Plan (the "1999 Plan") that provides for the issuance of options to directors, officers, employees and consultants of the Company to purchase up to 1,000,000 shares of the Company's common stock. Options granted under the plan may be either incentive stock options ("ISO") or nonqualified stock options ("NSO"). The 1999 Plan provides that each option be granted at a price determined by the Board of Directors on the date such option is granted and have a maximum option term of ten years. The options granted become exercisable during a period of time as specified by the Board of Directors at the date such option is granted.

In July 1999, the Company granted an option to an employee to purchase 471,000 shares of unrestricted common stock at $.001 per share. The option vested over a four-year period. The Company recorded unearned compensation of $757,848, based on the difference between the fair market value of the common stock at the grant date and the exercise price. The unearned compensation was amortized over the vesting period of the option. Amortization expense related to unearned compensation amounted to $44,619 during the year ended December 31, 2003. During 2004 options for the remaining 176,250 shares of common stock were exercised. In 1999, the Company also granted options to purchase 126,000 shares of unrestricted common stock at the stock's fair value on the dates of grant(between $.8125 and $1.625 per share).

In October 2002, the Company's Board of Directors adopted the 2002 Stock Option Plan (the "2002 Plan") that provides for the issuance of options to directors, officers, employees and consultants of the Company to purchase up to 30,000,000 shares of the Company's common stock. Options granted under the plan may be either incentive stock options ("ISO") or nonqualified stock options ("NSO"). The 2002 Plan provides that each option be granted at a price determined by the Board of Directors on the date such option is granted and have a maximum option term of ten years. The options granted become exercisable during a period of time as specified by the Board of Directors at the date such option is granted. In 2002 the Company granted options to purchase a total of 25,000,000 restricted shares of common stock to its President, Chief Financial Officer, Chief Technology Officer and a Director at the stock's fair value on the date of grant, $0.041.

In October 2004, the Company granted options to an employee and a consultant to purchase 635,418 shares of unrestricted common stock at $.001 per share. 468,750 of these options, valued at $150,000, were immediately vested while 166,668 vest over a nine-month period. The Company recorded unearned compensation of $45,000, based on the difference between the fair value of the common stock at the grant date and the exercise price of the options that did not immediately vest. The unearned compensation is being amortized over the option's vesting period with $10,000 being charged to expense during 2004.

There were no other options granted or cancelled/expired under any plans during 2003 or 2004. At December 31, 2004 there were 25,534,750 exercisable under these plans at a weighted average exercise price of $.044.

Information pertaining to options outstanding at December 31, 2004 is as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weig Exe
.81	9,000	4	.81	9,000	
1.62	57,000	4	1.62	57,000	
.001	635,418	10	.001	468,750	
.04	25,000,000	8	.04	25,000,000	
Outstanding at end of year	25,701,418		.04	25,534,750	

During July 1999, the Company's Board of Directors adopted, subject to stockholders' approval, the 1999 Omnibus Share Plan (the "Omnibus Plan") that provides for both incentive and non-qualified stock options, stock appreciation rights and other awards to directors, officers, and employees of the Company to purchase or receive up to 1,000,000 shares of the Company's stock. A committee of the Board of Directors ("Committee") establishes the option price at the time each option is granted, which price may, in the discretion of the Committee, be less than 100% of the fair market value of the shares on the date of the grant. Any options granted will have a maximum term of ten years and will be exercisable during a period as specified by the Committee. No options have ever been granted under the Omnibus Plan.

On February 1, 2001 the Company adopted the 2001 Non-Qualified Stock Option Plan (the "2001 Plan") and has filed Registration Statements on Form S-8 to register 60,000,000 shares of its common stock. Under the 2001 Plan, employees and consultants may elect to receive their gross compensation in the form of options, 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.

During the year ended December 31, 2004 the Company granted options for 5,676,670 shares at various dates aggregating $1,436,499 under this plan. During the year ended December 31, 2003 the Company granted options for 16,141,823 shares at various dates aggregating $1,037,665 under this plan, including options for

2,914,958 shares representing $111,416 of consulting fees to Steven Rotman. All options except 635,418 shares granted during the period were exercised.

The Company applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its stock option plans. Accordingly, compensation cost has been recognized only to the extent described above. Had compensation cost for the Company's stock option plan been determined based on the fair value at the grant dates for awards under the plan consistent with the method prescribed by FASB Statement No. 123, the Company's net income and earnings per share would have been adjusted to the pro forma amounts indicated below:

	Years Ended December 31, 2004	2003
Net loss		
As reported	$(4,079,734)	$(3,714,873)
Stock based compensation cost, as reported (net of tax)	160,000	44,619
Stock based compensation cost that would have been included in the determination of net income had the fair value method been applied (net of tax)	(424,450)	(772,554)
Pro forma	$(4,344,184)	$(4,442,808)
Basic loss per share as reported	$ (.02)	$ (.03)
Stock based compensation cost, as reported (net of tax)	--	--
Stock based compensation cost that would have been included in the determination of net income had the fair value method been applied (net of tax)	(.01)	--
Pro forma	$ (.03)	$ (.03)

Note 8. Income Taxes

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

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

The tax effects of temporary differences and carry forwards that give rise to deferred taxes are as follows:

	2004	2003
Federal net operating loss carry forwards	$ 6,357,000	$ 5,143,000
State net operating loss carry forwards	1,776,000	1,437,000
	8,133,000	6,580,000
Valuation reserve	(8,133,000)	(6,580,000)
Net deferred tax asset	$ --	$ --

The valuation reserve applicable to net deferred tax asset for the years ended December 31, 2004 and 2003 is due to the likelihood of the deferred tax not to be utilized.

At December 31, 2004, the Company has federal and state net operating loss carry forwards of approximately $18,700,000 available to offset future taxable income. The state carry-forwards will expire intermittently through 2009, while the federal carry forwards will expire intermittently through 2024.

Note 9. Convertible Debt Financing

As of December 31, 2004 the Company has outstanding $2,398,021, of convertible debt, which is presented net of unamortized beneficial conversion discounts of $103,871.

On March 23, 2000, the Company entered into a Securities Purchase Agreement (the "Agreement"), whereby the Company sold an 8% convertible note in the amount of $3,000,000 (the "Series A Note"), due in shares of common stock on March 31, 2002 to Augustine Fund, L.P. (the "Buyer"). The Series A Note, as most recently modified on May 21, 2002, is convertible into common stock at a conversion price equal to the lesser of: (1) $.375 per share, or (2) seventy-three percent (73%) of the average of the closing bid price for the common stock for the five (5) trading days immediately preceding the conversion date. In connection with the agreement, the Company also issued warrants to the Buyer and Delano Group Securities to purchase 300,000 and 100,000 shares of common stock, respectively. The purchase price per share of common stock is equal to $2.70, one hundred and twenty percent (120%) of the lowest of the closing bid prices for the common stock during the five (5) trading days prior to the closing date. The warrants will expire on March 31, 2005. The May 21, 2002 modification agreement extended the maturity date of the note until September 30, 2002, provided for additional ninety-day extensions, the most recent of which was exercised on December 31, 2004, beyond that date until March 31, 2005, waived interest for periods after March 31, 2002, and released the Company from all requirements to register any common shares issuable under the note or to keep any existing registration statements effective. As of December 31, 2004 the outstanding balance of this note was $251,892, since during 2004, 2003, and 2002 $936,588, $1,382,270 and $429,250, respectively, had been converted into 4,882,783, 14,648,877 and 5,782,436 shares of the Company's common stock, respectively, at conversion prices ranging from $.028 to $.375 per share. Any amounts outstanding at March 31, 2005 automatically convert to shares of Company stock.

On November 7, 2001, the Company entered into a Loan Agreement, whereby it issued an 8% convertible note in the amount of $1,000,000, due November 7, 2003 (the "Series B Note") to Buyer. This note was modified most recently on October 31, 2003 to, among other things, allow the Company to borrow up to $2,250,000. The Series B Note, as modified, is convertible into common stock at a conversion price equal to the lesser of: (1) $.25 per share, or (2) seventy-three percent (73%) of the average of the closing bid price for the common stock for the five (5) trading days immediately preceding the conversion date. Based upon advances through December 31, 2004 totaling $2,250,000, had the Buyer converted the series B Note at issuance, Buyer would have received $3,082,193 in aggregate value of the company's common stock upon conversion of the convertible note. As a result, in accordance with EITF 00-27, the intrinsic value of the beneficial conversion feature of $832,193 is being charged to interest expense over the term of the related note. The beneficial

conversion feature that was charged to interest expense totaled $291,494 and $245,467 in 2004 and 2003, respectively. The total beneficial conversion discount related to this note has been recorded as an increase in additional paid in capital and the unamortized portion as a reduction in the related note. In addition, the Company entered into a Registration Rights Agreement whereby the Company agreed to file a Registration Statement with the Securities and Exchange Commission (SEC) within sixty (60) days of a request from the Buyer (Filing Date), covering the common stock to be issued upon conversion of the Series B Note. If this Registration Statement is not declared effective by the SEC within sixty (60) days of the filing date the conversion percentage shall decrease by two percent (2%) for each month that the Registration Statement is not declared effective. A modification extended the maturity date of the Series B Note to November 7, 2004, provided the opportunity to extend the maturity date to November 7, 2005, required that principal and interest be payable in shares of common stock, or cash, at the discretion of the Company, and provided that any fees or expenses related to any registration of the common stock will be borne equally by the Company and the Buyer. On November 7, 2004 the maturity of this note was extended for one year.

Note 10. Notes Payable

At December 31, 2004 the Company was obligated on short-term notes payable totaling $290,000, of which $130,000 was to a related party. The related party notes bear interest at 8%, while the remainder bear interest at 18%. In addition, with respect to the third party debt, the Company issued 125,000 unregistered shares of stock valued at $17,500 as an origination fee. The related party debt is due on demand while the remainder is due on March 1, 2005. Interest expense charged to operations in connection with the related party notes totaled $10,967 in 2004.

At December 31, 2003, the Company was obligated on short-term notes payable totaling $145,000, of which $130,000 was to a related party. The related party notes bear interest at 8%, while the remainder bears interest at 12% to 18%. All of this short-term debt was due on demand. Interest expense charged to operations in connection with the related party notes totaled $10,446 in 2003.

Note 11. Related party transactions

During the years ended December 31, 2004 and 2003 the Company acquired approximately $110,000 and $63,000 of memorabilia for sale from Steven Rotman, the father of Richard and Greg Rotman.

Note 12. Issuance of Common Stock

During 2004 the Company issued 3,924,905 shares of common stock in connection with the payment of approximately $315,225 of interest due on its convertible debt.

In addition, during 2004 and 2003 the Company issued 4,240,573 and 14,640,215 shares of common stock respectively, in connection with the payment of approximately $1,048,000 and $939,600 of legal and consulting fees.

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EXHIBIT INDEX

Exhibit No.	Description of Exhibits
3.1	Certificate of Incorporation, as amended (incorporated by reference to Exhibit 3.1 to Form 8-K, filed on November 25, 2003)
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to Form 8-K, filed on December 8, 2004)
4.1	Specimen of certificate for Common Stock (incorporated by reference to Exhibit 4.1 to Form SB-2/A filed on December 1, 2000)
4.2	Convertible Note dated March 23, 2000 issued to Augustine Fund, LP pursuant to Securities Purchase Agreement (incorporated by reference to Exhibit 10.3 to Form 10-KSB filed on April 14, 2000)
4.3	Convertible Note, dated November 7, 2001, issued to Leslie Rotman pursuant to Agreement and Plan of Merger (incorporated by reference from Exhibit 4.1 to Form 8-K filed on November 21, 2001)
4.4	Convertible Note, dated November 7, 2001, issued to Augustine Fund, L.P., pursuant to Loan Agreement (incorporated by reference from Exhibit 4.2 to Form 8-K filed on November 21, 2001)
4.5	Modification Agreement dated September 19, 2000 between the Registrant and Augustine Fund, L.P. (incorporated by reference to Exhibit 4.7 to Form S-3 filed on October 25, 2000).

4.6	Amended Modification Agreement dated July 15, 2001, between the Company and Augustine Fund, L.P. (incorporated by reference from Exhibit 4.1 to Form SB-2/A filed on August 8, 2001)
4.7	Second Amended Modification Agreement dated August 30, 2001 between the Company and Augustine Fund, L.P. (incorporated by reference from Exhibit 4.11 to Form SB-2 filed on August 31, 2001)
4.8	Third Amended Modification Agreement dated May 21, 2002 between the Company and Augustine Fund, L.P. (incorporated by reference from Exhibit 4.1 to Form 10-QSB/A filed on November 21, 2001)
4.9	Modification Agreement dated May 21, 2002 between the Company and Augustine Fund, L.P. (incorporated by reference from Exhibit 4.2 to Form 10-QSB/A filed on November 21, 2001)
4.10	Second Modification Agreement dated October 31, 2003 between the Company and Augustine Fund, L.P.
4.11	Warrant issued by the Registrant to Delano Group Securities, LLC (incorporated by reference to Exhibit 10.7 to Form 10-KSB filed on April 14, 2000).
4.12	Warrant dated March 23, 2000 issued to Augustine Fund, LP pursuant to Securities Purchase Agreement (incorporated by reference to Exhibit 10.4 to Form 10-KSB filed on April 14, 2000)
10.1	1999 Stock Option Plan (incorporated by reference to Exhibit 10.2 to Form SB-2/A filed on December 1, 2000)
10.2	1999 Omnibus Share Plan (incorporated by reference to Exhibit 10.3 to Form SB-2/A filed on December 1, 2000)
10.3	2001 Non-Qualified Stock Option Plan, as amended (incorporated by reference from Exhibit 99.1 to Form S-8 filed on September 5, 2003)
10.4	2002 Stock Option Plan (incorporated by reference from Exhibit 10.17 to Form 10-KSB filed on September 5, 2003)
10.5	Securities Purchase Agreement dated March 23, 2000 between the Registrant and Augustine Fund, LP. (incorporated by reference to Exhibit 10.2 to Form 10-KSB filed on April 14, 2000)
10.6	Loan Agreement, dated November 7, 2001, by and between Augustine Fund, L.P. and the Company (incorporated by reference from Exhibit 10.1 to Form 8-K filed on November 21, 2001)
10.7	Loan Agreement dated May 21, 2002 between the Company and Augustine Fund, L.P. (incorporated by reference from Exhibit 4.4 to Form 8-K filed on November 21, 2001)
10.8	Agreement and Plan of Merger between the Company, Rotman Collectibles, Inc. and Leslie Rotman dated October 23, 2001 (incorporated by reference from Exhibit 2.1 to Form 8-K filed on November 21, 2001)

10.9	Registration Rights Agreement dated March 23, 2000 between the Company and Augustine Fund, L.P. (incorporated by reference to Exhibit 10.5 to Form 10-KSB filed on April 14, 2000)

10.10	Registration Rights Agreement, dated November 7, 2001, by and between Augustine Fund, L.P. and the Company (incorporated by reference from Exhibit 4.4 to Form 8-K filed on November 21, 2001)
10.11	Registration Rights Agreement, dated November 7, 2001, by and between Leslie Rotman and the Company (incorporated by reference from Exhibit 4.3 to Form 8-K filed on November 21, 2001)
10.12	Escrow Agreement dated March 23, 2000 among the Registrant, Augustine Fund, LP and H. Glenn Bagwell, Jr. pursuant to Securities Purchase Agreement (incorporated by reference to Exhibit 10.6 to Form 10-KSB filed on April 14, 2000)
10.13	Software License Agreements dated November 8, 2000 between the Registrant and CSEI (incorporated by reference to Exhibit 10.1 to Form 8-K filed on November 22, 2000)
21	Subsidiaries of the Registrant (included in Item I)*
23	Consent of Carlin, Charron & Rosen, LLP*
31.1	CEO Certification required under Section 302 of Sarbanes-Oxley Act of 2002*
31.2	CFO Certification required under Section 302 of Sarbanes-Oxley Act of 2002*
32	CEO and CFO Certification required under Section 906 of Sarbanes-Oxley Act of 2002*
99	Risk Factors*

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* filed herewith