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PAPERCLIP SOFTWARE INCE
Form 10QSB
November 14, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

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

For the quarterly period ended September 30, 2005

Commission file number 0-26598

PAPERCLIP SOFTWARE, INC.
(Exact name of Small Business Issuer as specified in its Charter)

DELAWARE
(State of incorporation)

22-3137907
(IRS Employer ID number)

611 Route 46 West
HASBROUCK HEIGHTS, NJ 07604
(Address of principal executive offices) (Zip Code)

(201) 329-6300
(Issuer's telephone number)

(Applicable only to Corporate Issuers)

Indicate the number of shares outstanding of each of the
issuer's classes of common stock, as of the latest practicable
date.

| | |
|-------------------------------|-------------------|
| Class | November 10, 2005 |
| Common Stock, \$.01 par value | 8,196,521 |

Transitional Small Business Disclosure Format (check one):
Yes No

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PAPERCLIP SOFTWARE, INC.

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PAPERCLIP SOFTWARE, INC.
BALANCE SHEET
SEPTEMBER 30, 2005
(UNAUDITED)

| | September 30 2005 |
|---|---------------------------|
| ASSETS | ----- |
| CURRENT ASSETS: | |
| Cash and cash equivalents | \$ 278,807 |
| Accounts receivable (net of allowance for doubtful accounts of \$75,000) | 170,238 |
| Other current assets | 49,296 |
| Total Current Assets | ----- 498,341 ----- |
| EQUIPMENT, FURNITURE AND FIXTURES: | |
| Computer and office equipment | 94,842 |
| Furniture and fixtures | 210,914 |
| Leasehold improvements | 12,000 |
| | ----- 317,756 ----- |
| Less- Accumulated depreciation | 278,590 |

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| | |
|---|--------------|
| Equipment, Furniture, and Fixtures, Net | 39,166 |
| OTHER ASSETS | 22,006 |
| DEFERRED FINANCING COSTS | 42,376 |
| Total assets | \$ 601,889 |
| LIABILITIES AND STOCKHOLDERS' DEFICIENCY | |
| CURRENT LIABILITIES: | |
| Accounts payable and accrued expenses | \$ 425,179 |
| Taxes payable | 13,500 |
| Deferred revenue | 312,400 |
| Notes payable | 129,691 |
| Loans payable | 250,000 |
| Total Current Liabilities | 1,130,770 |
| Accrued compensation- related party | 844,672 |
| STOCKHOLDERS' DEFICIENCY: | |
| Convertible Series A, preferred stock, authorized 10,000,000 shares; \$.01 par value; 3,649,543 shares issued and outstanding | 36,495 |
| Common stock, authorized 30,000,000 shares; \$.01 par value; issued and outstanding 8,196,521 shares | 81,965 |
| Additional paid-in capital | 19,450,318 |
| Accumulated deficit | (20,942,331) |
| Total Stockholders' Deficiency | (1,373,553) |
| Total liabilities and stockholders' deficiency | \$ 601,889 |
| See notes to condensed financial statements | |

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PAPERCLIP SOFTWARE, INC.
CONDENSED STATEMENTS OF OPERATIONS
UNAUDITED

| | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|-------------------------------------|-------------------------------------|-----------|------------------------------------|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| NET SALES | \$436,400 | \$389,620 | \$1,289,118 | \$1,061,572 |
| OPERATING EXPENSES: | | | | |
| Research and development expenses | 108,800 | 98,643 | 369,361 | 294,798 |
| Selling expenses | 165,449 | 219,433 | 617,730 | 555,160 |
| General and administrative expenses | 173,283 | 114,299 | 445,791 | 374,786 |
| Total operating expenses | 447,532 | 432,375 | 1,432,882 | 1,224,744 |

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| | | | | |
|--|------------|------------|-------------|-------------|
| LOSS FROM OPERATIONS | (11,132) | (42,755) | (143,764) | (163,172) |
| ----- | | | | |
| OTHER INCOME (EXPENSE): | | | | |
| Extinguishment of debt (net of expenses) | - | - | - | - |
| Extinguishment of accounts payable | - | - | 4,100 | 8,566 |
| Interest expense | (18,462) | (3,900) | (40,724) | (11,700) |
| Interest income | 245 | 176 | 538 | 584 |
| ----- | | | | |
| Total other income (expense), net | (18,217) | (3,724) | (36,086) | (2,550) |
| ----- | | | | |
| NET LOSS BEFORE | | | | |
| PROVISION FOR INCOME TAXES | (29,349) | (46,479) | (179,850) | (165,722) |
| ----- | | | | |
| Provision for income taxes | - | - | - | - |
| ----- | | | | |
| NET LOSS | (\$29,349) | (\$46,479) | (\$179,850) | (\$165,722) |
| ===== | | | | |
| BASIC AND FULLT DILUTED | | | | |
| LOSS PER COMMON SHARE | (0.00) | (0.01) | (0.02) | (0.02) |
| ===== | | | | |
| WEIGHTED AVERAGE NUMBER | | | | |
| COMMON SHARES OUTSTANDING | 8,196,521 | 8,196,521 | 8,196,521 | 8,196,521 |
| ===== | | | | |

See notes to condensed financial statements

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PAPERCLIP SOFTWARE, INC.
 CONDENSED STATEMENTS OF CASH FLOWS
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004
 UNAUDITED

| | 2005 | 2004 | |
|--|--------------|--------------|-------|
| | ----- | ----- | |
| OPERATING ACTIVITIES: | | | |
| Net loss | \$ (179,850) | \$ (165,722) | |
| Adjustments to reconcile net loss to net cash provided by (used for) operating activities- | | | |
| Depreciation and amortization | | 5,880 | 3,150 |
| Extinguishment of accounts payable | (4,100) | - | |
| Increase in accrued compensation to related party | 40,961 | 70,515 | |
| Interest on loan payable | 29,124 | - | |
| (Increase) decrease in: | | | |
| Accounts receivable | (9,607) | 108,719 | |
| Other current assets | (64,296) | - | |
| Other assets | (8,506) | - | |
| Increase (decrease) in: | | | |
| Accounts payable and accrued expenses | (11,166) | (69,584) | |
| Accrued interest on convertible debt | 11,800 | 11,700 | |

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| | | |
|---|--------------|------------|
| Taxes payable | - | (15,400) |
| Deferred revenues | (106,000) | 123,650 |
| | ----- | ----- |
| Net cash (used for) provided by operating activities | (295,760) | 67,028 |
| | ----- | ----- |
| INVESTING ACTIVITIES-Purchases of equipment, furniture and fixtures | (17,864) | (17,746) |
| | ----- | ----- |
| FINANCING ACTIVITIES: | | |
| Proceeds from loans payable | 250,000 | - |
| Deferred finance cost | (32,500) | - |
| | ----- | ----- |
| Net cash provided by financing activities | 217,500 | - |
| | ----- | ----- |
| (DECREASE) INCREASE IN CASH | (96,124) | 49,282 |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of period | 374,931 | 353,008 |
| | ----- | ----- |
| End of period | \$ 278,807 | \$ 402,290 |
| | ----- | ----- |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | - | - |
| | ----- | ----- |
| See notes to condensed financial statements | | |

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PAPERCLIP SOFTWARE, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
September 30, 2005

NOTE A - NATURE OF THE BUSINESS AND BASIS OF PRESENTATION

PaperClip Software, Inc. (formerly known as PaperClip Imaging Software, Inc.) located in Hasbrouck Heights, New Jersey, ("PaperClip" or the "Company"), a Delaware corporation, incorporated in October, 1991, is engaged in the development and distribution of computer software for document management and transport of electronic document packages across the public Internet or a private Intranet with interoperability, security and tracking capabilities. The Company's systems allow users of personal computer networks to scan, file, retrieve, display, print and route documents and other software objects (such as word processing files, spreadsheets and electronic mail), while continuing to use their existing application software. The systems can be integrated with many personal computer applications with little or no programming and can file and retrieve documents without the time consuming step of manually labeling or indexing each document.

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information, the instructions to Form 10-QSB and Regulation S-B. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments

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(consisting of normal recurring accruals) considered necessary for fair presentation have been included. The results of operation for such interim periods are not necessarily indicative of results of operation for a full year or for any other period. The unaudited financial statements should be read in conjunction with the audited financial statements and notes thereto and management's discussion and analysis of financial conditions included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2004 as filed with the Securities and Exchange Commission (the "SEC").

NOTE B - Summary of Significant Accounting Policies

The significant accounting policies followed by the Company are set forth in Note 2 to the Company's financial statements in the December 31, 2004 Form 10-KSB.

NOTE C - NET INCOME (LOSS) PER COMMON SHARE

Income(loss) per common share-basic is computed based upon the weighted average number of common shares and common share equivalents outstanding, if dilutive, during the period.

Income (loss) per common share-fully diluted is computed based upon the weighted average number of common shares, common share equivalents and Series A Preferred Stock outstanding, if dilutive, during the period.

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NOTE D - GOING CONCERN

As shown in the accompanying financial statements, the Company has a history of significant operating losses and as of September 30, 2005, current liabilities exceeded current assets by \$632,429 and total liabilities exceed total assets by \$1,373,553. These factors as well as uncertain conditions the Company faces regarding continued negative trends for sales, operating income, net income and cash flows, raise substantial doubt about the Company's ability to continue as a going concern.

NOTE E - LOANS PAYABLE

On March 30, 2005 and April 8, 2005, the Company received funds from a group of accredited investors in the amounts of \$100,000 and \$57,500, respectively, in anticipation of the execution of definitive documentation with such investors. Documents had been fully negotiated in anticipation of a financing for gross proceeds of between \$500,000 and \$1,200,000. While the Company executed certain documents prior to its receipt of the funds, the documents were to be held in escrow pending a final transaction and the Company never received countersigned agreements from the investors. Under the terms of the negotiated transaction, the invested funds were to be in the form of a two year loan, secured by a lien on the Company's assets, with interest at the rate of 12% per annum prepaid for the entire period, and financing fees due to Sloan Securities Corp. (together with its affiliates, "Sloan") in an aggregate amount equal to 13% of the gross proceeds raised. Warrants to purchase 200,000 shares and 50,000 shares were also to be issued to the investors and Sloan, respectively, for each \$100,000 of the financing. One half of such warrants were to be exercisable at \$0.20 per share, and the other half of such warrants were to be exercisable at \$0.25 per share. In a letter agreement dated March 31, 2005, Sloan and the investors agreed that they would not enforce their registration rights related to shares of common stock issuable upon exercise of the warrants until such time as the Company has received an aggregate of \$500,000 of gross proceeds through the issuance of notes. The Company has recorded a \$250,000 loan payable on its September 30, 2005 balance sheet based

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on its understanding of the intent of the parties that such \$157,500 aggregate amount represents net proceeds to the Company, after prepaid interest and financing costs, of a \$250,000 loan to the Company by such investors. The Company has also reserved 625,000 shares for issuance upon exercise of the warrants that were to be issued in connection with the \$250,000 financing. The Company has been unable to obtain executed documents from the investors or Sloan or definitive confirmation of their intent regarding the funds. Accordingly, there can be no assurance that the investors will not seek to treat the funding as an incomplete investment and demand return of the funds. The Company has accounted for the loan as short-term indebtedness, pending the receipt of executed definitive documentation.

Note F - Reclassifications

The Statement of Operations for the three and nine months ended September 30, 2004 include reclassifications of expenses to conform to the classification for the three and nine months ended September 30, 2005.

Note G - Commitments

The Company has entered into an agreement to rent office space in Hackensack, New Jersey, starting January, 2006, with no rent payable for the first two months, and annual rent starting March 1, 2006 to February, 2011 to be between approximately \$48,000 and \$50,000.

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PAPERCLIP SOFTWARE, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Certain information included in this Quarterly Report may be deemed to include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risk and uncertainty, such as information relating to the acceptance and sale of the Company's products, the Company's ability to successfully market and distribute its products, the Company's ability to generate sufficient cash flow from the sale of its products to meet the Company's cash requirements and to pay its liabilities when due, the Company's ability to raise capital, the Company's ability to protect its proprietary property and the Company's ability to attract and retain key employees. Further, the results of operation for the third quarter period are not necessarily indicative of results of operation for a full year or any other period. In addition, certain statements may involve risk and uncertainty if they are preceded by, followed by, or that include the words "intends," "estimates," "believes," "expects," "anticipates," "should," "could," or similar expressions, and other statements contained herein regarding matters that are not historical facts. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will be achieved. We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Results of Operations

Three Months and Nine Months Ended September 30, 2005 Compared with Three Months and Nine Months Ended September 30, 2004

Net sales of the Company increased by \$46,780 or 12% to \$436,400 for the three months ended September 30, 2005 from \$389,620 for the three months ended September 30, 2004 and increased by \$227,546 or 21% to \$1,289,118 for the nine months ended September 30, 2005 from \$1,061,572 for the nine months ended

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September 30, 2004. The increases were primarily due to an increase in revenues from annual support and upgrade assurances and an increase in sales of the Company's products.

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Research and development expenses increased by \$10,157 or 10% to \$108,800 for the three months ended September 30, 2005 from \$98,643 for the three months ended September 30, 2004 and increased by \$74,563 or 25% to \$369,361 for the nine months ended September 30, 2005 from \$294,798 for the nine months ended September 30, 2004. The increases were due to an increase in research and development personnel.

Selling expenses decreased by \$53,984 or 25% to \$165,449 for the three months ended September 30, 2005 from \$219,433 for the three months ended September 30, 2004 and increased by \$62,570 or 11% to \$617,730 for the nine months ended September 30, 2005 from \$555,160 for the nine months ended September 30, 2004. The decrease for the three months ended September 30, 2005 was due to a decrease in training expenses. The increase for the nine months ended September 30, 2005, resulted from an increase in sales personnel and increases in expenses for trade shows, partially offset by a decrease in training expenses.

General and administrative expenses increased by \$58,984 or 52% to \$173,283 for the three months ended September 30, 2005 from \$114,299 for the three months ended September 30, 2004 and increased by \$71,005 or 19% to \$445,791 for the nine months ended September 30, 2005 from \$374,786 for the nine months ended September 30, 2004. The increases were primarily due to an increase in professional fees.

Other (expense) income increased by \$14,493 to (\$18,217) for the three months ended September 30, 2005 from (\$3,724) for the three months ended September 30, 2004, and increased by \$33,536 to (\$36,086) for the nine months ended September 30, 2005 from (\$2,550) for the nine months ended September 30, 2004. The increases were primarily due to an increase in interest expense resulting from loans payable to a group of investors. The increase for the nine month period in 2005 as compared to the corresponding 2004 period was also due to the inclusion in the first quarter of 2004 of a gain from the extinguishment of accounts payable, due to expiration of the statute of limitations relating thereto, that was \$4,466 greater than the gain from the similar extinguishment of accounts payable in the first quarter of 2005.

For the three and nine months ended September 30, 2005 and for the three and nine months ended September 30, 2004, there was no provision for income taxes, as the Company had a net operating loss in each such period.

Net loss decreased by \$17,130 to (\$29,349) for the three months ended September 30, 2005 from (\$46,479) for the three months ended September 30, 2004 and increased by \$14,128 to (\$179,850) for the nine months ended September 30, 2005 from (\$165,722) for the nine months ended September 30, 2004. The increases were due to increases in research and development and sales personnel, an increase in professional fees, an increase in interest expense, partially offset by increases in revenues.

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Liquidity and Capital Resources September 30, 2005 Compared with December 31, 2004

As of September 30, 2005, the Company had an accumulated deficit of \$20,942,331. The Company had negative working capital of \$632,429 and \$454,674 as of September 30, 2005 and December 31, 2004, respectively. Included in current liabilities are deferred revenues of approximately \$312,400 and \$418,400, as of September 30, 2005 and December 31, 2004, respectively, such amounts representing liabilities that will not require the use of cash. If such non-cash amounts were not included in current liabilities, then current liabilities would exceed current assets by approximately \$320,029 and \$36,274, as of September 30, 2005, and December 31, 2004, respectively.

Presently, the Company funds working capital from revenues it receives from the sale of its products. For the remainder of 2005, the Company anticipates that it will need approximately \$500,000 in order to fund its operations. The Company's management believes that the Company will be able to meet its anticipated cash requirements through the end of the year through a combination of cash from the sale of its products, cost reduction initiatives to be implemented as necessary (which initiatives the Company expects would be primarily related to the Company's sales and marketing activities), investments from outside investors, and cash on hand. The Company's ability to fund its operations is subject to broader acceptance of its product lines, its ability to raise capital, its ability to continue to realize revenues from its customers, product performance, competitive forces, sales efforts of resellers, the absence of unanticipated expenses and other factors identified herein. There can be no assurance that the Company will generate enough cash from the sale of its products or the raising of additional capital, or that the Company will be successful in implementing any cost reduction initiatives that may be undertaken, to meet its anticipated cash requirements for the remainder of 2005. If the Company does not generate enough cash to meet its requirements for the remainder of 2005, the Company will not have sufficient working capital to satisfy its liabilities, develop new products or implement its marketing and sales initiatives, which may result in a loss of sales and would have a material adverse effect on the Company.

As of September 30, 2005, the Company had aggregate liabilities of approximately \$1,975,442. Such amount of aggregate liabilities includes (i) \$312,400 in annual support contracts, which are recorded as deferred revenue, a non-cash item, for accounting purposes and reclassified on a pro rata basis to sales as such contracts expire and income is earned, (ii) \$438,679 in accounts payable, accrued expenses, and taxes payable (iii) \$129,691 in notes payable which were issued more than six years ago, and (iv) loans payable in the principal amount of \$250,000. Such liabilities also include accrued compensation-related party, which relates to deferred compensation of approximately \$844,672 payable to Mr. Weiss. Mr. Weiss has entered into a written agreement with the Company in which he agreed not to demand payment on \$ 844,672 of his deferred compensation until subsequent to October 1, 2006.

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On March 30, 2005 and April 8, 2005, the Company received funds from a group of accredited investors in the amounts of \$100,000 and \$57,500, respectively, in anticipation of the execution of definitive documentation with such investors. Documents had been fully negotiated in anticipation of a financing for gross proceeds of between \$500,000 and \$1,200,000. While the Company executed certain documents prior to its receipt of the funds, the documents were to be held in escrow pending a final transaction and the Company

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never received countersigned agreements from the investors. Under the terms of the negotiated transaction, the invested funds were to be in the form of a two year loan, secured by a lien on the Company's assets, with interest at the rate of 12% per annum prepaid for the entire period, and financing fees due to Sloan Securities Corp. (together with its affiliates, "Sloan") in an aggregate amount equal to 13% of the gross proceeds raised. Warrants to purchase 200,000 shares and 50,000 shares were also to be issued to the investors and Sloan, respectively, for each \$100,000 of the financing. One half of such warrants were to be exercisable at \$0.20 per share, and the other half of such warrants were to be exercisable at \$0.25 per share. In a letter agreement dated March 31, 2005, Sloan and the investors agreed that they would not enforce their registration rights related to shares of common stock issuable upon exercise of the warrants until such time as the Company has received an aggregate of \$500,000 of gross proceeds through the issuance of notes. The Company has recorded a \$250,000 loan payable on its September 30, 2005 balance sheet based on its understanding of the intent of the parties that such \$157,500 aggregate amount represents net proceeds to the Company, after prepaid interest and financing costs, of a \$250,000 loan to the Company by such investors. The Company has also reserved 625,000 shares for issuance upon exercise of the warrants that were to be issued in connection with the \$250,000 financing. The Company has been unable to obtain executed documents from the investors or Sloan or definitive confirmation of their intent regarding the funds. Accordingly, there can be no assurance that the investors will not seek to treat the funding as an incomplete investment and demand return of the funds. The Company has accounted for the loan as short-term indebtedness, pending the receipt of executed definitive documentation.

Outlook

The Company has been marketing a new document management and work flow product which has been customized for the mortgage broker industry. The Company's sales from this product were approximately \$100,000 for the nine months ended September 30, 2005, compared to approximately \$25,000 for fiscal year 2004. The Company believes that this product may represent a promising opportunity for its business, although there are competitors in this business and there can be no assurance that the Company can generate meaningful revenues from this product.

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Item 3. Controls and Procedures

Disclosure Controls and Procedures

The Chief Executive Officer/Principal Financial Officer of the Company has concluded, based on his evaluation as of the end of the fiscal period covered by this Report, that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Chief Executive Officer/Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting.

During the quarter ended September 30, 2005, there has been no change in

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the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II OTHER INFORMATION

Item 6. Exhibits

- 10.1 Agreement, dated October 1, 2005, by and between PaperClip Software, Inc. and William Weiss.
- 31.1 Certification Pursuant to Rule 13a-14(a) Promulgated under the Securities Exchange Act of 1934.
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PAPERCLIP SOFTWARE, INC.

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BY /s/ William Weiss
William Weiss, Chief Executive
Officer and Principal
Financial Officer

Date: November 11, 2005

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EXHIBIT 10.1

WILLIAM WEISS

October 1, 2005

PaperClip Software, Inc.
611 Route 46 West
Hasbrouck Heights, NJ 07604

Reference is hereby made to the \$844,672 in "accrued compensation-related party" recorded on the balance sheet appearing in the Quarterly Report on Form 10-QSB of PaperClip Software, Inc for the quarter ended September 30, 2005. Such payables relate to deferred compensation for services previously performed by William Weiss ("Weiss") as an officer of the Company pursuant to an oral employment arrangement and are payable to Weiss and/or his affiliated company. Weiss hereby agrees that neither Weiss nor such affiliated company shall demand payment of such payables prior to October 1, 2006.

Sincerely,

BY /s/ William Weiss
William Weiss

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Exhibit 31.1
CERTIFICATION

I, William Weiss, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of PaperClip Software, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclose in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: November 11, 2005

By: /s/ William Weiss
William Weiss
Chief Executive Officer
Principal Financial Officer

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EXHIBIT 32.1

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER OF
PAPERCLIP SOFTWARE, INC.

(Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code)

The undersigned, William Weiss, Chief Executive Officer and Principal Financial Officer of PaperClip Software, Inc. (the "Company"), certifies that:

The Quarterly Report on Form 10-QSB of the Company for the three months ended September 30, 2005 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in the Quarterly Report on Form 10-QSB of the Company for the three months ended September 30, 2005 fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 11, 2005

BY /s/ William Weiss
William Weiss
Chief Executive Officer and
Principal Financial Officer