PAPERCLIP SOFTWARE INCE
Form 10QSB
August 10, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

(Mark One)
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2006

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

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)

1 University Plaza
Hackensack, New Jersey 07601
(Address of principal executive offices) (Zip Code)

(201)525-1221
(Issuer's telephone number)

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 ___

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ___ No X

(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	August 10, 2006
Common Stock, $.01 par value	8,196,521

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

PAPERCLIP SOFTWARE, INC.

INDEX

	Page #
Part I. Financial Information	
Item 1. Financial Statements	
Condensed Balance Sheet	1
Condensed Statements of Operations	2
Condensed Statements of Cash Flows	3
Notes to Condensed Financial Statements	4
Item 2. Management's Discussion and Analysis or Plan of Operation	7
Item 3. Controls and Procedures	11
Part II Other Information	
Item 5. Other Information	12
Item 6. Exhibits	12
Signature	13

PAPERCLIP SOFTWARE, INC.

BALANCE SHEET
June 30,2006
(UNAUDITED)

ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$	154,041
Accounts receivable (net of allowance for doubtful accounts of $89,000)		173,571
Other Current Assets		4,028
Total Current Assets		331,640
EQUIPMENT, FURNITURE AND FIXTURES:		
Computer and office equipment		54,220
Furniture and fixtures		6,056
		60,276
Less- Accumulated depreciation		19,108
Equipment, Furniture, and Fixtures, Net		41,168
OTHER ASSETS		8,506
Total assets	$	381,314
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$	456,033
Taxes payable		13,500
Deferred revenue		399,700
Notes payable - current		129,691
Total Current Liabilities		998,924
Accrued compensation- related party		888,672
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		(21,075,060)
Total Stockholders' Deficiency		(1,506,282)
Total liabilities and stockholders' deficiency	$	381,314

See notes to condensed financial statements

-1-

PAPERCLIP SOFTWARE, INC.
CONDENSED STATEMENTS OF OPERATIONS
UNAUDITED

	THREE MONTHS ENDED JUNE		SIX MONTHS ENDED JUNE 30	
	2006	2005	2006	2005
NET SALES	$443,175	$439,435	$791,426	$852,718
OPERATING EXPENSES:				
Research and development expenses	129,286	128,410	260,450	260,561
Selling expenses	175,139	221,255	390,392	452,281
General and administrative expenses	141,202	142,015	284,501	272,508
Total operating expenses	445,627	491,680	935,343	985,350
LOSS FROM OPERATIONS	(2,452)	(52,245)	(143,917)	(132,632)
OTHER INCOME (EXPENSE):				
Extinguishment of payable	-	-	-	4,100
Settlement of loan payable, net	41,529	-	41,529	-
Interest expense	(11,181)	(18,462)	(29,643)	(22,262)
Interest income	1,026	162	2,979	293
Total other income(expense),net	31,374	(18,300)	14,865	(17,869)
NET INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	28,922	(70,545)	(129,052)	(150,501)
Provision for income taxes	-	-	-	-
NET INCOME (LOSS)	$28,922	($70,545)	($129,052)	($150,501)
BASIC AND FULLT DILUTED INCOME (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

-2-

PAPERCLIP SOFTWARE, INC.
CONDENSED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005
UNAUDITED

	2006	2005
OPERATING ACTIVITIES:		

Net loss	$(129,052)	$ (150,501)
Adjustments to reconcile net loss to net cash used for operating activities-		
Depreciation	5,100	3,920
Extinguishment of accounts payable	-	(4,100)
Settlement of loan payable	(41,529)	-
Interest on loan payable	21,843	-
Increase in accrued compensation to related party	20,923	15,000
Interest on loan payable	-	14,562
(Increase) decrease in:		
Accounts receivable	26,482	(107,647)
Other current assets	268	(60,000)
Security deposit	13,500	-
Increase (decrease) in:		
Accounts payable and accrued expenses	16,855	20,897
Accrued interest on convertible debt	3,900	7,800
Deferred revenues	-	11,000
Net cash used for operating activities	(61,710)	(249,069)
INVESTING ACTIVITIES-Purchases of equipment, furniture and fixtures	(11,288)	(17,864)
FINANCING ACTIVITIES:		
Payment/proceeds of loan payable	(157,500)	250,000
Deferred finance cost	-	(32,500)
Net cash (used for) provided by financing activities	(157,500)	217,500
DECREASE IN CASH	(230,498)	(49,433)
CASH AND CASH EQUIVALENTS		
Beginning of period	384,539	374,931
End of period	$ 154,041	$ 325,498
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	-	-
Taxes paid	-	-

See notes to condensed financial statements

PAPERCLIP SOFTWARE, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
June 30, 2006

NOTE A - NATURE OF THE BUSINESS AND BASIS OF PRESENTATION

PaperClip Software, Inc. (formerly known as PaperClip Imaging Software, Inc.) located in Hackensack, 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 accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (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, 2005 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, 2005 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.

NOTE D - GOING CONCERN

As shown in the accompanying financial statements, the Company has a history of significant operating losses and as of June 30, 2006, current liabilities exceeded current assets by $667,284 and total liabilities exceeded total assets by $1,506,282. 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- INVESTMENT BANKING AGREEMENT; TERMINATION OF LOAN PAYABLE:

On October 29, 2004, the Company signed an investment banking agreement with Sloan Securities Corp. (together with its affiliates, "Sloan") to raise capital for the Company. In connection with such engagement, the Company issued two-year warrants to Sloan to purchase 500,000 shares of the Company's Common Stock at an exercise price of $.10 per share. The warrants entitle the holder thereof to certain registration rights. The warrants vested as to 425,000 shares on the date of issuance, but will not vest as to the remaining 75,000 shares as the requisite financing contemplated by the investment banking agreement was never consummated. The Company recorded the 425,000 warrants on the balance sheet as deferred financing costs at a value of $24,000.

On March 31, 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 to Sloan in the 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 had received an aggregate of $500,000 of gross proceeds through the issuance of notes. The Company had been unable to obtain executed documents from the investors or Sloan or definite confirmation of their intent regarding the funds. The Company had accounted for the loan as short-term indebtedness.

On May 12, 2006, the Company, the investors and Sloan entered into a letter agreement, pursuant to which the Company returned to the investors the aggregate $157,500 amount that had been extended to the Company, in exchange for the release by the investors of any interest they may have had under any documents (whether in draft or executed form) relating to the $157,500 amount, including, without limitation, any promissory note, warrant, securities purchase agreement, security agreement and registration rights agreement. Any such agreements have no force or effect from and after May 12, 2006.

Note F- Accounting for Share Based Payments:

Prior to 2006, the Company accounted for employee stock options under the intrinsic method of APB No. 25, with fair value presented on a proforma basis, as provided in SFA 123, as permitted under accounting principles generally accepted in the United States of America. Beginning in 2006, the Company began accounting for employee stock options as compensation expense, in accordance with SFAS No. 123R, "Share Based Payments." SFAS No. 123R requires companies to expense the value of employee stock options and similar awards for periods beginning after December 15, 2005 and applies to all outstanding and invested stock based awards at a company's adoption date. In computing the impact, the fair value of each option is estimated at the date of grant based on the Black-Scholes option-pricing model utilizing certain assumptions for a risk free interest rate, volatility and expected remaining lives of the awards vesting. The impact of applying SFAS No. 123R was deemed negligible during the first six months of 2006.

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 protect its proprietary property and the Company's ability to attract and retain key employees. Further, the results of operation for the second 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 Six Months Ended June 30, 2006 Compared with Three Months and Six Months Ended June 30, 2005

Net sales of the Company increased by $3,740 or 1% to $443,175 for the three months ended June 30, 2006 from $439,435 for the three months ended June 30, 2005 and decreased by $61,292 or 7% to $791,426 for the six months ended June 30, 2006 from $852,718 for the six months ended June 30, 2005. The decrease for the six months ended June 30, 2006 was due to a decrease in sales of the Company's products.

Research and development expenses increased by $876 or 1% to $129,286 for the three months ended June 30, 2006 from $128,410 for the three months ended June 30, 2005 and decreased by $111 or .04% to $260,450 for the six months ended June 30, 2006 from $260,561 for the six months ended June 30, 2005. The changes are not considered significant.

Selling expenses decreased by $46,116 or 21% to $175,139 for the three months ended June 30, 2006 from $221,255 for the three months ended June 30, 2005 and decreased by $61,889 or 14% to $390,392 for the six months ended June 30, 2006 from $452,281 for the six months ended June 30, 2005. The decrease resulted from a decrease in commissions and exhibition expenses.

General and administrative expenses decreased by $813 or .5% to $141,202 for the three months ended June 30, 2006 from $142,015 for the three months ended June 30, 2005 and increased by $11,993 or 4% to $284,501 for the six months ended June 30, 2006 from $272,508 for the six months ended June 30, 2005. The increase for the six month period was primarily due to an increase in employee benefits expense partially offset by a decrease in rent expense.

Other income (expense) increased by $49,674 to $31,374 for the three months ended June 30, 2006 from ($18,300) for the three months ended June 30, 2005, and increased by $32,734 to $14,865 for the six months ended June 30, 2006 from $(17,869) for the six months ended June 30, 2005. The increases were primarily due to the settlement of a loan payable.

For the three and six months ended June 30, 2006 and for the three and six months ended June 30, 2005, there was no provision for income taxes, as the Company had a net operating loss in each such period.

Net income (loss) increased by $99,467 to a net income of $28,922 for the three months ended June 30, 2006 from a net loss of ($70,545) for the three months ended June 30, 2005 and increased by $21,449 to ($129,052) for the six months ended June 30, 2006 from ($150,501) for the six months ended June 30, 2005. The increases were primarily due to decreases in commission and exhibition expense, and settlement of a loan payable.

-8-

Liquidity and Capital Resources
June 30, 2006 Compared with December 31, 2005

As of June 30, 2006, the Company had an accumulated deficit of $21,075,060. The Company had a working capital deficit of $667,284 and $601,781 as of June 30, 2006, and December 31, 2005, respectively. Included in current liabilities are deferred revenues of approximately $399,700, as of June 30, 2006, and December 31, 2005, 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 $267,584 and $202,081,as of June 30, 2006, and December 31, 2005, respectively.

Presently, the Company funds working capital from revenues it receives from the sale of its products. For the remainder of 2006, the Company anticipates that it will need approximately $1,000,000 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 2006 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), and cash on hand. With respect to such cost reduction initiatives, the Company eliminated one sales position and one technical support position after the conclusion of the second quarter. The Company's ability to fund its operations is subject to broader acceptance of its product lines, its ability to continue to realize revenues from its largest 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 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 2006. If the Company does not generate enough cash to meet its requirements for the remainder of 2006, 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 June 30, 2006, the Company had aggregate liabilities of approximately $1.9 million. Such amount of aggregate liabilities includes (i) $399,700 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) $469,533 in accounts payable, accrued expenses, and taxes payable, and (iii) $129,691 in notes payable which were issued more than six years ago. Such liabilities also include loans payable-related party, which relates to deferred compensation of approximately $888,672 payable to Mr. Weiss. Mr. Weiss has entered into a written agreement with the Company in which he agreed not to demand payment on $ 888,672 of his deferred compensation until subsequent to August 1, 2007.

See Note E to the Financial Statements for a description of certain capital raised by the Company during 2005. As described in greater detail therein, on March 30, 2005 and April 8, 2005, the Company received funds from a group of accredited investors in the net amounts of $100,000 and $57,500, respectively, in connection with an investment in the Company in the aggregate principal amount of $250,000. On May 12, 2006, the Company, the investors and Sloan entered into a letter agreement, pursuant to which the Company returned to the investors the aggregate $157,500 amount that had been extended to the Company, in exchange for the release by the investors of any interest they may have had under any documents (whether in draft or executed form) relating to the $157,500 amount, including, without limitation, any promissory note, warrant, securities purchase agreement, security agreement and registration rights agreement. Any such agreements have no force or effect from and after May 12, 2006.

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 June 30, 2006, there has been no change in 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.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings.

In 2004, the Company commenced a lawsuit against Lumtron, one of the largest customers of the Company, in the Superior Court of the State of New

Jersey for payment of delinquent accounts receivable approximating $93,000. The Company has set up what it believes is an adequate bad debt reserve to cover this dispute. An arbitration proceeding relating to this dispute concluded in late July 2006, and the Company is awaiting the results of such proceeding.

Item 5. Other Information

See Note E to the Financial Statements for a description of certain capital raised by the Company during 2005. As described in greater detail therein, on March 30, 2005 and April 8, 2005, the Company received funds from a group of accredited investors in the net amounts of $100,000 and $57,500, respectively, in connection with an investment in the Company in the aggregate principal amount of $250,000. On May 12, 2006, the Company, the investors and Sloan entered into a letter agreement , pursuant to which the Company returned to the investors the aggregate $157,500 amount that had been extended to the Company, in exchange for the release by the investors of any interest they may have had under any documents (whether in draft or executed form) relating to the $157,500 amount, including, without limitation, any promissory note, warrant, securities purchase agreement, security agreement and registration rights agreement. Any such agreements have no force or effect from and after May 12, 2006.

Item 6. Exhibits

10.1 Agreement, dated July 1, 2006, 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.

-12-

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.

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

Date: August 10, 2006

EXHIBIT 10.15

WILLIAM WEISS

July 1, 2006

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

Reference is hereby made to the $888,672 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 June 30, 2006. 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 August 1, 2007.

Sincerely,

BY /s/ William Weiss

William Weiss

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) Disclosed 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: August 10, 2006

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

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 June 30, 2006 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 June 30, 2006 fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 10, 2006

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