

PAY88
Form SB-2/A
October 25, 2007

As filed with the Securities and Exchange Commission on October 25, 2007
Registration No. 333-146747

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

**AMENDMENT NO. 1
TO
FORM SB-2
Registration Statement Under The Securities Act of 1933**

PAY88, INC.

(Exact name of Registrant as specified in its Charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

5099

(Primary Standard Industrial
Classification Code)

20-3136572

(IRS Employer
Identification No.)

Guo Fan

**President and Chief Executive
Officer**

**1053 North Barnstead Road
Barnstead, NH 03225
Phone: (603) 776-6044**

(Address and telephone number of
registrants principal executive offices
and principal place of business)

Guo Fan

**President and Chief Executive
Officer**

**1053 North Barnstead Road
Barnstead, NH 03225
Phone: (603) 776-6044**

(Name, address and telephone
number of agent for service)

Copies to:

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Approximate date of proposed sale to public: From time to time after the effectiveness of the registration statement.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"), other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

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If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.

Calculation of Registration Fee

Title of Class of Securities to be Registered	Amount to be Registered (1)	Proposed Maximum Aggregate Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, \$0.001 per share (2)	2,021,250	\$ 1.00 (3)	\$ 2,021,250	\$ 62.05
Common Stock, \$0.001 per share (4)	2,021,250	\$ 1.00 (5)	\$ 2,021,250	\$ 62.05
Common Stock, \$0.001 per share(6)	3,887,000	\$ 1.34(7)	5,208,580	159.90
Total	7,929,500		\$ 9,251,080	\$ 284.00(8)

(1) In the event of a stock split, stock dividend or similar transaction involving our common stock, the number of shares registered shall automatically be increased to cover the additional shares of common stock issuable pursuant to Rule 416 under the Securities Act of 1933, as amended.

(2) Represents our good faith estimate of the number of shares that are issuable to the selling security holders following the conversion of interest and/or principal of secured convertible promissory notes held by the selling security holders or our payment of the interest and/or principal of the secured convertible promissory notes held by the selling security holders with shares of our common stock.

(3) Pursuant to Rule 457(g), calculated based upon the conversion price of secured convertible promissory notes held by the selling security holders.

(4) Represents our good faith estimate of the number of shares that are issuable to the selling security holders following the conversion of interest and/or principal of secured convertible promissory notes to be issued to the selling security holders on the second closing scheduled to occur no later than the fifth day after this Registration Statement is declared effective by the Securities and Exchange Commission.

(5) Pursuant to Rule 457(g), calculated based upon the conversion price of secured convertible promissory notes to be issued to the selling security holders at the second closing scheduled to occur no later than the fifth day after this Registration Statement is declared effective by the Securities and Exchange Commission.

(6) Represents shares of common stock currently outstanding to be sold by selling security holders.

(7) Fee calculated in accordance with Rule 457(c) of the Securities Act. Estimated for the sole purpose of calculating the registration fee. We have based the fee calculation on the average of the last reported bid and ask price for our common stock on the OTC Bulletin Board on October 15, 2007.

(8) Previously paid.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION

STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

The information in this prospectus is not complete and may be changed. The selling security holders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these Securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED, OCTOBER __, 2007

PAY88, INC.

4,042,500 shares of Common Stock issuable pursuant to Secured Convertible Promissory Notes
3,887,000 shares of Common Stock

The prospectus relates to the resale by certain selling security holders of Pay88, Inc. of up to 7,929,500 shares of our common stock in connection with the resale of:

- Up to 2,021,250 shares of our common stock that may be issued pursuant to secured convertible promissory notes that were issued by us in connection with a private placement that closed in September 2007;
- Up to 2,021,250 shares of our common stock that may be issued pursuant to secured convertible promissory notes that will be issued by us at the second closing of the September 2007 private placement; and
- 3,887,000 shares of our common stock.

The selling security holders may offer to sell the shares of our common stock being offered in this prospectus at fixed prices, at prevailing market prices at the time of sale, at varying prices, or at negotiated prices. For a description of the plan of distribution of the shares, please see page 15 of this prospectus.

Our common stock is traded on the National Association of Securities Dealers OTC Bulletin Board under the symbol "PAYI." On October 15, 2007, the closing sale price of our common stock on the OTC Bulletin Board was \$1.34.

Investing in our securities involves significant risks. See "Risk Factors" beginning on page 6.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of the prospectus. Any representation to the contrary is a criminal offense.

Our offices are located at 1053 North Barnstead Road, Barnstead, NH 03225. Our telephone number is (603) 776-6044. Our website can be found at www.pay88.com.

The date of the prospectus is _____, 2007.

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You should rely only on the information contained in this prospectus. We have not, and the selling security holders have not, authorized anyone to provide you with different information. If anyone provides you with different information, you should not rely on it. We are not, and the selling security holders are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations, and prospects may have changed since that date. In this prospectus, “Pay88,” “the Company,” “we,” “us,” and “our” refer to Pay88, Inc., a Nevada corporation, unless the context otherwise requires. In this prospectus, references to “Qianbao” refers to Chongqing Qianbao Technology Ltd., our wholly owned subsidiary.

PROSPECTUS SUMMARY

The following summary highlights selected information contained in this prospectus. Because it is a summary, it does not contain all of the information you should consider before making an investment decision. Before making an investment decision, you should read the entire prospectus carefully, including the “Risk Factors” section, the financial statements, and the notes to the financial statements.

Company Summary

Pay88, Inc. was incorporated on March 22, 2005 under the name "Pay88, Ltd." in the State of New Hampshire. We subsequently decided to reincorporate in the State of Nevada by merging with and into Pay88, Inc., a Nevada corporation formed for such purpose on July 7, 2005. Such merger was effectuated on August 9, 2005.

Initially we focused our business on facilitating money transfers from the United States to China. Prior to September 2006, our operations focused on organizational, start-up, and fund raising activities and entering into an agreement with Chongqing Yahu Information Development Co., Ltd. to provide software to process money transfers. However, we never commenced our proposed business operations or generated revenues in connection with this money transfer business. We presently have no intention to engage in the money transfer business. Nonetheless, we may in the future resume our plans to develop this U.S.-China money transfer business.

We shifted our business focus in September, 2006 as a result of our acquisition of Chongqing Qianbao Technology Ltd. (“Qianbao”), a Chinese limited liability company. Through Qianbao, we are currently engaged in the sale of prepaid telephone and game cards through their internet website, <http://www.iamseller.com>. We currently offer for sale on such website over 800 software products, including cooking and language software and prepaid game cards for online games.

Our auditor's report for the fiscal year ended December 31, 2006 indicates that certain factors raise substantial doubt about our ability to continue as a going concern.

Recent Developments

Private Placement

On September 12, 2007, we entered into Subscription Agreements with 3 accredited investors for the purchase and sale of \$1,155,000 of Secured Convertible Promissory Notes for the aggregate purchase price of \$750,000. We received net proceeds from the issuance of the secured convertible promissory notes of \$652,237. Pursuant to the terms of the Subscription Agreements, we also issued to these investors Class A warrants and Class B warrants that, in the aggregate, are exercisable to purchase 2,310,000 shares of our common stock, subject to adjustments for certain issuances and transactions. In accordance with the terms of the Subscription Agreements, we will issue additional secured convertible promissory notes in the principal amount of \$1,155,000 and an aggregate of 2,310,000 additional warrants on or before the fifth business day after this registration statement containing this prospectus is declared effective by the Securities and Exchange Commission. We plan to use the net proceeds of the secured convertible promissory notes (including the additional notes) to expand our operations.

The secured convertible promissory notes bear interest at the rate of prime plus 4% per annum, and are payable in either cash or, absent any event of default, in shares of our common stock. Payments of interest and principal commence on March 12, 2008 and all accrued but unpaid interest and any other amounts pursuant to the secured convertible promissory notes are due and payable on March 12, 2009 (or earlier upon acceleration following an event of default).

All of the principal and accrued interest on the secured convertible promissory notes is convertible into shares of our common stock at the election of the investors at any time at the conversion price of \$1.00 per share (subject to adjustment for certain issuances and transactions).

The secured convertible promissory notes contain default events which, if triggered and not timely cured (if curable), will result in a default interest rate of an additional 5% per annum. In addition, we have to pay the investors 120% plus accrued interest of the outstanding principal amount if the shares of our common stock cease to be eligible for quotation on the Bulletin Board, we sell substantially all of our assets or Guo Fan ceases to be our Chief Executive Officer.

The obligations under the secured convertible promissory notes are secured by our assets, the assets of our wholly-owned subsidiary Qianbao, a pledge of all the shares we hold in Qianbao and personal guaranties of our Chief Executive Officer and our Chief Operating Officer.

We also issued to each investor 1,155,000 Class A Common Stock Purchase Warrants and 1,155,000 Class B Common Stock Purchase Warrants, which are exercisable at any time until September 12, 2012 at an exercise price of \$0.81 and \$1.13, respectively. These warrants also include a cashless exercise provision which is triggered after March 12, 2008 as well as “full ratchet” anti-dilution provisions with respect to certain securities issuances.

At the option of each investor, the conversion of the secured convertible promissory notes or exercise of the warrants is subject to the restriction that such conversion or exercise does not result in the investor beneficially owning at any one time more than 4.99% of our outstanding shares of common stock.

We agreed to register for resale all of the shares of common stock underlying the secured convertible promissory notes. If the registration statement we file is not declared effective within 91 days from September 16, 2007, we must pay monthly liquidated damages in cash equal to 2% of the principal amount of the secured convertible promissory notes and purchase price of the warrants. We also granted the investors piggyback registration rights along with certain demand registration rights.

Pursuant to the Subscription Agreements, we also granted the investors a right of first refusal with respect to proposed sales of equity or debt securities we make, subject to certain exceptions. The right is effective until the earlier of one year from the effective date of the Registration Statement or the date which the secured convertible promissory notes are satisfied in full.

As a condition to the issuance of the secured convertible promissory notes, we have entered into Lock up Agreements with Guo Fan, our Chief Executive Officer, and Tao Fan, our Chief Operating Officer, and three other individuals pursuant to which each of them has agreed not to sell any shares of our common stock prior to 365 calendar days after the registration statement which contains this prospectus has been declared effective, or until the secured convertible promissory notes are no longer outstanding.

The secured convertible promissory notes and the warrants were offered and sold in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act and Rule 506 promulgated thereunder, as a transaction by us (as the issuer) not involving a public offering.

Issuance of shares to consultants

On September 11, 2007, we issued an aggregate of 6,666,666 shares of our common stock to TVH Limited, a Netherlands limited company, in consideration for services rendered, and 1,333,334 to another consultant who subsequently returned his shares to the Company for cancellation. TVH Limited subsequently transferred its shares to 5 individuals. These issuances were offered and sold in reliance upon exemptions from registration pursuant to Section 4(2) under the Securities Act and Rule 506 promulgated thereunder.

Conversion of Series A preferred stock into shares of common stock

On October 3, 2007, we issued 14,000,000 shares of common stock upon conversion of 5,000,000 shares of our Series A Convertible Preferred Stock that we issued to the two shareholders of Qianbao in September 2006 as consideration for the acquisition of that company. The shares were subsequently distributed in China to the shareholders of one of said shareholders. We were required to cause the conversion of our Series A Convertible Preferred Stock pursuant to the Subscription Agreement we entered into with the investors on September 12, 2007. As a result of the conversion of the Series A Convertible Preferred Stock into our common stock, and the issuance to TVH Limited as described

above, we now have 30,766,666 shares issued and outstanding as of the date of this prospectus. The issuance of our common stock upon the conversion of the Series A Preferred Stock was exempt from registration pursuant to an exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended.

Our offices are located at 1053 North Barnstead Road, Barnstead, New Hampshire 03225. Our telephone number is (603) 776-6044. Our website can be found at www.pay88.com.

THE OFFERING**Key Facts of the Offering**

Shares of common stock being registered	7,929,500
Total shares of common stock outstanding as of the date of this prospectus	30,766,666

Total proceeds raised by us from the disposition of the common stock by the selling security holders or their transferees

We will receive no proceeds from the disposition of already outstanding shares of common stock by the selling security holders or their transferees or the disposition of the shares of common stock issuable pursuant to the secured convertible promissory notes.

Summary Financial Data

The following summary financial information for the fiscal year ended December 31, 2006 was taken from our audited financial statements and unaudited financial information for the quarter ended June 30, 2007, includes balance sheet and statement of operations data. The information contained in this table should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and accompanying notes included in this prospectus.

	Pay88, Inc. For the Period April 24, 2006 (Inception) to December 31, 2006	Pay88, Inc. for the quarter ended June 30, 2007 (unaudited)
Statement of Operations Data:		
Net Sales	1,199,927	1,242,455
Total Operating Expense	321,436	155,174
Loss from Operations	(294,773)	(125,119)
Net Loss	(297,764)	(137,709)
Loss per Share - Basic	(\$0.03)	(0.01)
Loss per Share - Diluted	(\$0.01)	(0.01)
	December 31, 2006	June 30, 2007
Balance Sheet Data:		