



Edgar Filing: WARP 9, INC. - Form 10QSB/A

Transitional Small Business Disclosure Format (check one):

Yes \_\_\_\_\_ No  \_\_\_\_\_

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Balance Sheet as of December 31, 2006 (unaudited).....

Statements of Operations for the Three Months and Six Months ended December 31, 2006 and 2005 (unaudited).....

Statements of Cash Flows for the Six Months ended December 31, 2006 and 2005 (unaudited).....

Notes to Consolidated Financial Statements (unaudited).....

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....

Item 3. Controls and Procedures.....

PART II - OTHER INFORMATION

Item 1. Legal Proceedings .....

Item 2. Changes in Securities.....

Item 3. Defaults upon Senior Securities.....

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

Item 5. Other Information.....

Item 6. Exhibits and Reports on Form 8-K.....

Signatures.....

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

WARP 9, INC. AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEET  
DECEMBER 31, 2006  
(Unaudited)

ASSETS

CURRENT ASSETS

Cash	\$ 245,018
Accounts Receivable, net	461,052
Prepaid and Other Current Assets	17,936
	-----
TOTAL CURRENT ASSETS	724,006
	-----

PROPERTY & EQUIPMENT, at cost

Furniture, Fixtures & Equipment	89,485
Computer Equipment	499,970
Commerce Server	50,000
Computer Software	9,476
	-----
	648,931
Less Accumulated Depreciation	(445,480)
	-----
NET PROPERTY AND EQUIPMENT	203,451
	-----

OTHER ASSETS

Lease Deposit	9,749
Restricted Cash	93,000
Internet Domain, net	1,319
Investment-Zingerang	10,000
Loan Costs	144,167
	-----
TOTAL OTHER ASSETS	258,235
	-----

TOTAL ASSETS	\$ 1,185,692
--------------	--------------

Edgar Filing: WARP 9, INC. - Form 10QSB/A

		=====
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts Payable	\$	243,452
Credit Cards Payable		90,880
Accrued expenses		447,431
Bank Line of Credit		62,182
Deferred Income		136,000
Note Payable		19,000
Customer Deposit		41,033
Derivative Liability-Debenture		494,084
Capitalized Leases, Current Portion		35,585
		-----
TOTAL CURRENT LIABILITIES		1,569,647
		-----
LONG TERM LIABILITIES		
Convertible Debenture		955,000
Beneficial Conversion Feature		(201,906)
Capitalized Leases		47,736
		-----
TOTAL LIABILITIES		800,830
		-----
SHAREHOLDERS' DEFICIT		
Common stock, \$0.001 par value; 495,000,000 authorized shares; 216,786,532 shares issued and outstanding		216,786
Additional paid in capital		6,181,921
Accumulated deficit		(7,583,492)
		-----
TOTAL SHAREHOLDERS' DEFICIT		(1,184,785)
		-----
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$	1,185,692
		=====

The accompanying notes are an integral part of these financial statements.

3

WARP 9, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended December 31, 2006	Three months ended December 31, 2005
	-----	-----
REVENUE	\$ 903,754	\$ 518,146
COST OF SERVICES	210,432	159,332
	-----	-----

Edgar Filing: WARP 9, INC. - Form 10QSB/A

GROSS PROFIT	693,322	358,814
OPERATING EXPENSES		
Selling, General and Administrative Expenses	529,225	522,615
Research and Development	-	106,972
Depreciation and Amortization	40,575	23,972
	-----	-----
TOTAL OPERATING EXPENSES	569,800	653,559
	-----	-----
INCOME (LOSS) FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES)	123,522	(294,745)
OTHER INCOME/(EXPENSE)		
Interest Income	1,119	763
Other Income	25,242	9,579
Interest Expense	(41,507)	(111,359)
	-----	-----
TOTAL OTHER INCOME (EXPENSE)	(15,146)	(101,017)
	-----	-----
INCOME (LOSS) FROM OPERATIONS BEFORE PROVISION FOR TAXES	108,376	(395,762)
PROVISION FOR INCOME TAXES	-	-
	-----	-----
NET INCOME (LOSS)	108,376	(395,762)
	=====	=====
BASIC AND DILUTED LOSS PER SHARE	\$ 0.00	\$ (0.00)
	=====	=====
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING BASIC AND DILUTED	209,677,484	184,151,379
	=====	=====

The accompanying notes are an integral part of these financial statements.

4

WARP 9, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss	\$ (247
Adjustment to Reconcile Net Loss to Net Cash Used in Operating Activities	

Six  
months en  
December  
2006  
-----

Edgar Filing: WARP 9, INC. - Form 10QSB/A

Depreciation and Amortization	46
Issuance of Common Shares and Warrants for Services	185
Conversion of Convertible Debenture	(33)
Conversion Feature Recorded as Interest Expense	33
Amortization of Loan Costs	40
Cost of Stock Options Recognized	(81)
Derivative Expense	
(Increase) Decrease in:	
Accounts Receivable	(299)
Prepaid and Other Assets	6
Increase (Decrease) in:	
Accounts Payable	71
Accrued Expenses	53
Deferred Income	74
Other Liabilities	9
	-----
NET CASH USED IN OPERATING ACTIVITIES	(141)
	-----
CASH FLOWS USED IN INVESTING ACTIVITIES:	
Purchase of Stock for Investment	(10)
Purchase of Property and Equipment	(1)
	-----
NET CASH USED IN INVESTING ACTIVITIES	(11)
	-----
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payment on Note Payable	(6)
Payments on Capitalized Leases	(45)
Proceeds from Line of Credit	61
Proceeds from Convertible Debenture	
Proceeds from Issuance of Common Stock, Net of Cost	
	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	10
	-----
NET INCREASE (DECREASE) IN CASH	(142)
	-----
CASH, BEGINNING OF PERIOD	387
	-----
CASH, END OF PERIOD	\$ 245
	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Interest Paid	\$ 12
	=====
Taxes Paid	\$
	=====
Capitalized Lease Contracted	\$ 19
	=====
SUPPLEMENTAL SCHEDULE OF NON-CASH TRANSACTIONS	
During the three months ended December 31, 2006, the Company issued 16,286,745 shares of common stock at a fair value of \$90,000 for the convertible debenture. During the three months ended December 31, 2005, the Company purchased \$19,796 of equipment under capital leases respectively.	

## Edgar Filing: WARP 9, INC. - Form 10QSB/A

The accompanying notes are an integral part of these financial statements.

5

### WARP 9, INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED DECEMBER 31, 2006

#### 1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all normal recurring adjustments considered necessary for a fair presentation have been included. Operating results for the three month period ended December 31, 2006 are not necessarily indicative of the results that may be expected for the year ending June 30, 2007. For further information refer to the financial statements and footnotes thereto included in the Company's Form 10K-SB for the year ended June 30, 2006.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Warp 9, Inc. is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

##### GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. The accompanying financial statements do not reflect any adjustments that might result if the Company is unable to continue as a going concern. The Company's losses and negative cash flows from operations raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern and appropriateness of using the going concern basis is dependent upon, among other things, additional cash infusion.

##### STOCK-BASED COMPENSATION

As of June 30, 2006, the Company adopted Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (FAS) No. 123R, that addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for either equity instruments of the enterprise or liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. The statement eliminates the ability to account for share-based compensation transactions, as we formerly did, using the intrinsic value method as prescribed by Accounting Principles Board, or APB, Opinion No. 25, "Accounting for Stock Issued to Employees," and generally requires that such transactions be accounted for using a fair-value-based method and recognized as expenses in our statement of income. The adoption of (FAS) No. 123R by the Company had no material impact on the statement of income.

## Edgar Filing: WARP 9, INC. - Form 10QSB/A

The Company adopted FAS 123R using the modified prospective method which requires the application of the accounting standard as of June 30, 2006. Our financial statements as of and for the three and six months ended December 31, 2006 reflect the impact of adopting FAS 123R. In accordance with the modified prospective method, the financial statements for prior periods have not been restated to reflect, and do not include, the impact of FAS 123R.

6

WARP 9, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED  
DECEMBER 31, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

STOCK-BASED COMPENSATION (CONTINUED)

Stock-based compensation expense recognized during the period is based on the value of the portion of stock-based payment awards that is ultimately expected to vest. Stock-based compensation expense recognized in the consolidated statement of operations during the three and six months ended December 31, 2006, included compensation expense for the stock-based payment awards granted prior to, but not yet vested, as of December 31, 2006 based on the grant date fair value estimated in accordance with the pro forma provisions of FAS 148, and compensation expense for the stock-based payment awards granted subsequent to December 31, 2006, based on the grant date fair value estimated in accordance with FAS 123R. As stock-based compensation expense recognized in the statement of income for the three and six months ended December 31, 2006 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures, FAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. In the pro forma information required under FAS 148 for the periods prior to the year ended June 30, 2006, we accounted for forfeitures as they occurred. The stock-based compensation expense recognized in the consolidated statement of operations during the six months ended December 31, 2006 is \$40,383.

	2006	
	-----	-----
Net loss as reported	\$ (247,830)	\$
Add: Stock based employee compensation expense included in net reported loss, net of related tax effect	-	
Deduct: Stock based employee compensation expense determined under fair value based method for all awards, net of related tax effect	-	
	-----	-----
Pro forma net loss	\$ (247,830)	\$
	=====	=====
Basic and diluted pro forma loss per share		
As reported	\$ (0.00)	\$
	=====	=====



Edgar Filing: WARP 9, INC. - Form 10QSB/A

Proforma

\$ (0.00) \$  
=====

3. CAPITAL STOCK

At December 31, 2006, the Company's authorized stock consists of 495,000,000 shares of common stock, par value \$0.001 per share. The Company is also authorized to issue 5,000,000 shares of preferred stock with a par value of \$0.001. The rights, preferences and privileges of the holders of the preferred stock will be determined by the Board of Directors prior to issuance of such shares. During the six months ended December 31, 2006, the Company issued 26,983,386 shares of common stock ranging from \$0.0046 per share to \$0.0078 per share for the conversion of the debenture with a value of \$185,000.

7

WARP 9, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED  
DECEMBER 31, 2006

4. CONVERTIBLE DEBENTURES

On December 28, 2005, we consummated a securities purchase agreement with Cornell Capital Partners L.P. providing for the sale by us to Cornell of our 10% secured convertible debentures in the aggregate principal amount of \$1,200,000 of which the first installment of \$400,000 was advanced immediately. The net amount of the first installment received by the Company was \$295,500 after paying total fees of \$92,500 which included legal, structuring, due diligence, commitment fees, and prior liability of \$12,000. An interest expense of \$100,000, representing the value of the conversion feature in accordance to EITF 00-27 was recorded for the first installment. Under EITF 00-27, the Company records a beneficial conversion cost associated with the convertibility feature of the security that equals the value of any discount to market available at the time of conversion. This beneficial conversion cost is recorded at the time the convertible security is first issued and is amortized over the stated terms.

Holders of the debentures may convert at any time amounts outstanding under the debentures into shares of our common stock at a conversion price per share equal to the lesser of (i) \$0.15 or (ii) 80% of the lowest volume weighted average price of our common stock during the five trading days immediately preceding the conversion date as quoted by Bloomberg, LP. Cornell has agreed not to short any of the shares of Common Stock. EITF 00-19 is applicable to debentures issued by the Company in instances where the number of shares into which a debenture can be converted is not fixed. For example, when a debenture converts at a discount to market based on the stock price on the date of conversion. In such instances, EITF 00-19 requires that the embedded conversion option of the convertible debentures be bifurcated from the host contract and recorded at their fair value. In accounting for derivatives under EITF 00-19, the Company records a liability representing the estimated present value of the conversion feature considering the historic volatility of the Company's stock, and a discount representing the imputed interest associated with the beneficial conversion feature. The discount is then amortized over the life of the debentures and the derivative liability is adjusted periodically according to stock price fluctuations. At the time of conversion, any remaining derivative liability is charged to additional paid-in capital. For purpose

## Edgar Filing: WARP 9, INC. - Form 10QSB/A

of determining derivative liability, the Company uses Black Scholes modeling for computing historic volatility.

We have the right to redeem a portion or all amounts outstanding under the debenture prior to the maturity date at a 20% redemption premium provided that the closing bid price of our common stock is less than \$0.15. In addition, in the event of redemption, we are required to issue to Cornell 50,000 shares of common stock for each \$100,000 redeemed.

We also issued to Cornell five-year warrants to purchase 1,500,000, 4,000,000 and 4,000,000 shares of Common Stock at \$0.08, \$0.10 and \$0.12 per share, respectively. These warrants are being accounted for as equity instruments.

8

### WARP 9, INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED DECEMBER 31, 2006

#### 4. CONVERTIBLE DEBENTURES (Continued)

The second installment of \$350,000 (\$295,000 net of fees) was advanced on January 27, 2006. An interest expense of \$87,500 was incurred, representing the value of the conversion feature in accordance to EITF 00-27.

The last installment of \$450,000 (\$395,000 net of fees) was advanced on May 9, 2006, after the registration statement was declared effective by the Securities and Exchange Commission. An interest expense of \$112,500, representing the value of the conversion feature in accordance to EITF 00-27, was incurred at the receipt of this first installment.

The debentures mature on the third anniversary of the date of issuance, and the Company is not required to make any payments until the maturity dates. Interest is accrued at 10% per annum on the principal balance outstanding. At December 31, 2006, the outstanding balance of the debentures were \$955,000 and the interest accrued was \$94,221.

#### 5. RELATED PARTY TRANSACTIONS

On January 16, 2007, Mr. Harinder Dhillon, the Company's President exercised his option to purchase 8,650,000 of the Company's common stock. The options were personal holdings which were granted by Mr. Jon Lei, a 10% or larger shareholder of the Company.

#### 6. LITIGATION SETTLEMENT

On December 21, 2006, the Company entered into a satisfactory settlement agreement with the plaintiff in a lawsuit and the case was dismissed with prejudice and a mutual general release of all claims. A one time expense of \$42,694 was incurred for related legal fees and settlement cost.

#### 7. SUBSEQUENT EVENT

On February 1, 2007, the Company issued 10,000,000 shares of common stock at \$0.005 per share for the conversion of the Cornell debenture with an outstanding balance reduction of \$50,000.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

This Form 10-QSB may contain "forward-looking statements," as that term is used in federal securities laws, about Warp 9, Inc.'s financial condition, results of operations and business. These statements include, among others:

- o statements concerning the potential benefits that Warp 9, Inc. ("W9" or the "Company") may experience from its business activities and certain transactions it contemplates or has completed; and
- o statements of W9's expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts. These statements may be made expressly in this Form 10-QSB. You can find many of these statements by looking for words such as "believes," "expects," "anticipates," "estimates," "opines," or similar expressions used in this Form 10-QSB. These forward-looking statements are subject to numerous assumptions, risks and uncertainties that may cause W9's actual results to be materially different from any future results expressed or implied by W9 in those statements. The most important facts that could prevent W9 from achieving its stated goals include, but are not limited to, the following:
  - (a) volatility or decline of the Company's stock price;
  - (b) potential fluctuation in quarterly results;
  - (c) failure of the Company to earn revenues or profits;
  - (d) inadequate capital to continue or expand its business, and inability to raise additional capital or financing to implement its business plans;
  - (e) failure to commercialize its technology or to make sales;
  - (f) changes in demand for the Company's products and services;
  - (g) rapid and significant changes in markets;
  - (h) litigation with or legal claims and allegations by outside parties;
  - (i) insufficient revenues to cover operating costs.

There is no assurance that the Company will be profitable, the Company may not be able to successfully develop, manage or market its products and services, the Company may not be able to attract or retain qualified executives and technology personnel, the Company may not be able to obtain customers for its products or services, the Company's products and services may become obsolete, government regulation may hinder the Company's business, additional dilution in

## Edgar Filing: WARP 9, INC. - Form 10QSB/A

outstanding stock ownership may be incurred due to the issuance of more shares, warrants and stock options, or the exercise of outstanding warrants and stock options, and other risks inherent in the Company's business.

Because the statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by the forward-looking statements. W9 cautions you not to place undue reliance on the statements, which speak only as of the date of this Form 10-QSB. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that W9 or persons acting on its behalf may issue. The Company does not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this Form 10-QSB, or to reflect the occurrence of unanticipated events.

### CURRENT OVERVIEW

We are a provider of e-commerce software platforms and services for the catalog and retail industry. Our suite of software platforms is designed to help online retailers maximize the Internet channel by using advanced technologies for online catalogs, e-mail marketing campaigns, and interactive visual merchandising. Offered on an outsourced and fully managed Software-as-a-Service ("SaaS") model, our products allow customers to focus on their core business, rather than technical implementations. We also offer professional services to our clients which include online catalog design, merchandizing and optimization, order management, e-mail marketing campaign development, integration to third party payment processing and fulfillment systems, analytics, custom reporting and strategic consultation.

Our products and services allow our clients to focus on promoting and marketing their brand, product line and website while leveraging the investments we have made in technology and infrastructure to operate a dynamic online catalog.

We charge our customers a monthly fee for using our e-commerce software based on a Software-as-a-Service model. These fees include fixed monthly charges, and variable fees based on the sales volume of our clients' e-commerce websites. Unlike traditional software companies that sell software on a perpetual license where quarterly and annual revenues are quite difficult to predict, our SaaS model spreads the collection of contract revenue over several quarters or years and makes our revenues more predictable for a longer period of time.

We also licensed our patented mobile messaging technology on an exclusive basis to one licensee, from which we expect to derive royalty revenues. We have generated only minimal revenues from the licensing of that technology to date. To date, almost all of our revenues are generated from Warp 9 e-commerce products and services.

The quarter ended December 31, 2006 was the highest revenue quarter in the history of the Company. The primary reasons for this revenue increase were: (i) increases in monthly fees due to higher sales volumes by our growing number of

e-commerce clients and (ii) more professional services work from clients such as custom marketing campaigns, augmenting website functionality, and custom programming projects. One of the reasons for the increase in monthly fees is because our SaaS pricing model is based in part on the sales volume of our

## Edgar Filing: WARP 9, INC. - Form 10QSB/A

clients' e-commerce websites. Since online retailing revenues are the highest during the holiday shopping season, our revenues for the months of October through December are higher during that period.

The results of operation for the quarter ended December 31, 2006 are also the first complete quarter of financials which solely reflect the Warp 9 e-commerce products and services operation.

While the Warp 9 ICS (Internet Commerce System) is our flagship and highest revenue product, we have been developing new products based a proprietary virtual publishing technology that we have developed. These new products will allow for the creation of interactive web versions of paper catalogs and magazines where users can flip through pages with a mouse and click on products or advertisements. These magazines or catalogs will have built-in integration for e-commerce transactions through our ICS product and other transaction based activities. This means that when shoppers click on a product, they are taken to the e-commerce product page where they can add that product to their shopping cart for purchasing. Our beta customers have discovered that order sizes through virtual catalogs are higher than traditional e-commerce websites and resulting in increasing sales demand. We have been selling this solution on a limited basis as a programming service while we refine the product and technology. We believe there are many markets for our virtual catalog and magazine technology and we intend to aggressively market these new products in the near future.

### RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2006 COMPARED TO THE SAME PERIOD IN 2005

Total revenue for the three-month period ended December 31, 2006 was \$903,754 as compared to \$518,146 for the three-month period ended December 31, 2005. The 74% increase in revenue was primarily due to (i) the increase in monthly fees from our e-commerce software as a result of a larger customer base that is experiencing higher sales volumes, and (ii) a general increase in professional services from having more customers.

The cost of revenue for the three-month period ended December 31, 2006 was 23% of gross revenue as compared to 31% of gross revenue for the three-month period ended December 31, 2005. This decrease in cost of revenue is due to the increased sale of higher profit margin products and services.

Total operating expenses for the three month period ended December 31, 2006 decreased by \$83,759 to \$569,800 from \$653,559 in 2005. The change is primarily due to the virtual elimination of all operating costs relating to the Roaming Messenger business, which was licensed to a third party in September 2006 for operation by it on an exclusive basis.

Selling, general and administrative expenses for the three month period ended December 31, 2006 was \$529,225 as compared to \$522,615 for the three month

12

period ended December 31, 2005. While the virtual elimination of all operating costs relating to the Roaming Messenger business tended to reduce our overall selling, general and administrative expense for the three month period ended December 31, 2006, we incurred an approximately \$59,000 increase in salaries, bonuses and benefits as well as one time charges of (i) \$42,694 related to a settlement of a lawsuit from a former employee, and (ii) \$49,858 for bad debt allowances.

Non-cash selling, general and administrative expenses for the three months ended December 31, 2006 totaled \$9,696 for employee stock option expenses.

## Edgar Filing: WARP 9, INC. - Form 10QSB/A

Research and development expenses for the three month period ended December 31, 2006 was \$0 compared to \$106,972 for the three month period ended December 31, 2005. This decrease is due to the elimination of research and development costs relating to the Roaming Messenger business.

Expense related to depreciation and amortization was \$40,575 for the three months ended December 31, 2006 as compared to \$23,972 for the prior year.

Total other income and expense was (\$15,146) for the three months ended December 31, 2006 as compared to (\$101,017) in the prior year. The difference is primarily due to a \$100,000 expense representing the value of the conversion feature of the Cornell convertible debenture in accordance to EITF 00-27 during the three month period ended December 31, 2005.

For the three months ended December 31, 2006, our consolidated net income was \$108,376 as compared to a consolidated net loss of (\$395,762) for the three months ended December 31, 2005. We achieved a consolidated net income because of the elimination of costs previously associated with the Roaming Messenger operation, and an increase in holiday season revenues along with a general increase in customers for Warp 9 e-commerce products and services.

### RESULTS OF OPERATIONS FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2006 COMPARED TO THE SAME PERIOD IN 2005

Total revenue for the six-month period ended December 31, 2006 was \$1,336,430 as compared to \$856,072 for the six-month period ended December 31, 2005. The 56% increase in revenue was primarily due to (i) the increase in monthly fees from our e-commerce software as a result of a larger customer base that experienced higher sales volumes, and (ii) a general increase in professional services from having more customers.

The cost of revenue for the six-month period ended December 31, 2006 was 23% of gross revenue as compared to 31% of gross revenue for the six-month period ended December 31, 2005. This decrease in cost of revenue is due to the increased sale of higher profit margin products and services.

Total operating expenses for the six month period ended December 31, 2006 decreased by \$172,389 to \$1,217,988 from \$1,390,377 in 2005. The change is primarily due to the virtual elimination of all operating costs relating to the Roaming Messenger business which was licensed to a third party in September 2006 for operation by it on an exclusive basis.

13

Selling, general and administrative expenses for the six month period ended December 31, 2006 was \$1,030,397 as compared to \$1,130,258 for the six month period ended December 31, 2005. While the virtual elimination of all operating costs relating to the Roaming Messenger business tended to reduce our overall selling, general and administrative expense for the six month period ended December 31, 2006, we incurred an approximately \$32,000 increase in salaries, bonuses and benefits as well as one time charges of (i) \$42,694 relating to a settlement of a lawsuit from a former employee, and (ii) \$47,797 for bad debt allowances.

Non-cash selling, general and administrative expenses for the six months ended December 31, 2006 totaled \$40,383 for employee stock option expenses.

Research and development expenses for the six month period ended December 31, 2006 is \$107,377 compared to \$212,754 for the six month period ended

## Edgar Filing: WARP 9, INC. - Form 10QSB/A

December 31, 2005. This decrease is due to the elimination of research and development costs relating to the Roaming Messenger business in September 2006.

Expenses related to depreciation and amortization was \$80,214 for the six months ended December 31, 2006 as compared to \$47,365 for the prior year.

Total other income and expense was (\$60,101) for the six months ended December 31, 2006 as compared to (\$103,883) in the prior year.

For the six months ended December 31, 2006, our consolidated net loss was (\$247,830) as compared to a consolidated net loss of (\$904,574) for the six months ended December 31, 2005. The reduction in our consolidated net loss is due to the elimination of costs previously associated with the Roaming Messenger operation, and a general increase in revenue from Warp 9 e-commerce products and services.

### LIQUIDITY AND CAPITAL RESOURCES

The Company had cash at December 31, 2006 of \$245,018 as compared to cash of \$387,180 as of June 30, 2006. The Company had a net working capital deficit (i.e. the difference between current assets and current liabilities) of (\$845,641) at December 31, 2006 as compared to a net working capital deficit of (\$848,174) at June 30, 2006. Cash flow utilized by operating activities was (\$141,544) for the six months ended December 31, 2006 as compared to cash utilized for operating activities of (\$583,124) during the six months ended December 31, 2005. Cash flow used in investing activities was (\$11,173) for the six months ended December 31, 2006 as compared to cash used in investing activities of (\$26,462) during the six months ended December 31, 2005. Cash flow provided by financing activities was \$10,555 for the six months ended December 31, 2006 as compared to cash provided by financing activities of \$640,988 for the six months ended December 31, 2005.

On August 11, 2005, the Company was approved for a \$100,000 revolving line of credit from Bank of America at an interest of prime plus 4 percentage points. This line of credit is not secured by assets of the Company. The effective interest rate on the line of credit at December 31, 2006 was 12.25% per annum.

At December 31, 2006, \$62,182 was borrowed under this line of credit.

We anticipate that we may be able to obtain additional required working capital through the private placement of common stock to domestic accredited investors pursuant to Regulation D of the Securities Act of 1933, as amended (the "Act"), or to offshore investors pursuant to Regulation S of the Act. There is no assurance that we will obtain the additional working capital that we need through the private placement of common stock. In addition, such financing may not be available in sufficient amounts or on terms acceptable to us.

### ITEM 3. CONTROLS AND PROCEDURES

The Company's Chairman and Chief Financial Officer has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this quarterly report and, based on this evaluation, has concluded that the disclosure controls and procedures are effective.

There have been no changes in the Company's internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2006 that

## Edgar Filing: WARP 9, INC. - Form 10QSB/A

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

On December 21, 2006, the Company entered into a satisfactory settlement agreement with the plaintiff in a lawsuit and the case was dismissed with prejudice and a mutual general release of all claims.

#### ITEM 2. CHANGES IN SECURITIES

During the three months ended December 31, 2006, the Company issued 16,286,745 shares of common stock ranging from \$0.0046 per share to \$0.0078 per share for the conversion of the Cornell debenture with an outstanding balance reduction of \$90,000.

During the three months ended December 31, 2006, the Company granted 14,531,500 stock options to various employees and new members of management at an exercise price of \$0.01 per share.

#### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

15

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

In September 2006, by written consent of the holders of a majority of the outstanding voting shares of the Company, the Company amended its Articles of Incorporation to change its name from Roaming Messenger, Inc. to Warp 9, Inc.

#### ITEM 5. OTHER INFORMATION

On October 15, 2006, Jonathan Lei resigned as the Chairman, Chief Executive Officer, President, Chief Financial Officer, and Corporate Secretary of the Company for personal reasons. Mr. Lei has accrued a total of \$237,980 in salary on the Company's balance sheet since August 1999. This amount has been audited by the Company's auditors and reported in the Company's Form 10Q-SB and 10K-SB filings. The Company and Mr. Lei have agreed to convert his accrued salary into a promissory note bearing simple interest at a rate of five percent (5%) per annum payable on demand on or before October 31, 2008, in lieu of paying the accrued salary upon Mr. Lei's resignation. The Company has also entered into a one year consulting agreement with Mr. Lei, which can be terminated by either party at any time upon 30 days prior written notice, in order to ease the transition to new management. Pursuant to the terms of the agreement, Mr. Lei will receive \$12,500 per month in consideration for providing ongoing strategic planning and advisory services to the Company including, but not limited to, business planning, financial planning, product planning, and management consulting services. The Company's Board of Directors has appointed Louie Ucciferri to replace Jonathan Lei as Chairman of the Board of Directors and has appointed Harinder Dhillon and Kin Ng to fill the vacancies on the Board of Directors created by the resignation of Tom M. Djokovich in February 2006 and the resignation of Jonathan Lei in October 2006. The Company has appointed Harinder Dhillon, the President of the Company's wholly owned subsidiary, as the



## Edgar Filing: WARP 9, INC. - Form 10QSB/A

President and Chief Executive Officer of the Company and Louie Ucciferri, a director of the Company, as the new Corporate Secretary and Acting Chief Financial Officer of the Company.

On October 25, 2006, the Company's articles of incorporation were amended to change the name of the Company from Roaming Messenger, Inc. to Warp 9, Inc.

On November 2, 2006, the Company was approved to trade its common stock under the new symbol WNYN.

16

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

#### (a) Exhibits

EXHIBIT NO.	DESCRIPTION
3.1	Articles of Incorporation (1)
3.2	Bylaws (1)
4.1	Specimen Certificate for Common Stock (1)
4.2	Non-Qualified Employee Stock Option Plan (2)
10.1	First Agreement and Plan of Reorganization between Latinocare Management Corporation, a Nevada corporation, and Warp 9, Inc., a Delaware corporation (3)
10.2	Second Agreement and Plan of Reorganization between Latinocare Management Corporation, a Nevada corporation, and Warp 9, Inc., a Delaware corporation (4)
10.3	Exchange Agreement and Representations for Shareholders of Warp 9, Inc.(3)
31.1	Section 302 Certification
32.1	Section 906 Certification

- 
- (1) Incorporated by reference from the exhibits included with the Company's prior Report on Form 10-KSB filed with the Securities and Exchange Commission, dated March 31, 2002.
  - (2) Incorporated by reference from the exhibits included in the Company's Information Statement filed with the Securities and Exchange Commission, dated August 1, 2003.
  - (3) Incorporated by reference from the exhibits included with the Company's prior Report on Form SC 14F1 filed with the Securities and Exchange Commission, dated April 8, 2003.
  - (4) Incorporated by reference from the exhibits included with the Company's prior Report on Form 8K filed with the Securities and Exchange Commission, dated May 30, 2003.

(b) The following is a list of Current Reports on Form 8-K filed by the Company during and subsequent to the quarter for which this report is filed.

- (1) Form 8-K, dated October 17, 2006, filed with the SEC reflecting the resignation of Jonathan Lei in all capacities with the Company and appointment of new officers and directors.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: April 24, 2007

WARP 9, INC.

By: \s\Harinder Dhillon

-----  
Harinder Dhillon  
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: \s\ Louie Ucciferri

Dated: April 24, 2007

-----  
Louie Ucciferri, Chairman  
Corporate Secretary, Acting  
Chief Financial Officer  
(Principal Financial/accounting Officer)

By: \s\ Harinder Dhillon

Dated: April 24, 2007

-----  
Harinder Dhillon, President and  
Chief Executive Officer, Director  
(Principal Executive Officer)

