

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

WARP 9, INC.
Form 10QSB
November 14, 2006

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

FORM 10-QSB

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

FOR QUARTER ENDED SEPTEMBER 30, 2006

COMMISSION FILE NUMBER 0-13215

WARP 9, INC.

(Exact name of Registrant as Specified in its Charter)

NEVADA

30-0050402

(State of Incorporation)

(I.R.S. Employer Identification No.)

50 Castilian Dr. Suite A, Santa Barbara, California 93117
(Address of principal executive offices) (Zip Code)

(805) 964-3313

Registrant's telephone number, including area code

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK	OTC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 during the proceeding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

As of November 14, 2006 the number of shares outstanding of the registrant's only class of common stock was 212,400,568.

Transitional Small Business Disclosure Format (check one):

Yes No

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

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Balance Sheets as of September 30, 2006 (unaudited).....

Statements of Operations for the Three Months ended September 30, 2006
and 2005 (unaudited).....

Statements of Shareholders' Deficit for the Three Months ended
September 30, 2006 (unaudited).....

Statements of Cash Flows for the Three Months ended
September 30, 2006 and 2005 (unaudited).....

Notes to Condensed 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. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

WARP 9, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2006
(Unaudited)

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

ASSETS

CURRENT ASSETS

Cash	\$ 103,089
Accounts Receivable, net	372,039
Prepaid and Other Current Assets	29,139

TOTAL CURRENT ASSETS	504,267

PROPERTY & EQUIPMENT, at cost

Furniture, Fixtures & Equipment	89,485
Computer Equipment	499,083
Commerce Server	50,000
Computer Software	9,476

	648,044
Less accumulated depreciation	(421,822)

NET PROPERTY AND EQUIPMENT	226,222

OTHER ASSETS

Lease Deposit	9,748
Restricted Cash	93,000
Internet Domain, net	1,362
Investment-Zingerang	10,000
Loan Costs	161,042

TOTAL OTHER ASSETS	275,152

TOTAL ASSETS	\$ 1,005,641
	=====

LIABILITIES AND SHAREHOLDERS' DEFICIT

CURRENT LIABILITIES

Accounts Payable	\$ 205,407
Credit Cards Payable	13,552
Accrued expenses	425,319
Bank Line of Credit	75,684
Deferred Income	192,000
Note Payable	22,000
Customer Deposit	41,115
Derivative Liability-Debenture	562,227
Capitalized Leases, Current Portion	40,368

TOTAL CURRENT LIABILITIES	1,577,672

LONG TERM LIABILITIES

Convertible Debenture	1,045,000
Beneficial Conversion Feature	(230,903)
Capitalized Leases	55,528

TOTAL LIABILITIES	869,625

SHAREHOLDERS' DEFICIT

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

Common stock, \$0.001 par value;	
495,000,000 authorized shares;	
200,499,787 shares issued and outstanding	200,500
Additional paid in capital	6,050,389
Accumulated deficit	(7,692,545)

TOTAL SHAREHOLDERS' DEFICIT	(1,441,656)

TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$ 1,005,641
	=====

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

3

WARP 9, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED SEPTEMBER 30,
(Unaudited)

	2006	
	-----	-----
REVENUE	\$ 432,676	\$
COST OF SERVICES	96,416	
	-----	-----
GROSS PROFIT	336,260	
OPERATING EXPENSES		
Selling, general and administrative expenses	513,830	
Research and development	107,377	
Depreciation and amortization	39,639	
	-----	-----
TOTAL OPERATING EXPENSES	660,846	
	-----	-----
LOSS FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES)	(324,586)	
OTHER INCOME/(EXPENSE)		
Interest Income	30,620	
Other Income	-	
Interest Expense	(62,917)	
	-----	-----
TOTAL OTHER INCOME (EXPENSE)	(32,297)	
	-----	-----
LOSS FROM OPERATIONS BEFORE PROVISION FOR TAXES	(356,883)	
PROVISION FOR INCOME TAXES	-	
	-----	-----
NET LOSS	(356,883)	
	=====	=====
BASIC AND DILUTED LOSS PER SHARE	\$ (0.00)	\$

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

WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING
BASIC AND DILUTED

=====

197,266,575

=====

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

4

WARP9, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2006
(Unaudited)

	Shares	Common Stock	Additional Paid-in Capital	Ac D
	-----	-----	-----	-----
Balance, June 30, 2005	180,807,091	\$ 180,807.06	\$4,950,066	\$ (5)
Issuance of common stock, Convertible debenture	3,271,881	3,272	56,728	
Issuance of common stock, Stock issued for cash	4,579,174	4,579	282,568	
Issuance of common stock, Stock issued for services	1,145,000	1,145	135,205	
Warrant Compensation			16,828	
Discount on convertible debenture			300,000	
Stock Compensation, net			144,965	
Net Loss for the year ended June 30, 2006				(2)
Balance, June 30, 2006	189,803,146	\$ 189,803	\$5,886,360	\$ (7)
Issuance of common stock Convertible debenture (unaudited)	10,696,641	10,697	84,303	
Derivative liability (unaudited)			49,236	
Stock issuance cost (unaudited)			(198)	
Stock compensation, net (unaudited)			30,688	
Net Loss for the period September 30, 2006 (unaudited)				
Balance, September 30, 2006 (unaudited)	200,499,787	\$ 200,500	\$6,050,389	\$ (7)

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

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

5

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

	Sep 2006
<hr style="border-top: 1px dashed black;"/>	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	\$ (356,88
Adjustment to reconcile net loss to net cash used in operating activities	
Depreciation and amortization	22,72
Issuance of common shares and warrants for services	
Conversion of convertible debenture into common shares	95,00
Cost of stock options recognized	30,68
Amortization of loan costs	16,87
Derivative expense	12,65
Change in convertible debenture	(95,00
Change in beneficial conversion feature	29,86
(Increase) Decrease in:	
Accounts receivable	(210,96
Prepaid and other assets	(5,20
Increase (Decrease) in:	
Accounts payable	33,91
Accrued expenses	31,24
Deferred Income	130,66
Other liabilities	(67,36
	<hr style="border-top: 1px dashed black;"/>
NET CASH USED IN OPERATING ACTIVITIES	(331,78
<hr style="border-top: 1px dashed black;"/>	
CASH FLOWS USED IN INVESTING ACTIVITIES:	
Purchase of stock for investment	(10,00
Purchase of property and equipment	(1,53
	<hr style="border-top: 1px dashed black;"/>
NET CASH USED IN INVESTING ACTIVITIES	(11,53
<hr style="border-top: 1px dashed black;"/>	
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payment on note payable	(3,00
Payments on capitalized leases	(12,91
Proceeds from line of credit	75,34
Deposit for shares of common stock	
Proceeds from issuance of common stock, net of cost	(19
	<hr style="border-top: 1px dashed black;"/>
NET CASH PROVIDED BY FINANCING ACTIVITIES	59,23
<hr style="border-top: 1px dashed black;"/>	
NET (DECREASE) IN CASH	(284,09

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

CASH, BEGINNING OF PERIOD	387,18

CASH, END OF PERIOD	\$ 103,08
	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Interest paid	\$ 6,81
	=====
Taxes paid	\$
	=====
Capitalized lease contracted	=====

SUPPLEMENTAL SCHEDULE OF NON-CASH TRANSACTIONS

During the three months ended September 30, 2006, the Company issued 10,696,641 shares of common stock at a fair value of \$95,000 for the convertible debenture. During the three months ended September 30, 2005, the Company purchased \$19,796 of equipment under capital leases respectively.

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

WARP 9, INC. AND SUBSIDIARY
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
 SEPTEMBER 30, 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-QSB and Item 310(b) of Regulation S-B. 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 September 30, 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

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

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.

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 months ended September 30, 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.

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 months ended September 30, 2006, included compensation expense for the stock-based payment awards granted prior to, but not yet vested, as of September 30, 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 September 30, 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 months ended September 30, 2006 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures, FAS 123R requires forfeitures to be

7

WARP 9, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
SEPTEMBER 30, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

STOCK-BASED COMPENSATION (CONTINUED)

estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. In the pro forma

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

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 three months ended September 30, 2006 is \$30,688

	2006	2005
	-----	-----
Net loss as reported	\$ (356,883)	\$
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	\$ (356,883)	\$
	=====	=====
Basic and diluted pro forma loss per share		
As reported	\$ (0.00)	\$
	=====	=====
Proforma	\$ (0.00)	\$
	=====	=====

3. CAPITAL STOCK

At September 30, 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 three months ended September 30, 2006, the Company issued 10,696,641 shares of common stock ranging from \$0.0088 per share to \$0.0092 per share for the conversion of the debenture with a value of \$95,000.

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.

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

SEPTEMBER 30, 2006

4. CONVERTIBLE DEBENTURES (Continued)

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 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.

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 September 30, 2006, the outstanding balance of the debentures were \$1,045,000, and the interest accrued was \$70,991.

5. SUBSEQUENT EVENTS

On October 15, 2006, Jonathan Lei resigned as the Chairman, Chief Executive Officer, President, Chief Financial Officer, and Secretary of the Company for personal reasons. The Company's Board of Directors has appointed Louie Ucciferri to the positions of Chairman, Secretary and Acting Chief Financial Officer. The Company also appointed Harinder Dhillon as

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

President, Chief Executive Officer, and director. To ensure a smooth transition, the Company retained Mr. Lei as a consultant to the Company for a fee of \$12,500 per month. Additionally, in lieu of paying to Mr. Lei, a sum of \$237,980 in salaries that has been accrued since August 1999, the Company and Mr. Lei mutually agreed to convert that amount 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. This accrued salaries has been audited by the Company's auditors and reported in the Company's prior 10Q-SB and 10K-SB filings.

9

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

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

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

10

dilution in 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 are 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. 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 contracts over several quarters or years and makes our revenues more predictable for a longer period of time.

We also licensed our Roaming Messenger 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 Roaming Messenger technology to date, and earned minimal revenue from the operation of the Roaming Messenger business before we licensed it. To date, almost all of our revenues are generated from Warp 9 e-commerce products and services.

11

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

As of the date of this report, a number of Warp 9 ICS client websites are in the implementation phase. Once the implementation phase is completed, the client's e-commerce website is released to the public. When an ICS enabled website is released to the public, we can start to bill the client the contracted monthly fees, resulting in new additional recurring ICS revenue.

On September 18, 2006, we signed an Exclusive Technology Licensing Agreement with one licensee for our Roaming Messenger mobile messaging technology. As a result of granting this exclusive license, we laid-off all dedicated personnel that were engaged in the Roaming Messenger operation and eliminated related expenses to reduce our operating costs. We anticipate that the losses for the fiscal year in 2007 will be less than losses incurred in the fiscal year ended June 30, 2006 primarily due to the reduction of expenses associated with the Roaming Messenger operation.

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2006 COMPARED TO THE SAME PERIOD IN 2005

The results of operation for the three-month period ending September 30, 2006 still largely reflects the operating expenses associated with conducting the Roaming Messenger business on a day-to-day basis with all related personnel, since the Exclusive Technology Licensing Agreement and resulting expense reductions did not commence until September 18, 2006.

Total revenue for the three-month period ending September 30, 2006 was \$432,676 as compared to \$337,926 for the three-month period ending September 30, 2005.

The cost of revenue for the three-month period ending September 30, 2006 was 22% as compared to 32% for the three-month period ending September 30, 2005.

Total operating expenses for the three month period ended September 30, 2006 decreased by \$76,567 to \$660,846 from \$737,413 in 2005. The change is primarily due to decrease in selling, general and administrative expenses.

Selling, general and administrative expenses decreased by \$93,813 during the three months ended September 30, 2006 to \$513,830 from \$607,643 in the three month period ended September 30, 2005. The decrease in selling, general and administrative expenses were primarily due to general decrease in cost associated with the Roaming Messenger operation.

12

Non-cash selling, general and administrative expenses for the three months ended September 30, 2006 totaled \$73,207 which include (i) \$30,688 in employee stock option expenses, and (ii) \$42,519 of net expenses associated with the accounting for a convertible debenture in accordance with EITF 00-19 and EITF 00-27.

Expense related to depreciation was \$39,596 for the three months ended September 30, 2006 as compared to \$23,393 for the three months ended September 30, 2005.

Research and development expenses was \$107,377 for the three months ended September 30, 2006 as compared to \$106,377 for the three months

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

ended September 30, 2005.

Total other income and expense was (\$32,297) for the three months ended September 30, 2006 as compared to (\$2,866) in the prior year.

For the three months ended September 30, 2006, our consolidated net loss was (\$356,883) as compared to a consolidated net loss of (\$509,407) for the three months ended September 30, 2005.

LIQUIDITY AND CAPITAL RESOURCES

We had cash at September 30, 2006 of \$103,089 as compared to cash of \$387,180 as of June 30, 2006. We had net working capital deficit (i.e. the difference between current assets and current liabilities) of (\$1,073,045) at September 30, 2006 as compared to a net working capital deficit of (\$848,174) at June 30, 2006. Cash flow utilized by operating activities was (\$331,784) for the three months ended September 30, 2006 as compared to cash utilized for operating activities of (\$259,893) during the three months ended September 30, 2005. Cash flow used in investing activities was (\$11,538) for the three months ended September 30, 2006 as compared to cash used in investing activities of (\$10,928) during the three months ended September 30, 2005. Cash flow provided by financing activities was \$59,230 for the three months ended September 30, 2006 as compared to cash provided by financing activities of \$119,203 for the three months ended September 30, 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 September 30, 2006 was 12.25% per annum. At September 30, 2006, \$75,342 was borrowed under this line of credit.

As of the date of this report, a number of Warp 9 ICS client websites are in the implementation phase. Once the implementation phase is completed, the client's e-commerce website is released to the public. When an ICS enabled website is released to the public, we can start to bill the client the contracted monthly fees. As of the date of this report, there is approximately \$130,000 of total annual ICS contract revenue that is waiting to be realized once the client sites are launched.

While we expect our losses to be less in the next fiscal year due to the reduction of expenses previously incurred by the Roaming Messenger operation before it was exclusively licensed to a third party in September 2006, there is no assurance that losses will actually be less or the Company will have

sufficient capital to finance its growth and business operations, or that such capital will be available on terms that are favorable to the Company or at all.

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.

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

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 September 30, 2006 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

The Company may be involved in legal actions and claims arising in the ordinary course of business from time to time, none of which at this time are considered to be material to the Company's business or financial condition.

ITEM 2. CHANGES IN SECURITIES

During the three months ended September 30, 2006, the Company issued 10,696,641 shares of common stock ranging from \$0.0088 per share to \$0.0092 per share for the conversion of the debenture with an outstanding balance reduction of \$95,000.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

14

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

On August 24, 2006, holders of 106,074,025 shares of the Company's common stock, or approximately 52.9% of the total issued and outstanding common stock of the Company, voted to change the name of the Company from Roaming Messenger, Inc. to Warp 9, Inc., by amending the Company's articles of incorporation. The Board of Directors of the Company voted unanimously to implement this shareholder action.

ITEM 5. OTHER INFORMATION

On September 18, 2006, we entered into a ten year Exclusive Technology Licensing Agreement with Zingerang, Inc. Under this agreement, the Company grants to Zingerang Inc., the Licensee, an exclusive, worldwide, sub-licensable, transferable, royalty-bearing right and license to the Roaming Messenger technology and related patent portfolio. In consideration for granting the license to Zingerang, the Company is entitled to an ongoing royalty fee equal to five percent (5%) of Zingerang's gross sales, to be paid quarterly. The Company

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

will immediately receive a one time payment equal to \$100,000 as a recoupable advance against the royalties. During the term of the Agreement, Zingerang may, at its sole discretion, pay to the Company a one-time royalty payment of \$500,000, in lieu of ongoing royalties, less certain patent application fees. Additionally, the Company participated in Zingerang's founder round of financing where it acquired forty million (40,000,000) shares of common stock in Zingerang, which represents a large minority position, for a total investment of \$10,000.

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, which can be terminated by either party at any time upon a 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 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.

15

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.

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

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

	Nevada corporation, and Warp 9, Inc., a Delaware corporation (4)
10.3	Exchange Agreement and Representations for Shareholders of Warp 9, Inc.(3)
10.4	Exclusive Technology License Agreement, dated September 18, 2006 (5)
10.5	Subscription Agreement with Zingerang Inc., dated September 18, 2006 (5)
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.
 - (5) Incorporated by reference from the exhibits included with the Company's prior Report on Form 8K filed with the Securities and Exchange Commission, dated September 22, 2006.

16

(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 August 2, 2006 filed with the SEC reflecting the change of the Company's auditors.
- (2) Form 8-K, dated September 22, 2006 filed with the SEC describing the Exclusive Technology Licensing Agreement between Zingerang, Inc. and Roaming Messenger, Inc.
- (3) 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: November 14, 2006

WARP 9, INC.

By: \s\Harinder Dhillon

Harinder Dhillon
President and Chief Executive Officer

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

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: November 14, 2006

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

By: \s\Harinder Dhillon

Dated: November 14, 2006

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