

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

WARP 9, INC.
Form 10QSB
November 13, 2007

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 Quarterly Period Ended September 30, 2007

Transition Report under Section 13 or 15(d) of the Exchange Act For the Transition period from _____ to _____

FOR QUARTER ENDED SEPTEMBER 30, 2007

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 101, 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 by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

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 October 24, 2007 the number of shares outstanding of the registrant's only class of common stock was 256,518,893.

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. Consolidated Financial Statements

Consolidated Balance Sheet as of September 30, 2007 (unaudited).....

Consolidated Statements of Operations for the Three Months ended September 30, 2007 and 2006 (unaudited).....

Consolidated Statements of Shareholders' Deficit (unaudited).....

Consolidated Statements of Cash Flows for the Three Months ended September 30, 2007 and 2006 (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

WARP9, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2007
(Unaudited)

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

ASSETS	
CURRENT ASSETS	
Cash	\$ 518,342
Accounts Receivable, net	329,029
Prepaid and Other Current Assets	9,231

TOTAL CURRENT ASSETS	856,602

PROPERTY & EQUIPMENT, at cost	
Furniture, Fixtures & Equipment	89,485
Computer Equipment	501,593
Commerce Server	50,000
Computer Software	9,476

	650,554
Less accumulated depreciation	(510,201)

NET PROPERTY AND EQUIPMENT	140,353

OTHER ASSETS	
Lease Deposit	9,749
Restricted Cash	93,000
Internet Domain, net	1,190
Investment-Carbon Sciences, Inc.	1,250
Loan Costs	49,050

TOTAL OTHER ASSETS	154,239

TOTAL ASSETS	\$ 1,151,194
	=====
LIABILITIES AND SHAREHOLDERS' DEFICIT	
CURRENT LIABILITIES	
Accounts Payable	\$ 97,862
Credit Cards Payable	7,602
Accrued expenses	256,493
Bank Line of Credit	27,916
Deferred Income	32,000
Note Payable	10,000
Customer Deposit	43,030
Derivative Liability-Debenture	296,281
Capitalized Leases, Current Portion	32,851

TOTAL CURRENT LIABILITIES	804,035

LONG TERM LIABILITIES	
Note payable, Other	162,981
Note payable, C.Smith	144,403
Convertible Debenture	705,000
Beneficial Conversion Feature	(115,471)
Capitalized Leases	22,677

TOTAL LONG TERM LIABILITIES	919,590

TOTAL LIABILITIES	1,723,625

SHAREHOLDERS' DEFICIT	

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

Common stock, \$0.001 par value;	
495,000,000 authorized shares;	
245,282,938 shares issued and outstanding	245,283
Additional paid in capital	6,504,737
Accumulated deficit	(7,322,451)

TOTAL SHAREHOLDERS' DEFICIT	(572,431)

TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$ 1,151,194
	=====

The accompanying notes are an integral part of these financial statements

3

WARP9, INC. AND SUBSIDIARY CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, (Unaudited)

	2007	
REVENUE	\$ 604,494	\$
COST OF SERVICES	39,225	

GROSS PROFIT	565,269	
OPERATING EXPENSES		
Selling, general and administrative expenses	415,762	
Research and development	1,740	
Depreciation and amortization	46,134	

TOTAL OPERATING EXPENSES	463,636	

INCOME (LOSS) FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES)	101,633	
OTHER INCOME/(EXPENSE)		
Interest income	7,027	
Interest expense	(81,916)	

TOTAL OTHER INCOME (EXPENSE)	(74,889)	

INCOME (LOSS) FROM OPERATIONS BEFORE PROVISION FOR TAXES	26,744	
PROVISION FOR INCOME TAXES	-	

NET INCOME (LOSS)	26,744	
	=====	

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

BASIC AND DILUTED LOSS PER SHARE	\$	0.00	\$
	=====		=====
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING BASIC AND DILUTED		235,095,554	
		=====	=====

The accompanying notes are an integral part of these financial statements

4

WARP9, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS DEFICIT
(Unaudited)

	Shares	Common Stock	Additional Paid-in Capital
	-----	-----	-----
Balance, June 30, 2007	227,910,128	\$ 227,910	\$ 6,251,500
Issuance of common stock in August 2007, note 6 Convertible debenture (unaudited)	11,009,174	11,009	108,990
Issuance of common stock in September 2007, note 6 Convertible debenture (unaudited)	6,363,636	6,364	63,630
Derivative liability (unaudited)	-	-	73,940
Stock option expense (unaudited)	-	-	6,700
Stock issuance cost (unaudited)	-	-	(400)
Net Income (unaudited)	-	-	-
	-----	-----	-----
Balance, September 30, 2007 (unaudited)	245,282,938	\$ 245,283	\$ 6,504,730
	=====	=====	=====

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

The accompanying notes are an integral part of these financial statements

5

WARP9, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	2007

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income (loss)	\$ 2
Adjustment to reconcile net loss to net cash used in operating activities	
Depreciation and amortization	2
Conversion feature recorded as interest expense	3
Cost of stock options recognized	
Amortization of loan costs	2
Derivative expense	2
(Increase) Decrease in:	
Accounts receivable	(10)
Prepaid and other assets	(
Increase (Decrease) in:	
Accounts payable	5
Accrued expenses	3
Deferred Income	3
Other liabilities	

NET CASH (USED)/PROVIDED BY OPERATING ACTIVITIES	15

CASH FLOWS USED IN INVESTING ACTIVITIES:	
Purchase of stock for investment	
Purchase of property and equipment	

NET CASH USED IN INVESTING ACTIVITIES	
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payment on note payable	(
Payments on notes payable, other	(4
Payments on capitalized leases	(
Proceeds from line of credit	(1
Proceeds from issuance of common stock, net of cost	

NET CASH (USED)/ PROVIDED BY FINANCING ACTIVITIES	(7

NET INCREASE (DECREASE) IN CASH	8

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

CASH, BEGINNING OF PERIOD

43

CASH, END OF PERIOD

\$ 51

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest paid

\$

Taxes paid

\$

SUPPLEMENTAL SCHEDULE OF NON-CASH TRANSACTIONS

During the three months ended September 30, 2007, the Company issued 17,372,810 shares of common stock at a fair value of \$190,000 for the convertible debenture. 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.

The accompanying notes are an integral part of these financial statements

6

WARP 9, INC. AND SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
 SEPTEMBER 30, 2007

1. BASIS OF PRESENTATION

The accompanying unaudited 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 September 30, 2007 are not necessarily indicative of the results that may be expected for the year ending June 30, 2008. For further information refer to the financial statements and footnotes thereto included in the Company's Form 10K-SB/A for the year ended June 30, 2007.

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

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

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.

7

WARP 9, INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED SEPTEMBER 30, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

STOCK-BASED COMPENSATION (CONTINUED)

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, 2007 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, 2007, included compensation expense for the stock-based payment awards granted prior to, but not yet vested, as of September 30, 2007 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, 2007, 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, 2007 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, 2007, 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, 2007 is \$6,709.

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

	2006
Net income/(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 income/loss)	\$ (356,883)
Basic and diluted pro forma loss per share	
As reported	\$ 0.00
Proforma	\$ 0.00

8

WARP 9, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
SEPTEMBER 30, 2007

3. CAPITAL STOCK

At September 30, 2007, 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. During the three months ended September 30, 2007, the Company issued 17,372,810 shares of common stock ranging from \$0.0109 per share to \$0.0110 per share for the conversion of the debenture with a value of \$190,000.

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.

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.

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

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.

9

WARP 9, INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED SEPTEMBER 30, 2007

4. CONVERTIBLE DEBENTURES (Continued)

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, 2007, the outstanding balance of the debentures were \$705,000 and the interest accrued was \$160,806.

5. SUBSEQUENT EVENTS

During the month of October 2007, the Company issued 11,235,955 shares of common stock for the conversion of the debenture with a fair value of \$100,000.

On October 23, 2007, we licensed our patent-pending mobile technology and certain trademarks, on a non-exclusive basis to Zingerang Software. Under the terms of the agreement, Warp 9 will retain ownership of the technology and trademarks, as well as any improvements and derivatives created by

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

Zingerang Software. Warp 9 is entitled to receive royalties based on revenues from sales if any, generated by Zingerang Software. This agreement allows us to enhance and augment our technology and Intellectual Property portfolio without using direct resources, and still allows us to seek other licensing options in the future.

10

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;

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

- (h) litigation with or legal claims and allegations by outside parties;
- (i) insufficient revenues to cover operating costs;
- (j) failure of the re-licensing or other commercialization of the Roaming Messenger technology to produce revenues or profits.

11

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 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 businesses.

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

Warp 9 is a provider of e-commerce software platforms and services for the catalog and retail industry. Our suite of software platforms are designed to help multi-channel retailers maximize the Internet channel by applying our technologies for online catalogs, e-mail marketing campaigns, and interactive visual merchandising. Offered as 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 and software and hardware architecture, design, and maintenance. 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 lower costs and 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 internet presence.

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

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

time.

While the Warp 9 Internet Commerce System (ICS) is our flagship and highest revenue product, we have been developing and deploying 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

12

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. Clients utilizing this technology have discovered when exposing consumers to the virtual catalogs, a higher average order size and significant increase in rate of conversion result. We have been selling this solution on a limited basis as a professional 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 market test these new products in the near future.

On October 23, 2007, we licensed our patent-pending mobile technology and certain trademarks, on a non-exclusive basis to Zingerang Software. Under the terms of the agreement, Warp 9 will retain ownership of the technology and trademarks, as well as any improvements and derivatives created by Zingerang Software. Warp 9 is entitled to receive royalties based on revenues from sales if any, generated by Zingerang Software. This agreement allows us to enhance and augment our technology and Intellectual Property portfolio without using direct resources, and still allows us to seek other licensing options in the future.

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2007
COMPARED TO THE SAME PERIOD IN 2006

REVENUE

Total revenue for the three-month period ended September 30, 2007 increased by \$171,818 to \$604,494 from \$432,676 in the prior year, representing an increase of 40%. The increase in revenue was primarily the result of (i) an increase in monthly fees from our e-commerce software as a result of new Warp 9 SaaS clients, and (ii) a general increase in professional services from having more customers.

COST OF REVENUE

The cost of revenue for the three-month period ended September 30, 2007 decreased by (\$57,191) to \$39,225 as compared to \$96,416 for the three-month period ended September 30, 2006. As a percentage of revenue, cost of revenue decreased for the period ended September 30, 2007 to 7% as compared to 22% for the three-month period ended September 30, 2006. The decrease was primarily due to the elimination of the pass-through internet marketing expense, which was partially offset by costs associated with the increased sales of Warp 9 e-commerce software products and services.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses decreased by (\$98,068) during the three months ended September 30, 2007 to \$415,762 as compared to \$513,830 for the three-month period ended September 30, 2006. The decrease in SG&A expenses was primarily due to the elimination of expenses

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

associated with the Roaming Messenger operations.

13

RESEARCH AND DEVELOPMENT

Research and development expenses decreased by (\$105,637) during the three months ended September 30, 2007 to \$1,740 as compared to \$107,377 for the three months ended September 30, 2006. The decrease is primarily due to the elimination of research and development costs relating to the Roaming Messenger operations.

DEPRECIATION AND AMORTIZATION

Expenses related to depreciation and amortization was \$46,134 for the three months ended September 30, 2007 as compared to \$39,639 for the prior year. The increase is primarily due to amortization of loan costs related to the Cornell convertible debenture.

OTHER INCOME AND EXPENSE

Total other income and expense for the three months ended September 30, 2007 was (\$74,889) as compared to (\$32,297) for the prior year. The change is primarily due to an increase in the derivative liability valuation and interest expense related to the Cornell convertible debenture.

NET LOSS

For the three months ended September 30, 2007, our consolidated net income was \$26,744 as compared to a consolidated net loss of (\$356,883) for the three months ended September 30, 2006. We achieved a net income primarily due to a general increase in customers and sales of Warp 9 e-commerce products and services, and the elimination of costs previously associated with the Roaming Messenger operations.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash at September 30, 2007 of \$518,342 as compared to cash of \$103,089 as of September 30, 2006. The Company had net working capital (i.e. the difference between current assets and current liabilities) of \$52,567 at September 30, 2007 as compared to a net working capital deficit of (\$1,073,405) at September 30, 2006.

Cash flow provided by operating activities was \$159,944 for the three months ended September 30, 2007 as compared to cash used for operating activities of (\$331,784) during the three months ended September 30, 2006.

Cash flow used in investing activities was (\$345) for the three months ended September 30, 2007 as compared to cash used in investing activities of (\$11,537) during the three months ended September 30, 2006.

Cash flow used by financing activities was (\$73,098) for the three months ended September 30, 2007 as compared to cash provided by financing activities of \$59,230 for the three months ended September 30, 2006.

14

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

For the three months ended September 30, 2007, our capital needs have primarily been met from positive cash-flow.

While we expect that our capital needs in the foreseeable future will be met by cash-on-hand and positive cash-flow, there is no assurance that 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. There is no assurance that we would be able to obtain additional working capital through the private placement of common stock or from any other source.

OFF-BALANCE SHEET ARRANGEMENTS

None.

ITEM 3. CONTROLS AND PROCEDURES

The Company's Chairman, Chief Executive Officer, and Acting 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.

The Company's Board of Directors adopted Internal Controls Policies and Procedures that included Internal Controls Accounting Policy and Procedures, Approval Authority Limits and Check Signing Authority Policy effective January 1, 2007 in accordance with Sarbanes Oxley.

The Company's Board of Directors adopted the Code of Conduct that applies to all of the directors, officers and employees of the Company on September 24, 2007.

There have been no changes in the Company's internal control over financial reporting that occurred during the Company's first fiscal quarter 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

None.

15

ITEM 2. CHANGES IN SECURITIES

During the three months ended September 30, 2007, the Company issued 17,372,810 shares of common stock ranging from \$0.0109 per share to \$0.011 per share for the conversion of the Cornell debenture with an outstanding balance reduction of \$190,000.

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

Effective as of October 23, 2007, the Company signed a Nonexclusive Technology License Agreement (the "License Agreement") with Zingerang Software, Inc., a California corporation ("Zingerang"). The Company granted a non-exclusive, worldwide, sub-licensable, non-transferable, royalty-bearing right and license to make, have made, import, use, offer for sale, sell, reproduce, distribute, display, perform or otherwise exploit the Company's Roaming Messenger(R) technology, Roaming Messenger(R) and eCapsule(R) trademarks, and patent application numbers 20060165030, 20060123396, and 20030110097 (collectively, the "Roaming Messenger Technology") for a period of five years. Warp 9 is entitled to receive royalties based on a percentage of gross sales and retain ownership of the technology and trademarks, as well as any improvements and derivatives created by Zingerang.

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)
10.4	Termination and Assignment (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.

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

- (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 May 7, 2007.
- (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 Report filed with the Securities and Exchange Commission on September 21, 2007 regarding written notice from Magellan's International Travel Corporation of their decision not to renew current agreements which expire November 16, 2007.

17

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 13, 2007 WARP 9, INC.

By: \s\ Harinder Dhillon

Harinder Dhillon, Chief Executive Officer and President

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 13, 2007

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

By: \s\ Harinder Dhillon Dated: November 13, 2007

Harinder Dhillon, Chief Executive Officer

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

and President (Principal Executive Officer)