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WARP 9, INC.
Form 10-Q
February 11, 2009

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

FORM 10-Q

(Mark One)

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

For Quarterly Period Ended December 31, 2008

or

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

For the Transition period from _____ to _____

Commission File Number: 0-13215

WARP 9, INC.

(Exact name of registrant as specified in its charter)

California

30-0050402

(State or other jurisdiction
of incorporation or organization)

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

50 Castilian Drive, Suite 101, Santa Barbara, CA 93117

(Address of principal executive offices) (Zip Code)

(805) 964-3313

Registrant's telephone number, including area code

(Former name, former address and former fiscal year,
if changed since last report)

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

Yes

No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One).

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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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 February 5, 2009 the number of shares outstanding of the registrant's class of common stock was 340,579,815.

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ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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WARP 9, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

(Unaudited)
December 31, 2008 June

		-----	-----
	ASSETS		
CURRENT ASSETS			
Cash		\$	693,668
			\$

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Accounts Receivable, net	421,336	
Prepaid and Other Current Assets	11,604	
Current Portion of Deferred Tax Asset	58,100	
	1,184,708	
TOTAL CURRENT ASSETS		

PROPERTY & EQUIPMENT, at cost		
Furniture, Fixtures & Equipment	89,485	
Computer Equipment	511,889	
Commerce Server	50,000	
Computer Software	9,476	
	660,850	
Less accumulated depreciation	(588,888)	
	71,962	
NET PROPERTY AND EQUIPMENT		

OTHER ASSETS		
Lease Deposit	9,749	
Restricted Cash	93,000	
Internet Domain, net	977	
Long Term Deferred Tax Asset	1,831,800	
	1,935,526	
TOTAL OTHER ASSETS		

TOTAL ASSETS	\$ 3,192,196	\$
=====		
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 13,282	\$
Credit Cards Payable	2,149	
Accrued Expenses	144,323	
Bank Line of Credit	8,451	
Deferred Income	-	
Note Payable, Other	64,776	
Note Payable, Related Party	-	
Customer Deposit	50,186	
Corporate income tax provision	6,050	
Capitalized Leases, Current Portion	13,249	
	302,466	
TOTAL CURRENT LIABILITIES		

LONG TERM LIABILITIES		
Note payable, Other	29,493	
Capitalized Leases	2,567	
	32,060	
TOTAL LONG TERM LIABILITIES		

TOTAL LIABILITIES		

SHAREHOLDERS' EQUITY		
Common Stock, \$0.001 Par Value; 495,000,000 Authorized Shares; 340,579,815 Shares Issued and Outstanding	340,580	
Additional Paid In Capital	6,892,306	
Accumulated Deficit	(4,375,216)	
	2,857,670	
TOTAL SHAREHOLDERS' EQUITY		

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 3,192,196	\$
=====		

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

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

	Three Months Ended	
	12/31/2008	12/31/2007
REVENUE	\$ 620,159	\$ 649,172
COST OF SERVICES	42,159	37,207
GROSS PROFIT	578,000	611,965
OPERATING EXPENSES		
Selling, general and administrative expenses	372,928	401,884
Research and development	10,262	16,585
Depreciation and amortization	16,513	22,013
TOTAL OPERATING EXPENSES	399,703	440,482
INCOME FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES)	178,297	171,483
OTHER INCOME/(EXPENSE)		
Interest Income	6,603	843
Other Income	9,150	3,000
Interest Expense	(8,725)	(50,674)
Amortization of loan cost	-	(16,012)
Stock option expense	(2,974)	(5,938)
TOTAL OTHER INCOME (EXPENSE)	4,054	(68,781)
INCOME FROM OPERATIONS BEFORE PROVISION FOR TAXES	182,351	102,702
PROVISION FOR INCOME (TAXES)/BENEFIT		
Income taxes paid	-	(1,600)
Federal income (taxes)/ benefit	(114,654)	-
State income (taxes)/ benefit	(25,617)	-
PROVISION FOR INCOME TAX BENEFIT	(140,271)	(1,600)
NET INCOME	42,080	101,102
BASIC AND DILUTED LOSS PER SHARE	\$ 0.00	\$ 0.00
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING		
BASIC AND DILUTED	340,579,815	245,282,938

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WARP 9, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Shares	Common Stock	Additional Paid-in Capital
	-----	-----	-----
Balance, June 30, 2008	340,579,815	\$ 340,580	\$ 6,886,682
Stock issuance cost (unaudited)	-	-	(300)
Stock compensation cost (unaudited)	-	-	5,924
Net income for the six months ended December 31, 2008 (unaudited)	-	-	-
	-----	-----	-----
Balance, December 31, 2008 (unaudited)	340,579,815	\$ 340,580	\$ 6,892,306
	=====	=====	=====

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

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

	Six Months End	End
	12/31/2008	12/31/2007
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	\$ 51,910	\$
Adjustment to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	33,026	
Bad debt expense	(38,563)	
Conversion feature recorded as interest expense	-	
Amortization of loan costs	-	
Cost of stock compensation recognized	5,924	
Derivative expense	-	
(Increase) Decrease in:		
Accounts receivable	(91,853)	
Prepaid and other assets	5,075	
Deferred tax benefit	178,808	
Increase (Decrease) in:		
Accounts payable	(51,516)	
Accrued expenses	55,809	
Deferred Income	(35,333)	
Corporate income tax provision	6,050	
Other liabilities	(14,453)	
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	104,884	
	-----	-----
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchase of property and equipment	(6,286)	
	-----	-----
NET CASH PROVIDED/(USED) IN INVESTING ACTIVITIES	(6,286)	
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on notes payable	(50,481)	
Payments on notes payable, other	(20,054)	
Payments on capitalized leases	(15,279)	
Proceeds from line of credit	535	
Proceeds from issuance of common stock, net of cost	(300)	
	-----	-----
NET CASH USED BY FINANCING ACTIVITIES	(85,579)	
	-----	-----
NET INCREASE IN CASH	13,019	
CASH, BEGINNING OF PERIOD	680,649	
	-----	-----
CASH, END OF PERIOD	\$ 693,668	\$
	=====	=====

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

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Interest paid	\$	13,910	\$
Taxes paid	\$	1,600	\$

SUPPLEMENTAL SCHEDULE OF NON-CASH TRANSACTIONS

During the six months ended December 31, 2007, the Company issued 28,608,765 shares of common stock at a fair value of \$290,000 for the convertible debenture.

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

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WARP 9, INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED DECEMBER 31, 2008

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 six month period ended December 31, 2008 are not necessarily indicative of the results that may be expected for the year ending June 30, 2009. For further information refer to the financial statements and footnotes thereto included in the Company's Form 10K for the year ended June 30, 2008.

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.

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 six months ended December 31,

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2008 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 six months ended December 31, 2008, included compensation expense for the stock-based payment awards granted prior to, but not yet vested, as of December 31, 2008 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, 2008, 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 six months ended December 31, 2008 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. The stock-based compensation expense recognized in the consolidated statements of operations during the six months ended December 31, 2008 is \$5,924.

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WARP 9, INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED DECEMBER 31, 2008

3. CAPITAL STOCK

At December 31, 2008, 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, 2007, the Company issued 28,608,765 shares of common stock ranging from \$0.0089 per share to \$0.0110 per share for the conversion of the debenture with a value of \$290,000.

4. INCOME TAXES

The Company files income tax returns in the U.S. Federal jurisdiction, and the state of California. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2004.

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, on September 1, 2008. FIN 48 clarifies the accounting for uncertainty in tax positions by prescribing a minimum recognition threshold required for recognition in the financial statements. FIN 48 also provides guidance on de-recognition, measurement classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company's policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

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5. SUBSEQUENT EVENTS

On January 31, 2009, Mr. Kin Ng and Mr. Louie Ucciferri, two of the Company's board of directors resigned. Mr. Ucciferri provided a vacancy on the Board to satisfy the independent Director requirement for the Audit Committee.

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

CAUTIONARY STATEMENTS

This Form 10-Q 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-Q. 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-Q. 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

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- implement its business plans;
- (e) failure to further commercialize its technology or to make sales;
 - (f) reduction 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;
 - (j) failure of the re-licensing or other commercialization of the Roaming Messenger technology to produce revenues or profits; and
 - (k) uncollectible accounts and the need to incur expenses to collect amounts owed to the Company.

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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, the exercise of outstanding warrants and stock options, or 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-Q. 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-Q, 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.

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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 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 on a proprietary virtual publishing technology that we have developed. These new products have allowed for the creation of interactive web versions of paper catalogs ("VCS") and magazines ("VMS") where users can flip through pages with a mouse and click on products or advertisements. These magazines or catalogs have built-in integration for e-commerce transactions through our ICS product and other transaction based activities. Clients utilizing this technology have discovered when exposing consumers to 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 test market these new products in greater distribution in the near future.

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Research and development ("R&D") efforts have been focused both on these new products and on updating our current products with new features. In the planning phase of these new features, we look to direct client feedback and feature requests; we study the e-commerce landscape to determine features that will provide our clients with a competitive advantage in producing greater and more effective selling; and we also examine features that will create a competitive advantage during our sales process to clients. Emerging and declining trends also play a role in how clients perceive what features should be provided by which vendors. We are sometimes able to capitalize on these opportunities by bundling features for greater value and/or increased fees and revenue.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations, including the discussion on liquidity and capital resources, are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management re-evaluates its estimates and judgments, particularly those related to the determination of the estimated recoverable amounts of trade accounts receivable, impairment of long-lived assets, revenue recognition and deferred tax assets. We believe the following critical accounting policies require more significant judgment and estimates used in the preparation of the financial statements

We maintain an allowance for doubtful accounts for estimated losses

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that may arise if any of our customers are unable to make required payments. Management specifically analyzes the age of customer balances, historical bad debt experience, customer credit-worthiness, and changes in customer payment terms when making estimates of the uncollectability of our trade accounts receivable balances. If we determine that the financial conditions of any of our customers deteriorated, whether due to customer specific or general economic issues, increases in the allowance may be made. Accounts receivable are written off when all collection attempts have failed.

We follow the provisions of Staff Accounting Bulletin ("SAB") 101, "Revenue Recognition in Financial Statements" for revenue recognition and SAB 104. Under Staff Accounting Bulletin 101, four conditions must be met before revenue can be recognized: (i) there is persuasive evidence that an arrangement exists, (ii) delivery has occurred or service has been rendered, (iii) the price is fixed or determinable and (iv) collection is reasonably assured.

Income taxes are accounted for under the asset and liability method. Under this method, to the extent that we believe that the deferred tax asset is not likely to be recovered, a valuation allowance is provided. In making this determination, we consider estimated future taxable income and taxable timing differences expected in the future. Actual results may differ from those estimates.

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RESULTS OF OPERATIONS FOR THE THREE-MONTHS AND SIX-MONTHS ENDED DECEMBER 31, 2008 COMPARED TO THE THREE-MONTHS AND SIX-MONTHS ENDED DECEMBER 31, 2007

REVENUE

Total revenue for the three-month period ended December 31, 2008 decreased by (\$29,013) to \$620,159 from \$649,172 in the prior year, representing a decrease of 4.5%. For the six-month period ended December 31, 2008, total revenue decreased by (\$165,643) to \$1,088,024 from \$1,253,667 in the same period of the prior year. The overall decrease in revenue was primarily the result of a decrease in VCS revenue and professional services booked in the 2008 quarter as a result of the slowing economic environment. This decrease was partially offset by a strong increase in recurring ICS monthly fees due to the increase in the number of clients.

COST OF REVENUE

The cost of revenue for the three-month period ended December 31, 2008 increased by \$4,952 to \$42,159 as compared to \$37,207 for the three-month period ended December 31, 2007, and for the six-month period ended December 31, 2008, cost of revenue increased by \$3,464 to \$79,895 from \$76,431 in the same period of the prior year. The overall increase was primarily due to the increase in costs incurred for obtained vendor services by the Company.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses decreased by (\$28,956) during the three months ended December 31, 2008 to \$372,928 as

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compared to \$401,884 for the three-month period ended December 31, 2007. For the six-month period ending December 31, 2008, SG&A expenses decreased by (\$91,277) to \$719,660 from \$810,937 for the six months ended December 31, 2007. The decrease in SG&A expenses was primarily due to the reduction in certain bad debt and other ongoing vendor provided professional services.

RESEARCH AND DEVELOPMENT

Research and development expenses decreased by (\$6,323) during the three months ended December 31, 2008 to \$10,262 as compared to \$16,585 for the three months ended December 31, 2007. In the six-month period ending December 31, 2008, the research and development expenses increased by \$8,552 to \$26,877 as compared to \$18,325 for the six months ended December 31, 2007. The overall increase is primarily due to the development of new products and new features for the existing product line.

DEPRECIATION AND AMORTIZATION

Expenses related to depreciation and amortization were \$16,513 for the three months ended December 31, 2008 as compared to \$22,013 for the three months ended December 31, 2007, and for the six months ended December 31, 2008, the depreciation and amortization was \$33,026 as compared to \$42,046 during the same period of the prior year.

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OTHER INCOME AND EXPENSE

Total other income and expense for the three months ended December 31, 2008 was \$4,054 as compared to (\$68,781) for the same period of the prior year, and for the six-month period ending December 31, 2008, was \$9,802 as compared to (\$176,481) for the same period of the prior year. The change is primarily due to the elimination of the derivative liability valuation and interest expense related to the Cornell convertible debenture.

NET INCOME

Inclusive of an accounting for a provision for income tax of (\$140,271), our consolidated net income was \$42,080 for the three months ended December 31, 2008, as compared to a consolidated net income of \$101,102 for the three months ended December 31, 2007. Excluding the accounting for the income tax provision, the consolidated net income for the three months ended December 31, 2008 rose to \$182,351.

For the six-month period ended December 31, 2008, the consolidated net income was \$51,910 compared to \$127,847 for the six months ended December 31, 2007. The consolidated net income for the six months ended December 31, 2008 rose to \$238,368 before accounting for a provision for income tax of (\$186,458). This overall increase in net income for the six months was primarily due to the elimination of Cornell convertible debenture and a reduction in operating expenses.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash at December 31, 2008 of \$693,668 as compared to cash of \$643,340 as of December 31, 2007. The Company had net working capital (i.e. the difference between current assets and current liabilities) of \$882,242 at December 31, 2008 as compared to a net working capital of \$210,193 at December 31, 2007.

Cash flow provided by operating activities was \$104,884 for the six

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months ended December 31, 2008 as compared to cash provided by operating activities of \$360,339 during the six months ended December 31, 2007.

Cash flow used in investing activities was (\$6,286) for the six months ended December 31, 2008 as compared to cash used in investing activities of (\$1,336) during the six months ended December 31, 2007.

Cash flow used by financing activities was (\$85,579) for the six months ended December 31, 2008 as compared to net cash used by financing activities of (\$147,504) for the six months ended December 31, 2007.

For the six months ended December 31, 2008, our capital needs have primarily been met from positive cash-flow from operations.

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. In the current financial environment, it has been difficult for the Company to obtain equipment leases and other business financing. 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.

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OFF-BALANCE SHEET ARRANGEMENTS

None.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

ITEM 4T. CONTROLS AND PROCEDURES.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by Warp 9 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. The Company's Chairman, Chief Executive Officer, and Acting Chief Financial Officer are responsible for establishing and maintaining controls and procedures for the Company.

Management has evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2008 (under the supervision and with the participation of the Company's Chairman, Chief Executive Officer, and Acting Chief Financial Officer) pursuant to Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended. As part of such evaluation, management considered the matters discussed below relating to internal control over financial reporting. Based on this evaluation, the Company's Chairman, Chief Executive Officer, and Acting Chief Financial Officer have concluded that the disclosure controls and procedures are effective as of December 31, 2008.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and

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maintaining adequate internal control over financial reporting, (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes of accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to change in conditions, or the degree of compliance with the policies or procedures may deteriorate.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

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.

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PART II. - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is a plaintiff in an accounts receivable lawsuit filed against a former customer seeking to collect a past due amount of approximately \$30,000 plus legal collection costs, interest and attorneys' fees. The Company filed the law suit in January 2009 and is currently waiting for the defendant's response. There is no assurance that the Company's collection action will be successful.

The Company may file additional collection actions in the future.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

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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 Co corporation, and Warp 9, Inc., a Delaware corporation (3)
10.2	Second Agreement and Plan of Reorganization between Latinocare Management Co 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.

(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 14F-1 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.

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- (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/A Report filed with the Securities and Exchange Commission on November 24, 2008 regarding appointment of William Edward Beifuss, Jr. and John Charles Beifuss to fill two vacancies on the Company's Board of Directors. The Company's Board of Directors plans to form an Audit Committee.
- (2) Form 8-K Report filed with the Securities and Exchange Commission on February 3, 2009 regarding resignation of Louie Ucciferri from the Board of Directors to provide a vacancy for the Audit Committee. Mr. Ucciferri will continue to serve as the Company's Acting Chief Financial Officer.
- (3) Form 8-K Report filed with the Securities and Exchange Commission on February 5, 2009 regarding resignation of Kin Ng from the Board of Directors.

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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: February 11, 2009

WARP 9, INC.

(Registrant)

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: February 11, 2009

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

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By: \s\Harinder Dhillon

Dated: February 11, 2009

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

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