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WARP 9, INC.  
Form 10-K  
October 01, 2010

FORM 10-K

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(D) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: June 30, 2010

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.)

6500 Hollister Avenue, Suite 120, 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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

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 preceding 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information

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statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

|X|

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.

|                         |                          |                           |                                     |
|-------------------------|--------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer         | <input type="checkbox"/>            |
| Non-accelerated filer   | <input type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |

(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of voting stock held by non-affiliates of the registrant was approximately \$1,192,029 as of June 30, 2010.

There were 340,579,815 shares outstanding of the registrant's Common Stock as of September 23, 2010.

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#### SIGNATURES

PART I

ITEM 1. BUSINESS

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COMPANY HISTORY

Warp 9, Inc. ("Warp 9" or the "Company") is a Nevada corporation formerly known as Roaming Messenger, Inc., formerly known as Latinocare Management Corporation ("LMC"). On August 24, 2006, the Company's board of directors and majority shareholders voted to change the name of the Company from Roaming Messenger, Inc. to Warp 9, Inc. to reflect a new strategic plan of focusing primarily on the business of the Company's wholly owned subsidiary, Warp 9, Inc., a Delaware corporation that is an e-commerce Software-as-a-Service ("SaaS") provider.

GENERAL

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 multi-channel retailers maximize the Internet channel by applying our technologies for online e-commerce, 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 recurring 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 developed and deployed new products based on a proprietary virtual publishing technology. These new products allow for the creation of interactive web versions of paper catalogs and magazines where users can flip through pages with a mouse and click on products or advertisements. These magazines or catalogs have built-in integration for e-commerce transactions through our ICS product and other transaction based activities. Accordingly, 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 sold this solution on a limited basis while we continue to refine the product and technology. We believe there

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could be many markets for our virtual catalog and magazine technology and we expect to test market these new products in the 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. To date, we have not yet generated any revenue from our licensing efforts.

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### INDUSTRY OVERVIEW

#### GROWTH OF THE INTERNET AND E-COMMERCE

According to the 2009 State of Retailing Online report from Forrester Research, online sales will continue to rise about 11 percent to about \$173 billion this year from about \$155 billion in 2009. E-commerce sales grew 11% from 2008 to 2009 and will account for 7% of total retail sales this year, up from 6% last year. Forrester estimates that the web accounted for or influenced 42% of retail sales in 2009. Interestingly, the report also predicts that sales influenced by the web will reach about \$1.4 trillion and will account for 53% of retail sales in 2014.

We believe there are a number of factors that are contributing to the growth of e-commerce: (i) adoption of the Internet continues to increase globally; (ii) broadband technology is becoming more widely available and the adoption of broadband for Internet use is increasing at a rapid rate; (iii) Internet users are increasingly comfortable with the process of buying products online; (iv) the functionality of online stores continues to improve, a greater range of payment options are available, and special offers and shipping discounts are making online shopping more attractive; (v) businesses are placing more emphasis on their online stores as they can reach a larger audience at a comparatively lower cost than the methods used to drive traffic to traditional brick-and-mortar retail stores or sell through printed paper catalogs. As a result of these growth drivers, retailers and catalogers have begun to build large, global customer bases that can be reached cost-effectively, potentially resulting in higher sales and profitability.

#### OPPORTUNITIES FOR OUTSOURCED E-COMMERCE

We believe there are advantages to outsourced e-commerce that will continue to make solutions like those of Warp 9 an attractive alternative to building and maintaining this capability in-house. These advantages include: (i) eliminating the substantial up-front and ongoing costs of computer hardware, network infrastructure and specialized application software and personnel; (ii) reducing the time it takes to get online stores live and productive; (iii) shifting the ongoing technology, financial, regulatory and compliance risks to a proven service provider; (iv) leveraging the expertise of an e-commerce service provider to accelerate growth of an online business; and (v) allowing businesses to focus on their specific core competencies.

#### TECHNOLOGY PRODUCTS

We primarily offer four proprietary software systems to our customers - e-commerce, e-mail marketing, virtual catalog publishing, and virtual magazine publishing. It is our product development goal to create other complementary

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systems to deliver a fully integrated platform for a successful e-commerce operation.

### WARP 9 INTERNET COMMERCE SYSTEM (WARP 9 ICS)

The Warp 9 ICS, our flagship product, is an enterprise-grade software system that enables catalogers and retailers to expand their operation to the Internet with minimal investment, overhead and risk. A business does not need to invest in new hardware or software in order to utilize the Warp 9 ICS, because it is offered as a fully managed online e-commerce system hosted in our Internet datacenter. With a range of easy to use and highly customizable features for product presentation as well store management, Warp 9 ICS satisfies many of the current and next generation requirements of catalogers and retailers. We charge our customers a recurring monthly fee for using the Warp 9 ICS software based on 12, 24 and 36 month term agreements. There are various pricing packages for Warp 9 ICS, depending on the customer's desired level of scalability and reliability.

Warp 9 ICS is designed with a highly scalable enterprise architecture that allows us to provide our customers with maximum performance and system uptime. As our customer base or transaction volume grows, we simply add new servers, CPUs, memory and bandwidth without substantial changes to the ICS software. The high end version of the Warp 9 ICS offering operates on a cluster of load balanced and fault-tolerant servers in our onsite datacenter. If a server in the cluster fails for any reason, the architecture shifts the traffic to other available servers, thus minimizing downtime and disruption to our customers' mission critical e-commerce websites.

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### WARP 9 E-MAIL MARKETING SYSTEM (WARP 9 EMS)

Warp 9 EMS is a web-based e-mail campaign and list management system designed for high performance and reliability. EMS's sophisticated technology will allow markets to send targeted e-mail campaigns that help grow, retain and maximize the lifetime value of their customers. Through content personalization and list segmentation, campaign efforts will result in higher response rates, higher conversion rates and improved customer loyalty. E-mail marketing systems, such as Warp 9 EMS, enable unprecedented response times that are not achievable through traditional forms of direct marketing. ICS customers can also purchase EMS to complement their online e-commerce strategy.

### WARP 9 VIRTUAL CATALOG SYSTEM (WARP 9 VCS)

Warp 9 VCS creates an interactive digital experience for online customers. The VCS product creates a unique shopping environment using Warp 9's virtual publishing technology to deliver an increase in multi-channel sales. Readers can bend and flip through virtual pages as they read the online catalog, zoom into product descriptions and images, and click on products to bring them to the relevant transactional e-commerce product pages. Warp 9's virtual publishing technology transforms a catalog from a static medium to a dynamic, interactive, and transactional medium. VCS product allows the cataloger to extend the life of a print property and allows for increased conversion rates.

### WARP 9 VIRTUAL MAGAZINE SYSTEM (WARP 9 VMS)

Warp 9 VMS is an interactive magazine publishing interface with enhanced features which creates an extremely appealing and interactive digital experience of a print magazine for online viewers. Readers are engaged with an experience that mimics the paper version of the magazine, allowing readers to bend and flip through virtual pages as they read the online magazine, zoom into articles and pictures, and click on advertisements. The VMS product allows a

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magazine publisher to extend the life of a print property and adds value to advertisers by creating additional revenue opportunities by providing a shorter, more direct path between readers and advertisers.

### PROFESSIONAL SERVICES

Our customers are not technology companies and have varying internal expertise in the areas of e-commerce, online marketing and web technologies. To provide a complete solution to our customers, we also offer professional services to help our customers maximize the use of our technology or other online e-commerce technologies. Professional services include but not limited to e-commerce web page template development, e-mail campaign content creation, custom system configuration, graphics design, management of online marketing programs, and integration to backend business systems.

### SITE DESIGN AND DEVELOPMENT

We offer our clients site design services that utilize our experience and expertise to create efficient and effective online stores powered by Warp 9 ICS. Our e-commerce solutions can be deployed quickly for our clients and implemented in a variety of ways from simple shopping websites to complex systems that integrate to backend inventory management systems. This is all done by maximally using the feature set of Warp 9 ICS.

### MERCHANDIZING AND PROMOTIONS DESIGN

The Warp 9 ICS technology platform supports a wide range of merchandising activities. On an ongoing basis, we help our clients create effective promotional activities, up-sell, cross-sell as well as promote featured products during any phase of the shopping process. By doing so, our professional services team continues to work with our clients to deliver targeted offers designed to increase conversion ratios and average order size. We have also developed an algorithm that can help our clients automate the upsell/cross-sell opportunities. Additionally, we have created a new advertising feature that allows our clients to easily add graphical elements with interior or exterior links to assist with instantaneous promotion of featured products.

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### ADVANCED REPORTING AND ANALYTICS

Warp 9 ICS captures a great deal of information about sales and visitor activities in its database. We provide our clients access to a collection of standard and customizable reports as well as create any report they need for their individual business making decisions. For example, we can create custom reports to help our clients analyze the average orders size of one design versus and another. This enables our clients to track and analyze sales, products, transactions and customer behavior to further refine their market strategies to increase sales.

### STRATEGIC MARKETING SERVICES

We offer a wide range of strategic marketing services designed to increase customer acquisition, retention and lifetime value. Through a combination of web analytics, analytics-based statistical testing and optimization, our team of strategic marketing consultants develop, deliver and manage programs such as paid search advertising, search engine optimization, affiliate marketing, store optimization and e-mail optimization for our clients. We believe our ability to capture and analyze integrated traffic and commerce data enhances the value of our strategic marketing services as we can precisely determine the effectiveness of specific marketing activities, website changes,

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and other actions taken by our clients. We are also working on providing this beneficial sales data in real-time and in a more customizable format.

### REVENUE MODEL

We charge our customers a recurring monthly fee, based on term contracts, to use the Warp 9 ICS product under a Software-as-a-Service ("SaaS") model. Unlike traditional software companies that sell software on a perpetual license where quarterly and annual revenues are very 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.

The Company also generates incremental revenue by offering additional products such as Warp 9 EMS, Warp 9 VCS, and Warp 9 VMS. We also drive revenue by offering professional web production, graphic design, marketing, and other consulting services to support Warp 9 products and generally to aid in the operations of our customers' e-commerce activities.

### BENEFITS TO CLIENTS

Our complete solution of providing robust technology along with complementary professional services delivers many benefits to our customers.

### REDUCED TOTAL COST OF OWNERSHIP AND RISK

Utilizing our technology and services, businesses can dramatically reduce or eliminate upfront and ongoing hardware, software, maintenance and support costs associated with developing, customizing, deploying and upgrading an in-house e-commerce solution. They can have a global e-commerce presence without assuming the costs and risks of developing it themselves and take immediate advantage of the investments we continually make in our e-commerce systems and associated services. Our commitment to the latest technologies and e-commerce functionality helps ensure that our clients maintain pace with industry advances.

### REVENUE GROWTH

Through our services consultants, we help our clients grow their businesses by applying our technology and experience to (i) increase the acquisition, retention and lifetime value of new customers; (ii) extending their businesses into new geographic markets; and (iii) expanding the visibility and sales of their products through new online sales channels. We have developed substantial expertise in online marketing and merchandising, which we apply to help our clients increase traffic to their online stores, and improve order close ratios, average order sizes and repeat purchases, all of which are designed to generate higher revenues for our clients' businesses and greater revenue for Warp 9.

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### DEPLOYMENT SPEED

Businesses can reduce the time required to develop an e-commerce presence by utilizing our outsourced business model. Typically, a new client can have an online store live much more quickly than if they decided to build, test and deploy the e-commerce capability in-house. Once they are operational on our platform, clients can utilize our remote control toolset to make real-time changes to their online store, allowing them to address issues and take advantage of opportunities without technical assistance.

### FOCUS ON CORE COMPETENCY

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By utilizing our outsourced e-commerce model, businesses can focus on developing, marketing and selling their products rather than devoting time and resources to building and maintaining an e-commerce infrastructure. Management can focus their time on their core business while ensuring they have access to the latest technologies, tools and expertise for running a successful e-commerce operation.

### SALES AND MARKETING

Our objective is to be the leading provider of outsourced e-commerce solutions for retail operations and online catalogs. To achieve this objective, we intend to enhance, promote and support the idea that Warp 9 is the complete provider of the necessary technology platform and professional services to effectively conduct a serious e-commerce operation.

We currently market our e-commerce solutions directly to clients and prospective clients. We focus our efforts on generating awareness of the Warp 9 brand and capabilities and establishing our position as a competitor in the online e-commerce space.

During the client sales process, our staff delivers demonstrations, presentations, collateral material, return-on-investment analyses, proposals and contracts. A great deal of our new customers have come from direct sales, trade shows, and word-of-mouth referrals. Our direct sales efforts are aimed at senior marketing and IT executives within a retailer or catalog company who are looking to create or expand their e-commerce operation. Because of our long history in e-commerce, prospective clients quite often look for us at trade shows to learn more about Warp 9. Word-of-mouth referrals have been very valuable to us and we intend to continue nurturing our customer and industry relationships to maximize these referrals..

In addition to our direct sales efforts, trade shows, and referrals, we intend to explore a channel partner strategy to expand our customer base. Prospective channel partners include consultants and designers in the catalog industry, as well as backend order fulfillment systems providers and providers of complementary services or products. With the growing maturity of multi-channel e-commerce strategies, many of the robust backend systems providers are looking for robust front-end e-commerce system, like Warp 9 ICS, to deliver a fully integrated online/offline solution to their clients.

### COMPETITION

The market for e-commerce solutions is highly competitive, especially as it reaches maturity. We compete with e-commerce solutions that our customers develop themselves or contract with third parties to develop. We also compete with other outsourced e-commerce providers. The competition we encounter includes:

- o In-house development of e-commerce capabilities using tools or applications from companies such as Art Technology Group, Broadvision, and IBM;
- o E-Commerce capabilities custom-developed by companies such as IBM Global Services, and Accenture, Inc.;
- o Other providers of outsourced e-commerce solutions, such as WebLinc, Volusion, UniteU, MarketLive, etc.;



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- o Companies that provide technologies, services or products that support a portion of the e-commerce process, such as payment processing, including CyberSource Corporation, PayPal Corporation and Authorize.net.;
- o High-traffic branded websites that generate a substantial portion of their revenue from e-commerce and may offer or provide to others the means to offer their products for sale, such as Amazon.com, Inc.; and
- o Web hosting, web services and infrastructure companies that offer portions of our solution and are seeking to expand the range of their offering, such as Network Solutions, LLC, Akamai Technologies, Inc., Yahoo! Inc., eBay Inc. and Hostopia.com Inc.

### PATENTS AND PATENT APPLICATIONS

Our intellectual property portfolio consists of the following patents, which primarily relate to the Roaming Messenger technology:

#### SELF CONTAINED BUSINESS TRANSACTION CAPSULES

A self-contained business transaction capsule, or eCapsule, is a small electronic capsule that contains all the necessary data and logic to complete a business transaction. The eCapsule is a "thin" and "lightweight" small computer-readable file that is device independent. The eCapsule allows a business, for example, to encapsulate an individual product or offer into an intelligent object that is capable of completing entire transactions. The eCapsule includes data about the product or service being provided, such as the product price, a textual description, or options for the product or service (a transaction description). The eCapsule also includes transaction logic or business logic capable of completing the transaction, such as billing and shipping information, order routing information, order status information, shipping status information, and any other transaction rules necessary to process the transaction. Moreover, the eCapsule is adapted to be broadcasted to, and stored on, a portable electronic device, such as a mobile wireless-enabled device, like a cellular telephone, a personal digital assistant (PDA) or a laptop computer. This patent was issued on September 12, 2006.

#### A METHOD OF AND INSTRUCTION SET FOR EXECUTING OPERATIONS ON A DEVICE

This invention relates to executable instructions and, more particularly, to instructions that are executable on a device that receives a mobile agent. This patent application discloses the actual implementation of the Roaming Messenger device engine and messenger instruction sets and modes of execution. The application for this patent was filed on December 7, 2004 and was issued on December 30, 2008.

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### GOVERNMENT REGULATION

We are subject to various federal, state, and local laws affecting e-commerce and communication businesses. The Federal Trade Commission and equivalent state agencies regulate advertising and representations made by businesses in the sale of their products, which apply to us. We are also subject to government laws and regulations governing health, safety, working conditions, employee relations, wrongful termination, wages, taxes and other matters

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applicable to businesses in general.

### EMPLOYEES

As of September 15, 2010, we had five full time employees, two of whom are employed in administrative positions, and three technical employees employed in research, development, and technical product maintenance positions.

All of our employees have executed agreements that impose nondisclosure obligations on the employee and assign to us (to the extent permitted by California law) all copyrights and other inventions created by the employee during his employment with us. Additionally, we have a trade secret protection policy in place that management believes to be adequate to protect our intellectual property and trade secrets.

### SEASONALITY

We do not anticipate that our business will be substantially affected by seasonality.

### TRADEMARKS

We have registered trademarks for Roaming Messenger(R), and Warp 9(R).

### ITEM 2. PROPERTIES

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The Company currently leases approximately 5,251 square feet of office space at 6500 Hollister Avenue, Suite 120, Santa Barbara, California 93117 for approximately \$7,614 per month, pursuant to a five year lease agreement with rent commencing on May 25, 2010. In addition, the Company is responsible for its pro-rata share of Common Area Maintenance fees.

### ITEM 3. LEGAL PROCEEDINGS

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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.

The Company may file additional collection actions and be involved in other litigation in the future.

### ITEM 4. REMOVED AND RESERVED

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## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

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The Company's common stock trades on the OTC Bulletin Board Market under the symbol "WNYN." The range of high and low bid quotations for each

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fiscal quarter within the last three fiscal years was as follows:

| Year Ended June 30, 2010               | HIGH     | LOW      |
|--|----------|----------|
| First Quarter ended September 30, 2009 | \$0.0096 | \$0.005  |
| Second Quarter ended December 31, 2009 | \$0.01   | \$0.006  |
| Third Quarter ended March 31, 2010     | \$0.0085 | \$0.005  |
| Fourth Quarter ended June 30, 2010     | \$0.006  | \$0.003  |
| Year Ended June 30, 2009               | HIGH     | LOW      |
| First Quarter ended September 30, 2008 | \$0.0014 | \$0.007  |
| Second Quarter ended December 31, 2008 | \$0.0105 | \$0.005  |
| Third Quarter ended March 31, 2009     | \$0.009  | \$0.0062 |
| Fourth Quarter ended June 30, 2009     | \$0.013  | \$0.0068 |
| Year Ended June 30, 2008               | HIGH     | LOW      |
| First Quarter ended September 30, 2007 | \$0.025  | \$0.013  |
| Second Quarter ended December 31, 2007 | \$0.017  | \$0.006  |
| Third Quarter ended March 31, 2008     | \$0.008  | \$0.0032 |
| Fourth Quarter ended June 30, 2008     | \$0.019  | \$0.0015 |

The above quotations reflect inter-dealer prices, without retail markup, mark-down, or commission and may not necessarily represent actual transactions.

The Company is authorized to issue 495,000,000 shares of common stock, par value \$0.001 per share, and 5,000,000 shares of preferred stock, par value \$0.001 per share. 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.

As of June 30, 2010, there were approximately 299 record holders of the Company's common stock, not including shares held in "street name" in brokerage accounts which are unknown. As of June 30, 2010, there were 340,579,815 shares of common stock outstanding on record.

The Company has not declared or paid any cash dividends on its common stock and does not anticipate paying dividends for the foreseeable future.

Effective July 10, 2003, the Company adopted the Warp 9, Inc. 2003 Stock Option Plan for Directors, Officers, Employees and Key Consultants (the "Plan") authorizing the issuance of up to 25,000,000 shares of the Company's common stock pursuant to the grant and exercise of up to 25,000,000 stock options. The Plan has been approved by the holders of the outstanding shares of the Company. The following table sets forth certain information regarding the Plan as of June 30, 2010:

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| NUMBER OF SECURITIES TO BE<br>ISSUED UPON EXERCISE OF<br>OUTSTANDING STOCK OPTIONS | WEIGHTED-AVERAGE EXERCISE<br>PRICE OF OUTSTANDING STOCK<br>OPTIONS | NUMBER<br>REMAINING<br>FUTURE IS<br>COMP |
|--|--|--|
|--|--|--|

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|  |           |        |
|--|-----------|--------|
| Equity compensation plans<br>approved by security<br>holders | 3,240,000 | \$0.01 |
|--|-----------|--------|

ITEM 6. SELECTED FINANCIAL DATA.  
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None.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND  
FINANCIAL CONDITION  
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CAUTIONARY STATEMENTS

This Form 10-K contains financial projections and other "forward-looking statements," as that term is used in federal securities laws, about Warp 9 Inc.'s ("Warp 9" or the "Company") financial condition, results of operations and business. These statements include, among others:

- o statements concerning the potential for benefits that Warp 9, Inc. ("W9" or the "Company") may experience from it's business activities and certain transactions it contemplates or has completed; and
- o statements of W9's expectations, future plans and strategies, anticipated developments and other matters that are not historical facts. These statements may be made expressly in this Form 10-K. You can find many of these statements by looking for words such as "believes," "expects," "anticipates," "estimates," or similar expressions used in this Form 10-K. These forward-looking statements are subject to numerous assumptions, risks and uncertainties that may cause the Company's actual results to be materially different from any future results expressed or implied by the Company in those statements. The most important facts that could prevent the Company from achieving its stated goals include, but are not limited to, the following:

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- (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 further commercialize its technology or to make sales;

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- (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; and
- (j) failure of the relicensing or other commercialization of the Roaming Messenger technology to produce revenues or profits;
- (k) aspects of the Company's business are not proprietary and in general the Company is subject to inherent competition;
- (l) further dilution of existing shareholders' ownership in Company; and
- (m) uncollectible accounts and the need to incur expenses to collect amounts owed to the Company.

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, 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. The Company cautions you not to place undue reliance on the statements, which speak only as of the date of this Form 10-K. 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 the Company 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-K or to reflect the occurrence of unanticipated events.

The following discussion should be read in conjunction with our condensed consolidated financial statements and notes to those statements. In addition to historical information, the following discussion and other parts of this quarterly report contain forward-looking information that involves risks and uncertainties.

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### CURRENT OVERVIEW

Warp 9 is a provider of e-commerce software platforms and services for the retail and catalog industries. Our suite of software platforms are designed to help multi-channel retailers maximize the Internet channel by applying our technologies for online e-commerce, catalogs, e-mail marketing campaigns, and interactive visual merchandising. Offered as an outsourced and fully managed

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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 e-commerce operation.

We charge our customers a recurring 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.

The Warp 9 Internet Commerce System ("ICS") is our flagship and highest revenue product. We have also developed and deployed new products based on a proprietary virtual publishing technology. These new products allow 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 sold this solution on a limited basis while we continue to refine the product and technology. We believe there could be many markets for our virtual catalog and magazine technology and we expect to test market these new products in the future.

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 and we are sometimes able to capitalize on these opportunities by bundling features for greater value and/or increased fees and revenue.

A significant portion of the Company's revenues are from the ICS product. During the fiscal year ending June 30, 2010, the ICS product accounted for 64% of gross revenue. The monthly recurring fee for Warp 9 ICS is generally variable with the growth of a client's online revenues. Therefore, when our customers sell more online, our revenues and profit margin increase without dramatic increase in costs. During the fiscal year ending June 30, 2010, the professional services accounted for 24% of gross 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

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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

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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 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.

RESULTS OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2010 AS COMPARED TO THE YEAR ENDED JUNE 30, 2009

### REVENUE

Total revenue for the twelve month period ended June 30, 2010 decreased by (\$708,890) to \$1,424,454 compared to \$2,133,344 in the prior year, a decrease of 33%. The difference is primarily due a decrease in recurring ICS fee and professional services associated with site development fees, online marketing and other services. The decrease in revenue was primarily driven by a reduction in the number of clients due to the effects of the continued economic downturn and the decrease in client budgets for e-commerce services.

### COST OF REVENUE

The cost of revenue for the twelve month period ended June 30, 2010 decreased by (\$24,803) or approximately 16% to \$131,507, as compared to \$156,310 for the twelve month period ended June 30, 2009. The decrease in the cost of revenue was primarily due to a decrease in sales commissions.

### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative ("SG&A") expenses decreased by 3% or (\$50,027) during the twelve months ended June 30, 2010 to \$1,570,797 as compared to \$1,620,824 for the twelve month period ended June 30, 2009. The

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decrease in SG&A expenses was primarily due to a decrease in salary expenses caused by a decrease in staffing, offset by expenses associated with the relocation of the Company's corporate office and an increase in rent expense due to disputed utility fees from the previous landlord.

### RESEARCH AND DEVELOPMENT

Research and development expenses decreased by 50% or (\$18,544) during the twelve months ended June 30, 2010 to \$18,333 as compared to \$36,877 for the twelve months ended June 30, 2009. The decrease was due to a current year reduction in the Company's research and development activities.

### DEPRECIATION AND AMORTIZATION

Expense related to depreciation and amortization was \$32,794 or 50% lower for the twelve months ended June 30, 2010 as compared to \$66,053 for the prior year. The decrease was due to many of the Company's fixed assets becoming fully depreciated as of June 30, 2009, resulting in no current year depreciation

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expense being recognized for those assets. This decrease was partially offset by depreciation of new fixed assets acquired during the current year. The majority of these new acquisitions occurred during the fourth quarter of the fiscal year resulting in minimal amounts of current year depreciation expense being recognized for these assets.

### OTHER INCOME AND EXPENSE

Total other income and expense was 14% lower or \$47,697 for the twelve months ended June 30, 2010 as compared to \$55,640 for the prior year. The decrease was due to a 67% decrease in interest expense which resulted primarily from significant reductions in the principal balances outstanding on the Company's notes payable and capital lease obligations because of payments made during the current year. This decrease in other expense was partially offset by a 53% decrease in other income which resulted from the termination of a sublease agreement that was outstanding for the majority of the year ended June 30, 2009, and was terminated during the second quarter of the current fiscal year.

### NET INCOME / (LOSS)

For the twelve months ended June 30, 2010, Warp 9's consolidated net loss was (\$181,518) as compared to a consolidated net income of \$150,723 for the twelve months ended June 30, 2009. This net loss is primarily due to the decrease in the number of clients utilizing ICS combined with the recognition of a deferred tax provision related to net operating loss carryforwards.

### LIQUIDITY AND CAPITAL RESOURCES

Warp 9 had cash as of June 30, 2010 of \$733,737 as compared to cash of \$849,508 as of June 30, 2009. Warp 9 had net working capital (i.e. the difference between current assets and current liabilities) of \$799,359 as of June 30, 2010 as compared to a net working capital of \$1,102,641 at June 30, 2009.

Cash flow provided by operating activities was \$20,432 for the year ended June 30, 2010 as compared to \$290,864 for the year ended June 30, 2009. Cash flow was positive during the year due to the collection of a significant portion of accounts receivables.

Cash flow used by investing activities was (\$94,496) for the year ended June 30, 2010 as compared to cash flow used in investing activities of (\$6,286)



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for the year ended June 30, 2009, primarily as a result of the purchase of additional computer and electrical equipment.

Cash flow used by financing activities was (\$41,707) for the year ended June 30, 2010 as compared to (\$115,719) during the year ended June 30, 2009. The decrease is primarily due to a reduction in payments and principal balance on a note payable.

For the twelve months ended June 30, 2010, the Company's capital needs have primarily been met from cash balances on hand.

While Warp 9 expects that its capital needs in the foreseeable future may be met by cash-on-hand and projected positive cash-flow, there is no assurance that the Company will be able to generate enough positive cash flow or 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 could become difficult for the Company to obtain equipment leases and other business financing. There is no assurance that Warp 9 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.

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### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA OF WARP 9, INC.

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WARP 9, INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors  
Warp 9, Inc.  
Santa Barbara, California

We have audited the accompanying consolidated balance sheets of Warp 9, Inc. and subsidiaries as of June 30, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended June 30, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Warp 9, Inc. and subsidiaries as of June 30, 2010 and 2009, and the results of their operations and their cash flows for each of the two years in the period ended June 30, 2010, in conformity with U.S. generally accepted accounting principles.

We were not engaged to examine management's assessment of the effectiveness of Warp 9, Inc.'s internal control over financial reporting as of June 30, 2010, included in Warp 9, Inc.'s Form 10-K and, accordingly, we do not express an opinion thereon.

/s/ HJ Associates & Consultants, LLP

HJ Associates & Consultants, LLP  
Salt Lake City, Utah  
October 1, 2010

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WARP 9, INC. AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS

|                                       | June 30, 2010 | Ju    |
|---------------------------------------|---------------|-------|
|                                       | -----         | ----- |
| ASSETS                                |               |       |
| CURRENT ASSETS                        |               |       |
| Cash                                  | \$ 733,737    | \$    |
| Accounts Receivable, net              | 121,494       |       |
| Prepaid and Other Current Assets      | 11,888        |       |
| Current Portion of Deferred Tax Asset | 162,500       |       |
|                                       | -----         | ----- |
| TOTAL CURRENT ASSETS                  | 1,029,619     |       |
|                                       | -----         | ----- |
| PROPERTY & EQUIPMENT, at cost         |               |       |
| Furniture, Fixtures & Equipment       | 89,485        |       |
| Computer Equipment                    | 625,032       |       |
| Computer Software                     | 20,033        |       |
| Leasehold Improvements                | 19,746        |       |
|                                       | -----         | ----- |
|                                       | 754,296       |       |
| Less Accumulated Depreciation         | (654,435)     |       |
|                                       | -----         | ----- |
| NET PROPERTY AND EQUIPMENT            | 99,861        |       |
|                                       | -----         | ----- |
| OTHER ASSETS                          |               |       |
| Deposits                              | 16,449        |       |
| Restricted Cash                       | -             |       |
| Internet Domain, net                  | 1,753         |       |
| Long Term Deferred Tax Asset          | 1,874,539     |       |
|                                       | -----         | ----- |
| TOTAL OTHER ASSETS                    | 1,892,741     |       |
|                                       | -----         | ----- |
| TOTAL ASSETS                          | \$ 3,022,221  | \$    |
|                                       | =====         | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY  |               |       |
| CURRENT LIABILITIES                   |               |       |
| Accounts Payable                      | \$ 74,049     | \$    |
| Credit Cards Payable                  | 2,664         |       |
| Accrued Expenses                      | 61,600        |       |
| Deferred Income                       | 20,667        |       |
| Note Payable, Other                   | 37,082        |       |
| Customer Deposit                      | 34,198        |       |
| Capitalized Leases, Current Portion   | -             |       |
|                                       | -----         | ----- |
| TOTAL CURRENT LIABILITIES             | 230,260       |       |
|                                       | -----         | ----- |
| LONG TERM LIABILITIES                 |               |       |
| Note Payable, Other                   | 2,778         |       |

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|  |                 |
|--|-----------------|
| TOTAL LONG TERM LIABILITIES  | 2,778           |
| <hr/>  |                 |
| TOTAL LIABILITIES  | 233,038         |
| <hr/>  |                 |
| SHAREHOLDERS' EQUITY   |                 |
| Common Stock, \$0.001 Par Value;<br>495,000,000 Authorized Shares;<br>340,579,815 and 340,579,815 Shares Issued<br>and Outstanding, respectively | 340,579         |
| Additional Paid In Capital   | 6,906,525       |
| Accumulated Deficit  | (4,457,921)     |
| <hr/>  |                 |
| TOTAL SHAREHOLDERS' EQUITY   | 2,789,183       |
| <hr/>  |                 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY   | \$ 3,022,221 \$ |
| <hr/> <hr/>  |                 |

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

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WARP 9, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF OPERATIONS

|   |                 |
|---|-----------------|
|   | Y<br>June 30, 2 |
|   | <hr/>           |
| REVENUE   | \$ 1,424        |
| COST OF SERVICES  | 131             |
| <hr/>   |                 |
| GROSS PROFIT  | 1,292           |
| <hr/>   |                 |
| OPERATING EXPENSES  |                 |
| Selling, general and administrative expenses                | 1,570           |
| Research and development                                    | 18              |
| Stock option expense  | 9               |
| Depreciation and amortization                               | 32              |
| <hr/>   |                 |
| TOTAL OPERATING EXPENSES                                    | 1,631           |
| <hr/>   |                 |
| INCOME/(LOSS) FROM OPERATIONS BEFORE OTHER INCOME/(EXPENSE) | (338)           |
| <hr/>   |                 |
| OTHER INCOME/(EXPENSE)                                      |                 |
| Interest income   | 37              |
| Other income  | 17              |

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|   |          |
|---|----------|
| Interest expense  | (7)      |
|   | -----    |
| TOTAL OTHER INCOME/(EXPENSE)                                    | 47       |
|   | -----    |
| INCOME/(LOSS) FROM OPERATIONS BEFORE PROVISION FOR INCOME TAXES | (290)    |
|   | -----    |
| PROVISION FOR INCOME (TAXES)/BENEFIT                            |          |
| Income taxes paid, net  |          |
| Income tax (provision)/benefit                                  | 109      |
|   | -----    |
| PROVISION FOR INCOME (TAXES)/BENEFIT                            | 108      |
|   | -----    |
| NET INCOME/(LOSS)   | \$ (181) |
|   | =====    |
| BASIC AND DILUTED NET INCOME/(LOSS) PER SHARE                   | \$ (     |
|   | =====    |
| WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING                      |          |
| BASIC AND DILUTED   | 340,579  |
|   | =====    |

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

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WARP 9, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

|                        | Shares      | Common<br>Stock | Additi<br>Paid-<br>Capit |
|------------------------|-------------|-----------------|--------------------------|
|                        | -----       | -----           | -----                    |
| Balance, June 30, 2008 | 340,579,815 | \$ 340,579      | \$ 6,88                  |

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|                        |             |            |         |
|------------------------|-------------|------------|---------|
| Stock option expense   | -           | -          | 1       |
| Stock issuance cost    | -           | -          |         |
| Net Income             | -           | -          |         |
| Balance, June 30, 2009 | 340,579,815 | 340,579    | 6,89    |
| Stock option expense   | -           | -          |         |
| Net Loss               | -           | -          |         |
| Balance, June 30, 2010 | 340,579,815 | \$ 340,579 | \$ 6,90 |

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

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

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|  | Years End<br>June 30, 2010 | ----- |
|--|----------------------------|-------|
| CASH FLOWS FROM OPERATING ACTIVITIES:  |                            |       |
| Net income/(loss)  | \$ (181,518)               | \$    |
| Adjustment to reconcile net income/(loss) to net cash provided by operating activities |                            |       |
| Depreciation and amortization  | 32,794                     |       |
| Bad debt expense   | 10,839                     |       |
| Stock option expense   | 9,214                      |       |
| Change in assets and liabilities:  |                            |       |
| (Increase) Decrease in:  |                            |       |
| Accounts receivable  | 192,335                    |       |
| Prepaid and other current assets   | (84)                       |       |
| Deferred tax assets  | (109,145)                  |       |
| Restricted cash  | 93,000                     |       |
| Other assets   | (13,729)                   |       |
| Increase (Decrease) in:  |                            |       |
| Accounts payable   | 5,886                      |       |
| Accrued expenses   | (25,594)                   |       |
| Deferred income  | 20,667                     |       |
| Other liabilities  | (14,233)                   |       |
|  | -----                      | ----- |
| NET CASH PROVIDED BY OPERATING ACTIVITIES  | 20,432                     |       |
|  | -----                      | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES:  |                            |       |
| Purchase of property and equipment   | (94,496)                   |       |
|  | -----                      | ----- |
| NET CASH USED IN INVESTING ACTIVITIES  | (94,496)                   |       |
|  | -----                      | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES:  |                            |       |
| Payments on notes payable  | (33,569)                   |       |
| Payments on capitalized leases   | (8,138)                    |       |
| Payments on line of credit   | -                          |       |
| Proceeds from issuance of common stock, net of cost                                    | -                          |       |
|  | -----                      | ----- |
| NET CASH USED IN FINANCING ACTIVITIES  | (41,707)                   |       |
|  | -----                      | ----- |
| NET INCREASE/(DECREASE) IN CASH  | (115,771)                  |       |
|  | -----                      | ----- |
| CASH, BEGINNING OF YEAR  | 849,508                    |       |
|  | -----                      | ----- |
| CASH, END OF YEAR  | \$ 733,737                 | \$    |
|  | =====                      | ===== |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION                                      |                            |       |
| Interest paid  | \$ 7,232                   | \$    |
|  | =====                      | ===== |
| Taxes paid   | \$ 1,600                   | \$    |
|  | =====                      | ===== |

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

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## WARP 9, INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

### 1. ORGANIZATION AND LINE OF BUSINESS

#### ORGANIZATION

Warp 9, Inc. (the "Company") is a Nevada corporation formerly known as Roaming Messenger, Inc., formerly known as Latinocare Management Corporation ("LMC"). On August 24, 2006, the Company's board of directors and majority of shareholders voted to change the name of the Company from Roaming Messenger, Inc. to Warp 9, Inc. to reflect a new strategic plan of focusing primarily on the business of the Company's wholly-owned subsidiary, Warp 9, Inc. (a Delaware corporation). The Company, based in Goleta, California, began operations October 1, 1999. The Company is a provider of fully hosted web based e-commerce software products.

#### LINE OF BUSINESS

Warp 9, Inc. is a provider of e-commerce platforms and services for the catalog and retail industry. Its suite of software platforms is designed to help online retailers maximize the Internet channel by applying advanced technologies for online catalogs, e-mail marketing campaigns, and interactive visual merchandising. Offered on a fully managed Software-as-a-Service model, Warp 9 products allow customers to focus on their core business, rather than technical implementations.

### 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.

The Consolidated Financial Statements include Warp 9, Inc. (the Company), and its wholly-owned subsidiary ("Warp 9, Inc., a Delaware corporation"). All significant inter-company transactions are eliminated in consolidation.

#### ACCOUNTS RECEIVABLE

The Company extends credit to its customers, who are located primarily in California. Accounts receivable are customer obligations due under normal trade terms. The Company performs continuing credit evaluations of its customers' financial condition. Management reviews accounts receivable on a regular basis, based on contracted terms and how recently payments have been received to determine if any such amounts will potentially be uncollected. The Company includes any balances that are determined to be uncollectible in its allowance for doubtful accounts. After all attempts to



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collect a receivable have failed, the receivable is written off. The balance of the allowance account at June 30, 2010 and 2009 are \$161,924 and \$151,085, respectively.

### USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements. Significant estimates made in preparing these financial statements include the allowance for doubtful accounts, the estimate of useful lives of property and equipment, the deferred tax valuation allowance, and the fair value of stock options and warrants. Actual results could differ from those estimates.

### CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

### REVENUE RECOGNITION

The Company recognizes income when the service is provided or when product is delivered. We present revenue, net of customer incentives. Most of the income is generated from monthly fees from clients who subscribe to the Company's fully hosted web based e-commerce products on terms averaging twelve months. Unless terminated accordingly with prior written notice, the agreements automatically renew for another term.

We provide online marketing services that we purchase from third parties. The gross revenue presented in our statement of operations is in accordance with ASC 605-45.

We also offer professional services such as development services. The fees for development services with multiple deliverables constitute a separate unit of accounting in accordance with ASC 605-25, which are recognized as the work is performed.

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## WARP 9, INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### REVENUE RECOGNITION (CONTINUED)

Upfront fees for development services or other customer services are deferred until certain implementation or contractual milestones have been achieved. The deferred revenue as of June 30, 2010 and 2009 was \$20,667 and \$0, respectively.

For the fiscal year ended, June 30, 2010, monthly fee from web products and associated service fees account for 66% of the Company's total revenues, professional services account for 24% and the remaining 10% of total revenues are from resale of third party products and services.

For the fiscal year ended, June 30, 2009, monthly fee from web products and associated service fees account for 64% of the Company's total revenues, professional services account for 28% and the remaining 8% of total revenues are from resale of third party products and services

#### RETURN POLICY

On all service offerings such as web based e-commerce products there are no returns. Monthly fees are assessed and revenue is recognized at the end of

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every month, after service has been provided. Some higher paying customers may have service level agreements where we guarantee system uptime such as 99.9% of the time per month. If we fall below the agreed upon level of uptime, we shall credit one day of service fee for each hour our system is down up to a maximum of one monthly fee. This guarantee only covers downtime as a result of failure in the Company's hardware, software or gross negligence. Historically, the Company has not had to issue any credits for such returns.

### COST OF REVENUE

Cost of revenue includes the direct costs of operating the Company's network, including telecommunications charges and third party internet marketing charges.

### RESEARCH AND DEVELOPMENT

Research and development costs are expensed as incurred. Total research and development costs were \$18,333 and \$36,877 for the years ended June 30, 2010 and 2009, respectively.

### ADVERTISING COSTS

The Company expenses the cost of advertising and promotional materials when incurred. Total advertising costs were \$21,284 and \$32,985 for the years ended June 30, 2010 and 2009, respectively.

### FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are carried at cost, which approximates their fair value, due to the relatively short maturity of these instruments. As of June 30, 2010 and 2009, the Company's capital lease obligations and notes payable have stated borrowing rates that are consistent with those currently available to the Company and, accordingly, the Company believes the carrying value of these debt instruments approximates their fair value.

### PROPERTY AND EQUIPMENT AND DOMAIN NAME

Property and equipment are stated at cost, and are depreciated or amortized using the straight-line method over the following estimated useful lives:

|                                 | Depreciation |                     |
|---------------------------------|--------------|---------------------|
| Furniture, fixtures & equipment |              | 7 Years             |
| Computer equipment              |              | 5 Years             |
| Commerce server                 |              | 5 Years             |
| Computer software               |              | 3 - 5 Years         |
| Leasehold improvements          |              | Length of the lease |
|                                 | Amortization |                     |
| Domain Name                     |              | 15 years            |

Depreciation expense related to property and equipment was \$32,606 and \$65,882 for the years ended June 30, 2010 and 2009, respectively. Amortization expense related to domain name was \$188 and \$171 for the years ended June 30, 2010 and 2009, respectively.

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WARP 9, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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Included in property and equipment are assets under capitalized leases with an original cost of \$218,179. Depreciation of assets under capitalized leases is included in depreciation and amortization expense. During the years ended June 30, 2010 and 2009, there were no additions to fixed assets through capitalized leases.

### CONCENTRATIONS OF BUSINESS AND CREDIT RISK

The Company operates in a single industry segment. The Company markets its services to companies and individuals in many industries and geographic locations. The Company's operations are subject to rapid technological advancement and intense competition in the telecommunications industry.

### CONCENTRATIONS OF BUSINESS AND CREDIT RISK (CONTINUED)

Accounts receivable represent financial instruments with potential credit risk. The Company typically offers its customers credit terms. The Company makes periodic evaluations of the credit worthiness of its enterprise customers and other than obtaining deposits pursuant to its policies, it generally does not require collateral. In the event of nonpayment, the Company has the ability to terminate services.

### STOCK-BASED COMPENSATION

The Company addressed 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 transactions are accounted for using a fair-value-based method and recognized as expenses in our statement of operations. There was no material impact on the Company's financial statement of operations.

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 year ended June 30, 2010, included compensation expense for the stock-based payment awards granted prior to, but not yet vested, as of June 30, 2010 based on the grant date fair value estimated. Stock-based compensation expense recognized in the statement of income for the year ended June 30, 2010 is based on awards ultimately expected to vest, or has been reduced for estimated forfeitures. Forfeitures are 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 years ended June 30, 2010 and 2009 are \$9,214 and \$11,129 respectively.

### EARNINGS PER SHARE

The Company calculates earnings per share based on the basic and diluted weighted average number of shares outstanding. Basic earnings per share exclude dilution and is computed by dividing net income by the weighted average number of shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if stock options and warrants to issue common stock were exercised or converted into common stock. The dilutive effect of outstanding options issued by the Company were not reflected in diluted earnings per share, because under the provision of the treasury stock method, options will only have a dilutive effect when the average market price of common stock during the period exceeds the exercise price of the options. The Company's average market price for common stock was less than the exercise price of all outstanding stock options and warrants.

### INCOME TAXES

The Company uses the liability method of accounting for income taxes.

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Deferred tax assets and liabilities are recognized for the future tax consequences attributable to financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. The measurement of deferred tax assets and liabilities is based on provisions of applicable tax law. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance based on the amount of tax benefits that, based on available evidence, is not expected to be realized.

### RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Management reviewed accounting pronouncements issued during the three months ended June 30, 2010, and no pronouncements were adopted during the period.

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### WARP 9, INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

#### 3. NOTES PAYABLE

At June 30, 2007, the Company reclassified an accounts payable account to a vendor in the amount of \$154,429 to a note payable. The monthly payment on the note is \$3,342 per month and the note bears annual interest at the rate of 10% per annum. At June 30, 2010 and 2009, the outstanding principal balance was \$39,860 and \$80,458 respectively. The following is a schedule of payments due for the next five years.

| Year Ending<br>June 30, |           |
|-------------------------|-----------|
| 2011                    | \$ 37,082 |
| 2012                    | 2,778     |
|                         | -----     |
| Total                   | \$ 39,860 |
|                         | =====     |

#### 4. DEFERRED TAX BENEFIT

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry-forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The provision (benefit) for income taxes for the year ended June 30, 2010 and 2009 consist of the following:

|          | 2010     | 2009    |
|----------|----------|---------|
|          | -----    | -----   |
| Federal: |          |         |
| Current  | \$ -     | \$ -    |
| Deferred | (95,152) | 122,760 |
| State:   |          |         |
| Current  | 169      | 6,254   |

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|          |           |            |
|----------|-----------|------------|
| Deferred | (13,993)  | 11,800     |
|          | -----     | -----      |
| \$       | (108,976) | \$ 140,814 |
|          | =====     | =====      |

Net deferred tax assets consist of the following components as of June 30, 2010 and 2009:

|                                 | 2010         | 2009         |
|---------------------------------|--------------|--------------|
|                                 | -----        | -----        |
| Deferred Tax Assets:            |              |              |
| NOL Carryforward                | \$ 1,857,684 | \$ 1,737,058 |
| Depreciation                    | 16,854       | 25,669       |
| R&D Carryforward                | 94,851       | 94,851       |
| Accrued Vacation Payable        | 4,500        | 11,393       |
| Allowance for Doubtful Accounts | 63,150       | 58,923       |
| Deferred Tax Liabilities:       | -            | -            |
| Valuation Allowance             | -            | -            |
|                                 | -----        | -----        |
| Net Deferred Tax Asset          | \$ 2,037,039 | \$ 1,927,894 |
|                                 | =====        | =====        |

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WARP 9, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

4. DEFERRED TAX BENEFIT (Continued)

The income tax provision differs from the amount of income tax determined by applying the U.S. federal and state income tax rate of 39% to pretax income from continuing operations for the years ended June 30, 2010 and 2009 due to the following:

|                                   | 2010         | 2009       |
|-----------------------------------|--------------|------------|
|                                   | -----        | -----      |
| Book Income/(Loss)                | \$ (113,293) | \$ 116,138 |
| State Income Taxes                | 169          | 6,254      |
| Non deductible Stock Compensation | 3,594        | 4,340      |
| Other                             | 554          | 812        |
| Related Party Accruals            | (6,894)      | (1,208)    |
| Allowance for Bad Debt            | 4,227        | 32,676     |
| Depreciation                      | 3,151        | 14,933     |
| Deductible loss on disposal       | (11,965)     | -          |
| NOL Carryover                     | 120,626      | (167,691)  |
| Valuation Allowance               | -            | -          |
|                                   | -----        | -----      |
| Income Tax Expense                | \$ 169       | \$ 6,254   |
|                                   | =====        | =====      |

5. 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 2007.

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Deferred income taxes have been provided by temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. To the extent allowed by GAAP, we provide valuation allowances against the deferred tax assets for amounts when the realization is uncertain. Included in the balances at June 30, 2010 and 2009, are no tax positions for which the ultimate deductibility is highly certain, but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

The Company's policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the periods ended June 30, 2010 and 2009, the Company did not recognize interest and penalties.

### 6. CAPITAL STOCK

At June 30, 2010, the Company's authorized stock consisted 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 per share. 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. .

### 7. STOCK OPTIONS AND WARRANTS

On July 10, 2003, the Company adopted the Warp 9, Inc. Stock Option Plan for Directors, Executive Officers, and Employees of and Key Consultants to the Company. This Plan, may issue 25,000,000 shares of common stock. Options granted under the Plan could be either Incentive Options or Nonqualified Options, and are administered by the Company's Board of Directors. Each option may be exercisable in full or in installment and at such time as designated by the Board. Notwithstanding any other provision of the Plan or of any Option agreement, each option are to expire on the date specified in the Option agreement, which date are to be no later than the tenth anniversary of the date on which the Option was granted (fifth anniversary in the case of an Incentive Option granted to a greater-than-10% stockholder). The purchase price per share of the Common Stock under each Incentive Option is to be no less than the Fair Market Value of the Common Stock on the date the option was granted (110% of the Fair Market Value in the case of a greater-than-10% stockholder). The purchase price per share of the Common Stock under each Nonqualified Option were to be specified by the Board at the

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WARP 9, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

### 7. STOCK OPTIONS AND WARRANTS (Continued)

time the Option was granted, and could be less than, equal to or greater than the Fair Market Value of the shares of Common Stock on the date such Nonqualified Option was granted, but were to be no less than the par value of shares of Common Stock. The plan provided specific language as to the termination of options granted hereunder.

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The Company used the historical industry index to calculate volatility, since the Company's stock history did not represent the expected future volatility of the Company's common stock. The fair value of options granted was determined using the Black Scholes method with the following assumptions:

|                                       | Years Ended     |               |
|---------------------------------------|-----------------|---------------|
|                                       | 6/30/2010       | 6/30/2009     |
| Risk free interest rate               | 3.01%           | 3.2% - 5.07%  |
| Stock volatility factor               | 186.29%         | 0.31% - 0.53% |
| Weighted average expected option life | 8.5 - 9.5 years | 4 years       |
| Expected dividend yield               | none            | none          |

A summary of the Company's stock option activity and related information follows:

|   | Year ended<br>June 30, 2010 |  | Year ended<br>June 30, 2009 |  |
|---|-----------------------------|--|-----------------------------|--|
|   | Options                     | Weighted<br>average<br>exercise<br>price | Options                     | Weighted<br>average<br>exercise<br>price |
| Outstanding -beginning of year                                    | 12,400,000                  | \$ 0.02                                  | 14,350,000                  | \$                                       |
| Granted   | 340,000                     | 0.01                                     | -                           | -  |
| Exercised   | -                           | -  | -                           | -  |
| Forfeited   | (9,500,000)                 | (0.01)                                   | (1,950,000)                 | -  |
| Outstanding - end of year   | 3,240,000                   | \$ 0.01                                  | 12,400,000                  | \$                                       |
| Exercisable at the end of year                                    | 3,125,704                   | \$ 0.01                                  | 9,283,185                   | \$                                       |
| Weighted average fair value of<br>options granted during the year |                             | \$ 0.01                                  |                             | \$                                       |

The Black Scholes option valuation model was developed for use in estimating the fair value of traded options, which do not have vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

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7. STOCK OPTIONS AND WARRANTS (Continued)

The weighted average remaining contractual life of options outstanding issued under the plan as of June 30, 2010 was as follows:

| Exercise prices | Number of options outstanding | Weighted Average remaining contractual life (years) |
|-----------------|-------------------------------|---|
| \$ 0.070        | 100,000                       | 3.50  |
| \$ 0.080        | 50,000                        | 1.51  |
| \$ 0.010        | 2,990,000                     | 1.84  |
| \$ 0.008        | 100,000                       | 7.84  |
|                 | 3,240,000                     |   |

STOCK WARRANTS

During the years ended June 30, 2010 and 2009, the Company issued no warrants for services. A summary of the Company's warrant activity and related information follows:

|                                | Year End<br>June 30, 2010 |                                 | Year End<br>June 30, 2009 |                                 |
|--------------------------------|---------------------------|---------------------------------|---------------------------|---------------------------------|
|                                | Options                   | Weighted average exercise price | Options                   | Weighted average exercise price |
| Outstanding -beginning of year | 9,515,000                 | \$ 0.11                         | 9,515,000                 | \$ 0.11                         |
| Granted                        | -                         | -                               | -                         | -                               |
| Exercised                      | -                         | -                               | -                         | -                               |
| Forfeited                      | (15,000)                  | (0.20)                          | -                         | -                               |
| Outstanding - end of year      | 9,500,000                 | \$ 0.11                         | 9,515,000                 | \$ 0.11                         |

8. LINE OF CREDIT

On January 30, 2009, the Company renewed its \$100,000 revolving line of credit from Bank of America at an annual interest rate of prime plus 2 percentage points. This line of credit is secured by assets of the Company. The effective interest rate of the line of credit at June 30, 2010 was 9%. As of June 30, 2010 and 2009, the balance was \$0 and \$0, respectively.

9. CONCENTRATIONS

For the year ended June 30, 2010, the Company had two customers who represented approximately 35% of total revenue. For the year ended June 30, 2009, the Company had one customer who represented approximately 43% of total revenue.

At June 30, 2010 accounts receivable from four customers represented approximately 69% of total accounts receivable. At June 30, 2009 accounts receivable from two customers represented approximately 26% of total accounts receivable.



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The Company has a concentration of credit risk for cash by maintaining deposits with banks, which may at a time exceed insured amounts. At June 30, 2010 and 2009, the Company had bank balances exceeding the amount insured by the U.S. Federal Deposit Insurance Corporation (FDIC).

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### WARP 9, INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

#### 10. COMMITMENTS AND CONTINGENCIES

##### OPERATING LEASES

The Company moved to a new facility and signed a new operating lease for five years as of May 1, 2010. The monthly lease payments per month begin at \$7,614 and will increase annually a minimum of 2% per Consumer Price Index. The following is a schedule, by years, of future minimum rental payments required under the operating leases for the facility for the next five years. The lease of the facility expires in 2015.

| Years Ending<br>June 30, | Rent Payment |
|--------------------------|--------------|
| 2011                     | \$ 91,672    |
| 2012                     | \$ 93,505    |
| 2013                     | \$ 95,376    |
| 2014                     | \$ 97,283    |
| 2015                     | \$ 82,416    |

Total lease expense for the years ended June 30, 2010 and 2009 was \$252,885 and \$138,017, respectively. The Company is also required to pay its pro rata share of taxes, building maintenance costs, and insurance in according to the lease agreement.

##### RESTRICTED CASH

At June 30, 2009, the Company had restricted cash in the amount of \$93,000, which was used as collateral for a standby letter of credit in favor of the landlord as part of the Company's lease agreement for its previous office space at 50 Castilian Dr. Santa Barbara, CA 93117. This restricted cash was used by the landlord during the year ended June 30, 2010. The Company is disputing the fees charged by the landlord and has withheld the final rent payment of \$11,686 and has recorded a contingent liability of \$50,062 in accrued expenses for amounts being sought by the prior landlord.

##### LEGAL MATTERS

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 the time are considered to be material to the Company's business or financial condition.

#### 11. SUBSEQUENT EVENTS

Management has evaluated subsequent events according to ASC TOPIC 855 as of the date of the financial statements and has determined there are no subsequent events to be reported.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

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None.

ITEM 9A(T). CONTROLS AND PROCEDURES

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EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other 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 June 30, 2010 (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.

The term "internal control over financial reporting" is defined as a process designed by, or under the supervision of, the registrant's principal executive and principal financial officers, or persons performing similar functions, and effected by the registrant's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- o pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the registrant;
- o provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the registrant are being made only in accordance with authorizations of management and directors of the registrant; and
- o provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the registrant's assets that could have a material effect on the financial statements.

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### MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and 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.

Under the supervision and with the participation of the Company's Chairman, Chief Executive Officer, and Acting Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its control over financial reporting as of June 30, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in internal control-integrated framework. 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.

### AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

### 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 fiscal year that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### INHERENT LIMITATIONS ON EFFECTIVENESS OF CONTROLS

The Company's management does not expect that its disclosure controls or its internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance

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that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

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### ITEM 9B. OTHER INFORMATION

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None

### PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

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The following table lists the executive officers and directors of the Company as of June 30, 2010:

| NAME               | AGE | POSITION  |
|--------------------|-----|---|
| -----              | --- | -----   |
| William E. Beifuss | 66  | Interim Chief Executive Officer,<br>President and Chairman of the Board<br>of Directors |
| Louie Ucciferri    | 49  | Corporate Secretary, Acting Chief<br>Financial Officer                                  |
| John C. Beifuss    | 41  | Director  |

-----

William E. Beifuss, Jr., age 66, became an independent director of the Company on November 18, 2008 and became Chairman of the Board on December 11, 2008. On June 8, 2010 Mr. Beifuss accepted the position of interim President and Chief Executive Officer of the Company. Mr. Beifuss is a business executive and currently serves as Chief Executive Officer of Cumorah Capital, Inc., a private investment company. From April 1992 to January 2006, Mr. Beifuss was Chief Executive Officer of Coeur D'Alene French Baking Company. He served as a unit committee chairman of Boy Scouts of America. Mr. Beifuss is the father of John Charles Beifuss.

Louie Ucciferri, age 49, has been the Company's Corporate Secretary and Acting Chief Financial Officer since October 15, 2006 and served as a director of the Company from November 2003 to January 2009. He also served as Chairman of the Board from October 15, 2006 until December 11, 2008. He is also the Chief Executive Officer of Regent Capital Group, a FINRA registered broker dealer dedicated to real estate investments. From 1995 to 2004, Mr. Ucciferri served as the President of Westlake Financial Architects, a financial advisory firm he founded in 1995 to provide financial and investment advisory services to early stage companies. Since November 1998, he has also served as President of Camden Financial Services, a FINRA registered broker dealer. Mr. Ucciferri received Bachelors degrees in Economics and Sociology from Stanford University in 1983.

John C. Beifuss, age 41, became an independent director of the Company on November 18, 2008. Mr. Beifuss is a business executive and has served as Chief Executive Officer of Tri-County Auto Dismantlers since April 1992. Mr.

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Beifuss is the son of William E. Beifuss, Jr.

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Under the Nevada General Corporation Law and the Company's Articles of Incorporation, as amended, the Company's directors will have no personal liability to the Company or its stockholders for monetary damages incurred as the result of the breach or alleged breach by a director of his "duty of care". This provision does not apply to the directors' (i) acts or omissions that involve intentional misconduct or a knowing and culpable violation of law, (ii) acts or omissions that a director believes to be contrary to the best interests of the corporation or its shareholders or that involve the absence of good faith on the part of the director, (iii) approval of any transaction from which a director derives an improper personal benefit, (iv) acts or omissions that show a reckless disregard for the director's duty to the corporation or its shareholders in circumstances in which the director was aware, or should have been aware, in the ordinary course of performing a director's duties, of a risk of serious injury to the corporation or its shareholders, (v) acts or omissions that constituted an unexcused pattern of inattention that amounts to an abdication of the director's duty to the corporation or its shareholders, or (vi) approval of an unlawful dividend, distribution, stock repurchase or redemption. This provision would generally absolve directors of personal liability for negligence in the performance of duties, including gross negligence.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the Company pursuant to the foregoing provisions, the Company has been informed that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

### BOARD COMMITTEES

The Board of Directors has not had an Audit Committee since February 2006 when Tom Djokovich, the sole member of the Audit Committee, resigned from the Company's Board of Directors for personal reasons. Since then, the Company has not reappointed an Audit Committee.

### AUDITOR INDEPENDENCE

HJ Associates & Consultants, LLP ("HJ") has been the Company's principal auditing accountant firm since August 2006. HJ provided other non-audit services to the Company. The Company's Board of Directors has considered whether the provisions of non-audit services are compatible with maintaining HJ independence.

### REPORT OF THE AUDIT COMMITTEE

In February 2006, the sole member of the Company's Audit Committee resigned from the Board of Directors for personal reasons. The Company has not reformed the Audit Committee since that time. Accordingly the Company has not received any reports from an Audit Committee during the fiscal year ended June 30, 2010. The Company's full Board of Directors is presently performing the functions of an Audit Committee until a new Audit Committee is formed in the future.

### CODE OF CONDUCT

The Company has adopted a Code of Conduct that applies to all of its directors, officers and employees. Any waiver of the provisions of the Code of Conduct for executive officers and directors may be made only by the Audit

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Committee when formed or the full Board of Directors and, in the case of a waiver for members of the Audit Committee, by the Board of Directors. Any such waivers will be promptly disclosed to the Company's shareholders.

### COMPLIANCE WITH SECTION 16(A) OF EXCHANGE ACT

Section 16(a) of the Exchange Act requires the Company's officers and directors, and certain persons who own more than 10% of a registered class of the Company's equity securities (collectively, "Reporting Persons"), to file reports of ownership and changes in ownership ("Section 16 Reports") with the Securities and Exchange Commission (the "SEC"). Reporting Persons are required by the SEC to furnish the Company with copies of all Section 16 Reports they file.

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Based solely on its review of the copies of such Section 16 Reports received by it, or written representations received from certain Reporting Persons, all Section 16(a) filing requirements applicable to the Company's Reporting Persons during and with respect to the fiscal year ended June 30, 2010 have been complied with on a timely basis, except for Form 3 that were due to be filed by William E. Beifuss and John C. Beifuss when they joined the Board of Directors on November 18, 2008, and which are expected to be filed in the near future

### ITEM 11. EXECUTIVE COMPENSATION

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#### EXECUTIVE OFFICER COMPENSATION

The following summary compensation table sets forth certain information concerning compensation paid to the Company's Chief Executive Officer and its most highly paid executive officers (the "Named Executive Officers") whose total annual salary and bonus for services rendered in all capacities for the year ended June 30, 2010 was \$100,000 or more.

SUMMARY COMPENSATION TABLE

| NAME AND PRINCIPAL POSITION   | FISCAL YEAR | SALARY    | BONUS    | OPTION AWARDS | ALL OTHER COMPENSATION |
|---|-------------|-----------|----------|---------------|------------------------|
| William E. Beifuss (1)<br>Chief Executive Officer,<br>President, and Chairman of the<br>Board | 2010        | \$ 1      | -0-      | -0-           | -0-                    |
| Harinder Dhillon (2)<br>Resigned Chief Executive<br>Officer, President, and<br>director       | 2010        | \$196,283 | \$22,476 | -0-           | -0-                    |
|   | 2009        | \$200,000 | \$92,943 | -0-           | -0-                    |
|   | 2008        | \$200,000 | \$76,969 | -0-           | -0-                    |
| Louie Ucciferri (3)<br>Acting Chief Financial<br>Officer, Corporate Secretary                 | 2010        | \$ 30,000 | -0-      | -0-           | -0-                    |
|   | 2009        | \$ 30,000 | -0-      | -0-           | -0-                    |
|   | 2008        | \$ 30,000 | -0-      | -0-           | -0-                    |

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- (1) Mr. Beifuss receives \$1 per year in consideration for his services as an executive officer of the Company. Mr. Beifuss did not receive any compensation in 2010 for his services as the Chairman of the Board of Directors of the Company.
- (2) Mr. Dhillon resigned as a company officer and director on and effective June 8, 2010. The figures on the table represent his compensation until June 8, 2010.
- (3) Mr. Ucciferri receives \$2,500 per month in consideration for his services as an executive officer of the Company.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table sets forth information with respect to unexercised stock options, stock that has not vested, and equity incentive plan awards held by the Company's executive officers at June 30, 2010.

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OPTION AWARDS

| NAME  | NUMBER OF SECURITIES<br>UNDERLYING UNEXERCISED<br>OPTIONS EXERCISABLE | NUMBER OF SECURITIES<br>UNDERLYING UNEXERCISED<br>UNEARNED OPTIONS | OPTION EXERCISE<br>PRICE |
|---|---|--|--------------------------|
| Louie Ucciferri<br>Acting Chief Financial<br>Officer and Corporate<br>Secretary | 2,500,000 (1)   | - 0 -  | \$0.01                   |

- (1) On October 16, 2006, Mr. Ucciferri received stock options to purchase 2,500,000 shares of common stock, at an exercise price of \$0.01 per share, in consideration for his services to the Company. These stock options vested in equal monthly installments over a twelve month period and are fully vested.

OPTION EXERCISES AND STOCK VESTED

None of the Company's executive officers exercised any stock options or acquired stock through vesting of an equity award during the fiscal year ended June 30, 2010.

DIRECTOR COMPENSATION

The Company's independent directors did not receive any compensation for their services rendered to the Company during the fiscal year ended June 30, 2010. The compensation paid to the Company's non-independent directors is reflected in the above table entitled Summary Compensation Table.

EMPLOYMENT AGREEMENTS

The Company has not entered into any employment agreements with its executive officers to date. The Company may enter into employment agreements with them in the future.

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### STOCK OPTION PLAN

On July 10, 2003, the Board of Directors of the Company adopted the 2003 Stock Option Plan for Directors, Executive Officers, Employees and Key Consultants of the Company (the "2003 Plan"). The 2003 Plan was ratified by the shareholders of the Company by written consent effective August 25, 2003. The 2003 Plan authorizes the issuance of up to 25,000,000 shares of the Company's common stock pursuant to the grant and exercise of up to 25,000,000 stock options. To date, 3,240,000 options to purchase 3,240,000 shares of common stock at a volume weighted average price of \$0.01 per share granted under the 2003 Plan are outstanding. To date, 2,775,000 options have been exercised.

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### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth the names of our executive officers and directors and all persons known by us to beneficially own 5% or more of the issued and outstanding common stock of Warp 9 at September 23, 2010. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. In computing the number of shares beneficially owned by a person and the percentage of ownership of that person, shares of common stock subject to options held by that person that are currently exercisable or become exercisable within 60 days of September 23, 2010 are deemed outstanding even if they have not actually been exercised. Those shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person. The percentage ownership of each beneficial owner is based on 340,579,815 outstanding shares of common stock. Except as otherwise listed below, the address of each person is c/o Warp 9, Inc., 6500 Hollister Avenue, Suite 120, Santa Barbara, California 93117. Except as indicated, each person listed below has sole voting and investment power with respect to the shares set forth opposite such person's name.

| NAME, TITLE<br>AND ADDRESS  | NUMBER OF SHARES<br>BENEFICIALLY OWNED (1) | PERCENTAGE<br>OWNERSHIP |
|---|--|-------------------------|
| William E. Beifuss<br>Interim Chief Executive Officer,<br>President of Warp 9 Inc.<br>Chairman of the Board | 17,024,314                                 | 4.99%                   |
| Louie Ucciferri (2)<br>Acting Chief Financial Officer, Corporate<br>Secretary                               | 5,500,000                                  | *                       |
| All current Executive Officers as a Group   | 22,524,314                                 | 6.56%                   |
| William E. Beifuss<br>Chairman of the Board   | 17,024,314                                 | 4.99%                   |
| John C. Beifuss<br>Director   | 5,000,000                                  | 1.47%                   |
| All current Directors who are not<br>Executive Officers as a Group  | 22,024,314                                 | 6.46%                   |
| Jonathan Lei<br>7127 Hollister Avenue, #25A   |  |                         |



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Santa Barbara, California 93117 86,969,525 25.54%

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\*Indicates beneficial ownership of less than 1%.

- (1) Except as pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned. The total number of issued and outstanding shares and the total number of shares owned by each person does not include unexercised warrants and stock options, and is calculated as of September 23, 2010.
- (2) Includes 2,500,000 shares which may be purchased pursuant to stock options that are exercisable within 60 days of September 23, 2010.

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### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

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None.

### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

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HJ Associates & Consultants, LLP ("HJ") has been the Company's principal auditing accountant firm since August 2006. HJ provided other non-audit services to the Company. The Company's Board of Directors has considered whether the provisions of non-audit services are compatible with maintaining HJ independence.

#### AUDIT FEES

An aggregate of \$49,500 was billed by our auditors for the following professional services: audit of the annual financial statement of the Company for the fiscal year ended June 30, 2010, and review of the interim financial statements included in quarterly reports on Form 10-Q for the periods ended September 30, 2009, December 31, 2009, and March 31, 2010.

An aggregate of \$43,500 was billed by our auditors for the following professional services: audit of the annual financial statement of the Company for the fiscal year ended June 30, 2009, and review of the interim financial statements included in quarterly reports on Form 10-QSB for the periods ended September 30, 2008, December 31, 2008, and March 31, 2009.

#### TAX FEES

Our auditors billed the Company \$1,300 for tax preparation services during the fiscal year ended June 30, 2010.

Our auditors billed the Company \$2,583 for tax preparation services during the fiscal year ended June 30, 2009.

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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(a) Exhibits

| EXHIBIT | 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)  |
| 4.3     | Convertible Debenture dated December 28, 2005 (3)   |
| 4.4     | Form of \$0.08 Warrant (3)  |
| 4.5     | Form of \$0.10 Warrant (3)  |
| 4.6     | Form of \$0.12 Warrant (3)  |
| 5.1     | Opinion of Sichenzia Ross Friedman Ference LLP (3)  |
| 10.1    | First Agreement and Plan of Reorganization between Latinocare Management, Inc., a Nevada corporation, and Warp 9, Inc., a Delaware corporation (4)  |
| 10.2    | Second Agreement and Plan of Reorganization between Latinocare Management, Inc., a Nevada corporation, and Warp 9, Inc., a Delaware corporation (5) |
| 10.3    | Exchange Agreement and Representations for shareholders of Warp 9, Inc. (6)   |
| 10.4    | Securities Purchase Agreement dated as of March 28, 2005 between Roami Inc. and Wings Fund, Inc. (6)  |
| 10.5    | Periodic Equity Investment Agreement dated as of March 28, 2005 between Messenger, Inc. and Wings Fund, Inc. (6)                                    |
| 10.6    | Registration Rights Agreement dated as of March 28, 2005 between Roami Inc. and Wings Fund, Inc. (6)  |
| 10.7    | Securities Purchase Agreement dated December 28, 2005 between the Company and Capital Partners LLP (3)  |
| 10.8    | Investor Registration Rights Agreement dated December 28, 2005 (3)  |
| 10.9    | Insider Pledge and Escrow Agreement dated December 28, 2005 by and among Cornell and David Gonzalez as escrow agent (3)                             |
| 10.10   | Security Agreement dated December 28, 2005 by and between the Company and Cornell Capital Partners LLP (3)  |
| 10.11   | Escrow Agreement Dated December 28, 2005 by and among the Company, Cornell Capital Partners LLP, and David Gonzalez, as Escrow Agent (3)            |
| 10.12   | Irrevocable Transfer Agent Instructions (3)   |
| 10.13   | Exclusive Technology License Agreement, dated September 18, 2006 (8)  |
| 10.14   | Subscription Agreement with Zingerang Inc., dated September 18, 2006 (8)  |
| 10.15   | Termination of License Agreement with Carbon Sciences, Inc., dated April 18, 2006 (8)   |
| 10.16   | Completion of Securities Purchase Agreement dated December 28, 2005 between the Company and Cornell Capital Partners LLP (10)                       |
| 21.1    | List of Subsidiaries (7)  |
| 31.1    | Section 302 Certification of Principal Executive Officer  |
| 31.2    | Section 302 Certification of Principal Financial/Accounting Officer   |
| 32.1    | Section 906 Certification of Principal Executive Officer  |
| 32.2    | Section 906 Certification of Principal Financial/Accounting Officer   |

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- (1) Incorporated by reference from the exhibits included with the Company's prior 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 in the Company's Current Report on Form 10-Q filed with the Securities and Exchange Commission on December 29, 2005.
- (4) Incorporated by reference from the exhibits included with the Company's prior 14F1 filed with the Securities and Exchange Commission, dated April 8, 2003.

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- (5) Incorporated by reference from the exhibits included with the Company's prior filed with the Securities and Exchange Commission, dated May 30, 2003.
- (6) Incorporated by reference to exhibits filed with the Company's Current Report with the Securities and Exchange Commission dated March 30, 2005.
- (7) Incorporated by reference to the exhibits filed with the Company's prior Ann 10-KSB/A filed with the Securities and Exchange Commission, dated October 12, 2005.
- (8) Incorporated by reference to exhibits filed with the Company's Current Report with the Securities and Exchange Commission, dated September 22, 2005.
- (9) Incorporated by reference to exhibits filed with the Company's Current Report with the Securities and Exchange Commission, dated May 8, 2007.
- (10) Incorporated by reference to exhibits filed with the Company's Current Report with the Securities and Exchange Commission, dated June 10, 2008.

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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: October 1, 2010 WARP 9, INC.

By: \s\ William E. Beifuss

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William E. Beifuss,  
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\ William E. Beifuss

Dated: October 1, 2010

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William E. Beifuss, Chairman

BY: \s\ Louie Ucciferri

Dated: October 1, 2010

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

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BY: \s\ John C. Beifuss

Dated: October 1, 2010

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John C. Beifuss, Director

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