

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

WARP 9, INC.
Form 10KSB
October 04, 2007

FORM 10-KSB
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, 2007

COMMISSION FILE NUMBER 0-13215

WARP 9, INC.

(Exact name of registrant as specified in its charter)

NEVADA

(State of Incorporation)

30-0050402

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

50 Castilian Dr. Suite 101, Santa Barbara, California 93117

(Address of principal executive offices) (Zip Code)

(805) 964-3313

Registrant's telephone number, including area code

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 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 [X] 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 statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

The aggregate market value of voting stock held by non-affiliates of the registrant was approximately \$1,510,681 as of September 25, 2007 (computed by reference to the last sale price of a share of the registrant's Common Stock on that date as reported by NASDAQ).

There were 245,282,938 shares outstanding of the registrant's Common Stock as of September 25, 2007.

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

TABLE OF CONTENTS

| | |
|---------------------|----|
| 10KSB | |
| PART I..... | 1 |
| ITEM 1..... | 1 |
| ITEM 2..... | 7 |
| ITEM 3..... | 7 |
| ITEM 4..... | 7 |
| PART II..... | 8 |
| ITEM 5..... | 8 |
| ITEM 6..... | 9 |
| ITEM 7..... | 14 |
| ITEM 8..... | 33 |
| ITEM 8A..... | 33 |
| PART III..... | 34 |
| ITEM 9..... | 34 |
| ITEM 10..... | 36 |
| ITEM 11..... | 39 |
| ITEM 12..... | 39 |
| ITEM 13..... | 39 |
| ITEM 14..... | 41 |
| SIGNATURES..... | 42 |
| CERTIFICATIONS..... | 43 |

PART I

ITEM 1. BUSINESS

COMPANY HISTORY

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 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 provider.

GENERAL

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

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

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

We charge our customers a monthly fee for using our e-commerce software based on a Software-as-a-Service model. Unlike traditional software companies that sell software on a perpetual license where quarterly and annual revenues

-1-

are quite difficult to predict, our SaaS model spreads the collection of contracts over several quarters or years and makes our revenues more predictable for a longer period of time.

In September 2006, we ceased our Roaming Messenger business and reduced our staff significantly in order to focus on our Warp 9 business. At that time we temporarily licensed our Roaming Messenger technology and related business to another company, but the license agreement was subsequently terminated and all of the technology and related business was assigned back to us. Accordingly, we currently own the Roaming Messenger technology and related business but have not yet made a decision regarding whether or when we will restart that business, seek a joint venture partner for it, or license it to a third party. As a result of the termination of the prior license agreement, our ownership of the Roaming Messenger technology and business was restored, and we retained 5,000,000 shares of the licensee's common stock. The prior licensee is Carbon Sciences, Inc.

We have generated only minimal revenues from the licensing of Roaming Messenger technology, and earned minimal revenues from that technology when we operated the business before the exclusive license. To date, almost all of our revenues are generated from Warp 9 e-commerce products and services.

INDUSTRY OVERVIEW

GROWTH OF THE INTERNET AND E-COMMERCE

Online retailing and e-commerce sales continue to grow. The U.S. Commerce Department reported that e-commerce sales in the fourth quarter of 2006 rose 24.6% compared to the fourth quarter of 2005, continuing a series of strong quarterly growth reports. According to the 2007 State of Retailing Online report from Forrester Research, online sales will rise 18 percent to \$259.1 billion this year alone, representing an increase of 159% from just 4 years ago. According to the report, Americans last year spent more online on apparel, accessories, and footwear than they did on computers for the first time ever. This year 10 percent of all clothing sales are expected to occur online.

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

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

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 two proprietary software systems to our customers - e-commerce and e-mail marketing. It is our product development goal to create other complementary systems to deliver a fully integrated platform for a successful e-commerce operation.

-2-

WARP 9 INTERNET COMMERCE SYSTEM (WARP 9 ICS)

The Warp 9 ICS 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 catalog 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 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.

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. Most ICS customers also purchase EMS to complement their online commerce strategy.

PROFESSIONAL SERVICES

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

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 catalogs 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 close ratios and average order size.

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

-3-

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, and other actions taken by our clients.

REVENUE MODEL

We charge our customers a monthly fee, based on term contracts, to use the Warp 9 ICS and Warp 9 EMS products under a Software-as-a-Service ("SaaS") model. Unlike traditional software companies that sell software on a perpetual

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

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 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 which help drive our continual growth.

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 ongoing investment in the latest technologies and e-commerce functionality helps ensure that our clients maintain pace with industry advances.

REVENUE GROWTH

Through our team of 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.

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, most 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.

-4-

FOCUS ON CORE COMPETENCY

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

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

operation.

SALES AND MARKETING

Our objective is to be the leading provider of outsourced e-commerce solutions for online catalog and retail operations. 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, establishing our position as a leader in the online catalog space. Our sales team calls on senior marketing and IT executives within a retailer or catalog company who are looking to create or expand their e-commerce operation. During the client sales process, our sales staff delivers demonstrations, presentations, collateral material, return-on-investment analyses, proposals and contracts.

A great deal of our new customers comes from word-of-mouth referrals to due to the fact that Warp 9 has been in the industry for a number of years with strong references and proven track record. Prospective clients quite often look for us at tradeshow to learn more about Warp 9 based on the recommendations of our existing customers. Word-of-mouth referrals have been very valuable to us and we intend to continue nurturing our customer and industry relationship to maximize these referrals.

While our success to date has been from direct sales efforts, we intend to explore a channel partner strategy to expand our customer base quickly in the fiscal quarters to come. Prospective channel partners include consultants and designers in the catalog industry, as well as backend order fulfillment systems providers. 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 GSI Commerce, Inc., Macrovision Corporation, asknet Inc. and eSellerate, Inc.;
- o Companies that provide technologies, services or products that support a portion of the e-commerce process, such as payment processing, including CyberSource Corporation and PayPal Corp.;
- o High-traffic branded websites that generate a substantial portion of

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

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

-5-

- 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 patent and patent applications, 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 SYSTEM FOR TRANSMITTING A MOBILE AGENT FOR INSTRUCTION EXECUTION

This invention relates to transmitting a mobile agent for executing programmable instructions and, more particularly, to transmitting a virtual machine in a mobile agent to assist instruction execution. This patent application discloses the actual system implementation of the Roaming Messenger platform using a mobile agent approach. The application for this patent was filed on December 7, 2004.

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.

UTILIZING MOBILE DEVICES AS A COMMUNICATION PROXY FOR NON-CONNECTED TERMINALS

This invention is a method and system in which terminals, appliances and machines without dedicated Internet connections can complete Internet based transactions by piggy-backing on the connection of the user's handheld device. An example of an application of this invention is a vending machine that can

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

conduct electronic wireless payments without having an internal wireless device that communicates with a server on the Internet. Existing solutions require the vending machine to be equipped with an internal cell phone. Using this invention, the vending machine can communicate with the consumer's handheld device via Infrared or Bluetooth and simply uses the handheld device as the conduit to the Internet for remote payment processing. This invention also covers many other applications including secured doorways, factory floors and smart data acquisition sensors. The application for this patent was filed on February 21, 2002.

GOVERNMENT REGULATION

We are subject to various federal, state, and local laws affecting medical 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

-6-

to government laws and regulations governing health, safety, working conditions, employee relations, wrongful termination, wages, taxes and other matters applicable to businesses in general.

EMPLOYEES

As of June 30, 2007, we had thirteen full time employees, four of whom are employed in administrative, marketing, and sales positions, and nine 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), eCapsule(R), and Warp 9(R).

ITEM 2. PROPERTIES

The Company currently leases approximately 8,605 square feet of office space at 50 Castilian Dr., Suite 101, Santa Barbara, California 93117 for approximately \$10,628 per month, pursuant to a six year lease agreement with rent commencing on October 1, 2004.

The Company has vacated its old office space of approximately 3,650 square feet located at 6144 Calle Real, Suite 200 Santa Barbara, California

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

93117 which it had subleased for the remainder of the lease until March 2007.

ITEM 3. LEGAL PROCEEDINGS

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

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

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

-7-

PART II

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

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

| Year Ended June 30, 2007 | HIGH | LOW |
|--|--------|--------|
| | ---- | --- |
| First Quarter ended September 30, 2006 | \$0.02 | \$0.01 |
| Second Quarter ended December 31, 2006 | \$0.03 | \$0.01 |
| Third Quarter ended March 31, 2007 | \$0.03 | \$0.01 |
| Fourth Quarter ended June 30, 2007 | \$0.03 | \$0.02 |
| | | |
| Year Ended June 30, 2006 | HIGH | LOW |
| | ---- | --- |
| First Quarter ended September 30, 2005 | \$0.19 | \$0.09 |
| Second Quarter ended December 31, 2005 | \$0.15 | \$0.07 |
| Third Quarter ended March 31, 2006 | \$0.09 | \$0.05 |
| Fourth Quarter ended June 30, 2006 | \$0.06 | \$0.02 |
| | | |
| Year Ended June 30, 2005 | HIGH | LOW |
| | ---- | --- |
| First Quarter ended September 30, 2004 | \$0.68 | \$0.04 |
| Second Quarter ended December 31, 2004 | \$0.75 | \$0.25 |
| Third Quarter ended March 31, 2005 | \$0.31 | \$0.19 |
| Fourth Quarter ended June 30, 2005 | \$0.26 | \$0.11 |

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

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

The common stock of Warp 9, Inc. has a par value of \$0.001, and 495,000,000 shares are authorized to be issued. The Company is also authorized to issue 5,000,000 shares of preferred stock with a par value of \$0.001. The rights, preferences and privileges of the holders of the preferred stock will be determined by the Board of Directors prior to issuance of such shares.

As of June 30, 2007, there were approximately 319 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 2007, there were approximately 227,910,128 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, 2007:

-8-

| | NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING STOCK OPTIONS | WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING STOCK OPTIONS | NUMBE REMAIN FUTURE IS COMP |
|--|--|--|--------------------------------------|
| | ----- | ----- | ----- |
| Equity compensation plans approved by security holders | 3,299,198 | \$0.02 | |

During the quarter ended September 30, 2006, the Company issued 10,696,641 shares of common stock ranging from \$0.0088 per share to \$0.0092 per share to Cornell Capital Partners, LLP for the conversion of \$95,000 of principal balance of the \$1,200,000 debenture issued to Cornell in December 2005. The shares were issued in a transaction exempt under Regulation D.

During the quarter ended December 31, 2006, the Company issued 16,286,745 shares of common stock ranging from \$0.0046 per share to \$0.0078 per share to Cornell Capital Partners, LLP for the conversion of \$90,000 of principal balance of the \$1,200,000 debenture issued to Cornell in December 2005. The shares were issued in a transaction exempt under Regulation D.

During the quarter ended March 31, 2007, the Company issued 11,123,596 shares of common stock ranging from \$0.005 per share to \$0.0089 per share to Cornell Capital Partners, LLP for the conversion of \$60,000 of principal balance of the \$1,200,000 debenture issued to Cornell in December 2005. The shares were issued in a transaction exempt under Regulation D.

During the quarter ended June 30, 2007, the Company did not issue any shares of common stock to Cornell Capital Partners, LLP towards the repayment of the outstanding principal balance of the debenture issued to Cornell in December 2005.

During the period from July 1, 2007 until September 27, 2007, the

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

Company issued 17,372,810 shares of common stock to Cornell Capital Partners, LLP, reducing the principal balance of its debenture by \$190,000 to \$705,000.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

CAUTIONARY STATEMENTS

This Form 10-KSB contains financial projections and other "forward-looking statements," as that term is used in federal securities laws, about Warp 9 Inc.'s financial condition, results of operations and business. These statements include, among others: statements concerning the potential for revenues and expenses and other matters that are not historical facts. These statements may be made expressly in this Form 10-KSB. 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-KSB. 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:

- (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;

-9-

- (d) inadequate capital and barriers to raising the additional capital or to obtaining the financing needed to implement its business plans;
- (e) inadequate capital to continue business;
- (f) changes in demand for the Company's products and services;
- (g) rapid and significant changes in markets;
- (h) litigation with or legal claims and allegations by outside parties;
- (i) insufficient revenues to cover operating costs.

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-KSB. 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-KSB or to reflect the occurrence of unanticipated events.

The following discussion should be read in conjunction with our

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

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.

CURRENT OVERVIEW

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

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

We charge our customers a monthly fee for using our e-commerce software based on a Software-as-a-Service model. Unlike traditional software companies that sell software on a perpetual license where quarterly and annual revenues are quite difficult to predict, our SaaS model spreads the collection of contracts over several quarters or years and makes our revenues more predictable for a longer period of time.

While the Warp 9 Internet Commerce System (ICS) is our flagship and highest revenue product, we have been developing and deploying new products based on a proprietary virtual publishing technology that we have developed. These new products will 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 will have built-in integration for e-commerce transactions through our ICS product and other transaction based activities. For catalogs, this means that when shoppers click on a product, they are taken to the e-commerce product page where they can add that product to their shopping cart for purchase. In the case of magazines, when shoppers click on an advertisement, they are taken either to a page on the magazine publisher's site or directly to an advertiser's site where a transaction can take place - while retaining a path back to the magazine. Generally, publishers utilizing this technology are able to extend the life of a print property, broaden distribution of the published material,

-10-

increase the number of customer touch-points, and create greater engagement with their customers. Catalogers utilizing this technology have discovered that when exposing consumers to the virtual catalogs the results are a higher average order size and a significant increase rate of conversion. Management believes that as a result of the VCS and VMS service, magazine publishers are able to add distinct and measurable value to advertisers and create additional revenue opportunities. We have been selling this solution on a limited basis as a professional service while we refine the product and technology. We believe there are many markets for our virtual catalog and magazine technology and we intend to test market these new products in greater distribution in the near future.

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

The results of operation for the fiscal year ending June 30, 2007 reflect three complete quarters of the Company focusing exclusively on the Warp 9 e-commerce products and services, and one quarter of mixed financials results (i.e. the fiscal quarter ending September 30, 2006 reflects both the Warp 9 and Roaming Messenger operations).

Over half of the Company's revenues are from the ICS product which continues to be a growing product. During the fiscal year ending June 30, 2007, the ICS product accounted for 43% of gross revenue. The monthly subscription 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. EMS is a smaller revenue-generating product and usually sold to customers already subscribing to the ICS product. During the fiscal year ending June 30, 2007, the EMS product accounted for 4% of gross revenue. VCS and VMS are newer products and are currently only being sold on a limited basis while they are further developed. During the fiscal year ending June 30, 2007, VMS and VCS sales accounted for 3% of gross revenue. During the fiscal year ending June 30, 2007, the professional services accounted for 28% of gross revenue and other products and services accounted for 22% 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 of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management re-evaluates its estimates and judgments, particularly those related to the determination of the estimated recoverable amounts of trade accounts receivable, impairment of long-lived assets, revenue recognition and deferred tax assets. We believe the following critical accounting policies require more significant judgment and estimates used in the preparation of the financial statements.

We maintain an allowance for doubtful accounts for estimated losses 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.

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

-11-

RESULTS OF OPERATIONS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

REVENUE

Total revenue for the twelve month period ended June 30, 2007 increased by \$979,324 to \$2,737,009 from \$1,757,685 in the prior year an increase of 54%. Revenue was derived principally from our Warp 9 Inc. subsidiary. The increase in revenue was the result of an increase in new Warp 9 SaaS clients, related professional services and reselling of third party online marketing services.

COST OF REVENUE

The cost of revenue for the twelve month period ended June 30, 2007, increase by \$78,296 to \$519,485 as compared to \$441,189 for the twelve month period ended June 30, 2006.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses decreased by (\$918,838) during the twelve months ended June 30, 2007 to \$2,007,051 as compared to \$2,925,889 for the twelve month period ended June 30, 2006. The decreases in SG&A expenses were primarily due to the discontinued Roaming Messenger operations.

RESEARCH AND DEVELOPMENT

Research and development expenses decreased by (\$315,624) during the twelve months ended June 30, 2007 to \$111,412 as compared to \$427,036 for the twelve months ended June 30, 2006. The decrease in R&D was due primarily to the discontinued Roaming Messenger operations.

NET LOSS

For the twelve months ended June 30, 2007, our consolidated net loss was (\$13,533) as compared to a consolidated net loss of (\$2,164,352) for the twelve months ended June 30, 2006. This decrease in Net Loss was a result of reduction of expenses associated with the Roaming Messenger operations and an increase in sales of the Warp 9 product line.

LIQUIDITY AND CAPITAL RESOURCES

We had cash at June 30, 2006 of \$431,841 as compared to cash of \$387,180 as of June 30, 2006. We had a net working deficit (i.e. the difference between current assets and current liabilities) of \$(80,342) at June 30, 2007 as compared to a net working deficit of (\$249,369) at June 30, 2006.

Cash flow provided by operating activities was \$103,228 for the year ended June 30, 2007 as compared to cash flow used by operating activities was (\$1,038,374) for the year ended June 30, 2006.

Cash flow used in investing activities was \$(4,952) for the year ended June 30, 2007 as compared to (\$61,143) during the year ended June 30, 2006.

Cash flow used by financing activities was \$(53,615) for the year ended June 30, 2007 as compared to cash provided by financing activities of \$1,249,168

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

during the year ended June 30, 2006.

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

While we expect our capital needs in the foreseeable future to be met by cash-on-hand and positive cash flow, there is no assurance that the Company will have sufficient capital to finance its growth and business operations, or that such capital will be available on terms that are favorable to the Company or at all.

-12-

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

OFF-BALANCE SHEET ARRANGEMENTS

None.

-13-

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

ITEM 7. FINANCIAL STATEMENTS OF ROAMING MESSENGER, INC.

ROAMING MESSENGER, INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

CONTENTS

| | PAGE |
|---|-------|
| Report of Independent Registered Public Accounting Firm | 15 |
| Consolidated Balance Sheets..... | 16 |
| Consolidated Statements of Operations..... | 17 |
| Consolidated Statements of Shareholders' Deficit..... | 18 |
| Consolidated Statements of Cash Flows | 19 |
| Notes to Consolidated Financial Statements | 20-32 |

-14-

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the consolidated balance sheet of Warp 9, Inc. and subsidiary as of June 30, 2007, and the related consolidated statements of operations, stockholders' deficit and cash flows for the years ended June 30, 2007 and 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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 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 subsidiary as of June 30, 2007, and the results of their operations and their cash flows for the years ended June 30, 2007 and 2006, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations and recurring negative cash flows from operations. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ HJ Associates & Consultants, LLP

HJ Associates & Consultants, LLP
Salt Lake City, Utah
September 27, 2007

-15-

WARP9, INC. AND SUBSIDIARY CONSOLIDATED BALANCE SHEET JUNE 30, 2007

| ASSETS | |
|----------------------------------|------------|
| CURRENT ASSETS | |
| Cash | \$ 431,841 |
| Accounts Receivable, net | 226,230 |
| Prepaid and Other Current Assets | 8,080 |
| | ----- |
| TOTAL CURRENT ASSETS | 666,151 |
| | ----- |
| PROPERTY & EQUIPMENT, at cost | |
| Furniture, Fixtures & Equipment | 89,485 |
| Computer Equipment | 501,248 |
| Commerce Server | 50,000 |
| Computer Software | 9,476 |
| | ----- |
| | 650,209 |
| Less accumulated depreciation | (490,211) |

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

| | |
|---|--------------|
| NET PROPERTY AND EQUIPMENT | 159,998 |
| <hr/> | |
| OTHER ASSETS | |
| Lease Deposit | 9,749 |
| Restricted Cash | 93,000 |
| Internet Domain, net | 1,233 |
| Investment-Carbon Science | 1,250 |
| Loan Costs | 75,151 |
| <hr/> | |
| TOTAL OTHER ASSETS | 180,383 |
| <hr/> | |
| TOTAL ASSETS | \$ 1,006,532 |
| <hr/> | |
| LIABILITIES AND SHAREHOLDERS' DEFICIT | |
| CURRENT LIABILITIES | |
| Accounts Payable | \$ 38,363 |
| Credit Cards Payable | 11,585 |
| Accrued Expenses | 221,275 |
| Bank Line of Credit | 42,916 |
| Note Payable | 13,000 |
| Customer Deposit | 39,324 |
| Derivative Liability-Debenture | 348,295 |
| Capitalized Leases, Current Portion | 31,735 |
| <hr/> | |
| TOTAL CURRENT LIABILITIES | 746,493 |
| <hr/> | |
| LONG TERM LIABILITIES | |
| Note payable, Other | 200,481 |
| Note payable, C.Smith | 154,429 |
| Convertible Debenture | 895,000 |
| Beneficial Conversion Feature | (151,412) |
| Capitalized Leases | 31,320 |
| <hr/> | |
| TOTAL LONG TERM LIABILITIES | 1,129,818 |
| <hr/> | |
| TOTAL LIABILITIES | 1,876,311 |
| <hr/> | |
| SHAREHOLDERS' DEFICIT | |
| Common Stock, \$0.001 Par Value; 495,000,000 Authorized Shares; 227,910,128 Shares Issued and Outstanding | 227,910 |
| Additional Paid In Capital | 6,251,506 |
| Accumulated Deficit | (7,349,195) |
| <hr/> | |
| TOTAL SHAREHOLDERS' DEFICIT | (869,779) |
| <hr/> | |
| TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT | \$ 1,006,532 |
| <hr/> | |

The accompanying notes are an integral part of these financial statements

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

WARP9, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

| | Years Ended | |
|---|---------------|----------|
| | June 30, 2007 | June 30, |
| REVENUE | \$ 2,737,009 | \$ 1,75 |
| COST OF SERVICES | 519,485 | 44 |
| GROSS PROFIT | 2,217,524 | 1,31 |
| OPERATING EXPENSES | | |
| Selling, general and administrative expenses | 1,924,172 | 2,33 |
| Research and development | 111,412 | 42 |
| Depreciation and amortization | 194,046 | 9 |
| TOTAL OPERATING EXPENSES | 2,229,630 | 2,85 |
| LOSS FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES) | (12,106) | (1,53) |
| OTHER INCOME/(EXPENSE) | | |
| Gain on Settlement | - | 2 |
| Interest Income | 9,064 | 6 |
| Other Income | 79,133 | |
| Gain/(Loss) on derivative liability valuation | 141,096 | (59) |
| Interest Expense | (230,720) | (12) |
| TOTAL OTHER INCOME (EXPENSE) | (1,427) | (62) |
| LOSS FROM OPERATIONS BEFORE PROVISION FOR TAXES | (13,533) | (2,16) |
| PROVISION FOR INCOME TAXES | - | |
| NET INCOME/(LOSS) | (13,533) | (2,16) |
| BASIC AND DILUTED LOSS PER SHARE | \$ (0.00) | \$ |
| WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING | | |
| BASIC AND DILUTED | 210,045,258 | 184,84 |

The accompanying notes are an integral part of these financial statements

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

WARP9, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT

| | Shares | Common Stock | Additional Paid-in Capital |
|---|-------------|-----------------|----------------------------------|
| | ----- | ----- | ----- |
| Balance, June 30, 2005 | 180,807,091 | 180,807.06 | 4,950,06 |
| Issuance of common stock, note 6 Convertible debenture | 3,271,881 | 3,272 | 56,72 |
| Issuance of common stock, note 6 Stock issued for cash | 4,579,174 | 4,579 | 282,56 |
| Issuance of common stock, note 6 Stock issued for services | 1,145,000 | 1,145 | 135,20 |
| Warrant Compensation | - | - | 16,82 |
| Discount on convertible debenture | - | - | 300,00 |
| Stock Compensation, net | - | - | 144,96 |
| Net Loss | - | - | - |
| Balance, June 30, 2006 | 189,803,146 | \$ 189,803 | \$5,886,360 |
| Issuance of common stock in September 2006, note 6 Convertible debenture | 10,696,641 | 10,697 | 84,30 |
| Issuance of common stock in December 2006, note 6 Convertible debenture | 16,286,745 | 16,287 | 73,71 |
| Issuance of common stock in March 2007, note 6 Convertible debenture | 11,123,596 | 11,124 | 48,87 |
| Derivative liability | - | - | 109,28 |
| Stock compensation, net | - | - | 49,89 |
| Stock issuance cost | - | - | (93 |
| Net Loss | - | - | - |
| Balance, June 30, 2007 | 227,910,128 | \$ 227,910 | \$ 6,251,50 |

The accompanying notes are an integral part of these financial statements

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

WARP9, INC. AND SUBSIDIARY CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year 2007 |
|---|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Net loss | \$ (13, |
| Adjustment to reconcile net loss to net cash used in operating activities | |
| Depreciation and amortization | 91, |
| Gain on Settlement | |
| Issuance of common shares and warrants for services | |
| Conversion feature recorded as interest expense | 109, |
| Amortization of loan costs | 102, |
| Cost of stock compensation recognized | 49, |
| Derivative expense | (141, |
| Beneficial conversion feature | |
| (Increase) Decrease in: | |
| Accounts receivable | (65, |
| Prepaid and other assets | 15, |
| Increase (Decrease) in: | |
| Accounts payable | 21, |
| Accrued expenses | 65, |
| Deferred Income | (61, |
| Other liabilities | (71, |
| NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES | 103, |
| CASH FLOWS USED IN INVESTING ACTIVITIES: | |
| Purchase of stock for investment | (1, |
| Purchase of property and equipment | (3, |
| NET CASH USED IN INVESTING ACTIVITIES | (4, |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Payment on notes payable | (49, |
| Payments on capitalized leases | (45, |
| Proceeds from line of credit | 42, |
| Proceeds from convertible debenture | |
| Proceeds from issuance of common stock, net of cost | (|
| NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES | (53, |
| NET INCREASE (DECREASE) IN CASH | 44, |
| CASH, BEGINNING OF PERIOD | 387, |
| CASH, END OF PERIOD | \$ 431, |

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

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest paid

\$ 21,

Taxes paid

=====
\$ 3,
=====

SUPPLEMENTAL SCHEDULE OF NON-CASH TRANSACTIONS

During the year ended June 30, 2007, the Company issued 38,106,982 shares of common stock at a fair value of \$245,000 for the convertible debenture; the Company reclassified accrued expenses of \$237,891 to a note payable; also the Company reclassified an accounts payable in the amount of \$154,429 to a note payable. During the year ended June 30, 2006, the Company received a \$24,000 settlement due to a law suit; 3,271,881 shares of common stock were converted with a fair value of \$60,000.

The accompanying notes are an integral part of these financial statements

-19-

WARP 9, INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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.

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

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

RECLASSIFICATION

Certain items included in the year ended June 30, 2006 financial statements have been reclassified to conform to the current year financial statements.

GOING CONCERN

The accompanying consolidated financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. The accompanying financial statements do not reflect any adjustments that might result if the Company is unable to continue as a going concern. The Company's losses and negative cash flows from operations raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern and appropriateness of using the going concern basis is dependent upon, among other things, additional cash infusion. The Company has funded its operation through the sale of its common stock through private offerings and equity financing, as discussed in note 6. Management believes, but there is no assurance, that the Company will obtain the additional working capital that it needs through the sale of its Common Stock. The Company has incurred operating deficits since inception, which are expected to continue until its business model is fully developed.

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 collect a receivable have failed, the receivable is written off. The balance of the allowance account at June 30, 2007 and 2006 are \$25,094 and 26,292 respectively.

-20-

WARP 9, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 EITF No. 99-19.

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

We also offer professional services such as development services. The fees for development services constitute a separate unit of accounting in accordance with EITF No. 00-21, and are recognized as the work is performed.

Upfront fees for development services or other customer services are deferred until certain implementation or contractual milestones have been achieved. There was no deferred revenue as of June 30, 2007.

For the fiscal year ended, June 30, 2007, monthly fee from web products and associated service fees account for 40% of the Company's total revenues, professional services account for 36% and the remaining 24% of total revenues are from resale of third party products and services.

For the fiscal year ended, June 30, 2006, monthly fee from web products and associated service fees account for 42% of the Company's total revenues, professional services account for 32% and the remaining 26% 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 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. Historical, 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 \$111,412 and \$427,036 for the years ended June 30, 2007 and 2006, respectively.

CASH AND CASH EQUIVALENTS

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

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.

-21-

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2007 and 2006, 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

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

| | |
|---------------------------------|---------------------|
| Furniture, fixtures & equipment | 7 Years |
| Computer equipment | 5 Years |
| Commerce server | 5 Years |
| Computer software | 3 - 5 Years |
| Leasehold improvements | Length of the lease |

Property and equipment assets leased under capitalized leases with an original cost of \$218,179 at June 30, 2007 and 2006, respectively. Amortization of assets under capitalized leases is included in depreciation and amortization expense. During the years ended June 30, 2007 and 2006, additions to fixed assets through capitalized leases totaled \$0 and \$19,796, respectively.

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.

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.

ADVERTISING COSTS

The Company expenses the cost of advertising and promotional materials when incurred. Total advertising costs were \$30,950 and \$50,751 for the years ended June 30, 2007 and 2006, respectively.

STOCK-BASED COMPENSATION

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

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

The Company adopted FAS 123R using the modified prospective method which requires the application of the accounting standard as of June 30, 2006. Our financial statements as of and for the year ended June 30, 2007 reflect the impact of adopting FAS 123R. In accordance with the modified prospective method, the financial statements for prior periods have not been restated to reflect, and do not include, the impact of FAS 123R.

-22-

WARP 9, INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-based compensation expense recognized during the period is based on the value of the portion of stock-based payment awards that is ultimately expected to vest. Stock-based compensation expense recognized in the consolidated statement of operations during the year ended June 30, 2007, included compensation expense for the stock-based payment awards granted prior to, but not yet vested, as of June 30, 2007 based on the grant date fair value estimated in accordance with the pro forma provisions of FAS 148, and compensation expense for the stock-based payment awards granted subsequent to June 30, 2006, based on the grant date fair value estimated in accordance with FAS

STOCK-BASED COMPENSATION (CONTINUED)

123R. As stock-based compensation expense recognized in the statement of income for the year ended June 30, 2007 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. FAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. In the pro forma information required under FAS 148 for the periods prior to the year ended June 30, 2007, we accounted for forfeitures as they occurred. The stock-based compensation expense recognized in the consolidated statement of operations during the year ended June 30, 2007 is \$49,899.

| | Year Ended 6/30/2006 |
|---|-------------------------|
| | ----- |
| Net loss as reported | \$ (2,164,352) |
| Add: Stock-based employee compensation expense included in net reported loss | - |
| Deduct: Stock based employee compensation expense determined under fair value based method for all awards | - |
| | ----- |
| Pro forma net loss | \$ (2,164,352) |
| | ===== |
| Basic and diluted pro forma loss per share As reported | \$ (0.01) |
| | ===== |
| Proforma | \$ (0.01) |
| | ===== |

NET LOSS PER SHARE

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

Net loss per common share is computed using the weighted average number of common shares outstanding during the periods presented. Options to purchase shares of the Company's stock under its stock option plan and warrants may have a dilutive effect on the Company's earnings per share in the future but are not included in the calculation for 2007 and 2006 because they have an anti-dilutive effect in these periods.

INCOME TAXES

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

-23-

WARP 9, INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NEW ACCOUNTING PRONOUNCEMENTS

In December 2002, the Financial Accounting Standards Board ("FASB") issued SFAS 148, Accounting for Stock-Based Compensation - Transition and Disclosure. This Statement amends SFAS 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on the reported results. The disclosure requirements of this statement were effective for our years ended June 30, 2007 and 2006.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" which is effective for financial instruments entered into or modified after May 31, 2003, and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. This statement establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) because that financial instrument embodies an obligation of the issuer. The adoption of SFAS No. 150 did not have a material effect on the financial statements of the Company.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs - an amendment of ARB No. 43, Chapter 4." SFAS No. 151 seeks to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage) in the determination of inventory carrying costs. The statement requires such costs to be treated as a current period expense. This statement is effective for the company on July 2, 2006. The company does not believe the adoption of SFAS No. 151 will have a material impact on its financial statements.

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

In December 2004, the Financial Accounting Standards Board ("FASB") issued revised Statement 123R, "Share-Based Payment," to be effective for annual periods beginning after December 15, 2005 for the Company. Statement 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized as compensation expense in the income statement. The cost is recognized over the requisite service period based on fair values measured on grant dates. The new standard may be adopted using either the modified prospective transition method or the modified retrospective method. We are currently evaluating our share-based employee compensation programs, the potential impact of this statement on our consolidated financial position and results of operations, and the alternative adoption methods.

In December 2004, the Financial Accounting Standards Board issued two FASB Staff Positions - FSP FAS 109-1, Application of FASB Statement 109 "Accounting for Income Taxes" to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004, and FSP FAS 109-2 Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004. Neither of these affected the Company as it does not participate in the related activities.

In March 2005, the SEC released Staff Accounting Bulletin No. 107, "Share-Based Payment" ("SAB 107"), which provides interpretive guidance related to the interaction between SFAS 123(R) and certain SEC rules and regulations. It also provides the SEC staff's views regarding valuation of share-based payment arrangements. In April 2005, the SEC amended the compliance dates for SFAS 123(R), to allow companies to implement the standard at the beginning of their next fiscal year, instead of the next reporting period beginning after June 15, 2005. Management is currently evaluating the impact SAB 107 will have on our financial statements.

-24-

WARP 9, INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In March 2005, the FASB issued FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" ("FIN 47"). FIN 47 provides guidance relating to the identification of and financial reporting for legal obligations to perform an asset retirement activity. The Interpretation requires recognition of a liability for the fair value of a conditional asset retirement obligation when incurred if the liability's fair value can be reasonably estimated. FIN 47 also defines when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. The provision is effective no later than the end of fiscal years ending after December 15, 2005. The Company will adopt FIN 47 beginning the first quarter of fiscal year 2006 and does not believe the adoption will have a material impact on its financial position or results of operations or cash flows.

In May 2005, the FASB issued FASB Statement No. 154, "Accounting Changes and Error Corrections." This new standard replaces APB Opinion No. 20, "Accounting Changes, and FASB Statement No. 3, Reporting Accounting Changes in Interim Financial Statements," and represents another step in the FASB's goal to converge its standards with those issued by the IASB. Among other

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

changes, Statement 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented on the new accounting principle, unless it is impracticable to do so. Statement 154 also provides that (1) a change in method of depreciating or amortizing a long-lived non-financial asset be accounted for as a change in estimate (prospectively) that was effected by a change in accounting principle, and (2) correction of errors in previously issued financial statements should be termed a "restatement." The new standard is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. Early adoption of this standard is permitted for accounting changes and correction of errors made in fiscal years beginning after June 1, 2005. The Company has evaluated the impact of the adoption of Statement 154 and does not believe the impact will be significant to the Company's overall results of operations or financial position.

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments", or SFAS 155, which will be effective for fiscal years that begin after December 15, 2006. This statement amends SFAS No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, to narrow the scope exception for interest-only and principal-only strips on debt instruments to include only such strips representing rights to receive a specified portion of the contractual interest or principal cash flows. SFAS 155 also amends SFAS 140 to allow qualifying special-purpose entities to hold a passive derivative financial instrument pertaining to beneficial interests that itself is a derivative financial instrument. The Company does not anticipate adoption of this standard will have a material impact on its financial statements.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets", which will be effective for fiscal years that begin after December 15, 2006. This statement amends SFAS 140, ACCOUNTING FOR TRANSFERS AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES, A REPLACEMENT OF FASB STATEMENT 125, or SFAS 140, regarding (1) the circumstances under which a servicing asset or servicing liability must be recognized, (2) the initial and subsequent measurement of recognized servicing assets and liabilities, and (3) information required to be disclosed relating to servicing assets and liabilities. The Company does not anticipate adoption of this standard will have a material impact on its financial statements.

-25-

WARP 9, INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

3. OBLIGATIONS UNDER CAPITALIZED LEASES

| LESSOR | DESCRIPTION | YEAR ENDED 6/30/2007 |
|--------|---|-------------------------|
| SBBT | Payable in monthly installments of \$488 interest at 17%, matures in June, 2009 | \$ 13,763 |
| SBBT | Payable in monthly installments of \$281 interest at 16%, matures in November, 2009 | 6,738 |
| SBBT | Payable in monthly installments of \$726 interest at 17%, matures in August, 2009 | 15,656 |

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

| | | |
|----|--|-----------------|
| GE | Payable in monthly installments of \$551 interest at 17%, matures in September, 2008 | 8,099 |
| GE | Payable in monthly installments of \$1206 interest at 17%, matures in September, 2008 | 18,800 |
| | | ----- 63,056 |
| | Less current portion | 31,735 |
| | | ----- |
| | Long-term portion of obligations under capitalized leases | \$ 31,321 |
| | | ===== |

Minimum annual lease payments under capitalized lease obligations at June 30, 2007 are as follows:

| | Fiscal Year | |
|-----------------------------------|-------------|-----------------|
| | ----- | |
| | 2008 | 39,036 |
| | 2009 | 24,423 |
| | 2010 | 8,718 |
| | | ----- 72,177 |
| Less amount representing Interest | | 9,121 |
| | | ----- 63,056 |
| Less current portion | | 31,735 |
| | | ----- |

4. NOTES PAYABLE

The Company has a note payable to a vendor in the amount of \$50,000, bearing interest at 10%, with monthly interest payments only. The maturity date, which was originally October 15, 2001, was subsequently amended to March 15, 2002. The note was not paid off on its amended maturity date and is in default. At June 30, 2007, the outstanding principal amount on this note is \$13,000. This note is secured by furniture of the Company. See note 12

On October 16, 2006, the Company reclassified \$237,981 of accrued salaries to a promissory demand note, due no later than October 31, 2008. Interest is paid annually at a rate of 5% per annum on the unpaid balance. At June 30, 2007, the outstanding principal amount is \$200,481.

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 note bears no interest.

-26-

WARP 9, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

5. DEFERRED TAX BENEFIT

At June 30, 2007 the Company has available for federal and state income tax purposes, cumulative net operating loss carry-forwards of approximately \$5,764,000 that may be offset against future taxable income. No tax benefit has been reported in the June 30, 2007 financial statements since the

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

potential tax benefit is offset by a valuation allowance of the same amount.

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate to pretax income from continuing operations for the period ended June 30, 2007 and 2006 due to the following:

| | Year Ended 2007 | Year Ended 2006 |
|--|--------------------|--------------------|
| | ----- | ----- |
| Income tax benefit computed | | |
| at U.S. federal statutory rate (34%) | \$ (4,600) | \$ (811,260) |
| State income taxes, net of benefit federal taxes | (812) | (143,163) |
| Non deductible stock compensation | 7,200 | 418,860 |
| R&D | - | 11,075 |
| Other | 500 | 1,260 |
| Less valuation allowance | (2,288) | 523,228 |
| | ----- | ----- |
| Income tax expense | \$ - | \$ - |
| | ===== | ===== |

The deferred income tax benefit at June 30, 2007 reflects the impact of temporary differences between the amounts of assets and liabilities recorded for financial reporting purposes and such amounts as measured in accordance with tax laws. The items, which comprise a significant portion of, deferred tax assets and liabilities are approximately as follows:

| | Year Ended 2007 | Year Ended 2006 |
|---------------------------|--------------------|--------------------|
| | ----- | ----- |
| Deferred tax assets: | | |
| NOL Carryover | 2,305,600 | 2,284,000 |
| Deferred Income | - | 24,500 |
| R&D Credit | 94,900 | 94,900 |
| Officer salaries payable | - | 110,890 |
| Accrued vacation payable | 12,500 | |
| Depreciation | 2,300 | (10,800) |
| Less: valuation allowance | (2,415,300) | (2,503,490) |
| | ----- | ----- |
| Deferred income tax asset | \$ - | \$ - |
| | ===== | ===== |

-27-

WARP 9, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

6. CAPITAL STOCK

At June 30, 2007, the Company's authorized stock consists of 495,000,000 shares of common stock, par value \$0.001 per share. The Company is also authorized to issue 5,000,000 shares of preferred stock with a par value of \$0.001. The rights, preferences and privileges of the holders of the preferred stock will be determined by the Board of Directors prior to

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

issuance of such shares. During the year ended, June 30, 2007, the Company issued 38,106,982 shares of common stock ranging from \$0.0046 to \$0.0092 per share for the conversion of the debenture with a value of \$245,000; During the year ended June 30, 2006, the Company issued 3,271,881 shares of common stock ranging from \$0.0194 to \$0.036 per share for the conversion of the debenture with a value for of \$60,000; 4,279,174 shares of common stock issued for cash consideration of \$272,147; 300,000 shares of restricted common stock issued for cash of \$15,000; 1,145,000 shares of common stock issued for services with a fair value of \$136,350.

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 are 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 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.

SFAS 123, ACCOUNTING FOR STOCK-BASED COMPENSATION, requires pro forma information regarding net income (loss) using compensation that would have been incurred if the Company had accounted for its employee stock options under the fair value method of that statement. The Company also 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:

| | Year Ended 6/30/2007 | Year Ended 6/30/2006 |
|---------------------------------------|-------------------------|-------------------------|
| | | |
| Risk free interest rate | 3.2% - 5.07% | 3.2% - 4.82% |
| Stock volatility factor | 0.31 -0.53 | 0.31 -0.53 |
| Weighted average expected option life | 4 years | 4 years |
| Expected dividend yield | none | none |

-28-

WARP 9, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

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

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

follows:

| | Year ended June 30, 2007 | | Year ended June 30, 2006 | |
|---|-----------------------------|--|-----------------------------|--|
| | Options | Weighted average exercise price | Options | Weighted average exercise price |
| Outstanding -beginning of year | 5,209,994 | \$ 0.11 | 4,234,994 | \$ 0 |
| Granted | 15,806,500 | 0.01 | 1,200,000 | 0 |
| Exercised | - | - | - | - |
| Forfeited | 5,291,492 | 0.09 | 225,000 | 0 |
| Outstanding - end of year | 15,725,002 | \$ 0.05 | 5,209,994 | \$ 0 |
| Exercisable at the end of year | 3,299,198 | \$ 0.02 | 2,632,494 | \$ 0 |
| Weighted average fair value of options granted during the year | | \$ 0.01 | | \$ 0 |

7. STOCK OPTIONS AND WARRANTS (Continued)

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.

The weighted average remaining contractual life of options outstanding issued under the plan as of June 30, 2007 was as follows:

| Exercise prices | Number of options outstanding | Weighted Average remaining contractual life (years) |
|--------------------|-------------------------------------|---|
| \$ 0.07 | 100,000 | 2.50 |
| \$ 0.08 | 100,000 | 0.34 |
| \$ 0.10 | 300,000 | 1.84 |
| \$ 0.13 | 650,000 | 2.07 |
| \$ 0.01 | 13,300,002 | 3.30 |
| \$ 0.03 | 575,000 | 3.84 |
| \$ 0.02 | 700,000 | 3.97 |
| | 15,725,002 | |

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

-29-

WARP 9, INC. AND SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 JUNE 30, 2007 AND 2006

STOCK WARRANTS

During the year ended June 30, 2007, the Company issued no warrants for services. Warrants were granted as follows:

| DATE | NUMBER OF SHARES | MATURITY DATE | EXERCISE PRICE |
|--------------------|------------------|--------------------|----------------|
| September 30, 2005 | 163,500 | September 30, 2007 | \$ 0.10 |
| December 31, 2005 | 321,000 | December 31, 2007 | \$ 0.10 |
| January 1, 2006 | 75,000 | December 31, 2007 | \$ 0.10 |
| March 31, 2006 | 375,000 | March 31, 2008 | \$ 0.10 |
| ----- | | | |
| Total Granted | 934,500 | | |
| ===== | | | |

On December 28, 2005, we consummated a securities purchase agreement with Cornell Capital Partners L.P. providing for the sale by us to Cornell of our 10% secured convertible debentures in the aggregate principal amount of \$1,200,000. In connection with the sale of the convertible debenture, we also issued to Cornell five-year warrants to purchase 1,500,000, 4,000,000 and 4,000,000 shares of Common Stock at \$0.08, \$0.10 and \$0.12, respectively.

At June 30, 2007, warrants to purchase 10,499,500 shares were outstanding.

8. LINE OF CREDIT

On August 11, 2005, the Company was approved for a \$100,000 revolving line of credit from Bank of America at an interest of prime plus 4 percentage points. This line of credit is not secured by assets of the Company. The effective interest rate of the line of credit at June 30, 2007 was 12%. As of June 30, 2007, \$42,916 was borrowed under this line of credit

9. CONVERTIBLE DEBENTURES

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

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

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

-30-

WARP 9, INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

liability is adjusted periodically according to stock price fluctuations. At the time of conversion, any remaining derivative liability is charged to additional paid-in capital. For purpose of determining derivative liability, the Company uses Black Scholes modeling for computing historic volatility.

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

We also issued to Cornell five-year warrants to purchase 1,500,000, 4,000,000 and 4,000,000 shares of Common Stock at \$0.08, \$0.10 and \$0.12 per share, respectively.

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

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

The debentures mature on the third anniversary of the date of issuance, and the Company is not required to make any payments until the maturity dates. Interest is accrued at 10% per annum on the principal balance outstanding. At June 30, 2007, the outstanding balance of the debentures were \$895,000, and the interest accrued was \$139,864.

10. CONCENTRATIONS

For the year ended June 30, 2007, the Company had two customers who represented approximately 32% of total revenue. For the year ended June 30,

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

2006, the Company had two customers who represented approximately 34% of total revenue.

Accounts receivable from two customers represented approximately 32% of total accounts receivable at June 30, 2007. Accounts receivable from two customers represented approximately 35% of total accounts receivable at June 30, 2006.

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, 2007, the Company had \$301,379 exceeding the amount insured by the U.S. Federal Deposit Insurance Corporation (FDIC).

11. RELATED PARTY TRANSACTIONS

On January 16, 2007, Mr. Harinder Dhillon, the Company's Chief Executive Officer and President purchased 8,650,000 of the Company's common stock. The options were personal holdings which were granted by Mr. Jon Lei, a 10% or larger shareholder of the Company.

12. COMMITMENTS AND CONTINGENCIES

OPERATING LEASES

The following is a schedule, by years, of future minimum rental payments required under operating leases for the facilities and equipment. The lease for one of the facilities expires in 2010. The following is a schedule of minimum lease payments for the next four years.

| Years Ending June 30, | Rent Payment |
|--------------------------|--------------|
| 2008 | \$ 109,000 |
| 2009 | \$ 108,000 |
| 2010 | \$ 109,000 |

-31-

WARP 9, INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

Total lease expense for the years ended June 30, 2007 and 2006 was \$163,211 and \$164,161 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.

NOTE PAYABLE IN DEFAULT

The note payable has a default clause that allows the lender to assess late payment charges in the amount of 10% of the delinquency. Since the Company did not pay off the entire balance at its due date of March 15, 2002, the note is currently in default. At June 30, 2007, the outstanding principal amount on this note is \$13,000. The Company has not accrued any delinquent charges.

RESTRICTED CASH

The Company has restricted cash in the amount of \$93,000. This restricted cash is used to collateralize a standby letter of credit in favor of the landlord as part of the Company's lease agreement for its current office space at 50 Castilian Dr. Santa Barbara, CA 93117. This cash amount is restricted until the lease expires on June 30, 2010 or when negotiated

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

down.

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.

13. SUBSEQUENT EVENT

During August 2007, the Company issued 11,009,174 shares of common stock at a price of \$0.0109 per share for the conversion of the debenture with a value of \$120,000.

During September 2007, the Company issued 6,363,636 shares of common stock at a price of \$0.0110 per share for the conversion of the debenture with a value of \$70,000.

On September 21, 2007, Warp 9, Inc. (the "Company") received written notice from Magellan's International Travel Corporation ("Magellan") of Magellan's decision not to renew both its Standard Hosting Agreement and Enterprise Hosting Agreement (collectively, the "Agreements") with the Company. Consequently, the Agreements are scheduled to terminate on November 16, 2007. The revenue generated by the Company from the Agreements represents approximately 12% of the Company's total annual revenue. Magellan has expressed a desire to renegotiate the Agreements. While the Company believes that its business relationship with Magellan will continue, the Company cannot assure that it will be able to renegotiate one or both of the Agreements on terms acceptable to the Company. or at all.

-32-

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Rose, Snyder and Jacobs, formerly auditors for the Company, was dismissed as auditor on August 2, 2006. HJ Associates & Consultants, LLP were engaged as auditors for the Company on August 2, 2006.

The change of accountants was approved by the Board of Directors. The Company's Board of Directors currently does not have an Audit Committee.

In connection with audit of the two most recent fiscal years, and through the date of termination of the accountants, no disagreements exist with any former accountant on any matter of accounting principles or practices, financial statement disclosure, or auditing scope of procedure, which disagreements if not resolved to the satisfaction of the former accountant would have caused them to make reference in connection with his report to the subject of the disagreement(s).

The audit report by Rose, Snyder and Jacobs for the periods ended June 30, 2005 and June 30, 2004 contained an opinion which included a paragraph discussing uncertainties related to continuation of the Company as a going concern. Otherwise, the audit reports by Rose, Snyder and Jacobs for the fiscal year ended June 30, 2005 and June 30, 2004 did not contain an adverse opinion or disclaimer of opinion, nor was qualified or modified as to uncertainty, audit scope, or accounting principles.

ITEM 8A. CONTROLS AND PROCEDURES

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

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

There have been no changes in the Company's internal control over financial reporting that occurred during the Company's fiscal year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 8B. OTHER INFORMATION

On December 28, 2005, we consummated a securities purchase agreement with Cornell Capital Partners L.P. providing for the sale by us to Cornell of our 10% secured convertible debentures in the aggregate principal amount of \$1,200,000, all of which has been advanced. The debentures mature on the third anniversary of the date of issuance and we are not required to make any payments until the maturity date. Holders of the debentures may convert at any time amounts outstanding under the debentures into shares of our common stock at a conversion price per share equal to the lesser of (i) \$0.15 or (ii) 80% of the lowest volume weighted average price of our common stock during the five trading days immediately preceding the conversion date as quoted by Bloomberg, LP. Cornell has agreed not to short any of the shares of our common stock.

We have the right to redeem, upon three-business day notice, a portion or all amounts outstanding under the debenture prior to the maturity date at a 20% redemption premium provided that the closing bid price of our common stock is less than \$0.15. In addition, in the event of a redemption, we are required to issue to Cornell 50,000 shares of common stock for each \$100,000 redeemed, which shares would not be required to be registered by the Company. Under the terms of the debenture, the holder has the right to convert all or part of the debenture within the three-day period following a redemption notice.

We also issued to Cornell five-year warrants to purchase 1,500,000, 4,000,000 and 4,000,000 shares of our common stock at \$0.08, \$0.10 and \$0.12, per share, respectively.

-33-

In connection with the purchase agreement, we also entered into a registration rights agreement with Cornell providing for the registration of the shares of common stock issuable upon conversion of the debentures and exercise of the warrants. We were obligated to use our best efforts to cause the registration statement to be declared effective no later than April 27, 2006, which we accomplished, and to insure that the registration statement remains in effect until all of the shares of common stock issuable upon conversion of the debentures and exercise of the warrants have been sold.

Our obligations under the purchase agreement are secured by substantially all of our assets. As further security for our obligations there under, Jon Lei, our former Chief Executive Officer, granted a security interest to Cornell in 2,000,000 shares of the Company's common stock that he owns.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF EXCHANGE ACT

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

The following table lists the executive officers and directors of the Company as of September 25, 2007:

| NAME | AGE | POSITION |
|------------------|-----|---|
| Harinder Dhillon | 34 | Chief Executive Officer, President and Director |
| Louie Ucciferri | 46 | Chairman of the Board of Directors, Corporate Secretary, Acting Chief Financial Officer |
| Kin Ng | 38 | Director |

Harinder Dhillon has been our Chief Executive Officer since October 2006. Prior to October 2006 Mr. Dhillon had been Vice President of Operations since October 2001 and has been the President of Warp 9 Inc. since July 1, 2005. Mr. Dhillon joined us in July 2000. Prior to joining us, from 1993 to 1998, Mr. Dhillon served as the Chief Information Officer of Informax Data Systems, an enterprise systems integrator headquartered in Southern California. Thereafter, during 1999 until he joined us, he worked as an independent technology consultant. He has designed, managed, and led the development and deployment of enterprise Internet, Intranet and integration projects for Fortune 500 companies and various government agencies. Mr. Dhillon received a Bachelor degree in Electrical and Computer Engineering from the University of California at Santa Barbara in 1996.

Louie Ucciferri has been our Chairman of the Board, Corporate Secretary and Acting Chief Financial Office since October 15, 2006 and has been one of our directors since 2003. He is also the CEO of Regent Capital Group, a NASD registered broker dealer dedicated to real estate investments. From 1995 to 2004, Mr. Ucciferri served as the President of Westlake Financial Architects, an 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 NASD registered broker dealer. Mr. Ucciferri received Bachelors degrees in Economics and Sociology from Stanford University in 1983.

Mr. Kin Ng has been an outside director since October 2006. Mr. Ng has been a real estate broker and mortgage loan broker at Signal Financial Solutions since 2000. He specializes in real estate sales, purchase, lease and management. Prior to that, he had a career in the airline industry. From 1998 to 2000, he was the Airport Operations Supervisor for China Southern Airlines, prior to which he held various positions for Delta Airlines and American Trans Air. Mr. Ng received a Bachelor of Science degree in 1993 from the School of Hospitality Management at California State Polytechnic University at Pomona.

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)

-34-

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

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

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, we have not reappointed an Audit Committee.

AUDITOR INDEPENDENCE

GENERAL. HJ Associates & Consultants, LLP ("HJ") is 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 the Audit Committee during the fiscal year ended June 30, 2007. 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

We have adopted a Code of Conduct that applies to all of our 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 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 our 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.

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

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, 2007 have been complied with on a timely basis except those required by Cornell Capital Partners, LLP.

-35-

ITEM 10. EXECUTIVE COMPENSATION

DIRECTOR COMPENSATION

The following summary compensation table sets forth certain information concerning compensation paid to our directors. The salary is paid to them for their services as executive officers of the Company and not as directors.

| NAME AND PRINCIPAL POSITION ----- | FISCAL YEAR ---- | ANNUAL COMPENSATION ----- | | | LONG-TERM COMPENSATION AWARDS ----- SECURITI UNDERLYI OPTIONS ----- |
|---|------------------------|------------------------------|----------------|---------------------------------------|--|
| | | SALARY ----- | BONUS ----- | OTHER ANNUAL COMPENSATION ----- | |
| Harinder Dhillon (1) Chief Executive Officer, President, Director | 2007 | \$200,000 | \$63,947 | -0- | 8,000,000 |
| Louie Ucciferri (2) Chairman, Secretary, Chief Financial Officer | 2007 | \$22,500 | -0- | -0- | 2,500,000 |
| Kin Ng (3) Director | 2007 | -0- | -0- | -0- | 1,000,000 |

(1) Mr. Dhillon was appointed as Chief Executive Officer, President, and as a Director of the Company and was compensated as such with a stock option grant to purchase 8,000,000 shares of common stock, at an exercise price of \$0.01 per share on October 15, 2006. These stock options are exercisable until October 2014. These stock options vest in equal monthly installments over a forty-eight month period.

(2) Mr. Ucciferri was appointed to Chairman, Secretary and Acting Chief Financial Officer of the Company with compensation of \$2,500 per month and a stock option grant to purchase 2,500,000 shares of common stock, at an exercise price of \$0.01 per share on October 15, 2006. These stock options are exercisable until October 2010. These stock options vest in equal monthly installments over a twelve month period.

(3) Kin Ng was appointed as a Director of the Company and was compensated as such with a stock option grant to purchase 1,000,000 shares of common stock, at an exercise price of \$0.01 per share on October 15, 2006. These stock options are exercisable until October 2010. These stock options vest in equal monthly installments over a twelve month period.

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

period.

Directors generally do not receive cash compensation for their services to the Company as directors, but are reimbursed for expenses actually incurred in connection with attending meetings of the Board of Directors.

EXECUTIVE OFFICER COMPENSATION

The following summary compensation table sets forth certain information concerning compensation paid to our Chief Executive Officer and our 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, 2007 was \$100,000 or more.

-36-

| NAME AND PRINCIPAL POSITION | FISCAL YEAR | ANNUAL COMPENSATION | | | LONG TERM INCENTIVE PLAN AWARDS |
|--|-------------|---------------------|----------|---------------------------|---------------------------------|
| | | SALARY | BONUS | OTHER ANNUAL COMPENSATION | |
| Harinder Dhillon..... CEO, President of Warp 9 Inc. | 2007 | \$200,000 | \$63,947 | -0- | 8,000, |
| | 2006 | \$150,000 (1) | \$11,371 | -0- | 650, |
| | 2005 | \$125,000 | \$2,894 | -0- | - |
| | 2004 | \$125,000 | \$8,714 | -0- | - |
| Louie Ucciferri (3)..... Acting Chief Financial Officer and Corporate Secretary | 2007 | \$22,500 | -0- | -0- | 2,500, |

- (1) Effective March 1, 2006, Mr. Dhillon's base salary was increased to \$200,000 per year from \$125,000. In addition, he has a performance bonus plan for earning up to \$150,000 based on the profitability of the Warp 9 operation over the subsequent 12 months. In July 2005, Mr. Dhillon received a cashless stock option grant to purchase 650,000 shares of unregistered common stock at an exercise price equal to the fair market value of common stock at the time grant, which was \$0.13 per share.
- (2) Effective October 15, 2006, Mr. Dhillon was appointed as President and Chief Executive Officer of the Company. Mr. Dhillon was granted a stock option grant to purchase 8,000,000 shares of common stock, at an exercise price of \$0.01 per share, under the Company's 2003 Stock Option Plan.
- (3) Mr. Ucciferri was appointed as Chairman of the Board of Directors, Secretary and Chief Financial Officer on October 15, 2006. Mr. Ucciferri was granted a stock option grant to purchase 2,500,000 shares of common stock, at an exercise price of \$0.01 per share, under the Company's 2003 Stock Option Plan and compensated with a monthly retainer of \$2,500.

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

OPTIONS GRANTED IN LAST FISCAL YEAR

The following table sets forth information with respect to options to purchase common stock of the Company granted to the Company's officers during fiscal year 2007.

| NAME | OPTIONS GRANTED | PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR | EXERCISE PRICE PER SHARE | EXPIRATION DATE |
|--|--------------------|---|--------------------------------|--------------------|
| Harinder Dhillon President, Warp 9 Inc. | 8,000,000 (1) | 50.6% | \$0.01 | 9/16/2014 |
| Louie Ucciferri | 2,500,000 (2) | 15.8% | \$0.01 | 9/16/2011 |

(1) These stock options were granted on October 15, 2006 vesting month-to-month over 48 months.

(2) These stock options were granted on October 15, 2006 vesting month-to-month over 12 months.

-37-

FISCAL YEAR-END OPTION EXERCISES

The following table sets forth information with respect to options to purchase common stock of the Company held by the Company's executive officers at June 30, 2007.

| NAME | SHARES ACQUIRED UPON EXERCISE | VALUE REALIZED (1) | EXERCISABLE | NUMBER OF UNEXERCISED OPTIONS HELD AT JUNE 30, 2007 UNEXERCISABLE |
|---|--|--------------------|-------------|--|
| Harinder Dhillon Chief Executive Officer, President | -0- | -0- | 2,058,219 | 6,591,781 |
| Louie Ucciferri Acting Chief Financial Officer and Corporate Secretary | -0- | -0- | 1,770,833 | 729,167 |

(1) The value realized is the difference between the market price of the common stock on the date of exercise and the exercise price of the stock option. The underlying securities held upon exercise are unregistered common stock.

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

(2) The value of unexercised "in-the-money" options is the difference between the market price of the common stock on June 30, 2007 (\$0.02 per share) and the exercise price of the option, multiplied by the number of shares subject to the option. The underlying securities held upon exercise are unregistered common stock.

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.

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, 15,725,002 options to purchase 15,725,002 shares of common stock at volume weighted average price of \$0.02 per share granted under the 2003 Plan are outstanding. To date, 2,775,000 options have been exercised.

-38-

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the names the executive officers and directors of the Company and all persons known by the Company to beneficially own 5% or more of the issued and outstanding common stock of the Company at September 25, 2007.

| NAME, TITLE AND ADDRESS ----- | NUMBER OF SHARES BENEFICIALLY OWNED (1) ----- | PERCENTAGE OWNERSHIP ----- |
|---|---|-------------------------------|
| Harinder Dhillon Chief Executive Officer, President of Warp 9 Inc. | 12,085,000 | 4.93% |
| Louie Ucciferri Chairman, Acting Chief Financial Officer, Corporate Secretary | 3,500,000 | 1.43% |
| All current Executive Officers as a Group | 15,585,000 | 6.35% |
| All current Directors who are not Executive Officers as a Group | 50,000 | 0.02% |
| Jonathan Lei | 86,969,525 | 35.46% |
| Cornell Capital | 58,751,673 | 23.95% |

(1) Except as pursuant to applicable community property laws, the persons

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

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 25, 2007.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On January 17, 2007, Mr. Harinder Dhillon, the Company's Chief Executive Officer and President privately purchased 8,650,000 shares of the Company's common stock, at a purchase price of \$0.005 per share, from Mr. Jonathan Lei, a 10% or larger shareholder and former officer of the Company.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(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, a Nevada corporation, and Warp 9, Inc., a Delaware corporation (4) |
| 10.2 | Second Agreement and Plan of Reorganization between Latinocare Management, a Nevada corporation, and Warp 9, Inc., a Delaware corporation (5) |
| 10.3 | Exchange Agreement and Representations for shareholders of Warp 9, Inc. |
| 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 |
| 10.11 | Escrow Agreement Dated December 28, 2005 by and among the Company, Cornell 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, 2007 (8) |
| 21 | List of Subsidiaries (7) |

-39-

(1) Incorporated by reference from the exhibits included with the

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

Company's prior Report on Form 10-KSB filed with the Securities and Exchange Commission, dated March 31, 2002.

(2) Incorporated by reference from the exhibits included in the Company's Information Statement filed with the Securities and Exchange Commission, dated August 1, 2003.

(3) Incorporated by reference from the exhibits included in the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 29, 2005.

(4) Incorporated by reference from the exhibits included with the Company's prior Report on Form SC 14F1 filed with the Securities and Exchange Commission, dated April 8, 2003.

(5) Incorporated by reference from the exhibits included with the Company's prior Report on Form 8K filed with the Securities and Exchange Commission, dated May 30, 2003.

(6) Incorporated by reference to exhibits filed with the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission dated March 30, 2005.

(7) Previously filed

(8) Incorporated by reference to exhibits filed with the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission dated September 22, 2005.

(9) Incorporated by reference to exhibits filed with the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission dated May 8, 2007.

-40-

(b) The following is a list of Current Reports on Form 8-K filed by the Company during and subsequent to the last quarter of the fiscal year ended June 30, 2007.

Report on Form 8-K dated September 21, 2007 relating to notice of termination of customer contract.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

HJ Associates & Consultants, LLP ("HJ") is 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 is compatible with maintaining HJ independence.

Prior to August 2006, the Company's principal auditing accounting firm was Rose Snyder & Jacobs, CPAs ("RSJ"). The Audit Committee approved the engagement of RSJ before RSJ rendered audit and non-audit services to the Company.

AUDIT FEES

An aggregate of \$22,227 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, 2007, and review of the interim financial

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

statements included in quarterly reports on Form 10-QSB for the periods ended September 30, 2006, December 31, 2006, and March 31, 2007.

An aggregate of \$60,248 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, 2005, and review of the interim financial statements included in quarterly reports on Form 10-QSB for the periods ended September 30, 2005, December 31, 2005, and March 31, 2006.

TAX FEES

Our auditors billed the Company \$2,694 for tax preparation services during the fiscal year ended June 30, 2007.

-41-

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 4, 2007

WARP 9, INC.

By: \s\ Harinder Dhillon

Harinder Dhillon,
Chief Executive Officer and President

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

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

By: \s\ Louie Ucciferri

Dated: October 4, 2007

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

By: \s\ Harinder Dhillon

Dated: October 4, 2007

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