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WARP 9, INC.
Form 10QSB
May 15, 2007

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

FORM 10-QSB

☒ Quarterly Report under Section 13 or 15(d) of the Securities Exchange Act of 1934 For Quarterly Period Ended March 31, 2007

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

FOR QUARTER ENDED MARCH 31, 2007

COMMISSION FILE NUMBER 0-13215

WARP 9, INC.

(Exact name of Registrant as Specified in its Charter)

NEVADA

30-0050402

(State of Incorporation)

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

50 Castilian Dr., Suite 101, Santa Barbara, California 93117
(Address of principal executive offices) (Zip Code)

(805) 964-3313

Registrant's telephone number, including area code

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

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

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

Yes X No

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

☐ Yes ☒ No

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

As of May 11, 2007 the number of shares outstanding of the registrant's only class of common stock was 227,910,128.

Transitional Small Business Disclosure Format (check one):

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Yes

No

X

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

WARP9, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
MARCH 31, 2007

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(Unaudited)

ASSETS

CURRENT ASSETS

Cash	\$ 248,203
Accounts Receivable, net	346,872
Prepaid and Other Current Assets	31,612

TOTAL CURRENT ASSETS	626,687

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	(470,242)

NET PROPERTY AND EQUIPMENT	179,967

OTHER ASSETS

Lease Deposit	9,749
Restricted Cash	93,000
Internet Domain, net	1,276
Investment-Zingerang	10,000
Loan Costs	127,292

TOTAL OTHER ASSETS	241,317

TOTAL ASSETS	\$ 1,047,971
	=====

LIABILITIES AND SHAREHOLDERS' DEFICIT

CURRENT LIABILITIES

Accounts Payable	\$ 195,968
Credit Cards Payable	57,861
Accrued expenses	222,578
Bank Line of Credit	52,916
Deferred Income	4,000
Note Payable	16,000
Customer Deposit	39,325
Derivative Liability-Debenture	488,056
Capitalized Leases, Current Portion	32,161

TOTAL CURRENT LIABILITIES	1,108,865

LONG TERM LIABILITIES

Note Payable, other	237,981
Convertible Debenture	895,000
Beneficial Conversion Feature	(174,159)
Capitalized Leases	38,165

TOTAL LONG TERM LIABILITIES	996,987
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TOTAL LIABILITIES	2,105,852
SHAREHOLDERS' DEFICIT	
Common stock, \$0.001 par value; 495,000,000 authorized shares; 227,910,128 shares issued and outstanding	227,911
Additional paid in capital	6,271,294
Accumulated deficit	(7,557,086)
TOTAL SHAREHOLDERS' DEFICIT	(1,057,881)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$ 1,047,971

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

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

	Three Months Ended		
	March 31, 2007	March 31, 2006	March
REVENUE	\$ 771,989	\$ 399,885	\$
COST OF SERVICES	146,679	85,286	
GROSS PROFIT	625,310	314,599	
OPERATING EXPENSES			
Selling, general and administrative expenses	497,015	519,472	
Research and development	1,395	106,377	
Depreciation and amortization	41,680	24,847	
TOTAL OPERATING EXPENSES	540,090	650,696	
INCOME/(LOSS) FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES)	85,220	(336,097)	
OTHER INCOME/(EXPENSE)			
Interest Income	957	35,583	
Other Income	22,407	-	
Interest Expense	(82,179)	(96,270)	
TOTAL OTHER INCOME (EXPENSE)	(58,815)	(60,687)	

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INCOME/(LOSS) FROM OPERATIONS BEFORE PROVISION FOR TAXES	26,405	(396,784)	
PROVISION FOR INCOME TAXES	-	(1,922)	
NET INCOME/(LOSS)	26,405	(398,706)	
BASIC AND DILUTED LOSS PER SHARE	\$ 0.00	\$ (0.00)	\$
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING BASIC AND DILUTED	216,786,532	186,571,482	20

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

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

	Shares	Common Stock	Add Paid Cap
Balance, June 30, 2006	189,803,146	\$189,803	\$ 5,8
Issuance of common stock in September 2006, note 6 Convertible debenture (unaudited)	10,696,641	10,697	
Derivative liability (unaudited)	-	-	
Stock issuance cost (unaudited)	-	-	
Stock compensation, net (unaudited)	-	-	
Issuance of common stock in December 2006, note 6 Convertible debenture (unaudited)	16,286,745	16,287	
Derivative liability (unaudited)	-	-	
Stock compensation, net (unaudited)	-	-	
Stock issuance cost (unaudited)	-	-	
Issuance of common stock in March 2007, note 6 Convertible debenture (unaudited)	11,123,596	11,124	
Derivative liability (unaudited)	-	-	
Stock compensation, net (unaudited)	-	-	

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Stock issuance cost (unaudited)	-	-	
Net Loss for the nine months ended March 31, 2007 (unaudited)	-	-	
	-----	-----	-----
Balance, March 31, 2007 (unaudited)	227,910,128	\$227,911	\$ 6,2
	=====	=====	=====

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

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

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss \$
Adjustment to reconcile net loss to net cash
used in operating activities
Depreciation and amortization
Gain on Settlement
Issuance of common shares and warrants for services
Conversion feature recorded as interest expense
Amortization of loan costs
Cost of stock compensation recognized
Derivative expense
(Increase) Decrease in:
Accounts receivable
Prepaid and other assets
Increase (Decrease) in:
Accounts payable
Accrued expenses
Deferred Income
Other liabilities

NET CASH USED IN OPERATING ACTIVITIES

CASH FLOWS USED IN INVESTING ACTIVITIES:

Purchase of stock for investment
Purchase of property and equipment

NET CASH USED IN INVESTING ACTIVITIES

CASH FLOWS FROM FINANCING ACTIVITIES:

Payment on note payable
Payments on capitalized leases
Proceeds from line of credit
Proceeds from convertible debenture
Proceeds from issuance of common stock, net of cost

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NET CASH PROVIDED BY FINANCING ACTIVITIES

NET INCREASE (DECREASE) IN CASH

CASH, BEGINNING OF PERIOD

CASH, END OF PERIOD

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest paid

Taxes paid

SUPPLEMENTAL SCHEDULE OF NON-CASH TRANSACTIONS

During the nine months ended March 31, 2007, the Company issued 38,107,082 shares of common stock at a fair value of \$245,000 for the convertible debenture. During the nine months ended March 31, 2006, the Company issued common stock valued at \$32,000 for services, of which common stock valued at \$24,000 was recalled due to a settlement of a law suit.

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

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WARP 9, INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED MARCH 31, 2007

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all normal recurring adjustments considered necessary for a fair presentation have been included. Operating results for the nine months ended March 31, 2007 are not necessarily indicative of the results that may be expected for the year ending June 30, 2007. For further information refer to the financial statements and footnotes thereto included in the Company's Form 10K-SB for the year ended June 30, 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Warp 9, Inc. is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

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GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. The accompanying financial statements do not reflect any adjustments that might result if the Company is unable to continue as a going concern. The Company's losses and negative cash flows from operations raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern and appropriateness of using the going concern basis is dependent upon, among other things, additional cash infusion.

STOCK-BASED COMPENSATION

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

The Company adopted FAS 123R using the modified prospective method which requires the application of the accounting standard as of June 30, 2006. Our financial statements as of and for the nine months ended March 31, 2007 reflect the impact of adopting FAS 123R. In accordance with the modified prospective method, the financial statements for prior periods have not been restated to reflect, and do not include, the impact of FAS 123R.

Stock-based compensation expense recognized during the period is based on the value of the portion of stock-based payment awards that is ultimately expected to vest. Stock-based compensation expense recognized in the consolidated statement of operations during the nine months ended March 31, 2007, included compensation expense for the stock-based payment awards granted prior to, but not yet vested, as of March 31, 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 March 31, 2007, based on the grant date fair value estimated in accordance with FAS 123R. As stock-based compensation expense recognized in the statement of income for the nine months ended March 31, 2007 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures, FAS 123R requires forfeitures to be

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WARP 9, INC. AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED MARCH 31, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

STOCK-BASED COMPENSATION (CONTINUED)

estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. In the pro forma information required under FAS 148 for the periods prior to the year ended

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June 30, 2006, we accounted for forfeitures as they occurred. The stock-based compensation expense recognized in the consolidated statement of operations during the nine months ended March 31, 2007 is \$50,078.

	2007	2006
	-----	-----
Net loss as reported	\$ (321,424)	\$ (247,830)
Add: Stock based employee compensation expense included in net reported loss, net of related tax effect	-	-
Deduct: Stock based employee compensation expense determined under fair value based method for all awards, net of related tax effect	-	-
	-----	-----
Pro forma net loss	\$ (321,424)	\$ (247,830)
	=====	=====
Basic and diluted pro forma loss per share		
As reported	\$ (0.00)	\$ (0.00)
	=====	=====
Proforma	\$ (0.00)	\$ (0.00)
	=====	=====

3. CAPITAL STOCK

At March 31, 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 issuance of such shares. During the nine months ended March 31, 2007, the Company issued 38,106,982, shares of common stock ranging from \$0.0046 per share to \$0.0089 per share for the conversion of the debenture with a value of \$245,000.

4. CONVERTIBLE DEBENTURES

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
MARCH 31, 2007

4. CONVERTIBLE DEBENTURES (Continued)

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

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

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

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

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

The debentures mature on the third anniversary of the date of issuance, and the Company is not required to make any payments until the maturity dates. Interest is accrued at 10% per annum on the principal balance outstanding. At March 31, 2007, the outstanding balance of the debentures was \$895,000 and the interest accrued was \$117,240.

5. SUBSEQUENT EVENTS

During the month of April 2007, the Company terminated its license agreement with Zingerang, Inc. which required Zingerang to pay royalties for the use of certain technology licensed from the Company. As a result of the cancellation of this agreement the Company wrote off a \$50,000 receivable balance that was due to the Company under the terms of the

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agreement. This write off has been reflected in the accompanying financial statements.

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

CAUTIONARY STATEMENTS

This Form 10-QSB may contain "forward-looking statements," as that term is used in federal securities laws, about Warp 9, Inc.'s financial condition, results of operations and business. These statements include, among others:

- o statements concerning the potential benefits that Warp 9, Inc. ("W9" or the "Company") may experience from its business activities and certain transactions it contemplates or has completed; and
- o statements of W9's expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts. These statements may be made expressly in this Form 10-QSB. You can find many of these statements by looking for words such as "believes," "expects," "anticipates," "estimates," "opines," or similar expressions used in this Form 10-QSB. These forward-looking statements are subject to numerous assumptions, risks and uncertainties that may cause W9's actual results to be materially different from any future results expressed or implied by W9 in those statements. The most important facts that could prevent W9 from achieving its stated goals include, but are not limited to, the following:
 - (a) volatility or decline of the Company's stock price;
 - (b) potential fluctuation in quarterly results;
 - (c) failure of the Company to earn revenues or profits;
 - (d) inadequate capital to continue or expand its business, inability to raise additional capital or financing to implement its business plans;
 - (e) failure to commercialize its technology or to make sales;
 - (f) changes in demand for the Company's products and services;
 - (g) rapid and significant changes in markets;
 - (h) litigation with or legal claims and allegations by outside parties;
 - (i) insufficient revenues to cover operating costs;
 - (j) failure to re-license or otherwise successfully commercialize the Roaming Messenger technology.

There is no assurance that the Company will be profitable, the Company

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may not be able to successfully develop, manage or market its products and

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services, the Company may not be able to attract or retain qualified executives and technology personnel, the Company may not be able to obtain customers for its products or services, the Company's products and services may become obsolete, government regulation may hinder the Company's business, additional dilution in outstanding stock ownership may be incurred due to the issuance of more shares, warrants and stock options, or the exercise of outstanding warrants and stock options, and other risks inherent in the Company's businesses.

Because the statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by the forward-looking statements. W9 cautions you not to place undue reliance on the statements, which speak only as of the date of this Form 10-QSB. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that W9 or persons acting on its behalf may issue. The Company does not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this Form 10-QSB, or to reflect the occurrence of unanticipated events.

CURRENT OVERVIEW

Warp 9 is a provider of e-commerce software platforms and services for the catalog and retail industry. Our suite of software platforms are designed to help multi-channel retailers maximize the Internet channel by applying our technologies for online catalogs, e-mail marketing campaigns, and interactive visual merchandising. Offered as an outsourced and fully managed Software-as-a-Service ("SaaS") model, our products allow customers to focus on their core business, rather than technical implementations and software and hardware architecture, design, and maintenance. We also offer professional services to our clients which include online catalog design, merchandizing and optimization, order management, e-mail marketing campaign development, integration to third party payment processing and fulfillment systems, analytics, custom reporting and strategic consultation.

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

We charge our customers a monthly fee for using our e-commerce software based on a Software-as-a-Service model. These fees include fixed monthly charges, and variable fees based on the sales volume of our clients' e-commerce websites. Unlike traditional software companies that sell software on a perpetual license where quarterly and annual revenues are quite difficult to predict, our SaaS model spreads the collection of contract revenue over several quarters or years and makes our revenues more predictable for a longer period of time.

To date, almost all of our revenues are generated from Warp 9 e-commerce products and services. However, we also licensed our patented mobile messaging technology on an exclusive basis to one licensee, which was terminated effective April 2, 2007. The Company has re-acquired the entire Roaming Messenger technology, but does not in the foreseeable future plan to restart the Roaming Messenger business. Instead, the Company currently plans to re-license

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the Roaming Messenger technology to a new licensee yet to be identified. There is no assurance that the Company will be able to find a new licensing candidate or license the Roaming Messenger technology on terms satisfactory to it or at all.

The quarter ended March 31, 2007 was the second highest revenue quarter in the history of the Company. The primary reasons for this revenue increase were: (i) increases in monthly fees due to higher sales volumes by our growing number of e-commerce clients and (ii) more professional services work from clients such as custom marketing campaigns, augmenting website functionality, and custom programming projects. One of the reasons for the increase in monthly fees is because our SaaS pricing model is based in part on the sales volume of our clients' e-commerce websites.

The results of operation for the quarter ended March 31, 2007 are the second complete quarter of financials which solely reflect the Warp 9 e-commerce products and services operation.

While the Warp 9 Internet Commerce System (ICS) is our flagship and highest revenue product, we have been developing and deploying new products based a proprietary virtual publishing technology that we have developed. These new products will allow for the creation of interactive web versions of paper catalogs and magazines where users can flip through pages with a mouse and click on products or advertisements. These magazines or catalogs will have built-in integration for e-commerce transactions through our ICS product and other transaction based activities. This means that when shoppers click on a product, they are taken to the e-commerce product page where they can add that product to their shopping cart for purchasing. Clients utilizing this technology have discovered when exposing consumers to the virtual catalogs, a higher average order size and significant increase in rate of conversion result. We have been selling this solution on a limited basis as a professional service while we refine the product and technology. We believe there are many markets for our virtual catalog and magazine technology and we intend to market test these new products in the near future.

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2007 COMPARED TO THE SAME PERIOD IN 2006

Total revenue for the three-month period ending March 31, 2007 was \$771,989, representing an increase of 93% from the three-month period ending March 31, 2006 of \$399,885. The 93% increase in revenue was primarily due to (1) the increase in monthly fees from our e-commerce software as a result of a larger customer base that is experiencing higher sales volumes, and (ii) a general increase in professional services from having more customers.

The cost of revenue for the three-month period ending March 31, 2007 was 19% as compared to 21% for the three-month period ending March 31, 2006. The decrease in the cost of revenue is a result of the increased sales of higher margin Warp 9 e-commerce software products and services.

Total operating expenses were \$540,090 for the three months ended March 31, 2007 as compared to \$650,696 for the three months ended March 31, 2006. The

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change is primarily due to the virtual elimination of all operating costs relating to the Roaming Messenger business, which was licensed to a third party in September 2006 for operation by it on an exclusive basis. The Company terminated the exclusive licensing agreement and re-acquired the Roaming

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Messenger technology, but does not intend to restart the Roaming Messenger business. Instead, it intends to seek another licensing candidate.

Selling, general and administrative expenses for the three month period ended March 31, 2007 was \$497,015 as compared to \$519,472 for the three month period ended March 31, 2006.

Non-cash selling, general and administrative expenses for the three months ended March 31, 2007 totaled \$9,696 for employee stock option expenses.

Research and development expenses for the three month period ended March 31, 2007 was \$1,395 compared to \$106,377 for the three month period ended March 31, 2006. This decrease is due to the elimination of research and development costs relating to the Roaming Messenger business.

Expense related to depreciation and amortization was \$41,680 for the three months ended March 31, 2007 as compared to \$24,847 for the prior year.

Total other income and expense was (\$58,815) for the three months ended March 31, 2007, as compared to (\$60,687) for the three months ended March 31, 2006.

For the three months ended March 31, 2007, the Company's consolidated net income was \$26,405 as compared to a consolidated net loss of (\$398,706) for the three months ended March 31, 2006. We achieved a consolidated net income because of the elimination of costs previously associated with the Roaming Messenger operation, and a general increase in customers for Warp 9 e-commerce products and services.

RESULTS OF OPERATIONS FOR THE NINE-MONTH PERIOD ENDED MARCH 31, 2007 COMPARED TO THE SAME PERIOD IN 2006

Total revenue for the nine-month period ending March 31, 2007 was \$2,108,419, representing an increased of 60% from the nine-month period ending March 31, 2006 which was \$1,255,956. The 60% increase in revenue was primarily due to (i) the increase in monthly fees from our e-commerce software as a result of a larger customer base that experienced higher sales volumes, and (ii) a general increase in professional services from having more customers.

The cost of revenue for the nine-month period ending March 31, 2007 was 21% as compared to 28% for the nine-month period ending March 31, 2006. The decrease in the cost of revenue is a result of the increased sales of higher margin Warp 9 e-commerce software products and services.

Total operating expenses were \$1,758,077 for the nine months ended March 31, 2007 as compared to \$2,041,072 for the nine months ended March 31, 2006. The change is primarily due to the virtual elimination of all operating costs relating to the Roaming Messenger business which was licensed to a third

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party in September 2006 for operation by it on an exclusive basis. The Company terminated the exclusive licensing agreement and re-acquired the Roaming Messenger technology, but does not intend to restart the Roaming Messenger business. Instead, it intends to seek another licensing candidate.

Selling, general and administrative expenses for the nine month period ended March 31, 2007 was \$1,527,412 as compared to \$1,649,729 for the nine month period ended March 31, 2006. The difference is primarily due to a decrease in expense in stock compensation relating to the Roaming Messenger business.

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Non-cash selling, general and administrative expenses for the nine months ended March 31, 2007 totaled \$50,078 for employee stock option expenses.

Research and development expenses for the nine month period ended March 31, 2007 is \$108,772 compared to \$319,131 for the nine month period ended March 31, 2006. This decrease is due to the elimination of research and development costs relating to the Roaming Messenger business in September 2006.

Expenses related to depreciation and amortization was \$121,893 for the nine months ended March 31, 2007 as compared to \$72,212 for the prior year.

Total other income and expense was (\$118,916) for the nine months ended March 31, 2007, as compared to (\$164,570) for the nine months ended March 31, 2006. The decrease is the result a \$17,950 charge for the conversion feature, in accordance with EITF-98-5, of the convertible debentures with Cornell Capital, a reduction of interest expense by \$40,895, and an income increase of \$27,017 from the sub-lease of office facilities.

For the nine months ended March 31, 2007, the Company's consolidated net loss was (\$221,424) as compared to a consolidated net loss of (\$1,303,280) for the nine months ended March 31, 2006.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash at March 31, 2007 of \$248,203 as compared to cash of \$387,180 as of March 31, 2006. The Company had net working capital deficit (i.e. the difference between current assets and current liabilities) of (\$482,178) at March 31, 2007 as compared to a net working capital deficit of (\$403,985) at March 31, 2006. Cash flow utilized by operating activities was (\$368,346) for the nine months ended March 31, 2007 as compared to cash utilized for operating activities of (\$812,577) during the nine months ended March 31, 2006. Cash flow used in investing activities was (\$13,702) for the nine months ended March 31, 2007 as compared to cash used in investing activities of (\$42,074) during the nine months ended March 31, 2006. Cash flow provided by financing activities was \$243,071 for the nine months ended March 31, 2007 as compared to cash provided by financing activities of \$934,902 for the nine months ended March 31, 2006.

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On August 11, 2005, the Company was approved for a \$100,000 revolving line of credit from Bank of America at an interest of prime plus 4 percentage points. This line of credit is not secured by assets of the Company. The effective interest rate on the line of credit at March 31, 2007 was 12.25% per annum. At March 31, 2007, \$57,319 was borrowed under this line of credit.

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.

ITEM 3. CONTROLS AND PROCEDURES

The Company's Chairman, Chief Executive Officer, and Chief Financial Officer has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this

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quarterly report and, based on this evaluation, has concluded that the disclosure controls and procedures are effective.

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

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

PART II. - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES

During the three months ended March 31, 2007, the Company issued 11,123,596 shares of common stock ranging from \$0.0050 per share to \$0.0089 per share for the conversion of the Cornell debenture with an outstanding balance reduction of \$60,000.

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

Effective as of April 2, 2007, the Company terminated its Exclusive Technology License Agreement (the "License Agreement") with Zingerang, Inc., a Nevada corporation ("Zingerang") pursuant to which the Company had previously granted an exclusive (including to the exclusion of the Company), worldwide, sub-licensable, transferable, royalty-bearing right and license to make, have made, import, use, offer for sale, sell, reproduce, distribute, display, perform or otherwise exploit the Company's Roaming Messenger(R) technology, Roaming Messenger(R) and eCapsule(R) trademarks, and patent application numbers 20060165030, 20060123396, and 20030110097 (collectively, the "Roaming Messenger Technology") for a period of ten years. Pursuant to the Termination and Assignment between the Company and Zingerang, Zingerang assigned back to the Company all of the Roaming Messenger Technology in consideration for the Company waiving payment of a \$50,000 licensing fee owed by Zingerang to the Company. Zingerang assigned all of its right, title and interest in and to the Roaming Messenger Technology back to the Company, including all copyrights and patent rights throughout the world. The Company accepted the assignment and will explore its options to re-license the Roaming Messenger Technology to a new licensee.

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In April 2007, the Company agreed to sell back to Zingerang 35,000,000 of the 40,000,000 shares of the common stock of Zingerang owned by it for a sale price of \$0.00025 per share, representing a total sale price of \$8,750. Pursuant to its original stock purchase agreement with Zingerang, the Company agreed that it would not sell or offer to sell any unregistered shares of Zingerang's common stock until a date two (2) years after a Registration Statement on Form SB-2 is filed by Zingerang and declared effective by the Securities and Exchange Commission (the "Lock-up Term"). Upon the expiration of the Lock-up Term, the Company will be entitled to piggyback registration rights.

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ITEM 6. 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)
10.1	First Agreement and Plan of Reorganization between Latinocare Management Corporation, a Nevada corporation, and Warp 9, Inc., a Delaware corporation (3)
10.2	Second Agreement and Plan of Reorganization between Latinocare Management Corporation, a Nevada corporation, and Warp 9, Inc., a Delaware corporation (4)
10.3	Exchange Agreement and Representations for Shareholders of Warp 9, Inc.(3)
10.4	Termination and Assignment (5)
31.1	Section 302 Certification
32.1	Section 906 Certification

- (1) Incorporated by reference from the exhibits included with the Company's prior Report on Form 10-KSB filed with the Securities and Exchange Commission, dated March 31, 2002.
- (2) Incorporated by reference from the exhibits included in the Company's Information Statement filed with the Securities and Exchange Commission, dated August 1, 2003.
- (3) Incorporated by reference from the exhibits included with the Company's prior Report on Form SC 14F1 filed with the Securities and Exchange Commission, dated April 8, 2003.
- (4) Incorporated by reference from the exhibits included with the Company's prior Report on Form 8K filed with the Securities and Exchange Commission, dated May 30, 2003.
- (5) Incorporated by reference from the exhibits included with the Company's prior Report on Form 8K filed with the Securities and Exchange Commission, dated May 7, 2007.

(b) The following is a list of Current Reports on Form 8-K filed by the Company during and subsequent to the quarter for which this report is filed.

- (1) Form 8-K Report filed with the Securities and Exchange

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Commission on May 7, 2007 regarding the termination of the license agreement with Zingerang, Inc.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 15, 2007

WARP 9, INC.

By: \s\ Harinder Dhillon

Harinder Dhillon, Chief Executive Officer
and President

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

By: \s\ Louie Ucciferri

Dated: May 15, 2007

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

By: \s\ Harinder Dhillon

Dated: May 15, 2007

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

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