WARP 9, INC.
Form 10-Q
May 24, 2010

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

FORM 10-Q

(Mark One)

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

For Quarterly Period Ended March 31, 2010

or

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

For the Transition period from _______________ to ______________

Commission File Number: 0-13215

WARP 9, INC.

(Exact name of registrant as specified in its charter)

CALIFORNIA	30-0050402
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6500 HOLLISTER AVENUE, SUITE 120, SANTA BARBARA, CA 93117

(Address of principal executive offices) (Zip Code)

(805) 964-3313

Registrant's telephone number, including area code

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

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

Yes[__] No[_X_]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (ss.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes[__] No[_X_]

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

Large accelerated filer	[___]	Accelerated filer	[___]
Non-accelerated filer (Do not check if a smaller reporting company)	[___]	Smaller reporting company	[_X_]

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

Yes[__] No[_X_]

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 20, 2010 the number of shares outstanding of the registrant's class of common stock was 340,579,815.

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PART I. - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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WARP 9, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	March 31, 2010 (Unaudited)	June 30, 2009
ASSETS		
CURRENT ASSETS		
Cash	$ 915,410	$ 849,508
Restricted Cash	93,000	93,000
Accounts Receivable, net	266,544	324,668
Prepaid and Other Current Assets	19,538	11,804
Current Portion of Deferred Tax Asset	164,441	165,167
TOTAL CURRENT ASSETS	1,458,933	1,444,147
PROPERTY & EQUIPMENT, at cost		
Furniture, Fixtures & Equipment	89,485	89,485
Computer Equipment	514,450	511,889
Commerce Server	50,000	50,000
Computer Software	20,033	9,476
	673,968	660,850
Less accumulated depreciation	(643,451)	(621,829)
NET PROPERTY AND EQUIPMENT	30,517	39,021
OTHER ASSETS		
Lease Deposit	17,000	9,749
Internet Domain, net	763	891
Long Term Deferred Tax Asset	1,721,501	1,762,727
TOTAL OTHER ASSETS	1,739,264	1,773,367
TOTAL ASSETS	$ 3,228,714	$ 3,256,535
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	$ 41,226	$ 70,573
Credit Cards Payable	1,395	254
Accrued Expenses	60,551	87,194
Note Payable, Current Portion	35,362	33,916
Customer Deposit	41,531	48,431
Capitalized Leases	1,425	8,138
TOTAL CURRENT LIABILITIES	181,490	248,506

LONG TERM LIABILITIES		
Note Payable	20,235	46,542
TOTAL LONG TERM LIABILITIES	20,235	46,542
TOTAL LIABILITIES	201,725	295,048
SHAREHOLDERS' EQUITY		
Common Stock, $0.001 Par Value; 495,000,000 Authorized Shares; 340,579,815 Shares Issued and Outstanding	340,579	340,579
Additional Paid In Capital	6,904,876	6,897,311
Accumulated Deficit	(4,218,466)	(4,276,403)
TOTAL SHAREHOLDERS' EQUITY	3,026,989	2,961,487
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 3,228,714	$ 3,256,535

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

WARP 9, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Three Months Ended	
	March 31, 2010	March 31, 2009
REVENUE	$ 299,624	$ 485,088
COST OF SERVICES	27,610	38,979
GROSS PROFIT	272,014	446,109
OPERATING EXPENSES		
Selling, General and Administrative Expenses	332,012	318,769
Research and Development	5,000	5,000
Stock Option Expense	2,126	2,641
Depreciation and Amortization	7,387	16,513
TOTAL OPERATING EXPENSES	346,525	342,923
INCOME/(LOSS) FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES)	(74,511)	103,186
OTHER INCOME/(EXPENSE)		
Interest Income	9,654	7,988

Other Income	218	11,358
Interest Expense	(1,669)	(768)
TOTAL OTHER INCOME/(EXPENSE)	8,203	18,578
INCOME FROM OPERATIONS BEFORE PROVISION FOR TAXES	(66,308)	121,764
PROVISION FOR INCOME (TAXES)/BENEFIT		
Income (Taxes)/Benefit	26,200	18,332
NET INCOME/(LOSS)	$ (40,108)	$ 140,096
BASIC EARNINGS PER SHARE	$ (0.00)	$ 0.00
DILUTED EARNINGS PER SHARE	$ (0.00)	$ 0.00
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING		
BASIC	340,579,815	340,579,815
DILUTED	340,579,815	340,579,815

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

WARP 9, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED MARCH 31, 2010

	Shares	Common Stock	Addit Paid Capi
Balance, June 30, 2009	340,579,815	$ 340,579	$ 6,89
Stock compensation expense (unaudited)	-	-	
Net income for the nine months ended March 31, 2010 (unaudited)	-	-	
Balance, March 31, 2010 (unaudited)	340,579,815	$ 340,579	$ 6,90

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

WARP 9, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended March 31, 2010	Nine Months Ended March 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 57,937	$ 192,006
Adjustment to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	21,750	49,539
Bad debt expense	(39,228)	(38,562)
Cost of stock compensation recognized	7,565	8,565
Changes in Assets and Liabilities		
(Increase) Decrease in:		
Accounts receivable	97,352	(170,120)
Prepaid and other assets	(7,734)	4,588
Deferred tax asset	41,952	161,872
Deposits	(7,251)	-
Increase (Decrease) in:		
Accounts payable and credit cards payable	(28,207)	(24,569)
Accrued expenses	(26,643)	(17,252)
Deferred Income	-	(24,666)
Other liabilities	(6,900)	8,250
NET CASH PROVIDED BY OPERATING ACTIVITIES	110,593	149,651
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(13,118)	(6,286)
NET CASH USED IN INVESTING ACTIVITIES	(13,118)	(6,286)

CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(24,861)	(80,562)
Payments on capitalized leases	(6,713)	(19,148)
Proceeds from line of credit	-	606
Proceeds from issuance of common stock, net of cost	-	(400)
NET CASH USED IN FINANCING ACTIVITIES	(31,574)	(99,504)
NET INCREASE IN CASH	65,901	43,861
CASH, BEGINNING OF PERIOD	849,508	680,649
CASH, END OF PERIOD	$ 915,409	$ 724,510
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 5,785	$ 14,678
Taxes paid	$ 1,928	$ 6,254

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, 2010

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, 2010 are not necessarily indicative of the results that may be expected for the year ending June 30, 2010. For further information refer to the financial statements and footnotes thereto included in the Company's Form 10K for the year ended June 30, 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

STOCK-BASED COMPENSATION
The Company addressed the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for either equity instruments of the enterprise or liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. The transactions are accounted for using a fair-value-based method and recognized as expenses in our statement of income. There was no material impact on the Company's financial statement of operations.

Stock-based compensation expense recognized during the period is based on the value of the portion of stock-based payment awards that is ultimately expected to vest. Stock-based compensation expense recognized in the consolidated statement of operations during the nine months ended March 31, 2010, included compensation expense for the stock-based payment awards granted prior to, but not yet vested, as of March 31, 2010 based on the grant date fair value estimated. Stock-based compensation expense recognized in the statement of income for the nine months ended March 31, 2010 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The stock-based compensation expense recognized in the consolidated statements of operations during the nine months ended March 31, 2010 and 2009 are $7,565 and $8,565 respectively.

3. CAPITAL STOCK

At March 31, 2010 and June 30, 2009, 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.

4. 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

4. STOCK OPTIONS AND WARRANTS (Continued)

Incentive Option is to be no less than the Fair Market Value of the Common

Stock on the date the option was granted (110% of the Fair Market Value in the case of a greater-than-10% stockholder). The purchase price per share of the Common Stock under each Nonqualified Option were to be specified by the Board at the 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.

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

	Period Ended 3/31/2010
Risk free interest rate	3.01% - 5.07%
Stock volatility factor	0.31 -186.29
Weighted average expected option life	4 years
Expected dividend yield	none

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

	Period Ended 03/31/2010	
	Options	Weighted average exercise price
Outstanding -beginning of period	12,400,000	$ 0.02
Granted	340,000	0.01
Exercised	-	-
Forfeited	(1,400,000)	(0.02)
Outstanding - end of period	11,340,000	$ 0.01
Exercisable at the end of period	10,015,394	$ 0.01
Weighted average fair value of options granted during the year		$ -

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.

WARP 9, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
March 31, 2010

4. STOCK OPTIONS AND WARRANTS (Continued)

The weighted average remaining contractual life of options outstanding issued under the plan as of March 31, 2010 was as follows:

Exercise prices	Number of options outstanding	Weighted Average remaining contractual life (years)
$ 0.070	100,000	3.75
$ 0.080	50,000	1.76
$ 0.010	10,990,000	3.88
$ 0.008	100,000	8.09
$ 0.014	100,000	8.26
	11,340,000	

5. INCOME TAXES

The Company files income tax returns in the U.S. Federal jurisdiction, and the state of California. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2007.

The Company accounts for uncertainty in tax positions by recognition in the financial statements.

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

6. SUBSEQUENT EVENT

The Company has evaluated subsequent events per the requirements of ASC Topic 855 and has identified the following reportable subsequent events:

On April 5, 2010, the Company received notification that Ericsson, Inc. presented a Demand for Payment to draw on the standby letter of credit of $93,000 (restricted cash) under the assertion that the Company was under an Event of Default. The Company is disputing the claim of default.

The Company has entered into a five year Lease Agreement for approximately 5,251 sq ft office space at a Base Rent of $1.45 per square foot per month, triple-net, beginning May 1, 2010.

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

OF OPERATIONS

CAUTIONARY STATEMENTS

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

- 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

- statements of W9's expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts. These statements may be made expressly in this Form 10-Q. You can find many of these statements by looking for words such as "believes," "expects," "anticipates," "estimates," "opines," or similar expressions used in this Form 10-Q. These forward-looking statements are subject to numerous assumptions, risks and uncertainties that may cause W9's actual results to be materially different from any future results expressed or implied by W9 in those statements. The most important facts that could prevent W9 from achieving its stated goals include, but are not limited to, the following:

  (a) volatility or decline of the Company's stock price;

  (b) potential fluctuation in quarterly results;

  (c) failure of the Company to earn revenues or profits;

  (d) inadequate capital to continue or expand its business, and inability to raise additional capital or financing to implement its business plans;

  (e) failure to further commercialize its technology or to make sales;

  (f) reduction in demand for the Company's products and services;

  (g) rapid and significant changes in markets;

  (h) litigation with or legal claims and allegations by outside parties, reducing revenue and increasing costs;

  (i) insufficient revenues to cover operating costs;

  (j) failure of the re-licensing or other commercialization of the Roaming Messenger technology to produce revenues or profits;

  (k) aspects of the Company's business are not proprietary and in general the Company is subject to inherent competition;

  (l) further dilution of existing shareholders' ownership in Company; and

  (m) uncollectible accounts and the need to incur expenses to collect amounts owed to the Company.

There is no assurance that the Company will be profitable, the Company may not be able to successfully develop, manage or market its products and services, the Company may not be able to attract or retain qualified executives and technology personnel, the Company may not be able to obtain customers for its products or services, the Company's products and services may become obsolete, government regulation may hinder the Company's business, additional dilution in outstanding stock ownership may be incurred due to the issuance of more shares, warrants and stock options, the exercise of outstanding warrants and stock options, or other risks inherent in the Company's businesses.

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

CURRENT OVERVIEW

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

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

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

While the Warp 9 Internet Commerce System ("ICS") is our flagship and highest revenue product, we have been developing and deploying new products based on a proprietary virtual publishing technology that we have developed. These new products have allowed for the creation of interactive web versions of paper catalogs ("VCS") and magazines ("VMS") where users can flip through pages with a mouse and click on products or advertisements. These magazines or catalogs have built-in integration for e-commerce transactions through our ICS product and other transaction based activities. Clients utilizing this technology have discovered when exposing consumers to virtual catalogs, a higher average order size and significant increase in rate of conversion result. The marketplace for these e-commerce solutions, especially in the SaaS sector has become increasingly crowded with new competitors. While not all these competitors compete directly with us in terms of features and capabilities, the increased amount of competitors has impacted the length of sales closing and the close rate itself.

Research and development ("R&D") efforts have been focused both on these new products and on updating our current products with new features. In the planning phase of these new features, we look to direct client feedback and feature requests; we study the e-commerce landscape to determine features that will provide our clients with a competitive advantage in producing greater and more effective selling; and we also examine features that will create a competitive advantage during our sales process to clients. Emerging and declining trends also play a role in how clients perceive what features should be provided by which vendors. We are sometimes able to capitalize on these opportunities by bundling features for greater value and/or increased fees and revenue. Management believes that in order to compete successfully, it must dedicate a greater allocation of resources to research and development. Creating new products and revamping the current products must be part of the ongoing operational practice in order to compete successfully. There can be no assurance that management will be able successfully devote the resources needed for this research and development and that it will be able to compete successfully.

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.

RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2010 COMPARED TO THE THREE AND NINE MONTHS ENDED MARCH 31, 2009

REVENUE

Total revenue for the three months ended March 31, 2010 decreased by ($185,464) to $299,624 compared to $485,088 for the same prior period. For the nine months ended March 31, 2010, total revenue decreased by ($384,947) to $1,188,165 compared to $1,573,112 in the same prior period. The overall decrease in revenue was primarily the result of the decrease in recurring monthly fees caused by client terminations combined with a reduction of online marketing services due to budget cut-backs by our clients. The client terminations were due to both i) the financial environment affecting the clients' fiscal health and in turn, Warp 9's revenue stream from those clients and ii) increased competition in the e-commerce software space and the perceived competitive nature of the ICS product-line.

COST OF REVENUE

The cost of revenue for the three months ended March 31, 2010 decreased by ($11,369) to $27,610 compared to $38,979 for the same prior period. For the nine months ended March 31, 2010 the cost of revenue decreased ($15,759) to $103,115 compared to $118,874 for the same prior period. The overall decrease was primarily due to the decrease in sales commissions.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses for the three months ended March 31, 2010 increased $13,243 to $332,012 compared to $318,769 for the same prior period. For the quarter, the increase was due to an increased recognition of certain bad debt allowance due to accounts receivable aged more than 90 days partially offset by a reduction in employee expense as a result of reduced executive bonus compensation. For the nine months ended March 31, 2010, SG&A expenses decreased by ($58,238) to $980,191 compared to $1,038,429 for the same prior period. This decrease in SG&A expenses was primarily due to decreased employee expenses caused by reduced executive bonus compensation partially offset by an increased recognition of certain bad debt allowance due to accounts receivable aged more than 90 days.

RESEARCH AND DEVELOPMENT

Research and development expenses for the three months ended March 31, 2010 remained at $5,000 as compared to $5,000 for the same prior period. For the nine months ended March 31, 2010, the research and development expenses decreased ($16,877) to $15,000 compared to $31,877 for the same prior period. The overall decrease was due to a reduction in budget for research and development and the decrease in employee expenses caused by staff reductions allocated for product development and improvement.

NET INCOME/(LOSS)

The consolidated net loss for the three months ended March 31, 2010 was ($40,108) compared to the consolidated net income of $140,096 for the same prior period. For the quarter, the loss is mainly attributable to a reduction in gross revenue partially offset by a provision for income tax benefit. For the nine months ended March 31, 2010 the consolidated net income was $57,937 compared to $192,006 for the same prior period. The overall decrease in consolidated net income for the nine months ended March 31, 2010 is mainly attributable to a reduction in gross revenue substantially offset by a reduction in the provision for income tax benefit.

LIQUIDITY AND CAPITAL RESOURCES

The Company had net working capital (i.e. the difference between current assets and current liabilities) of $1,277,443 at March 31, 2010 as compared to a net working capital of $1,195,641 at June 30, 2009. The decrease in net working capital at March 31, 2010 was caused by a reduction in revenue and net income during the nine months ended March 31, 2010.

Cash flow provided by operating activities was $110,593 for the nine months ended March 31, 2010 as compared to $149,651 for the same prior period. The decrease in cash flow of ($39,058) provided by operating activities was primarily due to a reduction in net income, deferred tax asset, combined with an increase in account receivable collections and the recognition of deferred income.

Cash flow used in investing activities was ($13,118) for the nine months ended March 31, 2010 as compared to ($6,286) for the same prior period. The increase in cash flow of $6,832 used in investing activities was due to the purchase of computer equipment and software.

Cash flow used by financing activities was ($31,574) for the nine months ended March 31, 2010 as compared to ($99,504) for the same prior period. The decrease of $67,930 in cash flow used by financing activities was primarily due to the maturity of a note payable and payments toward capital leases.

While we expect that our capital needs in the foreseeable future will be met by cash-on-hand, there is no assurance that the Company will have sufficient capital to finance its growth and business operations, or that such capital will be available on terms that are favorable to the Company or at all. There is no assurance that we would be able to obtain additional working capital through the private placement of common stock or from any other source.

OFF-BALANCE SHEET ARRANGEMENTS

None.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

ITEM 4T. CONTROLS AND PROCEDURES.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by Warp 9 in the reports that it files under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer that it files under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer and principal financial officers, or persons performing similar functions as appropriate to allow timely decisions regarding required disclosure. The Company's Chairman, Chief Executive Officer, and Acting Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures for the Company.

Management has evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2010 (under the supervision and with the participation of the Company's Chairman, Chief Executive Officer, and Acting Chief Financial Officer) pursuant to Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended. As part of such evaluation, management considered the matters discussed below relating to internal control over financial reporting. Based on this evaluation, the Company's Chairman, Chief Executive Officer, and Acting Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective as of March 31, 2010.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes of accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to change in conditions, or the degree of compliance with the policies or procedures may deteriorate. After evaluating the Company's internal controls over financial reporting, the Company's Chairman, Chief Executive Officer, and Acting Chief Financial Officer have concluded that the internal controls over financial reporting are effective as of March 31, 2010.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

There are no current legal proceedings as of this time.

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

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. (REMOVED AND RESERVED)

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

EXHIBIT NO.	DESCRIPTION
3.1	Articles of Incorporation (1)
3.2	Bylaws (1)
4.1	Specimen Certificate for Common Stock (1)
4.2	Non-Qualified Employee Stock Option Plan (2)
10.1	First Agreement and Plan of Reorganization between Latinocare Management Corporation, a Nevada corporation, and Warp 9, Inc., a Delaware corporation (3)
10.2	Second Agreement and Plan of Reorganization between Latinocare Management Corporation, a Nevada

	corporation, and Warp 9, Inc., a Delaware corporation (4)
10.3	Exchange Agreement and Representations for Shareholders of Warp 9, Inc.(3)
10.4	Termination and Assignment (5)
31.1	Section 302 Certification
32.1	Section 906 Certification

(1) Incorporated by reference from the exhibits included with the Company's prior Report on Form 10-KSB filed with the Securities and Exchange Commission, dated March 31, 2002.

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

(3) Incorporated by reference from the exhibits included with the Company's prior Report on Form SC 14F-1 filed with the Securities and Exchange Commission, dated April 8, 2003.

(4) Incorporated by reference from the exhibits included with the Company's prior Report on Form 8-K 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 8-K 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) None

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 24, 2010

WARP 9, INC.

(Registrant)

By: \s\Harinder Dhillon

Harinder Dhillon, Chief Executive Officer and President

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

By: \s\Louie Ucciferri Dated: May 24, 2010

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

By: \s\Harinder Dhillon Dated: May 24, 2010

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