WARP 9, INC.
Form 10-Q
November 12, 2014

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 September 30, 2014

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)

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

1933 CLIFF DRIVE, SUITE 11, SANTA BARBARA, CA 93109

(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[_X_] No[__]

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[_X_]	No[__]

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

Large accelerated filer	[___]	Accelerated filer	[___]
Non-accelerated filer (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 November 12, 2014, the number of shares outstanding of the registrant's class of common stock was 105,790,195.

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PART I. - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

WARP 9, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2014
ASSETS	
CURRENT ASSETS	
Cash	$ 18,536
Accounts Receivable, net	83,322

Prepaid and Other Current Assets	3,798
TOTAL CURRENT ASSETS	105,656
PROPERTY & EQUIPMENT, at cost	
Furniture, Fixtures & Equipment	10,533
Computer Equipment	26,337
Computer Software	1,904
	38,774
Less accumulated depreciation	(25,182)
NET PROPERTY AND EQUIPMENT	13,592
OTHER ASSETS	
Lease Deposit	5,955
TOTAL OTHER ASSETS	5,955
TOTAL ASSETS	$ 125,203
LIABILITIES AND SHAREHOLDERS' EQUITY/(DEFICIT)	
CURRENT LIABILITIES	
Accounts Payable	$ 74,462
Accrued Expenses	75,562
Accrued Interest	-
Deferred Income	18,896
Convertible Notes Payable, current, net	193,807
Derivative Liability	1,600,545
Note Payable, Other	-
Customer Deposit	6,846
TOTAL CURRENT LIABILITIES	1,970,118
LONG TERM LIABILITIES	
Convertible Notes Payable, net	67,157
Accrued Expenses, long term	221,103
TOTAL LONG TERM LIABILITIES	288,260
TOTAL LIABILITIES	2,258,378
SHAREHOLDERS' EQUITY/(DEFICIT)	
Preferred Stock, $0.001 Par Value; 5,000,000 Authorized Shares; no shares issued and outstanding	-
Common Stock, $0.001 Par Value; 495,000,000 Authorized Shares; 100,878,825 and 100,878,825 Shares Issued and Outstanding, respectively	100,879
Additional Paid In Capital	7,471,782
Accumulated Deficit	(9,705,836)
TOTAL SHAREHOLDERS' EQUITY/(DEFICIT)	(2,133,175)

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY/(DEFICIT)	$	125,203

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

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

	Qu September 30, 2
REVENUE	$ 114,
COST OF SERVICES	14,
GROSS PROFIT	100,
OPERATING EXPENSES	
Selling, general and administrative expenses	309,
Stock option expense	5,
Depreciation and amortization	1,
TOTAL OPERATING EXPENSES	316,
LOSS FROM OPERATIONS BEFORE OTHER INCOME AND TAXES	(215,
OTHER INCOME/(EXPENSE)	
Other income	
Gain on sale of fixed assets	
Gain on extinguishment of debt	111,
Gain on changes in derivative liability	708,
Interest expense	(110,
TOTAL OTHER INCOME (EXPENSE)	709,
EARNINGS/(LOSS) FROM OPERATIONS BEFORE PROVISION FOR TAXES	493,
PROVISION FOR INCOME TAXES	
Income taxes paid	(1,
PROVISION FOR INCOME TAXES	(1,
NET INCOME/(LOSS)	$ 492,

EARNINGS/(LOSS) PER SHARE	
BASIC	$ 0
DILUTED	$ 0
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING	
BASIC	100,878,
DILUTED	261,216,

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

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WARP 9, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY/(DEFICIT)
(Unaudited)

	Preferred Stock		Common Stock		Additio Paid-
	Shares	Value	Shares	Value	Capit
Balance, June 30, 2013	-	$ -	96,135,126	$ 96,135	$ 7,37
Stock compensation expense	-	-	-	-	2
Note conversion	-	-	4,743,699	4,744	1
Net loss	-	-	-	-	
Discount on Note	-	-	-	-	5
Balance, June 30, 2014	-	-	100,878,825	100,879	7,46
Stock compensation expense (unaudited)	-	-	-	-	
Net Income (unaudited)	-	-	-	-	
Balance, September 30, 2014 (unaudited)	-	$ -	100,878,825	$ 100,879	$ 7,47

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

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

	Quarter Ended September 30, 2014	Quarter Ended September 30, 201
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	$ 492,160	$ (134,823
Adjustment to reconcile net loss to net cash (used) by operating activities		
Depreciation and amortization	1,149	39,196
Bad debt expense	3,781	-
Cost of stock compensation recognized	5,692	5,840
Amortization of debt discount	96,877	2,894
Gain on sale of fixed assets	-	(420
Gain on settlement of debt	(111,546)	-
Gain on change in derivative liability	(708,506)	-
Change in assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	14,290	23,587
Prepaid and other assets	1,642	(8,221
Other assets	-	(2,955
Increase in:		
Accounts payable	4,516	59,063
Accrued expenses	15,199	2,798
Deferred income	15,596	-
Other liabilities	-	4,398
NET CASH (USED) IN OPERATING ACTIVITIES	(169,150)	(8,643
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(2,355)	(2,368
Proceeds from sale of fixed assets	-	420

NET CASH (USED) IN INVESTING ACTIVITIES	(2,355)	(1,948
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of notes payable	140,000	35,000
NET CASH PROVIDED IN FINANCING ACTIVITIES	140,000	35,000
NET INCREASE/(DECREASE) IN CASH	(31,505)	24,409
CASH, BEGINNING OF YEAR	50,041	12,636
CASH, END OF QUARTER	$ 18,536	$ 37,045
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 44	$ 17
Taxes paid	$ 1,600	$ 2,753

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

WARP 9, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
SEPTEMBER 30, 2014

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 three months ended September 30, 2014 are not necessarily indicative of the results that may be expected for the year ending June 30, 2015. For further information refer to the financial statements and footnotes thereto included in the Company's Form 10K for the year ended June 30, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Warp 9, Inc. is presented to assist in understanding the Company's financial statements.

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

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

ACCOUNTS RECEIVABLE

The Company extends credit to its customers, who are located nationwide. 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 September 30, 2014 and June 30, 2014 are $28,687 and $24,907 respectively.

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 professional services and site development fees.

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

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

Upfront fees for development services or other customer services are deferred until certain implementation or contractual milestones have been achieved. The deferred revenue as of September 30, 2014 and June 30, 2014 was $18,896 and $3,300, respectively.

For the quarter ended, September 30, 2014, monthly recurring fees for mobile and desktop e-commerce development account for 29% of the Company's total revenues, professional services account for 66% and the remaining 5% of total revenues are from resale of third party products and services.

For the quarter ended, September 30, 2013, monthly recurring fees for mobile and desktop e-commerce development account for 33% of the Company's total revenues, professional services account for 65% and the remaining 2% of total revenues are from resale of third party products and services.

STOCK-BASED COMPENSATION

The Company addressed the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for either equity instruments of the enterprise or liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. The transactions are accounted for using a fair-value-based method and recognized as expenses in our statement of 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 quarter ended September 30, 2014, included compensation expense for the stock-based payment awards granted prior to, but not yet vested, as of September 30, 2014 based on the grant date fair value estimated. Stock-based compensation expense recognized in the statement of operations for the quarter ended September 30, 2014 is based on awards ultimately expected to vest, or has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The stock-based compensation expense recognized in the consolidated statements of operations during the quarter ended September 30, 2014 and 2013 was $5,692 and $5,840, respectively.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Management reviewed accounting pronouncements issued during the three months ended September 30, 2014, and no pronouncements were adopted during the period.

3. LIQUIDITY AND OPERATIONS

The Company had net income of $492,160 and net loss of $134,823 for the three months periods ended September 30, 2014 and 2013, respectively, and net cash used in operating activities of $169,150 and $8,643 for the same periods, respectively.

While Warp 9 expects that its capital needs in the foreseeable future may be met by cash-on-hand and projected positive cash-flow, there is no assurance that the Company will be able to generate enough positive cash flow or have sufficient capital to finance its growth and business operations, or that such capital will be available on terms that are favorable to the Company or at all. In the current financial environment, it could become difficult for the Company to obtain equipment leases and other business financing. There is no assurance that Warp 9 would be able to obtain additional working capital through the private placement of common stock or from any other source.

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 does not generate significant revenue, and has negative cash flows from operations, which 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, an additional cash infusion. The Company has obtained funds from its shareholders since its inception through September 30, 2014. It is management's plan to generate additional working capital from increasing sales from its desktop and Warp 9 Mobile service offerings, and then continue to pursue its business plan and purposes.

4. CONVERTIBLE NOTES PAYABLE

At June 30, 2007, the Company reclassified an accounts payable account to a vendor in the amount of $154,429 to a note payable. The monthly payment on the note is $3,342 per month and bears annual interest at the rate of 10% per annum. At June 30, 2014, the outstanding principal and accrued interest balance was $49,799. During the quarter ended September 30, 2014, the Company wrote off $49,799 pertaining to this liability, due to the statute of limitations having expired, and reported this amount as a gain on extinguishment of debt.

On March 25, 2013, the Company entered into a convertible promissory note (the "March 2013 Note") in the amount of $100,000, at which time an initial advance of $50,000 was received to cover operational expenses. The lender advanced an additional $20,000 on April 16, 2013, an additional $15,000 on May 1, 2013 and an additional $15,000 on May 16, 2013, for a total draw of $100,000. The terms of the March 2013 Note allow the lender to convert all or part of the outstanding balance plus accrued interest, at any time after the effective date, at a conversion price of the lower of (a) $0.015 per share, or (b) 50% of the lowest trade price of Common Stock recorded on any trade day after the effective date of the agreement. The March 2013 Note bears interest at a rate of 10% per year and matures on September 25, 2015. On May 23, 2014, the lender converted $17,000 of the $100,000 outstanding balance and accrued interest of $1,975 into 4,743,699 shares of common stock. On October 14, 2014, the lender converted $17,000 of the $83,000 outstanding balance and accrued interest of $2,645 into 4,911,370 shares of common stock. The balance of the March 2013 Note, as of September 30, 2014 is $66,000.

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WARP 9, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
SEPTEMBER 30, 2014

On May 16, 2013, the Company signed a convertible promissory note (the "May 2013 Note") in the amount of $100,000, at which time an initial advance of $10,000 was received to cover operational expenses. The lender advanced an additional $20,000 on June 3, 2013, an additional $25,000 on July 2, 2013, an additional $10,000 on September 3, 2013 and an additional $35,000 on February 18, 2014, for a total draw of $100,000. The terms of the May 2013 Note allow the lender to convert all or part of the outstanding balance plus accrued interest, at any time after the effective date, at a conversion price of the lower of (a) $0.015 per share, or (b) 50% of the lowest trade price of Common Stock recorded on any trade day after the effective date of the agreement. The Company recognized a discount on the May 2013 Note in the amount of $20,000, due to the beneficial conversion feature. This discount is being recognized over twelve months, beginning on the date of each tranche payment. As of September 30, 2014, the Company included $46,331 in interest expense related to the discount. The Company recorded debt discount of $23,669 related to the conversion feature of the May 2013 Note, along with derivative liabilities. The May 2013 Note bears interest at a rate of 10% per year and matures on November 16, 2015.

On March 4, 2014, the Company entered into a convertible promissory note (the "March 2014 Note") in the amount of $250,000, at which time an initial advance of $25,000 was received to cover operational expenses. The lender advanced an additional $20,000 on March 17, 2014 and an additional $30,000 on April 2, 2014, for a total draw of $75,000. The terms of the March 2014 Note allow the lender to convert all or part of the outstanding balance plus accrued interest, at any time after the effective date, at a conversion price of the lower of (a) $0.012 per share, or (b) 50% of the lowest trade price of Common Stock recorded on any trade day after the effective date of the agreement. The Company recorded a debt discount of $59,506 related to the beneficial conversion feature of the March 2014 Note, along with derivative liabilities. This discount is recognized over 18 months, beginning on the date of each tranche payment. As of September 30, 2014, the Company included $15,494 in interest expense related to the discount. The March 2014 Note bears interest at a rate of 10% per year and matures 18 months from the effective date of each advance.

On April 16, 2014, the Company entered into a convertible promissory note (the "April 2014 Note") in the amount of $300,000, at which time an initial advance of $40,000 was received to cover operational expenses. The lender advanced an additional $55,000 on April 30, 2014, an additional $40,000 on May 16, 2014, an additional $40,000 on June 2, 2014 and an additional $35,000 on June 30, 2014, for a total draw of $210,000. The terms of the April 2014 Note allow the lender to convert all or part of the outstanding balance plus accrued interest, at any time after the effective date, at a conversion price of the lower of (a) $0.012 per share, or (b) 50% of the lowest trade price of Common Stock recorded on any trade day after the effective date of the agreement. The Company recorded a debt discount of $251,994 related to the conversion feature of the April 2014 Note, along with derivative liabilities. This discount is recognized over 18 months, beginning on the date of each tranche payment. As of September 30, 2014, the Company included $48,006 in interest expense related to the discount. The April 2014 Note bears interest at a rate of 10% per year and matures 18 months from the effective date of each advance.

On September 5, 2014, the Company entered into a convertible promissory note (the "September 2014 Note") in the amount of $250,000, at which time an initial advance of $40,000 was received to cover operational expenses. The lender advanced an additional $10,000 on September 17, 2014, an additional $30,000 on October 1, 2014 and an additional $40,000 on October 16, 2014, for a total draw of $120,000. The terms of the September 2014 Note allow the lender to convert all or part of the outstanding balance plus accrued interest, at any time after the effective date, at a conversion price of the lower of (a) $0.015 per share, or (b) 50% of the lowest trade price of Common Stock recorded on any trade day after the effective date of the agreement. The Company recorded a debt discount of $47,934 related to the conversion feature of the April 2014 Note, along with derivative liabilities. As of September 30, 2014, the Company included $2,066 in interest expense related to the discount. The September 2014 Note bears interest at a rate of 10% per year and matures 18 months from the effective date of each advance.

ASC Topic 815 provides guidance applicable to convertible debt issued by the Company in instances where the number into which the debt can be converted is not fixed. For example, when a convertible debt converts at a discount to market based on the stock price on the date of conversion, ASC Topic 815 requires that the embedded conversion option of the convertible debt be bifurcated from the host contract and recorded at their fair value. In accounting for derivatives under accounting standards, the Company recorded a liability of $1,600,545 representing the estimated present value of the conversion feature considering the historic volatility of the Company's stock, and a discount of $383,104 representing the imputed interest associated with the embedded derivative. The discount is amortized over the life of the convertible debt, and the derivative liability is adjusted periodically according to stock price fluctuations. At the time of conversion, any remaining derivative liability will be charged to additional paid-in capital.

WARP 9, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
SEPTEMBER 30, 2014

For purpose of determining the fair market value of the derivative liability, the Company used Black Scholes option valuation model. The significant assumptions used in the Black Scholes valuation of the derivative are as follows:

Stock price on the valuation dates	$	0.0153
Conversion price for the debt	$	0.004 - 0.00555
Dividend yield		0%
Years to maturity		2 months - 18 months
Risk free rate		0.13% - 0.36%
Expected volatility		145.49% - 162.05%

Following is the five year maturity schedule for our convertible notes payable:

Year ended June 30,	Principle	Discount	Net Book Value
2015	$ 100,000	$ (13,303)	$ 86,697
2016	$ 508,000	$(333,733)	$ 174,267
2017	$ -	$ -	$ -
2018	$ -	$ -	$ -
2019	$ -	$ -	$ -

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 September 30, 2014 and 2013, 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.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 established a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;

- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and

- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

We measure certain financial instruments at fair value on a recurring basis. Assets and liabilities measured at fair value on a recurring basis are as follows at September 30, 2014:

	Total	(Level 1)	(Level 2)	(Level 3)
Assets	$ -	$ -	$ -	$ -
Total assets measured at fair value	$ -	$ -	$ -	$ -
Liabilities				
Derivative liability	1,600,545	-	-	1,600,545
Convertible notes, net of discount	260,964	-	-	260,964
Total liabilities measured at fair value	$ 1,861,509	$ -	$ -	$1,861,509

Assets and liabilities measured at fair value on a recurring basis are as follows at September 30, 2013:

	Total	(Level 1)	(Level 2)	(Level 3)
Assets	$ -	$ -	$ -	$ -
Total assets measured at fair value	$ -	$ -	$ -	$ -
Liabilities				
Derivative liability	-	-	-	-
Convertible notes, net of discount	161,845	-	-	161,845
Total liabilities measured at fair value	$ 161,845	$ -	$ -	$ 161,845

5. RELATED PARTIES

During the fiscal year ended June 30, 2012, the Company signed a licensing agreement with PageTransformer, to obtain expertise in the area of mobile app and mobile web development. This licensing agreement expired on June 30, 2014 and was not renewed. The two founders of PageTransformer, Andrew VanNoy and Zachary Bartlett, are our current Chief Executive Officer and our current Vice President of Operations, respectively. Other than the original licensing fee paid to PageTransformer, the Company has not made any subsequent payments to PageTransformer under the licensing agreement.

6. CAPITAL STOCK

At September 30, 2014 and 2013, 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, par value of $0.001 per share. The rights, preferences and privileges of the holders of the preferred stock will be determined by the Board of Directors prior to issuance of such shares. On May 23, 2014, the March 2013 Note holder converted $17,000 out of the $100,000 balance along with accrued interest of $1,975 into 4,743,699 shares of common stock. On October 14, 2014, the March 2013 Note holder converted $17,000 of the $83,000 outstanding balance and accrued interest of $2,645 into 4,911,370 shares of common stock. No transactions effecting capital stock were noted during the quarter (or three months) ended September 30, 2014.

7. STOCK OPTIONS AND WARRANTS

STOCK OPTIONS

Our 2003 Stock Option Plan for Directors, Officers, Employees and Key Consultants (the "2003 Plan") authorizing the issuance of up to 5,000,000 shares of our common stock pursuant to the grant and exercise of up to 5,000,000 stock options terminated upon the expiration of the remaining options granted under the 2003 Plan on May 24, 2014. In the future, we plan to establish a new management stock option plan pursuant to which stock options may be authorized and granted to our executive officers, directors, employees and key consultants. We expect to authorize up to 10% of our issued and outstanding Common Stock for future issuance under such plan. The Plan has been approved by the holders of our outstanding shares. We believe that stock option awards motivate our employees to work to improve our business and stock price performance, thereby further linking the interests of our senior management and our stockholders. The board considers several factors in determining whether awards are granted to an executive officer, including those previously described, as well as the executive's position, his or her performance and responsibilities, and the amount of options, if any, currently held by the officer and their vesting schedule. Our policy prohibits backdating options or granting them retroactively. As of June 30, 2014, no stock options granted under the Plan remain outstanding and the Plan terminated. As of September 30, 2014, 13,000,000 stock options granted outside of the Plan are outstanding.

The weighted average remaining contractual life of options outstanding as of September 30, 2014 was as follows:

Exercise prices	Number of options outstanding	Weighted Average remaining contractual life (years)
$ 0.005	12,500,000	4.87
$ 0.004	500,000	7.04
	13,000,000	

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

Quarter ended

	September 30, 2014	
	Options	Weighted average exercise price
Outstanding -beginning of period	13,000,000	$ 0.005
Granted	-	$ -
Exercised	-	$ -
Forfeited	-	$ 0.005
Outstanding - end of period	13,000,000	$ 0.005
Exercisable at the end of the period	9,252,511	$ 0.005
Weighted average fair value of options granted during the year		$ -

WARRANTS
During the quarter ended September 30, 2014, the Company issued no warrants for services. A summary of the Company's warrant activity and related information follows:

	Quarter Ended September 30, 2014		
	Warrants	Weighted average exercise price	Weighted Average remaining contractual life (years)
Outstanding/exercisable - beginning of period	28,019,163	$ 0.003	
Granted	-	-	
Exercised	-	-	
Forfeited	-	-	
Outstanding/exercisable - end of period	28,019,163	$ 0.003	1.52

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events according to the requirements of ASC TOPIC 855, and has reported the following events:

On October 1, 2014, October 16, 2014 and October 31, 2014, the Company received advances in the amounts of $30,000, $40,000 and $40,000, respectively, on the September 2014 Note.

On October 14, 2014, the March 2013 Note holder converted $17,000 of the $83,000 outstanding balance of the March 2013 Note, including accrued interest of $2,645, into 4,911,370 shares of common stock.

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

CAUTIONARY STATEMENTS

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

- statements concerning the potential for benefits that Warp 9 may experience from its business activities and certain transactions it contemplates or has completed; and

- statements of Warp 9's expectations, future plans and strategies, anticipated developments, and other matters that are not historical facts. These statements may be made expressly in this Form 10-Q. 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-Q. 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;

  (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;

  (i) insufficient revenues to cover operating costs;

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

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

  (l) uncollectible accounts and the need to incur expenses to collect amounts owed to the Company; and

  (m) lack of an Audit Committee and a sufficient number of independent directors.

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.

Because these statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by forward-looking statements. The Company cautions you not to place undue reliance on these 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 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-Q or to reflect the occurrence of unanticipated events.

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

CURRENT OVERVIEW

We are a provider of mobile and e-commerce solutions for midsize online sellers in the retail and business to business ("B2B") industries. Our solutions and services are designed to help multi-channel retailers maximize digital commerce revenues by applying our technologies and solutions for mobile e-commerce, desktop e-commerce, e-mail marketing, social media, and other digital avenues. Offered as an outsourced and fully managed Software-as-a-Service ("SaaS") model, our solutions 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 graphic design, store management, new feature development, promotion management, search engine optimization ("SEO"), Social Media management, merchandizing, integration to third party payment processing and fulfillment systems, analytics, custom reporting, and strategic consultation.

We believe 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 digital presence.

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

A significant portion of the Company's revenues are from monthly recurring fees for mobile and desktop development. During the quarter ended September 30, 2014, these products accounted for approximately 29% of our gross revenue. During the quarter ended September 30, 2014, professional services accounted for approximately 66% of our 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 has 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 ASC 605-10-25, that four conditions must be met before revenue can be recognized: (i) there is persuasive evidence that an arrangement exists, (ii) delivery has occurred or service has been rendered, (iii) the price is fixed or determinable, and (iv) collection is reasonably assured.

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

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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 September 30, 2014 and 2013, 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.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 established a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

We measure certain financial instruments at fair value on a recurring basis. Assets and liabilities measured at fair value on a recurring basis are as follows at September 30, 2014:

	Total	(Level 1)	(Level 2)	(Level 3)
Assets	$ -	$ -	$ -	$ -
Total assets measured at fair value	$ -	$ -	$ -	$ -
Liabilities				
Derivative liability	1,600,545	-	-	1,600,545
Convertible notes, net of discount	260,964	-	-	260,964
Total liabilities measured at fair value	$ 1,861,509	$ -	$ -	$1,861,509

Assets and liabilities measured at fair value on a recurring basis are as follows at September 30, 2013:

	Total	(Level 1)	(Level 2)	(Level 3)
Assets	$ -	$ -	$ -	$ -
Total assets measured at fair value	$ -	$ -	$ -	$ -
Liabilities				
Derivative liability	-	-	-	-
Convertible notes, net of discount	161,845	-	-	161,845
Total liabilities measured at fair value	$ 161,845	$ -	$ -	$ 161,845

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014, COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2013.

REVENUE

Total revenue for the three months ended September 30, 2014 decreased by $120,535 to $114,781, compared to $235,316 for the three months ended September 30, 2013. The decrease was primarily due to a decline of our mobile website development revenue during the current period.

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COST OF REVENUE

The cost of revenue for the three months ended September 30, 2014 decreased by $52,649 to $14,037, compared to $66,686 for the three months ended September 30, 2013. The overall decrease was primarily due to a reduction in revenue during the current period.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general, and administrative ("SG&A") expenses three months ended September 30, 2014 increased $56,804 to $309,723, compared to $252,919 for the three months ended September 30, 2013. The overall increase in SG&A expenses was primarily due to an increase in salary expenses.

RESEARCH AND DEVELOPMENT

Research and development expenses for the three months ended September 30, 2014 and September 30, 2013 were both zero.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expenses for the three months ended September 30, 2014 decreased $38,047 to $1,149, compared to $39,196 for the three months ended September 30, 2013. The decrease was due to the Company decommissioning its data center and disposing of the data center equipment in the prior period, some of which had not been fully depreciated.

OTHER INCOME AND EXPENSE

Total other income (expense) for the three months ended September 30, 2014 increased $712,325 to net other income of $709,580, compared to net other expense of $2,745 for the three months ended September 30, 2013. The increase was primarily due to gain on extinguishment of debt and gain on the changes in derivative liability.

NET INCOME/(LOSS)

The consolidated net income for the three months ended September 30, 2014 was $492,160, compared to the consolidated net loss of ($134,823) for the three months ended September 30, 2013. The increase in net income for the period was primarily due to non-cash gains on extinguishment of debt and changes in derivative liability.

LIQUIDITY AND CAPITAL RESOURCES

The Company had a net working capital deficit (i.e. the difference between current assets and current liabilities) of ($1,864,462) at September 30, 2014 compared to a net working capital deficit of ($2,416,687) at June 30, 2014. The decrease in net working capital deficit at September 30, 2014 was caused by a decrease in derivative liability.

Cash flow used in operating activities was ($169,150) for the three months ended September 30, 2014, compared to cash flow used in operating activities of ($8,643) for the three months ended September 30, 2013. The increase in cash flow used in operating activities of $160,507 was primarily due to a gain on settlement of debt and a gain on changes in derivative liability, partially offset by an increase in net income.

Cash flow used in investing activities was ($2,355) for the three months ended September 30, 2014, compared to cash flow used in investment activities of ($1,948) for the three months ended September 30, 2013. The increase in cash flow provided in investing activities of $407 during the current period, was primarily due to the purchase of computer equipment.

Cash flow provided in financing activities was $140,000 for the three months ended September 30, 2014 as compared to $35,000 for the three months ended September 30, 2013. The increase in cash flow provided in financing activities of $105,000 was due to proceeds received by the Company from a convertible promissory note.

While we expect that our capital needs in the foreseeable future will be met by cash-on-hand and existing cash flow, there is no assurance that we will generate any or sufficient positive cash flows, or have sufficient capital, to finance our growth and business operations, or that such capital will be available on terms that are favorable to us or at all. The Company has recently been incurring operating losses and experiencing negative cash flow. In the current financial environment, it could become difficult for the Company to obtain business leases and other equipment financing. There is no assurance that we would be able to obtain additional working capital through the private

placement of common stock or from any other source.

OFF-BALANCE SHEET ARRANGEMENTS

None.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

ITEM 4. 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 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 September 30, 2014 (under the supervision and with the participation of the Company's Chairman, Chief Executive Officer, and 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 Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective as of September 30, 2014.

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 Chief Financial Officer have concluded that the internal controls over financial reporting are effective as of September 30, 2014.

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 three month period ended September 30, 2014 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.

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(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)
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)
10.1	First Agreement and Plan of Reorganization between Latinocare Management Nevada corporation, and Warp 9, Inc., a Delaware corporation (4)
10.2	Second Agreement and Plan of Reorganization between Latinocare Managemen 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 Messenger, 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 Roaming and Wings Fund, Inc.(6)
10.7	Securities Purchase Agreement dated December 28, 2005 between the Compan 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 an
10.11	Escrow Agreement Dated December 28, 2005 by and among the Company, Corne 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
10.16	Completion of Securities Purchase Agreement dated December 28, 2005 betw and Cornell Capital Partners LLP (10)
21.1	List of Subsidiaries (7)
31.1	Section 302 Certification
31.2	Section 302 Certification
32.1	Section 906 Certification
32.2	Section 906 Certification
EX-101.INS	XBRL INSTANCE DOCUMENT*
EX-101.SCH	XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT*

EX-101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE*
EX-101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE*

EX-101.LAB	XBRL TAXONOMY EXTENSION LABELS LINKBASE*
EX-101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE*

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(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 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) Incorporated by reference to the exhibits filed with the Company's prior Annual Report on Form 10-KSB/A filed with the Securities and Exchange Commission, dated October 12, 2007.

(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.

(10) Incorporated by reference to exhibits filed with the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission, dated June 10, 2008.

* Furnished herewith. Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, and otherwise are not subject to liability under those sections.

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.

WARP 9, INC.

(Registrant)

Dated: November 12, 2014

By:/s/ Andrew Van Noy

Andrew Van Noy,
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/ Andrew Van Noy — Dated: November 12, 2014

Andrew Van Noy, Chief Executive Officer and President
(Principal Executive Officer)

By: /s/ Gregory Boden — Dated: November 12, 2014

Gregory Boden, Chief Financial Officer
(Principal Financial/Accounting Officer)