

Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

ROAMING MESSENGER INC
Form 10QSB
February 21, 2006

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

FORM 10-QSB

[X] Quarterly Report under Section 13 or 15(d) of the Securities Exchange Act of 1934 For Quarterly Period Ended December 31, 2005

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

Commission file number 0-13215

ROAMING MESSENGER, INC.

(Exact name of Registrant as Specified in its Charter)

Nevada

(State of Incorporation)

30-0050402

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

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

(Address of principal executive offices) (Zip Code)

(805) 683-7626

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(B) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
COMMON STOCK	OTC

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

Yes No

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

[] Yes [X] No

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

As of February 21, 2006 the number of shares outstanding of the registrant's only class of common stock was 186,431,266.

Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

Transitional Small Business Disclosure Format (check one):

Yes _____

No X

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Balance Sheets as of December 31, 2005 (unaudited) and June 30, 2005.....

Statements of Operations for the Three Months and Six Months ended December 31, 2005 and 2004 (unaudited).....

Statements of Cash Flows for the Six Months ended December 31, 2005 and 2004 (unaudited)

Notes to Condensed Consolidated Financial Statements (unaudited).....

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....

Item 3. Controls and Procedures.....

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Item 2. Changes in Securities.....

Item 3. Defaults upon Senior Securities.....

Item 4. Submission of Matters to a Vote of Security Holders.....

Item 5. Other Information.....

Item 6. Exhibits and Reports on Form 8-K.....

Signatures.....

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

ROAMING MESSENGER, INC. AND SUBSIDIARY CONSOLIDATED BALANCE SHEETS

ASSETS

	(Unaudited) December 31, 2005
CURRENT ASSETS	
Cash	\$ 268,93
Accounts receivable, net of allowance for doubtful account of \$3,230 and \$7,380	274,43
Prepays and other current assets	22,01
TOTAL CURRENT ASSETS	565,38
PROPERTY & EQUIPMENT	
Furniture, Fixtures & Equipment	88,34
Computer Equipment	481,55
Commerce Server	50,00
Computer Software	7,96
	627,85
Less: Accumulated depreciation & amortization	(378,56)
NET PROPERTY & EQUIPMENT	249,29
OTHER ASSETS	
Lease deposit	9,74
Restricted Cash	93,00
Loan Costs	92,50
Deferred Costs	67,13
Other assets	2,71
TOTAL OTHER ASSETS	265,09
TOTAL ASSETS	\$ 1,079,77

LIABILITIES AND SHAREHOLDERS' DEFICIT

CURRENT LIABILITIES	
Accounts payable	\$ 173,77
Accrued liabilities	252,76
Bank line of credit	99,65
Deferred Income	48,33
Accrued officer salary Officer salaries payable	237,98
Accrued staff salary and related	83,94
Note payable	30,00
Current portion - obligations under capitalized leases	47,36
TOTAL CURRENT LIABILITIES	973,81
LONG TERM LIABILITIES	

Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

Convertible Debenture	366,43
Obligations under capitalized leases	84,92

TOTAL LONG TERM LIABILITIES	451,36

TOTAL LIABILITIES	1,425,17

COMMITMENTS AND CONTINGENCIES, note 5	
SHAREHOLDERS' DEFICIT	
Capital Stock	186,35
Additional Paid-in Capital	5,544,12
Accumulated deficit	(6,075,88)

TOTAL SHAREHOLDERS' DEFICIT	(345,40)

TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$ 1,079,77
	=====

Prepared without audit.
See notes to condensed consolidated financial statements.

2

ROAMING MESSENGER, INC. AND SUBSIDIARY
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended December 31, 2005	Six months ended December 31, 2005
	-----	-----
REVENUE	\$ 518,146	\$ 856,072
COST OF REVENUE	(159,332)	(266,386)
	-----	-----
GROSS PROFIT	358,814	589,686
OPERATING EXPENSES		
Selling, general and administrative expense	522,615	1,130,258
Depreciation and amortization	23,972	47,365
Research and development	106,972	212,754
	-----	-----
TOTAL OPERATING EXPENSES	652,964	1,390,377
	-----	-----
OPERATING LOSS	(294,150)	(800,691)

Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

	-----	-----
OTHER INCOME (EXPENSES)		
Interest income	763	1,779
Other Income	9,579	15,965
Interest expense	(111,359)	(121,627)
	-----	-----
TOTAL OTHER INCOME (EXPENSES)	(101,017)	(103,883)
	-----	-----
NET LOSS	\$ (395,167)	\$ (904,574)
	=====	=====
BASIC AND DILUTED LOSS PER SHARE	\$ (0.00)	(0.00)
	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES	184,151,379	182,798,365
	=====	=====

Prepared without audit.
See notes to consolidated financial statements.

3

ROAMING MESSENGER, INC. AND SUBSIDIARY
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended December 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	\$ (904,574)
Adjustment to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	47,508
Warrants and Stock issued for services	2,843
Common stock issued for services	123,100
Conversion feature recorded as interest expense	100,000
Decrease (increase) in account receivable	(95,705)
Decrease (increase) in prepaid and other assets	(963)
(Decrease) increase in accounts payable	52,127
(Decrease) increase in officer salaries payable	-
(Decrease) increase in other liabilities	92,540

NET CASH USED IN OPERATING ACTIVITIES	(583,124)

CASH FLOWS FROM INVESTING ACTIVITIES:	

Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

Employee advances	-
Purchase of property & equipment	(26,462)

NET CASH USED IN INVESTING ACTIVITIES	(26,462)

CASH FLOWS FROM FINANCING ACTIVITIES:	
Issuance of common stock, net of costs	272,963
Proceeds from bank line of credit	99,658
Proceeds from Convertible Debenture	295,500
Deposit for shares of common stock	-
Payments on notes payable	-
Payments on capitalized lease obligations	(27,133)

NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	640,988

NET INCREASE (DECREASE) IN CASH	31,402

CASH AT BEGINNING OF PERIOD	237,529

CASH AT END OF PERIOD	\$ 268,932
	=====
Supplementary disclosures:	
Interest paid	\$ 21,627
	=====
Capitalized leases contracted	\$ 19,796
	=====

Prepared without audit.
See notes to condensed consolidated financial statements.

4

ROAMING MESSENGER, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005

1. BASIS OF PRESENTATION AND GOING CONCERN

The accompanying unaudited condensed 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-month period ended December 31, 2005 are not necessarily indicative of the results that may be expected for the year ending June 30, 2006. For further information refer to the financial statements and footnotes thereto included in the Company's Form 10K-SB for the year ended June 30, 2005.

Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

The accompanying financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. The accompanying financial statements do not reflect any adjustments that might result if the Company is unable to continue as a going concern. The Company's losses and negative cash flows from operations and the possible impact of the contingencies described in note 5 raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern and appropriateness of using the going concern basis is dependent upon, among other things, additional cash infusion.

2. STOCK OPTIONS AND WARRANTS

Stock-Based Compensation

The Company accounts for employee stock option grants in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees and related interpretations (APB 25), and has adopted the "disclosure only" alternative described in Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, amended by SFAS No. 148 Accounting for Stock-Based Compensation-Transition and Disclosure.

SFAS No. 123, Accounting for Stock-Based Compensation, requires pro forma information regarding net income (loss) using compensation that would have been incurred if the Company had accounted for its employee stock options under the fair value method of that statement. Options to purchase 1,200,000 and 0 shares of Roaming Messenger, Inc. were granted during the six months ended December 31, 2005 and 2004, respectively. The fair value of options granted, which have been estimated at \$36,390 and \$0, respectively, at the date of grant were determined using the Black-Scholes Option pricing model with the following assumptions:

	2005	2004
	-----	-----
Risk free interest rate	4.01% - 4.39%	3.60%
Stock volatility factor	0.18 - 0.24	0.40
Weighted average expected option life	4 years	4 years
Expected dividend yield	None	None

Prepared without audit.

5

ROAMING MESSENGER, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005

2. STOCK OPTIONS AND WARRANTS (Continued)

The pro forma net loss and loss per share had the Company accounted for the options using FAS 123 would have been as follows:

Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

	Three Months Ended December 31, 2005	Six Months Ended December 31, 2005	Three Months Ended December 31, 2005
Net loss as reported	\$ (395,167)	(904,574)	\$
Basic and diluted net loss per share as reported	(0.00)	(0.00)	
Add: Stock based employee compensation expense included in net reported loss, net of related taxes	-		
Deduct: Stock based employee compensation expense determined under fair value based method for all awards, net of related taxes	(9,383)	(40,346)	
Pro forma net loss	\$ (404,550)	\$ (944,920)	\$
Basic and diluted pro forma loss per share	\$ (0.00)	\$ (0.01)	\$

During the six month period ended December 31, 2005 (i) 900,000, 200,000 and 100,000 options were granted at an exercise price of \$0.13, \$0.10 and \$0.07 per share respectively, (ii) 225,000 previously granted options were cancelled and/or forfeited. At December 31, 2005, total outstanding unexercised options are 5,209,994.

Warrants

In December 2005, the Company granted warrants to purchase 321,000 shares of common stocks at \$0.10 per share for consulting services. These warrants expire on December 31, 2007, and were valued at \$995. In December 2005, the Company granted five-year warrants to purchases 1,500,000, 4,000,000 and 4,000,000 shares of common stocks at \$0.08, \$0.10 and \$0.12 respectively to an accredited investor as an incentive to enter into a convertible debenture agreement. These warrants were valued at \$100,700. One-third of this \$100,700 expense amount, or \$33,567, was applied as a discount to the \$400,000 convertible debenture entered into on December 28, 2005. The remaining two-third, \$67,133, is deferred as the remainder of the total \$1,200,000 convertible debenture has not been received from the investor.

At December 31, 2005, total outstanding unexercised warrants are 10,823,000.

3. LINE OF CREDIT

On August 11, 2005, the Company was approved for a \$100,000 revolving line of credit from Bank of America at an interest of prime plus 4 percentage points. This line of credit is not secured by assets of the Company. The effective interest rate of the line of credit at December 31, 2005 was 11%. As of December 31, 2005, \$99,658 was borrowed under this line of credit

Prepared without audit.

Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

ROAMING MESSENGER, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005

4. CONVERTIBLE DEBENTURES

On December 28, 2005, we consummated a securities purchase agreement with Cornell Capital Partners L.P. providing for the sale by us to Cornell of our 10% secured convertible debentures in the aggregate principal amount of \$1,200,000 of which the first installment of \$400,000 was advanced immediately. The net amount of the first installment received by the Company was \$295,500 after paying total fees of \$92,500 which included legal, structuring, due diligence, commitment fees, and prior liability of \$12,000. An interest expense of \$100,000, representing the value of the conversion feature in accordance to EITF 98-5, was incurred at the receipt of this first installment.

Holders of the debentures may convert at any time amounts outstanding under the debentures into shares of our common stock at a conversion price per share equal to the lesser of (i) \$0.15 or (ii) 80% of the lowest volume weighted average price of our common stock during the five trading days immediately preceding the conversion date as quoted by Bloomberg, LP. Cornell has agreed not to short any of the shares of Common Stock.

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

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

The second installment of \$350,000 (\$295,000 net of fees) was advanced on January 27, 2006. The last installment of \$450,000 will be advanced two business days prior to the date the registration statement is declared effective. The debentures mature on the third anniversary of the date of issuance and we are not required to make any payments until the maturity date.

5. COMMITMENTS AND CONTINGENCIES

Jonathan Lei and Bryan Crane have been indicted by a federal grand jury in February 2006, alleging that they conspired to commit securities, mail and wire fraud in connection with an offer for private funding made to Roaming Messenger Inc. over a year ago, in February 2005, by a fake investment fund formed by the Government. The Company did not obtain any funding from the entity or the management company that were posing as prospective investors. Mr. Crane and Mr. Lei pleaded not guilty to all charges on February 17, 2006 and intend to defend themselves in court. There is no assurance regarding the outcome of these cases. Mr. Lei will continue his duties as chairman and chief executive officer of the company and Mr. Crane will continue as part-time vice president of corporate development. While management does not believe the cases will have a material adverse impact on the business of the Company while they are pending, there is no assurance that they will not ultimately have a material adverse impact. The Company was not named in the indictment.

Prepared without audit.

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

Cautionary Statements

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

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

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

Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

dilution in outstanding stock ownership may be incurred due to the issuance of more shares, warrants and stock options, or the exercise of outstanding warrants and stock options, and other risks inherent in the Company's businesses.

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

CURRENT OVERVIEW

We are a software company and have developed a proprietary system that enables software programs and other business applications connect to and communicate with wired and wireless devices, such as cellular phones, computers and personal digital assistants. This system, known as the Roaming Messenger Platform, serves as a gateway to the mobile world for a variety of software programs and other business applications such as those used in emergency response, homeland security, logistics, healthcare and financial services.

The Roaming Messenger Platform allows applications to send out smart messages, or "messengers," to mobile devices. Unlike regular e-mail messages, these software messengers are encrypted, and have the ability to roam automatically among mobile devices, trying to get the attention of the user, confirm receipt, present interactive forms, and transmit real-time responses back to the sending application. They also have the ability to move independently to alternative recipients in if the originally intended recipient does not respond in a timely fashion.

For example, a software messenger may try to locate a person on his or her computer, and if there is no response, move to that person's cellular phone, and subsequently move to that person's personal digital assistants. If still unanswered, the messenger will travel automatically to the next person with authority to act on the message, such as a superior of the originally intended recipient.

The Roaming Messenger Platform is being offered as a standalone server product or a hosted service. We expect to sell and license the Roaming Messenger product to system integrators and application developers in markets such as emergency response services, the military and private businesses. For example, we might sell a Roaming Messenger Gateway server to a systems integrator that is designing an emergency alert and notification system. We plan to sell Roaming Messenger through channel partners and value-added resellers (VARs) who are established in their respective vertical markets.

While Roaming Messenger is a horizontal product with applications in many markets, our primary sales and marketing strategy continues to be vertically focused. We will however continue to execute various low-cost horizontal marketing programs, concurrently, to identify new opportunities in non-primary vertical markets - for example, healthcare and enterprise markets.

Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

Our growth strategy consists of three phases:

- o During Phase I we will focus our marketing efforts on the Homeland Security and Public Safety markets
- o During Phase II we will focus on the enterprise markets for business process management and communication applications.
- o During Phase III we will focus on the consumer markets for application such as mobile commerce and mobile gaming.

In executing our growth strategy, strategic acquisition of synergistic companies may be explored. When deciding on potential acquisition candidates, we will consider whether the candidate offers (i) access to customers and (ii) complementary products or services.

We have generated only minimal revenues from the Roaming Messenger Platform. To date, almost all of our revenues have been generated by Warp 9, Inc., our wholly-owned subsidiary that offers web-based e-commerce software products and services to the catalog and direct marketing industry.

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2005 COMPARED TO THE SAME PERIOD IN 2004

Total revenue for the three-month period ending December 31, 2005 was \$518,146, representing an increased of 69% from the three-month period ending December 31, 2004 of \$307,228. Almost all the increase is attributed to the revenue growth from the Warp 9 Inc. operation.

The cost of revenue for the three-month period ending December 31, 2005 was 31% as compared to 46% for the three-month period ending December 31, 2004. The decrease in the cost of revenue is a result of the increased sales of higher margin Warp 9 e-commerce software products and services.

Total operating expenses was \$652,964 for the three months ended December 31, 2005 as compared to \$725,727 for the three months ended December 31, 2004.

The \$652,964 operating expenses includes total non-cash charges of \$50,995 which includes (i) \$50,000 expense for the issuance of unregistered common stock for business development and advisory services, (ii) \$995 expense for the issuance of warrants to business development contractors in lieu of cash payment for their services. The value of the warrants was determined using the Black Scholes model. The value of unregistered common stock was the same as closing price of the Company's public stock at the time of issuance.

10

Operating costs are expected to exceed revenue in the foreseeable future as the Company continues to increase sales and marketing efforts as well as increasing staff.

Total other interest and income expense was \$101,017 for the three months ended December 31, 2005, as compared to \$2,657 for the three months ended December 31, 2004. The increase is the result a \$100,000 charge for the conversion feature of the convertible debenture with Cornell Capital on December 28, 2005, in accordance with EITF 98-5.

For the three months ended December 31, 2005, the Company's consolidated net loss was (\$395,167) as compared to a consolidated net loss of (\$562,186) for the three months ended December 31, 2004.

Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash at December 31, 2005 of \$268,932 as compared to cash of \$237,529 as of June 30, 2005. The Company had net working capital deficit (i.e. the difference between current assets and current liabilities) of (\$408,430) at December 31, 2005 as compared to a net working capital deficit of (\$308,364) at June 30, 2005. Cash flow utilized by operating activities was (\$583,124) for the six months ended December 31, 2005 as compared to cash utilized for operating activities of (\$846,324) during the six months ended December 31, 2004. Cash flow used in investing activities was (\$26,462) for the six months ended December 31, 2005 as compared to cash used in investing activities of (\$49,065) during the six months ended December 31, 2004. Cash flow provided by financing activities was \$640,988 for the six months ended December 31, 2005 as compared to cash used by financing activities of (\$4,453) for the six months ended December 31, 2004.

On August 11, 2005, the Company was approved for a \$100,000 revolving line of credit from Bank of America at an interest of prime plus 4 percentage points. This line of credit is not secured by assets of the Company. The effective interest rate of the line of credit at December 31, 2005 was 11%. As of December 31, 2005, \$99,658 was borrowed under this line of credit

On December 28, 2005, we consummated a securities purchase agreement with Cornell Capital Partners L.P. providing for the sale by us to Cornell of our 10% secured convertible debentures in the aggregate principal amount of \$1,200,000 of which the first installment of \$400,000 was advanced immediately. The net amount of the first installment received by the Company was \$295,500 after paying total fees of \$92,500 which included legal, structuring, due diligence, commitment fees and prior liability of \$12,000. At the date of this report, the second installment of \$350,000 has been advanced upon filing of the registration statement on January 27, 2006. The net amount of the second installment received by the Company was \$295,000 after paying total fees of \$55,000 which included legal and commitment fees. The last installment of \$450,000 will be advanced two business days prior to the date the registration statement is declared effective. The debentures mature on the third anniversary of the date of issuance and we are not required to make any payments until the maturity date.

11

Holder of the debentures may convert at any time amounts outstanding under the debentures into shares of our common stock at a conversion price per share equal to the lesser of (i) \$0.15 or (ii) 80% of the lowest volume weighted average price of our common stock during the five trading days immediately preceding the conversion date as quoted by Bloomberg, LP. Cornell has agreed not to short any of the shares of Common Stock.

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

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

In connection with the purchase agreement, we also entered into a registration rights agreement with Cornell providing for the registration of the shares of common stock issuable upon conversion of the debentures and exercise of the warrants. We are obligated to use our best efforts to cause the

Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

registration statement to be declared effective no later than April 27, 2006 and to insure that the registration statement remains in effect until all of the shares of common stock issuable upon conversion of the debentures and exercise of the warrants have been sold. In the event of a default of our obligations under the registration rights agreement, including our agreement to file the registration statement no later than January 27, 2006, or if the registration statement is not declared effective by April 27, 2006, we are required to pay to Cornell, as liquidated damages, for each month that the registration statement has not been filed or declared effective, as the case may be, either a cash amount or shares of our common stock equal to 2% of the liquidated value of the Debentures.

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

Also on December 28, 2005, we terminated the Periodic Equity Investment Agreement dated March 28, 2005 with Wings Fund, Inc. That agreement provided for the sale to Wings of up to \$3,000,000 worth of our common stock at our discretion in twelve monthly increments of up to \$250,000 commencing after the registration statement was declared effective on August 2005. On the date of termination of that agreement, we had sold approximately 4,279,174 shares of common stock for total proceeds of \$272,147 during the six months ended December 31, 2005.

We believe that the funds received and to be received from Cornell will be sufficient to fund and expand our business over a 12 month period. If for some reason we are required to repay the entire \$1,200,000 under the convertible debentures, we may have to obtain additional operating capital from other sources to enable us to execute our business plan. We anticipate that we will obtain any additional required working capital through the private placement of Common Stock to domestic accredited investors pursuant to Regulation D of the Securities Act of 1933, as amended (the "Act"), or to offshore investors pursuant to Regulation S of the Act. There is no assurance that we will obtain the additional working capital that we need through the private placement of

12

Common Stock. In addition, such financing may not be available in sufficient amounts or on terms acceptable to us.

Item 3. CONTROLS AND PROCEDURES

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

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

Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

The Company is involved in certain legal actions and claims arising in the ordinary course of business. It is the opinion of management, based on advice of legal counsel, that such litigation and claims will be resolved without a material effect on the Company's financial position.

Jonathan Lei and Bryan Crane have been indicted by a federal grand jury in February 2006, alleging that they conspired to commit securities, mail and wire fraud in connection with an offer for private funding made to Roaming Messenger Inc. over a year ago, in February 2005, by a fake investment fund formed by the Government. The Company did not obtain any funding from the entity or the management company that were posing as prospective investors. Mr. Crane and Mr. Lei pleaded not guilty to all charges on February 17, 2006 and intend to defend themselves in court. There is no assurance regarding the outcome of these cases. Mr. Lei will continue his duties as chairman and chief executive officer of the company and Mr. Crane will continue as part-time vice president of corporate development. While management does not believe the cases will have a material adverse impact on the business of the Company while they are pending, there is no assurance that they will not ultimately have a material adverse impact. The Company was not named in the indictment.

Item 2. CHANGES IN SECURITIES

In October 2005, Roaming Messenger issued and sold 1,580,611 shares of common stock at a price of \$0.06 per share for aggregate gross proceeds of \$98,000 to Wings Fund Inc. The shares were issued in a transaction exempt under Regulation D.

13

In October 2005, Roaming Messenger issued 250,000 shares of common stock at \$0.10 per share for consulting services. These shares were issued pursuant to Section 4(2) of the Securities Act of 1933, as amended.

In December 2005, Roaming Messenger issued 250,000 shares of common stock at \$0.10 per share for consulting services. These shares were issued pursuant to Section 4(2) of the Securities Act of 1933, as amended.

In December 2005, Roaming Messenger issued and sold 300,000 shares of unregistered common stock at a price of \$0.05 per share for aggregate gross proceeds of \$15,000. The shares were issued to 2 accredited investors in transactions exempt under Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended.

In December 2005, Roaming Messenger issued and sold 2,058,563 shares of common stock at a price of \$0.07 per share for aggregate gross proceeds of \$134,147 to Wings Fund Inc. The shares were issued in a transaction exempt under Regulation D.

On December 28, 2005, Roaming Messenger sold \$400,000 in principal amount convertible debentures to one accredited investor. It also issued to the same investor five-year warrants to purchase 1,500,000, 4,000,000 and 4,000,000 shares of Common Stock at \$0.08, \$0.10 and \$0.12, respectively. The securities were issued in a transaction exempt under Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended.

In December 2005, Roaming Messenger issued two-year warrants to purchase 321,000 shares of Common Stock at \$0.10, to a business development consultant.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

None.

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

None.

Item 5. OTHER INFORMATION

None.

14

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)
31.1	Section 302 Certification
32.1	Section 906 Certification

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

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

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

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

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

(1) Form 8-K Report filed on December 29, 2005

15

Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

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: February 21, 2006

ROAMING MESSENGER, INC.

By: \s\ Jonathan Lei

Jonathan Lei, Chairman of the Board,
Chief Executive Officer, President
Chief Financial Officer, and Secretary

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\ Jonathan Lei

Dated: February 21, 2006

Jonathan Lei, Chairman of the Board,
Chief Executive Officer, President
Chief Financial Officer, and Secretary