

Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

ROAMING MESSENGER INC  
Form 10QSB  
May 15, 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 March 31, 2006

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

FOR QUARTER ENDED MARCH 31, 2006

Commission file number 0-13215  
-----

ROAMING MESSENGER, INC.

-----  
(Exact name of Registrant as Specified in its Charter)

Nevada

30-0050402

-----  
(State of Incorporation)

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

50 Castilian Dr. Suite 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 \_\_\_\_\_ X \_\_\_\_\_ 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 May 11, 2006 the number of shares outstanding of the registrant's only class of common stock was 186,809,444

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 March 31, 2006 (unaudited).....

Statements of Operations for the Three Months and Nine Months ended March 31, 2006  
and 2005 (unaudited).....

Statements of Cash Flows for the Nine Months ended March 31, 2006 and 2005 (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.....

Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

PART I. FINANCIAL INFORMATION

Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ROAMING MESSENGER, INC. AND SUBSIDIARY  
BALANCE SHEET  
MARCH 31, 2006  
(Unaudited)

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 31
Accounts Receivable, net	17
Prepaid and Other Current Assets	3
	-----
TOTAL CURRENT ASSETS	52
	-----
PROPERTY & EQUIPMENT, at cost	
Furniture, Fixtures & Equipment	8
Computer Equipment	49
Commerce Server	5
Computer Software	3
	-----
	64
Less accumulated depreciation	(40)
	-----
NET PROPERTY AND EQUIPMENT	24
	-----
OTHER ASSETS	
Lease Deposit	9
Restricted Cash	13
Loan Costs	3
Deferred Cost	3
Other Assets	3
	-----
TOTAL OTHER ASSETS	27
	-----
TOTAL ASSETS	\$ 1,03
	=====
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	
CURRENT LIABILITIES	
Accounts payable	\$ 13
Accrued expenses	54
Bank Line of Credit	9
Deferred Income	7
Note Payable	3

## Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

Capitalized Leases, Current Portion		4
		92
TOTAL CURRENT LIABILITIES		
LONG TERM LIABILITIES		
Convertible Debentures		68
Capitalized Leases		7
		75
TOTAL LONG TERM LIABILITIES		
SHAREHOLDERS' EQUITY (DEFICIT)		
Common stock, \$0.001 par value; 495,000,000 authorized shares; 186,531,265 shares issued and outstanding		18
Additional paid in capital		5,64
Accumulated deficit		(6,47
		(64
TOTAL SHAREHOLDERS' DEFICIT		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	\$	1,03
		=====

The accompanying notes are an integral part of these financial statements

1

### ROAMING MESSENGER, INC. AND SUBSIDIARY CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended	
	March 31, 2006	2005
REVENUE	\$ 399,885	\$ 295,925
COST OF SERVICES	85,286	92,593
GROSS PROFIT (DEFICIT)	314,599	203,332
OPERATING EXPENSES		
Selling, general and administrative expenses	519,472	806,217
Research and development	106,377	98,399
Depreciation and amortization	24,847	22,889
TOTAL OPERATING EXPENSES	650,696	927,505
LOSS FROM OPERATIONS BEFORE OTHER INCOME (EXPENSES)	(336,097)	(724,173)
OTHER INCOME/(EXPENSE)		

Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

Other Income	35,583	1257
Interest Expense	(96,270)	(7,473)
	-----	-----
	(60,687)	(6,216)
	-----	-----
LOSS FROM OPERATIONS BEFORE PROVISION FOR TAXES	(396,784)	(730,389)
PROVISION FOR INCOME TAXES	(1,922)	(63)
	-----	-----
NET (LOSS)	(398,706)	(730,452)
	=====	=====
BASIC AND DILUTED LOSS PER SHARE	\$ (0.00)	\$ (0.00)
	=====	=====
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING BASIC AND DILUTED	186,571,482	173,305,432
	=====	=====

The accompanying notes are an integral part of these financial statements

2

ROAMING MESSENGER, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(Unaudited)

	Nine Months Ended	
	March 31,	2006
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,303,280)	\$ (1,
Adjustment to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	72,355	
Gain on settlement	(24,000)	
Issuance of common shares and warrants for services	163,193	
Conversion feature recorded as interest expense	187,500	
Amortization of loan costs	10,764	
(Increase) Decrease in:		
Accounts receivable	8,434	
Prepaid and other assets	(12,879)	
Increase (Decrease) in:		
Accounts payable	13,037	
Accrued expenses	-	
Other liabilities	72,299	
	-----	-----
NET CASH USED IN OPERATING ACTIVITIES	(812,577)	(1,
	-----	-----

## Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

### Net CASH FLOWS USED IN INVESTING ACTIVITIES:

Purchase of property and equipment	(42,074)	
------------------------------------	----------	--

### CASH FLOWS FROM FINANCING ACTIVITIES:

Payment on note payable	-	
Payments on capitalized leases	(40,040)	
Proceeds from line of credit	99,658	
Deposit for shares of common stock	-	
Proceeds from Convertible Debenture	590,500	
Proceeds from issuance of common stock, net of cost	284,784	

NET CASH PROVIDED BY FINANCING ACTIVITIES	934,902	
---	---------	--

NET INCREASE IN CASH	80,251	
----------------------	--------	--

CASH, BEGINNING OF PERIOD	237,529	1,
---------------------------	---------	----

CASH, END OF PERIOD	\$ 317,780	\$
---------------------	------------	----

### SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest paid	\$ 30,397	\$
---------------	-----------	----

Taxes paid	\$ 1,922	\$
------------	----------	----

### SUPPLEMENTAL SCHEDULE OF NON-CASH TRANSACTIONS

During the nine months ended March 31, 2006, the Company received 300,000 shares of its common stock as a \$24,000 settlement due to a law suit; during the nine months ended March 31, 2006 and 2005, the Company purchased \$19,796 and \$107,467 of equipment under capital leases respectively.

The accompanying notes are an integral part of these financial statements

3

ROAMING MESSENGER, INC. AND SUBSIDIARY  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED  
 MARCH 31, 2006

#### 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 nine-month period ended March 31, 2006 are not necessarily indicative of the results

## Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

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.

### Going Concern

-----  
 The accompanying financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. The accompanying financial statements do not reflect any adjustments that might result if the Company is unable to continue as a going concern. The Company's losses and negative cash flows from operations 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 nine months ended March 31, 2006 and 2005, 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:

	2006	2005
	-----	-----
Risk free interest rate	4.01% - 4.72%	3.36% - 4.17%
Stock volatility factor	0.18 - 0.31	0.32 - 0.70
Weighted average expected option life	4 years	4 years
Expected dividend yield	None	None

## Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

### 2. STOCK OPTIONS AND WARRANTS (Continued)

If the Company had elected to recognize compensation expense based upon the fair value at the grant date for awards under this plan consistent with the methodology prescribed by SFAS No. 123, the Company's net income and earnings per share would be reduced to the pro forma amounts indicated below for the nine months ended March 31, 2006 and 2005:

	2006	2005
Net loss as reported	(1,303,280)	(1,303,280)
Add: Stock based employee compensation expense included in net reported loss, net of related tax effect	-	-
Deduct: Stock based employee compensation expense determined under fair value based method for all awards, net of related tax effect	(49,728)	(49,728)
Pro forma net loss	\$ (1,353,008)	\$ (1,353,008)
Basic and diluted pro forma loss per share		
As reported	\$ (0.01)	\$ (0.01)
Proforma	\$ (0.01)	\$ (0.01)

Effective July 10, 2003, the Company adopted the Roaming Messenger, Inc. 2003 Stock Option Plan for Directors, Officers, Employees and Key Consultants (the "Plan") authorizing the issuance of up to 25,000,000 shares of the Company's common stock pursuant to the grant and exercise of up to 25,000,000 stock options. The Plan has been approved by the holders of the outstanding shares of the Company. The following table sets forth certain information regarding the Plan as of March 31, 2006:

	Number of Securities To Be Issued Upon Exercise of Outstanding Stock Options	Weighted-Average Exercise Price of Outstanding Stock Options	Number of Securities Remaining Available for Future Issuance Under the Plan
Equity compensation plans approved by security holders	5,209,994	\$0.11	17,000,000

During the nine month period ended March 31, 2006 (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 March 31, 2006, total outstanding



## Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

unexercised options are 5,209,994.

5

### ROAMING MESSENGER, INC. AND SUBSIDIARY NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED MARCH 31, 2006

#### 2. STOCK OPTIONS AND WARRANTS (Continued)

##### Warrants

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. Two-thirds of this \$100,700 expense amount, or \$67,134, was applied as a discount to the \$750,000 convertible debenture entered into during the six months ended March 31, 2006, and is being amortized over the term of the debenture. The remaining one-third, \$33,566, is deferred as the remainder of the total \$1,200,000 convertible debenture has not been received from the investor.

In March 2006, the Company granted warrants to purchase 450,000 shares of common stocks at \$0.10 per share for consulting services. These warrants expire on March 31, 2008. These warrants were valued at zero and therefore the Company did not record an expense for them.

At March 31, 2006, total outstanding unexercised warrants are 11,273,000.

#### 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 March 31, 2006 was 11.5%. As of March 31, 2006, \$99,658 was borrowed under this line of credit

#### 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.

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

## Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

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.

6

ROAMING MESSENGER, INC. AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED  
MARCH 31, 2006

#### 4. CONVERTIBLE DEBENTURES (Continued)

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. An interest expense of \$87,500 was incurred, representing the value of the conversion feature in accordance to EITF 98-5.

The last installment of \$450,000 (\$395,000 net of fees) was advanced on May 9, 2006, after the registration statement on Form SB-2 filed on April 12, 2006 was declared effective by the Securities and Exchange Commission.

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

In February 2006, Jonathan Lei, our Chairman and Chief Executive Officer, and Bryan Crane, our Vice President of Corporate Development, were indicted by a federal grand jury in Florida, 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 surreptitious investment fund formed by the Government. Specifically, the indictment alleges that Messrs. Lei and Crane conspired with government agents posing as fund managers to arrange for an illegal payment to be made to the fund managers as an inducement to that fund making an investment in the Company. We did not obtain any funding from the entity or the management company that were posing as prospective investors. The Company was not named in the indictment. The Company may be obligated to indemnify Mr. Lei and Mr. Crane for their defense costs in these cases in amounts to be determined. This indictment may have a material adverse impact on the financial position of the company and its results of operations as result of (i) the possible defense costs to be disbursed by the Company, (ii) possible departure of these two senior members of management and (iii) possible damage to the Company's reputation.

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

## Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

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

8

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 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.

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

## Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

- 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.

9

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 MARCH 31, 2006 COMPARED TO THE SAME PERIOD IN 2005

Total revenue for the three-month period ending March 31, 2006 was \$399,885, representing an increased of 35% from the three-month period ending March 31, 2005 of \$295,925. 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 March 31, 2006 was 21% as compared to 31% for the three-month period ending March 31, 2005. 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 \$650,696 for the three months ended March 31, 2006 as compared to \$927,505 for the three months ended March 31, 2005. This decrease is primarily due the reduction of business development and consultant expenses.

The \$650,696 operating expenses includes total non-cash charges of \$37,250 for the issuance of unregistered common stock for business development and marketing services. The value of unregistered common stock was the same as closing price of the Company's public stock at the time of issuance.

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 income and expense was (\$60,687) for the three months ended March 31, 2006, as compared to (\$6,216) for the three months ended March 31, 2005. The increase is the result a \$87,500 charge for the conversion feature, in accordance with EITF-98-5, of the second installment of the convertible debenture with Cornell Capital received on January 27, 2006.

For the three months ended March 31, 2006, the Company's consolidated net loss was (\$398,706) as compared to a consolidated net loss of (\$730,452) for the three months ended March 31, 2005.

### RESULTS OF OPERATIONS FOR THE NINE-MONTH PERIOD ENDED MARCH 31, 2006 COMPARED TO THE SAME PERIOD IN 2005

Total revenue for the nine-month period ending March 31, 2006 was \$1,255,956, representing an increased of 38% from the nine-month period ending March 31, 2005 of \$912,857. Almost all the increase is attributed to the revenue

## Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

growth from the Warp 9 Inc. operation.

The cost of revenue for the nine-month period ending March 31, 2006 was 28% as compared to 36% for the nine-month period ending March 31, 2005. 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.

10

Total operating expenses was \$2,041,072 for the nine months ended March 31, 2006 as compared to \$2,287,416 for the nine months ended March 31, 2005. This decrease is primarily due the reduction of business development and consultant expenses.

The \$2,041,072 operating expenses includes total non-cash charges of \$163,193 which includes (i) \$160,350 expense for the issuance of unregistered common stock for business development and advisory services, (ii) \$2,843 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. Operating costs are expected to exceed revenue in the foreseeable future.

Total other income and expense was (\$164,570) for the nine months ended March 31, 2006, as compared to (\$10,713) for the nine months ended March 31, 2005. The increase is the result a \$187,500 charge for the conversion feature, in accordance with EITF-98-5, of the convertible debentures with Cornell Capital.

For the nine months ended March 31, 2006, the Company's consolidated net loss was (\$1,303,280) as compared to a consolidated net loss of (\$1,716,516) for the nine months ended March 31, 2005.

### LIQUIDITY AND CAPITAL RESOURCES

The Company had cash at March 31, 2006 of \$317,780 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 (\$403,985) at March 31, 2006 as compared to a net working capital deficit of (\$308,364) at June 30, 2005. Cash flow utilized by operating activities was (\$812,577) for the nine months ended March 31, 2006 as compared to cash utilized for operating activities of (\$1,263,080) during the nine months ended March 31, 2005. Cash flow used in investing activities was (\$42,074) for the nine months ended March 31, 2006 as compared to cash used in investing activities of (\$49,548) during the nine months ended March 31, 2005. Cash flow provided by financing activities was \$934,902 for the nine months ended March 31, 2006 as compared to cash provided by financing activities of \$454,204 for the nine months ended March 31, 2005.

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 March 31, 2006 was 11.5%. As of March 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.

## Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

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. The second installment of \$350,000 has been advanced upon filing of the registration

11

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 has been advanced on May 9, 2006, after the registration statement was declared effective by the Securities and Exchange Commission. The net amount of the last installment was \$395,000 after paying total fees of \$55,000 which included legal and commitment fees. The debentures mature on the third anniversary of the date of issuance and we are not required to make any payments until the maturity date.

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

We have the right to redeem, upon three-business day notice, a portion or all amounts outstanding under the debenture prior to the maturity date at a 20% redemption premium provided that the closing bid price of our common stock is less than \$0.15. In addition, in the event of a redemption, we are required to issue to Cornell 50,000 shares of common stock for each \$100,000 redeemed. Under the terms of the debenture, the holder has the right to convert all or part of the debenture within the three-day period following a redemption notice.

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

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.

We anticipate that the full amount of the convertible debentures will be converted into shares of our common stock, in accordance with the terms of these debentures. If we were required to repay the convertible debentures, we would be required to use our limited working capital and raise additional funds. 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 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.

## Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

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.

12

### PART II. - OTHER INFORMATION

#### Item 1. LEGAL PROCEEDINGS

In February 2006, Jonathan Lei, our Chairman and Chief Executive Officer, and Bryan Crane, our Vice President of Corporate Development, were indicted by a federal grand jury in Florida, 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 surreptitious investment fund formed by the Government. Specifically, the indictment alleges that Messrs. Lei and Crane conspired with government agents posing as fund managers to arrange for an illegal payment to be made to the fund managers as an inducement to that fund making an investment in the Company. We did not obtain any funding from the entity or the management company that were posing as prospective investors. The Company was not named in the indictment. The Company may be obligated to indemnify Mr. Lei and Mr. Crane for their defense costs in these cases in amounts to be determined. This indictment may have a material adverse impact on the financial position of the company and its results of operations as result of (i) the possible defense costs to be disbursed by the Company, (ii) possible departure of these two senior members of management and (iii) possible damage to the Company's reputation.

#### Item 2. CHANGES IN SECURITIES

In January 2006, Roaming Messenger issued 75,000 shares of unregistered common stock at \$0.07 per share for consulting services. These shares were issued pursuant to Section 4(2) of the Securities Act of 1933, as amended.

In February 2006, Roaming Messenger issued 400,000 shares of common stock at \$0.08 per share for consulting services. These shares were issued pursuant to Section 4(2) of the Securities Act of 1933, as amended.

In March 2006, Roaming Messenger cancelled 300,000 shares of common stock, previously issued to a consultant, as a settlement in a dispute.

#### Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

#### Item 5. OTHER INFORMATION

None.

13



Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

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 February 23, 2006

SIGNATURES

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

Dated: May 15, 2006

ROAMING MESSENGER, INC.

By: \s\ Jonathan Lei

-----  
Jonathan Lei, Chairman of the Board,

Edgar Filing: ROAMING MESSENGER INC - Form 10QSB

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: May 15, 2006

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