WARP TECHNOLOGY HOLDINGS INC
Form POS AM
March 17, 2006

As filed with the Securities and Exchange Commission on March 17, 2006
Registration No. 333-123864

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

POST-EFFECTIVE AMENDMENT NO. 1 TO
FORM S-2
FILED ON
FORM SB-2
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

WARP Technology Holdings, Inc.
(name of small business issuer as specified in charter)

Nevada	**7372**	**88-0467845**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

200 Railroad Avenue
Greenwich, CT 06830
203-422-2950
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Ernest C. Mysogland, Esq.
Chief Legal Officer
WARP Technology Holdings, Inc.
200 Railroad Avenue, Greenwich, CT 06830
203-422-2950
(Name, address including zip code, and telephone number, including area code, of agent for service)

Copy To:

R. Scott Beach, Esq.
Day, Berry & Howard LLP
One East Putnam Avenue
Greenwich, CT 06830

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. þ

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. o

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The registrant originally registered 38,233,078 shares of Common Stock. This amount included 3,208,321 shares of Common Stock issuable upon the exercise of certain warrants which have been rescinded. Accordingly, the registrant has reduced the number shares registered under this registration statement to 35,024,757.

The information in the prospectus is not complete and may be changed. The selling stockholders may not sell these securities until the post-effective amendment to the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, Dated March 17, 2006

PROSPECTUS

WARP Technology Holdings, Inc.

35,024,757 shares of Common Stock

The Common Stock offered by this prospectus involves a high degree of risk. You should carefully consider the Risk Factors beginning on page 8 in determining whether to purchase the Common Stock.

The selling stockholders identified in this prospectus are offering these shares of Common Stock. The selling stockholders may sell their shares from time to time for their own account at market prices prevailing at the time of sale, at prices relating to such prevailing market prices, or at negotiated prices. The selling stockholders will act independently of us in making decisions with respect to the timing, manner and size of each sale.

We will not receive any of the proceeds from the resale of the shares. We agreed to bear substantially all of the expenses in connection with the registration and resale of the shares (other than selling commissions).

For additional information on the methods of sale, you should refer to the section entitled Plan of Distribution on page 58

WARP Technology s Common Stock is quoted on the OTC Bulletin Board under the symbol WARP. On March 14, 2006, the last sale price of the Common Stock on the OTC Bulletin Board was $1.50 per share.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or passed on the adequacy or accuracy of the disclosures in this prospectus. Any representation to the contrary is a criminal offense.

Prospective investors should rely only on the information contained in this prospectus. We have not authorized anyone to provide prospective investors with information that is different.

Neither the delivery of this prospectus, nor any sale of the shares, shall create any implication that the information in this prospectus is correct after the date hereof.

The date of this prospectus is March 17, 2006

TABLE OF CONTENTS

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in our Common Stock. You should read carefully the entire prospectus, including the Risk Factors section, before making a decision to invest in our Common Stock.

Our Company

Warp Technology Holdings, Inc. (collectively with its subsidiaries, the Company), operating under the name Halo Technology Holdings, is a Nevada corporation with its principal executive office in Greenwich, Connecticut.

The Company is a holding company whose subsidiaries operate enterprise software and information technology businesses. In addition to holding its existing subsidiaries, the Company s strategy is to pursue acquisitions of businesses which either complement the Company s existing businesses or expand the industries in which the Company operates. The Company s current subsidiaries include Gupta Technologies, LLC, Warp Solutions, Inc., Kenosia Corporation, DAVID Corporation, Process Software, ProfitKey International, Foresight Software, Inc. and Empagio, Inc.

On January 31, 2005, the Company completed the acquisition of Gupta Technologies, LLC (together with its subsidiaries, Gupta). Gupta is now a wholly owned subsidiary of the Company, and Gupta s wholly owned subsidiaries, Gupta Technologies GmbH, a German corporation, and Gupta Technologies Ltd., a U.K. company, have become indirect subsidiaries of the Company.

Gupta develops, markets and supports software products that enable software programmers to create enterprise class applications, operating on either the Microsoft Windows or Linux operating systems that are used in large and small businesses and governmental entities around the world. Gupta s products include a popular database application and a well-known set of application development tools. The relational database product allows companies to manage data closer to the customer, where capturing and organizing information is becoming increasingly critical. This product is designed for applications being deployed in situations where there are little or no technical resources to support and administer databases or applications.

Gupta recently released its Linux product line. Compatible with its existing Microsoft Windows-based product line, the Linux line of products will enable developers to write one application to run in both Microsoft Windows and Linux operating systems.

Gupta has headquarters in California, and has a regional office in Munich and sales offices in London and Paris.

Warp Solutions, Inc. (Warp Solutions) a wholly owned subsidiary of the Company, produces a series of application acceleration products that improve the speed and efficiency of transactions and information requests that are processed over the internet and intranet network systems. The subsidiary s suite of software products and technologies are designed to accelerate network applications, reduce network congestion, and reduce the cost of expensive server deployments for enterprises engaged in high volume network activities.

On July 6, 2005 the Company purchased Kenosia Corporation (Kenosia). Kenosia is a software company whose products include its DataAlchemy product line. DataAlchemy is a sales and marketing analytics platform that is utilized by global companies to drive retail sales and profits through timely and effective analysis of transactional data. Kenosia s installed customers span a wide range of industries, including consumer packaged goods, entertainment, pharmaceutical, automotive, spirits, wine and beer, brokers and retailers.

On October 26, 2005, the Company completed the acquisition of Tesseract Corporation and four other software companies, DAVID Corporation, Process Software, ProfitKey International, and Foresight Software, Inc.

Tesseract Corporation (Tesseract), headquartered in San Francisco, is a total HR solutions provider offering an integrated Web-enabled HRMS suite. Tesseract s Web-based solution suite allows HR users, employees and external service providers to communicate securely and electronically in real time. The integrated nature of the system allows for easy access to data and a higher level of accuracy for internal reporting, assessment and external data interface. Tesseract s customer base includes corporations operating in a diverse range of industries, including financial services, transportation, utilities, insurance, manufacturing, petroleum, retail, and pharmaceuticals.

DAVID Corporation is a pioneer in Risk Management Information Systems. DAVID Corporation offers client/server-based products to companies that provide their own workers compensation and liability insurance. Many of DAVID Corporation s clients have been using its products for 10 years or longer.

Process Software develops infrastructure software solutions for mission-critical environments, including industry-leading TCP/IP stacks, an Internet messaging product suite, and an anti-spam software subscription service to large enterprises worldwide.

ProfitKey International develops and markets integrated manufacturing software and information control systems for make-to-order and make-to-stock manufacturers. ProfitKey s offering includes a suite of e-business solutions that includes customer, supplier and sales portals. ProfitKey s highly integrated system emphasizes online scheduling, capacity management, and cost management.

Foresight Software, Inc. provides client/server Enterprise Resource Planning and Customer Relationship Management software to global organizations that depend on customer service operations for critical market differentiation and competitive advantage. Foresight s software products and services enable customers to deliver superior customer service while achieving maximum profitability.

On January 13, 2006, the Company completed the acquisition of Empagio, Inc. (Empagio). Empagio survived the merger and is now a wholly-owned subsidiary of the Company. Empagio is a human resources management software company. Its signature product is its SymphonyHR hosted software solution which automates HR procedures and reduces paperwork, ranging from payroll to benefits administration. The Company has merged Tesseract into Empagio.

On December 23, 2005, the Company entered into an agreement and plan of merger to acquire InfoNow Corporation (InfoNow). InfoNow is a public enterprise software company, headquartered in Denver, Colorado. InfoNow provides channel visibility and channel management solutions, in the form of software and services to companies that sell their products through complex networks of distributors, dealers, resellers, retailers, agents or branches (i.e. channel partners). Companies use InfoNow s software and services to collaborate with their channel partners to create demand, increase revenues, lower operating costs and maximize the return on investment of their channel strategies. InfoNow s clients are generally companies with extensive channel partner networks, and include companies such as Apple, Hewlett-Packard, Juniper Networks, NEC Display Solutions of America, The Hartford, Visa, and Wachovia Corporation. The merger with InfoNow is expected to close in the fourth quarter of fiscal 2006.

On January 30, 2006, the Company entered into a merger agreement with Executive Consultants, Inc., a Maryland corporation (ECI). On March 1, 2006, the closing occurred under the merger agreement, and ECI became a wholly-owned subsidiary of the Company. The Company will merge ECI with Empagio. The acquisition of ECI s clients is intended to enhance Empagio s human resources software offerings.

On March 14, 2006, the Company entered into an Agreement and Plan of Merger to acquire Unify Corporation (Unify) in a transaction valued at approximately $20.6 million. Unify provides business automation solutions, including market leading applications for the alternative risk insurance market. Upon completion of the merger, Unify will become a wholly-owned subsidiary of the Company. The Unify Business Solutions division will work closely with the Company s Gupta subsidiary, a leading producer of embeddable databases and enterprise application development tools, who together will have more than 7,000 worldwide customers and a broad offering of Java, J2EE and relational database products. Unify s Insurance Risk Management Division will work closely with the Company s David Corporation subsidiary, a leading claims software provider with a large customer base in the alternative risk market. The merger, which is subject to approval by shareholders of Unify and to a number of other closing conditions, is expected to close in the summer of 2006.

As used in this prospectus, we, us, our , WARP , and the Company refer to WARP Technology Holdings, Inc. Nevada corporation, and its wholly owned (direct and indirect) subsidiaries.

Our principal executive offices are located at 200 Railroad Avenue, Greenwich, CT 06830 and our telephone number is (203) 422-2950.

Common Stock Offered

We have authorized 150,000,000 shares of common stock, par value $0.00001 (Common Stock). We are registering for resale on behalf of the selling stockholders 35,024,757 shares of our Common Stock issuable from time to time to the selling stockholders under the circumstances described under the heading Issuance of Preferred Stock and Warrants to Selling Stockholders on page 54. The proceeds from the sale of the Common Stock offered by this prospectus are solely for the account of the selling stockholders. We will not receive any proceeds from the sale of these shares. We may receive cash proceeds from the exercise of warrants entitling the selling stockholders to purchase 17,266,375 shares of our Common Stock at an exercises prices ranging from $1.25 per share to $4.75 per share. The Company cannot anticipate whether any warrants will be exercised. If all warrants held by the selling stockholders are exercised, we will receive up to $22,637,969 in proceeds. We anticipate that any proceeds from the exercise of warrants by the selling stockholders will be used for working capital and other general corporate purposes. Pending the application of any proceeds from the exercise of warrants, if any, by the selling stockholders, we expect to invest the proceeds in short-term, interest-bearing, investment-grade securities.

Risk Factors

You should carefully consider all of the information contained in this prospectus before making an investment in our Common Stock. In particular, you should consider the risk factors described under Risk Factors below.

SUMMARY CONSOLIDATED FINANCIAL DATA

You should review the financial information and the consolidated financial statements of the Company for the fiscal year ended June 30, 2005 and for the three and six months ended December 31, 2005 included in this prospectus beginning at page F-1. In addition, this information should be read in conjunction with (i) the financial statements for Tesseract Corporation for the years ended June 30, 2005 and June 30, 2004 included in this prospectus at page F-63, (ii) financial statements of Process Software, LLC and Affiliates (consisting of David Corporation, ProfitKey International, LLC, Foresight Software, Inc. and Process Software, LLC) for the years ended June 30, 2005 and June 30, 2004 included in this prospectus at page F-77 and (iii) the pro forma information for the Company, including notes describing various adjustments, included in this prospectus at page F-95.

RISK FACTORS

From time to time, information provided by us or statements made by our employees may contain forward-looking information involving risks and uncertainties. In particular, statements contained in this prospectus that concern future operating results or other statements using words such as anticipate, believe, could, estimate, intend, m plan, project, should or will constitute forward-looking statements and are made under the safe harbor provisions the Private Securities Litigation Reform Act of 1995. Our actual results of operations and financial condition have varied in the past and may in the future vary significantly from those stated in any forward-looking statements. Factors that may cause such differences include, without limitation, the risks, uncertainties and other information discussed below. Each of these factors, and others, are discussed from time to time in our filings with the Securities and Exchange Commission. We do not assume any obligation to update any forward-looking statement we make.

Any investment in our Common Stock involves a high degree of risk. Prospective purchasers of the Common Stock offered by this prospectus should carefully consider the following Risk Factors in addition to the other information appearing in this prospectus before you decide to buy the Common Stock. Additional risks and uncertainties not currently known to us or that we do not currently deem material may also become important factors that may harm our business. If any of the following risks actually occur, our business, financial condition or results of operations would likely suffer, the trading price of our Common Stock would probably decline, and you may lose all or part of the money you paid to buy our Common Stock.

Risk Factors Relating to the Company

We Have a Limited Operating History

The Company has a limited operating history. Such limited operating history makes it more difficult to predict whether or not we will be successful in the future. Our future financial and operational success is subject to the risks, uncertainties, expenses, delays and difficulties associated with managing a new business, many of which may be beyond our control. In addition, the Company competes in a relatively new market known as the information technology market. Because this market rapidly evolves, companies competing in it may face many uncertainties. Our success will depend on many factors, including those described in this Risk Factors section.

We Have a History of Losses and May Need Additional Financing

We have experienced operating losses, as well as net losses, for each of the years during which we have operated.

The Company has incurred recurring operating losses since its inception. As December 31, 2005, the Company had an accumulated deficit of approximately $70,953,000.

Conditions may arise, including potential risks described herein, that may require the Company to raise additional funds for its working capital needs and to continue to execute the requirements of its business plan. If these conditions arise, there can be no assurance that the Company will be successful in its efforts to raise sufficient capital.

If we achieve profitability, we cannot give any assurance that we would be able to sustain or increase profitability on a quarterly or annual basis in the future. Furthermore, the Company intends to pursue opportunities to acquire other businesses, and may need to raise capital in order to pursue such acquisitions.

Similarly, in the future, we may not generate sufficient revenue from operations to pay our operating expenses. If we fail to generate sufficient cash from operations to pay these expenses, our management will need to identify other sources of funds. We may not be able to borrow money or issue more shares of Common Stock or Preferred Stock to meet our cash needs. Even if we can complete such transactions, they may not be on terms that are favorable or reasonable from our perspective. As a result, you may lose your entire investment.

We May Not Be Able to Borrow Funds

There currently are no legal limitations on our ability to borrow funds to increase the amount of capital available to us to carry out our business plan. However, our limited resources and limited operating history may make it difficult to borrow additional funds. The amount and nature of any such borrowings would depend on numerous considerations, including our capital requirements, our perceived ability to meet debt service on any such borrowings and the then prevailing conditions in the financial markets, as well as general economic conditions. There can be no assurance that debt financing, if required or sought, would be available on terms deemed to be commercially acceptable by us and in our best interest.

On August 2, 2005, the Company entered into a credit agreement (as amended, the Fortress Credit Agreement), between the Company, the Subsidiaries of the Company listed in Schedule 1 thereto, Fortress Credit Corp. as original lender (together with any additional lenders, the Fortress Lenders), and Fortress Credit Corp. as agent (the Fortress Agent) pursuant to which the Company may borrow up to $50 million. The Company initially borrowed $10 million, the proceeds of which were used to pay off prior [Senior Secured Notes] and a portion of the Company s subordinated indebtedness. On October 26, 2005, in connection with the acquisitions of five enterprise software companies, the Company entered into Amendment Agreement with Fortress amending the Fortress Credit Agreement. Under the Amendment, the Fortress Lenders made an additional loan of $15,000,000 under the credit facility. There can be no assurance that the Company will be able to borrow further amounts under the Fortress Credit Agreement. Future borrowings are subject to the satisfaction of various conditions precedent, including lender approval of the use of further borrowings.

The Fortress Credit Agreement contains numerous financial and operating covenants. There can be no assurance that the Company will be able to comply with these covenants, and failure to meet such covenants or the failure of the lenders to agree to amend or waive compliance with covenants that the Company does not meet would result in a default under the Fortress Credit Agreement. Moreover, the Company s subordinated debt incorporates the covenants and default provisions of the Fortress Credit Agreement. Any material default that is not amended or waived under any of these agreements will result in a default under most or all of the Company s financing arrangements.

Rapidly Changing Markets

The markets for our products are characterized by:

- rapidly changing technologies;
- evolving and competing industry standards;
- changing customer needs;
- frequent new product introductions and enhancements;
- increased integration with other functions; and
- rapid product obsolescence.

To develop new products for our target markets, we must develop, gain access to and use leading technologies in a cost-effective and timely manner and continue to expand our technical and design expertise. In addition, we must maintain close working relationships with key customers and potential customers in order to develop new products that meet their changing needs.

Rapidly Changing Technology

The Company may not be able to identify new product opportunities successfully, develop and bring to market new products, achieve design wins or respond effectively to new technological changes or product announcements by its competitors. In addition, we may not be successful in developing or using new technologies or in developing new products or product enhancements that achieve market acceptance. Our pursuit of necessary technological advances may require substantial time and expense. Failure in any of these areas could harm our operating results.

Our Ability to Compete Successfully Will Depend, In Part, On Our Ability to Protect Our Intellectual Property Rights

The Company relies on a combination of patent, trade secrets, copyrights, nondisclosure agreements and other contractual provisions and technical measures to protect its intellectual property rights. Policing unauthorized use of our products, however, is difficult, especially in foreign countries. Litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Litigation could result in substantial costs and diversion of resources and could harm our business, operating results and financial condition regardless of the outcome of the litigation. In addition, there can be no assurance that the courts will enforce the contractual arrangements which the Company has entered into to protect its intellectual property rights. Our operating results could be harmed by any failure to protect our intellectual property rights.

Competition

The Company s subsidiaries are engaged in businesses which are highly competitive and we expect significant competition for our technologies. Many of our competitors, for example, IBM, Microsoft, and Oracle (with respect to Gupta s business) and Cisco Systems, Inc. (with respect to Warp Solutions), have been in business for a number of years, have established customer bases, are larger, and have greater financial resources than the Company. There can be no assurance as to the degree to which we will be able to successfully compete in our industry.

Development of Products

The Company s subsidiaries are currently developing new products, as well as new applications of existing products. There can be no assurance that we will not experience difficulties that could delay or prevent the successful development, introduction or marketing of our products, or that our new or enhanced products will adequately meet the requirements of our current or prospective customers. Any failure by the Company or its subsidiaries to successfully design, develop, test and introduce such new products, or the failure of the Company s recently introduced products to achieve market acceptance, could prevent us from maintaining existing customer relationships, gaining new customers or expanding our markets and could have a material adverse effect on our business, financial condition and results of operations.

We are Dependent On Key Personnel

Our future success depends in part on the continued service of our key design engineering, sales, marketing and executive personnel and our ability to identify, recruit and retain additional personnel. At the date of this report, there were four employment agreements between the Company and its executive officers.

Managing Growth and Expansion

The Company is currently anticipating a period of growth as a result of its recent marketing and sales efforts. The resulting strain on our managerial, operational, financial and other resources could be significant. Success in managing this expansion and growth will depend, in part, upon the ability of senior management to manage effectively. Any failure to manage the anticipated growth and expansion could have a material adverse effect on our business.

We Expect to Pay No Cash Dividends

We presently do not expect to pay cash dividends in the foreseeable future. The payment of cash dividends, if any, will be contingent upon our revenues and earnings, if any, capital requirements, and general financial condition. The payment of any cash dividends will be within the discretion of our Board of Directors. We presently intend to retain all earnings, if any, to implement our business plan; accordingly, we do not anticipate the declaration of any cash dividends in the foreseeable future.

Indemnification of Officers and Directors

Our Articles of Incorporation provide for the indemnification of our officers and directors to the fullest extent permitted by the laws of the State of Nevada and the federal securities laws. It is possible that the indemnification obligations imposed under these provisions could result in a charge against our earnings and thereby affect the availability of funds for other uses.

Our Company Is Subject to Certain Legal Proceedings Which Could Be Material

On May 6, 2005, the Company received notice of a demand for arbitration before the American Arbitration Association from attorneys representing Michael Liss, a former employee of the Company who had the title Chief Operating Officer. Mr. Liss disputes the circumstances surrounding the termination of his employment and claims that he is entitled to severance benefits, other compensation and damages totaling approximately $187,000 in addition to attorneys fees and statutory damages. The Company believes that Mr. Liss s claim is without merit and intends to vigorously defend itself. However, there is no assurance that the Company will prevail in this proceeding. In the event that the Company loses this matter, and the arbitrator awards Mr. Liss all claimed damages, such a result could have a material adverse effect on the Company. The arbitrator has scheduled a hearing in this matter for March 21 and 22, 2006.

Our Common Stock Is Subject To Penny Stock Restrictions Under Federal Securities Laws, Which Could Reduce The Liquidity Of Our Common Stock

The Securities and Exchange Commission has adopted regulations, which generally define penny stocks to be an equity security that has a market price less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exemptions. On March 14, 2006, the closing price for our Common Stock, as quoted on the OTC Bulletin Board, was $1.50 per share and therefore, our Common Stock is designated a Penny Stock. As a penny stock, our Common Stock may become subject to Rule 15g-9 under the Exchange Act or the Penny Stock Rules. These rules include, but are not limited to, Rules 3a5l-l, 15g-1, 15g-2, 15g-3, 15g-4, 15g-5, 15g-6 and 15g-7 under the Securities Exchange Act of 1934, as amended. These rules impose additional sales practice requirements on broker-dealers that sell such securities to persons other than established customers and accredited investors (generally, individuals with a net worth in excess of $1,000,000 or annual incomes exceeding $200,000, or $300,000 together with their spouses). For transactions covered by Rule 15g-9, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser s written consent to the transaction prior to sale. As a result, this rule may affect the ability of broker-dealers to sell our securities and may affect the ability of purchasers to sell any of our securities in the secondary market.

The rules may further affect the ability of owners of our shares to sell their securities in any market that may develop for them. There may be a limited market for penny stocks, due to the regulatory burdens on broker-dealers. The market among dealers may not be active. Investors in penny stock often are unable to sell stock back to the dealer that sold them the stock. The mark-ups or commissions charged by the broker-dealers may be greater than any profit a seller may make. Because of large dealer spreads, investors may be unable to sell the stock immediately back to the dealer at the same price the dealer sold the stock to the investor. In some cases, the stock may fall quickly in value. Investors may be unable to reap any profit from any sale of the stock, if they can sell it at all.

For any transaction involving a penny stock, unless exempt, the rules require delivery, prior to any transaction in a penny stock, of a disclosure schedule prepared by the Securities and Exchange Commission relating to the penny stock market. Disclosure is also required to be made about sales commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements are required to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stock.

The penny stock restrictions will no longer apply to our Common Stock if we become listed on a national exchange. In any event, even if our Common Stock were exempt from the penny stock restrictions, we would remain subject to Section 15(b)(6) of the Exchange Act, which gives the Securities and Exchange Commission the authority to restrict any person from participating in a distribution of penny stock, if the Securities and Exchange Commission finds that such a restriction would be in the public interest.

Risk Factors Related to Acquisition Strategy

Growth and Acquisition Risks

One of the Company s primary strategies is to pursue the acquisition of other companies or assets that either complement or expand its existing business. The Company completed the acquisition of Gupta in January 2005, the acquisition of Kenosia in July 2005, and the acquisition of Tesseract and four other software companies, DAVID Corporation, Process Software, ProfitKey International, and Foresight Software, Inc. in October 2005. In addition, the Company completed the acquisition of Empagio in January 2006 and ECI in March 2006, and has entered into agreements for the acquisition of InfoNow and Unify. These acquisitions are expected to close in the fourth quarter of Fiscal 2006. The Company has also had preliminary acquisition discussions with, or has evaluated the potential acquisition of, several other companies. However, the Company is unable to predict the likelihood or timing of a material acquisition being completed in the future.

The Company anticipates that one or more potential acquisition opportunities, including those that would be material, may become available in the near future. If and when appropriate acquisition opportunities become available, the Company intends to pursue them actively. There can be no assurance that the Company will be able to profitably manage the addition of Kenosia, Tesseract, DAVID Corporation, ProfitKey International, LLC, Foresight Software, Inc., Process Software, LLC, Empagio, ECI, InfoNow and Unify or that it will be able to identify, acquire or profitably manage additional companies or successfully integrate such additional companies into its operations without substantial costs, delays or other problems. In addition, there can be no assurance that any companies acquired will be profitable at the time of their acquisition or will achieve sales and profitability that justify the investment therein. Acquisitions may involve a number of special risks, including adverse effects on the Company s reported operating results, diversion of management s attention, dependence on retention and hiring of key personnel, and risks associated with unanticipated problems or legal liabilities, some or all of which could have a material adverse effect on the Company s operations and financial performance. The expansion of the Company s operations, whether through acquisitions or internal growth, may place substantial burdens on the Company s management resources and financial controls. There is no assurance that the increasing burdens on the Company s management resources and financial controls will not have an adverse effect on the Company s operations.

We May Not Be Able To Finance Future Acquisitions

We seek to use shares of our Common Stock to finance a portion of the consideration for acquisitions. If our Common Stock does not maintain a sufficient market value or the owners of businesses we may seek to acquire are otherwise unwilling to accept shares of Common Stock as part of the consideration for the sale of their businesses, we may be required to use more of our cash resources in order to implement our acquisition strategy. If we have insufficient cash resources, our ability to pursue acquisitions could be limited unless we are able to obtain additional funds through debt or equity financing. Our ability to obtain debt financing may be constrained by existing or future loan covenants, the satisfaction of which may be dependent upon our ability to raise additional equity capital through either offerings for cash or the issuance of stock as consideration for acquisitions. We cannot assure you that our cash resources will be sufficient, or that other financing will be available on terms we find acceptable. If we are unable to obtain sufficient financing, we may be unable to implement fully our acquisition strategy.

Additional Risk Factors Related to the Business of our Operating Subsidiaries

Financial Results May Vary Significantly from Quarter to Quarter

The Company s operating results have varied significantly from quarter to quarter at times in the past and may continue to vary significantly from quarter to quarter in the future due to a variety of factors. Many of these factors are outside of our control. These factors include:

- fluctuations in demand for the Company s products, upgrades to the Company s products, or services;
- fluctuations in demand for the Company s products due to the potential deteriorating economic conditions of the Company s customer base;
- seasonality of purchases and the timing of product sales and shipments;
- unexpected delays in introducing new products and services or improvements to existing products and services;
- new product releases, licensing models or pricing policies by the Company s competitors;

acquisitions or mergers involving the Company s competitors or customers;

impact of changes to the Company s product distribution strategy and pricing policies;

lack of order backlog;

loss of a significant customer or distributor;

changes in purchasing and/or payment practices by the Company s distributors or other customers;

a reduction in the number of independent software vendors (ISVs), who embed the Company s products, or value-added resellers (or VARs), who sell and deploy the Company s products;

changes in the mix of domestic and international sales;

impact of changes to the Company s geographic investment levels and business models;

gains or losses associated with discontinued operations; and

changes in the Company s business plan or strategy.

The Company s revenue growth and profitability depend on the overall demand for the Company s products and services, which in turn depends on general economic and business conditions. The nature and extent of the effect of the current economic climate on the Company s ability to sell its products and services is uncertain. A softening of demand for the Company s products and services caused by weakening of the economy may result in decreased revenues or lower growth rates. There can be no assurance that we will be able to effectively promote revenue growth rates in all economic conditions.

Significant portions of the Company s expenses are not variable in the short term and cannot be quickly reduced to respond to decreases in revenues. Therefore, if the Company s revenues are below expectations, the Company s operating results are likely to be adversely and disproportionately affected. In addition, the Company may change its prices, modify its distribution strategy and policies, accelerate its investment in research and development, sales or marketing efforts in response to competitive pressures or pursue new market opportunities. Any one of these activities may further limit the Company s ability to adjust spending in response to revenue fluctuations.

Seasonality May Contribute to Fluctuations in the Company s Quarterly Operating Results

The Company s business has experienced seasonal customer buying patterns with relatively weaker demand in the quarters ending June 30 and September 30. We believe that this pattern may continue.

The Company Currently Operates Without a Backlog

The Company generally operates with virtually no order backlog because the Company s software products are shipped and revenue is recognized shortly after orders are received. This lack of backlog makes product revenues in any quarter substantially dependent on orders booked and shipped throughout that quarter.

Our Efforts to Develop and Maintain Brand Awareness of The Company Products May Not be Successful

Brand awareness is important given competition in the markets where the Company operates. We are aware of other companies that use similar product names in order to promote their competing products and services, including but not limited to services to port the Company s customers applications to other database s and/or programming languages or development suites. We expect that it may be difficult or impossible to prevent third-party usage of the Company s or its operating subsidiaries names and our products names and variations of these names for competing goods and services. Competitors or others who use marks similar to the Company brand names may cause confusion among actual and potential customers, which could prevent the Company from achieving significant brand recognition. If we fail to promote and maintain the the Company brand or incur significant related expenses, the Company s business, operating results and financial condition could be materially adversely affected.

The Company must succeed in the Cross Platform Application Development Market if it is to Realize the Expected Benefits of its Linux Development

The Company s long-term strategic plan for its Gupta subsidiary depends upon the successful development and introduction of products and solutions that address the needs of cross platform development of applications targeting both Microsoft Windows and Linux operating systems. In order for the Company to succeed in these markets, it must implement strategies and products to ensure single-source code line compatibility on both platforms and provide a Web services model that is capable of consuming both J2EE and .Net Web services consistently on both the Microsoft Windows and Linux platforms. This will require focusing a significant portion of the Company s resources on product development.

The challenges involved include the following:

coordinating software development operations in a rapid and efficient manner to ensure timely release of products to market;

combining product offerings and support services quickly and effectively;

successfully managing difficulties associated with transitioning current customers to new technologies;

demonstrating to the Company customers the new technology will provide greater integration throughout the enterprise; and

creating key alliances.

In addition, the Company s success in these markets will depend on several factors, many of which are outside the Company s control including:

- General adoption of Web services as the preferred method of integrating data and applications; and
- The Company s ability to position itself as a premier provider of cross platform application development tools for integrating enterprise data and information.

If we are unable to succeed in this market, the Company s business may be harmed and we may be prevented from realizing the anticipated benefits of the Company s cross platform strategy.

The Company May Face Problems in Connection With Contractual or Licensing Arrangements

The Company is a party to certain offshore development, consulting, and services agreements, pursuant to which the Company receives quality assurance testing and certain enhancements to the Company s products. The Company s product development plans are dependent on maintaining similar arrangements in the future. There is no assurance that such contractual arrangements will continue to be available on economically beneficial terms.

In addition, the Company has licensed technology from and entered into a services agreements with other software development companies. The licensed technology and services enhance the Company s products, and assist in the design, development, testing and deployment of certain of the Company s software products. We cannot be certain that the market acceptance or demand for these new products will meet our expectations.

The Company May Face Problems in Connection With Product Line Expansion

In the future, the Company may acquire, license or develop additional products. Future product line expansion may require the Company to modify or expand its business. If the Company is unable to fully integrate new products with its existing operations, the Company may not receive the intended benefits of such product line expansion. We cannot be certain that the market acceptance or demand for these new products will meet our expectations.

A Small Number of Distributors Account For a Significant Percentage of The Company s Billings

The loss of a major distributor, changes in a distributor s payment practices, changes in the financial stability of a major distributor or any reduction in orders by such distributor, including reductions due to market or competitive conditions combined with the potential inability to replace the distributor on a timely basis, or any modifications to our pricing or distribution channel strategy could materially adversely affect the Company s business, operating results and financial condition. Many of the Company s ISVs, VARs and end users place their orders through distributors. A relatively small number of distributors have accounted for a significant percentage of the Company s revenues. The loss of one or more significant distributors, unless it was offset by the attraction of sufficient new customers, could have a material adverse impact on the business of the Company. The Company expects it will continue to depend on a limited number of distributors for a significant portion of its revenues in future periods and the loss of a significant distributor could have a material adverse impact on the Company. The Company s distributors have not agreed to any minimum order requirements.

The Company Depends on an Indirect Sales Channel

The Company s failure to grow its indirect sales channel or the loss of a significant number of members of its indirect channel partners would have a material adverse effect on the Company s business, financial condition and operating results. The Company derives a substantial portion of its revenues from indirect sales through a channel consisting of independent software vendors, value-added resellers, systems integrators, consultants and distributors. The Company s sales channel could be adversely affected by a number of factors including:

- the emergence of a new platform resulting in the failure of independent software vendors to develop and the failure of value-added resellers to sell the Company s products based on the Company s supported platforms;
- pressures placed on the sales channel to sell competing products;
- The Company s failure to adequately support the sales channel;
- consolidation of certain of the Company s indirect channel partners;

competing product lines offered by certain of the Company s indirect channel partners; and

business model or licensing model changes of the Company s channel partners or their competitors.

We cannot be certain the Company will be able to continue to attract additional indirect channel partners or retain its current channel partners. In addition, we cannot be certain that the Company s competitors will not attempt to recruit certain of the Company s current or future channel partners. This may have an adverse effect on the Company s ability to attract and retain channel partners.

The Company May Not Be Able to Develop Strategic Relationships

The Company s current collaborative relationships may not prove to be beneficial to us, and they may not be sustained. We may not be able to enter into successful new strategic relationships in the future, which could have a material adverse effect on the Company s business, operating results and financial condition. From time to time, the Company has collaborated with other companies in areas such as product development, marketing, distribution and implementation. However, many of the Company s current and potential strategic relationships are with either actual or potential competitors. In addition, many of the Company s current relationships are informal or, if written, terminable with little or no notice.

The Company Depends on Third-Party Technology in Its Products

The Company relies upon certain software that it licenses from third parties, including software integrated with the Company s internally developed software and used in the Company s products to perform key functions. These third-party software licenses may not continue to be available to the Company on commercially reasonable terms. In addition, some of the Company s software components have been licensed from the open source community. The loss of, or inability to maintain or obtain any of these software licenses, could result in shipment delays or reductions until the Company develops, identifies, licenses and integrates equivalent software. Any delay in product development or shipment could damage the Company s business, operating results and financial condition.

We May be Unable to Protect The Company s Intellectual Property and Proprietary Rights

The Company s success depends to a significant degree upon our ability to protect the Company s software and other proprietary technology. We rely primarily on a combination of patent, copyright, trademark and trade secret laws, confidentiality procedures and contractual provisions to protect the Company s proprietary rights. However, these measures afford us only limited protection. Furthermore, the Company uses third-party service providers in India for some of its development and the laws of India do not protect proprietary rights to the same extent as the laws of the United States. In addition, the Company relies in part on shrink wrap and click wrap licenses that are not signed by the end user and, therefore, may be unenforceable under the laws of certain jurisdictions. Therefore, our efforts to protect the Company s intellectual property may not be adequate. We cannot be certain that others will not develop technologies that are similar or superior to the Company s technology or design around the copyrights and trade secrets owned by the Company. Unauthorized parties may attempt to copy aspects of the Company s products or to obtain and use information we regard as proprietary. Although we believe software piracy may be a problem, we are unable to determine the extent to which piracy of the Company s software products occurs. In addition, portions of the Company s source code are developed in foreign countries with laws that do not protect our proprietary rights to the same extent as the laws of the United States.

We may be subjected to claims of intellectual property infringement by third parties as the number of products and competitors in the Company s industry segment continues to grow and the functionality of products in different industry segments increasingly overlaps. Additionally, the fact that some of the Company s software components have been licensed from the open source community may expose us to increased risk of infringement claims by third parties. Any infringement claims, with or without merit, could be time-consuming, result in costly litigation, divert management attention and resources, cause product shipment delays or the loss or deferral of sales or require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to us, if at all. In the event of a successful claim of intellectual property infringement against the Company, should we fail or be unable to either license the technology or similar technology or develop alternative technology on a timely basis, the Company s business, operating results and financial condition could be materially adversely affected.

The Company Must Adapt to Rapid Technological Change

The Company s future success will depend upon its ability to continue to enhance its current products and to develop and introduce new products on a timely basis that keep pace with technological developments and new industry standards and satisfy increasingly sophisticated customer requirements. Rapid technological change, frequent new product introductions and enhancements, uncertain product life cycles, changes in customer demands and evolving industry standards characterize the market for the Company s products. The introduction of products embodying new technologies and the emergence of new industry standards can render existing products obsolete and unmarketable. As a result of the complexities inherent in client/server and Web computing environments and in data and application integration solutions, new products and product enhancements can require long development and testing periods. As a result, significant delays in the general availability of such new releases or significant problems in the installation or implementation of such new releases could have a material adverse effect on the Company s business, operating results and financial condition. The Company has experienced delays in the past in the release of new products and new product enhancements. The Company may not be successful in:

- developing and marketing, on a timely and cost-effective basis, new products or new product enhancements that respond to technological change, evolving industry standards or customer requirements;
- avoiding difficulties that could delay or prevent the successful development, introduction or marketing of these products; or
- achieving market acceptance for its new products and product enhancements.

The Company s Software May Contain Errors or Defects

Errors or defects in the Company s products may result in loss of revenues or delay in market acceptance, and could materially adversely affect the Company s business, operating results and financial condition. Software products such as the Company s may contain errors, sometimes called bugs, particularly when first introduced or when new versions or enhancements are released. From time to time, the Company discovers software errors in certain of its new products after their introduction. Despite testing, current versions, new versions or enhancements of the Company s products may still have errors after commencement of commercial shipments. Product errors can put us at a competitive disadvantage and can be costly and time-consuming to correct.

The Company May Become Subject to Product or Professional Services Liability Claims

A product or professional services liability claim, whether or not successful, could damage the Company s reputation and business, operating results and financial condition. The Company s license and service agreements with its customers typically contain provisions designed to limit the Company s exposure to potential product or service liability claims. However, these contract provisions may not preclude all potential claims. Product or professional services liability claims could require us to spend significant time and money in litigation or to pay significant damages.

The Company Competes with Microsoft while Simultaneously Supporting Microsoft Technologies

The Company currently competes with Microsoft in the market for application development tools and data management products while simultaneously maintaining a working relationship with Microsoft. Microsoft has a longer operating history, a larger installed base of customers and substantially greater financial, distribution, marketing and technical resources than the Company. As a result, the Company may not be able to compete effectively with Microsoft now or in the future, and the Company s business, operating results and financial condition may be materially adversely affected.

We expect that Microsoft s commitment to and presence in the application development and data management products market will substantially increase competitive pressures. We believe that Microsoft will continue to incorporate SQL Server database technology into its operating system software and certain of its server software offerings, possibly at no additional cost to its users. We believe that Microsoft will also continue to enhance its SQL Server database technology and that Microsoft will continue to invest in various sales and marketing programs involving certain of the Company s channel partners.

We believe the Company must maintain a working relationship with Microsoft to achieve success. Many of the Company s customers use Microsoft-based operating platforms. Thus it is critical to the Company s success that the Company s products be closely integrated with Microsoft technologies. Notwithstanding the Company s historical and current support of Microsoft platforms, Microsoft may in the future promote technologies and standards more directly competitive with or not compatible with the Company s technology.

The Company Faces Significant Competition From Other Companies

The Company encounters competition for its embedded database products primarily from large, public companies, including Microsoft, Oracle, Sybase, IBM, Progress, Pervasive Software, and Borland. In particular, Sybase s small memory footprint database software product, Adaptive Server Anywhere, and Microsoft s product, SQL Server, directly compete with the Company s products. There is also competitive pressures for application development tools from Microsoft Visual Studio, SYBASE PowerBuilder and Borland Delphi and Kylix. And, because there are relatively low barriers to entry in the software market, the Company may encounter additional competition from other established or emerging companies providing database products based on existing, new or open-source technologies.

Open-source software, which is an emerging trend in the software marketplace, may impact the Company s business as interest, demand and use increases in the database segment and poses a challenge to the Company s business model, including recent efforts by proponents of open-source software to convince governments worldwide to mandate the use of open-source software in their purchase and deployments of software products. Firms adopting the open-source software model typically provide customers software produced by loosely associated groups of unpaid programmers and made available for license to end users at nominal cost, and earn revenue on complementary services and products, without having to bear the full costs of research and development for the open-source software. Because the present demand for open-source database software is largely concentrated in major corporations, the Company s embedded database business has not been adversely affected to date. However, it is likely that increased adoption of Linux will drive heightened interest in other more mature software categories such as database and certain business applications. To the extent competing open-source software products gain increasing market acceptance, sales of the Company s products may decline, the Company may have to reduce prices it charges for its products, and the Company s revenue and operating margins may decline. Mass adoption of open source databases in the SME market could have a material adverse impact on the Company s database business.

Application service providers (ASPs) may enter the Company s market and could cause a change in revenue models from licensing of client/server and Web-based applications to renting applications. The Company s competitors may be more successful than it is in adopting these revenue models and capturing related market share.

In addition, the Company competes or may compete against database vendors that currently offer, or may develop, products with functionalities that compete with the Company s solutions. These products typically operate specifically with these competitors proprietary databases. Such competitors include IBM, Microsoft and Oracle. Competition also comes in the form of custom code, where potential customers have sufficient internal technical resources to develop solutions in-house without the aid of the Company s products or those of its competitors.

Most of the Company s competitors have longer operating histories, significantly greater financial, technical, marketing and other resources, significantly greater name recognition and a larger installed base of customers. In addition, some competitors have demonstrated willingness to, or may willingly in the future, incur substantial losses as a result of deeply discounted product offerings or aggressive marketing campaigns. As a result, the Company s competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements, or to devote greater resources to the development, promotion and sale of competitive products, than we can. There is also a substantial risk that changes in licensing models or announcements of competing products by competitors such as Microsoft, Oracle, Sybase, IBM, Progress, MySQL, or others could result in the cancellation of customer orders in anticipation of the introduction of such new licensing models or products. In addition, current and potential competitors have established or may establish cooperative relationships among themselves or with third parties to increase the ability of their products to address customer needs which may limit the Company s ability to sell its products through particular partners. Accordingly, new competitors or alliances among, or consolidations of, current and new competitors may emerge and rapidly gain significant market share in the Company s current or anticipated markets. We also expect that competition will increase as a result of software industry consolidation. Increased competition is likely to result in price reductions, fewer customer orders, reduced margins and loss of market share, any of which could materially adversely affect the Company s business. We cannot be certain the Company will be able to compete successfully against current and future competitors or that the competitive pressures the Company faces will not materially adversely affect the Company s business, operating results and financial condition.

The Company is Susceptible to a Shift in the Market for Client/Server Applications toward Server based thin client or Web-Based Applications

The Company has derived substantially all of its historical application development tool and embedded database product revenues from the use of its products in client/server applications. The Company expects to rely on continued market demand for client/server applications indefinitely. However, we believe market demand may shift from client/server applications to server based solutions using Citrix or similar technology or, Web-based applications. If so, this shift could occur before the Company s product line has achieved market acceptance for use in Web-based applications. In addition, we cannot be certain that the Company s existing client/server developers will migrate to Web-based applications and continue to use the Company s products or that other developers of Web-based applications would select the Company s data management products. Further, this shift could result in a change in revenue models from licensing of client/server and Web-based applications to renting of applications from application service providers. A decrease in client/server application sales coupled with an inability to derive revenues from the Web-based application market could have a material adverse effect on the Company s business, operating results and financial condition.

The Company Depends on International Sales and Operations

We anticipate that for the foreseeable future the Company will derive a significant portion of its revenues from sources outside North America. In the year ended June 30, 2005, the Company derived more than 60% of its revenues outside North America. The Company s international operations are generally subject to a number of risks. These risks include:

- foreign laws and business practices favoring local competition;
- dependence on local channel partners;
- compliance with multiple, conflicting and changing government laws and regulations;
- longer sales cycles;
- greater difficulty or delay in collecting payments from customers;
- difficulties in staffing and managing foreign operations;
- foreign currency exchange rate fluctuations and the associated effects on product demand and timing of payment;
- increased tax rates in certain foreign countries;
- difficulties with financial reporting in foreign countries;
- quality control of certain development, translation or localization activities; and
- political and economic instability.

The Company may expand or modify its operations internationally. Despite the Company s efforts, it may not be able to expand or modify its operations internationally in a timely and cost-effective manner. Such an outcome would limit or eliminate any sales growth internationally, which in turn would materially adversely affect the Company s business, operating results and financial condition. Even if the Company successfully expands or modifies its international operations, the Company may be unable to maintain or increase international market demand for its products.

We expect the Company s international operations will continue to place financial and administrative demands on us, including operational complexity associated with international facilities, administrative burdens associated with managing relationships with foreign partners, and treasury functions to manage foreign currency risks and collections.

Fluctuations in the Relative Value of Foreign Currencies Can Affect The Company s Business

To date, the majority of the Company s transactions have been denominated in U.S. dollars. The majority of the Company s international operating expenses and substantially all of its international sales have been denominated in currencies other than the U.S. dollar. Therefore, the Company s operating results may be adversely affected by changes in the value of the U.S. dollar. Certain of the Company s international sales are denominated in U.S. dollars, especially in Europe. Any strengthening of the U.S. dollar against the currencies of countries where the Company sells products denominated in U.S. dollars will increase the relative cost of the Company s products and could negatively impact its sales in those countries. To the extent the Company s international operations expand or are modified, our exposure to exchange rate fluctuations may increase. Although these transactions have not resulted in material gains and losses to date, similar transactions could have a damaging effect on the Company s business, results of operations or financial condition in future periods.

The Company Must Continue to Hire and Retain Skilled Personnel

The Company s success depends in large part on its ability to attract, motivate and retain highly skilled employees on a timely basis, particularly executive management, sales and marketing personnel, software engineers and other senior personnel. The Company s efforts to attract and retain highly skilled employees could be harmed by its past or any future workforce reductions. The Company s failure to attract and retain the highly trained technical personnel who are essential to its product development, marketing, service and support teams may limit the rate at which the Company can generate revenue and develop new products or product enhancements. This could have a material adverse effect on the Company s business, operating results and financial condition.

WARP TECHNOLOGY HOLDINGS, INC.

Historical Background

The Company was incorporated in the State of Nevada on June 26, 2000 under the name Abbott Mines, Ltd. to engage in the acquisition and exploration of mining properties. The Company obtained an interest in one mining property with mining claims on land located near Vancouver in British Columbia, Canada. To finance its exploration activities, the Company completed a public offering of its Common Stock, par value $.00001 per share, on March 14, 2001 and listed its Common Stock on the OTC Bulletin Board on July 3, 2001. The Company conducted its exploration program on the mining property and the results did not warrant further mining activity. The Company then attempted to locate other properties for exploration but was unable to do so.

The Acquisition of Warp Solutions

On May 24, 2002, the Company and Warp Solutions closed a share exchange transaction (the Warp Solutions Share Exchange) pursuant to a share exchange agreement dated as of May 16, 2002, by and among the Company, Carlo Civelli, Mike Muzylowski, Warp Solutions, Karl Douglas, John Gnip and related sellers. Following the closing of the Warp Solutions Share Exchange, Warp Solutions became a subsidiary of the Company and the operations of Warp Solutions became the sole operations of the Company.

Subsequent to the closing of the Warp Solutions Share Exchange, the Company ceased all mineral exploration activities and the sole operations of the Company were the operations of its subsidiary, Warp Solutions.

The Upstream Merger and Name Change

On August 19, 2002, the Board of Directors of the Company authorized and approved the upstream merger of WARP Technology Holdings, Inc., a wholly owned subsidiary of the Company which had no operations, with and into the Company pursuant to Chapter 92A of the Nevada Revised Statutes. The upstream merger became effective on August 21, 2002, when the Company filed Articles of Merger with the Nevada Secretary of State. In connection with the upstream merger, and as authorized by Section 92A.180 of the Nevada Revised Statutes, the Company changed its name from Abbott Mines Ltd. to WARP Technology Holdings, Inc.

The Acquisition of Spider Software, Inc.

On January 10, 2003, the Company, through its wholly-owned subsidiary 6043577 Canada Inc., acquired one hundred percent (100%) of the issued and outstanding capital stock of Spider Software, Inc. (Spider), a privately held Canadian corporation, through a share exchange transaction pursuant to a Share Exchange Agreement (the Spider Exchange Agreement) dated as of December 13, 2002. Pursuant to the Spider Exchange Agreement the Spider shareholders were issued 1,500,000 shares of the preferred stock of 6043577 Canada Inc., and the Company forgave outstanding Spider promissory notes of approximately $262,000, all in exchange for one hundred percent (100%) of the issued and outstanding capital stock of Spider. The Company owns 100% of the voting common stock of 6043577 Canada Inc. The preferred stock of 6043577 Canada Inc. has no voting rights or other preferences but is convertible on a 100 for 1 basis into the Common Stock of the Company. As a result, following the closing, Spider became a wholly-owned subsidiary of 6043577 Canada Inc. and thereby an indirect, wholly-owned subsidiary of the Company.

Acquisition of Gupta Technologies, LLC

On January 31, 2005, the Company completed the acquisition of Gupta Technologies, LLC and its wholly-owned subsidiaries Gupta Technologies GmbH, a German company, Gupta Technologies Ltd., a U.K. company, and Gupta Technologies S.A. de C.V., a Mexican company (collectively referred to herein as Gupta). The acquisition of Gupta was made pursuant to a Membership Interest Purchase Agreement (as amended, the Gupta Agreement) between the Company and Gupta Holdings, LLC.

Under the Gupta Agreement, the total purchase price was $21,000,000, excluding transaction costs, of which the Company delivered $15,750,000 in cash on or before the closing. The remainder of the purchase price was paid in equity and debt securities issued or provided by the Company with the terms described herein. As a result, following the closing, Gupta became a wholly-owned subsidiary of the Company.

Acquisition of Kenosia Corporation

On July 6, 2005 the Company purchased Kenosia, a software company whose products include its DataAlchemy product line. DataAlchemy is a sales and marketing analytics platform that is utilized by global companies to drive retail sales and profits through timely and effective analysis of transactional data. Kenosia s installed customers span a wide range of industries, including consumer packaged goods, entertainment, pharmaceutical, automotive, spirits, wine and beer, brokers and retailers. The purchase price paid for Kenosia was $1,800,000 (net of a working capital adjustment).

Acquisition of Five Enterprise Software Companies

On October 26, 2005, the Company completed the acquisition of Tesseract and four other companies; DAVID Corporation, Process Software, ProfitKey International, and Foresight Software, Inc. (collectively Process and Affiliates).

Tesseract, headquartered in San Francisco, is a total HR solutions provider offering an integrated Web-enabled HRMS suite. Tesseract s Web-based solution suite allows HR users, employees and external service providers to communicate securely and electronically in real time. The integrated nature of the system allows for easy access to data and a higher level

of accuracy for internal reporting, assessment and external data interface. Tesseract s customer base includes corporations operating in a diverse range of industries, including financial services, transportation, utilities, insurance, manufacturing, petroleum, retail, and pharmaceuticals.

DAVID Corporation is a pioneer in Risk Management Information Systems. DAVID Corporation offers client/server-based products to companies that provide their own workers compensation and liability insurance. Many of DAVID Corporation s clients have been using its products for 10 years or longer.

Process Software develops infrastructure software solutions for mission-critical environments, including industry-leading TCP/IP stacks, an Internet messaging product suite, and an anti-spam software subscription service to large enterprises worldwide. With a loyal customer base of over 5,000 organizations, including Global 2000 and Fortune 1000 companies, Process Software has earned a strong reputation for meeting the stringent reliability and performance requirements of enterprise networks.

ProfitKey International develops and markets integrated manufacturing software and information control systems for make-to-order and make-to-stock manufacturers. ProfitKey s offering includes a suite of e-business solutions that includes customer, supplier and sales portals. ProfitKey s highly integrated system emphasizes online scheduling, capacity management, and cost management.

Foresight Software, Inc. provides client/server Enterprise Resource Planning and Customer Relationship Management software to global organizations that depend on customer service operations for critical market differentiation and competitive advantage. Foresight s software products and services enable customers to deliver superior customer service while achieving maximum profitability.

The purchase price for the acquisition of DAVID Corporation, Process Software, ProfitKey International, and Foresight Software was an aggregate of $12,000,000, which the Company paid in cash. Under the merger agreement for the acquisition of Tesseract (the Tesseract Merger Agreement), the merger consideration consisted of (i) $4,500,000 in cash which was paid at closing, (ii) 7,045,454 shares of Series D Preferred Stock of the Company, and (iii) $1,750,000 payable no later than March 31, 2006 and evidenced by a promissory note to Platinum Equity, LLC (the Platinum Promissory Note). Additionally, the Company is required to pay a working capital adjustment of $1,000,000. Since this amount was not paid by November 30, 2005, Platinum Equity, LLC (Platinum), the seller of Tesseract, has the option to convert the working capital adjustment into up to 1,818,181 shares of Series D Preferred Stock. To date, the Platinum has not elected to do so. Furthermore, since the working capital adjustment was not paid by November 30, 2005, the Company must pay Platinum a monthly transaction advisory fee of $50,000 per month, commencing December 1, 2005. At December 31, 2005, the Company accrued $50,000 of such fees.

Under the Tesseract Merger Agreement, Platinum agrees to retain 909,091 shares of Series D Preferred Stock delivered as part of the merger consideration. If the Platinum Promissory Note is paid on or before March 31, 2006, Platinum will return for cancellation, without additional consideration from the Company, 909,091 shares of Series D Preferred Stock to the Company.

The Tesseract Merger Agreement further provides that the rights, preferences and privileges of the Series D Preferred Stock will adjust to equal the rights, preferences and privileges of the next round of financing if such financing is a Qualified Equity Offering . Under the Tesseract Merger Agreement, a Qualified Equity Offering is defined as an equity financing (i) greater than $5,000,000, (ii) not consummated with any affiliate of the Company, and (iii) the securities issued in such equity financing are equal or senior in liquidation and dividend preference to the Series D Preferred Stock. If the Company s next round of equity financing is not a Qualified Equity Offering, the shares of the Series D Preferred Stock will convert at the option of Platinum into the terms of the offering, or maintain the terms of the Series D Preferred Stock. In addition, the Series D Stock may be converted into Common Stock at the election of the holder.

Acquisition of Empagio

The Company entered into a merger agreement dated December 19, 2005, to acquire Empagio. On January 13, 2006, the closing occurred under the merger agreement and Empagio is now a wholly-owned subsidiary of the Company. The merger consideration consisted of 1,438,455 shares of Common Stock. Based on the closing price of the Company s Common Stock on the day of the closing, the total purchase price was $1,869,992, subject to adjustment.

Empagio is a human resources management software company. Its signature product is its SymphonyHR hosted software solution which automates HR procedures and reduces paperwork, ranging from payroll to benefits administration. The

Company intends to integrate Empagio with additional HR solutions already within its portfolio to create a premier human resources management solutions provider.

Agreement to Acquire InfoNow

On December 23, 2005, the Company entered into an agreement and plan of merger with InfoNow (the InfoNow Merger Agreement) in a transaction valued at $7.2 million. Upon the closing under the InfoNow Merger Agreement, InfoNow will become a wholly-owned subsidiary of the Company.

InfoNow is a public enterprise software company, headquarted in Denver, Colorado. InfoNow provides channel visibility and channel management solutions, in the form of software and services, to companies that sell their products through complex networks of distributors, dealers, resellers, retailers, agents or branches (i.e., channel partners). Companies use InfoNow s software and services to collaborate with their channel partners to create demand, increase revenues, lower operating costs and maximize the return on investment of their channel strategies. InfoNow s clients are generally companies with extensive channel partner networks, and include companies such as Apple, Hewlett-Packard, Juniper Networks, NEC Display Solutions of America, The Hartford, Visa, and Wachovia Corporation.

Under the terms of the InfoNow Merger Agreement, which was approved by both companies boards of directors, each share of InfoNow s common stock outstanding immediately prior to the merger will be converted into the right to receive approximately $0.71 in a combination of cash and Common Stock of Warp.

In addition, each InfoNow common stock option outstanding at the closing with an exercise price less than $0.71 per share will be converted into the right to receive cash and Warp Common Stock to the extent that the approximately $0.71 per share merger consideration exceeds the applicable exercise price. The amount of cash and Warp s Common Stock to be issued in respect of the outstanding in-the-money stock options as described above will be calculated based upon the relative proportions of the cash and Warp Common Stock issued in the merger in respect of the outstanding Warp Common Stock.

The Company will also issue a contingent value right (a CVR) in respect of each share of Warp Common Stock issued in the merger. The CVRs will be payable on the 18-month anniversary of the closing date, and will entitle each holder thereof to an additional cash payment if the trading price of Warp s Common Stock (based on a 20-day average) is less than the average closing price for the twenty consecutive trading days ending two trading days prior to the closing of the merger (the HALO Conversion Price). The CVRs will expire prior to the 18-month payment date if during any consecutive 45-day trading period during that time when the volume of Warp s Common Stock is not less than 200,000 per day, the stock price is 175% of the HALO Conversion Price.

Consummation of the InfoNow transaction is subject to several closing conditions, including, among others, approval by a majority of InfoNow s common shares entitled to vote thereon, negotiation of the final terms of the CVR agreement and the effectiveness of a registration statement on Form S-4 to be filed by the Company, registering the shares of Warp Common Stock and related CVRs to be issued in the merger. In addition, the InfoNow Merger Agreement contains certain termination rights allowing InfoNow, the Company or both parties to terminate the agreement upon the occurrence of certain conditions, including the failure to consummate the merger by July 31, 2006.

Acquisition of ECI

On January 30, 2006, the Company entered into a merger agreement with ECI (the ECI Merger Agreement). On March 1, 2006, the closing occurred under the ECI Merger Agreement, and ECI will become a wholly owned subsidiary of the Company. The total merger consideration for all of the equity interests in ECI was $603,571 in cash and cash equivalents and 330,668 shares of the Company s Common Stock (with a value of $558,829 at the closing price of the Company s Common Stock), subject to adjustment based on the Net Working Capital (as defined in the ECI Merger Agreement) on the closing date. ECI will be merged with Empagio. The acquisition of ECI s clients will enhance Empagio s human resources software offerings.

Agreement to Acquire Unify

On March 14, 2006, the Company entered into an Agreement and Plan of Merger (the Unify Merger Agreement) with Unify Corporation (Unify) in a transaction valued at approximately $20.6 million.

Unify provides business automation solutions, including market leading applications for the alternative risk insurance market. Upon completion of the merger, Unify will become a wholly-owned subsidiary of the Company. The Unify Business Solutions division will work closely with the Company s Gupta subsidiary, a leading producer of embeddable databases and enterprise application development tools, who together will have more than 7,000 worldwide customers and a broad offering of Java, J2EE and relational database products. Unify s Insurance Risk Management Division will work closely with the Company s David Corporation subsidiary, a leading claims software provider with a large customer base in the alternative risk market.

In connection with the Unify Merger Agreement, two shareholders of Unify representing approximately thirty-three percent (33%) of outstanding voting rights of Unify have executed voting agreements which, subject to limited exceptions, require these stockholders to vote their Unify shares in favor of the Merger.

Under the terms of the Unify Merger Agreement, which was approved by the boards of directors of each of the Company and Unify, each share of Unify s common stock outstanding immediately prior to the merger will be converted into the right to receive 0.437 shares of common stock of the Company (the Exchange Ratio). The merger is intended to qualify as a tax-free reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended.

In addition, each outstanding option to purchase shares of common stock of Unify that has an exercise price of less than $1.00 per share shall become and represent an option to purchase the number of shares of the Company s common stock (rounded down to the nearest full share) determined by multiplying (X) the number of shares of Unify common stock subject to the option immediately prior to the effective time of the Merger by (Y) the Exchange Ratio, at an exercise price per share of the Company s common stock equal to the result of dividing (A) the exercise price of the Unify option by (B) the Exchange Ratio, and rounding the result up to the nearest tenth of one cent. All other outstanding options to purchase Unify common stock shall be cancelled at the effective time of the Merger. The Company options issued in substitution of Unify options shall contain substantially the same terms and conditions as the applicable Unify options.

Each outstanding warrant to purchase shares of common stock of Unify shall become and represent a warrant to purchase the number of shares of the Company s common stock (rounded down to the nearest full share) determined by multiplying (X) the number of shares of Unify common stock subject to the warrant immediately prior to the effective time of the merger by (Y) the Exchange Ratio. The exercise price for the Company s shares issuable upon exercise of the Company warrants issued in replacement of the Unify warrants shall be $1.836 per share. The Company warrants issued in substitution of Unify warrants shall contain substantially the same terms and conditions as the applicable Unify warrants.

Consummation of the merger is subject to several closing conditions, including, among others, approval by a majority of Unify s common shares entitled to vote thereon, holders of less than ten percent (10%) of Unify s outstanding common stock exercising appraisal or dissenter s rights, the Company receiving a new equity investment of at least $2.0 million, the Company converting certain of its outstanding convertible debt into common stock, no material adverse change in the business or condition of either company prior to the effective time of the merger, and the effectiveness of a registration statement on Form S-4 to be filed by the Company registering the shares of common stock to be issued in the merger. In addition, the Unify Merger Agreement contains certain termination rights allowing Unify, the Company or both parties to terminate the agreement upon the occurrence of certain conditions, including the failure to consummate the merger by September 30, 2006.

Business of the Company

The Company is a holding company whose subsidiaries operate enterprise software and information technology businesses. In addition to holding its existing subsidiaries, the Company s strategy is to pursue acquisitions of businesses, which either complement the Company s existing businesses or expand the industries in which the Company operates.

Gupta Business

Gupta develops, markets and supports software products that enable software programmers to create enterprise class applications, operating on either the Microsoft Windows or Linux operating systems that are used in large and small businesses and governmental entities around the world. Applications developed using Gupta products are used in mission-critical processes in thousands of businesses worldwide. Everyday, people rely on Gupta products when filling a prescription at their local pharmacy, banking online, shipping a package, riding a train, or shopping at a convenience store. Businesses rely on Gupta products to run their manufacturing operations, track their finances and organize their data.

Gupta s flagship products, Team Developer and SQLBase, are specifically designed to meet the demands for enterprise performance and functionality combined with low total cost of ownership. SQLBase is a low/zero-administration relational database that features a high level of security with more than one million copies in use worldwide. It is ideal for rich client applications and environments where it is impractical to have a database administrator. Team Developer is used by over 10,000 developers worldwide and offers an object-oriented, 4GL toolset with built-in version control, customizable coding environment, and native connectivity to most popular databases. It can be used by a single developer or by large teams to develop robust applications in a managed environment. Gupta s primary customers are independent software vendors (ISVs), value-added resellers (VARs), systems integrators and corporate IT departments.

While Gupta products can be used independently with other tools and databases, the majority of Gupta s customers use them in conjunction with each other to develop business applications. A typical customer uses Team Developer to create a software application for a business solution, with SQLBase as the embedded database, and deploys that application within their organization (a corporate user), or sells the application as a proprietary product (ISVs and VARs).

Gupta sells its products using a traditional software licensing model. Developers buy Team Developer licenses by the seat. SQLBase licenses are sold as either a single workstation version or a multi-user server version on a per seat basis. Gupta additionally offers maintenance and support contracts that allow customers to receive product upgrades and telephone support on an annual basis.

Gupta in its present form originated in February 2001 when Platinum, a private equity firm in Los Angeles, California, acquired certain assets and liabilities from Centura Software Corporation (Centura). These assets and liabilities related principally to the SQLBase and Team Developer product lines and included all rights to the intellectual property, the working capital, fixed assets, contracts, and operating subsidiaries that supported these products. Gupta also hired certain employees from Centura to support the development, sales, technical support, and administration of the acquired assets. Originally founded in 1983 as Plum Computers, Inc., the entity became Gupta Technologies, Inc. in 1984, then Gupta Corporation in 1992, then Centura Software Corporation in 1996. Gupta is a limited liability company formed under the laws of the State of Delaware. In January 2005, Gupta was acquired from Gupta Holdings, LLC, a wholly owned subsidiary of Platinum, by the Company.

Gupta is based in Redwood Shores, California with offices in Munich, London, and Paris. It has over 1,000 customers in over 50 countries.

Warp Solutions Business

In addition to the Gupta businesses, the Company operates in the United States, Canada and the U.K. through its subsidiaries, Warp Solutions, a Delaware corporation, Warp Solutions, Ltd., a U.K. corporation, 6043577 Canada, Inc., a Canadian corporation, and Spider Software, Inc., a Canadian corporation. These subsidiaries are collectively referred to in this prospectus as Warp Solutions. Warp Solutions produces a series of application acceleration products that improve the speed and efficiency of transactions and information requests that are processed over the internet and intranet network systems. These products and technologies are designed to accelerate network applications, reduce network congestion, and reduce the cost of expensive server deployments for enterprises engaged in high volume network activities.

The primary product offered is the SpiderSoftware product, which is a software solution designed to enable caching of pure dynamic content at the web server layer. This product is installed on the web server of an enterprise to allow network administrators to select certain sections of its content to remain dynamic, a feature known as partial page caching.

The benefits of the SpiderSoftware solution are increased speed, performance, scalability, availability and efficiency of a network infrastructure s informational and transactional data flow. The primary advantages of the SpiderSoftware solution include highly granular cache control, support for both static and dynamic page caching, partial page caching, database trigger support for dynamic cache management, clustering support, cross platform web administration tool, real-time cache efficiency performance monitoring, automatic image optimization, and support for multiple operating systems including Windows NT, Linux, Solaris, and Unix.

Kenosia Business

Kenosia is a software company whose products include its DataAlchemy product line. DataAlchemy is a sales and marketing analytics platform that is utilized by global companies to drive retail sales and profits through timely and effective analysis of transactional data. Kenosia s installed customers span a wide range of industries, including consumer packaged goods, entertainment, pharmaceutical, automotive, spirits, wine and beer, brokers and retailers.

Tesseract Business

Tesseract, headquartered in San Francisco, is a total HR solutions provider offering an integrated Web-enabled HRMS suite. Tesseract s Web-based solution suite allows HR users, employees and external service providers to communicate securely and electronically in real time. The integrated nature of the system allows for easy access to data and a higher level of accuracy for internal reporting, assessment and external data interface. Tesseract s customer base includes corporations operating in a diverse range of industries, including financial services, transportation, utilities, insurance, manufacturing, petroleum, retail, and pharmaceuticals.

David Business

DAVID is a pioneer in Risk Management Information Systems. DAVID offers client/server-based products to companies that provide their own workers compensation and liability insurance. Many of DAVID s clients have been using its products for 10 years or longer.

Process Business

Process Software develops infrastructure software solutions for mission-critical environments, including industry-leading TCP/IP stacks, an Internet messaging product suite, and an anti-spam software subscription service to large enterprises worldwide. With a loyal customer base of over 5,000 organizations, including Global 2000 and Fortune 1000 companies, Process Software has earned a strong reputation for meeting the stringent reliability and performance requirements of enterprise networks.

ProfitKey Business

ProfitKey International develops and markets integrated manufacturing software and information control systems for make-to-order and make-to-stock manufacturers. ProfitKey s offering includes a suite of e-business solutions that includes customer, supplier and sales portals. ProfitKey s highly integrated system emphasizes online scheduling, capacity management, and cost management.

Foresight Business

Foresight provides client/server Enterprise Resource Planning and Customer Relationship Management software to global organizations that depend on customer service operations for critical market differentiation and competitive advantage. Foresight s software products and services enable customers to deliver superior customer service while achieving maximum profitability.

Empagio Business

Empagio is a human resources management software company. Its signature product is its SymphonyHR hosted software solution which automates HR procedures and reduces paperwork, ranging from payroll to benefits administration.

The Company has integrated the operations of Empagio and Tesseract and has merged those entities. The intent is to create a premier human resources management solutions provider. The Company also intends to integrate the operations of ECI and merge ECI into Empagio.

ECI Business

ECI is a human resource solutions provider. The Company is integrating the business of ECI, including its clients and delivery assets, into its Empagio subsidiary.

Sales and Marketing

The Company currently uses both indirect and direct sales models, based on geography. In Europe, the Company uses an indirect sales channel relying on VARs and distributors to sell its products to end users. The Company s sales and marketing team in Europe works directly with its VAR partners to help them market and sell the Company s products by engaging in joint efforts to meet with their customers, attend their roadshows, provide technical support and training and attending major technology trade events. In North America, the Company relies on direct sales force to sell its products. The Company is currently working on developing an indirect channel in North America. The Company is targeting VARs and ISVs, similar to ones the Company is successfully working with in Europe, to partner with in selling the Company s products. Throughout Latin America and AsiaPacific, the Company uses an indirect sales model similar to Europe. It is the Company s intent to increase its marketing activities worldwide in fiscal 2006 to increase the Company brand awareness, attract new partners and customers and generate increased revenues.

Software Product Development

The Company s software development effort is based in its North American offices with another 30 full-time contractors based in India. It is the Company s intent to continue developing enhanced functionality in the Company s existing products.

Intellectual Property and Proprietary Rights

We regard certain aspects of the Company s operations, products and documentation as proprietary. We rely on a combination of patent, copyright, trademark and trade secret laws and other measures to protect our proprietary rights. We also rely on contractual restrictions in the Company s agreements with customers, employees and others to protect our intellectual property rights. However, in certain foreign countries, effective copyright and trade secret protection may be unavailable or the laws of these other jurisdictions may not protect our proprietary technology rights to the same extent as the laws of the United States. Failure to obtain and/or maintain appropriate patent, copyright or trade secret protection either in the United States or in certain foreign countries, for any reason, may have a material adverse effect on the Company s business, operating results and financial condition.

The Company licenses software and technology from third parties, including some competitors, and incorporates them into its own software products, some of which are critical to the operation of the Company s software.

The source code for the Company s software products is protected both as a trade secret and as a copyrighted work. Some of the Company s customers are beneficiaries of a source code escrow account arrangement which enables the customer to obtain a contingent future limited right to use the Company s source code solely for the customer s internal use. If the Company s source code is accessed, the likelihood of misappropriation or other misuse of the Company s intellectual property may increase.

We believe that the Company s copyrights, trademarks and other proprietary rights do not infringe upon the proprietary rights of third parties. However, there can be no assurance that third parties will not assert infringement claims against the Company in the future with respect to current or future products or that any such assertion will not require the Company to enter into royalty arrangements or result in litigation.

Competition

The market for the Company s products and services is extremely competitive and contains a number of companies that are larger, more established and better financed than the Company. Competitors include Microsoft, Oracle, Sybase, Cisco and many other companies. To the extent that our products or services have a competitive advantage, due to the fact that there are larger, better capitalized companies in the marketplace, there is no assurance that the Company can maintain a competitive position.

Raw Materials

The Company does not use any raw materials in its business.

Dependence on Major Customers

The Company has no customer that accounted for more than 10% of the Company s revenues in fiscal 2004. In fiscal 2005, the Company had one customer that accounted for approximately 15% of the Company s revenue.

Research and Development

During fiscal year 2004, the Company spent approximately $812,000 on research and development of its products. During the fiscal year 2005, the Company spent approximately $1,589,000 on research and the development of its products. The pricing of the Company s products reflects, among other things, the cost of their development as well as the cost of the component parts and applicable license fees.

Personnel

As of June 30, 2005, the Company employed 57 people, including 25 in sales and marketing, 12 in research and development, 5 in technical support and 15 in administration. As of March 1, 2006, the Company employed 234 people, including 50 in sales and marketing, 99 in research and development, 40 in technical support and 45 in administration, all of whom are full-time employees. None of the Company s employees are covered by a labor union.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion and analysis provides information that the Company s management believes is relevant to an assessment and understanding of the Company s results of operations and financial condition. This discussion is based on, and should be read together with, the Company s consolidated financial statements, and the notes to such financial statements, which are included in this registration statement.

Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123(R), Share-Based Payment , which establishes standards for transactions in which an entity exchanges its equity instruments for goods or services. This standard requires an entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. This eliminates the exception to account for such awards using the intrinsic method previously allowable under APB Opinion No. 25. SFAS No. 123 (R) will be effective for the period beginning January 1, 2006. The impact on this new standard, if it had been in effect on the net loss and related per share amounts of our three and six months ended December 31, 2005 and 2004 is disclosed above in Note 2 Summary of Significant Accounting Policies-Stock Based Compensation. We believe the adoption will have an effect on our results of operations.

On March 29, 2005, the Staff of the Securities and Exchange Commission (SEC or the Staff) issued Staff Accounting Bulletin No. 107, Share-Based Payment (SAB 107). Although not altering any conclusions reached in SFAS 123R, SAB 107 provides the views of the Staff regarding the interaction between SFAS 123R and certain SEC rules and regulations and, among other things, provide the Staff s views regarding the valuation of share-based payment arrangements for public companies. The Company intends to follow the interpretative guidance on share-based payment set forth in SAB 107 during the Company s adoption of SFAS 123R.

Critical Accounting Policies

The discussion and analysis of the Company s financial condition and results of operations is based on the Company s consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent liabilities.

On an on-going basis, we evaluate our estimates, including those related to revenue recognition and accounting for intangible assets. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

We have identified the accounting policies below as the policies critical to the Company s business operations and the understanding of the Company s results of operations. We believe the following critical accounting policies and the related judgments and estimates affect the preparation of the Company s consolidated financial statements:

Revenue Recognition

The Company recognizes revenue in accordance with the American Institute of Certified Public Accountants Statement of Position (SOP) 97-2, Software Revenue Recognition.

Revenues are derived from the licensing of software, maintenance contracts, training, and other consulting services.

In arrangements that include rights to multiple software products and/or services, the Company allocates and defers revenue for the undelivered items, based on vendor-specific objective evidence of fair value, and recognizes the difference between the total arrangement fee and the amount deferred for the undelivered items as revenue. In arrangements in which the Company does not have vendor-specific objective evidence of fair value of maintenance, and maintenance is the only undelivered item, the Company recognizes the total arrangement fee ratably over the contractual maintenance term.

Software license revenues are recognized upon receipt of a purchase order and delivery of software, provided that the license fee is fixed or determinable; no significant production, modification, or customization of the software is required; and collection is considered probable by management. For licensing of Gupta s software through its indirect sales channel, revenue is recognized when the distributor sells the software to its end-users, including value-added resellers. For licensing of software to independent software vendors, revenue is recognized upon shipment to the independent software vendors.

Service revenue for maintenance contracts is deferred and recognized ratably over the term of the agreement. Revenue from training and other consulting services is recognized as the related services are performed.

Business Combinations and Deferred Revenue.

In accordance with business combination accounting, we allocate the purchase price of acquired companies to the tangible and intangible assets acquired, and liabilities assumed, based on their estimated fair values. We engage third-party appraisal firms to assist management in determining the fair values of certain assets acquired and liabilities assumed. Such a valuation requires management to make significant estimates and assumptions, especially with respect to intangible assets and deferred revenue.

Management makes estimates of fair value based upon assumptions believed to be reasonable. These estimates are based on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Critical estimates in valuing certain of the intangible assets include but are not limited to: future expected cash flows from license sales, maintenance agreements, consulting contracts, customer contracts and acquired developed technologies and patents; the acquired company s brand awareness and market position, as well as assumptions about the period of time the acquired brand will continue to be used in the combined company s product portfolio; and discount rates. Unanticipated events and circumstances may occur which may affect the accuracy or validity of such assumptions, estimates or actual results.

We have acquired several software companies in fiscal 2006, and we plan to make more acquisitions in the future. Acquired deferred revenue is recognized at fair value to the extent it represents a legal obligation assumed by us in accordance with EITF 01-03, Accounting in a Business Combination for Deferred Revenue of an Acquiree. Under this guidance, the Company estimates fair values of acquired deferred revenue by adding an approximated normal profit margin to the estimated cost required to fulfill the obligation underlying the deferred revenue. As a result of this valuation, the deferred revenues of the acquired companies normally decrease substantially. In the enterprise software industry, this reduction averages between forty to sixty percent of the original balance. The reduction of the deferred revenue has a negative effect on the recognized revenue until the deferred revenue balance builds up to a normal level of the acquired business. The length of this effect depends on contracts underlying the deferred revenue. As the Company continues to acquire more businesses in the enterprise software industry, the effect of this deferred revenue valuation will have significant effect on the Company s results of operations.

Product Development Costs

Product development costs incurred in the process of developing product improvements and enhancements or new products are charged to expense as incurred. Statement of Financial Accounting Standards (SFAS) No. 86, Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed, requires capitalization of certain software development costs subsequent to the establishment of technological feasibility. Based on the Company s product development process, technological feasibility is established upon the completion of a working model. Costs incurred by the Company between the completion of the working model and the point at which the product is ready for general release has been insignificant.

Intangible assets and Goodwill

Intangible assets are primarily comprised of customer relationships, developed technology, trade names and contracts. Goodwill represents acquisition costs in excess of the net assets of businesses acquired. In accordance with SFAS 142, Goodwill and Other Intangible Assets goodwill is no longer amortized; instead goodwill is tested for impairment on an annual basis. We assess the impairment of identifiable intangibles and goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider to be important which could trigger an impairment review include the following:

Significant underperformance relative to expected historical or projected future operating results;

Significant changes in the manner of use of the acquired assets or the strategy for the overall business; and

Significant negative industry or economic trends.

When we determine that the carrying value of intangibles and other long-lived assets may not be recoverable based upon the existence of one or more of the above indicators of impairment and the carrying value of the asset cannot be recovered from projected undiscounted cash flows, we record an impairment charge. We measure any impairment based on a projected discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in the current business model. Significant management judgment is required in determining whether an indicator of impairment exists and in projecting cash flows. Trade names are considered to have indefinite life. All other intangibles are being amortized over their estimated useful life of three to ten years.

We have recorded a significant amount of goodwill on our balance sheet. As of December 31, 2005, goodwill was approximately $29 million, representing approximately 46% of our total assets and approximately 52% of our long-lived assets subject to depreciation, amortization and impairment. In the future, goodwill may increase as a result of additional acquisitions we will make. Goodwill is recorded on the date of acquisition and is reviewed at least annually for impairment. Impairment may result from, among other things, deterioration in the performance of our business, adverse market conditions and a variety of other circumstances. Any future determination requiring the write-off of a significant portion of the goodwill recorded on our balance sheet could have an adverse effect on our financial condition and results of operations.

Stock-Based Compensation

The Company uses the intrinsic value method to account for stock-based compensation in accordance with Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and have adopted the disclosure-only provisions of SFAS No. 123, Accounting for Stock-Based Compensation, as amended by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure. Accordingly, no compensation cost has been recognized for fixed stock option grants. Had compensation costs for the Company s stock option grants been determined based on the fair value at the grant dates for awards under these plans in accordance with SFAS No. 123, the Company s net loss and loss per share would have been reduced to amounts disclosed in Note 2 to the financial statements under caption Summary of

Significant Accounting Policies Stock Based Compensation . SFAS No. 123 (R) will be effective for the period beginning January 1, 2006. The adoption of this standard will generally result in increased compensation expense as it values any unvested options previously not recognized by APB 25.

Results of Operations

Revenue

Revenue is derived from the licensing of software, maintenance contracts, training, and other consulting services. License revenue is derived from licensing of our software and third-party software products. Services revenue results from consulting and education services, and maintaining, supporting and providing periodic unspecified upgrades for previously licensed products.

Total revenue increased by $5.3 million to $5.4 million for the three months ended December 31, 2005 from $107,000 for the three months ended December 31, 2004. Total revenue increased by $8.3 million to $8.6 million for the six months ended December 31, 2005 from $265,000 for the six months ended December 31, 2004. During the twelve months ending June 30, 2005, the Company recognized approximately $5,124,000 of revenues, compared to $882,000 for the twelve months ended June 30, 2004. The total revenue of $5.4 million for the three months ended December 31, 2005 was primarily due to the acquisitions of Gupta, $2.8 million, Kenosia, $183,000, Tesseract, $737,000, and Process and Affiliates, $1.6 million. The total revenue of $8.6 million for the six months ended December 31, 2005 was due to the acquisitions of Gupta, $5.8 million, Kenosia, $468,000, Tesseract, $737,000, and Process and Affiliates, $1.6 million. The increase in revenue during the twelve months ending June 30, 2004 as compared to the twelve months ended June 30, 2004 was due primarily to the acquisition of Gupta, which accounted for approximately $4,781,000 of the fiscal 2005 revenues.

License revenue increased by $1.4 million to $1.5 million for the three months ended December 31, 2005 from $85,000 for the three months ended December 31, 2004. License revenue increased by $2.6 million to $2.8 million for the six months ended December 31, 2005 from $212,000 for the six months ended December 31, 2004. The total license revenue of $1.5 million for the three months ended December 31, 2005 was primarily due to the acquisitions of Gupta, $1.1 million, and Process and Affiliates, $429,000. The total license revenue of $2.8 million for the six months ended December 31, 2005 was primarily due to the acquisitions of Gupta, $2.3 million, Kenosia, $90,000, and Process and Affiliates, $429,000.

Services revenue increased by $3.8 million to $3.9 million for the three months ended December 31, 2005 from $21,000 for the three months ended December 31, 2004. Services revenue increased $5.7 million to $5.8 million for the six months ended December 31, 2005 from $53,000 for the six months ended December 31, 2004. The total service revenue increase of $3.9 million for the three months ended December 31, 2005 was primarily due to the acquisitions of Gupta, $1.8 million, Kenosia, $178,000, Tesseract, $736,000, and Process and Affiliates, $1.2 million. The total revenue of $5.8 million for the six months ended December 31, 2005 was due to the acquisitions of Gupta, $3.5 million, Kenosia, $378,000, Tesseract, $736,000, and Process and Affiliates, $1.2 million.

Because of the reduction of deferred revenue after an acquisition under generally accepted accounting principles, which has the effect of reducing the amount of revenue recognized in a given period from what would have been recognized had the acquisition not occurred, past reported periods should not be relied upon as predictive of future performance. Additionally, the Company s operating strategy is to continue to acquire technology companies. Each of such transactions will cause a change to our future financial results. The Company believes such transactions will have a positive effect on the Company s revenues and income (loss) before interest.

Cost of Revenue

Total cost of revenue increased by $919,000 to $959,000 for the three months ended December 31, 2005 from $40,000 for the three months ended December 31, 2004. Total cost of revenue increased by $1.2 million to $1.3 million for the six months ended December 31, 2005 from $54,000 for the six months ended December 31, 2004. Total cost of revenue for the twelve months ended June 30, 2005 was approximately $548,000, as compared to $425,000 for the same period in 2004. The total cost of revenue of $959,000 for the three months ended December 31, 2005 was due to the acquisitions of Gupta, $270,000, Kenosia, $107,000, Tesseract, $179,000, and Process and Affiliates, $403,000. The total cost of revenue of $1.3 million for the six months ended December 31, 2005 was due to the acquisitions of Gupta,$525,000, Kenosia, $164,000, Tesseract, $179,000, and Process and Affiliates, $403,000.

The increase in cost of revenue for the twelve months ended June 30, 2005 compared to the same period in 2004 is directly related to the increase in revenues. In addition, for the twelve months ended June 30, 2004, the cost of sales included a write-off of approximately $238,000 of obsolete and damaged WARP 2063 servers.

The principal components of cost of license fees are manufacturing costs, shipping costs, and royalties paid to third-party software vendors. Cost of license revenue increased by $115,000 to $155,000 for the three months ended December 31, 2005 from $40,000 for the three months ended December 31, 2004. Cost of license revenue increased by $147,000 to $201,000 for the six months ended December 31, 2005 from $54,000 for the six months ended December 31, 2004. The total cost of license fees of $155,000 for the three months ended December 31, 2005 was primarily due to the acquisitions of Gupta, $47,000, Kenosia, $8,000, and Process and Affiliates, $100,000. The total cost of license fees of $201,000 for the six months ended December 31, 2005 was primarily due to the acquisitions of Gupta, $92,000, Kenosia, $8,000,and Process and Affiliates, $100,000.

The principal components of cost of services are salaries paid to our customer support personnel and professional services personnel, amounts paid for contracted professional services personnel and third-party resellers, maintenance royalties paid to third-party software vendors and hardware costs. Cost of services revenue increased by $804,000 for the three months ended December 31, 2005 from $0 for the three months ended December 31, 2004. Cost of services revenue increased by $1.1 million for the six months ended December 31, 2005 from $0 for the six months ended December 31, 2004. The cost of service revenue increase of $804,000 for the three months ended December 31, 2005 was a result of an increase in employee compensation directly related to additional headcount added in conjunction with the acquisitions of Gupta, $224,000, Kenosia, $99,000, Tesseract, $178,000, and Process and Affiliates, $303,000. The cost of service revenue increase of $1.1 million for the six months ended December 31, 2005 was a result of an increase in employee compensation directly related to additional headcount added in conjunction with the acquisitions of Gupta, $460,000, Kenosia, $156,000, Tesseract, $178,000, and Process and Affiliates, $303,000.

Gross profit margins were 82% for the three months ended December 31, 2005, compared to 63% for the three months ended December 31, 2004. Gross profit margins increased to 85% for the six months ended December 31, 2005, compared to 80% for the six months ended December 31, 2004. The gross margin increase was mainly due to the change in the product mix (increase in the proportion of maintenance and services revenue) the Company sells from the new subsidiaries during 2005. Gross profit margins increased to 89% for the year ended June 30, 2005, compared to 52% for the year ended June 30, 2004. The gross margin increase was mainly due to the change in the product mix the Company sells due to its Gupta subsidiary, which was acquired in January 2005.

Operating Expenses

Research and Development

Research and development expense consists primarily of salaries and other personnel-related expenses for engineering personnel, expensable hardware and software costs, overhead costs and costs of contractors. Research and development expenses increased by approximately $1.5 million to $1.6 million for the three months ended December 31, 2005 from $36,000 for the three months ended December 31, 2004. Research and development expenses increased by approximately $2.4 million to $2.5 million for the six months ended December 31, 2005 from $113,000 for the six months ended December 31, 2004. Product development expenses were approximately $1,589,099 and $812,000 for the twelve months ended June 30, 2005 and June 30, 2004, respectively. The increase for the six months ended December 31, 2004 was almost entirely attributable to an increase in employee compensation, and third party off shore consulting costs. The increase of $1.5 million for the three months ended December 31, 2005 was mainly resulted from the acquisition of Gupta, $793,000, Kenosia, $60,000, Tesseract, $237,000, and Process and Affiliates, $438,000. The increase of $2.4 million for the six months ended December 31, 2005 mainly resulted from the acquisitions of Gupta, $1.7 million, Kenosia, $125,000, Tesseract, $237,000, and Process and Affiliates, $438,000. The increase in product development expenses for the twelve months ended June 30, 2005 was due to the acquisition of Gupta, which accounted for approximately $1,397,000 of the 2005 product development expense. To date, all software development costs have been expensed as incurred.

Sales and Marketing

Selling and marketing expenses consist primarily of salaries, commissions, benefits, advertising, tradeshows, travel and overhead costs for the Company s sales and marketing personnel. Sales and marketing expenses increased by approximately $1.8 million to $2 million for the three months ended December 31, 2005 from $223,000 for the three months ended December 31, 2004. Sales and marketing expenses increased by approximately $3 million to $3.4 million for the six months ended December 31, 2005 from $477,000 for the six months ended December 31,

2004. Sales, marketing and business development expenses were approximately $3,652,000 and $2,310,000 for the twelve months ended June 30, 2005 and June 30, 2004, respectively. The increase of $1.8 million in sales and marketing expense was directly attributable to the acquisitions of Gupta, $1.4 million, Kenosia, $17,000, Tesseract, $49,000, and Process and Affiliates, $267,000 for the three months ended December 31, 2004. The increase of $3.0 million in sales and marketing expense was directly attributable to the acquisitions of Gupta, $2.7 million, Kenosia, $40,000, Tesseract, $49,000, and Process and Affiliates, $267,000 for the six months ended December 31, 2005. The increase in sales, marketing and business development expenses for the twelve months ended June 30, 2005 was due to the acquisition of Gupta, which accounted for approximately $2,171,000 of the 2005 sales and marketing expense.

General and Administrative

General and administrative costs include salaries and other direct employment expenses of our administrative and management employees, as well as legal, accounting and consulting fees and bad debt expense. General and administrative expenses increased by approximately $3.4 million to $3.7 million for the three months ended December 31, 2005 from $251,000 for the three months ended December 31, 2004. General and administrative expenses increased by approximately $4.2 million to $5.5 million for the six months ended December 31, 2005 from $1.2 million for the six months ended December 31, 2004. General and administrative expense was approximately $4,989,000 and $8,468,000 for the twelve months ended June 30, 2005 and June 30, 2004 respectively. The increase for the six months ended December 31, 2005 is attributable to increased headcount to manage the increasing size and complexity of the Company s operations, as the Company has acquired new subsidiaries, as well as professional services fees associated with the acquisitions and securities laws and tax compliance. For the three months ended December 31, 2005, general and administrative expenses increased by $2.7 million was directly attributable to the acquisitions of Gupta, $1.1 million, Kenosia, $160,000, Tesseract, $446,000, and Process and Affiliates, $957,000. For the six months ended December 31, 2005, general and administrative expenses increased by $4 million was directly attributable to the acquisitions of Gupta, $2.3 million, Kenosia, $332,000, Tesseract, $446,000, and Process and Affiliates, $957,000. The decrease of $3,479,000 in general and administrative expense from the twelve months ended June 30, 2004 to the twelve months ended June 30, 2005 was due primarily to a decrease in non-cash compensation of $4,464,000, which was off set by increased cost due to the acquisition of Gupta

Interest Expense

Interest expense increased by $2.2 million to $ 2.3 million for the three months ended December 31, 2005 from $46,000 for the three months ended December 31, 2004. Interest expense increased by $3.5 million to $3.6 million for the six months ended December 31, 2005 from $46,000 for the six months ended December 31, 2004. The increase was primarily due to the following: accretion of fair values of warrants issued in connection with the Company s debt, amortization of deferred financing costs (such as legal fees, due diligence fees, etc), and cash interest. The accretion of the fair values of the warrants accounted for approximately $1.1 million and $1.8 million for the three and six months ended December 31, 2005, respectively. The amortization of the deferred financing costs accounted for $139,000 and $374,000 for the three and six months ended December 31, 2005, respectively. And, the cash interest and the conversion of interest into Common Stock accounted for $1.0 million and $1.3 million for the three and six months ended December 31, 2005, respectively.

Net Operating Loss Carryforwards

The Company has a U.S. Federal net operating loss carryforward of approximately $41,128,000 as of December 31, 2005, which may be used to reduce taxable income in future years through the year 2025. The deferred tax asset primarily resulting from net operating losses was approximately $16,700,000. Due to uncertainty surrounding the realization of the favorable tax attributes in future tax returns, the Company has placed a full valuation allowance against its net deferred tax asset. At such time as it is determined that it is more likely than not that the deferred tax asset is realizable, the valuation allowance will be reduced. Furthermore, the net operating loss carryforward may be subject to further limitation pursuant to Section 382 of the Internal Revenue Code.

The Company has foreign subsidiaries based in the United Kingdom, Canada and Germany and is responsible for paying certain foreign income taxes. As a result, there is an income tax provision of $34,000 and $86,000 for the three and six months ended December 31, 2005 as compared to $0 and $0 for the three and six months ended December 31, 2004.

Liquidity and Capital Resources

The Company has three primary cash needs. These are (1) operations, (2) acquisitions and (3) debt service and repayment. The Company has financed a significant component of its cash needs through the sale of equity securities and debt.

For the six months ended December 31, 2005 and December 31, 2004, the Company used approximately $265,000 and $1,297,000, respectively to fund its operations. The cash was used primarily to fund operating losses, as well as approximately $16,374,000 for acquisitions, $8,325,000 for repayment of the principle portion of outstanding debt. For the years ended June 30, 2005 and 2004 the Company used approximately $3.4 and $4.8 million, respectively to fund its operations.

As of June 30, 2005 the Company used approximately $15.8 million for investing activities. The Company paid approximately $15 million in cash for the acquisition of Gupta and deposited approximately $.8 million for the Kenosia acquisition.

As of June 30, 2005 the Company raised approximately $20.8 million, of which $12.2 million was from the sale of preferred stock, $2.5 million from issuance of subordinated notes and $6.1 million from the issuance of senior notes.

The Company entered into a $50,000,000 credit facility with Fortress Credit Opportunities LP and Fortress Credit Corp. on August 2, 2005. On October 26, 2005, in connection with the closings of the acquisitions of Tesseract, DAVID Corporation, Process Software, ProfitKey International, and Foresight Software, Inc., the Company entered into Amendment Agreement No. 1 (Amendment Agreement) between the Company, Fortress Credit Opportunities LLP (Lender) and Fortress Credit Corp., as Agent (the Agent) relating to the Credit Agreement dated August 2, 2005 between the Company, the Subsidiaries of the Company listed in Schedule 1 thereto (the Subsidiaries), Fortress Credit Corp., as original lender (together with any additional lenders, the Original Lenders), and the Agent under which the Lender made an additional loan of $15,000,000 under Tranche B of the credit facility under the Credit Agreement. The rate of interest (the Interest Rate) payable on the loan for each calendar month (an Interest Period) is a floating percentage rate per annum equal to the sum of the LIBOR for that period plus the Margin . For theses purposes, LIBOR means for any Interest Period the rate offered in the London interbank market for U.S. Dollar deposits for the relevant Interest Period; provided, however, that for purposes of calculating the Interest Rate, LIBOR shall at no time be less than a rate equal to 2.65%. For these purposes, Margin means 9% per annum. Interest is due and payable monthly in arrears. The terms of the Credit Agreement regarding repayment, and the terms under which the maturity of outstanding amounts may be accelerated or amounts due increased, and the other recourse terms, remain unchanged from the terms of the Credit Agreement.

On October 26, 2005, as part of the acquisition of Tesseract, the Company issued a Promissory Note in the amount of $1,750,000 to Platinum. The principal under the Promissory Note accrues interest at a rate of 9.0% per annum. The principal and accrued interest under the Promissory Note are due on March 31, 2006. Interest is payable in registered shares of Common Stock of the Company, provided that until such shares are registered, interest shall be paid in cash. The Promissory Note contains certain negative covenants including that the Company will not incur additional indebtedness, other than permitted indebtedness under the Promissory Note. Under the Promissory Note, the following constitute an Event of Default: (a) the Company shall fail to pay the principal and interest when due and payable: (b) the Company fails to pay any other amount under the Promissory Note when due and payable: (c) any representation or warranty of the Company was untrue or misleading in any material respect when made; (d) there shall have occurred an acceleration of the state maturity of any indebtedness for borrowed money of the Company or any Subsidiary of $50,0000 or more in aggregate principal amount; (e) the Company shall sell, transfer, lease or otherwise dispose of all or any substantial portion of its assets in one transaction or a series of related transactions, participate in any share exchange, consummate any recapitalization, reclassification, reorganization or other business combination transaction or adopt a plan of liquidation or dissolution or agree to do any of the foregoing; (f) one or more judgments in an aggregate amount in excess of $50,000 shall have been rendered against the Company or any subsidiary; (g) the Company breaches any covenant set forth in Section 4 of the Promissory Note; or (h) an Insolvency Event (as defined in the Promissory Note) occurs with respect to the Company or a subsidiary. Upon an Event of Default, the Holder may, at its option, declare all amounts owed under the Promissory Note to be due and payable.

On October 21, 2005, the Company entered into certain convertible promissory notes to various accredited investors (the Notes) in the aggregate principal amount of One Million Dollars ($1,000,000). Interest accrues under the Notes at the rate of ten percent (10%) per annum. The principal amount of the Notes, together with accrued interest, is due and payable 90 days after the date it was entered into, unless the Notes are converted into debt or equity securities of the Company in the Company s next financing involving sales by the Company of a class of its preferred stock or convertible debt securities, or any other similar or equivalent financing transaction. The terms of such conversion have not yet been determined. Also on October 21, 2005, the Company issued warrants (the Warrants) to purchase an aggregate of 363,636 Shares of Common Stock, par value $0.00001 per share of the

Company. The Warrants were issued in connection with the Notes described above. The exercise price for the Warrant Shares is $1.375, subject to adjustment as provided in the Warrant. The Warrants are exercisable for five years after the date of the Warrants, October 21, 2010. The Warrants contain an automatic exercise provision in the event that the warrant has not been exercised but the Fair Market Value of the Warrant Shares (as defined in the Warrant) is greater than the exercise price per share on the expiration date. The Warrants also contain a cashless exercise provision. The Warrants also contain a limitation on exercise which limits the number of shares of Common Stock that may be acquired by the Holder on exercise to that number of shares as will insure that, following such exercise, the total number of shares of Common Stock then beneficially owned by such Holder and its affiliates will not exceed 9.99% of the total number of issued and outstanding shares of Common Stock. This provision is waivable by the Holder on 60 days notice.

On October 14, 2005, one of the Company s directors, David Howitt, made a short-term loan to the Company for $150,000. This loan will be converted into equity under the Subscription Agreement described below.

The Company accrued $1,033,500 for the fiscal year ended June 30, 2005 for potential penalties relating to a delay in filing an amendment to the Company s articles of incorporation and a delay in filing a registration statement relating to the registration of the shares registered being registered under this statement.

As of December 31, 2005 the Company had approximately $1,844,000 in cash and cash equivalents, $4,550,000 in net accounts receivable, $8,658,000 in accounts payable and accrued expenses, and $4,842,000 in short-term notes and loans payable, net of warrants fair value discount of $108,000, and $1,293,000 to ISIS and affiliated companies.

For the six months ended December 31, 2005, the Company used approximately $16,425,928 for investing activities. During the same period, the Company paid approximately $507,000 in cash as part of consideration to acquire Kenosia and approximately $15,867,102 in cash as part of consideration to purchase Tesseract, Process, DAVID Corporation, Profitkey, and Foresight from Platinum Equity, LLC.

As of December 31, 2005, the Company had debt that matures in the next 12 months in the amount of $4,950,000. This consist of $500,000 of note payable to Bristol Technology, Inc (seller of Kenosia), $2,750,000 payable to Platinum Equity, LLC (seller of Tesseract, Process, DAVID Corporation, Profitkey, and Foresight), $1,700,000 notes payable to other investors. As of the date hereof, $500,000 of the $1,700,000 notes have been paid, and the $500,000 note payable to Bristol Technology, Inc has been paid. The Company has also taken additional debt in the amount of $700,000 and $1,375,000 in January 2006, both of which are expected to be paid in equity securities.

The Company continues to evaluate strategic alternatives, including opportunities to strategically grow the business, enter into strategic relationships, make acquisitions or enter into business combinations. The Company can provide no assurance that any such strategic alternatives will come to fruition and may elect to terminate such evaluations at any time.

The Company s future capital requirements will depend on many factors, including cash flow from operations, continued progress in research and development programs, competing technological and market developments, and the Company s ability to maintain its current customers and successfully market its products, as well as any future acquisitions it undertakes. The Company intends to meet it cash needs, as in the past, through cash generated from operations, the proceeds of privately placed equity issuances and debt. Even without further acquisitions, in order to meet its financial obligations including repayment of outstanding debt obligations, the Company will have to issue further equity and engage in further debt transactions. There can be no guarantee that the Company will be successful in such efforts. In the absence of such further financing, the Company will either be unable to meet its debt obligations or with have to significantly restructure its operations, or a combination of these two actions. Such actions would significantly negatively affect the value of the Company s Common Stock.

Recent Developments

Options Granted to Mark Finkel

In connection with his employment by the Company, and under the Halo Technology Holdings 2005 Equity Incentive Plan, on January 4, 2006, Mr. Finkel received stock options for 600,000 shares of the Company s Common Stock. The exercise price for Mr. Finkel s options is $1.22 per share (the Fair Market Value on the date of grant by the Compensation Committee). The options granted to Mr. Finkel have a ten year term. 25% of these options vest on the first anniversary of the award, provided Mr. Finkel remains in his position through that date, and the remaining options vest ratably over the following 36 months, provided that Mr. Finkel remains with the Company.

Convertible Promissory Notes and Effect on Previously Issued Convertible Notes

On January 11, 2006, the Company entered into certain convertible promissory notes (the Notes) in the aggregate principal amount of Seven Hundred Thousand Dollars ($700,000). Interest accrues under the Notes at the rate of ten percent (10%) per annum. The Notes will automatically convert into (i) such number of fully paid and non-assessable shares of the Company s Series E Preferred Stock (the Series E Stock) equal to the aggregate outstanding principal amount due under

the Notes plus the amount of all accrued but unpaid interest under the Notes divided by $1.25, and (ii) warrants (the Warrants) to purchase a number of shares of the Company s Common Stock equal to 40% of such number of shares of Series E Stock issued to the holder. This automatic conversion will occur upon the effectiveness of the filing of the Certificate of Designations, Preferences and Rights (the Certificate of Designations) pertaining to the Company s Series E Preferred Stock. In the event that the Certificate of Designations is not filed 30 days after the notes were entered into (February 10, 2006) then the holders of the Notes may demand that the Company pay the principal amount of the Notes, together with accrued interest. No demand for payment has been made, and the Company expects the holders to convert their notes into equity.

Also on January 11, 2006, the Company entered into certain Subscription Agreements (the Subscription Agreements) for the sale of Series E Stock and Warrants. In addition to the conversion of the principal and interest under the Notes, investors (the Investors) under the Subscription Agreements agreed to invest $150,000 and committed to convert the principal and interest due under certain promissory notes issued by the Company in the aggregate principal amount of $1,000,000. Of these notes, an aggregate of $500,000 in principal amount was issued in September, 2005 and described in the Company s current report on Form 8-K filed on September 26, 2005, and an aggregate of $500,000 in principal amount was issued in October, 2005 and described in the second Current Report on Form 8-K filed by the Company on October 27, 2005. Accordingly, these notes were amended by the Subscription Agreement. Also under the Subscription Agreement, an investor agreed to convert $67,500 in certain advisory fees due from the Company into Series E Stock and Warrants.

The material terms of the Subscription Agreements are as follows. The Company designates the closing date. The closing is anticipated to occur when the Series E Certificate of Designations becomes effective. The obligations of the investors under the Subscription Agreement are irrevocable, provided that if the closing has not occurred within 30 days of the date of the agreement, the investors may revoke the agreement.

No later than seventy five (75) days after the completion of the offering, the Company agreed to file with the SEC a registration statement covering the Common Stock underlying the Series E Stock and the Warrants, and any Common Stock that the Company may elect to issue in payment of the dividends due on the Series E Stock.

Upon the completion of this offering, with a full round of investment of $10,000,000, the Investors will have the right for 15 months to invest, in the aggregate, an additional $10,000,000 in Common Stock of the Company, at $2.00 per share of Common Stock (as adjusted for stock splits, reverse splits, and stock dividends) or a 20% discount to the prior 30 day trading period, whichever is lower. Each Investor s right shall be his, her or its pro rata amount of the initial offering.

In the event that the Company completes or enters into agreements to sell equity securities on or before February 15, 2006, the Investor may convert the Securities received under the Subscription Agreement into such other equity securities as if the Investor had invested the amount invested in such securities. The Company will provide the Investor will five business days notice of such right. The Investor will be required to execute and deliver all such transaction documents as required by the Company in order to convert the Securities into such other securities. If the Investor so converts, all rights in the Securities shall cease.

Certain of these transactions were entered into by Mr. David Howitt, a director of the Company. Mr. Howitt invested $350,000 under the Notes, and agreed to invest another $150,000 under the Subscription Agreement. Mr. Howitt recused himself from the Board of Directors decisions approving these transactions.

Issuance of Common Stock in connection with the Acquisition of Empagio

The Company entered into a merger agreement dated December 19, 2005, with Empagio, certain stockholders of Empagio, and a wholly owned subsidiary of the Company. On January 13, 2006, the closing under the merger agreement occurred and Empagio became a wholly-owned subsidiary of the Company.

Upon the closing of the Empagio merger, the Company issued 1,438,455 shares of its Common Stock. The Company has delivered to the Empagio stockholders 1,330,571 shares of Warp Common Stock and retained 107,884 shares of Warp Common Stock as security for Empagio stockholder indemnification obligations under the merger agreement (the Empagio Indemnity Holdback Shares). The Empagio Indemnity Holdback Shares shall be released to the Empagio stockholders on the later of (i) the first anniversary of the closing date of the transaction and (ii) the date any indemnification issues pending on the first anniversary of the closing date are finally resolved.

Convertible Promissory Notes in the Principal Amount of $1,375,000

On January 27 and on January 30, 2006, the Company entered into certain convertible promissory notes (the Notes) in the aggregate principal amount of One Million Three Hundred Seventy-Five Thousand Dollars ($1,375,000). The principal amount of the Notes, together with accrued interest, shall be due and payable on demand by the Lender on any date which is no earlier than sixty (60) days after the date of the Notes (the Original Maturity Date), unless the Note is converted into Common Stock and Warrants as described below. In the event that the Notes are not converted by the Original Maturity Dates of the Notes, interest will begin to accrue at the rate of ten percent (10%) per annum.

Each Note shall convert into (i) such number of fully paid and non-assessable shares of the Company s Common Stock (the Common Stock) equal to the aggregate outstanding principal amount due under the Note plus the amount of all accrued but unpaid interest on the Note divided by $1.25, and (ii) warrants (the Warrants) to purchase a number of shares of the Company s Common Stock equal to 75% of such number of shares of Common Stock. The Notes shall so convert automatically (Mandatory Conversion) and with no action on the part of the Lender on the Original Maturity Date to the extent that upon such conversion, the total number of shares of Common Stock then beneficially owned by such Lender, does not exceed 9.99% of the total number of issued and outstanding shares of Common Stock. For such purposes, beneficial ownership shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. In the event that a portion of the principal and interest under the Notes has not been converted on the first Mandatory Conversion (and the Lender has not demanded payment), there will be subsequent Mandatory Conversions until all of the principal and interest has been converted, provided that at each such Mandatory Conversion the total number of shares of Common Stock then beneficially owned by such Lender does not exceed 9.99% of the total number of issued and outstanding shares of Common Stock. Prior to any Mandatory Conversion the Lender may at its option exercisable in writing to the Company, convert all or a portion of the principal and interest due hereunder into Common Stock and Warrants provided that at each such conversion the total number of shares of Common Stock then beneficially owned by such Lender does not exceed 9.99% of the total number of issued and outstanding shares of Common Stock. By written notice to the Company, each Lender may waive the foregoing limitations on conversion but any such waiver will not be effective until the 61st day after such notice is delivered to the Company.

Also on January 27 and January 30, 2006, the Company entered into certain Subscription Agreements (the Subscription Agreements) for the sale of the Notes and the underlying Common Stock and Warrants.

The material terms of the Subscription Agreements are as follows. The Company and the investors (the Investors) under the Subscription Agreements made certain representations and warranties customary in private financings, including representations from the Investors that they are accredited investors as defined in Rule 501(a) of Regulation D (Regulation D) under the Securities Act.

The Company undertakes to register the shares of Common Stock issuable upon conversion of the Notes, and upon conversion of the Warrants (together, the Registrable Shares) via a suitable registration statement pursuant to the registration rights set forth in the Subscription Agreement. If a registration statement covering the Registrable Shares has not been declared effective no later than 180 days from the closing, the holders shall receive a number of shares of Common Stock equal to 1.5% of the number of shares received upon conversion of the Notes for each 30 days thereafter during which the Registrable Shares have not been registered, subject to a maximum penalty of 9% of the number of shares received upon conversion of the Notes.

The Subscription Agreement allows the Investors to piggyback on the registration statements filed by the Company. The Company agreed that it will maintain the registration statement effective under the Securities Act until the earlier of (i) the date that all of the Registrable Shares have been sold pursuant to such Registration Statement, (ii) all Registrable Shares have been otherwise transferred to Persons who may trade such shares without restriction under the Securities Act, or (iii) all Registrable Shares may be sold at any time, without volume or manner of sale limitations pursuant to Rule 144(k) under the Securities Act.

Upon the completion of the offering under the Subscription Agreements (the Offering), with a full round of investment of $10,000,000, the Investors in the Offering, together with the investors who participated in the Company s offering of Series E Preferred Stock and Warrants (the Series E Offering) as described initially in the Company s current report on Form 8-K filed on January 18, 2006, will have the right for 15 months after the final closing of the Offering, to invest, in the aggregate (together with any investors in such Series E offering), an additional $10,000,000 in Common Stock of the Company. The price of such follow-on investment will be $2.00 per share of Common Stock or a 20% discount to the prior 30 day trading period, whichever is lower; provided that the price per share shall not be less than $1.25. The aggregate amount which may be invested pursuant to this follow-on right will be equivalent to the aggregate amount invested by the Investor in the Offering or in the Series E Offering. Each Investor s right shall be his, her or its pro rata amount of the initial offering.

36

Once the Company has raised a total of $5,000,000 in this Offering and the Series E Offering, the Investors will be able to invest up to 50% of the amount which they may invest pursuant to this follow-on right; subsequent to the completion of the full round of $10,000,000 the Investors may invest the remainder of the amount which they may invest pursuant to this follow-on right.

Notwithstanding anything to the contrary in the Subscription Agreements, the number of shares of Common Stock that may be acquired by the Investor upon any exercise of this follow-on right (or otherwise in respect hereof) shall be limited to the extent necessary to insure that, following such exercise (or other issuance), the total number of shares of Common Stock then beneficially owned by such Investor and its Affiliates and any other Persons whose beneficial ownership of Common Stock would be aggregated with the Investor s for purposes of Section 13(d) of the Exchange Act, does not exceed 9.99% of the total number of issued and outstanding shares of Common Stock. By written notice to the Company, the Investor may waive the provisions of this Section but any such waiver will not be effective until the 61st day after such notice is delivered to the Company.

Acquisition of ECI

On January 30, 2006, the Company entered into a Merger Agreement (the Merger Agreement) with ECI Acquisition, Inc., a Maryland corporation and wholly owned subsidiary of Halo (MergerSub), Executive Consultants, Inc., a Maryland corporation (ECI), and certain stockholders of ECI (the Sellers). On March 1, 2006, the closing occurred under the Merger Agreement. Accordingly, under the terms of the Merger Agreement, MergerSub was merged with and into ECI (the Merger) and ECI survived the Merger and is now a wholly-owned subsidiary of the Company. The total merger consideration for all of the equity interests in ECI (the Purchase Price) was $603,571 in cash and cash equivalents and 330,668 shares of the Company s Common Stock (the Halo Shares), subject to adjustment based on the Net Working Capital (as defined in the Merger Agreement) on the Closing Date.

MANAGEMENT

Directors and Executive Officers.

Directors of the Company

Rodney A. Bienvenu, *Jr.*, 40, has been Chief Executive Officer of the Company, a Director of the Company and Chairman of the Company s Board of Directors since August 4, 2004. From September 2003 through the present, Mr. Bienvenu has been a founder and Managing Partner of ISIS Capital Management, LLC (ISIS), an investment firm specializing in active investment strategies and strategic transactions in information technology and other sectors. Prior to ISIS, Mr. Bienvenu founded Strategic Software Holdings, LLC, a successful investment vehicle that initiated a takeover attempt of Mercator Software, Inc., and invested in other public and private enterprise software companies. Mr. Bienvenu acted as Chief Executive Officer of Strategic Software Holdings, LLC, from August 2002 through September 2003. Prior to Strategic Software Holdings, LLC, Mr. Bienvenu served as President of Software at divine, Inc., a publicly traded software company, from May 2001 through July 2002. During his tenure at divine, Mr. Bienvenu led the planning, acquisition and consolidation of over thirty companies, including five public companies. Prior to divine, Mr. Bienvenu served as CEO and President of SageMaker, Inc., a provider of digital asset management solutions for Global 2000 companies that he founded in 1992. Under his guidance, SageMaker raised more than $33 million in venture capital funding and acquired several technology companies in the U.S. and Europe. SageMaker was sold to divine, Inc. in early 2001. Mr. Bienvenu s previous industry experience includes the founding of a successful electronic publishing company and sale to a major publisher in 1991. Mr. Bienvenu has a seventy percent interest in ISIS, and ISIS has entered into transactions with the Company as described below under the heading Certain Relationships and Related Transactions .

John A. Boehmer, 42, has been a director since March 30, 2005. Mr. Boehmer is an executive recruitment and human resources professional with more than 20 years experience. Mr. Boehmer is a Managing Partner with the Barlow Group, LLC, an executive search firm, specializing in matching early and mature growth-stage technology businesses with executive leadership and industry partnerships. Mr. Boehmer has been with the Barlow Group since September, 2005. Previously, Mr. Boehmer was a Managing Director with Korn/Ferry International, a position he has held since September 2003. Prior to joining Korn/Ferry, from January 2002 through September 2003, Mr. Boehmer was the Founder and Managing Director of Matlin Partners LLC. Previously, from July 1999 through December 2001, Mr. Boehmer served as Vice President of Executive Recruiting at Internet Capital Group. Mr. Boehmer holds a B.A.

from Denison University.

Mr. David M. Howitt, 37, has been a director since March 30, 2005. Mr. Howitt is the President and CEO of The Meriwether Group, Inc., a boutique brand consulting and marketing firm which he founded in May 2004. From May 2001 until

April 2004, Mr. Howitt served as director of licensing and business development at adidas America, Inc. Mr. Howitt also worked for several years as corporate counsel with adidas. Mr. Howitt holds a B.A. from Denison University, and a J.D. from the Lewis & Clark Northwestern School of Law. Mr. Howitt has a fifty percent interest in ISIS Acquisition Partners II, LLC, (IAP II) an entity which has entered into transactions with the Company as described below under the heading Certain Relationships and Related Transactions .

Mark J. Lotke, 37, has been a director since March 30, 2005. Mr. Lotke is a Partner with FT Ventures, which he joined in 2005, and where he leads the Software Team. Mr. Lotke currently serves on the boards of ProfitLine, a provider of outsourced telecommunications expense management services, and of Digital Harbor, a composite applications company. Mr. Lotke has over 15 years experience in the information technology industry including over 10 years of private equity experience. Prior to joining FT Ventures, he has invested over $350 million in leading enterprise software, e-commerce and IT-enabled services companies generating over $1.2 billion in realized gains. From January 2003 through December 2004, Mr. Lotke was a General Partner with Pequot Ventures. From January 2001 through December 2002, Mr. Lotke was a General Partner with Covalent Partners. Prior to that, Mr. Lotke was a Managing Director with Internet Capital Group. Mr. Lotke also worked for several years as a principal with General Atlantic Partners. Mr. Lotke began his professional career as a strategy consultant at Corporate Decisions, Inc. and also worked at LHS Group, a mobile billing and customer care software company. Mr. Lotke received a B.S. in Economics summa cum laude from the Wharton School of the University of Pennsylvania and an MBA from the Stanford University Graduate School of Business.

Other Executive Officers of the Company

Mark Finkel, 51, has been the Company s Chief Financial Officer since December 28, 2005. Mr. Finkel has over 20 years of senior financial and operational experience at both public and private companies. Prior to joining the Company, Mr. Finkel, served as chief executive officer of ISD Corporation from 2003 through February 2004, after being part of a group that purchased ISD from its founders. ISD is a leader in the payment technology industry. From 2001 through 2002, Mr. Finkel served as chief executive officer of RightAnswers, Inc., which provides enterprise customers with Self Service solutions for IT support. Mr. Finkel led a group of investors in acquiring the company in 2001, which was then a division of a public company. After serving as CEO, Mr. Finkel continued to serve as non-executive chairman of ISD Corporation and RightAnswers, Inc. Since 1996, Mr. Finkel has also served as president of Emerging Growth Associates, a consulting firm for early stage, high growth companies, where he has provided counsel on strategic planning, business model development, market positioning, and operational execution. Mr. Finkel also serves as a venture partner with the Prism Opportunity Fund, a $50 million venture fund focused on early stage companies. Previously, Mr. Finkel has taken three companies public as CFO: Consilium, Inc, Logic Works, Inc. and ServiceWare Technologies, Inc. He also served as CFO of BackWeb Technologies, Inc. and Neuron Data, Inc. Mr. Finkel holds a J.D. from the University of California, Davis, an M.B.A. from New York University, and a B.A. from Oberlin College.

Ernest C. Mysogland, 40, has been Chief Legal Officer, Executive Vice President and Secretary of the Company since August 4, 2004. Mr. Mysogland has more than 15 years experience in mergers and acquisitions, equity and debt financing and investment. From September, 2003 through the present, Mr. Mysogland has been a founder and Managing Partner of ISIS Capital Management, LLC (ISIS), an investment firm specializing in active investment strategies and strategic transactions in information technology and other sectors. Prior to ISIS, Mr. Mysogland managed the legal and administrative matters of Strategic Software Holdings, LLC from May, 2003 through September, 2003. Prior to Strategic Software Holdings, LLC, from September, 1990 through April, 2003, Mr. Mysogland engaged in private legal practice representing investors, issuers, acquirers and targets in hundreds of public and private mergers and acquisitions, equity and debt financings, and other strategic transactions ranging in size up to $3.5 billion. Mr. Mysogland s clients have included numerous software and technology companies, private equity funds and institutional investors. Mr. Mysogland graduated from the University of Notre Dame and the Columbia University School of Law.

Brian J. Sisko, 44, has been Chief Operating Officer of the Company since March 2005. Mr. Sisko has 20 years of experience in the areas of corporate finance, mergers and acquisitions and strategic development. From February 2002 to March 2005, Mr. Sisko ran B/T Business and Technology, which served as an advisor and strategic management consultant to a variety of public and private companies, including the Company. From April 2000 to January 2002, he was Managing Director of Katalyst, LLC, a venture capital and operational advisory firm where he was responsible for business development and client/portfolio company engagement management in that firm s Philadelphia and Boston offices. Mr. Sisko also previously served as Senior Vice President Corporate Development and General Counsel of National Media Corporation, a large public company with international operations. In addition, Mr. Sisko was a partner in the Corporate Finance/Mergers and Acquisitions practice group of the Philadelphia-based law firm, Klehr Harrison, Harvey Branzburg & Ellers. Mr. Sisko also teaches as an adjunct professor in the MBA program of the Fox School of Business at Temple University. He earned his Juris Doctorate from The Law School of the University of Pennsylvania and his B.S. from Bucknell University.

Jeff Bailey, 52, Chief Executive Officer of Gupta Technology Holdings LLC (Gupta), a significant operating subsidiary of the Company, and served as nterim Chief Financial Officer and Principal Financial Officer for the Company since March 2005. Since January 2002, Mr. Bailey served as Gupta s Chief Executive Officer, responsible for guiding Gupta s strategic direction as well as day-to-day operations. Mr. Bailey joined Gupta in October 2001 as its Chief Financial Officer. From August 2001 through October 2001, Mr. Bailey was also the CEO of DAVID Corporation, a company which the Company has agreed to purchase under an Acquisition Agreement dated September 12, 2005. Prior to that experience, Mr. Bailey served as vice president of finance and CFO at Vivant Corporation until August 2001. He has also held positions as vice president of finance and CFO at Uniteq Application Systems Inc. and Phoenix Network Inc. He earned his B.S. in Business Administration from the University of California, Berkeley, and is a certified public accountant.

Takeshi Taniguchi, 34, has been interim Principal Accounting Officer for the Company since March 2005. Since July 2004 through the present, Mr. Taniguchi has served as Corporate Controller of Gupta, responsible for the overall financial management of Gupta. Mr. Taniguchi has worked at Gupta or its predecessors since 2000, serving as a senior financial analyst prior to his current position. He earned his Master of Business Administration from the University of Nevada, Reno, and is a Certified Management Accountant.

No director, executive officer, promoter or control person of the Company has, within the last five years: (i) had a bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (ii) been convicted in a criminal proceeding or is currently subject to a pending criminal proceeding (excluding traffic violations or similar misdemeanors); (iii) been subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; (iv) been found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission (the Commission or SEC) or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated. There are no family relationships among any directors and executive officers of the Company.

Audit Committee and Financial Expert

We do not have a separately-designated standing audit committee but our full Board of Directors performs some of the same functions of an audit committee, including selecting the firm of independent certified public accountants to audit the annual financial statements, reviewing the independent auditors independence, the financial statements and the audit report, and reviewing the Company s system of internal controls over financial reporting. The Company does not currently have a written audit committee charter or similar document.

Although the Company does not have an audit committee, the Board of Directors has determined that it does have a director qualifying as an audit committee financial expert sitting on the Board of Directors. Mr. Lotke meets the definition of audit committee financial expert adopted by the SEC. Mr. Lotke is independent under the definition of independence contained in Rule 4200(a)(15) of the NASD s listing standards.

EXECUTIVE COMPENSATION

Compensation Committee and Compensation Report

The Board of Directors appointed a Compensation Committee on September 13, 2005, consisting of Mr. Boehmer and Mr. Lotke, both of whom meet the requirements of non-employee directors under the rules under section 16(b) of the Securities Exchange Act of 1934, as amended, and the requirements of outside directors under section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). The Compensation Committee does not yet have a written charter. The Compensation Committee will administer the Halo Technology Holdings 2005 Equity Incentive Plan. The Compensation Committee did not meet during the fiscal year ended June 30, 2005.

Since the Company did not have a compensation committee of the Board of Directors for the fiscal year ended June 30, 2005, the entire Board of Directors reviewed all forms of compensation provided to our executive officers, directors, consultants and employees including stock compensation. The Board of Directors had no existing policy with respect to the specific relationship of corporate performance to executive compensation. The Board of Directors has set executive compensation at what the Board of Directors considered to be the minimal levels necessary to retain and compensate the officers of the Company for their activities on the Company s behalf.

Summary Compensation Table.

The following Summary Compensation Table sets forth information concerning the annual and long-term compensation earned by our Chief Executive Officer and each of the four other most highly compensated executive officers (collectively the named executive officers) at the end of the fiscal year ended June 30, 2005. This information includes the dollar value of base salaries and bonus awards and the number of stock options granted, and certain other compensation, if any.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation			
					Awards		Payouts	
				Other	Restricted	Securities		
Executive Officer and Principal Position	**Year**	**Salary (US$)**	**Bonus (US$)**	**Annual Compensation (US$)**	**Stock Awards (US$)**	**Underlying Options/SAR (#)**	**LTIP Payouts (US$)**	**All Other Compensation (US$)**
Rodney A. Bienvenu, Jr.(1)	2005	275,000	270,500	0	0	301,372	0	0
Chairman & Chief Executive Officer	2004	0	0	0	0	0	0	0
	2003	0	0	0	0	0	0	0
Ernest C. Mysogland (2)	2005	160,417	65,625	0	0	100,456	0	0
Executive Vice President, Chief Legal	2004	0	0	0	0	0	0	0
Officer, and Secretary	2003	0	0	0	0	0	0	0
Brian J. Sisko (3)	2005	67,436	0	94,000	0	0	0	0
Chief Operating Officer	2004	0	0	0	0	0	0	0
	2003	0	0	0	0	0	0	0
Jeff Bailey (4)	2005	93,656	202,322	0	0	0	0	0
Former Chief Financial Officer	2004	0	0	0	0	0	0	0
	2003	0	0	0	0	0	0	0
Gus Bottazzi (5)	2005	106,667	0	500,000	0	187,520	0	0
Former President and Director	2004	198,693	0	0	0	0	0	0
	2003	56,250	0	0	0	2,000	0	0

(1) *Rodney A. Bienvenu, Jr.* Mr. Bienvenu was appointed Chief Executive Officer and Chairman of the Company on August 4, 2004. Mr. Bienvenu did not receive

any compensation for fiscal 2004 or for fiscal 2003.