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WARP TECHNOLOGY HOLDINGS INC
Form 8-K/A
April 05, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K/A
CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 31, 2005

WARP TECHNOLOGY HOLDINGS, INC.

(Exact Name of Registrant as Specified in Charter)

Nevada	000-33197	88-0467845
-----	-----	-----
(State of Incorporation)	(Commission File No.)	(I.R.S. Employer Identification Number)

151 Railroad Avenue, Greenwich, Connecticut 06830

(Address of Principal Executive Offices)

(203) 422-2950

(Registrant's Telephone Number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Warp Technology Holdings, Inc. (the "Company" or "Warp") hereby amends its Current Report on Form 8-K filed February 4, 2005, and amended on March 17,

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2005, to amend the required financial statements of the Company relating to the acquisition by the Company of Gupta Technologies, LLC ("Gupta") as described in such Current Report and Amendment by amending and restating in their entirety the pro forma financial information included herein. The changes to the pro forma financial information from the information as previously filed are to account for the issuance of warrants to lenders, and to reflect the conversion of Series B and Series B-2 Preferred Stock into shares of Common Stock.

Section 9 - Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(b) Pro forma financial information.

The following pro forma financial information of Gupta, the acquired business, and the Company are submitted at the end of this Amendment to Current Report on Form 8-K/A, and are filed herewith and incorporated herein by reference:

Pro Forma Financial Information -----	Page ----
Warp Technology Holdings, Inc. and Gupta Technologies, LLC Unaudited Pro Forma Consolidated Condensed Financial Statements	F-23

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: April 4, 2005

Warp Technology Holdings, Inc.

By: /s/ Ernest C. Mysogland

Name: Ernest C. Mysogland
Title: Executive Vice President,
Chief Legal Officer and Secretary

WARP TECHNOLOGIES HOLDINGS, INC.

GUPTA TECHNOLOGIES, LLC

UNAUDITED PRO FORMA
CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

On January 31, 2005, Warp Technology Holdings, Inc. (the "Company" or "Warp") completed its previously announced acquisition of Gupta Technologies, LLC ("Gupta"). The purchase price was \$21 million, plus transaction costs. The purchase price was funded by debt, and seller financed notes. Approximately

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\$10.5 million of the debt incurred will automatically convert into Series C Preferred Stock upon the effectiveness of an amendment to the Company's Articles of Incorporation as described in the Current Report on Form 8-K filed by the Company on February 4, 2005.

This unaudited pro forma information should be read in conjunction with the consolidated financial statements of Warp included in our Annual Report filed on Form 10-KSB for the year ended June 30, 2004 and our Quarterly Report filed on Form 10-QSB for the three months ended December 31, 2004 filed on February 22, 2005. In addition, this pro forma information should be read in conjunction with the financial statements for Gupta for the years ended December 31, 2004 and 2003, included within this Amendment to Current Report on Form 8-K/A.

The following unaudited pro forma statement of operations for the year ended June 30, 2004 has been prepared in accordance with accounting principles generally accepted in the United States to give effect to the January 31, 2005 acquisition of Gupta as if the transaction occurred on July 1, 2003. The pro forma statement of operations combines the results of operations of Warp for the year ended June 30, 2004 with the results of operations of Gupta for the year ended June 30, 2004. Pro forma adjustments include interest on debt relating to the Gupta acquisition, interest on accretion of Subordinated notes and Senior notes additional amortization of intangibles, management fees paid to Platinum Equity, LLC ("Platinum") and amortization of financing costs. Platinum is the sole owner of Gupta Holdings, LLC which was, at December 31, 2004, the sole owner of Gupta.

The following unaudited pro forma statement of operations for the six months ended December 31, 2004 has been prepared in accordance with accounting principles generally accepted in the United States to give effect to the January 31, 2005 acquisition of Gupta as if the transaction occurred on July 1, 2004. Such pro forma statement of operations combines the results of operations of Warp for the six months ended December 31, 2004 with the results of operations of Gupta for the six months ended December 31, 2004. Pro forma adjustments include interest on debt relating to the Gupta acquisition interest on accretion of Subordinated notes and Senior notes, additional amortization of intangibles, management fees paid to Platinum and amortization of financing costs.

The following unaudited pro forma balance sheet: has been prepared in accordance with accounting principals generally accepted in the United States; gives effect to the January 31, 2005 acquisition of Gupta and the financing raised in connection with the acquisition as if the acquisition and financing occurred on December 31, 2004; and combines the consolidated balance sheet of Warp as of December 31, 2004, which is included in the

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Company's Quarterly Report filed on Form 10-QSB for the three months ended December 31, 2004 with the Gupta balance sheet as of December 31, 2004, which is included in the financial statements for Gupta for the year ended December 31, 2004 included within this Amendment to Current Report on Form 8-K/A.

Under the purchase method of accounting, the estimated cost of approximately \$21 million to acquire Gupta, plus transaction costs, will be allocated to Gupta's underlying net assets in proportion to their respective fair values. As more fully described in the notes to the pro forma consolidated condensed financial statements, a preliminary allocation of the excess of the purchase price over the book value of the net assets acquired has been made to intangible assets (customer relationships and developed technologies). These items are expected to be amortized over seven years. At this time, the work needed to provide the basis for estimating these fair values and the fair value of the deferred revenue, and the amortization periods, has not been completed. As a result, the

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final allocation of the purchase price will be based on a comprehensive final evaluation of the fair value of Gupta's tangible and intangible assets acquired and liabilities assumed, which could differ materially from the pro forma amounts. Accordingly, a change in the fair value of the intangible assets and the amortization period would impact the amount of annual amortization expense. A change in the amount of deferred revenues and amortization period would impact the amount of revenue recognized in the future.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisition of Gupta been consummated as of the dates specified above.

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WARP TECHNOLOGY HOLDINGS, INC.
 PRO FORMA CONSOLIDATED CONDENSED BALANCE SHEET
 DECEMBER 31, 2004
 (UNAUDITED)

	WARP (A)	GUPTA (B)	PROFORMA FINANCING
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 220,648	\$ 354,875	\$ 14,374,900 C
Accounts receivable, net	84,648	3,292,195	
Deferred Financing Cost	-	-	578,000 C
Advance to Gupta Holding, LLC	3,500,000		
Other current assets	219	428,645	
Total current assets	3,805,515	4,075,715	
Property and equipment, net	30,097	156,691	
Other long-term assets		72,556	985,000 D
Goodwill, net	3,893,294		
Intangibles, net	157,917	4,198,002	
Total assets	\$ 7,886,823	\$ 8,502,964	\$ 15,937,900
LIABILITIES AND SHAREHOLDERS ' EQUITY			
Current liabilities:			
Accounts payable	\$ 611,010	\$ 531,131	\$
Accrued compensation and related benefits	429,000	1,069,872	
Other accrued liabilities	184,085	593,938	985,000 D
Payables to Platinum Equity, LLC and Affiliates		1,659,283	
Note payable to Gupta Holdings, LLC	1,500,000		
Subordinated debt			375,000 C
Loan payable to ISIS	712,495		
Bridge loan	1,237,605		149,900 C

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Senior debt			4,079,000 C
Series C debt			5,475,000 C
Deferred revenues	23,456	4,863,480	
Total current liabilities	4,697,651	8,717,704	11,063,900
Shareholders' equity:			
Preferred stock (Canadian subsidiary)	4		
Series B-2 preferred stock	1,474,500		(1,324,500) C, F
Series B preferred stock	2,915,100		(2,915,100) F
Common stock to be issued relating interest and			
Penalties on Series B and B-2 preferred stock	559,053		(559,053) F
Common stock	10		21 F
Additional paid-in capital	43,656,046		9,672,632 F, C
Deferred compensation	(1,288,010)		
Member's deficit		(214,740)	
Accumulated Deficit	(44,149,75)		
Accumulated other comprehensive loss	22,227		
Total shareholders' equity and member's deficit	3,189,172	(214,740)	4,874,000
Total liabilities and shareholders' equity	\$ 7,886,823	\$ 8,502,964	\$ 15,937,900

See the accompanying notes to unaudited pro forma consolidated condensed financial statements

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NOTES TO THE PRO FORMA CONSOLIDATED CONDENSED BALANCE SHEET (UNAUDITED)

- (A) Reflects the historical financial position of Warp at December 31, 2004.
- (B) Reflects the historical financial position of Gupta at December 31, 2004.
- (C) The following represents the financing raised by Warp in January 2005 in order to complete the acquisition of Gupta:

Subordinated Notes and warrants(1)	\$ 2,500,000
Bridge Loan	149,900
Senior Notes and warrants(1)	6,100,000
Series C Notes	5,475,000
Series B-2 stock	150,000
Total Capital Raised	\$14,374,900

- (D) The Company has accrued \$985,000 for financing costs in connection

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with the financing raised, and is included in other assets as deferred financing costs.

- (E) The following represents the acquisition of Gupta and the preliminary allocation of the purchase price: The final allocation of the purchase price will be determined based on a comprehensive final evaluation of the fair value of Gupta's tangible and intangible assets acquired and liabilities assumed.

Calculation of Purchase Price:

Cash	\$ 13,750,000
Advances to Gupta Holding LLC made prior to December 31, 2004	3,500,000
Senior debt and warrants(1)	750,000
Series C debt	3,000,000
Transaction costs -accrued	1,525,000

Total purchase price	\$ 22,525,000
	=====

- (1) The proceeds received from the debt and detachable warrants were allocated first to the fair value of the warrants and the balance to the debt. Based on the fair market value, \$4,394,500 of the proceeds was allocated to the warrants which is shown as additional paid-in capital and the remaining balance of \$4,955,500 was allocated to the debt. In addition, the fair market value of 680,000 warrants issued for finders fee relating to the Senior and Subordinated debt was rewarded as deferred financing cost.

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Allocation of Purchase Price:

Assets	
Gupta historical assets	\$ 8,502,964
Write-up of intangibles assets consisting of developed technologies and customer relationships	17,491,338
Liabilities	
Gupta historical liabilities	(8,717,704)
Adjustment of deferred revenues to fair market value	4,474,402
Forgiveness of payables to Platinum	774,000

Total purchase price	\$ 22,525,000

- (F) Reflects the conversion of Series B-2 and Series B preferred stock and related interest into common shares. The weighted average shares outstanding for the year ended June 30, 2004 and six months ended December 31, 2004 includes 2,102,109 shares to reflect this conversion from the beginning of each period.

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PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS SIX MONTHS ENDED DECEMBER 31, 2004 (UNAUDITED)

	WARP (G)	GUPTA (H)	PROFORMA ADJUSTMENTS	WARP PRO FORMA
	-----	-----	-----	-----
Net revenue	\$ 264,520	\$ 7,637,658	\$	\$ 7,902,178
	-----	-----	-----	-----
Expenses:				
Product cost	(53,758)	(694,282)	(267,072) J	(1,015,112)
Product development	(112,723)	(1,335,120)		(1,447,843)
Sales and marketing	(476,575)	(2,519,387)		(2,995,962)
General and administrative	(675,641)	(1,521,565)		(2,197,206)
Amortization		(469,650)	(1,039,817) J	(1,509,467)
Management fees		(1,584,870)	1,584,870 K	-
Non-cash compensation	(542,742)	-		(542,742)
	-----	-----	-----	-----
Total operating expenses	(1,861,439)	(8,124,874)	277,981	(9,708,331)
	-----	-----	-----	-----
Loss from operations	(1,596,919)	(487,216)	277,981	(1,806,154)
Interest expense, net	(45,679)	(26,579)	(859,750) L (493,000) M	(1,425,008)
Interest expense - accretion of Subordinated Notes and Senior Notes	-----	-----	(2,894,500) N	(2,894,500)
	-----	-----	-----	-----
Loss before provision for income taxes	(1,642,598)	(513,795)	(3,969,269)	(6,125,662)
Provision for income taxes	-	(255,255)		(255,255)
	-----	-----	-----	-----
Net loss	\$ (1,642,598)	\$ (769,050)	\$ (3,969,269)	\$ (6,380,917)
	=====	=====	=====	=====
Computation of loss applicable to Common Shareholders				
Net loss before beneficial conversion preferred dividends	\$ (1,642,598)	\$ (769,050)	\$ (3,969,269)	\$ (6,380,917)
Beneficial conversion - preferred dividends	(2,810,465)			(2,810,465)
	-----	-----	-----	-----
Loss attributable to common stockholders	\$ (4,453,063)	\$ (769,050)	\$ (3,969,269)	\$ (9,191,382)
	=====	=====	=====	=====
Basic and diluted loss per share Proforma				\$ (2.99)
				=====
Weighted average shares				

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outstanding Proforma

3,073,224 F
=====

See the accompanying notes to unaudited pro forma consolidated condensed financial statements

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WARP TECHNOLOGY HOLDINGS, INC.
PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2004
(UNAUDITED)

	WARP (G)	GUPTA (I)	PROFORMA ADJUSTMENTS	WARP PRO FORMA
	-----	-----	-----	-----
Net revenue	\$ 882,121	\$15,793,423	\$	\$ 16,675,544
	-----	-----	-----	-----
Expenses:				
Product cost	(425,334)	(1,605,443)	(534,143) J	(2,564,920)
Product development	(811,725)	(2,693,744)		(3,505,469)
Sales and marketing	(2,310,055)	(5,298,546)		(7,608,601)
General and administrative	(2,461,130)	(3,628,702)		(6,089,832)
Amortization		(939,300)	(1,705,634) J	(2,644,934)
Platinum management fees		(5,439,638)	5,439,638 K	-
Non-cash compensation	(6,007,255)	-		(6,007,255)
	-----	-----	-----	-----
Total operating expenses	(12,015,499)	(19,605,373)	3,199,861	(28,421,010)
	-----	-----	-----	-----
Loss from operations	(11,133,378)	(3,811,950)	3,199,861	(11,745,466)
Interest (expense) income	63,073	2,549	(1,719,500) L (985,000) M	(2,638,878)
Interest expense - accretion of Subordinated Notes and Senior Notes	-----	-----	(3,519,500) N	(3,519,502)
	-----	-----	-----	-----
Loss before provision for income taxes	(11,070,305)	(3,809,401)	(3,024,139)	(17,903,844)
Provision for income taxes		(308,276)		(308,276)
	-----	-----	-----	-----
Net loss	\$ (11,070,305)	\$ (4,117,677)	\$ (3,024,139)	\$ (18,212,120)
	=====	=====	=====	=====
Computation of loss applicable to Common Shareholders				
Net loss before beneficial conversion -Preferred dividends	\$ 11,070,305	\$ (4,117,677)	\$ (3,024,139)	\$ (18,212,120)

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Beneficial conversion - Preferred dividends	(1,623,046)			(1,623,046)
	-----	-----	-----	-----
Loss attributable to common stockholders	\$ (12,693,351)	\$ (4,117,677)	\$ (3,024,139)	\$ (19,835,166)
	=====	=====	=====	=====
Basic and diluted loss per share Proforma				\$ (6.92)
				=====
Weighted average shares outstanding Proforma				2,867,660F
				=====

See the accompanying notes to unaudited pro forma consolidated condensed financial statements

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NOTES TO THE PRO FORMA CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

- G. Reflects Warp historical statement of operations for the six months ended December 31, 2004 and the year ended June 30, 2004.
- H. Reflects Gupta historical statement of operations for the six months ended December 31, 2004 including various reclassifications to conform to Warp's financial statement presentation.
- I. Reflects the historical operations of Gupta for the year ended June 30, 2004. In order to conform Gupta's fiscal year end from a calendar year end to Warp's June 30 year end, Gupta's historical operating result have been derived from the combination of Gupta's last six months historical operating results for the year ended December 31, 2003 and the first six months historical operating results for the year ended December 31, 2004.
- J. To record the increased amortization of intangibles for the year ended June 30, 2004 of customer relationships and developed technology of \$1,229,634 and \$534,143 (included in product cost), respectively. To record the increased amortization of intangibles for the six months ended December 31, 2004 for customer relationships and developed technology of \$614,817 and \$267,072 (included in product cost), respectively. In addition, it includes amortization of deferred financing cost relating to warrants issued with the Subordinate notes and Senior Debt of approximately \$476,000 for the year ended June 30, 2004 and \$425,000 for the six months ended December 31, 2004.
- K. Elimination of Platinum fees of \$5,439,639 and \$1,584,870 for the year ended June 30, 2004 and for the six months ended December 31, 2004 , respectively as Gupta will operate on its own and will not incur these costs.
- L. Record interest expense of \$1,719,500 and \$ 859,750 for the year ended June 30, 2004 and for the six months ended December 31, 2004 , respectively, on the debt raised by Warp in connection with the Gupta transaction.
- M. To Record amortization of deferred financing cost over a one year period of \$985,000 and \$493,000 for the year ended June 30, 2004 and for the six months ended December 31, 2004, respectively, which is included in interest expense.
- N. To record accretion of the Subordinated Notes and Senior Notes over a one

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year period of \$3,519,500 and 2,894,500 for the year ended June 30, 2004 and for the six months ended December 31, 2004, respectively which is included in interest expenses, as a result of the debt discount recorded in connection with the debt issued with detachable warrants.

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