

Xstream Mobile Solutions Corp
Form 10-Q
May 01, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 2007

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 000-18296

Xstream Mobile Solutions Corp.
(Exact name of registrant as specified in its charter)

Delaware 62-1265486
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

14422 Edison Drive, Unit D, New Lenox, Illinois 60451
(Address of principal executive offices)

(708) 205-2222
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. o Yes x No

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

Large accelerated filer " Accelerated filer "
Non-accelerated filer " (Do not check if a smaller reporting company
smaller reporting company) y

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

Yes No

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

| Class | Outstanding at April 29, 2009 |
|---------------------------------|-------------------------------|
| Common Stock, \$0.001 par value | 15,030,917 |

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XSTREAM MOBILE SOLUTIONS CORP.
March 31, 2007
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Our unaudited condensed consolidated financial statements included in this Form 10-Q are as follows:

| | |
|-----|--|
| F-1 | Condensed Consolidated Balance Sheets as of March 31, 2007 (unaudited) and September 30, 2006 (audited). |
| F-2 | Condensed Consolidated Statements of Operations for the Six months and the Three months Ended March 31, 2007 and 2006 (unaudited). |
| F-3 | Condensed Consolidated Statements of Cash Flows for the Six months Ended March 31, 2007 and 2006 (unaudited). |
| F-4 | Notes to Condensed Consolidated Financial Statements (unaudited). |

These unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the SEC instructions to Form 10-Q. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim period ended March 31, 2007 are not necessarily indicative of the results that can be expected for the full year.

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XSTREAM MOBILE SOLUTIONS CORP.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (UNAUDITED)

ASSETS

| | March 31, 2007 (Unaudited) | September 30, 2006 (Audited) |
|---------------------------|----------------------------------|---------------------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 81,016 | \$ 178,421 |
| FIXED ASSETS | | |
| Equipment, net | 4,657 | 5,209 |
| OTHER ASSETS | | |
| Deposit | 10,000 | - |
| TOTAL ASSETS | \$ 95,673 | \$ 183,630 |

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

| | | |
|--|-----------------|----------------|
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 25,857 | \$ 32,214 |
| Short term advances | - | 107,130 |
| Liability for stock to be issued | 90,517 | - |
| Total Liabilities | 116,374 | 139,344 |
| STOCKHOLDERS' EQUITY (DEFICIT) | | |
| Preferred Stock Series A, \$.001 Par Value; 990,000 shares authorized and none issued and outstanding | - | - |
| Preferred Stock Series B, \$.001 Par Value; 9,000,000 shares authorized and none issued and outstanding | - | - |
| Preferred Stock Series C, \$.001 Par Value; 10,000 shares authorized and none issued and outstanding | - | - |
| Common Stock \$.001 Par Value; 90,000,000 shares authorized and 4,136,214 and 2,018,222 shares, respectively, issued and 3,741,362 and 1,623,370 shares, respectively, outstanding | 4,136 | 2,018 |
| Additional Paid-in Capital | 5,558,207 | 3,563,195 |
| Accumulated Deficit | (5,283,739) | (3,221,622) |
| Stock subscription receivable | (2,000) | (2,000) |
| | 276,604 | 341,591 |
| Less: Cost of treasury stock, 394,852 shares | (297,305) | (297,305) |
| Total Stockholders' Equity (Deficit) | (20,701) | 44,286 |

| | | | |
|--------------------------------|----|--------|------------|
| TOTAL LIABILITIES AND | | | |
| STOCKHOLDERS' EQUITY (DEFICIT) | \$ | 95,673 | \$ 183,630 |

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

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XSTREAM MOBILE SOLUTIONS CORP.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (UNAUDITED)

| | Six Months Ended March 31, 2007 | Six Months Ended March 31, 2006 | Three Months Ended March 31, 2007 | Three Months Ended March 31, 2006 |
|---|--|--|---|---|
| OPERATING REVENUES | | | | |
| Revenue | \$ - | \$ - | \$ - | \$ - |
| OPERATING EXPENSES | | | | |
| Depreciation | 552 | - | 276 | - |
| General and Administrative expenses | 2,063,717 | 8,850 | 50,251 | 3,750 |
| Total operating expenses | 2,064,269 | 8,850 | 50,527 | 3,750 |
| LOSS BEFORE OTHER INCOME (EXPENSES) | (2,064,269) | (8,850) | (50,527) | (3,750) |
| OTHER INCOME (EXPENSES) | | | | |
| Interest income | 2,152 | - | 732 | - |
| Beneficial Interest (expense) | - | (618,500) | - | (618,500) |
| Total other income (Expense) | 2,152 | (618,500) | 732 | (618,500) |
| LOSS BEFORE PROVISION FOR INCOME TAXES | (2,062,117) | (627,350) | (49,795) | (622,250) |
| Provision for Income Taxes | - | - | - | - |
| NET LOSS APPLICABLE TO COMMON SHARES | \$ (2,062,117) | \$ (627,350) | \$ (49,795) | \$ (622,250) |
| NET LOSS PER BASIC AND DILUTED SHARES | \$ (0.57) | \$ (0.95) | \$ (0.01) | \$ (0.46) |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | | | | |
| | 3,648,263 | 661,487 | 3,741,362 | 1,364,222 |

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

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XSTREAM MOBILE SOLUTIONS CORP.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
 (UNAUDITED)

| | Six Months Ended March 31, 2007 | Six Months Ended March 31, 2006 |
|--|--|--|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net loss | \$ (2,062,117) | \$ (627,350) |
| Adjustments to reconcile net loss to net cash (used in) operating activities: | | |
| Depreciation | 552 | - |
| Issuance of stock for services | 1,950,000 | - |
| Beneficial interest | - | 618,500 |
| Changes in assets and liabilities | | |
| Increase (decrease) in accounts payable and accrued expenses | (6,357) | 8,850 |
| Total adjustments | 1,944,195 | 627,350 |
| Net cash (used in) operating activities | (117,922) | - |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Investment in Triex | (10,000) | - |
| Net cash (used in) investing activities | (10,000) | - |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from liability for stock to be issued | 30,517 | - |
| Net cash provided by financing activities | 30,517 | - |
| NET DECREASE IN | | |
| CASH AND CASH EQUIVALENTS | (97,405) | - |
| CASH AND CASH EQUIVALENTS - | | |
| BEGINNING OF PERIOD | 178,421 | - |
| CASH AND CASH EQUIVALENTS - END OF PERIOD | \$ 81,016 | \$ - |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid during the period for: | | |
| Interest paid | \$ - | \$ - |
| Income taxes paid | \$ - | \$ - |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION | | |
| Stock issued for services | \$ 1,950,000 | \$ - |

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Acquisition of Xstream Mobile Solutions, Inc. :

| | | | | |
|---------------------------------------|----|----------|----|---|
| Due to Xstream Mobile Solutions, Inc. | \$ | 107,130 | \$ | - |
| Common Stock | | (1,418) | | - |
| Additional paid in capital | | (45,712) | | - |
| Liability for stock to be issued | | (60,000) | | - |
| | \$ | - | \$ | - |

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

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XSTREAM MOBILE SOLUTIONS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007 AND 2006
(UNAUDITED)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

The condensed consolidated unaudited interim financial statements included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The condensed consolidated financial statements and notes are presented as permitted on Form 10-Q and do not contain information included in the Company's annual statements and notes. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these condensed consolidated financial statements be read in conjunction with the September 30, 2006 audited financial statements and the accompanying notes thereto. While management believes the procedures followed in preparing these condensed financial statements are reasonable, the accuracy of the amounts are in some respects dependent upon the facts that will exist, and procedures that will be accomplished by the Company later in the year.

These condensed consolidated unaudited financial statements reflect all adjustments, including normal recurring adjustments which, in the opinion of management, are necessary to present fairly the operations and cash flows for the periods presented.

The Company was incorporated on May 10, 1998, under the laws of the State of Delaware. The business purpose of the Company was originally to engage in environmental monitoring and testing. However, on December 31, 2001, the Company liquidated those operating assets. The Company has adopted a fiscal year ending September 30.

On February 3, 2005 the Company changed its name to Netchoice, Inc. On December 19, 2005 the Company changed its name to Xstream Mobile Solutions Corp. On January 1, 2006 the Company began operations in software acquisition, development and marketing. The Company acquired a related company in October 2006 (see 8).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

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XSTREAM MOBILE SOLUTIONS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2007 AND 2006
(UNAUDITED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents/Investments

The Company considers all highly liquid debt instruments and other short-term investments with an initial maturity of three months or less to be cash equivalents. There were no cash equivalents as of March 31, 2007 and September 30, 2006.

The Company maintains cash and cash equivalent balances at one financial institution that is insured by the Federal Deposit Insurance Corporation up to \$100,000. At March 31, 2007, the Company had no funds in excess of the insured limit.

Investments are stated at cost.

Revenue and Cost Recognition

Revenue is recognized under the accrual method of accounting when the services are rendered and the customer has been billed, rather than when cash is collected for the services provided. Specifically, the terms of the contracts call for a fixed set fees based on an hourly rate per individual.

Cost is recorded on the accrual basis as well, when the services are incurred rather than paid for.

Start-up Costs

In accordance with the American Institute of Certified Public Accountants Statement of Position 98-5, "Reporting on the Costs of Start-up Activities," the Company expenses all costs incurred in connection with the start-up and organization of the Company.

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XSTREAM MOBILE SOLUTIONS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2007 AND 2006
(UNAUDITED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Common Stock Issued for Other Than Cash

Services purchased and other transactions settled in the Company's common stock are recorded at the estimated fair value of the stock issued if that value is more readily determinable than the fair value of the consideration received.

Equipment

The cost of office and computer equipment is capitalized and depreciated over its useful life using the straight-line method of depreciation. For all equipment presently owned the estimated useful life is 60 months. Repairs that substantially extend the useful life of the assets are capitalized and those that do not are charged to operations. Depreciation expense for the six months ending March 31, 2007 and 2006 was \$552 and \$-0- , respectively.

Income Taxes

The income tax benefit is computed on the pretax loss based on the current tax law. Deferred income taxes are recognized for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates. The Company has not established a provision due to the losses sustained.

Earnings (Loss) Per Share of Common Stock

Historical net (loss) per common share is computed using the weighted average number of common shares outstanding. Diluted earnings per share (EPS) include additional dilution from common stock equivalents, such as stock issuable pursuant to the exercise of stock options and warrants. Common stock equivalents were not included in the computation of diluted earnings per share when the Company reported a loss because to do so would be antidilutive for periods presented.

The following is a reconciliation of the computation for basic and diluted EPS:

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XSTREAM MOBILE SOLUTIONS CORP.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 MARCH 31, 2007 AND 2006
 (UNAUDITED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings (Loss) Per Share of Common Stock (continued)

| | March 31, 2007 | March 31, 2006 |
|--|-------------------|-------------------|
| Net Loss | \$ (2,062,117) | \$ (627,350) |
| Weighted-average common shares outstanding (Basic) | 3,648,263 | 661,487 |
| Weighted-average common stock equivalents: | | |
| Stock options | - | - |
| Warrants | - | - |
| Weighted-average common shares outstanding (Diluted) | 3,648,263 | 661,487 |

Options and warrants outstanding to purchase stock were not included in the computation of diluted EPS because inclusion would have been antidilutive.

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XSTREAM MOBILE SOLUTIONS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2007 AND 2006
(UNAUDITED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and 140." SFAS No. 155 resolves issues addressed in SFAS No. 133 Implementation Issue No. D1, "Application of Statement 133 to Beneficial Interests in Securitized Financial Assets," and permits fair value re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133, establishes a requirement to evaluate interests in securitized Financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarify that concentrations of credit risk in the form of subordination are not embedded derivatives and amends SFAS No. 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of the first fiscal year that begins after September 15, 2006. The adoption of FAS 155 is not anticipated to have a material impact on the Company's financial position, results of operations, or cash flows.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140." SFAS No. 156 requires an entity to recognize a servicing asset or liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract under a transfer of the servicer's financial assets that meets the requirements for sale accounting, a transfer of the servicer's financial assets to a qualified special-purpose entity in a guaranteed mortgage securitization in which the transferor retains all of the resulting securities and classifies them as either available-for-sale or trading securities in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" and an acquisition or assumption of an obligation to service a financial asset that does not relate to financial assets of the servicer or its consolidated affiliates.

Additionally, SFAS No. 156 requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, permits an entity to choose either the use of an amortization or fair value method for subsequent measurements, permits at initial adoption a one-time reclassification of available-for-sale securities to trading securities by entities with recognized servicing rights and requires separate presentation of servicing assets and liabilities subsequently measured at fair value and additional disclosures for all separately recognized servicing assets and liabilities. SFAS No. 156 is effective for transactions entered into after the beginning of the first fiscal year that begins after September 15, 2006. The adoption of FAS 156 is not anticipated to have a material impact on the Company's financial position or results of operations.

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XSTREAM MOBILE SOLUTIONS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2007 AND 2006
(UNAUDITED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

In September 2006, the FASB issued SFAS No. 157 "Fair Value Measurements," which provides a definition of fair value, establishes a framework for measuring fair value and requires expanded disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The provisions of SFAS No. 157 should be applied prospectively. Management is assessing the potential impact on the Company's financial condition and results of operations.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans -- An Amendment of FASB Statements No. 87, 88, 106, and 132R."

This standard requires an employer to: (a) recognize in its statement of financial position an asset for a plan's overfunded status or a liability for a plan's underfunded status; (b) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year (with limited exceptions); and (c) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur. Those changes will be reported in comprehensive income. The requirement to recognize the funded status of a benefit plan and the disclosure requirements are effective as of the end of the fiscal year ending after December 15, 2006. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008.

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XSTREAM MOBILE SOLUTIONS CORP.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 MARCH 31, 2007 AND 2006
 (UNAUDITED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of SFAS No. 115 ("SFAS No. 159"), which provides all entities, including not-for-profit organizations, with an option to report selected financial assets and liabilities at fair value. The objective of SFAS No. 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in earnings caused by measuring related assets and liabilities differently without having to apply the complex provisions of hedge accounting. Certain specified items are eligible for the irrevocable fair value measurement option as established by SFAS No. 159. SFAS No. 159 is effective as of the beginning of the Company's year beginning after January 1, 2008.

NOTE 3 - DEPOSIT

The deposit represents a potential future acquisition of a company that provides financial services.

NOTE 4- FIXED ASSETS

Fixed assets consisted of the following:

| | March 31 2007 | September 30 2006 |
|--------------------------------|------------------|-------------------------|
| Equipment | \$ 5,523 | \$ 5,523 |
| Less: Accumulated Depreciation | (866) | (314) |
| Fixed Assets - Net | \$ 4,657 | \$ 5,209 |

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XSTREAM MOBILE SOLUTIONS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2007 AND 2006
(UNAUDITED)

NOTE 5 - STOCKHOLDERS' EQUITY (DEFICIT)

Preferred Stock

On December 3, 2004 the Company changed the number of Preferred Stock from one class of stock consisting of 10,000,000 shares with a par value of \$0.01 to three separate series of preferred stock and changed the par value to \$0.001. They are as follows:

Preferred Stock Series A

990,000 shares with a par value of \$0.001 per share, participating, voting and convertible with a liquidation value of \$1,000.

Preferred Stock Series B

9,000,000 shares with a par value of \$0.001 per share, participating; voting and convertible with a liquidation value of \$3 each.

Preferred Stock Series C

10,000 shares with a par value of \$0.001 per share, with a liquidation value of \$10 each.

All preferred stock series A, B and C are convertible to 4,000 common shares as well as 4,000 votes for each share held. In addition, in all cases, the holders of the Preferred Stock C will vote cumulatively at least fifty-one percent (51%) of all votes cast regardless of the amount of series C shares issued, at any meeting of shareholders or any major issue put before the Company for voting of shareholders

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XSTREAM MOBILE SOLUTIONS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2007 AND 2006
(UNAUDITED)

NOTE 5 - STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

Common Stock

On December 3, 2004, the Company increased the authorized number of shares of common stock from 30,000,000 shares to 90,000,000 shares and also changed the par value from \$0.01 to \$0.001.

On January 31, 2006, the Company effectuated a reverse split of 1 for 8 shares of its common stock. The 89,709,000 shares issued became 11,213,625 issued with 10,913,772 shares outstanding.

Subsequently 10,000,000 shares issued for Software licenses were cancelled.

As of September 30, 2006 there were 90,000,000 shares authorized, 2,018,222 shares issued and 1,623,370 shares outstanding of the Company's common stock with a par value of \$0.001.

On October 9, 2006 the Company issued 600,000 shares for services. The value was \$1,950,000.

On October 9, 2006 the Company approved 1,517,992 shares of its common stock to acquire Xstream Mobile Solutions, Inc., an Illinois company. The Company acquired Xstream Mobile Solutions Inc. from a related party.

NOTE 6 - LIABILITY FOR STOCK TO BE ISSUED

Represents stock to be issued by Xstream Mobile Solutions, Inc. of \$ 60,000 in 2005 prior to the acquisition by the Company. The remaining \$ 30,517 represents the proceeds received by the Company for stock to be issued.

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XSTREAM MOBILE SOLUTIONS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2007 AND 2006
(UNAUDITED)

NOTE 7 - INCOME TAXES

There was no income tax benefit recognized at March 31, 2007 and 2006.

The net deferred tax assets in the accompanying balance sheet include benefit of utilizing net operating losses of approximately \$5,283,739 (at March 31, 2007). However due to the uncertainty of utilizing the net operating losses, an offsetting valuation allowance has been established.

NOTE 8 - RELATED PARTY TRANSACTIONS

On October 9, 2006 the Company approved 1,517,992 shares of its common stock to acquire Xstream Mobile Solutions, Inc., an Illinois company. The Company acquired Xstream Mobile Solutions Inc. from a related party. Under FASB 141 Business Combinations, when accounting for a transfer of assets or exchange of shares between entities under common control, the entity that receives the net assets or the equity interests shall initially recognize the assets and liabilities transferred at their carrying amounts in the accounts of the transferring entity at the date of transfer.

Certain stockholders provide leased space to the Company for office and computer operations. The rental expense for the six months ended March 31, 2007 and 2006 is \$4,800 and \$-0-, respectively.

An affiliated company of which a stockholder is a principal has contracted with the Company to provide programming services and technical communications support for its operations. The total charged to the Company for these services for six months ended March 31, 2007 and 2006 is \$27,818 and \$-0-, respectively.

NOTE 9- GOING CONCERN

As shown in the accompanying condensed consolidated financial statements, the Company incurred substantial net losses for the six months ended March 31, 2007 and 2006 and for the years ended September 30, 2006 and 2005, respectively. There is no guarantee whether the Company will be able to generate enough revenue and/or raise capital to support those operations. This raises substantial doubt about the Company's ability to continue as a going concern. Management believes the Company's capital requirement will depend on many factors, including the success of the Company to raise money. The Company continues to search for acquisition candidates to fund operations. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

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

This Quarterly Report on Form 10-Q contains forward-looking statements regarding our capital needs, business plans and expectations. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not deemed to represent an all-inclusive means of identifying forward-looking statements as denoted in this Quarterly Report on Form 10-Q. Additionally, statements concerning future matters are forward-looking statements.

Although forward-looking statements in this Quarterly Report on Form 10-Q reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. We caution the reader that numerous important factors, including those factors discussed in our Annual Report on Form 10-KSB for the fiscal year ended September 30, 2006, which are incorporated herein by reference, could affect our actual results and could cause our actual consolidated results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, Xstream Mobile. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. We file reports with the Securities and Exchange Commission (the "SEC" or "Commission"). You can also read and copy any materials we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. You can obtain additional information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Quarterly Report on Form 10-Q. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this Quarterly Report, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

As used in this Quarterly Report, the terms "we," "us," "our," and "Xstream Mobile Solutions Corp." mean Xstream Mobile Solutions Corp., unless otherwise indicated.

Overview

We were incorporated as a Delaware corporation on May 10, 1998 under the name Environmental Monitoring and Testing Corporation. Since our incorporation, we provided electronic filing services to companies that are required to electronically file disclosure information with the Securities and Exchange Commission "SEC."

The Company filed a Form 8-K with the Securities and Exchange Commission and changed its name to Netchoice, Inc., effective February 3, 2005.

Subsequent to the reporting period, the Company filed a Form 8-K with the Securities and Exchange Commission and changed its name to Xstream Mobile Solutions Corp. effective December 19, 2005.

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Business of the Issuer

Description of Business

We are creating and marketing Software for the emergency text message market. Xstream Safe© allows your organization to easily send messages to anyone or everyone in a database from any internet accessible computer. DBM-1©: Database Migration Software creates databases automatically for an organization. Import/Export: provides the ability to import and export existing contact databases, if needed. Archive of sent messages Two methods of Delivery: Send Text, E-mail or both simultaneously. Cell-Enabled Message Interface: Send messages from internet capable devices (cell phones, PDA's, etc.) Message Storage: Store messages for easy retrieval when seconds count. Both Client-Side and Server-Side Capabilities: This means that sensitive personal data is stored on your server, not a server in another state or country. Certification Indicator: Lets you know that people in groups have tested and registered their phones. Contact Size: Scalable from small groups of 1-100 up to large groups encompassing tens of thousands.

Patents, Licenses, Trademarks, Intellectual Property, Franchises, Concessions, Royalty Agreements, or Labor Contracts

We do not own any interest in a patent, trademark, license, franchise, concession, or royalty agreement.

Employees

We currently have two full-time administrative employees. Our employees are not represented by labor unions or collective bargaining agreements. Our key employees are Mr. Michael See, founder, Chief Executive Officer, Chief Financial Officer and Chairman of the Board of Directors, Mr. Joseph F. Johns, III, Director and President.

Government Regulation

We are not aware of any existing or probable governmental regulation that will have a material impact on our company.

We are not subject to any compliance with environmental laws.

Research and Development

We did not incur any research or development expenditures during the quarter ended March 31, 2007.

Compliance with Environmental Laws

We did not incur any costs in connection with the compliance with any federal, state, or local environmental laws.

Plan of Operations

We are currently in the communications business specializing in entertainment, safety and security. Since this time, we have attempted to identify and evaluate other business and technology opportunities in order to proceed with an active business operation. At the present time, we have not identified any other business and/or technology opportunities that our management believes are consistent with the best interest of the company. Our plan of operations is to continue our attempts to identify and evaluate other business and technology opportunities in order to

proceed with an active business operation.

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We currently have forecasted the expenditure of approximately \$20,000 during the next twelve months in order to remain in compliance with the Securities Exchange Act of 1934 and to identify additional business and/or technology for acquisition. We can provide no assurance that we will be successful in acquiring other businesses or technology due to our limited working capital. We anticipate that if we are successfully able to identify any technology or business for acquisition, we will require additional financing in order for us to complete the acquisition. We can provide no assurance that we will receive additional financing if sought.

We do not anticipate purchasing any real property or significant equipment in the next twelve months.

We have two (2) employees at this time. We do not anticipate hiring any additional employees until such time as we are able to acquire any additional businesses and/or technology.

Results of Operations for the Six Months Ended March 31, 2007 and 2006

We did not earn any revenues for the six months ended March 31, 2007 and no revenues were earned during the same period in 2006. We hope that our earnings will increase as our name is established in the market for our products.

We incurred operating expenses in the amount of \$ (2,064,269) for the six months ended March 31, 2007, compared to operating expenses of \$(8,850) for the six months ended March 31, 2006. Our operating expenses for the six month period ended March 31, 2007 were primarily attributable to selling, general and administrative expenses of \$2,063,717 and depreciation of \$552. Our operating expenses for the six month period ended March 31, 2006 were primarily attributable to selling, general and administrative expenses of \$8,850.

We have incurred a net loss of \$2,062,117 for the six months ended March 31, 2007, compared to \$627,350 for the six months ended March 31, 2006.

Results of Operations for the Three Months Ended March 31, 2007 and 2006

We did not earn any revenues for the three months ended March 31, 2007 and no revenues were earned during the same period in 2006.

We incurred operating expenses in the amount of \$ (50,527) for the three months ended March 31, 2007, compared to operating expenses of \$(3,750) for the three months ended March 31, 2006. Our operating expenses for the three month period ended March 31, 2007 were primarily attributable to selling, general and administrative expenses of \$50,251 and depreciation of \$276. Our operating expenses for the three month period ended March 31, 2006 were primarily attributable to selling, general and administrative expenses of \$3,750.

We have incurred a net loss of \$49,795 for the three months ended March 31, 2007, compared to \$622,250 for the three months ended March 31, 2006.

Liquidity and Capital Resources

As of March 31, 2007, we had total current assets of \$81,016 and total assets in the amount of \$95,673. Our total current liabilities as of March 31, 2007 were \$116,374. As a result, on March 31, 2007, we had working capital of \$(35,358).

We are not certain as to whether our current cash balance will be sufficient to fund our operations for the next nine (9) months, as well as meet the requirements for promotion our products. In order to support our working capital needs and to provide for previously unanticipated legal expenses, we are considering the possibility of raising additional capital as well as other strategic options.

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Off Balance Sheet Arrangements

We do not have any off-balance sheet debt nor did we have any transactions, arrangements, obligations (including contingent obligations) or other relationships with any unconsolidated entities or other persons that may have material current or future effect on financial conditions, changes in the financial conditions, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenue or expenses.

Going Concern

We have incurred net losses for the period from inception on May 10, 1988 to March 31, 2007 of \$ (5,283,739) and have no source of revenue. The continuity of our future operations is dependent on our ability to obtain financing and upon future acquisition, exploration and development of profitable operations from our software development. These conditions raise substantial doubt about our ability to continue as a going concern.

Critical Accounting Policies

In December 2001, the SEC requested that all registrants list their most “critical accounting policies” in the Management Discussion and Analysis. The SEC indicated that a “critical accounting policy” is one which is both important to the portrayal of a company’s financial condition and results, and requires management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We believe that the following accounting policies fit this definition.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not Applicable.

Item 4T. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of March 31, 2007. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer, Mr. Mike See, and our Chief Financial Officer, Mr. Joseph Johns, III. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2007, our disclosure controls and procedures are ineffective.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

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Limitations on the Effectiveness of Internal Controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving our objectives and our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are ineffective. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the internal control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal controls over financial reporting during the quarter ended March 31, 2007 that have materially affected or are reasonably likely to materially affect such controls.

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are not a party to any pending legal proceeding. We are not aware of any pending legal proceeding to which any of our officers, directors, or any beneficial holders of five percent or more of our voting securities are adverse to us or have a material interest adverse to us.

Item 1A. Risk Factors

Not Applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company sold 844,088 shares of its common stock at \$.80 per share for a total of \$675,270 as of June 30, 2006. Each share sold was accompanied by a warrant to purchase one additional share for \$1.00.

Item 3. Defaults upon Senior Securities

None.

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

No matters have been submitted to our security holders for a vote, through the solicitation of proxies or otherwise, during the quarterly period ended March 31, 2007

Item 5. Other Information

None.

Item 6. Exhibits

See the Exhibit Index following the signatures page of this report, which is incorporated herein by reference.

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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, thereunto duly authorized.

Xstream Mobile Solutions Corp.

Date: April 30, 2009

By: /s/ Mike

See

Mike See

Title: Chief Executive Officer and Director

Date: April 30, 2009

By: /s/ Joseph Johns,

III

Joseph Johns, III

Title: Chief Financial Officer

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XSTREAM MOBILE SOLUTIONS CORP.
(the "Registrant")
(Commission File No. 000-18296)
Exhibit Index
to
Quarterly Report on Form 10-Q
for the Quarter Ended March 31, 2007

| Exhibit No. | Description | Incorporated Herein by Reference to | Filed Herewith |
|-------------|--|-------------------------------------|----------------|
| 31.1 | <u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u> | | X |
| 31.2 | <u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u> | | X |
| 32.1 | <u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> | | X |