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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

x 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 ý |

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

Table of Contents

FORM 10-Q
XSTREAM MOBILE SOLUTIONS CORP.
March 31, 2007
TABLE OF CONTENTS

Table of Contents

## PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

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



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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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 DISCLOURE OF NON-CASH INFORMATION | | |
| Stock issued for services | $ 1,950,000 | $ - |

| | | | | |
|---|---|---|---|---|
| Acquistion 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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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:

Table of Contents

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.

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.

Table of Contents

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.

Table of Contents

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 |