Xstream Mobile Solutions Corp
Form 10QSB
October 03, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

[X] Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: June 30, 2006

[ ] Transition Report pursuant to 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period _________ to __________

Commission File Number: 000-18296

Xstream Mobile Solutions Corp.
(Exact name of small Business Issuer 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
(Issuer's telephone number)

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

Check whether the issuer (1) 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 [X] Yes [ ] No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). [X] Yes [ ] No

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 12,057,713 common shares as of June 30, 2006

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Our unaudited financial statements included in this Form 10-QSB are as follows:

These unaudited 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-QSB. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim period ended June 30, 2006 are not necessarily indicative of the results that can be expected for the full year.

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XSTREAM MOBILE SOLUTIONS CORP.
(FORMERLY NETCHOICE, INC.)
CONDENSED BALANCE SHEETS
JUNE 30, 2006
(UNAUDITED)

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	255,911
Total Current Assets		255,911
FIXED ASSETS		
Equipment, net		2,245
TOTAL ASSETS	$	258,156
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	$	19,460
Due to stockholders		10,580
Total Current Liabilities		30,040
Total Liabilities		30,040
STOCKHOLDERS' EQUITY		
Preferred Stock Series A, $.001 Par Value; 990,000 shares authorized, -0- issued and outstanding		-
Preferred Stock Series B, $.001 Par Value; 9,000,000 shares authorized, -0- issued and outstanding		-
Preferred Stock Series C, $.001 Par Value; 10,000 shares authorized, -0- issued and outstanding		-
Common Stock $.001 Par Value; 90,000,000 shares authorized, 12,057,713 shares issued and 11,757,860 shares outstanding		12,058
Additional Paid-in Capital		23,584,785
Deposit on software rights		(20,000,000)
Accumulated (Deficit)		(3,147,422)
		449,421
Less: Cost of treasury stock, 299,852 shares		(221,305)
Total Stockholders' Equity		228,116
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	258,156

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

XSTREAM MOBILE SOLUTIONS CORP.
(FORMERLY NETCHOICE, INC.)
CONDENSED STATEMENTS OF OPERATIONS
FOR THE NINE AND THREE MONTHS ENDED JUNE 30, 2006 AND 2005
(UNAUDITED)

	NINE MONTHS ENDED JUNE 30,		THREE MONTHS ENDED JUNE 30,	
	2006	**2005**	**2006**	**2005**
OPERATING REVENUES				
Software sales	$ 5,850	$ -	$ 5,850	$ -
OPERATING EXPENSES				
Depreciation	92	-	92	-
Selling, general and administrative expenses	455,276	11,250	446,426	3,750
Total operating expenses	455,368	11,250	446,518	3,750
NET (LOSS) BEFORE OTHER INCOME (EXPENSE)	(449,518)	(11,250)	(440,668)	(3,750)
OTHER INCOME (EXPENSES)				
Interest income	2,364		2,364	
Interest (expense)	(618,500)	-	-	-
Total Other Income (Expense)	(616,136)	-	2,364	-
NET (LOSS) BEFORE PROVISION FOR INCOME TAXES	(1,065,654)	(11,250)	(438,304)	(3,750)
Provision for income taxes	-	-	-	-
NET (LOSS) APPLICABLE TO COMMON SHARES	$ (1,065,654)	$ (11,250)	$ (438,304)	$ (3,750)
NET (LOSS) PER BASIC AND DILUTED SHARES	$ (0.15)	$ (0.02)	$ (0.04)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	7,346,328	473,147	11,340,455	473,147

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

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XSTREAM MOBILE SOLUTIONS CORP.
(FORMERLY NETCHOICE, INC.)
CONDENSED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JUNE 30, 2006 AND 2005
(UNAUDITED)

		2006		2005
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (loss)	$	(1,065,654)	$	(11,250)
Adjustments to reconcile net (loss) to net cash				
(used in) operating activities:				
Depreciation and amortization		92		-
Beneficial interest		618,500		-
Changes in assets and liabilities				
Increase in accounts payable and accrued expenses		19,460		11,250
Total adjustments		638,052		11,250
Net cash (used in) operating activities		(427,602)		-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of equipment		2,337		-
Net cash (used in) investing activities		(2,337)		-
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from the sale of common stock		675,270		
Advances from stockholders		10,580		-
Net cash provided by financing activities		685,850		-
NET INCREASE IN CASH AND CASH EQUIVALENTS		255,911		-
CASH AND CASH EQUIVALENTS -				
BEGINNING OF PERIOD		-		-
CASH AND CASH EQUIVALENTS - END OF PERIOD	$	255,911	$	-
SUPPLEMENTAL CASH FLOW INFORMATION				
Cash paid during the period for-				
Interest	$	-	$	-
Income tax	$	-	$	-
SUPPLEMENTAL DISCLOSURE NONCASH INFORMATION				
Issuance of common stock for-				
Software rights	$	20,000,000	$	-
Accounts payable	$	262,500	$	-

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

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XSTREAM MOBILE SOLUTIONS CORP.
(FORMERLY NETCHOICE, INC.)
NOTES TO CONDENSED FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(UNAUDITED)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

The condensed 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 financial statements and notes are presented as permitted on Form 10-QSB 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 financial statements be read in conjunction with the September 30, 2005 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 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 its 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

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XSTREAM MOBILE SOLUTIONS CORP.
(FORMERLY NETCHOICE, INC.)
NOTES TO CONDENSED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006 AND 2005
(UNAUDITED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates (Continued)

of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For financial statement presentation purposes, the Company considers short-term, highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. There were no cash equivalents at June 30, 2006.

The Company maintains cash and cash equivalent balances at financial institutions that are insured by the Federal Deposit Insurance Corporation up to $100,000. At June 30, 2006 the Company had $144,770 in excess of the insured limits.

Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful life of the assets.

Furniture and fixtures	7 Years
Office equipment	5 Year

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.

(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.

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XSTREAM MOBILE SOLUTIONS CORP.
(FORMERLY NETCHOICE, INC.)
NOTES TO CONDENSED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006 AND 2005
(UNAUDITED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	June 30, 2006	June 30, 2005
Net (Loss)	$ (1,065,654)	$ (11,250)
Weighted-average common shares outstanding (basic)	7,346,328	473,147
Weighted-average common stock equivalents:		
Stock options	-	-
Warrants	-	-
Weighted-average common shares outstanding (diluted)	7,346,328	473,147

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

There are warrants outstanding to purchase 844,088 shares of common stock at June 30, 2006.

Recent Accounting Pronouncements

In December 2004, the FASB issued Financial Accounting Standards No. 123 (revised 2004) (FAS 123R), “Share-Based Payment, “ FAS 123R replaces FAS No. 123, “Accounting for Stock-Based Compensation”, and supersedes APB Opinion No. 25, “Accounting for Stock Issued to Employees.” FAS 123R requires compensation expense, measured as the fair value at the grant date, related to share-based payment transactions to be recognized in the financial statements over the period that an employee provides service in exchange for the award. The Company intends to adopt FAS 123R using the “modified prospective” transition method as defined in FAS 123R. The adoption of FAS 123R did not have a material impact on the Company’s financial position or results of operations.

On December 16, 2004, FASB issued Financial Accounting Standards No. 153, Exchanges of Non-monetary Assets, an amendment of APB Opinion No. 29, Accounting for Non-monetary Transactions ("FAS 153"). This statement amends APB Opinion 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. Under FAS 153, if a non-monetary exchange of similar productive assets meets a commercial-substance criterion and fair value is determinable, the transaction must be accounted for at fair value resulting in recognition of any gain or loss. FAS 153 is effective for non-monetary transactions in fiscal periods that begin after June 15, 2005. The adoption of FAS 153 did not have a material impact on the Company’s financial position or results of operations.

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XSTREAM MOBILE SOLUTIONS CORP.
(FORMERLY NETCHOICE, INC.)
NOTES TO CONDENSED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006 AND 2005
(UNAUDITED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections." SFAS No. 154 replaces Accounting Principles Board ("APB") Opinion No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements." SFAS No. 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. APB No. 20 previously required that most voluntary changes in accounting principle be recognized by including the cumulative effect of changing to the new accounting principle in net income in the period of the change. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 did not have a material impact on the Company's financial position or results of operations.

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 remeasurement 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, clarifies 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 or results of operations.

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

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XSTREAM MOBILE SOLUTIONS CORP.
(FORMERLY NETCHOICE, INC.)
NOTES TO CONDENSED FINANCIAL STATEMENTS (CONTINUED)
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(UNAUDITED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

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.

NOTE 3 - STOCKHOLDERS' EQUITY

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 6, 2006, the Company approved the issuance of 75,000 shares to fulfill a commitment to former directors, the issuance of 3,450,000 shares in exchange for $259,750 of current debt, and 80,000,000 shares as a right to acquire rights to telecomm software.

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.

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.

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 each.

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.

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XSTREAM MOBILE SOLUTIONS CORP.
(FORMERLY NETCHOICE, INC.)
NOTES TO CONDENSED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006 AND 2005
(UNAUDITED)

NOTE 3 - STOCKHOLDERS' EQUITY (CONTINUED)

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.

NOTE 4 - PROVISION FOR INCOME TAXES

Deferred income taxes will be determined using the liability method for the temporary differences between the financial reporting basis and income tax basis of the Company's assets and liabilities. Deferred income taxes will be measured based on the tax rates expected to be in effect when the temporary differences are included in the Company's tax return. Deferred tax assets and liabilities are recognized based on anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

At June 30, 2006 and 2005, deferred tax assets approximated the following:

	2006	2005
Deferred tax asset	$ 1,070,000	$ 704,000
Less: valuation allowance	(1,070,000)	(704,000)
Net deferred tax asset	$ -	$ -

At June 30, 2006 and 2005, the Company had accumulated deficits of approximately $3,147,000 and $2,071,000, respectively, available to offset future taxable income through 2026. The Company established valuation allowances equal to the full amount of the deferred tax assets due to the uncertainty of the utilization of the operating losses in future periods.

NOTE 5 - RELATED PARTY TRANSACTIONS

Certain stockholders provided consulting services to the Company. The total of such services was $338,700 for the nine months ended June 30, 2006.

Certain stockholders provide leased space to the Company for office and computer operations. The total rent charged to the Company was $6,840 for the nine months ended June 30, 2006.

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XSTREAM MOBILE SOLUTIONS CORP.
(FORMERLY NETCHOICE, INC.)
NOTES TO CONDENSED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006 AND 2005
(UNAUDITED)

NOTE 5 - RELATED PARTY TRANSACTIONS (CONTINUED)

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 was $19,815 for the nine months ended June 30, 2006.

NOTE 6 - DUE TO STOCKHOLDERS

Due to stockholders represents advances for the Company's working capital needs. They are non-interest bearing and are due on demand.

NOTE 7 - EQUIPMENT

At June 30, 2006, equipment consisted the following:

Equipment	$	2,337
Less: accumulated depreciation		(92)
Equipment, net	$	2,245

Depreciation expense for the nine months ended June 30, 2006 and 2005 was $92 and $ -0-, respectively.

NOTE 10 - GOING CONCERN

As shown in the accompanying condensed financial statements, the Company incurred net losses for the three and nine months ended June 30, 2006 and 2005. As of June 30, 2006 and 2005 the Company had accumulated deficits of approximately $3,147,000 and $2,071,000, respectively. This raises substantial doubt about the Company's ability to continue as a going concern.

The Company's future success is dependent upon its ability to achieve profitable operations and generate cash from operating activities, and upon additional financing. Management believes they can raise the appropriate funds needed to support their business plan and generate profitable operations. There is no guarantee that the Company will be able to generate enough revenue or raise enough capital to support its operations.

The condensed financial statements do not include any adjustments relating to the recoverability or classification of recorded assets and liabilities that might result should the Company be unable to continue as a going concern.

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Item 2. Plan of Operation

Forward-Looking Statements

Historical results and trends should not be taken as indicative of future operations. Management’s statements contained in this report that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934 (the “Exchange Act”), as amended. Actual results may differ materially from those included in the forward-looking statements. The Company intends such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of complying with those safe-harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “project,” “prospects,” or similar expressions. The Compar ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on the operations and future prospects of the Company on a condensed basis include, but are not limited to: changes in economic conditions, legislative/regulatory changes, availability of capital, interest rates, competition, and generally accepted accounting principles. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Further information concerning the Company and its business, including additional factors that could materially affect the Company’s financial results, is included herein and in the Company’s other filings with the SEC.

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.

The Company its name to Xstream Mobile, Inc., effective December 19, 2005.

We are currently in the communications business specializing in entertainment, safety and security.

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, retain a consultant, and to develop our communications business and/or technology. We can provide no assurance that we will be successful in developing our technology due to our limited working capital. We anticipate that if we are successfully able to develop our technology, we will require additional financing in order for us to complete. We can provide no assurance that we will receive additional financing if sought.

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

At the present time, we have no employees other than our officers and directors, Mr. Mike See, Joe Johns and Cynthia See. We do not anticipate hiring any employees until such time as we are able to develop our business and/or technology.

Assets

As of June 30, 2006, we have assets of $255,911 cash at hand and $2,245 of fixed assets.

Liabilities and Stockholders' Equity

Our total liabilities as of June 30, 2006 were $30,040. On June 30, 2006 our liabilities consisted of accounts payable, accrued expenses and notes due to stockholders in the amount of $30,040.

As of June 30, 2006, there was a Stockholders' equity of $228,116.

Results of Operations for the Nine months ended June 30, 2006 and 2005

Revenues during the nine and three months ended June 30, 2006 was $5,850. There were no revenues during the nine and three months ended June 30, 2005.

We incurred operating expenses in the amount of $455,368 for the nine months ended June 30, 2006, compared to operating expenses of $11,250 for the nine months ended June 30, 2005. Our operating expenses for the six months ended June 30, 2006 were primarily attributable to consulting fees.

We have incurred a net loss of $449,518 for the nine month period ended June 30, 2006, compared to $11,250 for the nine month period ended June 30, 2005. Our losses for the six months ended June 30, 2006 and 2005 were primarily attributable to consulting fees.

Liquidity and Capital Resources

As of June 30, 2006, we had $258,156 cash and assets. We had working capital of $225,871 on June 30, 2006. As a result, we have insufficient capital to complete our business plan.

We anticipate that we will require additional financing to enable us to complete our business plan. However, we can provide no assurance that if we pursue additional financing we will receive any financing.

We can provide no assurance that we will receive any additional financing. For these reasons, our auditors have stated in their report that they have substantial doubt about our ability to continue as a going concern.

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Going Concern

Our independent auditors have stated in their Auditor's Report included in our annual report on Form 10-KSB that we have incurred operating losses, accumulated deficit, and negative cash flow from operations. From our inception to June 30, 2006, we incurred cumulative losses of approximately $3,147,422. Our ability to raise capital through future issuances of common stock is unknown. Our future is dependent on our ability to obtain financing and develop our new business opportunities into profitable operations.

These factors, among others, raise substantial doubt about our ability to continue as a going concern. Our condensed financial statements do not include any adjustments that may result from the outcome of these aforementioned uncertainties.

Off Balance Sheet Arrangements

As of June 30, 2006, there were no off balance sheet arrangements.

Critical Accounting Policies

In December 2001, the SEC requested that all registrants list their most "critical accounting polices" 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.

Impairment of Long–Lived Assets.

In the event facts and circumstances indicate the carrying value of a long-lived asset, including associated intangibles, may be impaired, an evaluation of recoverability is performed by comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write-down to market value or discounted cash flow is required. Based upon management's evaluation, impairment write-downs of some of our assets was deemed necessary for the years ended September 30, 2005 and 2004. We account for impairment in accordance with FASB 142, "Goodwill and Other Intangible Assets." We test for impairment on an annual basis, unless the situation dictates otherwise.

Recently Issued 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 remeasurement 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, clarifies 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 or results of operations.

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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.

Item 3. Controls and Procedures

We maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed by us in our reports filed under the Securities Exchange Act, is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms. Disclosure controls are also designed with the objective of ensuring that this information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Based upon their evaluation as of the end of the period covered by this report, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are not effective to ensure that information required to be included in our periodic SEC filings is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms.

Our board of directors was advised by Bagell, Josephs, Levine & Company, L.L.C., our independent registered public accounting firm, that during this quarter Bagell, Josephs, Levine & Company, L.L.C. identified a material weakness as defined in Public Company Accounting Oversight Board Standard No. 2 in our internal control over financial reporting.

This deficiency consisted primarily of inadequate staffing and supervision that could lead to the untimely identification and resolution of accounting and disclosure matters and failure to perform timely and effective reviews. However, our resources and size prevent us from being able to employ sufficient resources to enable us to have adequate segregation of duties within our internal control system. Management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	**Description of Exhibit**
31.1	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
31.2	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
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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SIGNATURES

In accordance with the requirements of the Securities and 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: September 29, 2006

By:/s/ Mike See
Mike See
Title: **Chief Executive Officer, Chief Financial Officer, and Director**

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