

Raystream Inc.
Form 10-Q/A
September 20, 2012

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

FORM 10-Q/A
Amendment No.1

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

FOR THE QUARTERLY PERIOD ENDED JULY 31, 2012

OR

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

Commission file number 001-35514

RAYSTREAM INC.
(Exact name of registrant as specified in its charter)

Nevada

27-2310076

(state or other jurisdiction of incorporation or
organization)

(I.R.S. Employer I.D. No.)

2101 Midway Road, Suite 140, Carrollton, Texas 75006

(Address of principal executive offices)

(972) 980-7206

Issuer's telephone number

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** **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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer **Smaller reporting company**

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

APPLICABLE ONLY TO CORPORATE ISSUERS

As of **September 18, 2012** the registrant had **49,975,000** shares of common stock outstanding.

EXPLANATORY NOTE

The sole purpose of this Amendment to the Registrant's Quarterly Report on Form 10-Q for the period ended July 31, 2012 (the 10-Q), is to furnish the Interactive Data File exhibits required by Item 601(b)(101) of Regulation S-K. No other changes have been made to the 10-Q, and this Amendment has not been updated to reflect events occurring subsequent to the filing of the 10-Q.

RAYSTREAM INC.

Table of Contents

**PART I --
FINANCIAL
INFORMATION**

**Item 1. Financial
Statements
(unaudited)**

Balance Sheets

Statements of
Operations

Statements of
Cash Flows

Notes to Financial
Statements

3

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

4

Item 3.
Quantitative and
Qualitative
Disclosures
About Market
Risk

7

Item 4. Controls
and Procedures

7

PART II. OTHER
INFORMATION

8

Item 1. Legal
Proceedings

8

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

8

Item 3. Defaults
Upon Senior
Securities

8

Item 4. Mine
Safety
Disclosures

8

Item 5. Other
Information

8

Item 6. Exhibits

SIGNATURES

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Balance Sheets (Unaudited)

F-1

Statements of Operations (Unaudited)

F-2

Statements of Cash Flows (Unaudited)

F-3

Notes to the Unaudited Financial Statements

F-4

Raystream Inc.

(A Development Stage Company)

Balance Sheets

(Unaudited)

July 31, 2012

April 30, 2012

ASSETS	Cash \$	-	\$	287,875	Prepaid expenses	4,954	9,492	Advances to related party	43,738	-	Deferred financing costs-current	156,471	242,820	Total current assets	205,163	540,187	Fixed assets, net	185,636	187,037	Deposits	3,872	3,872	Deferred financing costs	355,237	276,389	Intangible asset	1,000,000	1,000,000	TOTAL ASSETS	\$	1,749,908	\$	2,007,485
--------	---------	---	----	---------	------------------	-------	-------	---------------------------	--------	---	----------------------------------	---------	---------	----------------------	---------	---------	-------------------	---------	---------	----------	-------	-------	--------------------------	---------	---------	------------------	-----------	-----------	--------------	----	-----------	----	-----------

LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable	\$	191,203	\$	67,511	Bank overdraft	3,561	-	Accrued expenses	30,653	55,568	Accrued Interest	10,737	Loan payable current portion	37,663	8,761	Convertible notes payable current portion	263,615	53,700	Total current liabilities	537,432	185,540	Loan payable	32,354	34,672	Convertible notes payable, net	941,482	813,700	Total liabilities		1,511,268		1,033,912
------------------	----	---------	----	--------	----------------	-------	---	------------------	--------	--------	------------------	--------	------------------------------	--------	-------	---	---------	--------	---------------------------	---------	---------	--------------	--------	--------	--------------------------------	---------	---------	-------------------	--	-----------	--	-----------

Common stock - \$.001 par, 200,000,000 shares

authorized, 49,975,000 issued and outstanding	49,975	49,975	Additional paid-in capital	3,378,313	3,353,968	Deficit accumulated during development stage	(3,189,648)	(2,430,370)	Stockholders' equity	238,640	973,573	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	1,749,908	\$	2,007,485
---	--------	--------	----------------------------	-----------	-----------	--	-------------	-------------	----------------------	---------	---------	--	----	-----------	----	-----------

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

F-1

Raystream Inc.
(A Development Stage Company)
Statements of Operations
(Unaudited)

Three months ended July 31, 2012 2011	From inception (December 8, 2009) to July 31, 2012
Revenues \$ -	\$ -
taxes 365,726	27,358
administrative 171,139	12,298
15,852	723,213
expenses 644,322	39,656
fees 42,845	644,322
(39,656) \$	(3,189,648)
common shares	outstanding - basic 49,975,000
	154,475,000
	Operating expenses:
	Payroll and payroll
	Professional fees 85,410
	Marketing 6,195
	Realized foreign exchange gain -
	Loss from operations (644,322) (39,656) (2,813,428)
	Other expense: Financing
	Net loss \$ (759,278) \$
	Loss per common share - basic \$ (0.02) \$
	Weighted average

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

Raystream Inc.

(A Development Stage Company)

Statements of Cash Flows

(Unaudited)

Three months ended July 31, 2012	2011	From inception (December 8, 2009) to July 31, 2012			
Operating Activities	Net loss \$	(759,278) \$	(242,989) \$	(3,189,648)	
Adjustments to reconcile net loss to net cash used					in operating activities:
Depreciation	15,852	-	45,433		Amortization of deferred financing costs
and discount	104,220	-	352,570		Change in accrued
Interest	10,737	200,000	12,694		Changes in operating assets and liabilities:
Decrease in prepaid expense		4,538	2,500	11,968	Increase in
deferred financing fees		-	-	9,359	(Increase)decrease in
related party due to/from		(43,738)	-	(43,738)	Decrease in
other assets		-	(8,333)		Increase in accounts
payable	98,777	-	151,213		Increase in accrued liabilities
-	22,428	55,768	(Increase) in deposit	-	
-	(3,872)		Net cash used in operating activities	(568,892)	
(18,061)	(2,606,586)		Investing Activities	Purchase of fixed assets	(14,451)
(12,634)	(187,636)		Cash paid for acquisition of Raystream GmbH		
-	-	(408,918)	Cash received through acquisition of of Raystream GmbH		
GmbH		-		76,864	Net cash used by investing
activities	(14,451)	(12,634)	(519,690)		Financing Activities
overdraft	3,561	-	3,561		Bank
-	8,646		Convertible notes	-	
financing fees	(28,093)		(83,381)		Payments of deferred
2,000,000	373,700		Sales of common stock	-	Notes payable
provided by financing activities	295,468			-	320,000
cash	(287,875)	1,969,305		2,000,000	3,126,276
45	-	Cash at the end of the year	\$	-	\$
-			\$	1,969,350	\$
Supplementary non-cash information:			Shares issued for settlement of convertible debt		
and interest \$	-	\$	-	\$	2,217,260
director \$	-	\$	-	\$	8,646
payable \$	-	\$	-	\$	43,433
Raystream GmbH \$	-	\$	-	\$	661,660
deferred financing fees \$	23,348	\$	-	\$	515,975
					Warrants issued related to

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

F-3

Raystream Inc.

(A Development Stage Company)

Notes to Financial Statements

July 31, 2012

(Unaudited)

NOTE 1 - ORGANIZATION AND BUSINESS OPERATIONS

General Background

Raystream, Inc., a Nevada corporation (sometimes referred to herein as we, us, our, Company and the Registrant) incorporated in Nevada on December 8, 2009 as Interdom Corp. From inception to June 2011 the Company was in the business of real estate consulting and evaluation. On June 14, 2011 the Company underwent a change of control and changed its business focus to video transmission compression. On August 23, 2011 the Company changed its name from Interdom, Inc. to Raystream, Inc. The Company has been developing its video transmission compression business plan and as of the date of this 10-Q has not generated any revenue since its date of incorporation. As such the Company is in the development stage as defined under Accounting Codification Standard, Development Stage Entities (ASC-915).

Change in Control

On June 14, 2011, a change in control of Interdom, Corp. ("Interdom") occurred when Igor Rumiantsev sold all of his 3,500,000 common shares in a private share purchase transaction to Unlimited Trade Inc. Mr. Rumiantsev sold his shares for cash consideration of \$200,000. This transaction gave Unlimited Trade Inc. voting control over 83.8% of the Interdom's outstanding and issued common stock. After a 37:1 forward stock split, the Unlimited Trade Inc. shares totaled 129,500,000. Unlimited Trade Inc. requested that these shares be cancelled and subsequently accepted 5,000,000 restricted shares (in accordance with rule 144) for conversion of a note payable from the Interdom. After these transactions the Unlimited Trade Inc. voting shares were approximately 10% of the outstanding shares.

No person or entity holds more than 50% of the outstanding common stock of Raystream, Inc.

New Business

The focus to the video transmission compression business was initiated by the acquisition, for 20,000,000 restricted shares (in accordance with rule 144), of Raystream GmbH on September 19, 2011. The Company acquired a 100% interest in Raystream GmbH. The technology acquired by the Company allows high definition video to be distributed over standard Internet connections.

Initially the Company will operate using a business-to-business (B2B) model. A business-to-consumer (B2C) model is under development and will be launched in the future.

F-4

Raystream Inc.

(A Development Stage Company)

Notes to Financial Statements

July 31, 2012

(Unaudited)

NOTE 1 - ORGANIZATION AND BUSINESS OPERATIONS (continued)

Plan of Operations

The market for the B2B model includes marketing and advertising agencies, telecommunications companies, and content delivery networks. This market will be penetrated by a corporate sales force supported by online and traditional media campaigns plus an extensive public relations program that includes a social media communications of publicly disclosed information. Offices and marketing arrangements will continue to be pursued world-wide to make local market penetration easier and sales support more convenient.

NOTE 2 - GOING CONCERN

The financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses since inception resulting in an accumulated deficit of \$3,189,648 as of July 31, 2012 and further losses are anticipated in the development of its business raising substantial doubt about the Company's ability to continue as a going concern. Although the Company obtained debt financing, the ability to continue as a going concern for the next quarter is dependent upon the Company generating profitable operations and/or obtaining additional financing to meet its obligations and repay its liabilities arising from normal business operations when those come due. Management intends to finance operating costs over the next twelve months with existing cash on hand and additional funds from operations, and either equity sales or debt proceeds. These financials do not include any adjustments relating to the recoverability and reclassification of recorded asset amounts, or amounts and classifications of liabilities that might result from this uncertainty.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements should be read in conjunction with the financial statements and notes thereto included in the Annual Report on Form 10-K of Raystream Inc. for the year ended April 30, 2012. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (GAAP). In the opinion of management, all adjustments and normal recurring accruals considered necessary for a fair statement of the results for the interim period have been included. The interim results reflected in the unaudited financial statements are not necessarily indicative of expected results for the full year.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

Raystream Inc.

(A Development Stage Company)

Notes to Financial Statements

July 31, 2012

(Unaudited)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates and Assumptions

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 disclosure 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.

Property and Equipment

Property and equipment, at cost, consist of the following:

method	Computer equipment over 3 years	\$134,132	Depreciated on the straight-line
method	Office furnishings and car over 5 years	\$96,937	Depreciated on the straight-line

Depreciation expense for the three months ended July 31, 2012 was \$15,852.

Intellectual Property

As discussed in Note 1, the Company acquired the rights to certain intellectual property used for the compression of video transmission from an individual who developed the intellectual property. The acquisition was made for

20,000,000 shares of the Company's common stock valued at \$1,000,000. In accordance with ASC 350-30, the Company has assessed the fair value of the intellectual property and has determined that, based on future net cash flows, the fair value at April 30, 2012 of \$1,000,000 was reasonable.

The Company will evaluate the fair value of the intellectual property on an annual basis until revenues are generated. At that time the Company will determine the period which it would consider appropriate for amortization of the value of the intellectual property.

Impairment of Long-Lived Assets

The Company reviews and evaluates long-lived assets for impairment when events or changes in circumstances indicate the related carrying amounts may not be recoverable. The assets are subject to impairment consideration under ASC 360-10-35-17, *Measurement of an Impairment Loss*, if events or circumstances indicate that their carrying amount might not be recoverable. When the Company determines that an impairment analysis should be done, the analysis will be performed using the rules of ASC 930-360-35, *Asset Impairment*, and 360-10-15-3 through 15-5, *Impairment or Disposal of Long-Lived Assets*.

Raystream Inc.

(A Development Stage Company)

Notes to Financial Statements

July 31, 2012

(Unaudited)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

The carrying value of the Company's financial instruments approximates their fair value because of the short maturity of these instruments.

Income Taxes

Income taxes are accounted for under the assets and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Basic and Diluted Net Loss per Share

The Company computes loss per share in accordance with ASC-260 , Earnings per Share which requires presentation of both basic and diluted earnings per share on the face of the statement of operations. Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of outstanding common shares during the period. Diluted loss per share gives effect to all dilutive potential common shares outstanding during the period. Dilutive loss per share excludes all potential common shares if their effect is anti-dilutive.

The Company has no potential dilutive instruments and accordingly basic loss per share and diluted loss per share are the same.

NOTE 4- DEBT RELATED PARTY

In March 2012, the Company entered into a \$525,000 convertible debt agreement with a related party, of which \$500,000 was received as of July 31, 2012. See note 5 for a description of the terms of this note.

In June 2012, the Company entered into a 10 day loan of \$65,000 with a related party of which was to be paid on or before July 9, 2012. As of July 31, 2012, the Company has made no payments towards this note and is currently pending further instructions from the lender.

F-7

Raystream Inc.

(A Development Stage Company)

Notes to Financial Statements

July 31, 2012

(Unaudited)

NOTE 5- CONVERTIBLE DEBT

In March 2012 the Company entered into two convertible debt agreements with independent investors, one for \$1,580,000 of convertible notes payable, bearing 5% interest, along with 3,333,333 warrants to purchase common stock of the Company and another for \$525,000 of convertible notes payable, bearing 5% interest, along with 1,111,111 warrants to purchase common stock of the Company. The exercise price for all of the warrants is \$0.45 per share. The conversion price of the \$1,580,000 convertible note is 70% of the lowest closing price for the twenty (20) trading days prior to the conversion date. The conversion price of the \$525,000 convertible note is the lower of \$0.40 per share or 70% of the lowest closing price for the twenty (20) trading days prior to the conversion date. Both notes can be converted at any time prior to the maturity date, which is three years from the issuance date, at the sole discretion of the holder.

Initially \$400,000 of the \$1,580,000 convertible notes was funded. The funding of the remaining amount is at the sole discretion of the holder. The Company also received \$400,000 from the \$525,000 convertible note. The remaining funding will be made when the second funding is made from the \$1,580,000 convertible notes.

Each note contained a 5% discount as well as a conversion rate of 70% of the stock price at the date of conversion. At the commitment date, each convertible promissory note was tested for the value of the original issue discount by comparing the effective conversion price to the fair value of the Company's stock. As a result of this testing, the Company recognized an original issue discount of \$342,858 related to the debt and \$57,143 related to the interest. Additionally, the relative fair value of the warrants of \$456,763 was calculated using the Black Scholes valuation model under the following assumptions: expected life 4 years; volatility 290%; risk free rate of return .87-.82%; dividend yield 0% and has been further bifurcated and recorded as deferred financing costs and as an addition to paid-in capital. The Company is amortizing the debt discount and the deferred financing costs over the term of the debt. Amortization of debt discount for the year ended April 30, 2012 was \$11,742 leaving an unamortized balance of \$331,116 at July 31, 2012 and \$1,957 debt discount related to the interest using the effective interest method. Amortization of deferred financing costs for the year ended April 30, 2012 was \$11,746.

In addition to the convertible notes entered into as of April 30, 2012, the Company issued 80,000 warrants valued at \$35,864 using the Black Scholes valuation model under the following assumptions: expected life 4 years; volatility

290%; risk free rate of return .87%; dividend yield 0% and has been allocated to additional paid in capital and as finder fee related to the convertible notes entered into.

During the quarter ended July 31, 2011, the Company received \$100,000 in relation to a convertible note agreement entered into in March 2012. The Company also issued 222,222 warrants in relation to this funding. This contains a 5% discount as well as a conversion rate of 70% of the stock price at the date of conversion. As a result of this testing, the Company recognized an original issue discount of \$42,429 related to the debt and \$2,143 related to the interest. Additionally, the relative fair value of the warrants of \$24,342 was calculated using the Black Scholes valuation model under the following assumptions: expected life 4 years; volatility 290%; risk free rate of return .51%; dividend yield 0% and has been further bifurcated and recorded as deferred financing costs and as an addition to paid-in capital.

F-8

Raystream Inc.

(A Development Stage Company)

Notes to Financial Statements

July 31, 2012

(Unaudited)

NOTE 5- CONVERTIBLE DEBT (continued)

The Company is amortizing the debt discount and the deferred financing costs over the term of the debt and warrants respectively. Amortization of debt discount for the quarter ended July 31, 2012 was \$27,779 leaving an unamortized balance of \$344,234.

On April 26, 2012, the Company entered into a convertible note payable in the amount of \$68,000 with Asher Enterprises, the maturity date being January 11, 2013, with interest accruing at 8% per annum. The original issue discount note, as described in ASC 480-55, may not be prepaid in whole or in part. If the Note is not paid in full with interest on the maturity date, the note holder has the right to convert this Note into restricted common shares of the Company. The conversion price shall equal the "Variable Conversion Price" (subject to equitable adjustments for stock splits, stock dividends or rights offerings by the Borrower). The "Variable Conversion Price" shall mean 58% multiplied by the Market Price (representing a discount rate of 42%). "Market Price" means the average of the lowest three (3) Trading Prices for the Common Stock during the ten (10) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent by the Holder to the Borrower via facsimile. If the Note is not paid in full with interest on the maturity date, the note holder has the same right to convert this Note into restricted common shares of the Company with the same discount as the prior notes. For the three months ended July 31, 2012, \$18,868 of discount had been amortized and expensed.

On May 4, 2012, the Company entered into a convertible note payable in the amount of \$53,000 with Asher Enterprises, the maturity date being March 4, 2013, with interest accruing at 8% per annum. The original issue discount note, as described in ASC 480-55, may not be prepaid in whole or in part. If the Note is not paid in full with interest on the maturity date, the note holder has the right to convert this Note into restricted common shares of the Company. The conversion price shall equal the "Variable Conversion Price" (subject to equitable adjustments for stock splits, stock dividends or rights offerings by the Borrower). The "Variable Conversion Price" shall mean 58% multiplied by the Market Price (representing a discount rate of 42%). "Market Price" means the average of the lowest three (3) Trading Prices for the Common Stock during the ten (10) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent by the Holder to the Borrower via facsimile. If the Note is not paid in full with interest on the maturity date, the note holder has the same right to convert this Note into restricted common

shares of the Company with the same discount as the prior notes. For the three months ended July 31, 2012, \$8,929 of discount had been amortized and expensed.

On July 30, 2012, the Company entered into a convertible note payable in the amount of \$45,000 with Lotus Capital Investment, the maturity date being July 30, 2013, with interest accruing at 6% per annum. The original issue discount note, as described in ASC 480-55, may not be prepaid in whole or in part. If the Note is not paid in full with interest on the maturity date, the note holder has the right to convert this Note into restricted common shares of the Company. The conversion price shall equal the "Variable Conversion Price" (subject to equitable adjustments for stock splits, stock dividends or rights offerings by the Borrower). The "Variable Conversion Price" shall mean 75% multiplied by the Market Price (representing a discount rate of 25%). "Market Price" means the average of the lowest three (3) Trading Prices for the Common Stock during the ten (10) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent by the Holder to the Borrower via facsimile. If the Note is not paid in full with interest on the maturity date, the note holder has the same right to convert this Note into restricted common shares of the Company with the same discount as the prior notes. For the three months ended July 31, 2012, \$16,667 of discount had been amortized and expensed.

NOTE 6 - ADVANCES TO RELATED PARTY

As of July 31, 2012, advances were made to management for certain travel and other expenses that are expected to be incurred over the next several months. These advances will be used to offset these expenses.

FORWARD-LOOKING STATEMENTS

Statements made in this Form 10-Q that are not historical or current facts are "forward-looking statements" made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933 (the "Act") and Section 21E of the Securities Exchange Act of 1934. These statements often can be identified by the use of terms such as "may," "will," "expect," "believe," "anticipate," "estimate," "approximate" or "continue," or the negative thereof. We intend that such forward-looking statements be subject to the safe harbors for such statements. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Any forward-looking statements represent management's best judgment as to what may occur in the future. However, forward-looking statements are subject to risks, uncertainties and important factors beyond our control that could cause actual results and events to differ materially from historical results of operations and events and those presently anticipated or projected. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

Raystream Inc. was incorporated in the State of Nevada on December 8, 2009 under the name Interdom, Corp. On August 22, 2011, we changed our name to Raystream Inc. Our executive offices are located at 2101 Midway Road, Suite 140, Carrollton, Texas 75006. Our common stock currently trades on the Over the Counter Bulletin Board under the ticker symbol RAYS.

We are a technology service company providing advanced video compression service platforms that facilitate encoding and transcoding of Standard and High Definition video. Management believes that the market for the Company's products will include any organization that works with video or that would benefit from more efficient use of bandwidth and storage.

We have not generated any revenues related to our business to date.

Results of Operations

Our financial statements have been prepared assuming we will continue as a going concern and, accordingly, do not include adjustments relating to the recoverability and realization of assets and classification of liabilities that might be necessary should we be unable to continue in operation. We expect we will require additional capital to meet our long-term operating requirements. We expect to raise additional capital through, among other things, the sale of equity or debt securities.

Three-Month Period Ended July 31, 2012 compared to the Three-month Period Ended July 31, 2011

During the three months ended July 31, 2012, we incurred operating expenses of \$687,167 compared to \$39,656 incurred during the three months ended July 31, 2011. These operating expenses included the following:

.

Payroll expenses of \$365,726 during the three months ended July 31, 2012 (2011- \$27,358)

.

Professional fees of \$85,410 during the three months ended July 31, 2012 (2011- \$0)

.

Financing fees of \$42,845 during the three months ended July 31, 2012 (2011- \$0)

.

General and administrative expenses of \$171,139 during the three months ended July 31, 2012 (2011- \$12,298)

.

Marketing expenses of \$6,195 during the three months ended July 31, 2012 (2011- \$0)

.

Depreciation expense of \$15,852 during the three months ended July 31, 2012 (2011- \$0)

Our operating expenses incurred during the three months ended July 31, 2012 compared to the three months ended July 31, 2011 increased primarily due to corporate overhead, financial and administrative contracted services, such as legal and accounting, developmental costs, and marketing expenses.

During the three months ended July 31, 2012, we recorded interest expense of \$72,111 (2011 - \$3,333).

As a result, our net loss for the three months ended July 31, 2012 was \$759,278 (2011 - \$42,989).

The weighted average number of shares outstanding was 49,975,000 for the three-month period ended July 31, 2012.

Liquidity and Capital Resources

Edgar Filing: Raystream Inc. - Form 10-Q/A

Three-Month Period Ended July 31, 2012

As of July 31, 2012, our current assets were \$205,163 compared to \$540,187 in current assets at April 30, 2012. The current assets as of July 31, 2012, were comprised of \$4,954 in prepaid expenses, \$43,738 in advances to a related party and \$156,471 in short-term financing fees. As of July 31, 2012, our current liabilities were \$537,432 compared to \$185,540 in current liabilities at April 30, 2012. The current liabilities as of July 31, 2012, were comprised of \$232,593 of payables and accruals, \$3,561 in bank overdrafts and \$263,615 which is the current portion of the notes payable. Long-term liabilities were \$973,836 which was made up of \$941,482 of convertible debt and \$32,354 which is the long-term portion of the automobile loan.

Stockholders' equity decreased from \$973,573 as of April 30, 2012 to \$238,640 as of July 31, 2012 as a result chiefly of the operating loss incurred.

Edgar Filing: Raystream Inc. - Form 10-Q/A

Our cash, current assets, total assets, current liabilities, and total liabilities as of July 31, 2012 and April 30, 2012, respectively, are as follows:

July 31, 2012

(Unaudited)

April 31, 2012

Change

Cash

\$

	-
	\$
	287,875
	\$
	(287,875)
Total Current Assets	
\$	
	205,163
	\$
	540,187
	\$
	(335,024)
Total Assets	
\$	
	1,749,908
	\$
	2,007,485
	\$
	(257,577)
Total Current Liabilities	

\$

537,432

\$

185,540

\$

351,892

Total Liabilities

\$

1,511,268

\$

1,033,912

\$

477,356

Our cash decreased by \$287,875 as of July 31, 2012 as compared to April 30, 2012 because we were unable to obtain sufficient amount of funding. Our total current assets, and total assets, decreased by \$335,024 and \$257,577 respectively, during the same periods, in part due decrease in cash as mentioned above.

Our current liabilities increased by \$351,892 as of July 31, 2012 as compared to April 31, 2012 primarily because of an increase in accounts payable by \$123,692, convertible notes payable-short term by \$209,915. Our total liabilities increased by \$477,356 for the same reasons and due to increase in convertible notes payable-long term by \$127,782.

Cash Flows from Operating Activities

We have not generated positive cash flows from operating activities. For the three-month period ended July 31, 2012, net cash used in operating activities was \$568,892 consisting chiefly of a net loss of \$759,278 reduced to a certain

extent by cash provided from net operating assets and liabilities of \$48,577 and non-cash expenses of \$141,809

Cash Flows from Investing Activities

The Company purchased fixed assets in the amount of \$14,452 during the three months ended July 31, 2012. This was the only investing activity entered into by the Company for the three months ended July 31, 2011.

Cash Flows from Financing Activities

We have financed our operations primarily from either advances or the issuance of equity and debt securities. For the three-month period ended July 31, 2012, cash provided by financing activities was \$295,468 consisting of \$320,000 proceeds from note proceeds less debt payments of \$28,093 and a bank overdraft of \$3,561.

Plan of Operation, Management and Funding

We expect that working capital requirements will continue to be funded through a combination of our existing funds and further issuances of securities. Our working capital requirements are expected to increase in line with the growth of our business.

Generally, we have financed operations to date through the proceeds of the private placement of equity and debt securities. Existing working capital, further advances and debt securities, and anticipated cash flow are expected to be adequate to fund our operations over the next six months.

We have no lines of credit or other bank financing arrangements. In connection with our business plan, management anticipates additional increases in operating expenses and capital expenditures relating to: (i) developmental expenses associated with a start-up business; and (ii) marketing expenses. We intend to finance these expenses with further issuances of equity and debt securities. Thereafter, we expect we will need to raise additional capital and generate revenues to meet long-term operating requirements. Additional issuances of equity or convertible debt securities will result in dilution to our current shareholders. Further, such securities might have rights, preferences or privileges senior to our common stock. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to take advantage of prospective new business endeavors or opportunities, which could significantly and materially restrict our business operations. We will have to raise additional funds in the next twelve months in order to sustain and expand our operations. We currently do not have a specific plan of how we will obtain such funding; however, we anticipate that additional funding will be in the form of equity financing from the sale of our common stock. We have and will continue to seek to obtain short-term loans from our directors, although no future arrangement for additional loans has been made. We do not have any agreements with our directors concerning these loans. We do not have any arrangements in place for any future equity financing.

Competition

There are standard compression technologies in the marketplace, but Raystream is the first company to deliver HD compression technology. There are two arenas in which the Company competes: 1) compression technology, and 2) live streaming. No other company today specializes in HD compression technology. There are a number of compression tools available in the marketplace that compress standard video, but these compression tools are not able to negate the loss of video quality and clarity. The Company's HD compression technology maintains the quality and clarity of HD video streaming.

Off-Balance Sheet Arrangements

As of the date of this Quarterly Report, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 4. CONTROLS AND PROCEDURES

Our management is responsible for establishing and maintaining a system of disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) that is designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated

to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

An evaluation was conducted under the supervision and with the participation of our management of the effectiveness of the design and operation of our disclosure controls and procedures as of July 31, 2012. Based on that evaluation, our management concluded that our disclosure controls and procedures were not effective as of such date to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Such officer also confirmed that there was no change in our internal control over financial reporting during the three-month period ended July 31, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

7

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Management is not aware of any legal proceedings contemplated by any governmental authority or any other party involving us or our properties.

As of the date of this Quarterly Report, no director, officer or affiliate is (i) a party adverse to us in any legal proceeding, or (ii) has an adverse interest to us in any legal proceedings

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the period of three months ended July 31, 2012 there were no sales of unregistered equity securities.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

31.1

Certification of Chief Executive Officer and Chief Financial Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).

32.1

Certifications pursuant to Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.

EX-101.INS

XBRL Instance Document

EX-101.SCH

XBRL Taxonomy Extension Schema

EX-101.CAL

XBRL Taxonomy Extension Calculation Linkbase

EX-101.LAB

XBRL Taxonomy Extension Label Linkbase

EX-101.PRE

XBRL Taxonomy Extension Presentation Linkbase

EX-101.DEF

XBRL Taxonomy Extension Definition Linkbase

8

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RAYSTREAM INC.

Dated: September 20, 2012

By: /s/ *Brian Petersen*

Brian Petersen

President, Chief Executive Officer, Chief Financial Officer,
Principal Accounting Officer, Secretary, Treasurer and Director

