Raystream Inc.
Form 10-Q
March 16, 2012

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

FORM 10-Q

[X] QUARTERLY REPORT UNDER TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGEACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JANUARY 31, 2012

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGEACT OF 1934

Commission file number 333-167084

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 require to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes þ** No o

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 o Accelerated filer o Non-accelerated filer o **Smaller reporting company þ**

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

APPLICABLE ONLY TO CORPORATE ISSUERS

As of **March 16, 2012** the registrant had **49,975,000** shares of common stock outstanding.

RAYSTREAM INC.

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FINANCIAL STATEMENTS

Raystream Inc.

(a development stage company)

January 31, 2012

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Raystream, Inc.
(a development stage company)
Balance Sheets

January 31, 2012 (unaudited)	April 30, 2011 (audited)

ASSETS

Current assetsCash $ 253,458 $ 45Prepaid expenses 147,032 8,333Total current assets 400,490 8,378Fixed assets, net 160,943 - Goodwill 8,081,180 - Other assets 3,872 - TOTAL ASSETS $ 8,646,485 $ 8,378 LIABILITIES AND STOCKHOLDERS' EQUITY Current LiabilitiesAdvances $ - $ 8,646Accounts payable 19,949 200Accrued expenses 69,200 - Auto loan payable--short-term 8,564 - Total current liabilities 97,713 8,846Auto loan payable--long-term 36,938 - Total liabilities 134,651 8,846Common Stock--($.001 par, 200,000,000 shares authorized, 49,975,000 shares issued and outstanding) 49,975 24,975Paid-in Capital 9,991,035 (1,225)Comprehensive Income 3,754 -Deficit Accumulated during development stage (1,532,930) (24,218)Stockholders' equity (deficit) 8,511,834 (468) TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY $ 8,646,485 $ 8,378

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

RAYSTREAM, INC.

(a development stage company)

STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

Period of Three Months Ended January 31, 2012	**Period of Three Months Ended** January 31, 2011	**Period of Nine Months Ended** January 31, 2012	**Period of Nine Months Ended** January 31, 2011	**From Inception (December 8, 2009) to January 31, 2012**

Revenue $ - $ - $ - $ - $ 200Expenses: Payroll and payroll taxes347,461 - 574,991 - 599,409 General and administrative445,3224,136602,8525,684602,852 Professional fees88,455 - 250,812 - 250,812 Premises14,544 - 25,860 - 25,860 Marketing32,969 - 39,743 - 39,743Total Expenses928,7514,1361,494,2585,6841,518,676 Net Operating Loss(928,751)(4,136)(1,494,258)(5,684)(1,518,476)Other Income (Expense): Gain on debt forgiveness -

- 8,646 - 8,646 Interest (4,722)
- (23,100) - (23,100)Net loss $
(933,473) $ (4,136) $ (1,508,712) $
(5,684) $ (1,532,930)Comprehensive income Foreign currency
translation adjustment $ (2,417) $
3,754 $ 3,754Total comprehensive income $
(2,417) $ 3,754 $ 3,754Loss per common
share--basic $ (0.02) $ (0.02)Weighted average
number of common shares outstanding--basic49,975,00091,515,000

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

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RAYSTREAM, INC.
(a development stage company)
STATEMENTS OF CASH FLOWS
(Unaudited)

Period of Nine Months Ended January 31, 2012	Period of Nine Months Ended January 31, 2011	From Inception (December 8, 2009) to January 31, 2012

OPERATING ACTIVITIES Net loss $ (1,508,712) $ (1,548) $
(1,532,930)Items not involving cash : Gain on forgiveness of debt (8,646)
- (8,646) Depreciation 17,445 - 17,445
Non-cash interest expense 17,260 - 17,260Changes in
operating assets and liabilities: (Increase) in prepaid expenses (130,110)
- (138,443) Decrease in other assets (3,872) -
(3,872) Increase in accounts payable 19,749 - 19,949
Increase in accruals 68,934 - 68,934Net cash used by
operating activities(1,527,952)(1,548)(1,560,303)INVESTING ACTIVITIES Purchase of fixed
assets(143,498) - (143,498) Purchase of subsidiary--net cash
impact(74,894) - (74,894)Net cash used by investing activities(218,392)
- (218,392)FINANCING ACTIVITIES Advances - 1,5008,646
Proceeds from sale of common stock - - 23,750 Automobile loan
repayments(3,997) - (3,997) Proceeds from sale of debenture2,000,000
- 2,000,000Net cash provided by financing activities1,996,003
1,5002,028,399Effect of exchange rate changes in cash3,754-3,754Net change in
cash253,413(48)253,458Cash at the beginning of the period45 430
- Cash at the end of the period $ 253,458 $ 382 $
253,458Supplemetary non cash informationShares issued under acquisition of GMBH $

	$ 8,000,000	$ -	$ 8,000,000
Shares issued in settlement of convertible debt and interest	$ 2,017,260	$ -	$ 2,017,260
Purchase of car under financing arrangement	$ 49,499	$ -	$ 49,499

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

Raystream Inc.

(A Development Stage Company)

Notes to the Unaudited Financial Statements

January 31, 2012

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.

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Raystream Inc.

(A Development Stage Company)

Notes to the Unaudited Financial Statements

January 31, 2012

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. The Company hired four business development managers in October 2011 to organize the sales efforts of the company. 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 $1,532,930 as of January 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 in July (See Note 5), 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 financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America and are presented in US dollars. In the opinion of management, all adjustments, consisting of normal recurring accruals considered necessary for a fair presentation, have been included. Operating results for the nine-months ended January 31, 2012 are not necessarily indicative of the results that may be expected for the year ending April 30, 2012.

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.

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Raystream Inc.

(A Development Stage Company)

Notes to the Unaudited Financial Statements

January 31, 2012

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.

Foreign Currency Translation

The financial statements are presented in United States dollars. In accordance with Accounting Standards Codification (ASC-830), Foreign Currency Matters , foreign denominated monetary assets and liabilities are translated into their United States dollar equivalents using foreign exchange rates at the balance sheet date. Nonmonetary assets and liabilities are translated at the exchange rates prevailing on the transaction date. Revenue and expenses are translated at average rates of exchange during the year. Gains or losses resulting from foreign currency transactions are included in results of operations.

Financial Instruments

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

Stock-based Compensation

The Company records stock-based compensation in accordance with the guidance in ASC Topic 718 which requires the Company to recognize expenses related to the fair value of its employee stock option awards. This eliminates accounting for share-based compensation transactions using the intrinsic value and requires instead that such transactions be accounted for using a fair-value based method. The Company recognizes the cost of all share-based awards on a graded vesting basis over the vesting period of the award.

Stock Issued For Services

Transactions in which common stock is issued for services is recorded at the fair value of the services received or the fair value of the stock issued, whichever is more reliably measureable.

Raystream Inc.

(A Development Stage Company)

Notes to the Unaudited Financial Statements

January 31, 2012

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 and diluted loss per share are the same.

Fiscal Periods

The Company's fiscal year end is April 30.

NOTE 4- PREPAID EXPENSES

As of January 31, 2012 the Company had a balance of $147,032 in prepaid expenses representing chiefly prepaid rent, prepaid German business taxes and prepaid transfer agent fees.

Raystream Inc.

(A Development Stage Company)

Notes to the Unaudited Financial Statements

January 31, 2012

NOTE 5- DEBT RELATED PARTY

On July 19, 2011 the Company received $2,000,000 from the sale of a convertible debenture in accordance with a convertible debenture purchase agreement (Agreement) executed on July 18, 2011. The debenture accrues simple interest at the rate of 5% until the maturity date of July 18, 2013 and can be converted, at the holder s option, into the Company s common stock at a conversion rate equal to a 10% discount from the fair market value of the stock. Per the Agreement, the fair market value is calculated as the average closing market price of the five business days preceding the conversion date, or if there has been no sales of the Company s common stock for five days, the price shall be determined according to the price of the last trade of the Company s common stock or, at $1.00 per share or, at a price that is mutually agreed upon by the Company and the holder. The conversion price is subject to adjustment in certain events, such as distributions of dividends or stock splits. As the stock was not actively traded in the market as of the date of the transaction, it did not have a determinable fair value. Also the conversion price was not fixed. Based on these factors, the Company concluded that there is no beneficial conversion feature associated with the note that should be recognized in the financials. The debenture was converted on September 19, 2011 (See Note 7).NOTE 6- AUTOMOBILE LOANOn July 29, 2011 the Company entered into a loan for an automobile in the amount of $49,499. The terms of the loan requires payments of $1,031 for 60 months.

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On July 29, 2011 the Company entered into a loan for an automobile in the amount of $49,499. The terms of the loan requires payments of $1,031 for 60 months.

NOTE 7- STOCKHOLDERS   EQUITY

The authorized capital of the Company is 200,000,000 common shares with a par value of $ 0.001 per share. On April 14, 2010, the Company issued 129,500,000 shares of post-split common stock at a price of $0.001 per share for total cash proceeds of $3,500. Between November 2010 and April 2011, the Company issued 24,975,000 shares of common stock at a price of $0.03 per share for total cash proceeds of $20,250.

On August 22, 2011 the Company received approval from FINRA to change the name of the Company to Raystream, Inc. and to affect a 37:1 forward-split of the Company s issued and outstanding common shares. On September 19, 2011 the Company issued 20,000,000 shares of common stock to acquire 100% of Raystream GmbH. On September 19, 2011 the Company issued 5,000,000 share of stock to Unlimited Trade, Inc. to retire $2,000,000 of debentures plus accrued interest. At January 31, 2012 the Company had 49,975,000 shares of post-split common stock issued and outstanding.

NOTE 8 - ADVANCES FROM RELATED PARTY

As of June 14, 2011 a former director had entered into a written forgiveness of debt agreement with the Company to forgive a total of $8,646 in related party advances. As of January 31, 2012 there are no advances from related parties.

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Raystream Inc.

(A Development Stage Company)

Notes to the Unaudited Financial Statements

January 31, 2012

NOTE 9 - RECLASSIFICATION: STOCK SPLIT ADJUSTMENT

Effective September 19, 2011, the majority stockholder Unlimited Trade Inc., voluntarily cancelled 129,500,000 shares of the outstanding common stock of the Company which were canceled and returned to the pool of the Company s authorized and unissued shares of common stock. This cancellation was previously recorded as 129,500,000 shares issued for cash of $3,500 at inception. Since the shares under this agreement have been cancelled without the exchange of consideration to reduce number of shares outstanding, the Company considered the change in capital structure from the cancellation agreement in substance a reverse stock split. In accordance with SAB Topic 4-C, the Company recorded the cancellation retroactively as a reduction to the par value of common stock with a corresponding increase to additional paid-in capital.

NOTE 10 - RAYSTREAM GmbH ACQUISITION

Effective September 19, 2011 the Company acquired 100% of the outstanding shares of Raystream GmbH from Tom Betelllgungsgesellschaft mbH. The Company issued 20,000,000 shares of common stock and assumed $408,918 in liabilities. The closing price of the stock on September 19, 2011 was $.40 per share which equates to a purchase price of approximately $8,408,918. There are no contingent payments. The purchase price was allocated as follows:

Cash	$76,864
Other Current Assets	8,589
Intangibles	8,338,340
Accounts Payable	(14,875)
Purchase Price	$8,408,918

The transaction has been accounted for as a purchase and accordingly, the purchase price has been allocated to the underlying assets. Results of operations for the acquired companies have been reflected in the Company s financial statements from the day the acquisition closed.

The following table shows the pro forma results had the acquisition taken place on May 1, 2011. Raystream GmbH has not had any revenue and was started in March of 2011. There were no material expenses prior to May 1, 2011.

Nine Months

Nine Months

Ended

Ended

January 31, 2012

January 31, 2011

Revenue	$0	$0
Operating Loss	(1,387,106)	(1,548)

There is no change in the operating loss amount since the Company paid and expensed all expenses of Raystream GmbH prior to the acquisition date.

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 in the business of licensing software to compress high definition (HD) video transmissions to other businesses. Management believes that the market for the Company s products will include any organization that works with streaming video or that would benefit from more efficient use of bandwidth. As online HD video and Internet-to-TV HD video usage grows, the market for our products will expand since the compression of the signals allows more efficient use of bandwidth.

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.

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Nine-Month Period Ended January 31, 2012 compared to the Nine-Month Period Ended January 31, 2011

Since there were no operations previous to the three months ended January 31, 2012 we have only discussed the results of operations for the nine-month period ended January 31, 2012. We believe that there is no material information excluded by excluding the specific three-month period ended January 31, 2012 and only discussing the nine-month period ended January 31, 2012. Our net loss for the nine-month period ended January 31, 2012 was $1,508,712 compared to a net loss of $5,684 during the nine-month period ended January 31, 2011. During the nine-month period ended January 31, 2012, we did not generate any revenue.

During the nine-month period ended January 31, 2012, we incurred general and administrative expenses, payroll expenses and professional fees of $1,177,843 compared to $5,684 incurred during the nine-month period ended January 31, 2011. General and administrative, payroll and professional fee expenses incurred during the nine-month period ended January 31, 2012 were generally related to corporate overhead, financial and administrative contracted services, such as legal and accounting, developmental costs, and marketing expenses.

The weighted average number of shares outstanding was 91,515,000 for the nine-month period ended January 31, 2012.

Liquidity and Capital Resources

Nine-Month Period Ended January 31, 2012

As at January 31, 2012, our current assets were $400,490 compared to $8,378 in current assets at April 30, 2011. The current assets at January 31, 2012, were comprised of $253,458 in cash and $147,032 in prepaid expenses. As at January 31, 2012, our current liabilities were $97,713. Current liabilities were comprised of $89,149 of payables and accruals, and $8,564 which is the current portion of an automobile loan. Long-term liabilities were $36,938 which is the long-term portion of the automobile loan.

Stockholders equity increased from ($468) as of April 30, 2011 to $8,511,834 as of January 31, 2012 as a result of stock issued for debt retirement and the purchase of a subsidiary. These additions were partially offset by the operating loss incurred.

Cash Flows from Operating Activities

We have not generated positive cash flows from operating activities. For the nine-month period ended January 31, 2012, net cash used in operating activities was $1,527,952 consisting chiefly of a net loss of $1,508,712 offset to a certain extent by cash provided from the change in net current assets. Net cash used in operating activities was $1,560,303 for the period from inception (December 8, 2009) to January 31, 2012.

Cash Flows from Investing Activities

The Company purchased fixed assets in the amount of $143,498 during the nine months ended January 31, 2012 and acquired a subsidiary that resulted in a net cash use of $74,894. These items have been the only activity from investing activities since inception (December 8, 2009).

Cash Flows from Financing Activities

We have financed our operations primarily from either advances or the issuance of equity and debt securities. For the nine-month period ended January 31, 2012, cash provided by financing activities was $1,996,003 consisting of $2,000,000 proceeds from the sale of a debenture less debt payments of $3,997. For the period from inception (December 8, 2009) to January 31, 2012, net cash provided by financing activities was $2,028,399. The amount over the financing activities for the period of nine-months ended January 31, 2012 consisted of proceeds from issuance of common stock and an advance from a director.

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.

Core sales and marketing management of the Company is as follows:

Brian Petersen, CEO of Raystream Inc.**--**Mr. Petersen was recruited from store planning and design company RGD Design to start Davaco Sourcing, an online reverse auction/sourcing company, in 2000. In his first year, he saved clients such as Lowes, TJMaxx, Kohls, and Mary Kay over $100 million, and increased the company s ROI to 85%. In 2005, Petersen ran Petersen-Hines/Texas Home Theater, an audio/video business he founded in 2005. Petersen-Hines has been serving high profile companies for over six years.

Roman Rumpf, Co-founder and CTO of Raystream Inc.--While Information Technology Security Expert at Safe-com, a specialist in secure mobile, ISDN and VoIP communications, Mr. Rumpf was responsible for IT security, large-scale security systems, concept and design, failover mechanisms and Unix system engineering, as well as mobile solutions for smart phones. Prior to joining Safe-com, Mr. Rumpf was project manager for Qnective AG Switzerland and created the Internet s first web 2.0 mobile "Social Community."

Nadia Christian, Vice President of Marketing--Miss Christian launched her career at an advertising agency 15 years ago. She was part of the marketing and research teams, with a focus on new advertising innovations. She supports the company's organic growth and commercial innovation initiatives, sales, and communications functions. Prior to joining Raystream, she was Director of Digital Signage for Petersen Hines.

T. Michael Seay, Vice President of Sales and Strategic Implementation left the Company in February 2012.

The Company has expanded upper management in order to execute our business plan. On October 25, 2011, Raystream Inc. (the Company) appointed four new Business Development Managers to serve business customers throughout North America. The new Managers are Joel Breen, Chad Munce, Laszio Spitzer and John Townsend. In the third quarter, Mr. Townsend changed from an employee of the Company to a consultant.

Joel Breen has more than 16 years of experience in digital/new media and emerging technologies, primarily in marketing strategy and business development. From March 2011 to October 2011 Mr. Breen worked as an independent consultant. From October 2009 to March 2011, Mr. Breen worked at Animetrics Inc. as a VP Digital/Mobile Marketing & Partner Development. From April 2009 to October 2009, Mr. Breen consulted independently. From October 2007 to April 2009, Mr. Breen worked at Sokolove Law as a Senior Vice President, Digital Media and from November 2004 to September 2007, Mr. Breen worked at Pinehurst Group as a Principal.

Chad Munce brings vast experience in technology, marketing, and business development to the Company. From October 2010 to October 2011, Mr. Munce worked at Photo Marketing Association International as a Group Executive, New Market Development. From March 2005 to October 2010, Mr. Munce worked at Photo Marketing Association International as a Group Executive, Digital Imaging Markets.

Laszlo Spitzer has a two-decade track record for delivering multi-million-dollar new business growth by developing marketing and sales channels. From April 2007 to September 2011, Mr. Spitzer worked at Qintar Technologies, Inc. as an OEM Sales & Business Development Manager. From January 2004 to April 2007, Mr. Spitzer worked at Panoram Technologies, Inc. as a Director of Government & Commercial Sales & Business Development.

John Townsend in engaged by the Company on a consultant basis and brings more than 12 years of technology sales experience to the Company. From July 2010 to August 2011, Mr. Townsend worked at DSG Fleet Solutions as a Director of Sales. From February 2008 to September 2010, Mr. Townsend worked at Homewatch CareGivers as an Owner. From April 2005 to July 2009, Mr. Townsend worked at ProLink Solutions as a Regional Sales Executive Business Development, Marketing & Sales Specialist.

There are no family relationship between Messrs. Breen, Munce, Spitzer and Townsend and any of our officers or directors. Messrs. Breen, Munce, Spitzer and Townsend have not held any other directorships in a company with a class of securities registered pursuant to section 12 of the Exchange Act or subject to the requirements of section 15(d) of such Act or any company registered as an investment company under the Investment Company Act of 1940.

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 January 31, 2012. Based on that evaluation, our management concluded that our disclosure controls and procedures were 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 six-month period ended January 31, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Other than the lawsuit filed on December 21, 2011 as described below, management is not aware of any legal proceedings contemplated by any governmental authority or any other party involving us or our properties. On December 21, 2011, a lawsuit alleging breach of contract, tortious interference with prospective relations, trade secret misappropriation and civil conspiracy was filed in the 191st Judicial District Court of Dallas County, Texas against the Company; Brian Petersen, its Chief Executive Officer; Roman Rumpf, its Chief Technology Officer; and Nadia Christian, its Vice President of Marketing (among others) by SecTel, Inc., Joel Warren, and Chase Tabor (No. DC-11-15923). The Plaintiffs contend, among other things, that Mr. Petersen (and potentially Ms. Christian) executed a Nondisclosure, Noncircumvent, and Noncompete Agreement with Plaintiff SecTel, Inc. prior to the formation of the Company, and subsequently breached that agreement by obtaining and using SecTel s trade secrets and business model to benefit the Company. Plaintiffs seek to recover an unspecified amount of damages, including interest, costs, and any other equitable relief that the Court may deem proper. The Company, Mr. Petersen, and Ms. Christian have retained litigation counsel and intend to vigorously defend against these claims; however, it is not possible at this time to predict whether the Company will incur any liability, or to estimate the damages or the range of damages, if any, that the Company might incur in connection with this matter.

Management is not aware of any other legal proceedings pending or that have been threatened against 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

None.

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

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

SIGNATURES

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

Raystream Inc.

Dated: March 16, 2011

By: /s/ Brian Petersen

Brian Petersen

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