Mainstream Entertainment, Inc.
Form 10-Q
May 15, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2012

OR

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

FOR THE TRANSITION PERIOD FROM _____________ TO _____________

Commission File Number: **000-54602**

MAINSTREAM ENTERTAINMENT, INC.

(Exact name of registrant as specified in its charter)

FLORIDA	**20-3687391**
(State or other jurisdiction of	*(I.R.S. Employer Identification No.)*
incorporation or organization)	
11637 ORPINGTON STREET	
ORLANDO, FLORIDA	**32817**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code: **(407) 207-0400**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes X . No .

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

Large accelerated filer	.	Accelerated filer	.
Non-accelerated filer (Do not check if a smaller reporting company)	.	Smaller reporting company	X .

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

At May 15, 2012, there were 3,051,870 shares of the Issuer's common stock outstanding.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Mainstream Entertainment, Inc.

(A Development Stage Company)

Balance Sheets

As of March 31, 2012 and September 30, 2011

		March 31, 2012 (unaudited)		September 30, 2011
ASSETS:				
Current assets:				
Cash	$	--	$	6
Capitalized Productions Costs		560		--
Prepaid expense		61		61
Total current assets		621		67
Equipment, net of accumulated depreciation of $16,577 and $13,814, respectively		4,973		7,736
TOTAL ASSETS	$	5,594	$	7,803
LIABILITIES AND STOCKHOLDERS' DEFICIT:				
Current liabilities:				
Accounts payable and accrued liabilities	$	70,466	$	61,643
Accrued interest related party		46,719		41,752
Accrued Expenses		1,000		--
Bank Overdraft		184		--
Deposit for contract		11,445		--
Notes payable related party		152,110		159,039
Total Current Liabilities		281,924		262,434
Stockholders' Deficit:				
Common Stock, $.001 par value; 100,000,000 shares authorized, 3,051,870 shares issued and outstanding		3,052		3,052
Additional paid in capital		423,186		422,986
Deficit accumulated during the development stage		(702,568)		(680,669)

Total stockholders' deficit		(276,330)		(254,631)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$	5,594	$	7,803

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

Mainstream Entertainment, Inc.

(A Development Stage Company)

Statements of Operations

For the three and six months ended March 31, 2012 and 2011, and

the period from October 7, 2005 (Inception) through March 31, 2012

(unaudited)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011	Six Months Ended March 31, 2012	Six Months Ended March 31, 2011	October 7, 2005 (Inception) Through March 31, 2012
Revenue:	$ 21,000	$ ---	$ 22,000	$ ---	$ 22,471
Cost of Revenue	840	---	840	---	840
Gross Profit	20,160	---	21,160	---	21,631
Expenses:					
Operating expenses					
General and administrative expenses	16,548	23,719	31,189	32,789	503,790
Depreciation expense	1,381	1,381	2,763	2,763	88,603
Impairment of fixed assets	---	---	---	---	86,850
Total operating expenses	17,929	25,100	33,952	35,552	679,243
Other Income (Expense):					
Forgiveness of debt	---	---	---	---	15,418
Interest income	---	---	---	---	2
Interest expense	(4,593)	(3,634)	(9,107)	(7,016)	(73,213)
Penalties	---	---	---	---	(600)
Total other income (expense)	(4,593)	(3,634)	(9,107)	(7,016)	(58,393)
Net loss before extraordinary item	(2,362)	(28,734)	(21,899)	(42,568)	(716,005)
Extraordinary item	---	---	---	---	13,437
Net Loss	$ (2,362)	$ (28,734)	$ (21,899)	$ (42,568)	$ (702,568)
Net Loss before Extraordinary Item per	$ (.00)	$ (.01)	$ (.01)	$ (.01)	

Common Share - Basic and Diluted				
Net Income from Extraordinary Item per Common Share - Basic and Diluted	$ ---	$ ---	$ ---	$ ---
Per Share Information:				
Weighted Average Number of Common Stock Shares Outstanding - Basic and Diluted	3,051,870	3,051,870	3,051,870	3,051,870

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

Mainstream Entertainment, Inc.

(A Development Stage Company)

Statements of Cash Flows

For the six months ended March 31, 2012 and 2011 and

the period from October 7, 2005 (Inception) through March 31, 2012

(unaudited)

	Six months ended March 31, 2012	Six months ended March 31, 2011	October 7, 2005 (inception) to March 31, 2012
Cash Flows from Operating Activities:			
Net loss	$ (21,899	$ (42,568	$ (702,568
Adjustments to reconcile net loss to cash used in operating activities:			
Depreciation	2,763	2,763	88,603
Imputed rent	200	200	1,202
Loss on equipment			33,018
Forgiveness of accrued rent			(13,662)
Forgiveness of debt by third party			(1,756)
Extraordinary gain on insurance claim			(13,437)
Impairment of fixed assets			86,850
Bad Debt			54
Changes in:			
Accounts receivable			(54)
Deposit			(6,000)
Prepaid expenses & other current assets	(560		(624)
Customer deposits	11,445		11,445
Accounts payable & accrued expense	14,790	(13,998)	142,431
Net Cash Flows Provided by (Used in) Operations	6,739	(25,607)	(374,498)
Cash Flows from Investing Activities:			
Proceeds from sale of equipment			432
Proceeds from insurance claim			166,701
Purchase of fixed assets			(17,982)
Issuance of advances and notes receivable			(100)
Expenditures on construction in progress			(116,160)
Net Cash Flows Provided by (Used in) Investing activities			32,891
Cash Flows from Financing Activities:			
Bank Overdraft	184		184
Cash borrowings from related parties	50	36,500	498,341
Principal payments on related party debt	(6,979)	(828)	(197,242)

Cash contributions from former parent company			45,824
Distributions to owners			(5,500)
Net Cash Flows Provided by (Used in) Financing activities	(6,745)	35,672	341,607
Net Increase (Decrease) in Cash	(6)	10,065	
Cash and cash equivalents-Beginning of period	6	85	
Cash and cash equivalents-End of period	$	$ 10,150	$

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

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Mainstream Entertainment, Inc.

(A Development Stage Company)

Statements of Cash Flows

For the six months ended March 31, 2012 and 2011 and

the period from October 7, 2005 (Inception) through March 31, 2012

(unaudited)

	Six months ended March 31, 2012	Six months ended March 31, 2011	October 7, 2005 (inception) to March 31, 2012
SUPPLEMENTARY INFORMATION			
Interest Paid	$ 4,140	$ 674	$ 18,189
Income Taxes Paid	$	$	$
Non-cash transactions			
Sale of fixed assets paid directly to note holder	$	$	$ 5,000
Equipment purchased by owners	$	$	$ 162,998
Equipment purchased for notes payable			75,000
Issuance of shares from spin off from parent company			3,052
Debt extinguished for equity			210,025
Related party receivable exchanged for shareholder debt		102	102

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

Mainstream Entertainment, Inc.

(A Development Stage Company)

Statement of Changes in Stockholders Deficit

For the period from October 7, 2005 (Inception) through March 31, 2012

(unaudited)

	Common Stock				**Additional Paid-in**		**Deficit Accumulated During the Development**		**Total Stockholders**
	Shares		**Amount**		**Capital**		**Stage**		**Deficit**
Inception to October 7, 2005									
Founders shares	3,051,870	$	3,052	$	(3,052)	$		$	
Fixed Assets contributed from owner					143,467				143,467
Net Loss							(14,828)		(14,828)
Balances - September 30, 2006	**3,051,870**		**3,052**		**140,415**		**(14,828)**		**128,639**
Distributions to owners					(5,500)				(5,500)
Equipment contributed from owners					10,971				10,971
Expenses paid by owners					17,799				17,799
Cash contributions from owners					13,500				13,500
Net Loss							(78,220)		(78,220)
Balances - September 30, 2007	**3,051,870**		**3,052**		**177,185**		**(93,048)**		**87,189**
Cash contributions from owners					32,324				32,324
Expenses paid by owners					718				718
Equipment contributed from owners					1,732				1,732
Debt Extinguished by Parent Company					205,500				205,500
Net Loss							(205,086)		(205,086)
Balances - September 30, 2008	**3,051,870**	**$**	**3,052**	**$**	**417,459**	**$**	**(298,134)**	**$**	**122,377**
Expenses paid by owners					202				202
Credit card debt assumed by owners					4,525				4,525
Net Loss							(232,252)		(232,252)
Balances - September 30, 2009	**3,051,870**	**$**	**3,052**	**$**	**422,186**	**$**	**(530,386)**	**$**	**(105,148)**
Expenses paid by owners					400				400
Net Loss							(78,122)		(78,122)
Balances - September 30, 2010	**3,051,870**	**$**	**3,052**	**$**	**422,586**	**$**	**(608,508)**	**$**	**(182,870)**
Expenses paid by owners					400				400
Net Loss							(72,161)		(72,161)

Balances - September 30, 2011	**3,051,870**	**$**	**3,052**	**$**	**422,986**	**$**	**(680,669)**	**$**	**(254,631)**
Expenses paid by owners					200				200
Net Loss							(21,899)		(21,899)
Balances - March 31, 2012	**3,051,870**	**$**	**3,052**	**$**	**423,186**	**$**	**(702,568)**	**$**	**(276,330)**

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

Mainstream Entertainment, Inc.

(A Development Stage Company)

Notes to Financial Statements

(unaudited)

NOTE 1 NATURE OF OPERATIONS

Mainstream Entertainment, Inc. (f/k/a Skreem Studios, Inc and Skreem Studios LLC)(the Company) was formed on October 7, 2005 as a limited liability company with the beneficial interest held by two of the Company s shareholders, Jeffrey Martin and Tony Harrison. The Company initiated pre-commencement activity in May 2006, renting a studio facility, acquiring equipment, building out two studios and incurring other pre-operational expenses. On April 1, 2007, the Company was acquired by Insight Management Corporation (f/k/a Skreem Records Corporation) under the purchase method and commenced business operations.

On June 27, 2008, the majority stockholders authorized a name and entity change from Skreem Studios, LLC to Skreem Studios, Inc. On July 1, 2008, Insight Management Corporation commenced a reverse spin-off of Skreem Studios, Inc., whereby the shareholders of record received one share of Skreem Studios, Inc. for each share owned of Insight Management. On August 2, 2010, the Board of Directors authorized a name change from Skreem Studios, Inc. to Mainstream Entertainment, Inc. The financial statements report activity of the Company from its inception on October 7, 2005.

The Company s business is the operation of a recording studio. The Company plans to generate revenue by providing the facility and related recording services. The Company leased two studio facilities located at 7648 Southland Boulevard, Orlando, Florida, Suite/Studio 104 and Suite/Studio 105. On April 15, 2009, the Board of Directors decided to suspend operations with the intention of resuming at a different location at a future date. The Company resumed operations on December 15, 2011 upon receipt of additional funding.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Presentation</u>

The financial statements of the Company have been prepared utilizing the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

Revenue Recognition

Revenue is recognized when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when persuasive evidence of an arrangement exists, services have been provided, the price is fixed or determinable, and collectability is reasonably assured. Revenue that is billed in advance such as recurring weekly or monthly services are initially deferred and recognized as revenue over the period the services are provided. For the six months ended March 31, 2012, revenue totaling $22,000 has been recorded.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Risk

The rental of professional recording studios and provision of related services is highly competitive, with over a dozen studios operating in the metropolitan Orlando area. Major factors that contribute to success are quality, convenience, service and price. The cost of providing high quality service includes the acquisition of technologically current equipment in an environment that is built to provide good acoustics, which makes it difficult to compete with price. There can be no assurance that the Company will be able to compete against the established studios, particularly in the current economic environment in which there is downward price pressure. This competition may adversely affect the Company s business, results of operations and financial condition.

The Company s performance will be substantially dependent on the performance of its executive officer and engineer, Justin Martin and Charles Camorata. The loss of the services of its executive officer or key employee, particularly in the early stages of operation and development, could have a material effect on its business, results of operations or financial condition. The Company does not maintain key man life insurance covering either of them.

The Company s financing of cash flows is dependent on loans from its principal shareholder. The loss of this funding could have a material effect on its business, results of operations and financial condition.

The Company s executive officers and key shareholders control approximately 94% of the Company s outstanding Common Stock. Accordingly, the Company s executive officers and several key shareholders hold significant influence over the Company on matters submitted to the stockholders for approval, including the election of directors, mergers, consolidations, the sale of all or substantially all of its assets, and also the power to prevent or cause a change in control.

The Company s growth and continued operations could be impaired by limitations on access to capital markets. If the market for securities were to weaken for an extended period of time, the Company s ability to raise capital will be substantially reduced. Even if the market for securities were not to weaken, there is no assurance that a market for the Company s stock will exist in the future.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. As of March 31, 2012 and September 30, 2011, there were no cash equivalents.

Capitalized Production Costs

Capitalized production costs include capitalizable direct costs such as materials and labor as well as direct overhead expense necessary to produce a finished product. Capitalized production costs are expensed based on the ratio of the current period s gross revenues to the remaining total gross revenue expected from the sale of a specific product.

Prepaid Expenses

Prepaid expenses are advance payments for products or services that will be used in operations during the next twelve months.

Development Stage Company

The Company complies with FASB Pronouncements for its characterization of the Company as development stage.

Property, Equipment, and Improvements

Property and equipment are stated at cost less accumulated depreciation and valuation adjustments. Major additions and improvements are capitalized, and routine expenditures for repairs and maintenance are charged to expense as incurred. Fully depreciated assets are carried on the books until the date of disposal. Property sold or retired, and the related gain or loss, if any, is taken into income currently. Property that costs less than $500 is expensed as incurred.

Depreciation and Amortization

Depreciation is calculated according to the straight-line method over the estimated useful lives of the respective assets, which range from three to seven years for equipment and furnishings and over the life of the lease for leasehold improvements.

Impairment of Long Lived Assets

Long-lived assets are reviewed for impairment in accordance with the applicable FASB standard, "Accounting for the Impairment or Disposal of Long- lived Assets". Under the standard, long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment charge is recognized for the amount, if any, which the carrying value of the asset exceeds the fair value.

Fair Value Measurements

On January 1, 2008, the Company adopted ASC No. 820-10 (ASC 820-10). ASC 820-10 relates to financial assets and financial liabilities.

ASC 820-10 defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (GAAP), and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements and are to be applied prospectively with limited exceptions.

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ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard is now the single source in GAAP for the definition of fair value, except for the fair value of leased property. ASC 820-10 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity s own assumptions, about market participant assumptions, that are developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC 820-10 are described below:

Level 1. Observable inputs such as quoted prices in active markets;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company values its fixed assets at their fair value if impairment is identified in accordance with the applicable FASB standard. The inputs that are used in determining the fair value of these assets are Level 3 inputs. These inputs consist of but are not limited to the following: estimates of prices for similar assets according to web markets such as ebay, estimates of the condition of the property, and estimates of the costs to get the assets ready for sale, etc. At September 30 2009, the company recognized impairment on their Studio Equipment to adjust the carrying value down to the fair value of $21,550. There were no impairment indicators as of March 31, 2012. No assets were re-valued at fair value on a recurring or non-recurring basis as of March 31, 2012.

Income Taxes

The Company accounts for income taxes under the applicable Financial Accounting Standards Board of Financial Accounting Standard, "Accounting for Income Taxes". Under the standard, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax base. Current income tax provisions are made based on taxable income reported to federal and state taxing authorities. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. As of March 31, 2012 and September 30, 2011, there were no current or deferred income tax expense or benefits.

For income tax reporting purposes, the Company uses accounting methods that recognize depreciation sooner than for financial statement reporting. As a result, the basis of property and equipment for financial reporting exceeds its tax basis by the cumulative amount that accelerated depreciation exceeds straight-line depreciation. Deferred income taxes have been recorded for the excess, which will be taxable in future periods through reduced depreciation deductions for tax purposes. A full valuation allowance has been taken on the deferred tax assets based on the Company s determination that they are unlikely to pay income taxes in the future.

Cash paid for income taxes for the six month periods ended March 31, 2012 and 2011, respectively and from inception was $0.

Basic and Diluted Net Income Per Common Share

Basic and diluted net loss per share calculations are calculated on the basis of the weighted average number of common shares outstanding during the year. The per share amounts include the dilutive effect of common stock equivalents in years with net income. Basic and diluted loss per share is the same due to the anti-dilutive nature of potential common stock equivalents. The Company had no common stock equivalents from inception through March 31, 2012.

As of March 31, 2012, there were no potentially dilutive securities outstanding.

Stock Based Compensation

The Company accounts for stock-based employee compensation arrangements and for stock options issued to non-employees using the fair value method in accordance with the provisions of the applicable FASB standards.

The Company did not grant any stock options from inception through March 31, 2012.

Advertising

Advertising costs are generally expensed as incurred. Total advertising cost for the six month periods ended March 31, 2012 and 2011, and from inception were $0, $0, and $4,440, respectively.

Recent Accounting Pronouncements

In December 2011, the FASB issued ASU 2011-11,   Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities,   which introduces new disclosure requirements for companies in order to provide information to help reconcile differences in the offsetting requirements. The new disclosure requirements mandate that entities disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position as well as instruments and transactions subject to an agreement similar to a master netting arrangement. In addition, the standard requires disclosure of collateral received and posted in connection with master netting agreements or similar arrangements. The ASU will be effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods, and must be shown for all periods presented on the balance sheet (i.e., applied retrospectively). This ASU is not expected to have any material impact to our financial statements.

In May 2011, the FASB ASU No. 2011-04,   Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. The new standards retain the traditional fair value hierarchy already laid out in Topic 820 of FASB s Accounting Standards Codification. The hierarchy identifies three levels of assets and liabilities, with the level of required disclosures essentially increasing as the associated valuations become less reliable: Level 1 assets and liabilities are valued according to a quoted price in an active market, generally without any adjustments; Level 2 assets and liabilities are valued based on   observable inputs   other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves; Level 3 assets and liabilities are valued based on   unobservable inputs,   such as a company s own estimates and pricing models. These risky and illiquid assets and liabilities are subject to the most expansive disclosure requirements. The new standards provide three critical clarifications of how to apply the existing FV measurement and disclosure requirements: 1. Highest and best use. FV assumes that an asset is put to its   highest and best use.   2. Instruments classified in shareholders   equity. A company might classify certain instruments   such as equity instruments issued as part of a merger or acquisition   in its shareholders   equity. 3. Disclosures about FV measurements. The new standards make clear that a company must disclose quantitative information about the unobservable inputs used in FV measurements of Level 3 items. Companies will be required to disclose how they measure the value of assets that are difficult to value because they can t easily be sold in active markets. This could require the disclosure of information like the average weighted cost of capital, as well as a description of how the value could change if an unobservable input changes. Companies must prospectively apply the standards set forth in ASU 2011-04. The standards take effect for public companies during the interim and annual periods beginning after Dec. 15, 2011. This ASU is not expected to have any material impact to our financial statements.

In December 2010, the FASB issued FASB ASU No. 2010-28,   When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts,   which is now codified under FASB ASC Topic 350,   Intangibles   Goodwill and Other.   This ASU provides amendments to Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not a goodwill impairment exists. When determining whether it is more likely than not that an impairment exists, an entity should consider whether there are any adverse qualitative factors, such as a significant deterioration in market conditions, indicating an impairment may exist. FASB ASU No. 2010-28 is effective for fiscal years (and interim periods within those years) beginning after December 15,

2010. Early adoption is not permitted. Upon adoption of the amendments, an entity with reporting units having carrying amounts which are zero or negative is required to assess whether it is more likely than not that the reporting units goodwill is impaired. If the entity determines impairment exists, the entity must perform Step 2 of the goodwill impairment test for that reporting unit or units. Step 2 involves allocating the fair value of the reporting unit to each asset and liability, with the excess being implied goodwill. An impairment loss results if the amount of recorded goodwill exceeds the implied goodwill. Any resulting goodwill impairment should be recorded as a cumulative-effect adjustment to beginning retained earnings in the period of adoption. This ASU is not expected to have any material impact to our financial statements.

In December 2010, the FASB issued FASB ASU No. 2010-29, Disclosure of Supplementary Pro Forma Information for Business Combinations, which is now codified under FASB ASC Topic 805, Business Combinations. A public entity is required to disclose pro forma data for business combinations occurring during the current reporting period. This ASU provides amendments to clarify the acquisition date to be used when reporting the pro forma financial information when comparative financial statements are presented and improves the usefulness of the pro forma revenue and earnings disclosures. If a public company presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) which occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The supplemental pro forma disclosures required are also expanded to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. FASB ASU No. 2010-29 is effective on a prospective basis for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010, with early adoption permitted. The adoption of this ASU will not have a material effect on our financial position, results of operations or cash flows.

In January 2010, the FASB issued an amendment to ASC 505, Equity, where entities that declare dividends to shareholders that may be paid in cash or shares at the election of the shareholders are considered to be a share issuance that is reflected prospectively in EPS, and is not accounted for as a stock dividend. This standard is effective for interim and annual periods ending on or after December 15, 2009 and is to be applied on a retrospective basis. The adoption of this standard did not have a significant impact on the Company s financial statements.

On February 24, 2010, the FASB issued guidance in the Subsequent Events topic of the FASC to provide updates including: (1) requiring the Company to evaluate subsequent events through the date in which the financial statements are issued; (2) amending the glossary of the Subsequent Events topic to include the definition of SEC filer and exclude the definition of Public entity ; and (3) eliminating the requirement to disclose the date through which subsequent events have been evaluated. This guidance was prospectively effective upon issuance. The adoption of this guidance did not impact the Company s financial statements.

In January 2010, the Financial Accounting Standards Board (FASB) issued guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires new disclosures on the transfers of assets and liabilities between Level 1 (quoted prices in active market for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons and the timing of the transfers. Additionally, the guidance requires a roll forward of activities on purchases, sales, issuance, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). The guidance became effective for us with the reporting period beginning January 1, 2010, except for the disclosure on the roll forward activities for Level 3 fair value measurements, which will become effective for us with the reporting period beginning July 1, 2011. Other than requiring additional disclosures, adoption of this new guidance should not have a material impact on our financial statements.

NOTE 3 GOING CONCERN

The Company s financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business for the foreseeable future. Since inception, the Company has accumulated losses of $702,568 and has a working capital deficit of $281,303 at March 31, 2012. These conditions raise substantial doubt as to the Company s ability to continue as a going concern. Management intends to finance these deficits through the sale of stock.

NOTE 4 DEVELOPMENT STAGE OPERATIONS

The Company was formed October 7, 2005. Initial funding for the Company was provided by the parent s principal stockholder via equity capital, direct debt capital and indirect/related party debt capital. The Company s business operations commenced January 2, 2008 and were discontinued on April 15, 2009. Operations of the Company from inception have been devoted primarily to raising capital, obtaining financing, acquiring equipment, constructing improvements to the rented studio facilities, and administrative functions. Start-up and organization costs are expensed as incurred. The Company resumed operations on December 15, 2011 upon the receipt of additional funding, but are still considered in the development stage. Transactions with shareholders and other related parties are described in other notes to these financial statements.

NOTE 5 CUSTOMER DEPOSITS

In December 2011, the Company entered into a contract with one customer to produce a compact disk recording consisting of seven to ten selections to be sold by the customer. The gross contract amount is $35,000, and estimated costs on the contract are $2,000. Talent on the recording will be compensated as a percentage of sales. As of March 31, 2012 and September 30, 2011, the company held $11,445 and $0, respectively, in customer deposits for the music production contract. The production of the music started in January 2012, and will end in June of the same year. Revenue of $21,000 on the completion of a portion of the contract has been recognized and as of March 31, 2012 and September 30, 2011, the deposit represents a liability to the company since revenue will not be recognized on this unfinished portion of the contract until it is completed.

NOTE 6 RELATED PARTY NOTES

On February 26, 2008, the Company s Parent Company as of that date, Skreem Records Corporation, issued 500,000 common shares of SRC stock to relieve notes payable on behalf of both the Company and the Parent Company. The debt relieved related to the Company was $205,500. The debt relieved for the Parent Company was $44,500, for a total debt relieved for the parent and subsidiary of $250,000. The relative market value of the SRC stock at the time of issuance was $0.50 per share. Therefore, no gain or loss on this extinguishment was recognized as the consideration given up by the parent in the form of SRC stock was equal to the consideration received in relief of the notes payable of $250,000. This non-cash transaction was taken as a contribution from the parent in fiscal 2008.

At March 31, 2012 and September 30, 2011, interest in the amounts of $46,719 and $41,752, respectively, is accrued on these notes. Interest expense for the six months ended March 31, 2012 and 2011, and from inception was $9,107, $7,016 and $73,213, respectively.

Short-term debt as of March 31, 2012 and September 30, 2011 consisted of the following demand notes:

	March 31, 2012	**Sept. 30, 2011**
Various unsecured demand notes to the principal shareholder with no stated interest rate; interest is being accrued at 8% and 5% per annum. At March 31, 2012 and September 30, 2011, the principal balance of the 5% notes were $21,749 and $21,700, respectively and of the 8% notes were $18,967 and $21,500, respectively.	$ 40,716	$ 43,200
Various unsecured demand notes to a business owned and controlled by the principal shareholder with a stated interest rate of 5% and 8% per annum. At March 31, 2012 and September 30, 2011, the principal balance of the 5% notes were $11,500 and $11,500, respectively and of the 8% notes were $7,478 and $11,923, respectively.	18,978	23,423
Various unsecured demand notes to a corporation controlled by the principal shareholder with a stated interest rate of 8% per annum.	10,016	10,016
Various unsecured demand notes to a limited partnership controlled by the principal shareholder with a stated interest rate of 5% and 6% per annum. At March 31, 2012 and September 30, 2011, the principal balance of the 5% notes were $24,150 and $24,150, respectively and of the 6% notes were $10,750 and $10,750, respectively.	34,900	34,900
Various unsecured demand notes to a limited partnership controlled by the principal shareholder with a stated interest rate of 5% and 6% per annum. At March 31, 2012 and September 30, 2011, the principal balance of the 5% notes were $41,500 and $41,500, respectively and of the 6% notes were $6,000 and $6,000, respectively.	47,500	47,500
	$ 152,110	$ 159,039

The related party creditor is Jeffrey Martin, the controlling shareholder of the Company who owns 73% of the Company s shares.

On September 16, 2009 the Company successfully concluded the negotiation and met the obligations required to be released from the commitment under non-cancelable operating leases for its former two studio/suite facility. The facility had been leased under two leases, each of which had a term that expired on May 31, 2012. From the time in which rent payments ceased in February 2009 until the time of the release from the facility lease, the Company accrued its monthly obligation to pay rent under the lease. At the time of the settlement accrued rent payable in the amount of $13,662 was written off and recognized as forgiveness of debt income.

On September 30, 2009, a note payable was no longer due to a corporation but was the subject of an ownership transfer due to the corporation forgiving the debt. The Company recognized $541 of debt forgiveness income in conjunction with this event, consisting of $500 of principal and $41 of accrued interest.

On June 30, 2011, a note payable was forgiven and no longer due. The Company recognized $1,215 of debt forgiveness income in conjunction with this event, consisting of $1,200 of principal and $15 of accrued interest.

For the six month periods ending March 31, 2012 and 2011, and for the period from inception through March 31, 2012, the Company has recognized forgiveness of debt in other income in the amounts of $0, $0 and $15,418, respectively.

NOTE 7 CAPITAL STOCK

On July 1, 2008, Skreem Studios, LLC was spun off from its then Parent Company Skreem Records Corporation (now called Insight Management, Inc.). Subsequent to the spin off, the limited liability company incorporated and became Skreem Studios, Inc. All shareholders of the Parent Company as of July 1, 2008 received one share in the newly formed Skreem Studios, Inc. These shares were treated as founders shares by the Company with an increase to common stock and the offset to additional paid in capital. This was the only stock transaction by the Company from inception through March 31, 2012.

The Company has 100,000,000 shares of $0.001 par value stock authorized. At March 31, 2012, there were 3,051,870 shares outstanding. Ownership by significant parties, officers and employees of the Company are as follows:

Name of beneficial owner	Number of shares	% of Ownership
Jeffrey Martin	2,228,500	73
Justin Martin, Vice President	300,000	10
Karen Aalders, Secretary/Treasurer	183,000	6
Thomas Tedrow	110,000	4
Charles Camorata, President	20,000	1
Other shareholders	210,370	6

NOTE 8 RELATED PARTY TRANSACTIONS

All of the non-trade debt financing and related interest expense for the Company have been provided by and paid or accrued to the principal shareholder or entities controlled by him, see Note 6.

The facility at which the equipment held is stored is owned by an entity controlled by the principal shareholder and the rent expense for usage is contributed by the shareholder as additional paid in capital in the amounts of $200, $200, and $1,202 for the six months ended March 31, 2012 and 2011 and from inception to March 31, 2012, respectively.

On April 2010, the Company loaned Sexy Fishing Lures, Inc., a related entity, $100. On October 1, 2010, the outstanding loan from Sexy Fishing Lures, Inc and accrued interest receivable of $2 was forgiven in exchange for relief on $102 of debt owed to Jeffrey Martin.

As of January 1, 2011, the demand note from a business owned and controlled by the principal shareholder was assumed by Jeffrey Martin.

NOTE 9 COMMITMENTS AND CONTINGENCIES

In October 2009, the Company leased studio facilities at 275 North Bayshore Drive, Ocoee, Florida 34761. The lease was renegotiated on May 21, 2010 which permitted the Company to use the facilities at a rate of $50 per hour without any minimum use requirements. The facility was not used between October 2009 and December 31, 2010. On

February 2, 2011, the lease was renegotiated and an extension of the rate and the term to December 31, 2012 was made.

NOTE 10 EQUIPMENT

Property and equipment at March 31, 2012 and September 30, 2011 consisted entirely of $4,973 and $7,736 of recording studio equipment. The equipment was being stored and was not in service.

The Company leased two Studio/Suites in June and September, 2006. These Suites required significant modifications and alterations in order for them to be placed in service as recording studios. Direct costs of $96,374 as well as carrying costs associated with the leasehold improvements of $16,786 were capitalized as they occurred and were being amortized straight line from the commencement of operations on January 2, 2008 over the five year term of the lease.

On August 10, 2008, the Company suffered a break-in and substantial equipment was stolen. The Company also incurred damage to its leased facility. The Company filed an insurance claim on the incident, receiving proceeds in the amount of $166,701 and recognizing an extraordinary loss of $19,376 for the year ended September 30, 2008. An extraordinary gain in the amount of $32,813 was recognized in the twelve months ended September 30, 2009 for additional claims granted. (See Note 13).

In April, 2009 the Company vacated its leased facility (see Note 1). At that time the Company sold a small portion of its equipment at a loss and stored the remainder of its equipment (see Note 11). All leasehold improvements were fully impaired as of September 30, 2009.

All escalating payment leases were expensed according to the straight line method.

NOTE 11 OTHER ASSETS EQUIPMENT HELD (NOT IN SERVICE)

In April 2009, the Company moved its remaining equipment into storage with the intention of utilizing it in the future for operations. Upon being moved to storage, the equipment was marked down to fair market value and a loss of $4,777 was recognized to adjust carrying value from net book value during the twelve months ended September 30, 2009. The equipment valued at fair market value is being depreciated over its remaining useful life.

NOTE 12 LOSS ON IMPAIRMENT OF FIXED ASSETS

The Company recognized a loss on the impairment of assets in the amount of $0 and $0 in the six months ended March 31, 2012 and 2011, respectively, and of $86,850 from inception through March 31, 2012.

NOTE 13 SUBSEQUENT EVENTS

Subsequent events were evaluated through the report date. No material events came to our attention from the report date to the date these financial statements were issued.

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

We caution you that this report contains forward-looking statements regarding, among other things, financial, business, and operational matters.

All statements that are included in this Quarterly Report, other than statements of historical fact, are forward-looking statements. Forward-looking statements involve known and unknown risks, assumptions, uncertainties, and other factors. Statements made in the future tense, and statements using words such as may, can, could, should, predict potential, continue, opportunity, intend, goal, estimate, expect, expectations, project, projections believe, think, confident scheduled or similar expressions are intended to identify forward-looking stateme Forward-looking statements are not a guarantee of performance and are subject to a number of risks and uncertainties, many of which are difficult to predict and are beyond our control. These risks and uncertainties could cause actual results to differ materially from those expressed in or implied by the forward-looking statements, and therefore should be carefully considered. We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this report. We disclaim any obligation to update any of these forward-looking statements as a result of new information, future events, or otherwise, except as expressly required by law. References in this Form 10-Q, unless another date is stated, are to March 31, 2012. As used herein, the "Company," Mainstream, "we," "us," "our" and words of similar meaning refer to Mainstream Entertainment, Inc.

Overview

Mainstream Entertainment, Inc. is an entertainment production company originally formed as a limited liability company (Skreem Studios, LLC) in Florida, on October 7, 2005. The Company is and has historically been primarily engaged in music production and distribution in the United States and Europe. The Company initiated pre-commencement activity in May 2006, renting a studio facility, acquiring equipment, building out two studios and incurring other pre-operational expenses.

On April 1, 2007, the Company was acquired by Insight Management Corporation (f/k/a Skreem Records Corporation) and commenced business operations. In June 2008, the majority stockholders authorized a name and entity change from Skreem Studios, LLC to Skreem Studios, Inc. On July 1, 2008, Insight Management Corporation commenced a reverse spin-off of Skreem Studios, Inc., whereby the shareholders of record as of July 1, 2008, received one share of Skreem Studios, Inc. for each share owned of Insight Management Corporation. Insight Management Corporation, as of July 1, 2008, is no longer related to the Company. On August 2, 2010, the Company changed its name to Mainstream Entertainment, Inc.

On August 10, 2008, we suffered a break-in and substantial equipment was stolen. Our insurance paid $166,701 for our loss.

We are a development stage company, which leases a recording studio equipped to provide all of the services necessary for recording and editing finished audio products. Our finished audio products will be compact disks and digital music files. We anticipate that we will publish hard copies of music on compact disks which we will produce. Our manufacturing process will entail recording music onto compact disks and other forms of digital media. We intend to offer these products for sale through traditional music distribution channels. The Studio, known locally as Gettings Studio, is located at 275 North Bayshore Dr., Ocoee, Florida 34761. It provides four recording studios, a live recording space that measures over 650 square feet, large enough for a 25-piece orchestra. It also has a client lounge, a conference room, wet bar, and shower accommodations.

We also act as a producer. Our role as a producer includes identifying and contracting with musical groups and individual artists to promote their talent. This involves student coaching and guiding musicians, conducting recording sessions, overseeing the mixing and mastering process, and planning and directing the promotion and sale of the work product. Revenue will be initiated through prior industry contacts of the officers, internet advertising via a Company web page (which is not currently in place), direct contact and traditional print marketing. The Company cannot guarantee that any revenues will be generated. The Company and its predecessors have been unprofitable since 2005. To date, all revenues have been generated from a company located in France named NRJ Co., (NRJ). The Company related revenues were paid for music group 3Wish , a music group whom Justin Martin, our Vice President is a member. Justin Martin is the 27 year old son of Jeff Martin, our majority shareholder.

Our monthly burn rate consists of professional fees (which include legal and accounting fees) of approximately $2,800 and interest expense of approximately $1,100, for a total of $3,900 in monthly expenses. The Company is dependent upon loans made by the Company s majority shareholder, Jeffrey Martin (See Liquidity and Capital Resources , below). The Company is completely dependent on Jeff Martin for its present and future funding (other than the limited revenue it has generated to date). Mr. Martin is not obligated to fund the Company and the Company cannot provide any assurance that Mr. Martin s funding will continue in the future. The cash available to the Company at March 31, 2012 is not sufficient to cover any of the average monthly expenditures before requiring additional capital. As of May 1, 2012, we had approximately $65 of cash available for operations.

We had a net loss of $2,362 for the three months ended March 31, 2012, compared to a net loss of $28,733 for the three months ended March 31, 2011, a decrease in net loss of $26,371 or 91% from the prior period. We had a net loss of $21,899 for the six months ended March 31, 2012, compared to a net loss of $42,568 for the six months ended March 31, 2011, a decrease in net loss of $20,669 or 48% from the prior period. The Company had a deficit accumulated during the development stage of $702,568 and a working capital deficit of $281,303 as of March 31, 2012. For the year ending, September 30, 2011, we had a net loss of $72,161 and as of September 30, 2011, we had a working capital deficit of $262,367 and a deficit accumulated during the development state of $680,669. Our independent certifying accountant has expressed doubt about our ability to continue as a "going concern".

In May 2011, the Company launched its first song titled Mom s Song which is being offered for sale on iTunes. The song may be heard on YouTube and iTunes. The song was written and performed by Justin Martin.

In December 2011, the Company entered into an understanding with Barton Funeral Services, Inc. to record and produce music for a CD to sell to funeral homes at a total cost of $35,000. The Company received $19,500 in connection with this understanding prior to December 31, 2011 and $12,945 during the three months ended March 31, 2012. A final payment of $2,555 is due by July 31, 2012. The artist(s) engaged to record the music will be compensated as a percentage of sales of the record. The start of production of the CD began in the first calendar quarter of 2012 and will be completed by the end of the second calendar quarter of 2012.

PLAN OF OPERATIONS

The Company plans to focus on the contracting of music writers, artists, and producers with the intent of providing a professional recording and producing environment for them to create their material, then promoting their material through industry proven means including but not limited to, social media, websites, product placement, live performances and radio airplay. This promotion is for the purpose of creating a demand for the artists and their products thus positioning the Company to enter into contracts with larger well-established companies for further promotion of the artists. The process for finding and signing artists is multifaceted including, but not limited to, internet searches, contests, live scouting, and affiliations with other industry professionals globally.

We plan to derive revenue from multiple sources including, but not limited to:

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Percentage of sales and publishing income through sales of downloads through iTunes, Amazon MP3, etc.,

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Licensing of artists products to third party users,

.

Percentage of live performances, management fees, and merchandising,

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Internet advertising through affiliate programs such as Google AdSense, monetizing artists websites and social media such as Facebook, YouTube, and Twitter, and

.

Profits realized from rental of recording studio time, video production, and creation of internet promotion for artists with previously secured investors or investment capital.

Use of funds will include:

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Up front studio costs,

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Video production costs,

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Creation of web content such as web sites, social media oversight and other web related activities,

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General oversight of business and production operations, and

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Accounting, both in house and outside accounting/auditing services.

The Company searches continuously for talent for recording and performing. When an artist is found to be commercially viable, the Company will sign the artist to a contract, which is customary in the industry to include audio recordings, video recordings, live performances, merchandising, publishing revenues, endorsements, and management. These contracts will provide for a percentage of revenues generated by all of the above endeavors to be divided between the artist and the Company. The costs of this process are estimated at $5,000.

The timeframe necessary to establish an artist s prior endeavors as well as the amount of composition the artist has ready for recording or performance. In some instances, such as when the artist has sufficient composition material to begin immediately, the music product can be ready for digital distribution within 60 to 90 days.

The Company will provide music recording and video production, promotion, and booking for the artists. Distribution of artists material will be through standard industry outlets and includes both digital and hard copy production according to popularity and profitability of the artist. In addition, the Company will provide web sites and direction in the use of social networking including Facebook, YouTube, and Twitter. There is an approximate $6,500 cost associated with this phase and a completion time which is estimated around 60 to 90 days. We estimate revenues would be generated approximately 90 to 120 days after release of an artist s first product.

The Company will seek funding from Jeff Martin, its majority shareholder, in order to cover these costs, provided that Mr. Martin is not under any obligation to provide the Company with funding.

Distribution

The Company plans to distribute the artists products through internet sales, live performances, and in store product. In store product will be considered when internet and live performance demands show that production of CD and/or DVD product may be profitable. The Company will pursue licensing and sales agreements with third party distributors for overseas distribution and sales. Distribution costs will be borne by the individual agreements that we may sign with foreign companies.

Social Networking

An artist s main interest is the promotion of their own material, and in the interest of self-promotion they stay connected and reach out to their followers through continuous social networking. These artists generate thousands of followers through their Twitter accounts, Facebook pages, and YouTube videos. We plan to centralize these self-promotion efforts providing guidance of an artist s networking efforts as well as working to increase visibility through focused marketing. Through oversight and monitoring of this networking traffic, monetizing these efforts is planned to be realized through affiliate advertising programs, web based direct sales programs, and pay-per-click affiliations. This process could potentially prove to be a significant revenue source. Manpower, not money runs this phase of the operation.

Publishing

All artists will be asked to sign a Publishing Agreement as part of the Contract between the Company and the artist. This agreement will grant rights for the writer s compositions to the Company for which the Company will pay royalties based on the terms and conditions of the agreement. Revenues will be realized from the performance of or sales of any product containing the performances of the artist/writer, as well as through the licensing of those rights to third parties for performance and recording. No additional money will be needed for this phase. Charles Camorata, the Company s President and Chief Executive Officer, has the experience to run all publishing functions for the Company. The time frame will be structured whenever new music is written by one of our signed artists. The artist will submit the composition to the Company for publishing. The revenue stream will be split between the Company and the artist.

Recording and Production

The Company will provide recording and production of artists using facilities currently under contract. The cost of each individual artist will vary according to the amount of material to be recorded, which will be determined by the Company; therefore, the cost of producing each artist can be determined prior to production and can be controlled by the Company. The cost associated with this phase will be paid for by the contracting company. This process should begin within 90 days from signing a new artist or a recording company that will pay for the production and recording on a contractual basis.

Results of Operations and Operating Expenses:

The Three Months Ended March 31, 2012 Compared To The Three Months Ended March 31, 2011

We generated revenues of $21,000 for the three months ended March 31, 2012, compared to no revenues for the three months ended March 31, 2011. Revenues for the three months ended March 31, 2012 were due to the Barton Funeral Services contract.

We had $17,929 of total operating expenses for the three months ended March 31, 2012, compared to $25,100 for the three months ended March 31, 2011, a decrease in total operating expenses of $7,171 or 28% from the prior period. The decrease in operating expenses was due to a $7,171 or 28% decrease in general and administrative expenses to $16,548 for the three months ended March 31, 2012, compared to $23,719 for the three months ended March 31, 2011. The decrease in general and administrative expenses was mainly due to decreased accounting, auditing and legal fees. We had a depreciation expense of $1,381 for both the three months ended March 31, 2012 and 2011, as there was no change in our depreciable asset base.

We had total other expenses of $4,593 for the three months ended March 31, 2012, compared to $3,634 for the three months ended March 31, 2011, an increase in other expenses of $959 or 26% from the prior period, which was solely due to interest accrued on amounts owed to our largest shareholder and creditor, Jeffrey Martin (as described below). Interest expense increased due to increased borrowing from Mr. Martin.

We had a net loss of $2,362 for the three months ended March 31, 2012, compared to a net loss of $28,734 for the three months ended March 31, 2011, a decrease in net loss of $26,372 or 91% from the prior period.

The Six Months Ended March 31, 2012 Compared To The Six Months Ended March 31, 2011

We generated revenues of $22,000 for the six months ended March 31, 2012, compared to no revenues for the six months ended March 31, 2011. Revenues for the six months ended March 31, 2012 were due to the Barton Funeral Services contract.

Cost of revenues was $840 for the six months ended March 31, 2012, compared to no cost of revenues for the three months ended March 31, 2011, due to the fact that we did not generate any revenues during such period.

We had $33,952 of total operating expenses for the six months ended March 31, 2012, compared to $35,552 for the six months ended March 31, 2011, a decrease in total operating expenses of $1,600 or 4% from the prior period. The decrease in operating expenses was due to a $1,600 or 4% decrease in general and administrative expenses to $31,189 for the six months ended March 31, 2012, compared to $32,789 for the six months ended March 31, 2011. The decrease in general and administrative expenses was mainly due to decreased accounting, auditing and legal fees. We had a depreciation expense of $2,963 for both the six months ended March 31, 2012 and 2011, as there was no change in our depreciable asset base.

We had total other expenses of $9,107 for the six months ended March 31, 2012, compared to $7,016 for the six months ended March 31, 2011, an increase in other expenses of $2,091 or 29% from the prior period, which was solely due to interest accrued on amounts owed to our largest shareholder and creditor, Jeffrey Martin (as described below). Interest expense increased due to increased borrowing from Mr. Martin.

We had a net loss of $21,899 for the six months ended March 31, 2012, compared to a net loss of $42,568 for the six months ended March 31, 2011, a decrease in net loss of $20,669 or 48% from the prior period.

Liquidity and Capital Resources

As of March 31, 2012 the Company had $621 of total current assets consisting of $0 of cash, $560 of capitalized production costs, and $61 of prepaid expenses.

As of the date of this filing, the Company has approximately $65 available for Company use. The Company does not believe that such funds will be sufficient to fund its expenses over the next twelve months. There can be no assurance that additional capital will be available to the Company. The Company currently has no agreements, arrangements, or understandings with any person to obtain funds through bank loans, lines of credit, or any other sources (other than through the Barton Funeral Services, Inc. agreement described below).

The Company had total assets of $5,594 as of March 31, 2012, which included $621 of current assets and $4,973 of long-term assets consisting of equipment, net of depreciation.

The Company had total current liabilities consisting solely of current liabilities of $281,924 as of March 31, 2012, which included $71,650 of accounts payable and accrued liabilities, $46,719 of accrued interest related party, representing accrued interest on the loans payable to Jeffrey Martin, our largest shareholder, as described below, $11,445 of deposit for contract, relating to the contract with Barton Funeral Services, Inc., as described below, and $152,110 of related party notes payable to Mr. Martin.

The Company had a deficit accumulated during the development stage of $702,568 and a working capital deficit of $281,303 as of March 31, 2012.

Previously the Company has relied upon its majority shareholder to advance funds to allow it to operate. The plan of operation outlined above is not principally dependent upon debt financing. If the fund raising falls short of the goals outlined, the majority shareholder will continue to fund the Company as needed until profitability. Jeff Martin, as the majority shareholder, does not have an obligation to contribute any additional funds to the company. Mr. Martin s contribution is discretionary, but it is likely he will continue to fund the company if necessary. However, because the Company has no bank arrangements or plans currently in effect, its inability to raise equity financing for the above purposes will have a severe negative impact on the plan of operations outlined above.

The Company had $6,739 of net cash provided by operations for the six months ended March 31, 2012, which was mainly due to $11,445 of customer deposits and $14,790 of increase in accounts payable and accrued expenses offset by $21,899 of net loss.

The Company had $6,745 of net cash used in financing activities for the six months ended March 31, 2012, which was mainly due to payments on related party debt.

Debt Financings and Related Party Notes:

The Company is highly dependent on related party financing, specifically from its majority shareholder, Jeffrey Martin (Related Party Notes). All of the debt financing and related interest expense for the Company have been provided by and paid or accrued to Jeffrey Martin, the principal shareholder or entities controlled by him. The Related Party Notes are made formal through promissory notes. Other than these Related Party Notes, there are no other formal agreements between the Company and Jeffrey Martin regarding any future debt financing or the payment of related interest expenses.

On February 26, 2008, the Company s former Parent Company, Insight Management Corporation (the Former Parent Company), formerly known as Skreem Records Corporation, issued 500,000 common shares of the Former Parent Company common stock to relieve notes payable on behalf of both the Company and the Former Parent Company, for a total debt relieved of $250,000. The 500,000 Former Parent Company common shares were issued to Jeffrey Martin. The debt relieved related to the Company was $205,500, which was incurred by the Company s acquisition of equipment and operations such as rent, utilities and similar expenses. The debt relieved for the Former Parent Company was $44,500.

The relative market value of the Former Parent Company common stock at the time of issuance was $0.50 per share. Therefore, no gain or loss on this extinguishment was recognized as the consideration given up by the former parent in the form of the Former Parent Company common stock was equal to the consideration received in relief of the notes payable of $250,000. This non-cash transaction was taken as a contribution from the Formal Parent Company in fiscal 2008.

In December 2011, the Company entered into an understanding with Barton Funeral Services, Inc. to record and produce music for a CD to sell to funeral homes at a total cost of $35,000. The Company received $19,500 in connection with this understanding prior to December 31, 2011 and $12,945 during the three months ended March 31, 2012. A final payment of $2,555 is due by July 31, 2012. The artist(s) engaged to record the music will be compensated as a percentage of sales of the record. The start of production of the CD began in the first calendar quarter of 2012 and will be completed by the end of the second calendar quarter of 2012.

We have budgeted the need for approximately $50,000 of additional funding during the next 12 months to continue our business operations, pay costs and expenses associated with our filing requirements with the Securities and Exchange Commission and undertake our business plan which funding may not be available on favorable terms, if at all. If we are unable to raise adequate working capital for fiscal 2012, we will be restricted in the implementation of our business plan.

The financial statements included herein have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. As shown in the accompanying financial statements, the Company has had minimal revenues and has accumulated losses since inception. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations, and the attainment of profitable operations. These financial statements do not include any adjustments related to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue as a going concern.

Moving forward, we plan to seek out additional debt and/or equity financing to pay costs and expenses associated with our filing requirements with the Securities and Exchange Commission and business activities (as described herein); however, we do not currently have any specific plans to raise such additional financing at this time. The sale of additional equity securities, if undertaken by the Company and if accomplished, may result in dilution to our shareholders. We cannot assure you, however, that future financing will be available in amounts or on terms acceptable to us, or at all.

At March 31, 2012 and September 30, 2011, interest in the amounts of $46,719 and $41,752, respectively, is accrued on the notes due and payable to Mr. Martin. Interest expense for the six months ended March 31, 2012 and 2011, and from inception was $9,107, $7,016 and $73,213 respectively.

	March 31, 2012	September 30, 2011
Various unsecured demand notes to the principal shareholder with no stated interest rate; interest is being accrued at 8% and 5% per annum. At March 31, 2012 and September 30, 2011, the principal balance of the 5% notes was $21,749 and $21,700 and of the 8% notes was $18,967 and $21,500, respectively.	$ 40,716	$ 43,200
Various unsecured demand notes to a business owned and controlled by the principal shareholder with a stated interest rate of 5% and 8% per annum. At March 31, 2012 and September 30, 2011, the principal balance of the 5% notes was $11,500 and $11,500 and of the 8% notes was $7,478 and $11,923, respectively.	18,978	23,423
Various unsecured demand notes to a corporation controlled by the principal shareholder with a stated interest rate of 8% per annum.	10,016	10,016
Various unsecured demand notes to a limited partnership controlled by the principal shareholder with stated interest rates of 5% and 6% per annum. At March 31, 2012 and September 30, 2010, the principal balance of the 5% notes were $24,150 and $24,150, respectively, and of the 6% notes were $10,750 and $10,750, respectively.	34,900	34,900
Various unsecured demand notes to a limited partnership controlled by the principal shareholder with stated interest rates of 5% and 6% per annum. At March 31, 2012 and September 30, 2011, the principal balance of the 5% notes was $41,500 and $41,500 and of the 6% notes was $6,000 and $6,000, respectively.	47,500	47,500
	$ 152,110	$ 159,039

The related party creditor is Jeffrey Martin, the controlling shareholder of the Company who owns 73% of the Company s shares.

On June 30, 2011, a note payable was forgiven and is no longer due. The Company recognized $1,215 of debt forgiveness income in conjunction with this event, consisting of $1,200 of principal and $15 of accrued interest.

For the three month periods ending March 31, 2012 and 2011, and for the period from inception through March 31, 2012, the Company has recognized forgiveness of debt income in the amounts of $0, $0 and $15,418, respectively.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Pursuant to Item 305(e) of Regulation S-K (§ 229.305(e)), the Company is not required to provide the information required by this Item as it is a smaller reporting company, as defined by Rule 229.10(f)(1).

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on our evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures are not designed at a reasonable assurance level and are not effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such 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.

Changes in Internal Control Over Financial Reporting

We regularly review our system of internal control over financial reporting to ensure we maintain an effective internal control environment. There were no changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1.

Legal Proceedings

From time to time, we may become party to litigation or other legal proceedings that we consider to be a part of the ordinary course of our business. We are not currently involved in legal proceedings that could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations. We may become involved in material legal proceedings in the future.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in the Company s Annual Report on Form 10-K for the period ended September 30, 2011, filed with the Commission on January 30, 2012, and investors are encouraged to review such risk factors prior to making an investment in the Company.

Item 2.

Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3.

Defaults Upon Senior Securities

None.

Item 4.

Mine Safety Disclosures

Not applicable.

Item 5.

Other Information.

None.

Item 6.

Exhibits

Exhibit Number	**Description of Exhibit**
3.1(1)	Certificate and Articles of Amendment
3.2(1)	Certificate of Conversion
3.3(1)	Articles of Incorporation
3.4(1)	Bylaws
10.1(2)	Form of Promissory Note
10.2(2)	A45 Music Agreement
10.3(2)	Lease Agreement
10.4(3)	Agreement between Mainstream and Barton
31.1*	Certificate of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certificate of the Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certificate of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certificate of the Principal Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*(#)	XBRL Instance Document
101.SCH*(#)	XBRL Schema Document
101.CAL*(#)	XBRL Calculation Linkbase Document
101.LAB*(#)	XBRL Label Linkbase Document
101.PRE*(#)	XBRL Presentation Linkbase Document

* Attached hereto.

(1) Filed as exhibits to our Form S-1 Registration Statement filed with the Securities and Exchange Commission on March 18, 2011 and incorporated by reference herein.

(2) Filed as exhibits to our Form S-1/A Registration Statement filed with the Securities and Exchange Commission on July 12, 2011 and incorporated by reference herein.

(3) Filed as an exhibit to our Form 10-Q Quarterly Report, filed with the Securities and Exchange Commission on February 13, 2012 and incorporated herein by reference.

(#) XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, hereunto duly authorized.

	MAINSTREAM ENTERTAINMENT, INC.
Date: May 15, 2012	By: */s/ Charles Camorata*
	Charles Camorata
	Chief Executive Officer, President and Director
	(Principal Executive Officer)
Date: May 15, 2012	By: */s/ Karen Aalders*
	Karen Aalders
	Chief Financial Officer, Secretary, Treasurer and Director
	(Principal Financial Officer and
	Principal Accounting Officer)