

Mainstream Entertainment, Inc.
Form S-1/A
August 09, 2011

As filed with the Securities and Exchange Commission on August 9 , 2011

Registration No. 333-172924

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-1/A
Amendment No. 2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

MAINSTREAM ENTERTAINMENT, INC.

(Exact Name of Registrant as specified in its charter)

Florida (State or other jurisdiction of incorporation or organization)	7380 (Primary Standard Industrial Classification Code Number)	20-3687391 (I.R.S. Employer Identification No.)
---	--	---

11637 Orpington Street
Orlando, FL 32817
Attn: Karen Alders
(407) 207-0400
(Address and telephone number of
principal executive office)

11637 Orpington Street
Orlando, FL 32817
Attn: Karen Alders
(Address of principal place of business)

Charles Camorata, President
11637 Orpington Street
Orlando, FL 32817

(407) 207-0400

(Name, address and telephone number of agent for service)

COPIES TO:

Counsel to Issuer

Gregory M. Wilson, Esq.

18610 East 32nd Ave.

Greenacres, WA 99016

Tel (509) 891-8373

Fax (509) 891-8382

Approximate Date of Proposed Sale to the Public

As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis under Rule 415 under the Securities Act of 1933, as amended, check the following box:

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering."

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering."

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Number of Shares to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common	848,370	\$0.05	\$42,418	\$4.91
Total Registration and Fee	848,370	\$0.05	\$42,418	\$4.91

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus will not constitute an offer to sell or the solicitation of an offer to buy nor will there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

MAINSTREAM ENTERTAINMENT, INC.

848,370

Common Shares

MAINSTREAM ENTERTAINMENT, INC.

11637 Orpington Street
Orlando, FL 32817

The Resale of Shares of Common Stock

This prospectus relates to the sale, transfer or distribution of up to 848,370 shares of the common stock, par value \$0.001 per share, of Mainstream Entertainment, Inc. by the Selling Security Holders described herein. The price at which the Selling Security Holders may sell the shares will be determined by the prevailing market price for the shares or in negotiated transactions.

This offering is not being underwritten. This prospectus relates to the offer and sale by some of our shareholders during the period in which the registration statement containing this prospectus is effective up to 848,370 common shares. The selling shareholders may sell their shares at \$0.05 per share when our Company shares are quoted, at a future date, on the OTC Electronic Bulletin Board, and thereafter at prevailing market prices in negotiated transactions with a broker-dealer or market maker as a principal or agent, or in privately negotiated transactions not involving a broker or dealer. We determined this initial offering price arbitrarily.

We will receive no proceeds from the sale of the shares by the selling shareholders.

No exchange or over-the-counter market exists for our shares. The offering price was established by management and does not reflect market value, assets or any established criteria of valuation.

Investing in the common stock involves a high degree of risk. You should not invest in the common stock unless you can afford to lose your entire investment. **See "Risk Factors" beginning on page 7 of this prospectus.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

You should rely only on the information contained or incorporated by reference in this prospectus to make your investment decision. We have not authorized anyone to provide you with different information. The selling shareholders are not offering these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front page of this prospectus.

Brokers or dealers effecting transactions in the Shares should confirm the registration of the Shares under the securities laws of the states in which such transactions occur or the existence of an exemption from such registration, or should cause such registration to occur in connection with any offer or sale of the Shares.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Preliminary Prospectus Subject to Completion Dated August 9, 2011

Edgar Filing: Mainstream Entertainment, Inc. - Form S-1/A

The following table of contents has been designed to help you find important information contained in this prospectus.

We encourage you to read the entire prospectus.

TABLE OF CONTENTS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

4

PROSPECTUS SUMMARY

5

RISK FACTORS

7

USE OF PROCEEDS

11

DETERMINATION OF OFFERING PRICE

11

SELLING SECURITY HOLDERS

12

PENNY STOCK CONSIDERATIONS

13

PLAN OF DISTRIBUTION

13

DESCRIPTION OF SECURITIES

14

INTEREST OF NAMED EXPERTS AND COUNSEL

7

	<u>15</u>
<u>INFORMATION WITH RESPECT TO REGISTRANT</u>	
	<u>15</u>
<u>DESCRIPTION OF PROPERTY</u>	
	<u>17</u>
<u>LEGAL PROCEEDINGS</u>	
	<u>18</u>
<u>MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS</u>	
	<u>18</u>
<u>FINANCIAL STATEMENTS</u>	
	<u>19</u>
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	
	<u>47</u>
<u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	
	<u>50</u>
<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	
	<u>50</u>
<u>DIRECTORS AND EXECUTIVE OFFICERS</u>	
	<u>50</u>
<u>EXECUTIVE COMPENSATION</u>	
	<u>52</u>
<u>LEGAL MATTERS</u>	
	<u>58</u>
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

60

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

60

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

61

ITEM 16. EXHIBITS

61

ITEM 17. UNDERTAKINGS

62

SIGNATURES

63

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

In this prospectus we make a number of statements, referred to as forward-looking statements, which are intended to convey our expectations or predictions regarding the occurrence of possible future events or the existence of trends and factors that may impact our future plans and operating results. These forward-looking statements are derived, in part, from various assumptions and analyses we have made in the context of our current business plan and information currently available to us and in light of our experience and perceptions of historical trends, current conditions and expected future developments and other factors we believe to be appropriate in the circumstances. You can generally identify forward-looking statements through words and phrases such as seek, anticipate, believe, estimate, expect, intend, plan, budget, project, may be, may continue, may likely result, and similar expressions. When a forward looking statement you should remain mindful that all forward-looking statements are inherently uncertain as they are based on current expectations and assumptions concerning future events or future performance of our company, and that actual results or developments may vary substantially from those expected as expressed in or implied by that statement for a number of reasons or factors, including those relating to:

·
whether or not markets for our products develop and, if they do develop, the pace at which they develop;

·
our ability to attract the qualified personnel to implement our growth strategies,

·
our ability to develop sales, marketing and distribution capabilities;

·
the accuracy of our estimates and projections;

·
our ability to fund our short-term and long-term financing needs;

changes in our business plan and corporate strategies; and

other risks and uncertainties discussed in greater detail in the sections of this prospectus, including those captioned Risk Factors and Management's Discussion And Analysis Of Financial Condition And Results Of Operations .

Each forward-looking statement should be read in context with, and with an understanding of, the various other disclosures concerning our company and our business made elsewhere in this prospectus as well as other public reports filed with the United States Securities and Exchange Commission (the "SEC"). You should not place undue reliance on any forward-looking statement as a prediction of actual results or developments. We are not obligated to update or revise any forward-looking statement contained in this prospectus to reflect new events or circumstances unless and to the extent required by applicable law.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by reference to, and should be read in conjunction with, the more detailed information and the Financial Statements (including the notes thereto) appearing elsewhere in this Prospectus. Unless otherwise specifically referenced, all references to dollar amounts refer to United States dollars.

The Company

Mainstream Entertainment, Inc. is a Florida Corporation (herein MEI or the Company) organized on October 7, 2005 as Skreem Studios, Inc. On August 2, 2010 its name was changed to Mainstream Entertainment, Inc. Our offices are located at: 11637 Orpington Street Orlando, FL 32817. Our telephone number is: (407) 207-0400.

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. Ococee, FL 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 and direct contact, and traditional print marketing. 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 named NRJ, a company located in France. The company related revenues were paid for music group *Wish*, a music group whom Justin Martin is a member. Justin Martin is the 27 year old son of Jeff Martin. The Company is completely dependent on Jeff Martin for its present and future funding. 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.

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 majority shareholder, Jeffrey Martin. (See Debt Financing and Related Party

Notes) The Company is completely dependent on Jeff Martin for its present and future funding. 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, 2011 is only sufficient to cover average monthly expenditures for approximately two and a half months before requiring additional capital.

The Offering

This prospectus relates to the offer and sale by some of our shareholders during the period in which the registration statement containing this prospectus is effective up to 848,370 common shares

The selling shareholders may sell their shares at \$0.05 per share when our Company shares are quoted, at a future date, on the OTC Electronic Bulletin Board, and thereafter at prevailing market prices or privately negotiated prices. We determined this offering price arbitrarily.

We anticipate that the common shares offered under this prospectus may be sold by the selling shareholders on the public market, in negotiated transactions with a broker-dealer or market maker as principal or agent, or in privately negotiated transactions not involving a broker or dealer. Information regarding the selling shareholders, the common shares they are offering to sell under this prospectus, and the times and manner in which they may offer and sell those shares is provided in the sections of this prospectus captioned "Selling Shareholders" and "Plan of Distribution". We will not receive any of the proceeds from those sales. The registration of common shares pursuant to this prospectus does not necessarily mean that any of those shares will ultimately be offered or sold by the selling shareholders.

Information on Outstanding Shares

The number of shares of our common stock outstanding before and after this offering is set forth below:

Common shares issued and outstanding before this Offering: 3,051,870

Common shares issued and outstanding after this Offering: 3,051,870

The number set forth above for the shares of common stock outstanding before this offering is the number of shares of our common stock outstanding on August 9, 2011.

Based upon the proposed offering price of \$0.05 per share, the aggregate market price of our common stock is \$152,593. As of March 31, 2011, we had a stockholder's deficit balance of \$225,238.

Use of Proceeds

We will not realize any of the proceeds from the sale of the shares offered by the selling stockholders. See "Use of Proceeds".

RISK FACTORS

An investment in the Securities offered in this Prospectus involves a high degree of risk and should only be made by persons who can afford the loss of their entire investment. Accordingly, prospective investors should consider carefully the following factors, in addition to the other information concerning the Company and its business contained in this Prospectus, before purchasing the Securities offered hereby. An investment in the common stock the selling shareholders are offering to resell is risky. You should be able to bear a complete loss of your investment. Before purchasing any of the common stock, you should carefully consider the following risk factors. This report contains various forward looking statements that involve risk and uncertainties. Our actual results may differ materially from the results discussed in the forward looking statements.

Risks Related our Company

We will continue to lose money, and if we do not achieve profitability, we may not be able to continue our business.

We have, in our history, generated limited revenues from operations, have incurred substantial expenses and have sustained losses. In addition, we expect to continue to incur significant operating expenses. As a result, we will need to generate significant revenues to achieve profitability, which may not occur.

We have a history of financial losses. We had no revenue during 2010 and only \$471 of revenue during 2009. To date, all revenues have been generated from relatives or groups containing a relative, of Jeff Martin.

We had a net loss of \$78,122 for the year ending September 30, 2010 and a net loss of \$42,568 for the six months ending March 31, 2011. We had a net loss of \$232,723 for the year ending September 30, 2009.

The Company is completely dependent on Jeff Martin for its present and future funding. 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.

Even if we do achieve profitability, we may be unable to sustain or increase profitability on a quarterly or annual basis in the future. We expect to have quarter-to-quarter fluctuations in revenues, expenses, losses and cash flow, some of which could be significant. Results of operations will depend upon numerous factors, some beyond our control, including regulatory actions, market acceptance of our products and services, new products and service introductions, and competition.

Our independent registered public accounting firm issued a report for the year ended September 30, 2010 that contained a going concern explanatory paragraph.

Our independent registered public accounting firm issued a report on their audit of our financial statements as of and for the year ended September 30, 2010 containing a going concern paragraph. Our notes to the financial statements disclose that Mainstream Entertainment, Inc.'s (formerly Skreem Studios, Inc.) cash flows have been absorbed in operating activities and we have incurred net losses for the period ended September 30, 2010, and have a working capital deficiency. In the event that funding from internal sources or from public or private financing is insufficient to fund the business at current levels, we will have to substantially cut back our level of spending which could substantially curtail our operations. The independent registered public accounting firm's report contains an explanatory paragraph indicating that these factors raise substantial doubt about our ability to continue as a going concern. Our going concern uncertainty may affect our ability to raise additional capital, and may also affect our relationships with suppliers and customers. Investors should carefully read the independent registered public accounting firm's report and examine our financial statements.

Our management has limited experience in managing the day to day operations of a public company and, as a result, we may incur additional expenses associated with the management of our company.

The management team, including Charles Camorata, President, Chief Executive Officer and Director; Justin Martin, Vice President and Director; and Karen Aalders, Secretary/Treasurer and Director, is responsible for the operations and reporting of the Company. The requirements of operating as a small public company are new to the management team. This may require us to obtain outside assistance from legal, accounting, investor relations, or other professionals that could be more costly than anticipated. We may also be required to hire additional staff to comply with additional SEC reporting requirements and compliance under the Sarbanes-Oxley Act of 2002. Our failure to comply with reporting requirements and other provisions of securities laws could negatively affect our stock price and adversely affect our results of operations, cash flow and financial condition. Presently, given our limited operations, we estimate (this is a forward-looking statement) that our annual costs to comply with SEC reporting requirement between \$50,000 and \$100,000. Our executive officers will spend a limited amount of time working for the Company. We expect that their efforts will be limited to no more than 10 hours per week each.

Our Officers and Directors devote limited time to our business, which may negatively impact upon our plan of operations, implementation of our business plan and our potential profitability.

Our officers and directors are involved in other businesses and dedicate a limited amount of time to our business. The limited amount of time our management devotes to our business activities in the future may be inadequate to implement our plan of operations and develop a profitable business.

We intend to become subject to the periodic reporting requirements of the Securities Exchange Act of 1934 which will require us to incur audit fees and legal fees in connection with the preparation of such reports. These additional costs could reduce or eliminate our ability to earn a profit.

Following the effective date of our registration statement of which this prospectus is a part, we will be required to file periodic reports with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder. In order to comply with these requirements, once this registration statement is effective, our independent registered public accounting firm will have to review our financial statements on a quarterly basis and audit our financial statements on an annual basis. Moreover, our legal counsel will have to review and assist in the preparation of such reports.

The costs charged by these professionals for such services cannot be accurately predicted at this time because factors such as the number and type of transactions that we engage in and the complexity of our reports cannot be determined at this time and will have a major affect on the amount of time to be spent by our auditors and attorneys. However, the incurrence of such costs will obviously be an expense to our operations and thus have a negative effect on our ability to meet our overhead requirements and earn a profit. We may be exposed to potential risks resulting from any new requirements under Section 404 of the Sarbanes-Oxley Act of 2002. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our common stock, if a market ever develops, could drop significantly.

Presently, given our limited operations, we estimate (this is a forward-looking statement) that our annual costs to comply with SEC reporting requirement between \$50,000 and \$100,000.

Our internal controls may be inadequate, which could cause our financial reporting to be unreliable and lead to misinformation being disseminated to the public.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rule 13a-15(f), internal control over financial reporting is a process designed by, or under the supervision of, the principal executive and principal financial officer and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and/or directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. Our internal controls may be inadequate or ineffective, which could cause our financial reporting to be unreliable and lead to misinformation being

disseminated to the public. Investors relying upon this misinformation may make an uninformed investment decision.

Having only three directors limits our ability to establish effective independent corporate governance procedures and increases the control of our president.

We have only three directors (including our president). Accordingly, we cannot establish board committees comprised of independent members to oversee functions like compensation or audit issues. In addition, a tie vote of board members is decided in favor of the chairman, which gives him significant control over all corporate issues. Until we have a larger board of directors that would include some independent members, if ever, there will be limited oversight of our president's decisions and activities and little ability for minority shareholders to challenge or reverse those activities and decisions, even if they are not in the best interests of minority shareholders.

Current Economic Conditions May Impact Our Commercial Success and Ability to Obtain Financing.

The current economic conditions could have a serious impact on the ability of the Company to sustain its viability. Due to the decrease in overall spending, there is a possibility that music production levels will decrease for the foreseeable future, resulting in less economic activity for the Company. Since we are a very small operation, we may not be able to attract enough music recording to sustain ourselves. In addition, due to the severe difficulty in obtaining credit in the current economic crisis, we may have trouble seeking out and locating additional funds if we so desire or require financing of our operations. Current economic conditions may severely limit our access to traditional sources of capital. If necessary, we may seek loans or additional equity from our majority shareholder, or officer/directors or other outside sources of capital. Wherever possible, our board of directors will attempt to use non-cash consideration to satisfy obligations. In many instances, we believe that the non-cash consideration will consist of restricted shares of our common stock. Our board of directors has authority, without action or vote of the shareholders, to issue all or part of the remaining unissued 96,948,130 authorized shares. In addition, if a trading

market develops for our common stock, we may attempt to raise capital by selling shares of our common stock, possibly at a discount to market. These actions will result in dilution of the ownership interests of existing shareholders which may further dilute common stock book value, and that dilution may be material.

If we fail to develop new or expand existing customer relationships, our ability to grow our business will be impaired.

Our growth depends to a significant degree upon our ability to develop new students and customer relationships and to expand existing relationships with current customers. We cannot guarantee that new customers will be added, or that any such new relationships will be successful when they are in place, or that we will obtain students or that business with current customers will increase. Failure to develop and expand such relationships could have a material adverse effect on our business, results of operations and financial condition. Our music purchasing customers are individuals who view music products via YouTube and iTunes and purchase those music products through iTunes.

Some of our competitors may be able to use their financial strength to dominate the market, which may affect our ability to generate revenues.

Some of our competitors are much larger companies and better capitalized. They could choose to use their greater resources to finance their continued participation and penetration of this market, which may impede our ability to generate sufficient revenue to cover our costs. Their better financial resources could allow them to significantly outspend us on song writing and recording, as well as marketing and production. We might not be able to maintain our ability to compete in this circumstance.

We will need additional capital to allow us to expand our business plan to increase capacity to produce the music of our customers and such financing may be unavailable or too costly.

Our ability to continue to develop the programs and products that we are planning to utilize is dependent on our ability to secure financing and allocate sufficient funds required to support our marketing activity. Additional financing may not be available on favorable terms or even at all. If we raise additional funds by selling stock, the percentage ownership of our then current stockholders will be reduced. If we cannot raise adequate funds to satisfy our capital requirements, we may have to limit our operations significantly. Our ability to raise additional funds may diminish if the public equity markets become less supportive of the industry. We estimate that we will need approximately \$20,000 of additional capital to support our marketing activity in the next six months. Jeff Martin has recently loaned the company \$10,000 in support of this activity.

Risks Related to Our Common Stock and Its Market

Jeffrey Martin owns directly and indirectly through related parties approximately 73% of our outstanding common stock, and has significant influence over our corporate decisions, and as a result, his interest could conflict with yours.

Jeffrey Martin holds directly and indirectly 2,228,500 shares of our common stock, representing approximately 73% of the outstanding shares of our common stock. Accordingly, Mr. Martin will have significant influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, as well as determining the outcome of all corporate transactions or other matters, including mergers, consolidations and the sale of all or substantially all of our assets, and also the power to prevent or cause a change in control, as Mr. Martin will likely continue to be our largest shareholder. Additionally, Mr. Martin and management own a combined total of approximately 90% of shares outstanding. Such concentration of ownership may also have the effect of delaying or preventing a change in control, which may be to the benefit of the directors and executive officers but not in the interest of the shareholders. As a result, Mr. Martin and Management have absolute control over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. The interests of Mr. Martin may differ from the interests of the other stockholders and thus result in corporate decisions that are adverse to other shareholders. Additionally, potential investors should take into account the fact that any vote of shares purchased will have limited effect on the outcome of corporate decisions.

We expect to issue additional stock in the future to finance our business plan and the potential dilution caused by the issuance of stock in the future may cause the price of our common stock to drop.

As of August 9, 2011, there were 3,051,870 issued and outstanding shares of Common Stock. Beyond the effective date of this resale, we may need to raise additional capital, which may then result in the issuance of additional shares of common stock, or debt instruments. Shares may be issued under an available exemption, a later registration statement, or both. If and when additional shares are issued, it may cause dilution in the value of shares purchased in this offering and may cause the price of our common stock to drop. These factors could also make it more difficult to raise funds through future offerings of common stock.

We have not, and currently do not anticipate, paying dividends on our common stock.

We have never paid any dividend on our common stock and do not plan to pay dividends on our common stock for the foreseeable future. We currently intend to retain future earnings, if any, to finance operations, capital expenditures and to expand our business.

There will be a limited market for our common stock which will make it difficult for investors to engage in transactions in our securities.

Our common stock is not quoted on an exchange or automated quotation system. We intend to acquire a common stock quotation on the Over-the-Counter Electronic Bulletin Board (OTCBB). There is no guarantee that our common stock will be accepted for quotation on the OTCBB or any other OTC market. If public trading of our common stock does not commence it will be difficult for our stockholders to sell our common stock. If a market were to develop in our common stock, it is highly likely that it would be an illiquid market because it will be classified as a penny stock. We have insignificant revenues, and a history of financial losses. As a result, investors in our company may never be able to sell their shares or realize a profit on their investment.

If our stock is quoted, it is likely to be an illiquid market which can lead to price volatility and difficulty liquidating your investment.

The trading volume of our stock will likely be low, which can cause the trading price of a stock to change substantially in response to relatively small orders. Both stock volume and price could also be subject to wide fluctuations in response to various factors, many of which are beyond our control, including actual or anticipated variations in quarterly and annual operating results and general market perception. An absence of an active trading market could adversely affect our stockholders' ability to sell their common stock in short time periods, or possibly at all. In addition, we believe that factors such as changes in the overall economy or the condition of the financial markets could cause the price of our common stock to fluctuate substantially. These fluctuations may also cause short sellers to enter the market from time to time in the belief that we will have poor results in the future. We cannot predict the actions of market participants and, therefore, can offer no assurances that the market for our stock will be stable or appreciate over time.

A sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.

In the future when our stock is quoted on the OTCBB, if our stockholders were to sell substantial amounts of our common stock in the public market, the market price of our common stock could fall. These sales also may make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.

Our common stock is deemed to be penny stock, which may make it more difficult for investors to sell their shares due to suitability requirements.

Our common stock is deemed to be penny stock as that term is defined in Rule 3a51-1 promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). These requirements may reduce the potential market for our common stock by reducing the number of potential investors. This may make it more difficult for investors in our common stock to sell shares to third parties or to otherwise dispose of them. This could cause our stock price to decline. Penny stocks are stock:

§With a price of less than \$5.00 per share;

§That are not traded on a “recognized” national exchange;

§Whose prices are not quoted on the NASDAQ automated quotation system (NASDAQ listed stock must still have a price of not less than \$5.00 per share); or

§In issuers with net tangible assets less than \$2.0 million (if the issuer has been in continuous operation for at least three years) or \$10.0 million (if in continuous operation for less than three years), or with average revenues of less than \$6.0 million for the last three years.

Broker-dealers dealing in penny stocks are required to provide potential investors with a document disclosing the risks of penny stocks. Moreover, broker-dealers are required to determine whether an investment in a penny stock is a suitable investment for a prospective investor. Many brokers have decided not to trade penny stocks because of the requirements of the penny stock rules and, as a result, the number of broker-dealers willing to act as market makers in such securities is limited. In the event that we remain subject to the penny stock rules for any significant period, there may develop an adverse impact on the market, if any, for our securities. Because our securities are subject to the penny stock rules, investors will find it more difficult to dispose of our securities.

Shares eligible for public sale in the future could decrease the price of our shares of common stock and reduce our future ability to raise capital.

Sales of substantial amounts of shares of our common stock in the public market could decrease the prevailing market price of our common stock. If this were the case, investors in our shares of common stock may be forced to sell such shares at prices below the price they paid for their shares. In addition, a decreased market price may result in potential future investors losing

confidence in us and failing to provide needed funding. This will have a negative effect on our ability to raise equity capital in the future.

We will require additional funds to achieve our current business strategy, which we may not be able to obtain which would affect our ability to operate.

Mainstream Entertainment is a relatively new business entity with limited capital resources. Its future plans may require significant capital, which may not be available on an as needed basis .. We estimate that we will need approximately \$90,000. If the Company's capital is insufficient to reach and impact their targeted market, they may not be able to achieve the intended goals and objectives, or succeed in its industry.

Risks of leverage and debt service requirements may hamper our ability to operate and grow our revenues.

Mainstream Entertainment's debt to equity ratio is likely to be high at the commencement of operations due to the requirement of borrowing funds to continue operations. Currently the total outstanding debt against the Company, as of March 31, 2011 is \$155,688 and this is owed to the majority shareholder, Jeffrey Martin. This amount is the total from various amounts loaned to the Company by Mr. Martin. The terms of the amounts can be found under Certain Relationships and Related Transactions .

Though currently there are no other lenders, high leverage creates risks, including the risk of default as well as operating and financing constraints likely to be imposed by prospective lenders. The interest expense associated with the Company's anticipated debt burden may be substantial and may create a significant drain on the Company's future cash flow, especially in the early years of operation. Any such operating or financing constraints imposed by the Company's lenders as well as the interest expense created by the Company's debt burden could place the Company at a disadvantage relative to other better capitalized service providers and increase the impact of competitive pressures within the Company's markets.

Again, the previous funds for operations came from our largest shareholder, Jeffrey Martin. There is no guarantee that the Shareholder will continue to provide additional funds if the Company needs them to operate. In such case, the Company may be forced to cease operations and liquidate.

Competition may have a material impact on our ability to sell our Technology, Products and Services.

The Company faces substantial competition from a number of providers of similar services and producer of music products. Many of the Company's competitors, particularly those competitors which are large, have substantially

greater financial, studio manufacturing, marketing and technical resources; have greater name recognition and customer allegiance than the Company. This may affect our ability to attract business and limit the opportunities to generate revenues.

Reliance on Management.

The investors will have no rights to participate in the management decisions of the Company; the shareholder will only have such rights as other shareholders.

USE OF PROCEEDS

The Selling Stockholders are selling shares of common stock covered by this prospectus for their own accounts. We will not receive any proceeds from the sale of the shares by the selling shareholders.

DETERMINATION OF OFFERING PRICE

There is no established public market for the shares of common stock being registered. As a result the offering price of the shares of common stock offered hereby has been arbitrarily determined by us and set at \$0.05 per share, and does not necessarily bear any relationship to assets, earnings, book value or any other objective criteria of value. In addition, no investment banker, appraiser or other independent third party has been consulted concerning the offering price for the shares or the fairness of the offering price.

SELLING SECURITY HOLDERS

The following table provides certain information about the selling shareholder's beneficial ownership of our common stock as of August 9, 2011, and as adjusted to give effect to the sale of all of the shares being offered by this prospectus.

The following table identifies the selling stockholders and indicates (i) the nature of any position, office or other material relationship that each selling stockholder has had with us during the past three years (or any of our predecessors or affiliates) and (ii) the number of shares and percentage of our outstanding shares of common stock owned by the selling stockholder prior to the offering, the number of shares to be offered for the selling stockholder's account and the number of shares and percentage of outstanding shares to be owned by the selling stockholder after completion of the offering.

Table 1.

Name of Selling Shareholder	Shares Beneficially Owned Before Offering (A)	Percent of Class of Shares Owned Before the Offering	Maximum Number of Shares to be Sold in this Offering	Shares Beneficially Owned After the Offering	Percent of Class of Shares Owned After this Offering
KAREN AALDERS	183,000	5.996%	183,000	0	0%
AM-PAC INVESTMENTS INC (1)	11,000	0.36%	11,000	0	0%
RICHARD J BOLLHOFFER	1,000	0.03%	1,000	0	0%
CHARLES CAMORATA	20,000	0.65%	20,000	0	0%
BOBBY CLARK	37,000	1.21%	37,000	0	0%
MICHAEL CLARKE	100	0.003%	100	0	0%
MEGAN CRUTCHER	1,000	0.03%	1,000	0	0%
OTHA DAVIS	2,000	0.06%	2,000	0	0%
JOSHUA DODD	5,000	0.16%	5,000	0	0%
DOMINIC DAD, INC (1)	1,000	0.03%	1,000	0	0%
JEANETTE M DUBRULE	1,250	0.04%	1,250	0	0%
ROCHELLE J DUBRULE	1,250	0.04%	1,250	0	0%
TIMOTHY G GIROUX	8,850	0.28%	8,850	0	0%
DEXTER KING	5,620	0.18%	5,620	0	0%
BEAU KINYON & MANDY KINYON	5,000	0.16%	5,000	0	0%
MANDY KINYON C/F ETHAN	500	0.01%	500	0	0%
ETHAN KINYON UGMA/FL					
MICHAEL KROME	10,000	0.32%	10,000	0	0%
NANCY M LAMONTE	1,000	0.03%	1,000	0	0%
CHESTER LUZIER	1,000	0.03%	1,000	0	0%

Edgar Filing: Mainstream Entertainment, Inc. - Form S-1/A

JUSTIN J MARTIN C/F JETT	2,500	0.08%	2,500	0	0%
RYLEE MARTIN					
JUSTIN MARTIN	300,000	9.83%	300,000	0	0%
KRISTIN MARTIN	2,500	0.08%	2,500	0	0%
JEFFREY D MARTIN C/F	5,000	0.16%	5,000	0	0%
LAURIN MARTIN					
UGMA/FL(5)					
JAMES MCDANIEL	15,000	0.49%	15,000	0	0%
ROSE N NDWIGAH-MWANGI	8,200	0.26%	8,200	0	0%
OXFORD STREET PARTNERS (2)	20,000	0.65%	20,000	0	0%
GREG REYNOLDS	2,000	0.06%	2,000	0	0%
BRIAN ROBINSON	8,000	0.26%	8,000	0	0%
JOHN S SHELLEY	10,000	0.32%	10,000	0	0%
ANDRE SMALL	25,000	0.81%	25,000	0	0%
STERLING LLC (3)	110,000	3.60%	110,000	0	0%
TRIFINITY INC (4)	100	0.003%	100	0	0%
EDDIE D WHITE & AMISSA M WHITE JTEN	5,000	0.16%	5,000	0	0%
AMISSA WHITE C/F SIERRA	500	0.01%	500	0	0%
SIERRA WHITE UGMA/FL					
LYNN WINEKEN	9,000	0.29%	9,000	0	0%
Total	848,370	100%	848,370	0	0%

(A)

The number and percentage of shares beneficially owned is determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rule, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares that the individual has the right to acquire within 60 days of the date of this prospectus through the exercise of any stock option or other right. Unless otherwise indicated in the footnotes, each person has sole voting and investment power (or shares such powers with his or her spouse) with respect to the shares shown as beneficially owned. Percentage of beneficial ownership is based on 3,051,870 shares of common stock outstanding as of August 9 , 2011.

(1)

The natural person who exercises voting and dispositive authority over Dominic Dad, Inc is Joshua Dodd.

(2)

The natural person who exercises voting and dispositive authority over Oxford Street Partners is Tom Tedrow.

(3)

Edgar Filing: Mainstream Entertainment, Inc. - Form S-1/A

The natural person who exercises voting and dispositive authority over Sterling LLC is Tyler Tedrow.

(4)

The natural person who exercises voting and dispositive authority over Trifinity, Inc. is Dan DeYoung.

(5)

Laurin Martin is the minor daughter of Jeffery Martin.

PENNY STOCK CONSIDERATIONS

Broker-dealer practices in connection with transactions in penny stocks are regulated by certain penny stock rules adopted by the SEC. Penny stocks generally are equity securities with a price of less than \$5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system). Penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. The broker-dealer must also make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These requirements may have the effect of reducing the level of trading activity, if any, in the secondary market for a security that becomes subject to the penny stock rules.

PLAN OF DISTRIBUTION

Each Selling Stockholder of the common stock of Mainstream Entertainment, Inc., a Florida corporation (the Company) and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their shares of Common Stock on the Trading Market or any other stock exchange, market or trading facility on which the shares are traded or in private transactions. Until our securities are quoted on the Over-the-Counter Electronic Bulletin Board or are listed on an exchange, the selling shareholders will sell at fixed prices. Once our securities are quoted on the Over-the-Counter Electronic Bulletin Board or are listed on an exchange, they will sell at prevailing market prices or at privately negotiated prices.

A Selling Stockholder may use any one or more of the following methods when selling shares:

ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;

block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;

purchases by a broker-dealer as principal and resale by the broker-dealer for its account;

an exchange distribution in accordance with the rules of the applicable exchange;

privately negotiated transactions;

settlement of short sales entered into after the effective date of the registration statement of which this prospectus is a part;

broker-dealers may agree with the Selling Stockholders to sell a specified number of such shares at a stipulated price per share;

a combination of any such methods of sale;

through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise; or

any other method permitted pursuant to applicable law.

The Selling Stockholders may also sell shares under Rule 144 under the Securities Act of 1933, as amended (the Securities Act), if available, rather than under this prospectus.

Broker-dealers engaged by the Selling Stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this Prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with NASDR Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with NASDR IM-2440.

In connection with the sale of the Common Stock or interests therein, the Selling Stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the

Common Stock in the course of hedging the positions they assume. The Selling Stockholders may also sell shares of the Common Stock short and deliver these securities to close out their short positions, or loan or pledge the Common Stock to broker-dealers that in turn may sell these securities. The Selling Stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The Selling Stockholders and any broker-dealers or agents that are involved in selling the shares may be deemed to be underwriters within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be

underwriting commissions or discounts under the Securities Act. Each Selling Stockholder has informed the Company that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the Common Stock. In no event will any broker-dealer receive fees, commissions and markups which, in the aggregate, would exceed eight percent (8%).

The Company is required to pay certain fees and expenses incurred by the Company incident to the registration of the shares.

Because Selling Stockholders may be deemed to be underwriters within the meaning of the Securities Act, they will be subject to the prospectus delivery requirements of the Securities Act. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this prospectus.

The resale shares will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the resale shares may not simultaneously engage in market making activities with respect to the Common Stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the Selling Stockholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of shares of the Common Stock by the Selling Stockholders or any other person. We will make copies of this prospectus available to the Selling Stockholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale.

Regulation M

We have informed the Selling Stockholders that Regulation M promulgated under the Securities Exchange Act may be applicable to them with respect to any purchase or sale of our common stock. In general, Rule 102 under Regulation M prohibits any person connected with a distribution of our common stock from directly or indirectly bidding for, or purchasing for any account in which it has a beneficial interest, any of the shares or any right to purchase the shares, for a period of one business day before and after completion of its participation in the distribution.

During any distribution period, Regulation M prohibits the Selling Stockholders and any other persons engaged in the distribution from engaging in any stabilizing bid or purchasing our common stock except for the purpose of preventing or retarding a decline in the open market price of the common stock. None of these persons may effect any stabilizing transaction to facilitate any offering at the market. As the Selling Stockholders will be offering and selling our common stock at the market, Regulation M will prohibit them from effecting any stabilizing transaction in contravention of Regulation M with respect to the shares.

We also have advised the Selling Stockholders that they should be aware that the anti-manipulation provisions of Regulation M under the Exchange Act will apply to purchases and sales of shares of common stock by the Selling Stockholders, and that there are restrictions on market-making activities by persons engaged in the distribution of the shares. Under Regulation M, the Selling Stockholders or their agents may not bid for, purchase, or attempt to induce any person to bid for or purchase, shares of our common stock while such Selling Stockholders are distributing shares covered by this prospectus. Regulation M may prohibit the Selling Stockholders from covering short sales by purchasing shares while the distribution is taking place, despite any contractual rights to do so under the Agreement. We have advised the Selling Stockholders that they should consult with their own legal counsel to ensure compliance with Regulation M.

DESCRIPTION OF SECURITIES

The authorized capital stock consists of 100,000,000 shares of common stock, par value \$0.001 per share. As of August 9, 2011, there were 3,051,870 shares of Common Stock issued and outstanding. The following summary description of the Common Stock is qualified in its entirety by reference to the Company's Certificate of Incorporation and all amendments thereto.

Common Stock

Our authorized capital stock consists of 100,000,000 shares of common stock, par value \$0.001 per share. Each share of Common Stock entitles its holder to one non-cumulative vote per share and, the holders of more than fifty percent (50%) of the shares voting for the election of directors can elect all the directors if they choose to do so, and in such event the holders of the remaining shares will not be able to elect a single director. Holders of shares of Common Stock are entitled to receive such dividends, as the board of directors may, from time to time, declare out of Company funds legally available for the payment of

dividends. Upon any liquidation, dissolution or winding up of the Company, holders of shares of Common Stock are entitled to receive pro rata all of the assets of the Company available for distribution to stockholders.

Stockholders do not have any pre-emptive rights to subscribe for or purchase any stock, warrants or other securities of the Company. The Common Stock is not convertible or redeemable. Neither the Company's Certificate of Incorporation nor its By-Laws provide for pre-emptive rights.

Stock Transfer Agent

Our stock transfer agent is OTC Stock Transfer, 231 East 2100 South, Suite F, Salt Lake City, Utah 84115. Their telephone number is 801.485.5555.

INTEREST OF NAMED EXPERTS AND COUNSEL

No expert or counsel named in this prospectus as having prepared or certified any part of this prospectus or having given an opinion upon the validity of the securities being registered or upon other legal matters in connection with the registration or offering of the common stock was employed on a contingency basis, or had, or is to receive, in connection with the offering, a substantial interest, direct or indirect, in the registrant or any of its parents or subsidiaries. Nor was any such person connected with the registrant or any of its parents or subsidiaries as a promoter, managing or principal underwriter, voting trustee, director, officer, or employee. Gregory M. Wilson, our independent legal counsel has provided an opinion on the validity of our common stock.

The September 30, 2009 and 2010 financial statements included in this prospectus and the registration statement were audited by M&K CPA's, PLLC on February 8, 2011 and are included in reliance upon such report given upon the authority of said firm as experts in auditing and accounting.

INFORMATION WITH RESPECT TO REGISTRANT

BUSINESS

Business 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 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. On June 27, 2008, the majority of 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 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.

In 2009, the board of directors decided to suspend operations at its 7648 Southland Blvd, Orlando, Florida location with the intention of resuming at a different location at a future date. We stopped making lease payments on the Orlando property in February 2009. We accrued the monthly lease obligations between February 2009 and settled the accrued rent. We wrote off the rent and recognized revenue as forgiveness of debt income. In 2011, the Company resumed operations at a studio located at 275 North Bayshore, Ococee, Florida. We plan to fund our operations from debt and equity offerings. Jeff Martin loaned the company \$10,000 and these funds financed the launch of the company's 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 October 2009 we leased studio facilities at 275 North Bayshore Drive, Ocoee, FL 34761. We renegotiated that lease May 21, 2010 which permitted us to use the facilities at a rate of \$50 per hour without any minimum use requirements. We did not use the facility between October 2009 and March 31, 2011. On February 2, 2011, we renegotiated the lease and extended the term to December 31, 2012.

The Company has been unprofitable since 2005.

Licensing

From time to time the Company may enter into licensing agreements with music production and distribution companies. The music group 3rd Wish has been licensed by the company to Cheyenne Records, Three 8 Music Limited, Shock Records, and Megaliner Records. All of these former licensing arrangements have expired. The Company had a contract, which expired in November, 2009, with NRJ Co., a France corporation. Presently, we have one license agreement for Justin Martin with A45 Music, GmbH, a German company for a single audio and video production for the song titled, "Anyway". The original term agreement was executed July 28, 2007 for a one year term, including three one-year options. No revenue has been generated to date. Our vice president, Justin Martin, is a member of 3rd Wish.

These License agreements typically grant the production and distribution company rights to a music single or all of an act's music in a particular country or region with a term of three to fifteen years. The production or distribution company can then distribute the music in record or CD format, mp3, ring tone, or any other music media licensed in the agreement.

The Company would typically receive royalties of a negotiated percentage between 18% and 75% of sales of the production and Distribution Company's published dealer price less certain packaging deductions. In addition, the Company may receive between 18% and 75% of net royalty receipts received by in the particular nation or region. In connection with the license agreement, the Company may receive a cash advance.

Presently, Justin Martin is the only artist licensed with the Company.

Product Description

The recorded music business is the business of discovering and developing recording artists and promoting, selling and licensing their works. The Company must make a subjective determination as to the marketability of an artist's work when defining the terms of a production contract with an artist. The Company relies on the contacts of its officers, whose experience in the music industry, allows them to come into contact with current performers and new performing groups seeking to gain exposure. Mainstream currently represents and/or has worked with four different music groups and/or individual artists. These include 3rd Wish, Patmoe, Willie Will and Justin Martin.

We intend to generate additional sources of revenue through internet advertising, direct contact and print marketing. Our primary medium will be the I-tunes website, where individuals may purchase downloads offered by Mainstream.

Revenue for studio rental is estimated to begin within ninety days of the initiation of advertising. This ninety day period is based solely upon management's belief that the Company cannot guarantee that any revenues will be generated within that time frame or at all.

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. This figure does not include the studio rental fee of \$50 per hour which will vary depending on our need to use the studio facilities. The Company is dependent upon loans made by the majority shareholder, Jeffrey Martin. (See Debt Financing and Related Party Notes) The Company is completely dependent on Jeff Martin for its present and future funding. 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.

We have a history of financial losses. We had a net loss of \$78,122 for the year ending September 30, 2010 and a net loss of \$42,568 for the six months ending March 31, 2011.

To date, all revenues have been generated from a company named NRJ, a company located in France. The company related revenues were paid for music group 3 Wish , a music group of whom Justin Martin is a member. Justin Martin is the 27 year old son of Jeff Martin.

Through the use of our leased studios facility, we can book as little as one hour or as many as 24 hours per day, allowing the business to focus on providing recording services for record labels, music producers, and recording artists. The facility and its equipment are rented on either an hourly, daily, weekly, or monthly basis as dictated by the clients' needs. Mainstream will also provide engineer, producer, and duplication services at competitive rates and according to the clients' budgets. In addition to studio and engineer/producer services, and in the course of ongoing business, it is customary in the recording industry that the Company will occasionally enter into certain licensing agreements that will provide revenue over and above the rental and services income. There is no particular standard as to the frequency or amount of this revenue and it is negotiated on an individual basis. These licensing agreements can include, but are not limited to, production agreements, writer agreements, and performing agreements, all yielding a percentage of revenue earned through the exploitation of the product produced.

When music is recorded it is done in sections, with each part being recorded separately. For instance, the piano is recorded on one track, bass on another, vocals on another, and so until all of the parts have been recorded. Mixing then, is the process of

adjusting the volumes of the tracks in relation to each other, adding sound effects, re-tuning, and generally enhancing the individual parts as deemed necessary to attain the desired end product. Mastering is the process of fine-tuning the end product achieved in mixing by boosting or reducing levels throughout the frequency range of the soundtrack to tailor it to the medium of intended playback. For example a movie soundtrack, as opposed to radio or television, as opposed to live venue broadcast, etc.

Subleasing studio time is the process of the record company securing blocks of time in a recording studio at a pre-determined preferred rate, usually based on large quantities of intended time use, then renting the time in smaller segments to multiple artists at a higher rate per hour based on the amount of time needed by each individual artist. This time is then used to perform the mixing and mastering duties described above.

Mr. Camorata will run all operations needed to produce, record and release music. All songs recorded by Skreem artists were acquired by contract between the writers and Skreem Entertainment with Skreem Entertainment retaining a percentage of the publishing rights. Those writer and publisher agreements were then registered with Broadcast Music Incorporated (BMI), a performing rights organization responsible for collection and payment of publishing royalties. Mr. Camorata's responsibilities were to negotiate and finalize the agreements with the writers on behalf of Skreem Entertainment and to oversee the filing and administration of the consequent BMI filings and yearly reports furnished by BMI.

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.

Music Catalog

The copyrighted songs are as follows:

Mom's Song

What's Your Name

Because You're You

Goodbye

Please Don't Play With My Heart

Nobody Loves You The Way I Do

All That I Want (Changes)

Various Artists # 1

I Wanna Fly Away

You Are All I Want

Reprezent Yo Hood

The 19 Wish Online Debut

19 Wish #2

Obsession

Ooouuh

You Played Me

Prelude

We ll Have Tonight

Intro

Reflections of the South

Anyway

Niña

Obsesion Si Es Amor

Shout Out 2 Da Fans

June Skreem Compilation

Research and Development

Our research and development consists of song writing and recording.

Competition

The Company faces substantial competition from a number of providers of similar services. Many of the Company's competitors, particularly those competitors who are large, have substantially greater financial, manufacturing, marketing and technical resources; have greater name recognition and customer allegiance than the Company. Our competition includes Sony, RCA, and Universal.

Employees

The Company has three employees, two part-time individuals and one full-time individual, which include operating officers. They are employed by the Company on a contract basis, until the Studios are operational. No wages will be paid until the Company generates revenues. To date, we have not paid any wages or salaries to any employees. None of the employees are covered by a collective bargaining or similar agreement. The Company believes it has good relations with all of the employees.

DESCRIPTION OF PROPERTY

The leased studio, locally known as Gettings Studio, is located at 275 North Bayshore Drive, Ocoee, FL 34761, and comprises a 650 square feet for audio recording and editing. The lease agreement for the Gettings Studio allows us to use the

facility upon notice to the landlord, subject to availability, with a rent of fifty (\$50.00) dollars per hour. Getting Studio is owned by Glenn Gettings.

LEGAL PROCEEDINGS

The Company is not currently a party to any pending or threatened legal proceedings.

MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

There is no public market for the Company's common stock.

Holder of Common Stock

As of August 9, 2011, we had an aggregate of 40 stockholders of record as reported by our transfer agent, OTC Stock Transfer, 231 East 2100 South, Suite F, Salt Lake City, Utah 84115.

Dividends and Dividend Policy

There are no restrictions imposed on the Company which limit its ability to declare or pay dividends on its common stock, except as limited by state corporation law. During the last two fiscal years, no cash or stock dividends were declared or paid and none are expected to be paid in the foreseeable future.

We expect to retain all earnings generated by our future operations for the development and growth of our business. The Board of Directors will determine whether or not to pay dividends in the future in light of our earnings, financial condition, capital requirements and other factors.

Securities Authorized for Issuance under Equity Compensation Plans

We have not adopted any equity compensation plans.

FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

Mainstream Entertainment, Inc.

(A Development Stage Company)

We have audited the accompanying balance sheets of Mainstream Entertainment, Inc. (A Development Stage Company) as of September 30, 2010 and 2009 and the related statements of operations, shareholders' equity (deficit) and cash flows for each of the twelve month periods then ended and the period from inception (October 7, 2005) through September 30, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mainstream Entertainment, Inc. as of September 30, 2010 and 2009, and the results of its operations and cash flows for the periods described above in conformity with accounting principles generally accepted in the United States of America.

Edgar Filing: Mainstream Entertainment, Inc. - Form S-1/A

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has accumulated losses since inception and has a working capital deficit, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ M&K CPAS, PLLC

Houston, Texas

February 8, 2011

Mainstream Entertainment, Inc.**(A Development Stage Company)****Balance Sheets****As of September 30, 2010 and September 30, 2009**

	September 30, 2010	September 30, 2009
ASSETS:		
Current assets:		
Cash	\$ 85	\$ 613
Accounts receivable	---	54
Due from related party	102	---
Prepaid expense	61	24
Total current assets	248	691
Equipment, net of accumulated depreciation of \$8,288 and \$0, respectively	13,262	21,550
TOTAL ASSETS	\$ 13,510	\$ 22,241
LIABILITIES AND STOCKHOLDERS' DEFICIT:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 35,750	\$ 33,732
Accrued interest related party	40,513	31,656
Notes payable related party	120,117	62,001
Total Current Liabilities	196,380	127,389
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	422,586	422,186
Deficit accumulated during the development stage	(608,508)	(530,386)
Total stockholders' deficit	(182,870)	(105,148)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 13,510	\$ 22,241

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

Mainstream Entertainment, Inc.**(A Development Stage Company)****Statements of Operations**

**For the twelve months ended September 30, 2010 and 2009, and
the Period From October 7, 2005 (Inception) through September 30, 2010**

	Twelve Months Ended		October 7, 2005 (Inception) Through
	2010	September 30, 2009	September 30, 2010
Revenue:	\$ ---	\$ 471	\$ 471
Expenses:			
Operating expenses			
General and administrative expenses	57,480	161,810	419,972
Depreciation expense	8,288	21,523	80,314
Impairment of fixed assets	---	86,850	86,850
Total operating expenses	65,768	270,183	587,136
Other Income (Expense):			
Forgiveness of debt	---	14,203	14,203
Interest income	2	---	2
Interest expense	(11,756)	(9,556)	(48,885)
Penalties	(600)	---	(600)
Total other income (expense)	(12,354)	4,647	(35,280)
Net loss before extraordinary item	(78,122)	(265,065)	(621,945)
Extraordinary item	---	32,813	13,437
Net Loss	\$ (78,122)	\$ (232,252)	\$ (608,508)
Net Loss before Extraordinary Item per Common Share - Basic and Diluted	\$ (.02)	\$ (.09)	
Net Income from Extraordinary Item per Common Share - Basic and Diluted	\$ ---	\$.01	

Per Share Information:

Weighted Average Number of
Common Stock

Shares Outstanding - Basic and

Diluted

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 twelve months ended September 30, 2010 and 2009 and
the period from October 7, 2005 (Inception) through September 30, 2010**

	Twelve months ended		October 7, 2005 (inception) to
	2010	September 30, 2009	September 30, 2010
Cash Flows from Operating Activities:			
Net loss	\$ (78,122)	\$ (232,252)	\$ (608,508)
Adjustments to reconcile net loss to cash used in operating activities:			
Depreciation	8,288	21,523	80,314
Imputed rent	400	202	602
Loss on equipment		33,018	33,018
Forgiveness of accrued rent		(13,662)	(13,662)
Forgiveness of debt by third party		(541)	(541)
Extraordinary gain on insurance claim		(32,813)	(13,437)
Impairment of fixed assets		86,850	86,850
Bad Debt	54		54
Changes in:			
Accounts receivable		(54)	(54)
Deposit			(6,000)
Prepaid expenses & other current assets	(40)	5,693	(64)
Accounts payable & accrued expense	10,876	39,672	100,492
Net Cash Flows Used in Operations	(58,544)	(92,364)	(340,936)
Cash Flows from Investing Activities:			
Proceeds from sale of equipment			432
Proceeds from insurance claim		166,701	166,701
Purchase of fixed assets		(625)	(17,982)
Issuance of advances and notes receivable	(100)		(100)
Expenditures on construction in progress			(116,160)
Net Cash Flows Provided by (Used in) Investing activities	(100)	166,076	32,891
Cash Flows from Financing Activities:			
Cash borrowings from related parties	59,100	104,852	457,191
Principal payments on related party debt	(984)	(178,201)	(189,385)
Cash contributions from former parent company			45,824
Distributions to owners			(5,500)

Edgar Filing: Mainstream Entertainment, Inc. - Form S-1/A

Net Cash Flows Provided by (Used in)				
Financing activities	58,116		(73,349)	308,130
Net Increase (Decrease) in Cash	(528)		363	85
Cash and cash equivalents-Beginning of period	613		250	
Cash and cash equivalents-End of period	\$ 85	\$	613	\$ 85

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

Mainstream Entertainment, Inc.**(A Development Stage Company)****Statements of Cash Flows**

**For the twelve months ended September 30, 2010 and 2009 and
the period from October 7, 2005 (Inception) through September 30, 2010**

	Twelve months ended			October 7, 2005 (inception) to September 30, 2010
	2010	September 30, 2009		
SUPPLEMENTARY INFORMATION				
Interest Paid	\$ 105	\$ 4,005	\$\$	4,149
Income Taxes Paid	\$	\$	\$\$	
Non-cash transactions				
Sale of fixed assets paid directly to note holder	\$	\$ 5,000	\$	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		4,525		210,025

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 September 30, 2010**

	Common Stock		Additional	Deficit	Total
	Shares	Amount	Paid-in	Accumulated	Stockholders
			Capital	During the	Equity
				Development	(Deficit)
				Stage	
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

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 September 30, 2010**

	Common Stock		Additional Paid-in Capital	Deficit Accumulated During the Development Stage	Total Stockholders Equity (Deficit)
	Shares	Amount			
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)

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

Mainstream Entertainment, Inc.

(A Development Stage Company)

Notes to Financial Statements

NOTE 1 NATURE OF OPERATIONS

Mainstream Entertainment, Inc. (f/k/a Skreem Studios, Inc and Skreem Studios LLC) 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 of 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. On August 16, 2010, the Board of Directors authorized the withdrawal of the Securities and Exchange Registration Statement (Form S-1) pursuant to Rule 477 of the Securities Act of 1933.

The Company's business is the operation of a recording studio. The Company generates revenue by providing the facility and related recording services. The Company leased two studio facilities located at 7648 Southland Boulevard, Orlando, FL, 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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. As of September 30, 2010, no significant revenue 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.

Mainstream Entertainment, Inc.

(A Development Stage Company)

Notes to Financial Statements

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 September 30, 2010 and 2009, there were no cash equivalents.

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), formerly SFAS 157, Fair Value Measurements. 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.

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,

Mainstream Entertainment, Inc.**(A Development Stage Company)****Notes to Financial Statements**

estimates of the condition of the property, 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 September 30, 2010.

The following table presents assets that were measured and recognized at fair value as of September 30, 2009 on a non-recurring basis:

Description	Level 1	Level 2	Level 3	Total (losses)
Equipment Held (not in service)	\$	- \$	- \$ 21,550	\$ (4,777)
Total	\$	- \$	- \$ 21,550	\$ (4,777)

No assets were re-valued at fair value on a recurring or non-recurring basis as of September 30, 2010.

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 September 30, 2010 and 2009, 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 twelve month periods ended September 30, 2010 and 2009, 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 September 30, 2010.

As of September 30, 2010, 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 September 30, 2010.

Advertising

Advertising costs are generally expensed as incurred. Total advertising cost for the twelve month periods ended September 30, 2010 and 2009, and from inception was \$0, \$0 and \$4,440, respectively.

Recent Accounting Pronouncements

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 consolidated financial statements.

Mainstream Entertainment, Inc.

(A Development Stage Company)

Notes to Financial Statements

On February 24, 2010, the FASB issued guidance in the *Subsequent Events* topic of the FASB 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 results of operations or financial condition.

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 did not have a material impact on our financial statements.

On June 29, 2009, the FASB issued ASC 105, formerly Statement No. 168, *Accounting Standards Codification*™ and the *Hierarchy of Generally Accepted Accounting Principles*, a replacement of FASB Statement No. 162. ASC 105 establishes the FASB Accounting Standards Codification™ as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with US GAAP. ASC 105 will be effective for financial statements issued for interim and annual periods ending after September 15, 2009, for most entities. On the effective date, all non-SEC accounting and reporting standards will be superseded. The Company adopted ASC 105 on July 1, 2009 and the adoption did not have a material impact on the Company's results of operations or financial condition.

On April 1, 2009, the FASB issued ASC 825-10-65, *Financial Instruments - Overall - Transition and Open Effective Date Information* (ASC 825-10-65). ASC 825-10-65 amends ASC 825-10 to require disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements and also amends ASC 270-10 to require those disclosures in all interim financial statements. ASC 825-10-65 did not have a material impact on the Company's results of operations or financial condition.

On April 1, 2009, the Company adopted ASC 855, *Subsequent Events* (ASC 855). ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. The

adoption of ASC 855 did not have a material impact on the Company's results of operations or financial condition.

On July 1, 2009, the Company adopted ASU No. 2009-05, Fair Value Measurements and Disclosures (Topic 820) (ASU 2009-05). ASU 2009-05 provided amendments to ASC 820-10, Fair Value Measurements and Disclosures Overall, for the fair value measurement of liabilities. ASU 2009-05 provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using certain techniques. ASU 2009-05 also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of a liability. ASU 2009-05 also clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. The adoption of ASU 2009-05 did not have a material impact on the Company's results of operations or financial condition.

In October 2009, the FASB issued ASU 2009-13, Multiple-Deliverable Revenue Arrangements, (amendments to ASC 605, Revenue Recognition) (ASU 2009-13). ASU 2009-13 requires entities to allocate revenue in an arrangement using estimated selling prices of the delivered goods and services based on a selling price hierarchy. The amendments eliminate the residual method of revenue allocation and require revenue to be allocated using the relative selling price method. ASU 2009-13 should be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company does not expect adoption of ASU 2009-13 to have a material impact on the Company's results of operations or financial condition.

Mainstream Entertainment, Inc.

(A Development Stage Company)

Notes to 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 \$608,508 and has a working capital deficit of \$196,132 at September 30, 2010. 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 plans to resume operations in 2011 upon the receipt of additional funding. Transactions with shareholders and other related parties are described in other notes to these financial statements.

NOTE 5 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 September 30, 2010 and 2009, interest in the amounts of \$40,513 and \$31,656, respectively, is accrued on these notes. Interest expense for the twelve months ended September 30, 2010 and 2009, and from inception was \$11,756, \$9,556 and \$48,885 respectively.

Short-term debt as of September 30, 2010 and 2009 consisted of the following demand notes:

Mainstream Entertainment, Inc.**(A Development Stage Company)****Notes to Financial Statements**

	Sept. 30, 2010	Sept. 30, 2009
Various unsecured demand notes to the principal shareholder with no stated interest rate; interest is being accrued at 8.00% & 5%. At September 30, 2010 and 2009, the principal balance of the 5.00% notes were \$10,300 and \$0 and of the 8% notes were \$20,728 and \$20,728, respectively	\$ 31,028	\$ 20,728
Various unsecured demand notes to a business owned and controlled by the principal shareholder with a stated interest rate of 8.00%.	11,923	12,423
An unsecured demand note to a business owned and controlled by one of the shareholders with no stated interest rate; interest is being accrued at 8.00%.	1,600	1,600
Various unsecured demand notes to a corporation controlled by the principal shareholder with a stated interest rate of 8.00%.	10,016	10,500
Various unsecured demand notes to a limited partnership controlled by the principal shareholder with a stated interest rates of 5.00% & 6.00%. At September 30, 2010 and 2009 the principal balance of the 5.00% notes were \$11,100 & \$0 and of the 6.00% notes were \$10,750 & \$10,750, respectively.	21,850	10,750
Various unsecured demand notes to a limited partnership controlled by the principal shareholder with a stated interest rates of 5.00% & 6.00%. At September 30, 2010 and 2009 the principal balance of the 5.00% notes were \$36,500 & \$0 and of the 6.00% notes were \$6,000 & \$6,000, respectively.	42,500	6,000
An unsecured demand note to a corporation in which the principle shareholder has a minority stock interest with a stated interest of 5.00%.	1,200	---
	\$ 120,117	\$ 62,001

The related party creditor is Jeff 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.

For the twelve month periods ending September 30, 2010 and 2009, and for the period from inception through September 30, 2010, the Company has recognized forgiveness of debt income in the amounts of \$0, \$14,203 and \$14,203, respectively.

NOTE 6 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 September 30, 2010.

Mainstream Entertainment, Inc.

(A Development Stage Company)

Notes to Financial Statements

The Company has 100,000,000 shares of \$0.001 par value stock authorized. At September 30, 2010 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	1,697,500	56
FSC Limited	245,000	8
Forbes Investments Limited	245,000	8
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	251,370	7

NOTE 7 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 5.

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 \$700 for the six months ended March 31, 2011, March 31, 2010 and from inception to March 31, 2011, 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 8 COMMITMENTS AND CONTINGENCIES

In October 2009 we leased studio facilities at 275 North Bayshore Drive, Ocoee, FL 34761. We renegotiated that lease May 21, 2010 which permitted us to use the facilities at a rate of \$50 per hour without any minimum use requirements. We did not use the facility between October 2009 and December 31, 2010. On February 2, 2011, we renegotiated the lease and extended the term to December 31, 2012.

NOTE 9 EQUIPMENT

Property and equipment at September 30, 2010 and 2009 consisted entirely of \$13,262 and \$21,550 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 12.)

In April, 2009 the Company vacated its leased facility (see Notes 1 and 14). At that time the Company sold a small portion of its equipment at a loss and stored the remainder of its equipment (see Note 10). All leasehold improvements were fully impaired as of September 30, 2009.

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

Mainstream Entertainment, Inc.

(A Development Stage Company)

Notes to Financial Statements

NOTE 10 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 11 INCOME TAXES

The Company has federal and state net operating loss carry forwards of \$425,569 and \$425,569, which expire in various years ending September 30, as indicated below:

	Federal	Florida
2013	\$ ---	\$101,262
2014	---	250,251
2015	---	74,056
2023	101,262	---
2024	250,251	---
2025	74,056	---
Total	\$425,569	\$425,569

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.

NOTE 12 EXTRAORDINARY GAIN

The Company recognized extraordinary income during the year ended September 30, 2009 related to studio equipment that was burglarized on August 10, 2008. The extraordinary gain of \$32,813 was considered extraordinary due to its unusual and infrequent nature. The Company recognized a related extraordinary loss of \$19,376 for the year ended September 30, 2008 for prior insurance claims approved. The net extraordinary gain related to these insurance claims of \$13,437 is equal to the proceeds received from the Company's insurance claim less the book value of the assets stolen. The insurance proceeds that were collected were netted against the loss in the manner above in accordance with FASB interpretation.

NOTE 13 LOSS ON IMPAIRMENT OF FIXED ASSETS

The Company recognized a loss on the impairment of assets in the amount of \$0 and \$86,850 in the twelve months ended September 30, 2010 and 2009, respectively, and of \$86,850 from inception through September 30, 2010.

NOTE 14 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 statement were issued.

Mainstream Entertainment, Inc.**(A Development Stage Company)****Balance Sheets****As of March 31, 2011 and September 30, 2010****(unaudited)**

	March 31, 2011	September 30, 2010
ASSETS:		
Current assets:		
Cash	\$ 10,150	\$ 85
Due from related party	---	102
Prepaid expense	61	61
Total current assets	10,211	248
Equipment, net of accumulated depreciation of \$11,051 and \$8,288, respectively	10,499	13,262
TOTAL ASSETS	\$ 20,710	\$ 13,510
LIABILITIES AND STOCKHOLDERS'		
DEFICIT:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 44,647	\$ 35,750
Accrued interest related party	45,613	40,513
Notes payable related party	155,688	120,117
Total Current Liabilities	245,948	196,380
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	422,786	422,586
Deficit accumulated during the development stage	(651,076)	(608,508)
Total stockholders' deficit	(225,238)	(182,870)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 20,710	\$ 13,510

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

Mainstream Entertainment, Inc**(A Development Stage Company)****Statements of Operations****For the six months ended March 31, 2011 and 2010, and****the Period From October 7, 2005 (Inception) through March 31, 2011****(unaudited)**

	Six Months Ended		October 7, 2005 (Inception) Through
	2011	March 31, 2010	March 31, 2011
Revenue:	\$ ---	\$ ---	\$ 471
Expenses:			
Operating expenses			
General and administrative expenses	35,552	43,276	535,838
Impairment of fixed assets	---	---	86,850
Total operating expenses	35,552	43,276	622,688
Other Income (Expense):			
Forgiveness of debt	---	---	14,203
Interest income	---	---	2
Interest expense	(7,016)	(5,332)	(55,901)
Penalties	---	---	(600)
Total other income (expense)	(7,016)	(5,332)	(42,296)
Net loss before extraordinary item	(42,568)	(48,608)	(664,513)
Extraordinary item	---	---	13,437
Net Loss	\$ (42,568)	\$ (48,608)	\$ (651,076)
Net Loss per Common Share - Basic and Diluted	\$ (.01)	\$ (.02)	

Per Share Information:

Weighted Average Number of Common Stock Shares Outstanding - Basic and Diluted	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, 2011 and 2010 and
the period from October 7, 2005 (Inception) through March 31, 2011**

(unaudited)

	Six months ended		October 7, 2005
	2011	March 31, 2010	(inception) to March 31, 2011
Cash Flows from Operating Activities:			
Net loss	\$ (42,568)	\$ (48,608)	\$ (651,076)
Adjustments to reconcile net loss to cash used in operating activities:			
Depreciation	2,763	2,763	83,077
Rent	200	200	802
Loss on equipment			33,018
Forgiveness of accrued rent			(13,662)
Forgiveness of debt by third party			(541)
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		(38)	(64)
Accounts payable & accrued expenses	13,998	17,183	114,490
Net Cash Flows Used in Operations	(25,607)	(28,500)	(366,543)
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 Investing activities			32,891
Cash Flows from Financing Activities:			
Cash borrowings from related parties	36,500	29,100	493,691
Principal payments on related party debt	(828)	(484)	(190,213)
			45,824

Cash contributions from former parent company				
Distributions to owners				(5,500)
Net Cash Flows Provided by Financing activities	35,672		28,616	343,802
Net Increase in Cash	10,065		116	10,150
Cash and cash equivalents-Beginning of period		85		613
Cash and cash equivalents-End of period	\$ 10,150		\$ 729	\$ 10,150

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, 2011 and 2010 and
the period from October 7, 2005 (Inception) through March 31, 2011**

(unaudited)

	Six months ended		October 7,
	March 31,		2005
	2011	2010	(inception) to
			March 31,
			2011
SUPPLEMENTARY			
INFORMATION			
Interest Paid	\$ 674	\$ 16	\$\$\$ 4,823
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, 2011****(unaudited)**

	Common Stock		Additional Paid-in	Deficit Accumulated During the Development	Total Stockholders Deficit
	Shares	Amount	Capital	Stage	
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
			1,732		1,732

Equipment contributed from owners						
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

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, 2011****(unaudited)**

	Common Stock		Additional	Deficit	Total
	Shares	Amount	Paid-in	Accumulated	Stockholders
			Capital	During the	Deficit
				Development	
				Stage	
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			200		200
Net Loss				(42,568)	(42,568)
Balances	3,051,870	\$ 3,052	\$ 422,786	\$ (651,076)	\$ (225,238)

**March 31,
2011**

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

Mainstream Entertainment, Inc.

(A Development Stage Company)

Unaudited Notes to Financial Statements

NOTE 1 NATURE OF OPERATIONS

Mainstream Entertainment, Inc. (f/k/a Skreem Studios, Inc and Skreem Studios LLC) 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 of 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. On August 16, 2010, the Board of Directors authorized the withdrawal of the Securities and Exchange Registration Statement (Form S-1) pursuant to Rule 477 of the Securities Act of 1933.

The Company's business is the operation of a recording studio. The Company generates revenue by providing the facility and related recording services. The Company leased two studio facilities located at 7648 Southland Boulevard, Orlando, FL, 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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. As of March 31, 2011, no significant revenue 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, 2011 and September 30, 2010, there were no cash equivalents.

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), formerly SFAS 157, Fair Value Measurements. 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.

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, 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, 2011.

No assets were re-valued at fair value on a recurring or non-recurring basis as of March 31, 2011.

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, 2011 and September 30, 2010, 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, 2011 and 2010, 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, 2011.

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, 2011.

Advertising

Advertising costs are generally expensed as incurred. Total advertising cost for the six month periods ended March 31, 2011 and 2010, and from inception was \$0, \$0 and \$4,440, respectively.

Recent Accounting Pronouncements

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 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 is it more likely than not 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 FASB 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 \$651,076 and has a working capital deficit of \$235,737 at March 31, 2011. 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 plans to resume operations in 2011 upon the receipt of additional funding. Transactions with shareholders and other related parties are described in other notes to these financial statements.

NOTE 5 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, 2011 and September 30, 2010, interest in the amounts of \$45,613 and \$40,513, respectively, is accrued on these notes. Interest expense for the six months ended March 31, 2011 and 2010, and from inception was \$7,016, \$5,332 and \$55,901 respectively.

Short-term debt as of March 31, 2011 and September 30, 2010 consisted of the following demand notes:

	March 31, 2011	Sept. 30, 2010
Various unsecured demand notes to the principal shareholder with no stated interest rate; interest is being accrued at 8.00% & 5%. At March 31, 2011 and September 30, 2010, the principal balance of the 5.00% notes were \$21,199 and \$10,300 and of the 8% notes were \$21,500 and \$20,728, respectively	\$ 42,699	\$ 31,028
Various unsecured demand notes to a business owned and controlled by the principal shareholder with a stated interest rate of 8.00% & 5%. At March 31, 2011 and September 30, 2010, the principal balance of the 5% notes were \$11,500 and \$0 and of the 8% notes were \$11,923 and \$11,923, respectively.	23,423	11,923
An unsecured demand note to a business owned and controlled by one of the shareholders with no stated interest rate; interest is being accrued at 8.00%.	---	1,600
Various unsecured demand notes to a corporation controlled by the principal shareholder with a stated interest rate of 8.00%.	10,016	10,016
Various unsecured demand notes to a limited partnership controlled by the principal shareholder with a stated interest rates of 5.00% & 6.00%. At March 31, 2011 and September 30, 2010 the principal balance of the 5.00% notes were \$20,100 & \$11,100 and of the 6.00% notes were \$10,750 & \$10,750, respectively.	30,850	21,850
Various unsecured demand notes to a limited partnership controlled by the principal shareholder with a stated interest rates of 5.00% & 6.00%. At March 31, 2011 and September 30, 2010 the principal balance of the 5.00% notes were \$41,500 & \$36,500 and of the 6.00% notes were \$6,000 & \$6,000, respectively.	47,500	42,500
An unsecured demand note to a corporation in which the principal shareholder has a minority stock interest with a stated interest of	1,200	1,200

5.00%.

\$ 155,688 \$ 120,117

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.

For the six month periods ending March 31, 2011 and 2010, and for the period from inception through March 31, 2011, the Company has recognized forgiveness of debt income in the amounts of \$0, \$0 and \$14,203, respectively.

NOTE 6 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, 2011.

The Company has 100,000,000 shares of \$0.001 par value stock authorized. At March 31, 2011 there were 3,051,870 shares outstanding. Ownership by significant parties, officers and employees of the Company are as follows:

<u>Name of beneficial owner</u>	<u>Number of shares</u>	<u>% of Ownership</u>
Jeffrey Martin	2,228,500	73
Justin Martin, Vice President	300,000	10
Karen Aalders, Secretary/Treasurer	183,000	6
Thomas Tedrow	130,000	4
Charles Camorata, President	20,000	1
Other shareholders	190,370	6

NOTE 7 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 5.

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 \$700 for the six months ended March 31, 2011, March 31, 2010 and from inception to March 31, 2011, 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 8 COMMITMENTS AND CONTINGENCIES

In October 2009, we leased studio facilities at 275 North Bayshore Drive, Ocoee, FL 34761. We renegotiated that lease May 21, 2010 which permitted us to use the facilities at a rate of \$50 per hour without any minimum use requirements. We did not use the facility between October 2009 and March 31, 2011. On February 2, 2011, we renegotiated the lease and extended the term to December 31, 2012.

NOTE 9 EQUIPMENT

Property and equipment at March 31, 2011 and September 30, 2010 consisted entirely of recording studio equipment with a cost basis of \$21,550 with \$11,051 and \$8,288 of accumulated depreciation, respectively. 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 12.)

In April, 2009 the Company vacated its leased facility (see Notes 1 and 14). At that time the Company sold a small portion of its equipment at a loss and stored the remainder of its equipment (see Note 10). All leasehold improvements were fully impaired as of September 30, 2009.

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

NOTE 10 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 to fair 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 11 INCOME TAXES

The Company has federal and state net operating loss carry forwards of \$467,486 and \$467,486, which expire in various years ending September 30, as indicated below:

	Federal	Florida
2013	\$ ---	\$ 101,262
2014	---	250,251
2015	---	74,056
2016		41,917
2023	101,262	---
2024	250,251	---
2025	74,056	---
2026	41,917	---
Total	\$ 467,486	\$ 467,486

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.

NOTE 12 EXTRAORDINARY GAIN

The Company recognized extraordinary income during the year ended September 30, 2009 related to studio equipment that was burglarized on August 10, 2008. The extraordinary gain of \$32,813 was considered extraordinary due to its unusual and infrequent nature. The Company recognized a related extraordinary loss of \$19,376 for the year ended September 30, 2008 for prior insurance claims approved. The net extraordinary gain related to these insurance claims of \$13,437 is equal to the proceeds received from the Company's insurance claim less the book value of the assets stolen. The insurance proceeds that were collected were netted against the loss in the manner above in accordance with FASB interpretation.

NOTE 13 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, 2011 and 2010, respectively, and of \$86,850 from inception through March 31, 2011.

NOTE 14 SUBSEQUENT EVENTS

Subsequent events were evaluated through the issue date. No material events came to our attention from the balance sheet date to the date these financial statement were issued.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Plan of Operation

The Company will 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 anticipate that revenue will be derived from multiple sources including, but not limited to:

.

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

.

Licensing of artists' product to third party users

.

Percentage of live performances, management fees, and merchandising

.

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

.

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:

.

Up front studio costs

.

Video production costs

.

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

.

General oversight of business and production operations

.

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 is estimated at \$5,000. Estimated time frame to receive first funds is approximately 90 days after completion of recording.

The timeframe necessary to establish an artist varies according to the 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, Twitter, etc. \$6500 new cost associated with this phase and a completion time estimated around 60 to 90 days. We estimate revenues would be generated approximately 90 to 120 days after release.

The Company will seek funding from Jeff Martin in order cover these costs.

Distribution

The Company will 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 will be profitable.

The Company will pursue licensing and sales agreements with third party distributors for overseas distribution and sales. Distribution costs are born 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. As the Company, we will centralize these self-promotion efforts providing guidance of their networking efforts as well as increased visibility through focused marketing. Through oversight and monitoring of this networking traffic, monetizing these efforts will 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. We have Justin Martin who can provide us with the know-how to enter the social networking market. We estimate the approximate timeframe of about 60 to 90 days before launch of our artists and music.

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 Camarata has the experience to run all publishing functions for the company. The time frame will be structure 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 artist 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 the signing new an Artist or a recording company that will pay for the production and recording on a contractual basis.

Results of Operations and Operating Expenses:

For the year ended September 30, 2010 vs. the year ended September 30, 2009 Net Income and Loss: Net loss for the year ended September 30, 2010 was \$78,122, compared to \$232,723 for the year ended September 30, 2009. For the six months ended March 31, 2010 compared to the six months ended March 30, 2011, net loss for the six months ended March 31, 2011 was \$42,568 compared to \$48,608 for the six months ended March 31, 2011 .. For the year ended September 30, 2009 vs. the year ended September 30, 2008 Net Income and Loss: Net loss for the year ended September 30, 2009 was \$232,723, compared to \$205,086 for the year ended September 30, 2008. For the six months ended March 31, 2009 compared to the six months ended March 30, 2010, net loss for the six months ended March 31, 2010 was \$48,608 compared to \$71,058 for the six months ended March 31, 2009.

The major component of general and administrative expenses is professional fees in the following amounts: \$31,705, \$38,375 and \$33,578 for the six months ended March 31, 2011, 2010 and 2009, \$47,945, \$66,422 and \$36,094 for the years ended September 30, 2010, 2009 and 2008, and \$158,537 from inception through March 31, 2011.

Liquidity and Capital Resources

As of March 31, 2011, we had a cash balance of \$10,150 compared to \$85 as of September 30, 2010. 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.

Previously the Company has relied upon its major shareholder to advance funds to allow it to operate in such situations. 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.

Debt Financings and Related Party Notes:

The Company is highly dependent on related party financing, specifically from 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, 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.

On March 31, 2011 interest in the amount of \$45,613 compared to \$40,513 at September 30, 2010 is accrued on these notes. Interest expense for the six months ended March 31, 2011 and 2010, the year ended September 30, 2011, the year ending September 30, 2010 and from inception through March 31, 2011 was \$7,016, \$5,332, \$11,756, \$9,556 and \$55,901, respectively.

	March 31, 2011	Sept. 30, 2010
Various unsecured demand notes to the principal shareholder with no	\$ 42,699	\$ 31,028

stated interest rate; interest is being accrued at 8.00% & 5%.

At March 31, 2011 and September 30, 2010, the principal balance of the 5.00% notes were \$21,199 and \$10,300 and of the 8% notes were \$21,500 and \$20,728, respectively

Various unsecured demand notes to a business owned and controlled

by the principal shareholder with a stated interest rate of 8.00% & 5%. At March 31, 2011 and September 30, 2010, the principal balance of the 5% notes were \$11,500 and \$0 and of the 8% notes were \$11,923 and \$11,923, respectively.

23,423 11,923

An unsecured demand note to a business owned and controlled by one of the shareholders with no stated interest rate; interest is being accrued at 8.00%.

--- 1,600

Various unsecured demand notes to a corporation controlled by the

principal shareholder with a stated interest rate of 8.00%.

10,016 10,016

Various unsecured demand notes to a limited partnership controlled by the principal shareholder with a stated interest rates of 5.00% & 6.00%. At March 31, 2011 and September 30, 2010 the principal balance of the 5.00% notes were \$20,100 & \$11,100 and of the 6.00% notes were \$10,750 & \$10,750, respectively.

30,850 21,850

Various unsecured demand notes to a limited partnership controlled by the principal shareholder with a stated interest rates of 5.00% & 6.00%. At March 31, 2011 and September 30, 2010 the principal balance of the 5.00% notes were \$41,500 & \$36,500 and of the 6.00% notes were \$6,000 & \$6,000, respectively.

47,500 42,500

An unsecured demand note to a corporation in which the principal shareholder has a minority stock interest with a stated interest of 5.00%.

1,200 1,200
\$ 155,688 \$ 120,117

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

Off Balance Sheet Arrangements

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.

Product Research and Development

Our research and development consists of song writing and recording.

Acquisition or Disposition of Plant and Equipment

Not applicable.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company does not issue or invest in financial instruments or their derivatives for trading or speculative purposes. The operations of the Company are conducted primarily in the United States, and, are not subject to material foreign currency exchange risk.

DIRECTORS AND EXECUTIVE OFFICERS

The directors and officers of the Company are listed below with information about their respective backgrounds. Each Director is elected to serve a one year term, until the next annual meeting of the shareholders or until their successor is elected (or appointed) and qualified.

Name	Age	Position	Date of Appointment
Charles Camorata	56	President, CEO and Director	June 24, 2008
Justin Martin	27	Vice President, and Director	June 24, 2008
Karen Aalders	59	Secretary/Treasurer and Director	June 24, 2008

Significant Employees

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.

Family Relationships

Justin Martin is the son of our majority shareholder Jeffrey Martin.

Business Experience

Our executive officers will spend a limited amount of time working for the Company. We expect that their efforts will be limited to no more than 10 hours per week each.

The principal occupation for the past five years (and, in some instances, for prior years) of each of our directors and officers are as follows:

Chief Executive Officer, President, Director

Charles Camorata, 56. Mr. Camorata was elected as president and director of Mainstream Entertainment in 2008 and continues to hold the position. His duties include: Running all operations needed to produce, record, and release music as well as set up the studio operations. He also had oversight of the filing of all publishing of songs in our catalog. Prior to his appointment he was the Vice President/Producer for Skreem Entertainment Corporation from 2000-2007 where he developed new groups and prepared them for recording careers by providing vocal and dance training, as well as produce their first commercially released record.

Prior to joining the company, from 1993-1999 Mr. Camorata was self employed as a music, sound, and design consultant and project manager with projects including: Theme Parks and Recording Studios including Walt Disney World, Universal Studios and MGM Studios Sound designer/design supervisor, MIDI systems programmer, and music editor/mixer for *Porta Europa* an MCA/Universal theme park in Wakayama, Japan. He was the sound designer/design supervisor, MIDI systems programmer, and music editor/mixer for the *Water World Stunt Show* in Universal Studios Hollywood. (Won IAAPA award for Best Mixed Stunt Show Worldwide 1995). He was the sound designer/design supervisor for Fox Television's fall 1994 series *Fortune Hunter*. He was the sound designer/design supervisor for independent film *Shakti* released in Puerto Rico. He was the project manager and design consultant for Sound Deluxe Inc. Projects managed and designed include *The Nascar Café Chain*, *Caroline's Comedy Nation in Manhattan*, *All-star Cafes*, *Seuss Landing at Universal Studios Florida*.

The Company believes that Mr. Camorata's music industry experience qualifies him to act as a director of Mainstream Entertainment.

Vice President, Director

Justin Martin, 27. Mr. Martin joined Mainstream Entertainment in April 2007. Mr. Martin got his start with music group called 3rd Wish, on or about January 6, 2001. The group for the most part made a name for themselves in the European market. He has extensive music training since the age of 16. Mr. Martin has no experience operating a public company. He continues to be a member of 3rd Wish. The Company believes that his music training and performing experience qualify him to act as a director of a music company such as Mainstream Entertainment.

Treasurer, Secretary, Director

Karen Aalders, 59, joined Mainstream in 2006 and has over fifteen years of financial reporting experience with private and publicly listed companies. Her responsibilities serving as both Secretary/Treasurer and Board Member have included all financial aspects of the companies and daily activities, communicating with accountants and auditors to make sure that all filings and regulations were complied with, and preparing financial presentations for investment

banking groups.

Ms. Aalders has served in a financial control position for start-up firms, taking them through the formation stage, pre and post funding, public offering, filing, listing and trading. She has handled the financial analysis of, and reporting on, merger and acquisitions from initial interest through successful conclusion. These companies have included those in the fields of media, gaming, manufacturing and retail, located in the United States, Hong Kong, Korea, China and Europe.

From 1970 through 1994, Ms. Aalders' private industry experience included Purchasing Oversight at Sorex Medical, Inc., International Purchasing Supply Liason for Sciex, Inc., a security products manufacturing firm, and Department Administrator for five years for Ampex Corporation.

The Company believes that Ms. Aalders' experience with financial reporting with private and publicly held companies qualifies her to act as a director of Mainstream Entertainment.

Control Person

Jeffrey Martin has been the President and CEO of Martin Consulting, Inc. for the last five years. During his tenure at Martin Consulting, Mr. Martin provided business consulting and real estate investment advice which has resulted in the purchasing and selling of real property investments. Additionally, Martin Consulting has provided investment capital to small emerging companies.

Involvement in Certain Legal Proceedings

To our knowledge, during the past ten years, none of our directors, director nominees, and executive officers and during the past five years none of our promoters and control persons have been:

- the subject of any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- convicted in a criminal proceeding or is subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or
- found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law.

Code of Ethical Conduct

Our board of directors has not adopted a Code of Ethical Conduct.

EXECUTIVE COMPENSATION

The following Summary Compensation Table sets forth the compensation for each executive officer for the past two fiscal years ended September 30.

Summary Compensation Table

Name and Position	Year	Salary	Bonus	Underlying Stock Options	Stock Grants
Charles Camorata, Director	2009	-0-	0-	-0-	-0-

Edgar Filing: Mainstream Entertainment, Inc. - Form S-1/A

	2010	-0-	-0-	-0-	-0-
Justin Martin, Director	2009	-0-	-0-	-0-	-0-
	2010	-0-	-0-	-0-	-0-
Karen Aalders, Director	2009	-0-	-0-	-0-	-0-
	2010	-0-	-0-	-0-	-0-

All directors hold office until the next annual meeting of stockholders and the election and qualification of their successors. Each executive officer is elected annually by the Board of Directors to hold their respective office until the annual meeting of shareholders and until their successors is chosen and qualified.

Executive Officer Compensation

All officers serve without compensation until such time as the board of directors has sufficient financial information with which to make a decision on an appropriate level executive compensation .. . Management believes that \$50,000 annual revenue is sufficient to consider setting a level of officer compensation.

Director Compensation

Our directors serve without compensation until such time as the company has sufficient revenue at which time compensation will be set by the board of directors .. Management believes that \$50,000 annual revenue is sufficient to consider setting a level of director compensation.

Summary Compensation Table

Name and Position	Year	Salary	Bonus	Underlying Stock Options	Stock Grants
Charles Camorata, President	2009	-0-	0-	-0-	-0-
	2010	-0-	-0-	-0-	-0-
Justin Martin, Vice-President	2009	-0-	-0-	-0-	-0-
	2010	-0-	-0-	-0-	-0-
Karen Aalders, Secretary/Treasurer	2009	-0-	-0-	-0-	-0-
	2010	-0-	-0-	-0-	-0-

Committees of the Board of Directors

We have no committees of the board of directors.

Employment and Consulting Agreements with Management

The Company has not entered into any employment agreements with any of its executive officers or employees.

The Company's officers and directors do not presently receive any compensation for their services rendered to the Company. No remuneration of any nature has been paid for or on account of services rendered to any other officer or director in such capacity.

The officers and directors of the Company will not receive any finder's fee, either directly or indirectly, as a result of his efforts to implement the Company's business plan outlined herein.

The board of directors may elect to compensate its officers and directors at any time for the value of their services provided to the Company.

Grants of Plan-Based Awards

The Board of Directors plans to grant non-qualified options annually to each officer as additional future compensation for services rendered. The timing and extent of such option grants are made at the sole discretion of the Board of Directors and have an exercise price equal to the estimated fair-market-value on the date of the grant. There is no other compensation given beyond the potential of the option grants.

Outstanding Equity Awards at Fiscal Year-End

There were no outstanding equity awards to any executive officer in the last fiscal year.

Meetings And Committees of The Board Of Directors

We presently have no formal independent Board committees. Until further determination, the full Board of Directors will undertake the duties of the audit committee, compensation committee and nominating and governance committee.

Compensation Committee

The board of directors, in its Compensation Committee role, will be responsible for reviewing performance of senior management, recommending compensation, and developing compensation strategies and alternatives for the Company.

Audit Committee

The board of directors, in its Audit Committee role, will be responsible for selecting the Company's independent auditors, approve the scope of audit and related fees, and review financial reports, audit results, internal accounting procedures, related-party transactions, when appropriate, and programs to comply with applicable requirements relating to financial accountability. The Audit Committees function will include the development of policies and procedures for compliance by the Company and its officers and directors with applicable laws and regulations. The board of directors acting in its audit committee capacity has reviewed and discussed the attached audited financial statements with management. Based on this review and discussion, the board of directors, in its audit committee role, recommended that the audited financial statements be included in this registration statement.

Nomination and Governance Committee

The board of directors, in its Nomination and Governance Committee role, will be responsible for recommendations to the Board of Directors respecting corporate governance principles; prospective nominees for director; Board member performance and composition; function, composition and performance of Board committees; succession planning; director and officer liability insurance coverage; and directors' responsibilities.

Audit Committee Financial Expert

We do not have an Audit Committee financial expert.

Shareholder Communications

The Company does not currently have a process for security holders to send communications to the Board.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth the Common Stock ownership information as of August 9, 2011, with respect to (i) each person known to the Company to be the beneficial owner of more than 5% of the Company's Common Stock; (ii) each director of the Company; and (iii) all directors, executive officers and designated stockholders of the Company as a group. This information as to beneficial ownership was furnished to the Company by or on behalf of the persons named. Unless otherwise indicated, we believe that each has sole voting and investment power with respect to the shares beneficially owned.

The percentage interest of each principal shareholder is based on the beneficial ownership of such shareholder divided by the sum of the current outstanding shares of common stock plus the additional shares, if any, which would be issued to such shareholder (but not any other shareholder) when exercising warrants or other rights in the future.

Applicable percentage of ownership is based on 3,051,870 shares of common stock outstanding as of August 9, 2011. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to securities exercisable or convertible into shares of common stock that are currently exercisable or exercisable within 60 days of August 9, 2011 are deemed to be beneficially owned by the person holding such securities for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Note that affiliates are subject to Rule 144 and Insider trading regulations and percentage computation is for form purposes only.

(a) Beneficial Ownership of more than 5% based on 3,051,870 common shares.

The following table describes, as of August 9, 2011, the beneficial ownership of our Common Stock by persons known to us to own more than 5% of such stock and the ownership of Common Stock by our directors, and by all officers and directors as a group.

Table 1.

Title of Class	Name and Address	Amount and Nature	Percent of Class
Common	Jeffrey Martin(1)		
	11637 Orpington Street	1,697,500	55.62%
	Orlando, FL 32817		
Common	Forbes Investments Limited (2)		
	Suite 4703, Central Plaza		
	18 Harbour Rd.	245,000	8.02%
	Wanchai		
	Hong Kong, China		
Common	FSC Limited (2)		
	Suite 4703, Central Plaza		
	18 Harbour Rd.	245,000	8.02%
	Wanchai		
	Hong Kong, China		
Common	Justin Martin		
	c/o the Company		
	11637 Orpington Street	300,000	9.83%
	Orlando, FL 32817		
Common	Karen Alders		
	c/o the Company		
	11637 Orpington Street	183,000	5.996%
	Orlando, FL 32817		
Common	Charles Camorata (3)	20,000	0.65%

Edgar Filing: Mainstream Entertainment, Inc. - Form S-1/A

c/o the Company

11637 Orpington Street

Orlando, FL 32817

Common	All Officers and Directors as a Group (3 Persons)	503,000	16.48%
--------	---	---------	--------

Notes:

(1)

Includes 10,000 shares in the name of Sherrie Martin, Jeff Martin's spouse.

(2)

The natural person who exercises voting and dispositive control over Forbes and FSC is Jeffrey Martin by virtue of being the sole officer and director of both companies. Mr. Martin disclaims beneficial ownership of the shares.

(3)

Less than 5% ownership

Changes in Control

There have not been any changes in control during the last fiscal year. Presently, there are no arrangements, known to the registrant, its control person, including any pledge by any person of Company securities, the operation of which may, at a subsequent date, result in a change in control of the Company.

Transactions with Related Persons, Promoters and Certain Control Persons

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. These debt financings (Related Party Notes) were 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 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 debt relieved related to the Company was \$205,500, incurred for 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. Currently, only the principle amounts of the loans were repaid through this exchange.

Outstanding Loans

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. These debt financings (Related Party Notes) are represented by promissory notes with the terms outlined below.

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.

Currently, only the uncollateralized interest of the Related Party notes in total of \$45,552 as of March 31, 2011, remains.

	DATE	AMOUNT	INT. RATE	AMT UNPAID as of 3/31/11 INCLUDI NG INT.
AMPAC INVESTMENTS, INC	9/30/07	\$	8%	
<i>(100% owned by Jeffrey Martin)</i>	9/30/08	\$	8%	
				\$ 13,245.
FORBES INVESTMENT LTD, LLP	9/3/09	\$	6%	
<i>(100% owned by Jeffrey Martin)</i>	9/10/09	\$	6%	

9/14/09 \$

because WebMD is the leading distributor of online CME to healthcare professionals, any failure to maintain its status as an accredited CME provider or any change in government regulation of CME or in industry practices could adversely affect WebMD's business;

because Porex manufactures medical devices for implantation, it is subject to extensive FDA regulation, as well as foreign regulatory requirements;

because we provide products and services to healthcare providers, our sales and promotional practices must comply with federal and state anti-kickback laws; and

in providing health information to consumers, we must not engage in activities that could be deemed to be practicing medicine and a violation of applicable laws.

Some of the risks that EBS faces from healthcare regulations are as follows:

because EBS is in the business of applying information technology to healthcare, various aspects of HIPAA have had and are expected to continue to have significant consequences for EBS; and

EBS's healthcare connectivity and transaction-related administrative services must be provided in compliance with federal and state false claims laws.

For more information regarding the risks that healthcare regulation creates for our businesses and for EBS, see "Business Government Regulation" in our Annual Report on Form 10-K for the year ended December 31, 2006.

Risks Applicable to Our Entire Company and to Ownership of Our Securities

The ongoing investigations by the United States Attorney for the District of South Carolina and the SEC could negatively impact our company and divert management attention from our business operations

The United States Attorney for the District of South Carolina is conducting an investigation of our company. Based on the information available to HLTH as of the date of this Quarterly Report, we believe that the investigation relates principally to issues of financial accounting improprieties for Medical Manager Corporation, a predecessor of HLTH (by its merger into HLTH in September 2000), and Medical Manager Health Systems, a former subsidiary of HLTH; however, we cannot be sure of the investigation's exact scope or how long it may continue. In addition, HLTH understands that the SEC is conducting a formal investigation into this matter. Adverse developments in connection with the investigations, if any, including as a result of matters that the authorities or HLTH may discover, could have a negative impact on our company and on how

it is perceived by investors and potential investors and customers and potential customers. In addition, the management effort and attention required to respond to the investigations and any such developments could have a negative impact on our business operations.

HLTH intends to continue to fully cooperate with the authorities in this matter. We believe that the amount of the expenses that we will incur in connection with the investigations will continue to be significant and we are not able to determine, at this time, what portion of those amounts may ultimately be covered by insurance or may ultimately be repaid to us by individuals to whom we are advancing amounts for their defense costs. In connection with the sale of Emdeon Practice Services to Sage Software, we have agreed to indemnify Sage Software with respect to this matter.

The dispositions of Emdeon Practice Services and Emdeon Business Services may create contractual liabilities, including for indemnifications, as well as other risks and liabilities

We may face significant expense as a result of ongoing obligations in connection with the sale of Emdeon Practice Services to Sage Software and the sale of a 52% interest in Emdeon Business Services to an affiliate of General Atlantic LLC. The agreements we entered into in connection with those transactions require us to indemnify the purchasers for specified losses incurred by them or resulting from the inaccuracy of representations made by us in connection with the transactions. We will remain exposed to these liabilities until the

Table of Contents

indemnification periods expire under the agreements. In addition, we may be subject to other, unforeseen risks and liabilities relating to those transactions. Although our management has attempted to evaluate and assess the potential liabilities involved in those transactions, we cannot assure you that we have properly ascertained all of the risks.

We depend on EBS to provide us with certain services required by us for the operation of our business

Certain administrative services required by us for the operation of our business are provided to us by EBS under a Transition Services Agreement. These services include telecommunication infrastructure and management services, data center support and purchasing and procurement services. A disruption in the provision of these services by EBS could have an adverse effect on the operation of our business.

We reimburse EBS in agreed upon amounts or under agreed-upon formulas based on EBS's costs related to those services. The costs we are charged under the Transition Services Agreement are not necessarily indicative of the costs that we would incur if we had to provide the services on our own or contract for them with third parties on a stand-alone basis.

If certain transactions occur with respect to our capital stock, limitations may be imposed on our ability to utilize our net operating loss carryforwards and tax credits to reduce our income taxes

As of December 31, 2006, we had net operating loss carryforwards of approximately \$1.2 billion for federal income tax purposes and federal tax credits of approximately \$35 million. If certain transactions occur with respect to our capital stock, including issuances, redemptions, recapitalizations, exercises of options, conversions of convertible debt, purchases or sales by 5%-or-greater shareholders and similar transactions, that result in a cumulative change of more than 50% of the ownership of our capital stock, over a three-year period, as determined under rules prescribed by the U.S. Internal Revenue Code and applicable Treasury regulations, an annual limitation would be imposed with respect to our ability to utilize our net operating loss carryforwards and federal tax credits.

Our success depends, in part, on our attracting and retaining qualified executives and employees

The success of our company depends, in part, on our ability to attract and retain qualified executives, writers and editors, software developers and other technical and professional personnel and sales and marketing personnel. We anticipate the need to hire and retain qualified employees in these areas from time to time. Competition for qualified personnel in the healthcare information technology and healthcare information services industries is intense, and we cannot assure you that we will be able to hire or retain a sufficient number of qualified personnel to meet our requirements, or that we will be able to do so at

salary, benefit and other compensation costs that are acceptable to us. Failure to do so may have an adverse effect on our business. Similarly, EBS's failure to attract and retain qualified executives and employees may have an adverse effect on its business.

Recent and pending management changes may disrupt our operations and our ability to recruit and retain other personnel

In the past 18 months, we have experienced significant changes in our senior management. The President of our company, who was also the head of our Emdeon Business Services segment, left in December 2005. We hired a new Chief Financial Officer in November 2006, after our previous Chief Financial Officer took a position with Sage Software in connection with our sale of Emdeon Practice Services to Sage Software. We have also announced that our Chief Executive Officer may change positions within our company for health reasons. Changes in senior management and uncertainty regarding pending changes may disrupt the operations of our business and may impair our ability to recruit and retain needed personnel. Any such disruption or impairment may have an adverse affect on our business.

Table of Contents

Contractual relationships with governmental customers may impose special burdens and additional risks on us that are not generally found in contracts with other customers

A significant portion of ViPS revenue and a portion of the revenue of EBS and WebMD comes from customers that are governmental agencies. Government contracts and subcontracts may be subject to some or all of the following:

termination when appropriated funding for the current fiscal year is exhausted;

termination for the governmental customer's convenience, subject to a negotiated settlement for costs incurred and profit on work completed, along with the right to place contracts out for bid before the full contract term, as well as the right to make unilateral changes in contract requirements, subject to negotiated price adjustments;

most-favored pricing disclosure requirements that are designed to ensure that the government can negotiate and receive pricing akin to that offered commercially and requirements to submit proprietary cost or pricing data to ensure that government contract pricing is fair and reasonable;

commercial customer price tracking requirements that require contractors to monitor pricing offered to a specified class of customers and to extend price reductions offered to that class of customers to the government;

reporting and compliance requirements related to, among other things: conflicts of interest, equal employment opportunity, affirmative action for veterans and for workers with disabilities, and accessibility for the disabled;

broader audit rights than we would usually grant to non-governmental customers; and

specialized remedies for breach and default, including setoff rights, retroactive price adjustments, and civil or criminal fraud penalties, as well as mandatory administrative dispute resolution procedures instead of state contract law remedies.

In addition, certain violations of federal law may subject government contractors to having their contracts terminated and, under certain circumstances, suspension and/or debarment from future government contracts. We are also subject to conflict-of-interest rules that may affect our eligibility for some government contracts, including rules applicable to all U.S. government contracts as well as rules applicable to the specific agencies with which we have contracts or with which we may seek to enter into contracts. Finally, some of our government contracts are priced based on our cost of providing products and services. Those contracts are subject to regulatory cost-allowability standards and a specialized system of cost accounting standards.

Risks and uncertainties similar to the above apply to EBS' s contractual relationships with governmental entities.

We may not be successful in protecting our intellectual property and proprietary rights

Intellectual property and proprietary rights are important to our businesses. The steps that we take to protect our intellectual property, proprietary information and trade secrets may prove to be inadequate and, whether or not adequate, may be expensive. We rely on a combination of trade secret, patent and other intellectual property laws and confidentiality procedures and non-disclosure contractual provisions to protect our intellectual property. We cannot assure you that we will be able to detect potential or actual misappropriation or infringement of our intellectual property, proprietary information or trade secrets. Even if we detect misappropriation or infringement by a third party, we cannot assure you that we will be able to enforce our rights at a reasonable cost, or at all. In addition, our rights to intellectual property, proprietary information and trade secrets may not prevent independent third-party development and commercialization of competing products or services. EBS is subject to similar risks relating to its intellectual property and proprietary rights.

Table of Contents

Third parties may claim that we are infringing their intellectual property, and we could suffer significant litigation or licensing expenses or be prevented from selling products or services

We could be subject to claims that we are misappropriating or infringing intellectual property or other proprietary rights of others. These claims, even if not meritorious, could be expensive to defend and divert management's attention from our operations. If we become liable to third parties for infringing these rights, we could be required to pay a substantial damage award and to develop non-infringing technology, obtain a license or cease selling the products or services that use or contain the infringing intellectual property. We may be unable to develop non-infringing products or services or obtain a license on commercially reasonable terms, or at all. We may also be required to indemnify our customers if they become subject to third-party claims relating to intellectual property that we license or otherwise provide to them, which could be costly. EBS is subject to similar risks relating to claims that it is infringing the intellectual property of third parties.

We have incurred losses and may incur losses in the future

We began operations in January 1996 and, until 2004, had incurred net losses in each year since our inception. As of June 30, 2007, we had an accumulated deficit of approximately \$9.4 billion. We currently intend to continue to invest in infrastructure development, applications development, marketing and acquisitions. Whether we incur losses in a particular period will depend on, among other things, the amount of such investments and whether those investments lead to increased revenues.

Acquisitions, business combinations and other transactions may be difficult to complete and, if completed, may have negative consequences for our business and our securityholders

We may seek to acquire or to engage in business combinations with companies engaged in complementary businesses. In addition, we may enter into joint ventures, strategic alliances or similar arrangements with third parties. These transactions may result in changes in the nature and scope of our operations and changes in our financial condition. Our success in completing these types of transactions will depend on, among other things, our ability to locate suitable candidates and negotiate mutually acceptable terms with them, as well as the availability of financing. Significant competition for these opportunities exists, which may increase the cost of and decrease the opportunities for these types of transactions. Similar risks and uncertainties apply to EBSCo's efforts to make acquisitions or to engage in business combinations.

Financing for these transactions may come from several sources, including:

cash and cash equivalents on hand and marketable securities;

proceeds from the incurrence of indebtedness; and

proceeds from the issuance of additional common stock, preferred stock, convertible debt or other securities.

Our issuance of additional securities could:

cause substantial dilution of the percentage ownership of our stockholders at the time of the issuance;

cause substantial dilution of our earnings per share;

subject us to the risks associated with increased leverage, including a reduction in our ability to obtain financing or an increase in the cost of any financing we obtain;

subject us to restrictive covenants that could limit our flexibility in conducting future business activities; and

adversely affect the prevailing market price for our outstanding securities.

We do not intend to seek securityholder approval for any such acquisition or security issuance unless required by applicable law or regulation or the terms of existing securities.

Table of Contents

Our business will suffer if we fail to successfully integrate acquired businesses and technologies or to assess the risks in particular transactions

We have in the past acquired, and may in the future acquire, businesses, technologies, services, product lines and other assets. The successful integration of the acquired businesses and assets into our operations, on a cost-effective basis, can be critical to our future performance. The amount and timing of the expected benefits of any acquisition, including potential synergies between HLTH and the acquired business, are subject to significant risks and uncertainties. These risks and uncertainties include, but are not limited to, those relating to:

our ability to maintain relationships with the customers of the acquired business;

our ability to cross-sell products and services to customers with which we have established relationships and those with which the acquired businesses have established relationships;

our ability to retain or replace key personnel;

potential conflicts in payer, provider, strategic partner, sponsor or advertising relationships;

our ability to coordinate organizations that are geographically diverse and may have different business cultures; and

compliance with regulatory requirements.

We cannot guarantee that any acquired businesses will be successfully integrated with our operations in a timely or cost-effective manner, or at all. Failure to successfully integrate acquired businesses or to achieve anticipated operating synergies, revenue enhancements or cost savings could have a material adverse effect on our business, financial condition and results of operations.

Although our management attempts to evaluate the risks inherent in each transaction and to value acquisition candidates appropriately, we cannot assure you that we will properly ascertain all such risks or that acquired businesses and assets will perform as we expect or enhance the value of our company as a whole. In addition, acquired companies or businesses may have larger than expected liabilities that are not covered by the indemnification, if any, that we are able to obtain from the sellers.

Risks and uncertainties similar to the above apply to any acquisitions that EBSCo may make and may reduce the value of our investment in EBSCo.

We may not be able to raise additional funds when needed for our business or to exploit opportunities

Our future liquidity and capital requirements will depend upon numerous factors, including the success of the integration of our businesses, our existing and new applications and service offerings, competing technologies and market developments, potential future acquisitions and dispositions of companies or businesses, and additional repurchases of our common stock. We may need to raise additional funds to support expansion, develop new or enhanced applications and services, respond to competitive pressures, acquire complementary businesses or technologies or take advantage of unanticipated opportunities. If required, we may raise such additional funds through public or private debt or equity financing, strategic relationships or other arrangements. There can be no assurance that such financing will be available on acceptable terms, if at all, or that such financing will not be dilutive to our stockholders.

ITEM 3. *Quantitative and Qualitative Disclosures About Market Risk*

Interest Rate Sensitivity

The primary objective of our investment activities is to preserve principal and maintain adequate liquidity, while at the same time maximizing the yield we receive from our investment portfolio. This objective is accomplished by adherence to our investment policy, which establishes the list of eligible types of securities and credit requirements for each investment.

Table of Contents

Changes in prevailing interest rates will cause the principal amount of the investment to fluctuate. To minimize this risk, we maintain our portfolio of cash equivalents, short-term investments and marketable securities in commercial paper, non-government debt securities, money market funds and highly liquid United States Treasury notes. We view these high grade securities within our portfolio as having similar market risk characteristics. Principal amounts expected to mature in 2007 and 2008 are \$227.9 million and \$0.9 million, respectively.

The \$350,000 of 1.75% Convertible Subordinated Notes due 2023 and the \$300,000 of 3 1/8% Convertible Notes due 2025 that we have issued have fixed interest rates; changes in interest rates will not impact our financial condition or results of operations.

We have not utilized derivative financial instruments in our investment portfolio.

Exchange Rate Sensitivity

Currently, substantially all of our sales and expenses are denominated in United States dollars; however, Porex is exposed to fluctuations in foreign currency exchange rates, primarily the rate of exchange of the United States dollar against the Euro. This exposure arises primarily as a result of translating the results of Porex's foreign operations to the United States dollar at exchange rates that have fluctuated from the beginning of the accounting period. Porex is not engaged in foreign currency hedging activities to date. Foreign currency translation gains were \$0.4 million and \$0.8 million, during the three and six months ended June 30, 2007, respectively, and foreign currency translation gains were \$1.1 million and \$1.4 million, during the three and six months ended June 30, 2006. We believe that future exchange rate sensitivity related to Porex will not have a material effect on our financial condition or results of operations.

ITEM 4. *Controls and Procedures*

As required by Exchange Act Rule 13a-15(b), HLTH management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of HLTH's disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), as of June 30, 2007. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that HLTH's disclosure controls and procedures were effective as of June 30, 2007.

In connection with the evaluation required by Exchange Act Rule 13a-15(d), HLTH management, including the Chief Executive Officer and Chief Financial Officer, concluded that no changes in HLTH's internal control over financial reporting occurred during the second quarter of 2007 that have materially affected, or are reasonably likely to materially affect, HLTH's internal control over financial reporting, except for the previously disclosed remediation of a material weakness in our internal control over financial reporting with respect to

accounting for income taxes relating to the treatment of tax deductible goodwill and certain intangible assets in the determination of the deferred tax asset valuation allowance. As of May 4, 2007, we implemented new procedures including improved documentation and analysis regarding the reversal pattern of taxable temporary differences between financial and tax reporting. HLTH management believes that these new procedures enable HLTH to comply with the requirements related to the accounting for deferred tax asset valuation allowances.

Table of Contents**PART II
OTHER INFORMATION****ITEM 1. *Legal Proceedings***

The information relating to legal proceedings contained in Note 13 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report is incorporated herein by this reference.

ITEM 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

(a) On April 25, 2007, 60 shares of the Registrant's Convertible Redeemable Exchangeable Preferred Stock were converted by CalPERS/PCG Corporate Partners, LLC, the sole holder, into an aggregate of 63,829 shares of HLTH Common Stock. As previously disclosed, on June 29, 2007, 9,940 shares of the Registrant's Convertible Redeemable Exchangeable Preferred Stock (which represented all of the remaining outstanding shares of Convertible Redeemable Exchange Preferred Stock) were converted by CalPERS/PCG Corporate Partners, LLC, into an aggregate of 10,574,468 shares of HLTH Common Stock. Both conversions were exempt from registration under Section 3(a)(9) of the Securities Act of 1933. For additional information, see Note 2 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report.

(c) The following table provides information about purchases by HLTH during the three months ended June 30, 2007 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased(1)	Average Price Paid per	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(2)

		Share		
04/01/07 - 04/30/07	690	\$ 15.90		\$ 77,353,239
05/01/07 - 05/31/07	797,472	15.24	796,867	\$ 65,207,825
06/01/07 - 06/30/07	1,358,314	14.31	1,358,314	\$ 45,770,096
Total	2,156,476	\$ 14.66	2,155,181	\$ 45,770,096

- (1) Includes 690 and 605 shares withheld from HLTH Restricted Stock that vested during April and May 2007, respectively, in order to satisfy withholding tax requirements related to the vesting of the awards. The value of these shares was determined based on the closing fair market value of HLTH Common Stock on the date of vesting.
- (2) These repurchases were made pursuant to the repurchase program that we announced in December 2006, at which time HLTH was authorized to use up to \$100 million to purchase shares of its common stock from time to time. For additional information, see Note 9 to the Consolidated Financial Statements included in this Quarterly Report.

ITEM 6. Exhibits

The exhibits listed in the accompanying Exhibit Index on page E-1 are filed or furnished as part of this Quarterly Report.

Table of Contents

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 thereunto duly authorized.

HLTH Corporation

By: /s/ Mark D. Funston

Mark D. Funston
*Executive Vice President and
Chief Financial Officer*

Date: August 9, 2007

75

Table of Contents

EXHIBIT INDEX

Exhibit No.	Description
3.1	Eleventh Amended and Restated Certificate of Incorporation of Registrant, as amended (incorporated by reference to Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004)
3.2	Certificate of Ownership and Merger Amending the Registrant's Eleventh Amended and Restated Certificate of Incorporation to Change the Registrant's Name to HLTH Corporation (incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed on May 21, 2007)
3.4	Amended and Restated Bylaws of Registrant, as currently in effect (incorporated by reference to Exhibit 3.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004)
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Registrant
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Registrant
32.1	Section 1350 Certification of Chief Executive Officer of Registrant
32.2	Section 1350 Certification of Chief Financial Officer of Registrant

E-1