TM Entertainment & Media, Inc.
Form 10-Q
May 15, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D C. 20549
FORM 10-Q

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

For the quarterly period ended March 31, 2009

or

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

For the transition period from _____ to _____

Commission file number 001-33746

TM ENTERTAINMENT AND MEDIA, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	20-8951489
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
307 East 87th Street, New York, NY	10128
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: (212) 289-6942

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes þ No o

As of March 31, 2009, 12,505,000 shares of the issuer s common stock, par value $0.001, were outstanding.

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TM ENTERTAINMENT AND MEDIA, INC.
(A CORPORATION IN THE DEVELOPMENT STAGE)
Condensed Balance Sheets

	March 31, 2009 (unaudited)	December 31, 2008
ASSETS		
Current assets:		
Cash	$ 54,714	$ 159,689
Cash held in trust available for taxes	8,500	15,770
Prepaid expenses	56,144	89,776
Total current assets	119,358	265,235
Cash held in trust restricted	81,145,922	81,119,299
Total assets	$ 81,265,280	$ 81,384,534
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (including related parties of $64,000 and $44,800 respectively)	$ 603,415	$ 414,563
Total current liabilities	603,415	414,563
Deferred underwriting fee	3,281,600	3,281,600
Total liabilities	3,885,015	3,696,163
Commitments and contingencies		
Common stock, subject to possible conversion of 3,075,475 shares	24,285,542	24,285,542
Interest income attributable to common stock, subject to possible conversion (net of taxes of $2,250 and $4,731 respectively)	50,120	42,136
Stockholders equity:		
Preferred stock 1,000,000 shares authorized, $.001 par value, none issued and outstanding		
Common stock 40,000,000 authorized, $.001 par value, 12,505,000 issued and outstanding (which includes 3,075,475 shares subject to possible conversion)	12,505	12,505
Additional paid-in capital	53,575,335	53,575,335
(Deficit) accumulated during the development stage	(543,237)	(227,147)
Total stockholders equity	53,044,603	53,360,693

Total liabilities and stockholders equity	$	81,265,280	$	81,384,534

The accompanying notes are an integral part of the condensed financial statements.

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TM ENTERTAINMENT AND MEDIA, INC.
(A CORPORATION IN THE DEVELOPMENT STAGE)
Condensed Statements of Operations
(unaudited)

	For the Three Months Ended March 31, 2009	For the Three Months Ended March 31, 2008	For the Period from May 1, 2007 (inception) to March 31, 2009
Formation and operating expenses	$ (408,391)	$ (853,050)	$ (2,697,773)
Interest expense			(2,664)
Interest income	100,285	469,970	2,207,320
(Loss) before taxes	(308,106)	(383,080)	(493,117)
Income taxes			
Net (loss)	(308,106)	(383,080)	(493,117)
Less: interest income attributable to common stock subject to possible conversion (net of taxes of $2,550, $0 and $7,281 respectively)	(7,984)		(50,120)
Net (loss) attributable to common stock not subject to possible conversion	$ (316,090)	$ (383,080)	$ (543,237)
Net loss per share:			
Basic	$ (0.02)	$ (0.03)	
Diluted	$ (0.02)	$ (0.03)	
Weighted average shares outstanding:			
Basic	12,505,000	12,505,000	
Diluted	12,505,000	12,505,000	
Weighted average shares outstanding subject to possible conversion	3,075,475	3,075,475	
Net (loss) per share attributable to common stock not subject to possible conversion:			
Basic	$ (0.03)	$ (0.04)	

Diluted	$ 0.03)	$ (0.04)

The accompanying notes are an integral part of the condensed financial statements.

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TM ENTERTAINMENT AND MEDIA, INC.
(A CORPORATION IN THE DEVELOPMENT STAGE)
Condensed Statement of Stockholders Equity

For the Period from May 1, 2007 (inception) to March 31, 2009

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	(Deficit) Retained Earnings Accumulated During Development Stage	Stockholders Equity
Issuance of common stock to initial stockholders on May 1, 2007 at $.011 per share	2,250,000	$ 2,250	$ 22,750		$ 25,000
Sale of Private Placement Warrants			2,100,000		2,100,000
Sale of 10,255,000 units through public offering (net of underwriter s discount and offering expenses) Including 3,075,475 shares subject to possible conversion	10,255,000	10,255	75,738,027		75,748,282
Proceeds from sale of underwriters purchase option			100		100
Proceeds subject to possible conversion			(24,285,542)		(24,285,542)
Net Income				$ 190,096	190,096
Balance at December 31, 2007	12,505,000	12,505	53,575,335	190,096	53,777,936
Accretion of trust fund relating to common stock subject to possible conversion (net of taxes of $4,731)				(42,136)	(42,136)
Net loss for the year ended December 31, 2008				(375,107)	(375,107)
Balance at December 31, 2008	12,505,000	12,505	53,575,335	(227,147)	53,360,693
Accretion of trust fund relating to common stock subject to possible conversion (net of taxes of $2,250)				(7,984)	(7,984)
Net loss for the three months ended March 31, 2009				(308,106)	(308,106)
Balance at March 31, 2009 (unaudited)	12,505,000	$ 12,505	$ 53,575,335	$ (543,237)	$ 53,044,603

The accompanying notes are an integral part of the condensed financial statements.

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TM ENTERTAINMENT AND MEDIA, INC.
(A CORPORATION IN THE DEVELOPMENT STAGE)
Condensed Statements of Cash Flows
(unaudited)

	For the Three Months Ended March 31, 2009	For the Three Months Ended March 31, 2008	For the Period from May 1, 2007 (inception) to March 31, 2009
Cash flows from operating activities:			
Net (loss)	$ (308,106)	$ (383,080)	$ (493,117)
Decrease (increase) in prepaid expenses	33,632	8,563	(56,144)
Increase in accounts payable and accrued liabilities	188,852	410,736	603,415
Net cash (used) provided by operating activities	(85,622)	36,219	54,154
Cash flows from investing activities:			
Cash placed in Trust	(26,623)		(81,145,922)
Net cash used in investing activities	(26,623)		(81,145,922)
Cash flows from financing activities:			
Proceeds from sale of shares of common stock to Initial Stockholders			25,000
Proceeds from sale of units to public			82,040,000
Proceeds from private placement of warrants			2,100,000
Proceeds from note payable to Initial Stockholder			100,000
Repayment of note payable to Initial Stockholder			(100,000)
Proceeds from sale of underwriters purchase option			100
Payment of deferred offering costs			(3,010,118)
Net cash provided by (used in) financing activities			81,154,982
Net (decrease) increase in cash	(112,245)	36,219	63,214
Cash at beginning of period	175,459	465,373	
Cash at end of period	$ 63,214	$ 501,592	$ 63,214

Supplemental disclosure of non cash financing activities				
Accrual of deferred underwriting fee	$	$	$	3,261,600
Accrual of deferred offering costs	$	$	$	

The accompanying notes are an integral part of the condensed financial statements.

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TMENT AND MEDIA, INC.
(A CM ENTERTAINORPORATION IN THE DEVELOPMENT STAGE)
Notes to Condensed Financial Statements (unaudited)

Basis of Reporting

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles in the United Sates (GAAP) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items which are considered necessary for a fair presentation of the financial position of TM Entertainment and Media, Inc. (the Company) and the results of operations and cash flow for the periods presented). The results of operations for the period ended March 31, 2009 are not necessarily indicative of the operating results for the full year. It is suggested that these financial statements be read in conjunction with the financial statements and related disclosures for the period ended December 31, 2008 included in the Annual Report of the Company on Form 10-K filed with the SEC on March 31, 2009. The Condensed Balance Sheet at December 31, 2008 is derived from the December 31, 2008 audited financials statements.

2. Organization and Business Operations/Going Concern Considerations

The Company was incorporated in Delaware on May 1, 2007 for the purpose of effecting a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business in the entertainment, media, digital and communications industry.

At March 31, 2009, the Company had not yet commenced any operations. All activity through March 31, 2009 relates to the Company s formation and the public offering (the Offering) described below, and activities relating to identifying and evaluating prospective acquisition candidates and is subject to the risks associated with activities of development stage companies. The Company has selected December 31 as its fiscal year-end.

The registration statement for the Company (described in Note 3) was declared effective October 17, 2007. The Company consummated the Offering on October 23, 2007, and received net proceeds of $77,848,282, including $2,100,000 of proceeds from the private placement (the Private Placement) sale of 2,100,000 insider warrants to the officers and directors of the Company, and their affiliates. The insider warrants purchased by these individuals and their affiliates are identical to the warrants underlying the Units sold in the Offering (see Note 3) except that the insider warrants will be exercisable on a cashless basis and will not be redeemable by the Company so long as they are still held by the purchasers or their affiliates. The purchasers of the insider warrants have agreed that they will not sell or transfer the insider warrants (except in certain cases) until 60 days after the consummation of the Company s business combination. The sale of the warrants to management will not result in the recognition of any stock-based compensation expense because they were sold above fair market value.

The Company s management has broad discretion with respect to the specific application of the net proceeds of the Offering, although substantially all of the net proceeds of the Offering are intended to be generally applied toward consummating a business combination with an operating business (Business Combination). Furthermore, there is no assurance that the Company will be able to successfully affect a Business Combination. Following the closing of the Offering and Private Placement, $80,978,800, including $3,281,600 of the underwriters discount as described in Note 3 has been and continues to be held in a trust account (Trust Account) and will be invested in United States government securities within the meaning of Section 2(a)(16) of the Investment Company Act of 1940 having a maturity of 180 days or less or in money market funds meeting certain conditions under Rule 2a-7 promulgated under the Investment Company Act of 1940 until the earlier of (i) the consummation of its first Business Combination and (ii) liquidation of the Company. The placing of funds in the Trust Account may not protect those funds from third party claims against the Company. Although the Company will seek to have all vendors and service providers (which would include any third parties engaged by the Company to assist it in any way in connection with the Company s search for a target business) and prospective target businesses execute agreements with the Company waiving any right, title, interest or claim of any kind in or to any monies held in the Trust Account, there is no guarantee that they will execute such agreements. Nor is there any guarantee that, even if such entities execute such agreements with the Company, they will not seek recourse against the Trust Account or that a court would not conclude that such agreements are not legally enforceable. The Company s Chairman of the Board and Co-Chief Executive Officer, and the Company s Co-Chief Executive Officer have agreed that they will be liable under certain circumstances to ensure that the proceeds in the Trust Account are not reduced by the claims of target businesses or claims of vendors or other entities that are owed money by the Company for services rendered or contracted for or products sold to the Company. However, there can be no assurance that they will be able to satisfy those obligations. Furthermore, they will not have any personal liability as to any claimed amounts owed to a third party who executed a waiver (including a prospective target business).

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The remaining net proceeds, initially $100,000, (not held in the Trust Account) were used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. Additionally, $1,500,000 of interest earned on the Trust Account balance has been released to the Company to fund working capital requirements and additional amounts will be released to the Company as necessary to satisfy income or other tax obligations.

The Company, after signing a definitive agreement for the acquisition of a target business, is required to submit such transaction for stockholder approval. In the event that stockholders owning 30% or more of the shares sold in the Offering vote against the Business Combination and exercise their conversion rights described below, the Business Combination will not be consummated. All of the Company s stockholders prior to the Offering, including all of the officers and directors of the Company (Initial Stockholders), have agreed to vote their initial shares of Common Stock in accordance with the vote of the majority in interest of all other stockholders of the Company (Public Stockholders) with respect to any Business Combination. After consummation of a Business Combination, these voting safeguards will no longer be applicable.

With respect to a Business Combination which is approved and consummated, any Public Stockholder who voted against the Business Combination may demand that the Company convert his, hers, or its shares. The per share conversion price will equal the amount in the Trust Account, calculated as of two business days prior to the consummation of the proposed Business Combination, divided by the number of shares of Common Stock held by Public Stockholders at the consummation of the Proposed Offering, approximately $7.91 per share. Accordingly, Public Stockholders holding 29.99% of the aggregate number of shares owned by all Public Stockholders may seek conversion of their shares in the event of a Business Combination. Such Public Stockholders are entitled to receive their per share interest in the Trust Account computed without regard to the shares held by Initial Stockholders. Accordingly, a portion of the net proceeds from the Offering (29.99% of the amount held in Trust Account, including the deferred portion of the underwriters discount) has been classified as common stock subject to possible conversion in the accompanying financial statements.

The Company s Amended and Restated Certificate of Incorporation provides that the Company will continue in existence only until 24 months from the effective date of the initial public offering. If the Company has not completed a Business Combination by such date, its corporate existence will cease and it will dissolve and liquidate for the purposes of winding up its affairs. In the event of liquidation, it is likely that the per share value of the residual assets remaining available for distribution (including Trust Account assets) will be less than the initial public offering price per share in the Offering (assuming no value is attributed to the Warrants contained in the Units sold in the Offering discussed in Note 3).

Going concern consideration As indicated in the accompanying financial statements, at March 31, 2009 the Company had unrestricted cash of $54,714 and $594,915 of accounts payable and accrued liabilities exclusive of income taxes payable of $8,500. However, the Company has incurred and expects to incur significant costs in pursuit of its acquisition plans which is in excess of its unrestricted cash available at March 31, 2009. In addition, there is no assurance that the Company will successfully complete a Business Combination as required under the terms of the public offering and the Company s Certificate of Incorporation. If such business combination is not consummated by the Company on or before October 17, 2009, the Company will be forced to liquidate upon expiration of this time constraint.

Through March 31, 2009 the Company withdrew $1,500,000 of interest from the trust for operating expenses (excluding $526,335 of interest earned and used to pay taxes). Since inception to March 31, 2009 the Company has incurred $2,174,102 of operating expenses (excluding taxes) of which $594,915 was payable as of March 31, 2009. The Company had cash available at March 31, 2009 of $54,714 for operating expenses. Therefore, at March 31, 2009, the Company has incurred liabilities which exceed cash available. The Company expects to incur additional costs in pursuit of its acquisition plans. The Company is seeking to obtain deferrals of payables from its vendors, including its professional advisors except for its independent accountants. In the event the Company is unsuccessful in obtaining these deferrals, it may seek additional financing, including loans from its Initial Stockholders. On May 4, 2009, Thoedore S. Green, the Chairman, Co-CEO and interim CFO of the Company, loaned the Company $200,000 (see Note 8). These factors, among others, raise substantial doubt about the Company s ability to continue operations as a going concern. The accompanying financial statements do not include any adjustments that may result from the outcome of this uncertainty.

Cash and cash equivalents The Company considers all highly liquid investments with maturities of three months or less when purchased, to be cash equivalents. At March 31, 2009, cash includes unrestricted cash for taxes of $8,500 in the trust fund.

Concentration of Credit Risk The Company maintains cash in a bank deposit account which, at times, exceeds federally insured (FDIC) limits. The Company has not experienced any losses on this account. The Company s Money Market account is currently guaranteed by the U.S. Department of Treasury through September 18, 2009.

Net (Loss) Income Per Share Basic and diluted net (loss) income per share is computed by dividing net (loss) income applicable to common stockholders by the weighted average number of common shares outstanding for the period.

Pro forma diluted EPS includes the determinants of basic and diluted EPS plus to the extent dilutive, the incremental number of shares of common stock to settle outstanding common stock purchase warrants, as calculated using the treasury stock method. The 12,355,000 warrants outstanding for the period ended March 31, 2009 and 2008 were not included in the computation of pro-forma dilutive loss per share because the net effect would have been anti-dilutive.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements The fair values of the Company s financial instruments reflect the estimates of amounts that would be received from selling an asset in an orderly transaction between market participants at the measurement date. The fair value estimates presented in this report are based on information available to the Company as of March 31, 2009 and December 31, 2008.

In accordance with Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157), the Company applies a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. The three levels are the following:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value of cash and investments held in the trust account were estimated using Level 1 inputs and approximates the fair value because of their nature and respective duration.

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In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159), which permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS 159 is effective for the first quarter of 2008. The Company did not have certain financial instruments to elect fair value accounting; therefore, the adoption of SFAS 159 did not have an impact on the Company s financial statements.

In October 2008, the FASB issued FASB Staff Position FAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active (FSP 157-3), FSP 157-3 clarified the application of FAS 157. FSP 157-3 demonstrated how the fair value of a financial asset is determined when the market for that financial asset is inactive. FSP 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued. The implementation of this standard did not have an impact on the Company s financial statements.

Recently Issued Accounting Pronouncements

Noncontrolling Interest in Consolidated Financial Statements In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interest in Consolidated Financial Statements (SFAS 160). SFAS 160 re-characterizes minority interests in consolidated subsidiaries as non-controlling interests and requires the classification of minority interests as a component of equity. Under SFAS 160, a change in control will be measured at fair value, with any gain or loss recognized in earnings. The effective date for SFAS 160 is for annual periods beginning on or after December 15, 2008. Early adoption and retroactive application of SFAS 160 to fiscal years preceding the effective date are not permitted. The Company will evaluate the impact of SFAS 160 on the financial statements should it complete a business acquisition within its required timeframe (prior to October 24, 2009).

Business Combinations In December 2007, FASB issued SFAS No. 141R, Business Combinations (FASB 141R). FASB 141R replaces FASB Statement No. 141 Business Combinations but retains the fundamental requirements in FASB 141. This statement defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control. FASB 141R also requires that an acquirer recognize the assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date. In addition, this statement requires that the acquirer in a business combination achieved in stages to recognize the identifiable assets and liabilities, as well as the noncontrolling interest in the acquiree, at the full amounts of their fair values. FASB 141R is applied prospectively to 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, 2008. An entity may not apply the standard before that date. FASB 141R will be applied prospectively for acquisitions beginning in 2009 or thereafter.

On April 1, 2009, the FASB issued FASB Staff Position (FSP) FAS 141(R) -1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies. This FSP provides additional guidance and disclosure requirements regarding the recognition and measurement of contingent assets acquired and contingent liabilities assumed in a business combination where the fair value of the contingent assets and liabilities cannot be determined as of the acquisition date. This FSP is effective for acquisitions occurring after January 1. 2009. The adoption of this FSP did not have any impact on the Company, and its future impact will be dependent upon the specific terms of future business combinations, if any.

On April 9, 2009, the FASB simultaneously issued the following three FSPs:

FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly, provides additional guidance to companies for determining fair values of financial instruments for which there is no active market or quoted prices may represent distressed transactions. The guidance includes a reaffirmation of the need to use judgment in certain circumstances.

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FSP FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments, requires companies to provide additional fair value information for certain financial instruments in interim financial statements, similar to what is currently required to be disclosed on an annual basis.

FSP FAS 115-2, FAS 124-2, and EITF 99-20-2, Recognition and Presentation of Other-Than-Temporary Impairments, amends the existing guidance regarding impairments for investments in debt securities. Specifically, it changes how companies determine if an impairment is considered to be other-than-temporary and the related accounting. This standard also provides for increased disclosures.

These FSPs apply to both interim and annual periods and will be effective for us beginning April 1, 2009. We have evaluated these standards and believe they will have no impact on our financial condition and results of operations.

3. Initial Public Offering

On October 17, 2007 the Company sold 10,255,000 Units in the Offering at a price of $8.00 per Unit, including 1,255,000 Units of their over-allotment option. Each Unit consists of one share of the Company s common stock and one redeemable common stock purchase Warrant. Each Warrant will entitle the holder to purchase from the Company one share of common stock at an exercise price of $5.50 commencing on the later of the completion of a Business Combination and one year from the effective date of the Offering (October 17, 2007) and expiring four years from the effective date of the Offering. The Company may redeem the Warrants, at a price of $.01 per Warrant upon 30 days notice while the Warrants are exercisable, only in the event that the last sale price of the common stock is at least $11.50 per share for any 20 trading days within a 30 trading day period ending on the third day prior to the date on which notice of redemption is given. In accordance with the warrant agreement relating to the Warrants sold and issued in the Offering, the Company is only required to use its best efforts to maintain the effectiveness of the registration statement covering the Warrants. The Company will not be obligated to deliver securities, and there are no contractual penalties for failure to deliver securities, if a registration statement is not effective at the time of exercise. Additionally, in the event that a registration is not effective at the time of exercise, the holder of such Warrant will not be entitled to exercise such Warrant and in no event (whether in the case of a registration statement not being effective or otherwise) will the Company be required to net cash settle the warrant exercise. Consequently, the Warrants may expire unexercised, unredeemed and worthless.

The Company paid the underwriters in the Offering an underwriting discount of 7% of the gross proceeds of the Offering. However, the underwriters have agreed that 4% of the gross proceeds will be held in the Trust Account and will not be payable unless and until the Company completes a Business Combination and have waived their right to receive such payment upon the Company s liquidation if it is unable to complete a Business Combination.

The Company sold to Pali Capital, Inc. (Pali), as representatives of the underwriters, for $100, an option to purchase up to a total of 700,000 Units at $10.00 per Unit. The Units issuable upon the exercise of this option are identical to those sold in the Offering. This option is exercisable at $10.00 per Unit, and may be exercised on a cashless basis, commencing on the later of the consummation of a Business Combination and one year from the date of the effectiveness of the Offering and expiring five years from the date of the effectiveness of the Offering. The estimated fair value of this option is approximately $2,207,000, $3.15 per Unit, using a Black-Scholes option-pricing model. The fair value of the option granted is estimated as of the date of the grant using the following assumptions: (1) expected volatility of 45.2%, (2) risk-free discount rate of 4.95%, (3) expected life of five years and (4) dividend rate of zero. The volatility is based on the average five year daily volatility of the 20 smallest (by market capitalization) media companies in the Russell 2000 Index. Although an expected life of five years was used in the calculation, if the Company does not consummate a Business Combination within the prescribed time period and automatically dissolves and subsequently liquidates the trust account, the option will become worthless.

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4. Related Party Transactions

The Company may occupy office space provided by the Initial Stockholders, or an affiliate of one of the Initial Stockholders, or a third party. Such Initial Stockholders, affiliate or third party has agreed that, until the Company consummates a Business Combination, it will make such office space, as well as certain office and secretarial services, available to the Company, as may be required by the Company from time to time. The Company has agreed that it will pay up to $7,500 per month for such services commencing on the effective date of the Offering. However, such Initial Stockholders have elected to receive $6,400 per month instead. For the three months ended March 31, 2009, the Company has incurred $19,200 of expense relating to this agreement which is included in formation and operating expenses in the accompanying Statements of Operations, which was payable as of March 31, 2009. For the period from May 1, 2007 (inception) through March 31, 2009 the Company has incurred $111,897 of expense relating to this agreement which is included in formation and operating expenses in the accompanying Statement of Operations, of which $64,000 was payable as of March 31, 2009.

Pursuant to letter agreements which the Initial Stockholders have entered into with the Company and the underwriters, the Initial Stockholders waived their right to receive distributions with respect to their initial shares upon the Company s liquidation.

The Company s officers and directors purchased a total of 2,100,000 Warrants (Insider Warrants) at $1.00 per Warrant (for an aggregate purchase price of $2,100,000) concurrently with the consummation of the Offering pursuant to a private placement agreement with the Company. All of the proceeds received from these initial purchases were placed in the Trust Account. The Insider Warrants are identical to the Warrants underlying the Units included in the Offering except that the Insider Warrants may not be called for redemption and the Insider Warrants are exercisable on a cashless basis, at the holder s option, so long as such securities are held by such purchaser or his affiliates. Furthermore, the purchasers have agreed that the Insider Warrants will not be sold or transferred by them, except for estate planning purposes, until after the Company has completed a Business Combination. The sale of the warrants to management did not result in the recognition of any stock-based compensation expense because they were sold above fair market value. The holder of these Insider Warrants will not have any right to any liquidation distributions with respect to shares underlying these warrants if the Company fails to consummate a Business Combination, in which event these warrants will expire worthless.

The Initial Stockholders and the holders of the Insider Warrants (or underlying securities) will be entitled to registration rights with respect to their initial shares or Insider Warrants (or underlying securities) pursuant to an agreement signed on the date of the Offering. The holders of the majority of these securities may elect to exercise these registration rights with respect to such securities at any time after the Company consummates a Business Combination. The holders have certain piggy-back registration rights with respect to registration statements filed after the Company s consummation of a Business Combination. The Insider Warrants may be exercisable for unregistered shares of common stock even if no registration relating to the common stock issuable upon exercise of the warrants is effective and current.

5. Income Taxes

Deferred income tax assets and liabilities are computed for differences between the financial statements and tax basis of assets and liabilities that will result in future taxable or deductible amounts and are based on enacted tax laws and rates applicable to the periods in which the differences are expected to effect taxable income. Valuation allowances are established when necessary to reduce deferred income tax assets to the amount expected to be realized.

Significant components of the Company s deferred tax assets are as follows:

	March 31, 2009 (unaudited)	December 31, 2008
Deferred tax benefit	$ 1,200,000	$ 1,020,000
Less: valuation allowance	(1,200,000)	(1,020,000)
Total	$	$

The Company is considered in the development stage for income tax reporting purposes. Federal income tax regulations require that the Company defer certain expenses for tax purposes. Therefore, the Company has recorded a deferred income tax asset of $1,200,000 for deferred expenses. The Company believes that it is not more likely than not that it will be able to realize this deferred tax asset in the future and, therefore, it has provided a valuation allowance against this deferred tax asset.

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The effective tax rate differs from the statutory rate of 34% due to state and local taxes and deferred start up costs, an increase in the valuation allowance and permanent differences relating to tax free interest income.

The Company has adopted the provisions of the Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109. FIN 48 contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with SFAS No. 109, Accounting for Income Taxes. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes. Accordingly, the Company reports a liability for unrecognized tax benefits resulting from the uncertain tax positions taken or expected to be taken in a tax return and recognizes interest and penalties, if any, related to uncertain tax positions in income tax expense. The Company intends to classify any future expense for income tax related interest and penalties as component of tax expense. The adoption of FIN 48 had no impact on the Company s financial position.

6. Common Stock Subject to Possible Redemption

The Company will not proceed with a Business Combination if Public Stockholders owning 30% or more of the shares sold in the Offering vote against the Business Combination and exercise their redemption rights. Accordingly, the Company may effect a Business Combination only if stockholders owning less than 29.99% of the shares sold in this Offering exercise their redemption rights. If this occurred, the Company would be required to redeem for cash up to 29.99% of the 10,255,000 shares of common stock sold in the Offering, or 3,075,475 shares of common stock, at an initial per-share redemption price of $7.90 (plus a portion of the interest earned on the trust account, but net of (i) taxes payable on interest earned and (ii) up to $1,500,000 of interest income released to the Company to fund its working capital), which includes $0.32 per share of deferred underwriting discount and commissions.

The actual per-share redemption price will be equal to:

the initial amount in the trust account which includes the amount attributable to deferred underwriting discounts and commissions and including all accrued interest (less taxes payable and up to $1,500,000 of interest income released to the Company to fund its working capital), as of two business days prior to the proposed consummation of the Business Combination, divided by

the number of shares of common stock sold in the Offering.

The dissenting stockholders will receive their proportionate share of the deferred underwriting discounts and commissions and the underwriters will be paid the full amount of the deferred underwriting fees at the time of the consummation of the initial business combination. The Company will be responsible for such payments to both the converting stockholders and underwriters.

7. Preferred Stock

The Company is authorized to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors.

The agreement with the underwriters prohibits the Company, prior to a Business Combination, from issuing preferred stock which participates in the proceeds of the Trust Account or which votes as a class with the Common Stock on a Business Combination.

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8. Subsequent Events

Acquisition

On May 1, 2009, the Company and privately-held Hong Kong Mandefu Holdings Limited (d/b/a China MediaExpress) (CME) entered into a definitive share exchange agreement whereby the Company will acquire 100% of the outstanding equity of CME, subject to approval of the Company stockholders. Upon the closing of the transaction, which is anticipated in the third quarter of 2009, the Company will change its name to China MediaExpress Holdings, Inc.

Under the terms of the transaction, the CME s shareholders will receive 19.5 million newly issued shares of the Company s common stock and $20.0 million in cash upon the closing of the transaction. CME shareholders may earn up to an additional 15.0 million shares of the Company s common stock, subject to the achievement of the following net income targets for 2009 2011:

Year	Net Income (RMB)	Net Income (US$)[1]	Shares
2009	287.0 million	$42.0 million	1.0 million
2010	570.0 million	$83.5 million	7.0 million
2011	889.0 million	$130.2 million	7.0 million

(1) Based on exchange rate of 6.83 RMB/USD.

In addition, CME shareholders are entitled to receive up to $20.9 million of the cash proceeds from the exercise of the Company s publicly held common stock purchase warrants.

CME generates revenue by selling advertisements on its network of television displays installed on express buses originating in nine of China s regions, including the four municipalities of Beijing, Shanghai, Tianjin and Chongqing and five provinces, namely Guangdong, Jiangsu, Fujian, Sichuan and Hebei.

Loan from Stockholder

On May 4, 2009, Theodore S. Green, the Chairman and Co-CEO and interim CFO of the Company, loaned the Company $200,000 (the Loan) as evidenced by a promissory note issued by the Company (the Note). Mr. Green may lend the Company up to an additional $100,000 in his discretion. The principal balance of the Note outstanding is payable on the earlier of (i) October 17, 2009 and (ii) the date on which the Company consummates a business combination as contemplated by its prospectus for its initial public offering. The principal balance of the Note bears interest at a rate of 10% per year, compounded semiannually. The proceeds of the loans were used to fund certain expenses incurred in connection with the proposed transaction with CME and the balance for working capital.

Upon the failure of the Company to repay the Note within 1 business day of when it is due, Mr. Green may declare the entire amount due under the Note due and payable. Upon the filing of a voluntary bankruptcy by the Company or an involuntary bankruptcy which is not dismissed within 60 days, the entire amount due under the Note will automatically become due and payable.

In connection with the Loan, Mr. Green and Mr. Malcolm Bird, a director and Co-CEO of the Company, have entered into an agreement pursuant to which Mr. Bird has agreed to reimburse Mr. Green for 7/18ths of the amount of the Loan and corresponding interest thereon in the event the Company does not consummate a business combination by October 17, 2009 and is dissolved.

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

The following discussion should be read in conjunction with the condensed financial statements and footnotes thereto contained in this report.

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Forward Looking Statements

This quarterly report on Form 10-Q, and the information incorporated by reference in it, include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the Securities Act), as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). The forward-looking statements include, but are not limited to statements regarding the Company s expectations, hopes, beliefs, intentions or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words anticipate, believe, continue, could, estimate, expect, intend, may, might, plan, possible, potential, predi and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this report may include, for example, statements about the Company s:

- Ability to complete a combination with one or more target businesses;
- Success in retaining or recruiting, or changes required in, our management or directors following a business combination;
- Potential inability to obtain additional financing to complete a business combination;
- Limited pool of prospective target businesses;
- Potential change in control if we acquire one of more target businesses for stock;
- Public securities limited liquidity and trading;
- The delisting of our securities from the American Stock Exchange or an inability to have our securities listed on the American Stock Exchange following a business combination;
- Use of proceeds not in trust or available to us from interest income on the trust account of the Company (Trust Account) balance; or
- Financial performance.

The forward-looking statements contained or incorporated by reference in this quarterly report on Form 10-Q are based on our current expectation and beliefs concerning future developments and their potential effects on us and speak only as of the date of such statements. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under the heading Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2007. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

References in this report as to we, us or our Company refer to TM Entertainment and Media, Inc. References to publ stockholders refer to holders of shares of common stock, $0.001 par value (Common Stock), sold as part of the units in our initial public offering, including any of our stockholders existing prior to our initial public offering to the extent that they purchased or acquired such shares.

Overview

We were formed under the laws of the State of Delaware on May 1, 2007 to serve as a vehicle to effect a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business in the entertainment, media and communication industries. We intend to utilize cash derived from the proceeds of our initial public offering, our capital stock, debt or a combination of cash, capital stock and debt, in effecting a business combination.

On October 17, 2007, our initial public offering of 9,000,000 units at $8.00 per unit was declared effective and we sold an additional aggregate 1,255,000 units pursuant to the underwriters over-allotment option of the initial public offering. Simultaneously with the consummation of our initial public offering we sold an aggregate of 2,100,000 insider warrants to certain initial shareholders including Theodore S. Green, Malcolm Bird, Jonathan F. Miller and the John W. Hyde Living Trust, at a price of $1.00 per warrant, for an aggregate price of $2,100,000. The total gross proceeds from the initial public offering, excluding the warrants sold on a private placement basis but including the over-allotment, amounted to $82,040,000. After the payment of offering expenses, inclusive of the deferred underwriting fees, the net proceeds to us amounted to $75,748,282.Each unit consists of one share of the Company s common stock, $0.001 par value, and one redeemable common stock purchase warrant. Each warrant entitles the holder to purchase from us one share of common stock at an exercise price of $5.50 commencing the later of the completion of an initial business combination or one year from the effective date of the initial public offering (October 17, 2008) and expiring four years from the effective date of the initial public offering (October 17, 2011). Accordingly, the warrants are currently exercisable by their terms. However, there is not currently an effective registration statement with respect to the exercise of such warrants and accordingly the warrants could not be exercised.

In connection with our initial public offering, we issued an option, for $100, to the representatives of the underwriters in our initial public offering, to purchase 700,000 units. This option is exercisable at $10.00 per unit, and may be exercised on a cashless basis, commencing on the later of the consummation of a business combination and one year from the date of our initial public offering and expiring five years from the date of our initial public offering. The option and the 700,000 units, the 700,000 shares of common stock and the 700,000 warrants underlying such units, and the 700,000 shares of common stock underlying such warrants, have been deemed compensation by the NASD and are therefore subject to a 180-day lock-up pursuant to Rule 2710(g)(1) of the NASD Conduct Rules. The underwriters will not sell, transfer, assign, pledge, or hypothecate this option or the securities underlying this option, nor will they engage in any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of this option or the underlying securities for a period of 360 days from the effective date of our initial public offering.

We estimate that the value of the representative s unit purchase option is approximately $2,207,000 using a Black-Scholes option pricing model. The fair value of the representative s unit purchase option is estimated as of the date of the grant using the following assumptions: (1) expected volatility of 45.2%, (2) risk-free discount rate of 4.95%, (3) contractual life of five years and (4) dividend rate of zero. Additionally, the option may not be sold, transferred, assigned, pledged or hypothecated for a one-year period (including the foregoing 180-day period) following the date of our initial public offering except to any underwriter and selected dealers participating in the offering and their bona fide officers or partners. Although the purchase option and its underlying securities have been registered under the registration statement of which our initial public offering forms a part, the option grants to holders demand and piggy back rights for periods of five and seven years, respectively, from the date of our initial public offering with respect to the registration under the Securities Act of the securities directly and indirectly issuable upon exercise of the option. We will bear all fees and expenses attendant to registering the securities, other than underwriting commissions which will be paid for by the holders themselves. The exercise price and number of units issuable upon exercise of the option may be adjusted in certain circumstances including in the event of a stock dividend, or our recapitalization, reorganization, merger or consolidation. However, the option will not be adjusted for issuances of common stock at a price below its exercise price.

Since our initial public offering, we have been actively searching for a suitable business combination candidate. We have met with service professionals and other intermediaries to discuss our company, the background of our management and our combination preferences. In the course of these discussions, we have also spent time explaining the capital structure of the initial public offering, the combination approval process and the timeline within which we must either enter into a letter of intent or definitive agreement for a business combination, or return the proceeds of the initial public offering held in the trust account to investors.

We are not presently engaged in, and will not engage in, any substantive commercial business until we consummate an initial transaction. We intend to utilize cash derived from the proceeds of our initial public offering, the private placement, our capital stock, debt or a combination of cash, capital stock and debt, in effecting an initial transaction. The issuance of additional shares of our capital stock:

- may significantly reduce the equity interest of our current stockholders;
- may subordinate the rights of holders of common stock if preferred stock is issued with rights senior to those afforded to our common stock;

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may cause a change in control if a substantial number of our shares of common stock or preferred stock are issued, which may affect, among other things, our ability to use our net operating loss carry forwards, if any, and most likely also result in the resignation or removal of one or more of our present officers and directors; and

could enhance or adversely affect prevailing market prices for our securities.

Similarly, if we issued debt securities, it could result in:

default and foreclosure on our assets, if our operating revenues after an initial transaction were insufficient to pay our debt obligations;

acceleration of our obligations to repay the indebtedness, even if we have made all principal and interest payments when due, if the debt security contained covenants that required the maintenance of certain financial ratios or reserves and any such covenant were breached without a waiver or renegotiation of that covenant;

our immediate payment of all principal and accrued interest, if any, if the debt security was payable on demand; and

our inability to obtain additional financing, if necessary, if the debt security contained covenants restricting our ability to obtain additional financing while such security was outstanding.

We anticipate that we would only consummate such a financing simultaneously with the consummation of a business combination, although nothing would preclude us from raising more capital in anticipation of a possible business combination.

We may use all or substantially all of the proceeds held in trust other than the deferred portion of the underwriter s fee to acquire one or more target businesses. We may not use all of the proceeds held in the trust account in connection with a business combination, either because the consideration for the business combination is less than the proceeds in trust or because we finance a portion of the consideration with capital stock or debt securities that we can issue. In that event, the proceeds held in the trust account as well as any other net proceeds not expended will be used to finance the operations of the target business or businesses. The operating businesses that we acquire in such business combination must have, individually or collectively, a fair market value equal to at least 80% of our net assets (all of our assets, including the funds held in the trust account, less our liabilities) at the time of such acquisition. If we consummate multiple business combinations that collectively have a fair market value of 80% of our net assets, then we would require that such transactions are consummated simultaneously.

If we are unable to find a suitable target business by October 17, 2009, we will be forced to liquidate. If we are forced to liquidate, the per share liquidation amount may be less than the initial per unit offering price because of the underwriting commissions and expenses related to our initial public offering and because of the value of the warrants in the per unit offering price. Additionally, if third parties make claims against us, the initial public offering proceeds held in the trust account could be subject to those claims, resulting in a further reduction to the per share liquidation price. Under Delaware law, our stockholders who have received distributions from us may be held liable for claims by third parties to the extent such claims have not been paid by us. Furthermore, our warrants will expire worthless if we liquidate before the completion of a business combination.

On May 1, 2009, the Company and privately-held Hong Kong Mandefu Holdings Limited (d/b/a China MediaExpress) (CME) entered into a definitive share exchange agreement whereby the Company will acquire 100% of the outstanding equity of CME, subject to approval of shareholder of the Company. Upon the closing of the transaction, which is anticipated in the third quarter of 2009, the Company will change its name to China MediaExpress Holdings, Inc.

Under the terms of the transaction, the CME s shareholders will receive 19.5 million newly issued shares of the Company s common stock and $20.0 million in cash upon the closing of the transaction. CME shareholders may earn up to an additional 15.0 million shares of the Company s common stock, subject to the achievement of the following net income targets for 2009 2011:

Year	Net Income (RMB)	Net Income (US$)[1]	Shares
2009	287.0 million	$42.0 million	1.0 million
2010	570.0 million	$83.5 million	7.0 million
2011	889.0 million	$130.2 million	7.0 million

(1) Based on exchange rate of 6.83 RMB/USD.

In addition, CME shareholders are entitled to receive up to $20.9 million of the cash proceeds from the exercise of the Company s publicly held common stock purchase warrants.

CME generates revenue by selling advertisements on its network of television displays installed on express buses originating in nine of China s regions, including the four municipalities of Beijing, Shanghai, Tianjin and Chongqing and five provinces, namely Guangdong, Jiangsu, Fujian, Sichuan and Hebei.

There can be no assurance that the transaction with CME will be approved by the Company s shareholders or that stockholders owning 30% or more of the shares sold in the Company s initial public offering will not vote against the approval of the transaction and exercise their conversion rights described in Note 1 to Financial Statements included in this Report on Form 10-Q, in either of which events the transaction with CME will not be consummated.

Liquidity and Capital Resources

$80,978,800 of the net proceeds of our initial public offering, over-allotment exercise, private sale of warrants, and a portion of the underwriters discounts and expense allowance were deposited in trust, with the remaining net proceeds being placed in our operating account. We are using the interest income earned on the trust proceeds of $1,500,000 to identify, evaluate and negotiate with prospective acquisition candidates as well as cover our ongoing operating expenses until a transaction is approved by our shareholders or the trust funds are returned to them.

We will use substantially all of the net proceeds of the initial public offering to acquire a target business, including identifying and evaluating prospective acquisition candidates, selecting the target business, and structuring, negotiating and consummating the business combination. To the extent that our capital stock is used in whole or in part as consideration to effect a business combination, the proceeds held in the trust fund as well as any other net proceeds not expended will be used to finance the operations of the target business. We do not believe we will need to raise additional funds in order to meet the expenditures required for operating our business. However, we may need to raise additional funds through a private or public offering of debt or equity securities if such funds are required to consummate a business combination that is presented to us. We would only consummate such a financing simultaneously with the consummation of a business combination. At March 31, 2009, we had cash outside of the trust fund of $54,714 and other current assets of $64,644 and total liabilities of $3,696,163 (including $3,281,600 of deferred underwriting fees). Therefore, at March 31, 2009, the Company has incurred liabilities which exceed cash available. The Company is seeking to obtain deferrals of payables from its vendors, including its professional advisors, except its independent accountants.

On May 4, Theodore S. Green, the Chairman and Co-CEO and interim CFO of the Company, loaned the Company $200,000 (the Loan) as evidenced by a promissory note issued by the Company (the Note). Mr. Green may lend the Company up to an additional $100,000 in his discretion. The principal balance of the Note outstanding is payable on the earlier of (i) October 17, 2009 and (ii) the date on which the Company consummates a business combination as contemplated by its prospectus for its initial public offering. The principal balance of the Note bears interest at a rate of 10% per year, compounded semiannually. The proceeds of the loans were used to fund certain expenses incurred in connection with the proposed transaction with CME and the balance for working capital.

Upon the failure of the Company to repay the Note within 1 business day of when it is due, Mr. Green may declare the entire amount due under the Note due and payable. Upon the filing of a voluntary bankruptcy by the Company or an involuntary bankruptcy which is not dismissed within 60 days, the entire amount due under the Note will automatically become due and payable.

In connection with the Loan, Mr. Green and Mr. Malcolm Bird, a director and Co-CEO of the Company, have entered into an agreement pursuant to which Mr. Bird has agreed to reimburse Mr. Green for 7/18ths of the amount of the Loan and corresponding interest thereon in the event the Company does not consummate a business combination by October 17, 2009 and is dissolve

The $3,281,600 of the funds attributable to the deferred underwriting discount and commissions in connection with the offering and private placement will be released to the underwriters upon completion of a business combination as such term is defined in our prospectus filed on Form 424B4 on October 18, 2007 with the Securities and Exchange Commission.

Commencing on October 17, 2007 we began incurring a fee of $6,400 per month for certain administrative services. In addition, in 2007, one of our initial stockholders loaned to us an aggregate of $100,000 for payment of offering expenses on our behalf. This loan plus interest was repaid on December 12, 2007 from the proceeds of the initial public offering that were allocated to pay offering expenses.

Going Concern

Going concern consideration   As indicated in the accompanying financial statements, at March 31, 2009, the Company had unrestricted cash of $54,714 (excluding $8,500 available for taxes) and $594,915 in accrued expenses exclusive of income taxes payable of $8,500. However, the Company has incurred and expects to incur significant costs in pursuit of its acquisition plans. In addition, there is no assurance that the Company will successfully complete a Business Combination by October 17, 2009. If such business combination is not consummated the Company will be forced to liquidate upon expiration of this time constraint.

As of March 31, 2009 the Company withdrew $1,500,000 of interest from the trust for operating expenses (excluding $526,335 of interest earned and used to pay taxes). Since inception to March 31, 2009 the Company has incurred $2,174,102 of operating expenses (excluding taxes) of which $594,915 was payable as of March 31, 2009. The Company had cash available at March 31, 2009 of $54,714 for operating expenses. Therefore, at March 31, 2009, the Company has incurred liabilities which exceed cash available. The Company expects to incur additional costs in pursuit of its acquisition plans. The Company is seeking to obtain deferrals of payables from its vendors, including its professional advisors except for its independent accountants. In the event the Company is unsuccessful in obtaining these deferrals, it may seek additional financing, including loans from its Initial Stockholders. As noted above on May 4, 2009, Theodore S. Green, the Chairman and Co-CEO and interim CFO of the Company, loaned the Company $200,000. These factors, among others, raise substantial doubt about the Company s ability to continue operations as a going concern. The accompanying financial statements do not include any adjustments that may result from the outcome of this uncertainty.

Results of Operations

We have neither engaged in any operations nor generated any revenues to date, other than in connection with our initial public offering. Our entire activity since inception has been to prepare for and consummate our initial public offering and to identify and investigate targets for a potential business combination. We will not generate any operating revenues until consummation of a business combination. We will generate non-operating income in the form of interest income on cash and cash equivalents from the funds held in our trust account which we invested mainly in a New York Tax Free Money Market.

Net loss for the three month period ended March 31, 2009 was $(308,106) excluding $7,984 of interest income net of taxes, attributable to stockholders subject to possible conversion, consisted of interest income of approximately $100,000 earned predominantly on the trust account, offset by a $73,500 provision for New York State, New York City, and Delaware Franchise and Capital Taxes and $334,891 of general and administrative expenses (primarily attributable to $86,650 of due diligence expenses related to potential acquisitions, $144,200 of legal and accounting expenses, $28,700 of insurance expense, $19,200 of fees for a monthly administrative services agreement and approximately $7,000 of travel and business expenses).

Net loss for the three month period ended March 31, 2008 was $(383,080) and consisted of interest income of approximately $470,000 earned predominantly on the trust account, offset by a $44,000 provision for New York State, New York City, and Delaware Franchise and Capital Taxes and $809,050 of general and administrative expenses (primarily attributable to $638,000 of due diligence expenses related to potential acquisitions, $85,000 of legal and accounting expenses, $25,000 of insurance expense, $19,200 of fees for a monthly administrative services agreement and approximately $15,000 of travel and business expenses).

For the period from May 1, 2007 (inception) to March 31, 2009, we had a net loss of $(493,117), excluding $50,120 of interest income net of taxes, attributable to stockholders subject to possible conversion, consisting of $2,207,320 of interest income earned predominantly on the trust account, less $2,697,773 of formation and operating expenses. The main components of the formation and operating expenses include approximately $1,116,500 of due diligence expenses related to potential acquisitions, $535,200 of New York State, New York City and Delaware Capital and Franchise Taxes, $114,000 of travel and business expense, $502,200 of legal and accounting fees.

Interest income in for the three month period ended March 31, 2009, and fiscal 2008 and 2007 was primarily earned on the net proceeds from our initial public offering which was placed in a trust account.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet financing arrangements and have not established any special purpose entities. We have not guaranteed any debt or commitments of other entities or entered into any options on non-financial assets.

Contractual Obligations

We do not have any long-term debt, capital lease obligations, operating lease obligations, purchase obligations or other long-term liabilities.

Recently Issued Accounting Pronouncements and Their Effect on the Company s Financial Statement.

In December 2007, FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 (FASB 160). This statement amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. In addition, FASB 160 changes the way the consolidated income statement is presented by requiring consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. This statement also establishes a single method of accounting for changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation and requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. This statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 and earlier adoption is prohibited. FASB 160 shall be applied prospectively as of the beginning of the fiscal year in which this statement is initially applied, except for the presentation and disclosure requirement which shall be applied retrospectively for all periods presented. We have not yet determined the impact that this requirement may have on our condensed consolidated financial position, results of operations, cash flows or financial statement disclosures for future acquisitions.

In December 2007, FASB issued SFAS No. 141R, Business Combinations (FASB 141R). FASB 141R replaces FASB Statement No. 141 Business Combinations but retains the fundamental requirements in FASB 141. This statement defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control. FASB 141R also requires that an acquirer recognized the assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date. In addition, this statement requires that the acquirer in a business combination achieved in stages to recognize the identifiable assets and liabilities, as well as the noncontrolling interest in the acquiree, at the full amounts of their fair values. FASB 141R is applied prospectively to 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, 2008. An entity may not apply the standard before that date. FASB 141R will be applied prospectively for acquisitions beginning in 2009 or thereafter.

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In October 2008, the FASB issued FASB Staff Position FAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active (FSP 157-3), FSP 157-3 clarified the application of FAS 157. FSP 157-3 demonstrated how the fair value of a financial asset is determined when the market for that financial asset is inactive. FSP 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued. The implementation of this standard did not have an impact on the Company s financial statements.

In March 2008, the FASB issued SFAS No. 161 (SFAS 161). Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133). SFAS No. 161 requires companies to provide enhanced disclosures regarding derivative instruments and hedging activities in order to better convey the purpose of derivative use in terms of risk management. Disclosures about (i) how and why an entity used derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (iii) how derivative instruments and related hedged items affect a company s financial position, financial performance, and cash flows, are required. This Statement retains the same scope as SFAS No. 133 and is effective for fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the impact, if any, that the adoption of SFAS No. 161 will have on its consolidated financial position and results of operations.

In June 2008, the FASB issued Staff Position EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (FSP EITF 03-6-1), which is effective January 1, 2009. FSP EITF 03-6-1 clarifies that share-based payment awards that entitle holders to receive nonforfeitable dividends before they vest will be considered participating securities and included in the basic earnings per share calculation. The Company is assessing the impact of adoption FSP EITF 03-6-1 on its results of operations.

On April 1, 2009, the FASB issued FASB Staff Position (FSP) FAS 141(R) -1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies. This FSP provides additional guidance and disclosure requirements regarding the recognition and measurement of contingent assets acquired and contingent liabilities assumed in a business combination where the fair value of the contingent assets and liabilities cannot be determined as of the acquisition date. This FSP is effective for acquisitions occurring after January 1. 2009. The adoption of this FSP did not have any impact on the Company, and its future impact will be dependent upon the specific terms of future business combinations, if any.

On April 9, 2009, the FASB simultaneously issued the following three FSPs:

FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly, provides additional guidance to companies for determining fair values of financial instruments for which there is no active market or quoted prices may represent distressed transactions. The guidance includes a reaffirmation of the need to use judgment in certain circumstances.

FSP FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments, requires companies to provide additional fair value information for certain financial instruments in interim financial statements, similar to what is currently required to be disclosed on an annual basis.

FSP FAS 115-2, FAS 124-2, and EITF 99-20-2, Recognition and Presentation of Other-Than-Temporary Impairments, amends the existing guidance regarding impairments for investments in debt securities. Specifically, it changes how companies determine if an impairment is considered to be other-than-temporary and the related accounting. This standard also provides for increased disclosures.

These FSPs apply to both interim and annual periods and will be effective for us beginning April 1, 2009. We have evaluated these standards and believe they will have no impact on our financial condition and results of operations.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is a broad term for the risk of economic loss due to adverse changes in the fair value of a financial instrument. These changes may be the result of various factors, including interest rates, foreign exchange rates, commodity prices and/or equity prices. Our exposure to market risk is limited to interest income sensitivity with respect to the funds placed in the Trust Account. Since the funds held in our Trust Account have been invested in only high-quality commercial paper, municipal bonds, and municipal notes, including tax and revenue authorization notes, tax anticipation notes, with maturities of 397 days or less and a dollar-weighted average portfolio maturity of 90 days or less, we are subject to market risk primarily through the effect of changes in interest rates and government securities. The effect of other changes, such as foreign exchange rates, commodity prices and/or equity prices, does not pose significant market risk to us.

ITEM 4T. CONTROLS AND PROCEDURES.

Effectiveness of Disclosure Controls and Procedures

We evaluated the effectiveness of our disclosure controls and procedures, as defined in the Exchange Act, as of the end of the period covered by this quarterly report on Form 10-Q. Theodore S. Green and Malcolm Bird, our Co-Chief Executive Officers, participated in this evaluation. Based upon that evaluation, Messrs. Green and Bird concluded that our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report on Form 10-Q.

Changes in Internal Control over Financial Reporting

This quarterly report does not include a report of management s assessment regarding internal control over financial reporting or an attestation report of the company s registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

As a result of the evaluation completed by Messrs. Green and Bird, we have concluded that there were no changes as of March 31, 2009 in our internal controls over financial reporting in connection with the evaluation required by Rule 13a-15(d) under the Exchange Act, which have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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PART II
OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

None.

ITEM 1A: RISK FACTORS

There have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2009 in response to Item 1A. to Part 1 of Form 10-K.

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

None

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5: OTHER INFORMATION

Not applicable.

ITEM 6: EXHIBITS

(a) Exhibits:

2.1	Share Exchange Agreement, dated as of May 1, 2009, by and among TM Entertainment and Media, Inc., Hong Kong Mandefu Holdings Ltd., Fujian zhong Heng Express Information Technology Co., Ltd., Fujian Fenzhong Media Co., Ltd., Thousand Space Holding Limited, Bright Elite Management Limited, Zheng Cheng, Qung Ping Lin, and Ou Wen Lin.*
10.1	Promissory Note dated May 4, 2009, issued to Theodore S. Green in the principal amount of $300,000.
10.2	Agreement dated May 4, 2009, between Theodore S. Green and Malcolm Bird.
31.1	Certification by Co-Chief Executive Officer and Interim Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Co-Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by Co-Chief Executive Officers and Interim Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Schedules and exhibits to the Share Exchange Agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby undertakes to furnish supplementally a copy of any

omitted schedules and exhibits to the Securities and Exchange Commission upon request.

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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.

Dated: May 15, 2009

TM ENTERTAINMENT AND MEDIA, INC.

By: /s/ Theodore S. Green

Name: Theodore S. Green
Title: Chairman, Co-Chief Executive Officer and
Interim Chief Financial Officer

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