

Camelot Entertainment Group, Inc.
Form 10-K
April 15, 2009

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITIONAL REPORTS UNDER SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

(MARK ONE)

ANNUAL REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR FISCAL YEAR ENDED DECEMBER 31, 2008

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

COMMISSION FILE NUMBER: 000-30785

CAMELOT ENTERTAINMENT GROUP, INC.

(EXACT NAME OF SMALL BUSINESS REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(State or other jurisdiction of incorporation or
organization)

52-2195605
(I.R.S. Employer Identification No.)

CAMELOT
ENTERTAINMENT
GROUP, INC.
8001 Irvine Center Drive
Suite 400
Irvine, CA 92618
(Address of principal
executive offices) (Zip
Code)

(949) 754-3030
Registrant's telephone
number, including area code

SECURITIES REGISTERED UNDER SECTION 12(B) OF THE ACT:

NONE

SECURITIES REGISTERED UNDER SECTION 12(G) OF THE EXCHANGE ACT:

(TITLE OF CLASS)
COMMON STOCK, PAR VALUE \$0.001

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

Check if no disclosure of delinquent filers in response to Item 405 of Regulation S-B is contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of December 31, 2008, the total issued and outstanding common stock of the Registrant is 1,563,977,942 shares, of which 308,334 shares are being held in reserve, resulting in 1,563,669,608 total common shares outstanding. The approximate aggregate market value of 937,397,690 Common Stock shares held by non-affiliates of the Registrant, based on 1,563,699,608 total outstanding shares less 590,301,918 shares held by affiliates, calculated at a market price of \$.0001, had a market value of \$59,030 as of December 31, 2008. Total market value of all outstanding shares was \$156,367 as of December 31, 2008.

Of the 1,563,699,608 total Common Stock shares outstanding, 374,934,406 shares were restricted. 1,188,735,202 shares were classified as non-restricted. As of December 31, 2008, there were 723,581,263 shares held in CEDE, also known as the public float. There were an additional 308,334 shares issued, but not outstanding, held in reserve for financing activities.

On December 31, 2008, the Registrant had outstanding 1,563,699,608 shares of Common Stock, \$0.001 par value. The Registrant had outstanding 21,695,521 shares of Preferred Stock, \$0.001 par value.

As of April 15, 2009, the Registrant had 8,155,354,212 shares issued and outstanding, of which 8,155,045,878 shares of Common Stock were outstanding, having a \$0.001 par value and 21,695,521 shares of Preferred Stock were issued and outstanding, having a \$0.001 par value.

The Registrant's revenues for the year ended December 31, 2008 were \$0.

DOCUMENTS INCORPORATED BY REFERENCE: SEE ITEM 13

TABLE OF CONTENTS
FORM 10-K ANNUAL REPORT
FISCAL YEAR ENDED DECEMBER 31, 2008

CAMELOT ENTERTAINMENT GROUP, INC.

ITEM	Page
PART I	
	1
1.	Description of Business 1
2.	Description of Properties 32
3.	Legal Proceedings 32
4.	Submission of Matters to a Vote of Security Holders 32
PART II	
	32
5.	Market for Common Equity and Related Stockholder Matters 32
6.	Management's Discussion and Analysis 40
7.	Financial Statements 54
8.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosures 54
8A.	Controls and Procedures 54
PART III	
	55
9.	Directors, Executive Officers, Promoters and Control Persons 55
10.	Executive Compensation 56
11.	Security Ownership of Certain Beneficial Owners and Management 58
12.	Certain Relationships and Related Transactions 62
13.	Exhibits and Reports on Form 8-K 63
14.	Principal Accountant Fees and Services 66
F-1	Financial Statements with Footnotes F-1
S-1	Signatures S-1

THIS REPORT ON FORM 10-K CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, WHICH ARE SUBJECT TO THE "SAFE HARBOR" CREATED BY THOSE SECTIONS. THESE FORWARD-LOOKING STATEMENTS INCLUDE BUT ARE NOT LIMITED TO STATEMENTS CONCERNING OUR BUSINESS OUTLOOK OR FUTURE ECONOMIC PERFORMANCE; ANTICIPATED PROFITABILITY, REVENUES, EXPENSES OR OTHER FINANCIAL ITEMS; AND STATEMENTS CONCERNING ASSUMPTIONS MADE OR EXCEPTIONS AS TO ANY FUTURE EVENTS, CONDITIONS, PERFORMANCE OR OTHER MATTERS WHICH ARE "FORWARD-LOOKING STATEMENTS" AS THAT TERM IS DEFINED UNDER THE FEDERAL SECURITIES LAWS. ALL STATEMENTS, OTHER THAN HISTORICAL FINANCIAL INFORMATION, MAY BE DEEMED TO BE FORWARD-LOOKING STATEMENTS. THE WORDS "BELIEVES", "PLANS", "ANTICIPATES", "EXPECTS", AND SIMILAR EXPRESSIONS HEREIN ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. FORWARD-LOOKING STATEMENTS ARE SUBJECT TO RISKS, UNCERTAINTIES, AND

OTHER FACTORS, WHICH WOULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE STATED IN SUCH STATEMENTS. FORWARD-LOOKING STATEMENTS INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED IN "FACTORS THAT MAY AFFECT FUTURE RESULTS," AND ELSEWHERE IN THIS REPORT, AND THE RISKS DISCUSSED IN THE COMPANY'S OTHER SEC FILINGS.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Our Business

Camelot Entertainment Group, Inc. (the “Company” or “Camelot”), a Delaware corporation, is a film, television, digital media and entertainment company. Camelot Entertainment Group has limited operations and thus we are classified as a development stage company. Due to the unexpected termination of our agreement to develop Camelot Studios at ATEP in August, 2008, we have been in the process of restructuring our organization in order to focus on our core business objectives, which include the development, production and distribution of feature film, television, home video and digital media production. As a result, during the third and fourth quarters of 2008, our operations were severely limited as we went through the restructuring process. We did not generate any revenues during 2008, and due to our limited operations and the long-term revenue cycle of the film business in general, we do not expect to generate any significant revenues in 2009. Our ability to develop sustained operations and to generate revenues is to a great extent dependent upon successful completion of our planned funding activities during 2009 and beyond. Failure to complete our funding objectives as discussed herein could have a material adverse effect on our ability to sustain our limited operations.

We believe that the direction the Company is now taking will allow us to fully implement our business plan and as a result make progress toward sustaining operations in 2009. Our business model classifies our planned operations into the following three major divisions:

- Camelot Film and Media Group, consisting principally of feature film, television, home video, and digital media production and distribution;
- Camelot Studio Group, consisting principally of site acquisition, design, development and operation of Camelot Studio locations domestically and internationally;
- Camelot Production Services Group, consisting principally of consulting, education, finance, production support and technology services.

At December 31, 2008, we had reduced our corporate staff to a total of 3 full time and part time employees and approximately 4 consultants which provides services to the Company on an as needed basis. The Company also retains independent contractors on a project by project basis to reduce our overhead. While our main activity during the past three years had been centered within our Camelot Studio Group division, during the 3rd and 4th quarter of 2008 we refocused our development activities within our Camelot Film and Media Group division. While we continued to pursue potential studio sites within our Camelot Studio Group division, we have had very limited operations in our Camelot Production Services Group division during 2008. We reduced the size of our physical office space, moving our headquarters to Irvine, California during the first quarter of 2009.

Camelot is being built utilizing four steps that are critical to our development as a film, television, digital media and entertainment company:

- Education
- Infrastructure
- Utilization

- Opportunity, which leads to Success
-

These four steps are the cornerstones to our foundation as we continue to develop and implement our business model. Our business plan provides a strategy where our parent company and our divisions all come together under a truly unique business model whose vision is to transform Hollywood by building a different kind of motion picture studio through redefining the development, finance, production and distribution process. To achieve our goals, we must remain true to our vision and be successful in obtaining the necessary financing. If we fail to do either one, we may not be able to fully implement our business plan and that would have a material adverse effect on our ability to develop and sustain operations.

For convenience, the terms the “Company,” “Camelot” and the “Registrant” are used in this report to refer to both the parent company and collectively to the parent company and the divisions and/or subsidiaries through which its various businesses are conducted or are planned to be conducted in the future, unless the context otherwise requires. As a development stage company, our operations to date have been limited and as a result Camelot has generated only limited revenues from inception through December 31, 2008.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Caution Concerning Forward-Looking Statements and Risk Factors

This Annual Report on Form 10-K includes certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management’s current expectations or beliefs and are subject to uncertainty and changes in circumstances. Actual results may vary materially from the expectations contained herein due to changes in economic, business, competitive, technological, strategic and/or regulatory factors, and other factors affecting the operation of the businesses of Camelot. For more detailed information about these factors, and risk factors with respect to the Company’s operations, see “Risk Factors,” and “Management’s Discussion and Analysis of Results of Operations and Financial Condition — Caution Concerning Forward-Looking Statements” below. Camelot is under no obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, subsequent events or otherwise.

Available Information and Website

The Company’s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to such reports filed with or furnished to the Securities and Exchange Commission (“SEC”) pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are available free of charge on the Company’s website at www.camelotfilms.com as soon as reasonably practicable after such reports are electronically filed with the SEC. They can also be found on the SEC website at www.sec.gov.

Business Development

Camelot Films®, Inc., now a subsidiary of the Company, was originally founded in 1978 by our current Chairman, Robert P. Atwell, as a feature film production and film finance management company. Camelot Films was originally incorporated in Delaware and had offices in London, England, Los Angeles, California and New York, New York. Between 1978 and 1988, Camelot Films was actively involved in the development, finance and production of independent feature films. Between 1988 and 2003, Camelot Films was primarily active in the development and financial structuring of independent feature films and the ongoing development of its Camelot Production Model (“CPM”). Beginning in 2003, Camelot became active once again in the production and distribution of independent feature films, along with its development and finance activities.

On October 1, 1999, the Company’s predecessor corporate entity was incorporated in Delaware as Dstage.com, Inc.

On March 31, 2003, the operations of Camelot Films were absorbed into the Company as part of a corporate restructuring. As a result of this restructuring, the Company’s new management team, headed by Mr. Atwell, adopted a new business model to pursue the development, production, marketing and distribution of motion pictures.

On April 16th, 2004, the Company officially changed its name to Camelot Entertainment Group, Inc.

Our initial business development plan was to become a vertically integrated media enterprise that creatively conceptualizes, finances, produces, and distributes original entertainment content across various media, including motion pictures, television, interactive gaming, radio and a multitude of digital media channels. Through the absorption of Camelot Films and the establishment of key operating divisions, including Camelot Distribution Group Inc., a Nevada corporation, we began to implement our new business model of acquiring, developing, producing, marketing and distributing motion pictures, television and digital media on a limited basis.

During 2004 and 2005, we formally acquired our three Camelot Films subsidiaries, Camelot Films, Inc., a Nevada corporation, Camelot Films, Inc., a California corporation, and Camelot Films, Inc., a Delaware corporation. We established a family film subsidiary, Ferris Wheel Films, Inc., a Nevada corporation. In September 2005, we established Camelot Studio Group with the responsibility of acquiring, designing, developing and operating our planned major studio complexes. Also in September 2005, we began the process of assessing the feasibility of an educational studio complex in Tustin, California. Designed to be a state-of-the-art education and technology campus with an emphasis on film, television and digital media, the project known as the “Advanced Technology and Education Park”, which will be the home for “Camelot Studios at ATEP”, is now in the entitlement process.

During fiscal year 2006, with the emergence of our studio group operations, we decided to implement a corporate structure that would feature the parent company, Camelot Entertainment Group, Inc., and three subsidiaries, Camelot Film and Media Group, Camelot Studio Group and Camelot Production Services Group. By establishing three top-level divisions, we expect to be able to streamline our management efforts in the future, concentrate cost centers and expand revenue potential.

During fiscal year 2007, our efforts were focused on our first major studio complex through our Camelot Studio Group division and on the continuing development of projects through our Camelot Film and Media Group division. We also continued to make progress toward the planned launch of our various divisions described herein.

During fiscal year 2008, our efforts to develop our first major studio complex through the Camelot Studio Group division were put on hold due in part to the credit crunch and economic downturn. In August, 2008, our first major studio project, Camelot Studios at ATEP, was unexpectedly terminated. As a result, we began the process of restructuring our limited operations, which to date have not produced any significant revenues. We continued to make progress in our Camelot Film and Media Group division with the recent addition of Mr. H. Kaye Dyal as head of production for Camelot Features and also in the other divisions as we continue to work on the development of the Camelot business model. We have refocused our efforts on the development, financing, production and distribution of several projects in our Camelot Film and Media Group division. In addition, negotiations continued on several potential acquisitions for Camelot, which we expect will move forward as current economic conditions improve. While we have refocused our efforts on Camelot Film and Media Group, we still are pursuing several projects in our Camelot Studio Group division, in addition to our ongoing activities in our Camelot Production Services Group division. During the third and fourth quarter of 2008, we had limited and minimal operations as we went through the restructuring process. Our stock price continued to drop, resulting in significant increases in the amount of stock being issued for funding, services and other consideration.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Business of the Issuer

Our Structure

We are comprised of the following three top-level divisions that can act in concert on our projects or autonomously as circumstances warrant. Historically, our activity in Camelot Film and Media Group (“CFG”) and Camelot Production Services Group (“CPS”) has been limited. Our main activity had been in our Camelot Studio Group (“CSG”) division. Currently, our main activity is in our CFG division, although we continue to make progress in our CSG division. We also expect increased activity during 2009 in our CPS division. As we progress through the implementation of our business model, each of our divisions are expected to become fully operational. This process is expected to take approximately three to five years (to be fully operational).

- § Camelot Film and Media Group (“CFG”)
- § Camelot Studio Group (“CSG”)

- § Camelot Production Services Group (“CPS”)

Camelot Film and Media Group is expected to be responsible for all content production and distribution. It plans to be organized into nine divisional units:

- § Camelot Films®
- § Camelot Features

- § Camelot Television Group
- § Camelot Urban Entertainment

- § Camelot Latin Entertainment
- § Ferris Wheel Films

- § Camelot Gaming
- § Camelot Digital Entertainment (formerly Camelot Digital Media)

- § Camelot Distribution Group

Camelot Studio Group is solely focused on the development, financing, design, planning, building, completion and operation of our major production studio projects. The studio group includes the following three divisions:

- § Camelot Development Group, LLC
- § Camelot Studio Operations

- § Camelot Studios Financial Group

Camelot Production Services Group is expected to be comprised of ten divisional units:

- § Camelot Entertainment Financial Group
- § Camelot Studio Services
- § Camelot Technology Group

- § Camelot Entertainment Consulting Group
- § Camelot Post Production
- § Camelot Event Management
- § Camelot University
- § Camelot Sales and Marketing
- § Camelot Merchandising
- § Camelot Web

Camelot Entertainment Group

Our parent Company, Camelot Entertainment Group, along with its three main divisions, Camelot Film and Media Group, Camelot Studio Group and Camelot Production Services Group, all come together under a truly unique business model whose vision is to transform Hollywood by building a different kind of motion picture studio through redefining the development, finance, production and distribution process. Focusing on higher quality, lower costs productions, utilizing in-house distribution expertise, maximizing profits through innovative fiscal disciplines, embracing education and digital technology, establishing creative and physical infrastructures and creating, controlling and monetizing content, Camelot is in the process of modernizing the original studio system.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Camelot Entertainment Group - continued

Our unique business model, which we are planning to apply for a business process patent on, has been thirty years in the making. Its primary goal is simple: to create a world where filmmaking dreams come true. Each step of the process is critical to achieving success, providing creative and financial opportunity while meeting the increasing world-wide demand for quality content. To achieve success, the Company is focused on creating, developing, controlling and monetizing the content; acquiring, building and exploiting library assets; and acquiring, developing, building and operating studios domestically and internationally. The underlying principal of our business model is education. Through education comes infrastructure, which leads to utilization, which in turn provides opportunity, which eventually leads to success.

There are four main business principles that matriculate through each of Camelot's three main divisions: Financial Transparency, Full-Time Employment, Stock Ownership and Revenue Sharing. Each of these supplies the foundation from which the Company is implementing its business strategy as it pursues success in the film, television and digital media marketplace.

Camelot Film and Media Group

Our core business model, while going through different structures during the years, has remained basically the same since the inception of Camelot Films in 1978: modernize in a creative and fiscally responsible way the development, production and distribution of feature films. While in recent years our business model has matured to include television and digital media, the foundation of our business model remains entrenched in the motion picture industry.

We currently have the following pictures in production:

Title

Damn Right I'm Mad

This full length documentary production is the first production undertaken by Camelot Urban Entertainment, a division of Camelot Film and Media Group. The current version of the film is in post production with additional material expected to be added in 2009. The documentary is a multi-year project. It is being directed by Omar McGee, who has been working with us to establish Camelot Urban Entertainment. We expect to commence distribution of the film in 2010.

We currently have the following pictures in various stages of pre-production:

Title

Girls Day Out

Iceman

Kimberly Drake

The Great Night

Eyes of the Red Skull

Invincible

Raising Hell

Go For It

We currently are considering, negotiating agreements or have in development the following feature film projects:

Title

Mexican Alarm Clock

Gracelawn

Hard to Kill

Digby, the Gunpowder Plotters Legacy

Dying to Live

Back to Life

Will Triumph Fights Alone

The Black Mask*

Mad, Mad Mary Jane*

King Baby*

In the Shadow of Wings*

A Rose for Emily*

The Kiss Off*

*Through Media Financial Partners, Inc.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Camelot Films®

Camelot Films is home to our unique “Camelot Production Model”, also known as “CPM”. Formerly referred to as the “Camelot Studio Model”, or “CSM”, the advent of our Camelot Studio Group division in 2005 necessitated a name change for this different approach to the development, production and distribution of feature films. The CPM provides for multiple feature films to be produced in annualized schedules known as “Slates”. The CPM incorporates the basic features previously described, including financial transparency, full time employment, stock ownership and revenue sharing. The CPM offers maximum flexibility, cost reductions, increased productivity, embraces new technologies and provides education and employment opportunities.

With proposed annualized budgets and a production schedule that would propose multiple feature films being produced in a short-term period (“Slates”), Camelot Films takes the best of the old studio system, and merges it into the 21st century. By proposing to eliminate many of the old studio system drawbacks, such as long term, non-negotiable actor contracts which tied an actor to a single studio for years, and by incorporating new business methods and technologies, such as creative freedom and digital, Camelot Films is designed to provide the filmmaker with the tools necessary to develop, produce and distribute their projects, either through Camelot Films® or through another entity with the assistance of Camelot.

Robert P. Atwell, our Chairman, currently oversees this division.

Camelot Features

A traditional production company, Camelot Features offers complete script development, full packaging services, co-productions and through Camelot Production Services Group financial structuring. Industry veteran H. Kaye Dyal was recently named Head of Production for Camelot Features. Camelot Features is currently developing a slate of small to mid-range budget features (see table above). Camelot Features also incorporates elements of the CPM described above. The division will also establish production company incubators to assist new production entities.

Camelot Television Group

The newest addition to the Camelot family, Camelot Television Group plans to be active in pilot production, series development, providing show running services and transitioning television programming into syndication. The division will also establish production company incubators to assist new production entities. Industry veteran Doug Warner is assisting us in developing this division.

Camelot Urban Entertainment

Camelot Urban Entertainment, headed by Omar McGee, is developing, producing and distributing entertainment aimed at the urban marketplace, a fast growing segment of the entertainment industry. It plans to produce features, television, documentaries, music and live events. The division will also establish production company incubators to assist new production entities. The divisions first feature documentary, “Damn Right I’m Mad”, is currently in post production.

Camelot Latin Entertainment

As with Camelot Urban Entertainment, the Latin entertainment consumer market is growing rapidly, creating demand and opportunity for filmmakers in that industry sector. Our proposed Camelot Latin Entertainment division plans to

develop, produce and distribute entertainment aimed at the Latin marketplace, a fast growing segment of the entertainment industry. It plans to produce features, television, documentaries, music and live events. The division also plans to establish production company incubators to assist new production entities. Industry veteran Doug Warner is also assisting us with this division.

Ferris Wheel Films

Ferris Wheel Films is our family entertainment division, concentrating specifically on entertainment product suitable for all ages and especially directed at families. Ferris Wheel plans to concentrate initially on features, television and documentaries. The division also plans to establish production company incubators to assist new production entities. We are currently searching for someone to head up this division.

Camelot Gaming

Gaming has become a major ancillary market in the motion picture business. Movies are made into games, and games are made into movies. Once established, Camelot Gaming plans to become very active in this market segment, acquiring, developing, producing and distributing 2D and 3D games, interactive gaming and all other formats, including VOD gaming and internet gaming. The division also plans to develop games based on television shows and television shows based on games. Camelot Gaming also plans to develop new forms of digital media based on games. We are currently searching for someone to head up this division.

Camelot Digital Entertainment

Formerly known as Camelot Digital Media, Camelot Digital Entertainment plans to become a major part of the Company's operating structure. Camelot Digital Entertainment plans to focus on content and the digital delivery systems, including cell phones, portable email devices, internet phones, MP3 players, internet, internet 2 and wireless applications which will deliver the content to consumers. We are currently searching for someone to head up this division.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Camelot Distribution Group

Camelot Distribution Group is expected to be responsible for all distribution activities of the Company, including all film, television and digital media productions. This division plans to handle domestic, international, theatrical, DVD, cable, satellite, ancillary markets, network television, syndication, direct distribution, wireless distribution, PPV, VOD and digital downloads. In addition, this division plans to have regional distribution centers both domestically and internationally, strategically located to provide customer service to theater owners, distribution retail outlets and consumers. In the United States, the regional centers are planned to be located in California, Nevada, Louisiana, Florida, North Carolina, Alabama, New Mexico, Illinois, Michigan, New York, Texas and the state of Washington. Internationally, these centers are planned for Belgium, Germany, London, Beijing, Singapore, Tokyo, Sydney, Vancouver, Toronto, Dubai and in Latin America. These distribution centers are expected to provide critical support and customer service to our planned distribution operations throughout the world. With an average of 70% of all film industry revenues generated internationally, the global nature of our business requires ongoing diligence and support. DVD, which has matured into a steady, albeit slower growth segment of the market, should receive a shot in the arm in 2009 with the high definition player battle between Blue-Ray and HD finally over, with the HD format abandoned and Blue-Ray now the singular technology in the marketplace. As video on demand (“VOD”) and other direct to consumer technology gain a larger market share, as theaters become all digital and upon the arrival of digital distribution to the theaters and other public venues, customer service will be a key component in our potential success. Industry veteran Chris Davis is assisting us in this division.

Camelot Studio Group

Camelot Studio Group is responsible for the development, financing, design, planning, construction and operation of our major physical studio projects. The division has three sub-divisions, including Camelot Development Group, LLC, Camelot Studio Operations and Camelot Studio Financial Group. Utilizing the latest technology, Camelot Studio Group plans to develop a series of major motion picture studios both domestically and internationally from which the Company plans to produce slates of films, television and digital media productions. The studios are critical to the production process, as they allow the creative teams to control the production environment, which in turns provides the opportunity for higher quality productions. The studios also plan to have the ability to generate revenues from non-film activity, including events. Company Chairman Robert P. Atwell currently oversees this division. The Company is actively searching for an industry veteran to assume the day to day responsibility for this division.

The planned studios are the backbone of our planned education integration into the filmmaking process. By providing fully integrated educational opportunities at the studios, production infrastructure can be developed, which in time should lead to utilization and additional opportunity. The planned studios are expected to provide the space where students and professionals can work side by side. In a rapidly changing technology landscape, the students in some cases actually become the teachers, and the teachers (the professionals) become the students. This and other factors provide a unique opportunity for all involved. This unique relationship should provide student employment, job training and an innovative integration of students into the workforce.

The studio designs plan to feature large, functional stages, including some of the world’s largest stages, and a minimum of 12 stages per location. Modern advances in studio technology are expected to be incorporated into the studio design, including digital video walls, retractable roofs, water tanks and mechanized lighting grids.

The following sites and locations have been selected as initial sites for Camelot Studio Group facilities.

Current Camelot Studio Group Project Locations

Domestic

Orange County, California

San Diego, California

Las Vegas, Nevada

New Orleans, Louisiana

Miami, Florida

Detroit, Michigan

International

Canada

England

Belgium

Germany

China

Dubai

ITEM 1. DESCRIPTION OF BUSINESS - continued

Camelot Development Group - continued

Our Camelot Development Group division is responsible for property acquisition, studio development, entitlements, project design, project financing, site management and acquisition of existing studios. Each project is expected to have its own development entity to implement the specific studio project.

Camelot Development Group plans to establish similar development entities in areas where additional studio sites are anticipated to be located, including an Orange County site, Los Angeles, Las Vegas, New Orleans, Florida, Michigan, North Carolina, Alabama, New Mexico, Europe, Latin America, United Kingdom, Asia, Australia, Canada, Chicago, New York, Texas, Washington, Reno and Dubai.

Camelot Studio Operations

Camelot Studio Operations responsibility is to oversee the operation of the physical studios. This division will identify and retain experienced studio operators for each site, identify potential revenue sources, work with the local operators in minimizing costs while maximizing profits, insure aggressive community relation activities at each location, oversee governmental relations and work to sustain growth for the studio operations.

Camelot Studio Financial Group

The financial arm of Camelot Studio Group, this division is expected to be responsible for identifying and securing fiscal resources, both public and private, for the Camelot Studio Group projects. In addition, the financial group could assist Camelot in identifying profitable venture opportunities for studio group operations. The financial group is expected to arrange for and/or provide land acquisition costs, studio financing, incubator financing, studio acquisition financing, studio related financing and establishing fiscal operating procedures.

Camelot Production Services Group

The third major division of Camelot, Camelot Production Services Group is expected to provide the underlying fabric that supports all of the Company's operations while hopefully establishing individual revenue sources from each of its planned sub-divisions. The production services group is expected to be comprised of Camelot Studio Services, Camelot Technology Group, Camelot Entertainment Consulting Group, Camelot Post Production, Camelot Event Management, Camelot University, Camelot Sales and Marketing, Camelot Merchandising and Camelot Web. While the other two major divisions, Camelot Film Group and Camelot Studio Group, are specific in their respective institutional responsibilities, Camelot Production Services Group should have a wide variety of responsibilities which will interact with the other major divisions, providing services and support. We are currently searching for someone to head up this division.

To that extent, the production services group plans to provide production and related services to the motion picture, television, radio and music activities of Camelot, provide production and related services to third-party companies in the motion picture, television, radio and music industry and provide innovative fiscal tools for Camelot and its affiliates. In addition, the production services group will research, develop and deploy new technologies, provide consulting services to third-party production companies, distributors and industry professionals and oversee post production activities of Camelot.

The production services group will also provide event management services, establish Camelot University on the studio sites, establish, implement and manage sales and marketing, merchandising and web activities.

This division will be the last of the three major divisions to become fully operational. Aspects of the planned operations are already underway, as they are intertwined with our Camelot Film and Media Group and Camelot Studio Group activities.

Camelot Entertainment Financial Group

Our financial group is expected to oversee all of the financing activities for the Company. The financial group plans to provide financial services to Camelot, secure funding for Camelot film, television and digital media projects, oversee the financial transparency aspects of our business model and oversee collection of accounts receivable.

In addition, Camelot Entertainment Financial Group plans to establish, develop and implement our “Late Stage Bridge Financing Fund” or “LSB”, which will provide late stage bridge financing for bank or equivalent financed projects with accelerated or delayed start dates that have a need for this type of short term financing.

Camelot Studio Services

Our studio services department plans to provide studio services, including equipment, expendables, location, transportation and logistical support to Camelot Studio Group. In addition, studio services hopes to provide these services through Camelot Studio Group to third-party productions. This department is expected to establish revenue producing activities utilizing Camelot assets and will provide equipment, transportation and logistical support to Camelot (in addition to those services provided to Camelot Studio Group).

ITEM 1. DESCRIPTION OF BUSINESS - continued

Camelot Technology Group

Camelot Technology Group plans to provide Camelot with the latest pre-production technology, including pre-visualization software, production, post production and distribution technologies, including digital delivery systems. This department is expected to also research and develop new technologies for Camelot and the entertainment industry. Currently, Camelot is involved with various digital consortiums, SMPTE, NAB and other entities that are actively pursuing digital technology. In addition, our technology group is expected to be responsible for the technical side of our corporate communications, which will become a critical component of our future operations as we expand.

Camelot Entertainment Consulting Group

Our consulting group is expected to provide film, television and digital media consultation services to third-party production companies, distributors and industry professionals. The group plans to provide banks, funds and other financial institutions with fiscal consultation specifically related to the film, television and digital media industry.

Camelot Post Production

Our post production department will be responsible for providing Camelot Film and Media Group with the best post production capabilities available in order to meet their post production requirements. This department plans to utilize the latest technology available to support the production process, working with such companies as Avid and Apple (Final Cut). It will provide sound, special effects, ADR, editing, digital interface and other digital applications, music and deliverables.

Camelot Event Management

Our event management company will have the responsibility of securing contracts to manage film markets and festivals worldwide. In addition, the department plans to provide consulting services to existing festivals and markets, organize and manage Camelot events, outsource its services for third-party events and manage corporate travel for the Company.

Camelot University Division

Our educational division, currently known as Camelot University, is expected to be responsible for all of our educational activities, curriculum, disciplines, integration and interaction with our educational partners. Education is imbedded in our business foundation and is a critical component of our business model. In the future, this division plans to establish a world class college and/or university to provide the traditional and non-traditional education with our education partners. In addition, we plan to establish “Camelot College of the Arts”, specifically for motion picture, television and digital media development, production and distribution.

Camelot University is expected to be responsible for our innovative integration of students into the film, television and digital media industry through our physical studios and other programs, providing job training, infrastructure establishment, student employment, business community education partnerships and career opportunities for our students.

Camelot Sales and Marketing

Our sales and marketing department plans to establish, implement and manage sales and marketing activity for the Company, overseeing those efforts in each of our three main divisions, Camelot Film Group, Camelot Studio Group and Camelot Production Services Group. They are expected to be responsible for providing materials, developing and implementing promotional campaigns, press relations, investor relations, advertising, printing, one-sheets, press packets and on-line marketing material. Our sales and marketing team, when fully staffed, plans to work closely with our merchandising and web departments, all critical elements of our business model.

Camelot Merchandising

The merchandising department would be responsible for all of the Company's promotional products, promotional tie-ins, clothing, hats, jackets, fleece, etc., poster, cups, toys, memorabilia, product placement and product tie-ins. Working with our web department, Camelot merchandising will be expected to establish our planned on-line retail store and future retail outlets.

Camelot Web

Our web division is expected to be responsible for our web sites, IPTV, on-line store, technical support, internet services, hardware and software support, blogs, chat rooms, email and all other activities associated with the internet and computers. Our web department plans to work closely with our technology group planning and implementing our web related activities.

Recent Developments

During fiscal year 2008, our efforts to develop our first major studio complex through the Camelot Studio Group division were put on hold due in part to the credit crunch and economic downturn. As a result, our operations were severely limited. We did not generate any revenues during 2008. During the third and fourth quarter of 2008, we began the process of restructuring the Company, making several changes including reduction of staff and downsizing of our physical office. We continue to make progress in our Camelot Film and Media Group division with the recent addition of Mr. H. Kaye Dyal as head of production for Camelot Features and also in the other divisions as we continue to work on the development of the Camelot business model. We redirected our focus away from the studio development to concentrate on the development, financing, production and distribution of several projects in our Camelot Film and Media Group division. In addition, negotiations continued on several potential acquisitions for Camelot, which we expect will move forward as current economic conditions improve.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Recent Developments - continued

We also continued to develop various potential feature films during 2008 within our Camelot Film and Media Group division. Camelot Urban Entertainment, part of our film group division, began production on its first feature length documentary, "Damn Right I'm Mad". The project, currently in post production, is expected to be completed in 2009.

In addition, we continued to explore funding options with various domestic and international resources currently being developed by our management team. The international regions currently being explored include Europe, specifically Belgium, Germany and the United Kingdom, and the Far East, specifically China.

Principal Products or Services and Their Markets

Although our operations have been limited, our focus during the first part of 2008 had been on our Camelot Studio Group projects, while our long term plans focus on the proposed development, production, marketing and distribution of original motion pictures, television and digital media. Within Camelot Film and Media Group, our objective is to develop, produce, market and distribute multiple pictures, television product and various forms of digital media annually across various genres and budget ranges through our various divisions which comprise Camelot Film and Media Group. Camelot Films® continues to provide the foundation upon which all of our various film, television and digital media divisions plan to operate. By incorporating our truly unique business model, which stresses four main objectives: financial transparency, full time employment, stock ownership and revenue sharing; we are hoping to redefine the development, finance, production, and distribution process. In doing so, we plan to produce higher quality, lower cost productions to meet the growing appetite for content worldwide. Our plan is to market and distribute all of our production through our Camelot Distribution subsidiary, thereby keeping as much control as possible over the revenues generated by our productions.

The development, finance, production and distribution process for film, television and digital media can have a lengthy workflow cycle. The process is inherently risky. It consumes significant cash and personnel resources. While we are going through this process, we are slowly developing the other areas of our business, Camelot Studio Group and Camelot Production Services Group. All three divisions are critical to our success. It will take at least three to five years to become fully operational, depending upon the successful completion of our planned financing activities. If our funding plans are delayed or do not materialize, we may never become fully operational, or if we do, it could take significantly longer than three to five years.

Key Additional Components of the Camelot Production Model ("CPM")

Camelot Films is home to our unique "Camelot Production Model", also known as "CPM". The CPM provides for multiple feature films to be produced in annualized schedules known as "Slates". The CPM plan incorporates the basic features previously described, including financial transparency, full time employment, stock ownership and revenue sharing. The CPM plan expects to offer maximum flexibility, cost reductions, increased productivity, embraces new technologies and provides education and employment opportunities.

With annualized budgets and Slates, Camelot Films plans to take the best of the old studio system, and merge it into the 21st century. By eliminating many of the old studio system drawbacks, such as long term, non-negotiable actor contracts which tied an actor to a single studio for years, and by incorporating new business methods and technologies, such as creative freedom and digital, Camelot Films is designed to provide the filmmaker with the tools necessary to develop, produce and distribute their projects, either through Camelot Films or through another entity with the assistance of Camelot.

The following additional components are a crucial part of the CPM:

Cash Component

Our plan is to raise sufficient capital to finance the next three to five years of operations, production and distribution activities, the time period management feels it will take for us to realize ongoing revenues substantial enough to maintain monthly operating, production and distribution expenses. We plan to file a S-1 registration statement during the second and third quarters of 2009. We will not be able to commence our plan to develop, produce, market and distribute multiple pictures annually until we have raised the necessary capital. In the event we are unable to secure this funding on a timely basis, our ability to implement our plan would be jeopardized. See "Risk Factors".

Deferment Component

In addition to reasonable cash payments on budgeted line items, a majority of line items in the budgets will also have a deferment component. In addition to cash payments, each individual and vendor would receive a deferment, or delayed payment, which we anticipate to pay out of revenues generated by our films. By fully disclosing all financial elements in connection with the pictures, which we call financial transparency, we believe that the deferment component can become a trusted and reliable source of payment for our employees and vendors.

Camelot Production Services Group Contribution Component

We anticipate providing each film produced by us certain items in the budget that normally would have to be either rented or purchased from a third party vendor. These "in-kind" contributions may include cameras, lights, grip and electrical equipment, vehicles, legal and accounting services, certain executive producer and producer services, production and location offices and other goods and services to be determined on a film by film basis.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Camelot Entertainment Group Common Stock Component

We plan to issue every individual working on our films shares of our common stock as part of their compensation package or vendor contract. We anticipate that this common stock component will enhance each individual or vendor's consideration to such an extent that these individuals and entities will continue to work with us within the parameters of our budget model.

Key Components of the Production Process

The key components of motion picture production are generally viewed as consisting of development, pre-production, production or principal photography, post-production, marketing and distribution. While these terms are used in similar ways by many major studios and independent productions, the relative resources of the parties involved in producing an original motion picture have a meaningful impact on both the scale and scope of the specific activities these components are comprised of. For example, in a major studio production, the post-production phase may include use of numerous special effects professionals and companies, composers and music editors, in addition to other personnel. This is in contrast to many independent productions that might be able to fit a music editor into their budget, but may not be able to afford hiring a composer to create an original score, much less an orchestra to perform and record the score. Similarly, many independent productions might not be able to afford hiring a leading special effects company for months at a time, but may be able to fit some stock special effects footage into a production or hire an editor that also has some experience with editing special effects. As our business model depends to a large extent on our ability to efficiently mitigate some of these differences, our description of the motion picture production process includes certain references to our perception of differences between major studio productions and independent productions.

Development

In general, the development phase of motion picture production begins with converting a concept or literary work into a script. In certain cases, a completed script, or screenplay, may already exist, and require a studio or independent producer to acquire rights to the script. Such rights could be an outright purchase of a literary work or an option to purchase the literary work or script. In the case of a major studio, the next steps in the development phase of a motion picture could often involve developing a budget, getting contingent commitments from talent such as directors and cast members, and assessing the overall creative potential of the project. Independent productions generally conduct similar activities; the key difference is often that an independent producer has substantially less financial and human resources with which to execute these activities. As a result, certain independent productions must seek external financing from private investment sources to enable shaping the motion picture concept into an attractive package that could hopefully result in raising additional funds needed to actually produce the motion picture.

In the case of studios and independent production companies, their staffs actively seek and participate in the acquisition of completed scripts or developing scripts into motion picture projects, usually with either in-house producers or non-affiliated producers whose specific projects they desire to produce. Once the screenplay or story rights have been secured, talent is lined up, a budget and production schedule has been created, the package is presented to decision-makers at the studio or independent production company that either approves the project, or "greenlights" the project, or declines the project. If the project is approved, it moves into the pre-production phase.

The decision whether to "greenlight," or proceed with production of, a film is a diligent process that typically involves numerous key executives of a major studio, in contrast to an independent company where possibly the entire process might be handled by just one person. Generally, the production division presents projects to a committee comprised of

the heads of a studio's production, distribution, home entertainment, international, legal and finance departments. In this process, scripts are discussed for both artistic merit and commercial viability. The committee considers the entire package, including the script, the talent that may be attached or pursued and the production division's initial budget. They also discuss talent and story elements that could make the product more successful. Next, the heads of domestic and international distribution prepare estimates of projected revenues and the costs of marketing and distributing the film. The studio's finance and legal professionals review all of the projections, and the committee decides whether the picture is worth pursuing by balancing the risk of a production against its potential for financial success. The studio may seek to mitigate the financial risk associated with film production by negotiating co-production agreements, pre-selling international distribution rights and capitalizing on government subsidies and tax credits. In addition, a studio might attempt to minimize its production exposure by structuring deals with talent that provide for them to participate in the financial success of the motion picture in exchange for reducing up-front payments.

Pre-Production

In general, the pre-production phase of motion picture production involves executing binding engagements of creative personnel, scouting and securing locations for principal photography, firming up the filming schedule and budget, and taking all other steps necessary to facilitate actual filming during the production, or principal photography, phase.

Production/Principal Photography

Principal photography, or production, is the phase where actual filming of the motion picture takes place. The actors, producers, directors, staff, locations and equipment that were engaged and planned for in the pre-production phase must be brought together to create the primary film footage that should enable a meaningful creative work to be edited into a quality finished product. While the planning that took place during the pre-production phase is a critical success factor, a large amount of uncertainties exist that can positively, or negatively, impact outcomes of the production phase. For example, weather may cause delays in the shooting schedule, talent may become injured or sick and the director may not be able to extract the quality of performances desired from actors. In the case of a major studio production, access to capital may enable more resources to be deployed to mitigate these risks. In the case of an independent production, these uncontrollable factors may be more likely to result in the failure to complete a motion picture of the quality envisioned during the pre-production phase.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Post-Production

Following the last date of principal photography, the film footage produced during that phase enters the post-production phase. Post-production is the phase where the film footage captured in the production phase is enhanced and edited into a form that should, hopefully, strike a cord with the target audience upon release of the completed motion picture. This phase includes activities such as adding voices as needed, opticals, music, special effects, soundtracks, and even additional film footage. These elements must be brought together symbiotically, to create a completed negative ready to be converted into release prints. This phase has a substantial impact on how an audience perceives the work that was performed during the principal photography phase. For instance, although the performances of actors and directors may have been excellent during the principal photography phase, if the sound, sequence of visuals and events are not brought together in the proper manner, the end result may not be artistically or commercially viable. For major studios, hiring the best available consultants, editors or other parties to remedy, at least partially, such an outcome can often mitigate such an event. Few independent productions can access such resources without exceeding the projected revenues required to deliver a potential return to their investors.

Studio Facilities

Currently, we rent studio space on an as-needed basis. We may own and operate additional studio facilities in the future.

The Motion Picture Industry

The motion picture industry consists of two principal activities: production and distribution. Production involves the development, financing and production of feature-length motion pictures. Distribution involves the promotion and exploitation of motion pictures throughout the world in a variety of media, including theatrical exhibition, home entertainment, television and other ancillary markets.

General Statistics

According to the Motion Picture Association's U.S. Theatrical Market: 2008 Statistics, worldwide box office reached \$28.1 billion, a 5.2% increase over 2007. Overall domestic box office revenue was approximately \$9.8 billion in 2008. This represents a 1.7% increase in total domestic box office compared to 2007 statistics. Global box office reached an all-time high with its \$28.1 billion in 2008, with 65% of the global box office generated internationally, up from 51% in 2001. Domestic movie goers purchased 1.364 billion theater tickets in 2008, a slight .02.6% decrease over 2007. Although it fluctuates from year to year (including a moderate decline from 2004 to 2005, followed by steady increases through 2007), the domestic motion picture industry has grown in revenues and attendance over the past 15 years, with box office receipts up 111% (\$4.563 billion in 1992) and admissions up 27.4% from 1992 to 2007. During the first quarter of 2009, domestic box office set records in revenue and admissions, reversing a trend that had seen admissions decrease every year since 1999. Worldwide appetite for filmed entertainment continues to escalate, as seen in the increased international percentage of total world-wide box office. Domestically, filmed entertainment has historically performed well during recessionary periods, and the current numbers continue to reinforce that fact.

There were 610 feature films released in 2008, up from 599 in 2007. 27%, or 162, of those were released by the major studios. 444, or 73%, were released by independent distributors. That represents a 3% increase over 2007 for the independents. 3 movies earned more than \$300,000,000 at the US box office in 2008, 3 earned between \$200,000,000 and \$300,000,000, and 14 earned between \$100,000,000 and \$199,000,000.

50% of all movies released theatrically were rated PG-13. 30% were rated PG, 15% were rated R and 5% were rated G.

Competition

The U.S. motion picture industry can be divided into major studios and independent companies, with the major studios and independents affiliated with them historically accounting for a large majority of the number of theatrical releases. The major studios are The Walt Disney Company (including Buena Vista, Touchstone and Miramax Films), Paramount Pictures Corporation (including DreamWorks), Sony Pictures Entertainment, Inc. (including Columbia Pictures and MGM), Twentieth Century Fox Film Corp., NBC Universal (including Universal Studios and Universal Focus) and Warner Bros. (including Turner, New Line Cinema and Castle Rock Entertainment). The major studios are typically large diversified corporations that have strong relationships with creative talent, exhibitors and others involved in the entertainment industry, and have global film production and distribution capabilities.

Historically, the major studios have produced and distributed the majority of high grossing theatrical motion pictures released annually in the United States. In addition, most of the studios have created or accumulated substantial and valuable motion picture libraries that generate significant revenues. These revenues can provide the major studios with a stable source of earnings that partially offsets the variations in the financial performance of their current motion picture releases and other aspects of their motion picture operations.

The independent companies generally have more limited production and distribution capabilities than do the major studios. While certain independent companies may produce as many films as a major studio in any year, independent motion pictures typically have lower negative costs and are not as widely released as motion pictures produced and distributed by the major studios. Additionally, the independent companies may have limited or no internal distribution capability and may rely on the major studios for distribution and financing. There are exceptions to this, including Lionsgate Films, a major independent that has continued to experience significant growth since 2005.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Competition - continued

Competitor Film
and Television
Companies 2008

Major Parent	Divisions						
Universal	Focus	Rogue	NBC	Telemundo	USA	Sci Fi	Bravo
Sony	Columbia	MGM	UA	Sony Classics	Screen Gems	TriStar	Destination
Paramount	DreamWorks	Vantage	P. Classics	Nickelodeon	CBS	BET	Comedy C
Warner	New Line	Telepicture	Castle Rock	W. Independent	Picturehouse	HBO	W. Premier
Disney	Buena Vista	Touchstone	Miramax	Hollywood	Pixar	ABC	Spyglass
Fox	Fox Searchlight	Faith	Atomic	Fox TV	Telecolombia		

Independents Divisions

Camelot Ent Gp	Camelot Films	Camelot Features	Camelot Urban	Ferris Wheel
----------------	---------------	------------------	---------------	--------------

Weinstein Dimension

Nu Image Millennium First Look

Yari Film Group

Lionsgate Ghost House Mandate

Newmarket

RKO Radio Roseblood

Pictures

IFC Films

Samuel Goldwyn

2929 Magnolia Truly Indie HDNet HDNet Films Landmark

Palm

Tartan Films

ThinkFilm

Troma

Entertainment

Giant Screen Films

Others

CBS

Cable and Satellite

Smaller

Independents

Despite the limited resources generally available to independent studios, independent films have gained wider market approval and increased share of overall box office receipts in recent years. Past successful independent films such as My Big Fat Greek Wedding, Bend It Like Beckham, Saw and Crash highlight moviegoers' willingness to support high quality and/or commercial motion pictures despite limited pre-marketing and production budgets.

Product Life Cycle

Successful motion pictures may continue to play in theaters for more than three months following their initial release. Concurrent with their release in the United States, motion pictures are generally released in Canada and may also be released in one or more other foreign markets. After the initial theatrical release, distributors seek to maximize revenues by releasing movies in sequential release date windows, which are generally exclusive against other non-theatrical distribution channels:

Typical Film Release Windows*

Release Period	Months After Initial Release	Approximate Release Period
Theatrical	—	0-3 months
Home video/ DVD (1st cycle)	3-6 months	1-3 months
Pay-per-transaction (pay per-view and video-on-demand)	4-8 months	3-4 months
Pay television	9-12 months	18 months
Network or basic cable	27-30 months	48-72 months
Syndication	48-70 months	12-72 months
Licensing and merchandising	Concurrent	Ongoing
All international releases	Concurrent	Ongoing

* These patterns may not be applicable to every film, and may change with the emergence of new technologies. Does not include day and date release patterns.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Production

The production of a motion picture begins with the screenplay adaptation of a popular novel or other literary work acquired by the producer of the motion picture or the development of an original screenplay based upon a story line or scenario conceived or acquired by the producer. In the development phase, the producer may seek production financing and tentative commitments from a director, the principal cast members and other creative personnel. A proposed production schedule and budget are prepared. At the end of this phase, the decision is made whether or not to “greenlight,” or approve for production, the motion picture.

After greenlighting, pre-production of the motion picture begins. In this phase, the producer engages creative personnel to the extent not previously committed, finalizes the filming schedule and production budget, obtains insurance or self insures and secures completion guaranties, if necessary. Moreover, the producer establishes filming locations, secures any necessary studio facilities and stages and prepares for the start of actual filming.

Principal photography, or the actual physical principal production and filming of the screenplay, generally extends on the average from four to 16 weeks, with some schedules extending out as much as 52 weeks, depending upon such factors as budget, location, weather and complications inherent in the screenplay.

Following completion of principal photography, the motion picture enters what is typically referred to as post-production. In this phase, the motion picture is edited, opticals, dialogue, music and any special effects are added, and voice, effects and music soundtracks and pictures are synchronized. This results in the production of the negative from which release prints of the motion picture are made. Major studios and independent film companies hire editors, composers and special effects technicians on the basis of their suitability for a particular picture.

The production and marketing of theatrical motion pictures at the studio level requires substantial capital. The costs of producing and marketing motion pictures have increased substantially in recent years. These costs may continue to increase in the future at rates greater than normal inflation, thereby increasing the costs to us of our motion pictures. Production costs and marketing costs are generally rising at a faster rate than increases in either domestic admissions to movie theaters or admission ticket prices, leaving all producers of motion pictures more dependent on other media, such as home entertainment, television, and foreign markets.

Distribution

The distribution of a motion picture involves the licensing of the picture for distribution or exploitation in various markets, both domestically and internationally, pursuant to a release pattern. These markets include theatrical exhibition, non-theatrical exhibition (which includes airlines, hotels and armed forces facilities), home entertainment (including rental and sell-through of video and DVD), presentation on television (including pay-per-view, pay, network, syndication and basic cable) and marketing of the other rights in the picture and underlying literary property, which may include publishing, merchandising and soundtracks. The domestic and international markets generally follow the same release pattern, with the starting date of the release in the international market varying from being concurrent with the domestic theatrical release to being as long as nine months afterwards. A motion picture typically is distributed by a major studio or one or more distributors that acquire rights from a studio or other producer in one or more markets or media or a combination of the foregoing.

Both major studios and independent film companies often acquire pictures for distribution through a customary industry arrangement known as a “negative pickup,” under which the studio or independent film company agrees before commencement of or during production to acquire from a production company all domestic rights, and in some cases some or all of the foreign rights, to a film upon completion of production, and also acquire completed films, as well as

all associated obligations.

Movie Remain a Hot Ticket

According to the Motion Picture Association of America, the motion picture industry has continued to experience significant growth worldwide over the past five decades, although certain aspects of the industry have matured in recent years, such as DVD.

Between 1953 and 2008, a span of 55 years, the U.S. Box Office has gone from \$1.34 billion in gross receipts in 1953 to the all time high of \$9.8 billion in 2008.

All of the international regions saw significant growth between July 2006 and July 2007. Europe, the Middle East and Africa saw an increase of 15%. Asia-Pacific saw an increase of 15%. Latin America's theatrical market increased 17%. Europe, the Middle East and Africa ("EMEA") comprised more than half of the \$16.33 billion international box office, accounting for 49.6% of the total with \$8.11 billion in receipts. Asia-Pacific box office finished strong with \$6.32 billion between July 2006 and July 2007. These trends are expected to continue in 2009.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Movie Remain a Hot Ticket - continued

Worldwide admissions bounced back in 2006, reaching an all-time high of 7.81 billion movie tickets after a 4% increase. The growth was driven primarily by Asia Pacific's 5% gain to 4.81 billion tickets and EMEA's 4% gain to 1.1 billion tickets.

The number of theatrical screens in the U.S. increased less than 1% to 40,194 in 2008. This follows a 2.1% increase in screens between 2005 and 2007 and a 9.7% increase between 2003 and 2007. Of the 40,194 screens in the U.S., 39,476 were indoor screens, while 718 were drive-in screens. The number of drive in screens decreased by 12 screens between 2007 and 2008. This follows an increase by 21 screens between 2005 and 2007. The number of drive in screens reached an all time low of 601 in 2004, followed by an increase to 709 screens in 2005. In comparison, in 1986 there were 2,818 drive-in screens in the US.

Digital screens continued their rapid growth in 2008 with the number of worldwide digital screens climbing 33% to 8,614 screens. To put this number of digital screens in a better perspective, in 1999 there were 12 digital screens worldwide. 5,474 digital screens representing 64% of all digital screens are in the U.S.

- § In 2008, the number of moviegoers dropped 2.6% over the previous year, with 1,364,000,000 admissions. In 2007, the number of moviegoers had reached its highest point in five years, topping 1,400,000,000 admissions.
- § For the past eight years, each U.S. resident attended an average of at least 5.5 movies per year. In 2007, the average was 6.0, up from 4.4 in 1985. In 2005, the average was 5.4. Admissions per capita reached an all time high of 6.2 in 2002.
- § The average annual admission price for 2008 was \$7.18, up 4.4% over the previous year.
- § The average box office revenue for all new film releases was \$16.1 million in 2007, compared to \$15.4 million in 2006 and \$16.7 million in 2005. The average box office revenue for major studio film releases was \$45.7 million in 2007, compared to \$40.2 million in 2006 and \$39.7 million in 2005.
- § The average budget of a major studio film in 2007 was \$70.8 million. In 1983, the average was \$11.9 million. The average marketing budget was \$35.9 million in 2007, as compared to \$34.5 million in 2006. In 1983, the average was \$5.2 million. As a comparison, in 2001 the average budget was \$47.7 million. The average marketing budget was \$31 million in 2001.
- § The total average cost to produce and launch a studio film in 2007 was \$106.6 million compared to \$100.3 million in 2006. In 1983, the total average cost to produce and launch a studio film was \$17.1 million. As a comparison, the average total cost was \$78.7 million in 2001.
- § Between 1993 and 1999, the average budget of a studio film increased 97.7%, from \$29.9 million in 1993 to \$51.5 million in 1999.
- § Between 2001 and 2007, the average budget of a studio film increased 48.4% from \$47.7 million in 2001 to \$70.8 million in 2007.

§

The average budget of a major studio subsidiary/classic or specialty/independent type film (i.e. Fox Searchlight, New Line, Fine Line, Miramax, Sony Pictures Classics, and Lionsgate etc.) in 2007 was \$49.2 million. The average marketing cost was \$25.7 million. The combined negative and marketing costs was \$74.8 million., contributing to a 54% increase in combined negative and marketing costs when compared to 2006, when the combined costs was \$48.5 million. The average cost in 2003 was \$46.9 million, a 154.9% increase over the 1999 average of \$18.4 million and a 37.7% increase over 2002's average of \$34 million. The average marketing budget was \$15.2 million in 2005. The average marketing budget was \$11.4 million in 2004. The average marketing budget was \$14.7 million in 2003. In 1999, the average was \$6.5 million.

- § The total average cost to produce and launch a major studio subsidiary or specialty/independent type film in 2007 was \$74.8 million, the highest ever. In 1999, the total average cost to produce and launch a major studio subsidiary or specialty/independent type film was \$24.9 million.
- § Between 1986 and 2007, there was a 75.2% increase in the total number of screens. There was a 95.2% increase in the number of indoor screens and a 74.3% decrease in the number of drive-in screens.
- § Between 2006 and 2007 the total number of theaters in the U.S. decreased by 1.2%. Between 2000 and 2004, the total number of theaters in the U.S. decreased by 2.1%. Between 1994 and 2004 the total number of theaters in the U.S. increased by 38%.
- § In 2007, there were 6,277 total theaters in the U.S. 1,748 of the theaters had single screens. 2,296 theaters had 2 to 7 screens. 1,617 theaters had 8 to 15 screens and 616 theaters had more than 16 screens, a 4.2% increase in megaplexes screens. In 2006, there were 6,356 total theaters in the U.S. 1,742 of the theaters had single screens. 2,362 theaters had 2 to 7 screens. 1,661 theaters had 8 to 15 screens and 591 theaters had more than 16 screens. In 2004, there were 6,012 total theaters in the U.S. 5,620 were indoor theaters, 392 were drive-in theaters. In 1980, there were 17,590 total theaters, with 14,029 indoor and 3,561 drive-in theaters.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Movie Remain a Hot Ticket - continued

- § In 2007, approximately 36% of the screens were miniplexes (2 to 7 screens), 28% were single screen, 26% were multiplexes (8 to 15 screens) and 10% were megaplexes (16 or more screens). In 2006, approximately 37% of the screens were miniplexes (2 to 7 screens), 27% were single screen, 27% were multiplexes (8 to 15 screens) and 9% were megaplexes (16 or more screens).
- § In 2007, preliminary estimates show a total of 357,300 employees in the U.S. motion picture industry and associated fields. Of that number, 192,800 are involved in production and services, with 136,200 in the theater and video/DVD rental sector and 28,300 employed in related fields. In 2006, there were a total of 354,400 employees in the U.S. motion picture industry and associated fields. Of that number, 192,200 were involved in production and services, with 133,700 in the theater and video/DVD rental sector and 28,500 employed in related fields.
- § In 2007, the number of cable and satellite television stations eclipsed 400. Between 1990 and 2004, the number of cable and satellite television channels increased 372% from 60 cable channels in 1990 to 324 cable and satellite channels in 2004.
- § Total rental and sell-through of motion picture video DVDs to dealers in the United States decreased from 1,309.2 billion units in 2007 to 1,255.8 billion in 2006, a decrease of 4.1%, reflecting the stagnant growth in DVD use by consumers, due in part to format confusion between Blue-Ray and HD DVD formats. Previously, this sector had been robust. Since 2002, this sector has seen an increase of 113.9% in DVD sales to dealers. Total rental and sell-through of motion picture video DVDs to dealers in the United States increased from 1,292.9 billion units in 2005 to 1,324.7 billion in 2006, an increase of 2.5%, reflecting at the time the continued growth in DVD use by consumers.
- § Total sales of motion picture video cassettes to dealers in the United States decreased from 7.4 million in 2006 to 300,000 in 2007, a 95.4% decrease. Total sales had previously decreased from 48.7 million in 2005 to 7.4 million in 2006, a 84.8% decrease. This followed a 61.2% decrease between 2005 and 2004.
- § There are currently over 84,000 titles available on DVD, a 19% increase over 2006. In 2006, there were 68,000 titles available on DVD, a 51% increase over 2005. In 1999, there were 5,000.
- § There were 12,050 new titles available on DVD during 2007, a 11.4% decrease from 2006, when there were 13,604 new titles available. This is the second consecutive year that the number of new titles has decreased. In 2005, there were 13,922 new titles available.
- § In 2007, 21,200,000 DVD players were purchased by retailers, a 7.4% increase over 2006, when 19,800,000 were purchased. In 2006, 19,800,000 DVD players were purchased by retailers, a 23% increase over 2005, when 16,100,000 were purchased.
- § In 2007, 33,500,000 DVD players were sold to U.S. consumers, a decrease of 1.19% from 2003, when 33,900,000 were sold. In 2006, 33,900,000 DVD players were sold to U.S. consumers, a decrease of 1.45% from 2003, when 34,400,000 were sold.
- § The average price of a DVD title in 2007 was \$22.11. The average price of a DVD title in 2006 was \$22.29. In 2003 the average was \$20.15. In 1999 the average was \$25.53.

- § The average price of a DVD player in 2007 was \$72. The average price of a DVD player in 2006 was \$100. In 2002 the average was \$136.
- § Factory sales of digital TV sets and displays continue to rise, with 27.1 million units sold in 2007, compared to 4.1 million units sold in 2002. The average unit has dropped in price from \$1,540 in 2002 to \$954 in 2007. Total sales in 2007 reached \$25.866 billion. In 2003, total sales were \$8.692 billion. 23.9 million units were sold in 2006. The average unit price was \$989 in 2006. Total sales in 2006 reached \$23.661 billion.
- § In the U.S., of the 114.9 million homes accounted for in 2007, 112.8 million, or 98.2%, have television. Of the 112.8 million homes that have television, 98 million, or 86.9%, have DVD players. That represents an increase of 5% over 2006, and 50.6% increase since 2002. In comparison, 86.9 million homes have internet access, an increase of 3% over 2006. 60.8 million homes have broadband services, an increase of 15% over 2006.
- § 34.4 million homes, or 30.5% of the 114.9 million homes with television, have basic cable. That represents a decrease of 3.9% from 2006. 34.8 million have pay cable services, a decrease of 2.2% from 2006.
- § Preliminary reports show that at the end of 2006, 33.2 million homes subscribed to digital cable, a 4.7% increase over 2006. 29.6 million homes have satellite service, a 8% increase over 2006.
- § Video on Demand (“VOD”), an advanced pay-per-view programming service which enables viewers to order and watch movies on demand and to pause, rewind or fast-forward them, according to 2007 preliminary numbers, is available in 31 million households, or approximately 27.5% of homes with televisions. That represents a 7.3% increase over 2006.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Movie Remain a Hot Ticket - continued

Admissions, box office receipts, DVD sales, VOD sales and increases in cable and satellite home penetration all are positive signs for our industry. As the demand continues to increase, as each of the markets continue to mature, the need for an educated, experienced and skilled workforce rises. However, despite the attractiveness this growth suggests, the motion picture business remains a very risky industry. Studios and independent producers must be able to finance a project, complete production, execute a successful distribution strategy, obtain favorable press and compete with an unknown quantity of competing releases. These are just some of the factors that impact the commercial success or failure of a film, television or digital media project.

Cost Structure

General

In the motion picture industry, the largest component of the cost of producing a motion picture generally is the negative cost, which includes the “above-the-line” and “below-the-line” costs of producing the film. Above-the-line costs are costs related to the acquisition of picture rights and the costs associated with the producer, the director, the writer and the principal cast. Below-the-line costs are the remaining costs involved in producing the picture, such as film studio rental, principal photography, sound and editing.

Distribution expenses consist primarily of the costs of advertising and preparing release prints. The costs of advertising associated with a major domestic theatrical motion picture release are significant and typically involve national and target market media campaigns, as well as public appearances of a film’s stars. These advertising costs are separate from the advertising costs associated with other domestic distribution channels and the international market.

The major studios generally fund production costs from cash flow generated by motion picture and related distribution activities or bank and other financing methods. The independent production companies typically use a plethora of creative financing techniques to fund production. Over the past decade, expenses in the motion picture industry have increased rapidly as a result of increased production costs and distribution expenses. Additionally, each of the major studios must fund substantial overhead costs, consisting primarily of salaries and related costs of the production, distribution and administrative staffs, as well as facilities costs and other recurring overhead. Independent production companies, while usually not faced with major overhead costs, nevertheless have to function outside the studio system and as a result in many cases they do not have access to the studio structure, which can make the process of getting a specific film made more difficult and, in some isolated instances, more expensive.

Collective Bargaining Agreements

Feature films produced by the major studios and independent production companies in the United States generally employ actors, writers and directors who are members of the Screen Actors Guild, Writers Guild of America and Directors Guild of America, respectively, pursuant to industry-wide collective bargaining agreements. The collective bargaining agreement with the Writers Guild of America was recently renegotiated following a four month work stoppage between November 2007 and February 2008. The collective bargaining agreement with the Screen Actors Guild expired on June 30, 2008. Talks continue as of April 15, 2009. The Directors Guild of America collective bargaining agreement expired on June 30, 2008. Many productions also employ members of a number of other labor organizations including, without limitation, the International Alliance of Theatrical and Stage Employees and the International Brotherhood of Teamsters. The collective bargaining agreement with Teamsters Local 399, which represents significant numbers of persons within the motion picture industry, expires on July 31, 2008 and the

collective bargaining agreement with the International Alliance of Theatrical and Stage Employees expires on July 31, 2010. A strike by one or more of the unions that provide personnel essential to the production of motion pictures could delay or halt our ongoing production activities. Such a halt or delay, depending on the length of time involved, could cause delay or interruption in our release of new motion pictures and thereby could adversely affect our potential future cash flow and revenues.

Industry Compensation Arrangements

Most of the creative and production personnel that work on a movie are short-term employees or "for hire" contractors who are compensated for their services at a predetermined rate. It is also customary in the motion picture industry to pay contingent compensation over and above these fees to certain key employees and contractors.

Three customary contingent compensation arrangements in the industry include:

1. Fixed Deferrals

Key creative personnel, including the director, producer, writer and actors, often negotiate fixed deferral payments of flat fees tied to a film's financial returns. This is a major component of our business model.

2. Residual Payments

The principal collective bargaining organizations for personnel within the movie industry are: the Directors Guild of America, or DGA; the Writer's Guild of America, or WGA; the Screen Actors Guild, or SAG; the American Federation of Musicians, or AFM; and the International Alliance of Theatrical Stage Employees, or IATSE. When a movie producer involves members of these organizations in a film, they are required to comply with certain residual payment obligations. These obligations are set forth in agreements between these organizations and the Alliance of Motion Picture and Television Producers ("AMPTP") (which represents the major studios) and provide that a percentage of a film's gross revenues in certain markets must be paid to these organizations for the benefit of their members. As an example, SAG currently requires payment of between 4.5% and 5.4% of the gross revenue attributable to videocassette exploitation and 3.6% of television exploitation, with no residuals due for theatrical exploitation. We may be required to accrue and pay standard residual payments based on the collective bargaining agreements associated with one of our creative teams. These residual payments are based upon gross revenues in certain markets and may therefore, depending upon our distribution arrangements, reduce our revenues in various markets and release windows.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Industry Compensation Arrangements - continued

3. Profit Participations

The last form of contingent compensation is a "profit participation", which entitles the recipient to additional compensation based on the financial performance of a particular motion picture. Granting profit participation to certain key creative personnel is common for both larger studio films as well as smaller independent films. For independent movies, this form of contingent compensation is critical to attract quality creative personnel who work for less upfront compensation than they otherwise might receive on a larger, more costly movie. By paying this contingent compensation, producers are able to attract these high quality creative personnel while simultaneously reducing the upfront costs.

Profit Participations Are Typically "Gross" or "Net"

Gross profit participation, granted in extremely rare cases where the importance of the actor or director is critical, is calculated based on gross revenues before any costs (such as, distribution fees, financing costs and other corporate costs) are deducted.

Net profit participation is far more common, and is the arrangement we plan to use in order to pay a portion of the contingent compensation. Net profit participation is calculated based on net revenues after deducting certain costs of a film, including distribution fees, financing costs and general corporate expenses.

Thus, gross profit participation receives a percentage of the first dollar received by a film before any costs are deducted, while net profit participation receives a percentage of revenue remaining after certain costs are deducted. It is the industry standard that the producers retain any remaining percentages in the net participation pool.

Our planned contingent compensation arrangements require performance of duties under applicable contracts and can be forfeited in the event of non-performance or other circumstances. In the instance of forfeiture, this compensation could be granted to other persons who make up the production or management team.

Distribution Methods of the Products or Services

Marketing and Distribution

The key components of motion picture distribution include licensing the film for exploitation in the United States and internationally, marketing the film to and working with exhibitors, promoting the film to and working with members of the entertainment press and marketing the film to the general public. The distribution process involves additional complexities and uncertainties beyond those incurred in producing the motion picture, along with the related capital requirements. As a result, most independent productions rely on agreements with the distribution arms of major studios, sales agents engaged to market the film to a distributor, independent distributors, or a similar partnership arrangement that essentially engages the distribution expertise of a third party to get their production to market.

One of the major roles of a distributor, in addition to their relationships with theatrical and non-theatrical outlets, is the ability of these parties to measure the expected demand for a given motion picture. This is a critical function, because ideally such assessment should help determine an effective advertising and print budget for the project. A motion picture release print is the media that in most cases is used by exhibitors and theaters to present the motion picture to their patrons. The projected demand for a film project can directly influence the number of prints made, which is

important because each print is rather costly. Similarly, the number and types of geographic locations, or markets, the film could be released in normally influences the mix and cost of advertising expenditures. Although the MPAA did not release costs for 2008, according to the MPAA, the average print and advertising costs per release per member totaled \$35.9 million in 2007. Combining this total with the \$70.8 million reported average 2007 MPAA member costs to produce film, or motion picture negative, results in an average production and distribution cost of \$106.6 million. When one considers that the average box office revenue per release for these members was only \$32.7 million in 2006, and for all new releases the average was \$15.8 million, the financial risks of distributing and producing a motion picture should become clearer. Very few independent productions have direct access to such capital, making their reliance on distributors and distribution partners essential.

In general, an independent production attempts to enter into an agreement with a sales agent, or distributor, by which the distributor plans to market the film to outlets and consumers. The amount of the distributor's fee, and therefore the amount of remaining profits, if any, is largely dependent on the films anticipated gross receipts, and how contract terms define the gross receipts. As a result, such fees can vary greatly depending on the nature of the distribution contract as well as the scale and timing of gross receipts. Under some arrangements fees can be as low as 12.5%, in others 35%, or even higher.

In most cases, the distributor offers to pay for prints and advertising, sparing the independent production these up front, fixed costs and the associated risk. However, as the film generates gross receipts, the distributor has the ability to offset the percentage of such receipts otherwise payable to the independent production by the amount expended for prints and advertisements until the distributor has recouped such amount. Such arrangements are sometimes referred to as a net agreement, or net deal. In other cases, an independent production may negotiate to receive its share of the proceeds as gross receipts materialize. Under this type of arrangement, the distributor might still pay for prints and advertising, but might take a higher share of the gross receipts than otherwise payable under a net agreement.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Foreign Distribution

Foreign distribution is generally taken care of by a distributor which coordinates worldwide sales in all territories and media. Overseas film sales companies rely on local subdistributors to physically deliver the motion picture and related marketing materials and to collect revenues from local exhibitors and other local distributors of the film. Typically, the territorial rights for a specific medium such as television exhibition are sold for a "cycle" of approximately seven years to fifteen years, and in some cases even longer, after which the rights become available for additional cycles.

Foreign distribution is normally handled in one of the following ways:

1. Sales Agency Representation. A Sales Agent undertakes to represent and license a motion picture in all markets and media on a best-efforts basis, with no guarantees or advances, for a fee ranging from 12.5% to 25%, and typically for a term ranging from seven to fifteen years.
2. Distribution. A distributor may provide the producer of the film a guarantee of a portion of the budget of the project. This guarantee may be in the form of a bank commitment to the producer, secured by license agreements with foreign licensees, which is used by the producer to finance the production.

Typically, a distributor would receive a distribution fee ranging from 12.5% to 35% over a term ranging from 15 years to perpetuity. In addition, the distributor may negotiate, or otherwise acquire, a profit participation in the film project.

Once the rights to a picture are obtained (either as sales agent or distributor with minimum guarantee), the distributor then seeks to license its rights to subdistributors in the territories for which it has acquired distribution rights.

In general, the grant of rights to the subdistributors includes all media in their respective territories other than satellite, although satellite is included in some subdistributors' territories.

The subdistributor in each territory generally pays for its distribution rights with a down payment at the time the contract is executed with the balance due upon delivery of the picture to the subdistributor. In some cases, payments may be extended over a longer period of time, especially when the production does not live up to the expectations of the subdistributor. Delivery normally occurs upon the distributor's acceptance of the master negative and its obtaining access to certain items necessary for the distribution of the film. In some instances, the subdistributors' obligations for the payment due on delivery can be secured by a letter of credit.

Most films are sold either directly to a buyer that has a pre-existing relationship with the distributor, or at one of the several film markets that take place throughout the world. Although there are a number of film markets each quarter, historically, major sales take place primarily at the MIF in Cannes, France each May and at the American Film Market in Los Angeles, each November.

In general, after cash advances to a subdistributor, if any, are recouped, the distributor applies the distribution receipts from its subdistributors first to the payment of commissions due to the distributor, then second to the recovery of certain distribution expenses, then to the reimbursement of the distributor for its minimum guarantee or advance, if any, and then finally any remaining distribution receipts are shared by the distributor and the producer according to the percentages negotiated in the agreement between the distributor and the producer.

Status of any Publicly Announced New Product or Service

We did not announce any new product or service during 2008.

Competitive Business Conditions and the Small Business Issuer's Competitive Position in the Industry and Methods of Competition

Competitive Strengths

To achieve our goals of becoming a leading independent producer and distributor of feature films, television and digital media, we plan to exploit our competitive advantages, which we believe includes our experience in developing, preparing, producing, finishing, marketing and distributing films with a economically feasible budget, independent films utilizing a unique an efficient business model that attempts to minimize costs while maximizing quality and ultimately attracting the broadest possible consumer base for our productions. We believe that once our initial slate of pictures begins to reach market, our reputation and ability to produce and distribute quality films at the lowest possible price while at the same time maximizing economic potential for all those working with us should make us an attractive place for independent filmmakers, whether new or experienced, whether young or old.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Competitive Strengths - continued

Our disciplined approach to the development, preparation, production, post-production, marketing and distribution of feature film content should hopefully enable us to establish and maintain a distinct competitive advantage. By seeking to minimize the financial risks often associated with film production, by incorporating “financial transparency”, marketing and distribution by negotiating co-production agreements, pre-selling international distribution rights, capitalizing on government subsidies and tax credits, structuring efficient production schedules and crafting agreements with key talent attracted to the films we develop and produce, we plan to provide a unique environment where independent film can flourish, albeit in a fiscally responsible manner. In each production, we plan to attempt to minimize our financial exposure by structuring deals with talent that provide for their participation in the financial success of the motion picture in exchange for reduced up-front payments. Although the steps that we take to manage these risks may, in some cases, limit the potential revenues of a particular project, we believe that our approach to the motion picture business creates operating and financial stability for us.

Competition

We face competition from companies within the entertainment business and from alternative forms of leisure entertainment, such as travel, sporting events, outdoor recreation and other cultural activities. We compete with the major studios, numerous independent motion picture and television production companies, television networks and pay television systems for the acquisition of literary and film properties, the services of performing artists, directors, producers and other creative and technical personnel and production financing. In addition, our motion pictures compete for audience acceptance and exhibition outlets with motion pictures produced and distributed by other companies. As mentioned above, we compete with major domestic film studios which are conglomerate corporations with assets and resources substantially greater than ours, including several specialty or classic divisions.

Those companies we compete with include, at the major studio level, Universal and its subsidiaries, Focus, USA Films, Rogue and NBC; Sony, and its divisions Columbia, MGM, UA, Sony Classics, Screen Gems, TriStar and Destination; Paramount and its subsidiaries DreamWorks, Vantage, Paramount Classics and Go Fish; Warner and its divisions New Line, HBO, Castle Rock, Warner Independent and Picturehouse; Disney and its subsidiaries Buena Vista, Touchstone, Miramax, Hollywood Pictures, Pixar and ABC; and Fox and its divisions Fox Searchlight, Faith, Atomic and Fox TV.

At the independent level, in addition to some of the divisions and subsidiaries of the majors, we compete with companies such as The Weinstein Company and its Dimension label, Jerry Bruckheimer Films, Nu Image and its subsidiaries Millennium Films and First Look Studio, Yari Film Group, Lionsgate, Newmarket, RKO Radio Pictures, IFC, Samuel Goldwyn, 2929 Entertainment and its Magnolia label, ThinkFilm, Troma Entertainment and others. In addition, we compete with CBS, Cable and Satellite companies and many smaller independent production companies and distributors.

Predicting the success of a motion picture is difficult and highly subjective, as it is not possible to accurately predict audience acceptance of a particular motion picture. Our strategy is to assemble a creative team, screenplay and cast that we believe has the potential for commercial success. In order to evaluate our potential to obtain distribution and appeal to an audience, we will attempt to use the following criteria: an exceptional story, compelling character roles, recognizable actors and actresses, an established and respected director, experienced producer, and a relatively low production budget.

The success of any of our motion pictures is dependent not only on the quality and acceptance of a particular picture, but also on the quality and acceptance of other competing motion pictures released into the marketplace at or near the same time. The number of films released by our competitors, particularly the other major film studios, in any given period may create an oversupply of product in the market, thereby potentially reducing our share of gross box office admissions and making it more difficult for our films to succeed.

With respect to our domestic theatrical releasing operations, a substantial majority of the motion picture screens in the United States typically are committed at any one time to films distributed nationally by the major film studios, which generally buy large amounts of advertising on television and radio and in newspapers and can command greater access to available screens. Although some movie theaters specialize in the exhibition of independent, specialized motion pictures and art-house films, there is intense competition for screen availability for these films as well. Given the substantial number of motion pictures released theatrically in the United States each year, competition for exhibition outlets and audiences is intense.

Competition is also intense in supplying motion pictures and other programming for the pay television, syndicated television and home video markets. Numerous organizations with which we expect to compete with also distribute to the pay television, syndicated television and home video markets have significantly greater financial and other resources than us.

In addition, there also have been rapid technological changes over the past fifteen years. Although technological developments have resulted in the creation of additional revenue sources from the licensing of rights with respect to new media, these developments also have resulted in increased popularity and availability of alternative and competing forms of leisure time entertainment including pay/cable television programming and home entertainment equipment such as DVD's, videocassettes, interactive games and computer/internet use.

The entertainment industry in general, and the motion picture industry in particular, are continuing to undergo significant changes, primarily due to these technological developments. For example, as motion pictures begin to be distributed using emerging technologies such as digital delivery, the internet and online services, the ability to protect intellectual property rights in motion pictures could be threatened by advances in technology that enable digital piracy. This is because digital formats currently do not contain mechanisms for tracking the source or ownership of digital content. As a result, users may be able to download and distribute unauthorized or "pirated" copies of copyrighted motion pictures over the internet. In addition, there could be increased proliferation of devices capable of making unauthorized copies of motion pictures. As long as pirated content is available to download digitally, many consumers may choose to digitally download such pirated motion pictures rather than paying for legitimate motion pictures. Digital piracy of our films may adversely impact the gross receipts received from the exploitation of such films. Due to this rapid growth of technology and with it, piracy, as well as shifting consumer tastes and the popularity and availability of other forms of entertainment, it is impossible to predict the overall effect these factors could have on the potential revenue and profitability of feature-length motion pictures.

ITEM 1. DESCRIPTION OF BUSINESS - continued

The Major Studios and the Independents

The major studios, which historically have produced and distributed the vast majority of high-grossing theatrical motion pictures released annually in the United States, are typically large, diversified corporations that have strong relationships with creative talent, television broadcasters and channels, internet service providers, movie theater owners and others involved in the entertainment industry. The major studios also typically have extensive national or worldwide distribution organizations and own extensive motion picture libraries. Motion picture libraries, consisting of motion picture copyrights and distribution rights owned or controlled by a film company, can be valuable assets capable of generating revenues from worldwide commercial exploitation in existing media and markets, and potentially in future media and markets resulting from new technologies and applications.

The major studios also may own or be affiliated with companies that own other entertainment related assets such as music and merchandising operations and theme parks. The major studios' motion picture libraries and other entertainment assets may provide a stable source of earnings which can offset the variations in the financial performance of their new motion picture releases and other aspects of their motion picture operations.

During the past 15 years, independent production and distribution companies, many with financial and other ties to the major studios, have played an important role in the production and distribution of motion pictures for the worldwide feature film market.

These companies include:

- § Miramax Films Corporation, now owned by The Walt Disney Company, which produced Chicago , The Hours, Gangs of New York, Scary Movie , the Scream film series, Shakespeare in Love and Chocolat ;
- § New Line Cinema Corporation/Fine Line Features, now owned by AOL/Time Warner, which produced the Lord of the Rings series, the Austin Powers films, The Mask, Teenage Mutant Ninja Turtles and the Nightmare on Elm Street series;
- § U.S.A Films (formerly October Films and now owned by Vivendi/Universal), which produced Traffic, Secrets & Lies and Breaking the Waves together with Gramercy Pictures, which produced Dead Man Walking and Fargo , is part of U.S.A Films and U.S.A Network;

As a result of consolidation in the domestic motion picture industry, a number of previously independent producers and distributors have been acquired or are otherwise affiliated with major studios. However, there are also a large number of other production and distribution companies that produce and distribute motion pictures that have not been acquired or become affiliated with the major studios.

These companies include:

- § Lion's Gate Films, which produced and distributed Narc, Frailty, Monster's Ball and American Psycho ; and its subsidiary, Artisan Entertainment Inc., which distributed Boat Trip, National Lampoon's Van Wilder and The Blair Witch Project .
- § The Weinstein Company, founded by the Weinstein brothers, who formerly controlled and founded Miramax.

In contrast to the major studios, independent production and distribution companies generally produce and distribute fewer motion pictures and do not own production studios, national or worldwide distribution organizations, associated businesses or extensive film libraries which can generate gross revenues sufficient to offset overhead, service debt or generate significant cash flow.

The motion picture industry is a world-wide industry. In addition to the production and distribution of motion pictures in the United States, motion picture distributors generate substantial revenues from the exploitation of motion pictures internationally. In recent years, there has been a substantial increase in the amount of filmed entertainment revenue generated by U.S. motion picture distributors from foreign sources.

International revenues of motion picture distributors from filmed entertainment grew from approximately \$1.1 billion in 1990 to approximately \$17.1 billion in 2007. This growth has been due to a number of factors, including the general worldwide acceptance of, and demand for, motion pictures produced in the United States, the privatization of many foreign television industries, the emergence of VOD, growth in the number of foreign households with videocassette and DVD players and growth in the number of foreign theater screens.

Many countries and territories, such as Australia, Canada, China, France, Germany, Hong Kong, India, Italy, Japan, Russia, Spain and the United Kingdom have substantial indigenous film industries. As in the United States, in a number of these countries the film industry, and in some cases, the entertainment industry, in general, is dominated by a small number of companies that maintain large and diversified production and distribution operations.

ITEM 1. DESCRIPTION OF BUSINESS - continued

The Major Studios and the Independents - continued

However, like in the United States, in most of these countries, there are also smaller, independent, motion picture production and distribution companies. Foreign distribution companies not only distribute motion pictures produced in their countries or regions but also films licensed or sub-licensed from United States production companies and distributors.

In addition, film companies in many foreign countries produce films not only for local distribution, but also for export to other countries, including the United States. While some foreign language films and foreign English-language films appeal to a wide U.S. audience, most foreign language films distributed in the United States are released on a limited basis because they draw a specialized audience.

The Smaller Independents

Independent production companies generally avoid incurring overhead costs as substantial as those incurred by the major studios by hiring creative and other production personnel and retaining the other elements required for pre-production, principal photography and post-production activities on a picture-by-picture basis.

As a result, these companies do not own sound stages and related production facilities, and, accordingly, do not have the fixed payroll, general administrative and other expenses resulting from ownership and operation of a studio.

Independent production companies also may finance their production activities on a picture-by-picture basis. Sources of funds for independent production companies include bank loans, pre-licensing of distribution rights, foreign government subsidies, equity offerings and joint ventures. Independent production companies generally attempt to obtain all or a substantial portion of their financing of a motion picture prior to commencement of principal photography, at which point substantial production costs begin to be incurred and require payment.

As part of obtaining financing for its films, an independent production company often is required by its lenders and distributors who advance production funds to obtain a completion bond or production completion insurance from an acceptable completion guarantor which names the lenders and applicable distributors as beneficiaries. The guarantor assures the completion of the particular motion picture on a certain date.

If the motion picture cannot be completed for the agreed upon budgeted cost, the completion guarantor is obligated to pay the additional costs necessary to complete the picture by the agreed upon delivery date. If the completion guarantor fails to timely complete and deliver the motion picture on or before the agreed upon delivery date, the completion guarantor is required to pay the lenders and distributor, if applicable, an amount equal to the aggregate amount the lenders and distributor have loaned or advanced to the independent producer.

In connection with the production and distribution of a motion picture, major studios and independent production companies generally grant contractual rights to actors, directors, screenwriters, owners of rights and other creative and financial contributors to share in net revenues from a particular motion picture. Except for the most sought-after talent, these third-party participations are generally payable after all distribution fees, marketing expenses, direct production costs and financing costs are recovered in full.

The Guilds

Major studios and independent film companies in the United States typically incur obligations to pay residuals to various guilds and unions including the Screen Actors Guild, the Directors Guild of America and the Writers Guild of America. Residuals are payments required to be made on a picture-by-picture basis by the motion picture producer to the various guilds and unions arising from the exploitation of a motion picture in markets other than the primary intended market. Residuals are calculated as a percentage of the gross revenues derived from the exploitation of the picture in these ancillary markets.

The guilds and unions typically obtain a security interest in all of the producer's rights in the motion picture being exploited to ensure satisfaction of the residuals obligation. This security interest usually is subordinate to the security interest of the lenders financing the production cost of the motion picture, and the completion bond company guaranteeing completion of the motion picture.

Under a producer's agreement with the guilds and unions, the producer may transfer the obligation to pay the residuals to a distributor if the distributor assumes the obligation to make the residual payment. If the distributor does not assume those obligations, the producer is obligated to pay those residuals.

Intellectual Property

We regard patents and trademarks as valuable assets and believe that trademarks are an important factor in marketing our products. Camelot Films®, our feature film production division, is a registered trademarked brand. We are in the process of patenting our unique business model.

Copyright protection is a serious problem in the videocassette and DVD distribution industry because of the ease with which cassettes and DVDs may be duplicated. In the past, certain countries permitted video pirating to such an extent that many companies did not consider these markets viable for distribution. Our management believes that with new technology, including anti-piracy technology we expect to license in the near future, the problem should be less critical in the future. In the event it is necessary, we could initiate legal action to enforce copyright protection.

ITEM 1. DESCRIPTION OF BUSINESS - continued

The Completion Bond

In order to minimize the risk of budget overruns and to add an additional level of protection for us, a completion bond, also known as a completion guaranty, is expected to be required for each production. A completion bond is a form of insurance which provides that, should the producers of a film run into significant problems completing the film, the bond company would:

- § advance any sums in excess of the budget required to complete and deliver the film;
- § complete and deliver the film itself; or
- § shut-down the production and repay the financier all monies spent thus far to produce the film.

In addition to ensuring that the film is completed within budget, the bond company should also be responsible for ensuring that the film is delivered within a pre-determined schedule, follows the script and is technically suitable for exhibition in theaters. The bond company usually places certain restrictions and limitations on us to ensure that the production is following a pre-determined schedule. For example, the completion bond agreement normally contains a cash flow schedule that sets forth the timing and amounts of cash advances required to finance production of the film. We expect to be required to deposit funds in a specific production account in accordance with this cash flow schedule.

Fees for the completion bond are normally paid out of a particular's film budget. These fees, or premiums, can range anywhere from 2.5% to 6% of a specific budget. When higher rates are charged, it usually reflects the level of risk involved with a film as determined by the bond company. In most cases, if a high fee is charged initially, the agreement with the bond company will normally contain a rebate provision that kicks in if the bond is not called. We plan to negotiate with a completion bond company to insure our entire slate of films, which will hopefully minimize the costs while standardizing the production requirements as deemed applicable by the bond company.

The completion bond company could have the right to take over a production if they determine that the film is significantly behind schedule or over budget, or that the production is otherwise not proceeding in a satisfactory manner. This could include the right to replace any member of the production team. The involvement of the completion bond company comes to an end when the film is delivered, or production monies are refunded, in accordance with the terms and conditions of the specific completion bond.

In order to receive a completion bond from a reputable company, we normally have to submit a budget, script, shooting schedule and other production elements for their analysis and approval. Typically, a completion bond cannot be issued until all material aspects of the production have been determined, such as final locations, cast and crew. These aspects are normally determined throughout the pre-production phase.

A completion bond is usually subject to a number of important limitations and normally does not reimburse us for losses that result from certain occurrences, including, but not limited to, distribution expenses; residual payments due to creative guilds, such as the Screen Actors Guild; gross or net profit participations granted as contingent compensation to actors or production personnel; elements of the film that are not included in the approved screenplay, budget or production schedule; insolvency; illegal or fraudulent acts; violation of any collective bargaining agreements; failure to obtain any necessary rights to use copyrighted works, such as music; failure to obtain required insurance coverage; failure to fulfill any conditions required by cast members that causes them to abandon their commitment to the film; currency fluctuations in the event the film is produced in another country, such as Canada; natural disasters; acts of war; or other force majeure events.

Sources and Availability of Raw Materials and the Names of Principal Suppliers

During the production process, we utilize a number of raw materials contained in such items such as props, make-up, wardrobe, electrical supplies and equipment, construction supplies and equipment, as well as materials from almost every industry. These raw materials are readily available from a wide range of sources and suppliers throughout the world. We plan to identify principal suppliers once we begin the production process.

Dependence on One or a Few Major Customers

We do not plan to depend on any one customer. As we expect to market and distribute our planned films directly to the public, we should not be dependent on one or a few major customers, rather we should be entirely dependent on the willingness of the public to purchase our entertainment product.

Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreements or Labor Contracts

Camelot Films®, our feature film production division, is a registered trademarked brand and is registered with the United States Patent and Trademark Office. The trademarks “Camelot Entertainment Group” “Camelot Film Group” “Camelot Film and Media Group,” “Camelot Features”, “Camelot Television Group”, “Ferris Wheel Films”, “Camelot Gaming”, “Camelot Digital Media”, “Camelot Distribution Group”, “Camelot Studio Group”, “Camelot Production Services Group” “Camelot Studio Model”, “Camelot Production Model”, “Camelot Urban Entertainment”, “Camelot Latin Entertainment” “Camelot University”, “Camelot College of the Arts”, “Camelot Technology” and “Camelot Merchandising” are expected to be filed and/or are in the process of being filed with the United States Patent and Trademark Office. We are also in the process of patenting our unique business model.

The Company plans to copyright and own all motion pictures that it makes. This should result in the Company building a library of its own product over time.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Need for any Government Approval of Principal Products or Services

Distribution rights to motion pictures are granted legal protection under the copyright laws of the United States and most foreign countries. These laws provide substantial civil and criminal sanctions for unauthorized duplication and exhibition of motion pictures. Motion pictures, musical works, sound recordings, art work, still photography and motion picture properties are separate works subject to copyright under most copyright laws, including the United States Copyright Act of 1976, as amended. We are aware of reports of extensive unauthorized misappropriation of videocassette rights to motion pictures which may include motion pictures distributed by us. Motion picture piracy is an industry-wide problem. The Motion Picture Association of America, an industry trade association, operates a piracy hotline and investigates all reports of such piracy. Depending upon the results of investigations, appropriate legal action may be brought by the owner of the rights. Depending upon the extent of the piracy, the Federal Bureau of Investigation may assist in these investigations and related criminal prosecutions.

Motion picture piracy is also an international problem. Motion picture piracy is extensive in many parts of the world, including South America, Asia including Korea, China and Taiwan, the countries of the former Soviet Union and other former Eastern bloc countries. In addition to the Motion Picture Association, the Motion Picture Export Association, the American Film Marketing Association and the American Film Export Association monitor the progress and efforts made by various countries to limit or prevent piracy. In the past, these various trade associations have enacted voluntary embargoes of motion picture exports to certain countries in order to pressure the governments of those countries to become more aggressive in preventing motion picture piracy. In addition, the United States government has publicly considered trade sanctions against specific countries that do not prevent copyright infringement of United States produced motion pictures. We cannot assure you that voluntary industry embargoes or United States government trade sanctions will be enacted. If enacted, these actions could impact the amount of revenue that we realize from the international exploitation of motion pictures depending upon the countries subject to and the duration of such action. If not enacted or if other measures are not taken, the motion picture industry as a whole, and our business in particular, may continue to lose an indeterminate amount of revenues as a result of motion picture piracy.

The Code and Ratings Administration of the Motion Picture Association assigns ratings indicating age-group suitability for theatrical distribution of motion pictures. We plan to submit our motion pictures for these ratings. In certain circumstances, motion pictures that we plan to submit for rating might receive restrictive ratings, including, in some circumstances, the most restrictive rating which prohibits theatrical attendance by persons below the age of seventeen. Unrated motion pictures, or motion pictures receiving the most restrictive rating, may not be exhibited in certain movie theaters or in certain locales, thereby potentially reducing the total revenues generated by these films. United States television stations and networks, as well as foreign governments, impose additional restrictions on the content of motion pictures which may restrict in whole or in part theatrical or television exhibition in particular territories. In 1997, the major broadcast networks and the major television production companies implemented a system to rate television programs. This television rating system has not had a material adverse effect on the motion pictures distributed by us. However, the possibility exists that the sale of theatrical motion pictures for broadcast on domestic free television may become more difficult because of potential advertiser unwillingness to purchase advertising time on television programs that are rated for limited audiences. We cannot assure you that current and future restrictions on the content of motion pictures may not limit or adversely affect our ability to exploit certain motion pictures in particular territories and media.

United States television stations and networks as well as foreign governments impose content restrictions on motion pictures that may restrict in whole or in part exhibition on television or theaters in a particular territory. There can be no assurance that such restrictions will not limit or alter our ability to exhibit certain motion pictures in such media or markets or that the cost to edit a particular motion picture would be prohibitive, thereby eliminating a possible revenue

source for the motion picture.

Effect of Existing or Probable Governmental Regulations on the Business

We expect to be subject to various federal, state and local laws, rules and regulations affecting our affiliates and operations. We and each of our potential partners may be subject to various licensing regulation and reporting requirements by numerous governmental authorities which may include internet (domestic and worldwide) oversight regulations, production, manufacturing, OSHA, securities, banking, insurance, building, land use, industrial, environmental protection, health and safety and fire agencies in the state or municipality in which each business is located. Difficulties in obtaining or failures to obtain the necessary approvals, licenses or registrations, and unforeseen changes in government regulations directly affecting the internet could delay or prevent the development or operation of a given business.

In 1994, the U.S. was unable to reach agreement with its major international trading partners to include audiovisual works, such as television programs and motion pictures, under the terms of the World Trade Organization. The failure to include audiovisual works under GATT allows many countries (including members of the European Union, which currently consists of Austria, Belgium, Denmark, Germany, Greece, Finland, France, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden and the United Kingdom) to continue enforcing quotas that restrict the amount of U.S. produced product which may be aired on television in such countries. The European Union Council of Ministers has adopted a directive requiring all member states of the European Union to enact laws specifying that broadcasters must reserve, where practicable, a majority of their transmission time (exclusive of news, sports, game shows and advertising) for European works. The directive must be implemented by appropriate legislation in each member country. Under the directive, member states remain free to require broadcasters under their jurisdiction to comply with stricter rules. Several countries (including France, Italy and Korea) also have quotas on the theatrical exhibition of motion pictures.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Effect of Existing or Probable Governmental Regulations on the Business - continued

In addition, France requires that original French programming constitute a required portion of all programming aired on French television. These quotas generally apply only to television programming and not to theatrical exhibition of motion pictures, but quotas on the theatrical exhibition of motion pictures could also be enacted in the future. We cannot assure you that additional or more restrictive theatrical or television quotas will not be enacted or that countries with existing quotas will not more strictly enforce such quotas. Additional or more restrictive quotas or more stringent enforcement of existing quotas could materially and adversely affect our business by limiting our ability to fully exploit our rights in motion pictures internationally and, consequently, to assist or participate in the financing of these motion pictures.

Privacy Issues

Both Congress and the Federal Trade Commission are considering regulating the extent to which companies should be able to use and disclose information they obtain online from consumers. If any regulations are enacted, internet companies may find some marketing activities restricted. Also, the European Union has directed its member nations to enact much more stringent privacy protection laws than are generally found in the United States and has threatened to prohibit the export of some personal data to United States companies if similar measures are not adopted. Such a prohibition could limit the growth of foreign markets for United States internet companies. The Department of Commerce is negotiating with the Federal Trade Commission to provide exemptions from the European Union regulations, but the outcome of these negotiations is uncertain.

Effects of Government Regulations on Business Government Regulation and Legal Uncertainties

In the United States and most countries in which we plan to conduct our major operations, we are not currently subject to direct regulation other than pursuant to laws applicable to businesses generally. Adverse changes in the legal or regulatory environment relating to the interactive online services, venture formation and internet industry in the United States, Europe, Japan or elsewhere could have a material adverse effect on our business, financial condition and operating results. A number of legislative and regulatory proposals from various international bodies and foreign and domestic governments in the areas of telecommunication regulation, access charges, encryption standards, content regulation, consumer protection, intellectual property, privacy, electronic commerce, and taxation, among others, are now under consideration. We are unable at this time to predict which, if any, of such proposals may be adopted and, if adopted, whether such proposals would have an adverse effect on our business, financial condition and operating results. As internet commerce continues to grow, the risk that federal, state or foreign agencies could adopt regulations covering issues such as user privacy, pricing, content and quality of products and services, increases. It is possible that legislation could expose companies involved in electronic commerce to liability, which could limit the growth of electronic commerce generally. Legislation could dampen the growth in internet usage and decrease its acceptance as a communications and commercial medium. If enacted, these laws, rules or regulations could limit the market for our services.

Research and Development Activities

Our research and development activities include implementation of our business model, acquisition of scripts, development of scripts, and all other aspects of the development process relating to the development, pre-production, production, post-production, marketing and distribution of feature films. We estimate that approximately forty per cent of management's time has been spent conducting research and development activities during the past two years. In addition, we have been expanding our research and development activities to include preparations for our studio

projects.

Costs and Effects of Compliance with Environmental Laws

In implementing our plans as a producer and distributor of feature films, it is possible that during the physical production stage we may have to comply with certain environmental laws, depending in part on where the productions are filmed and what type of equipment, vehicles and props are utilized. The specific costs associated to compliance with environmental laws are unknown at this time. However, in the event we would be required to absorb additional costs on any given film that was not anticipated, these costs could have a material adverse effect on the budget of a film and the additional costs that might be incurred in order to comply with environmental laws and regulations could force us to alter or otherwise change the production schedule. This could cause a film to go over budget, cause delays and disrupt the entire production process, resulting in cost overruns that might be difficult to recoup once the film is distributed.

Employees

As of December 31, 2008, we have three full and part time employees. One of our staff members, an officer of our company, spends 100% of his time on matters relating to our company. The other staff members spend anywhere from 10% to 50% of their time on matters relating to our business. We also retain consultants and independent contractors on a "as need" basis.

Risk Factors

Ability to Achieve Profitable Operations

Our operations to date have been limited. Our focus had been on our Camelot Studio Group division, which has limited our ability to fully implement our other major divisions. The development and implementation of our business model is a long term process. The normal fiscal cycle of a feature film does not typically generate revenues for 18 to 24 months. Subsequent to that, the fiscal life cycle of a feature film is close to 7 years initially, with affiliate, residual and syndication revenues continuing for years. As of December 31, 2008, we do not have any projects in production. Our first studio facility, Camelot Studios at ATEP, the project was terminated in September 2008. As a result of our long sales cycles, it is difficult to determine with any certainty how our short term financial picture will evolve. In the near term, we expect operating costs to continue to exceed funds generated from operations. As a result, we expect to continue to incur operating losses and while we have resources available to grow our business in 2009, we may not have sufficient funds to grow our business in the future. We can give no assurance that we will achieve profitability or be capable of sustaining profitable operations. As a result, operations in the future could require a significant increase in the use of working capital.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Risk Factors - continued

Ability to Achieve Profitable Operations - continued

To successfully grow the individual divisions of the business, we must begin to devote the time necessary to fully implement their respective business models, decrease our cash burn rate over time, begin to generate revenues in order to improve our cash position and establish ongoing revenues in each division, and succeed in our ability to raise additional capital through a combination of primarily public or private equity offering or strategic alliances. We also depend on certain consultants and our executives, and the loss of any of those consultants or executives, may harm our business.

We have a limited operating history as a motion picture, television and digital media company in which to evaluate our business

As Camelot Entertainment Group, we have a limited operating history as a motion picture, television and digital media company. To date, we have generated no revenues and a limited operating history as a motion picture company upon which an evaluation of our future success or failure can be made. Our primary focus had been the development of Camelot Studios at ATEP and to a lesser scale project development within Camelot Film and Media Group. As a result, many of our planned divisions are not operational or have very limited operations as of December 31, 2008. While current company assets and financial commitments are suitable for the projected financial needs forecast during 2009, we do not know at this time the outlook for 2010 and beyond. No assurances of any nature can be made to investors that the company will be profitable. There can be no assurances that our management will be successful in managing the Company as a motion picture, television and digital media company.

We have incurred significant and continuing losses and may not be able to generate revenues to sustain our operations

We have incurred net losses of approximately \$428,575 and \$2,103,235 respectively in 2008 and 2007, and have an accumulated deficit of \$16,705,021 at December 31, 2008, with losses during the past two years primarily the result of our financial commitment to the development of Camelot Studios at ATEP and the development of projects for Camelot Film and Media Group.

We will continue to have a high level of operating expenses and will be required to make significant up-front expenditures in connection with the commencement of income-generating activities (including, but not limited to, salaries of executive, marketing and other personnel). We expect to incur additional losses until such time as we are able to fully implement our new business model and generate sufficient revenues to finance our operations and the costs of expansion. There can be no assurance that the Company will be able to generate such revenues and operate profitably.

We will require additional funds to achieve our current business strategy and our inability to obtain additional financing could cause us to cease our business operations in the future if suitable funding is not secured

Even with the proceeds from offerings and other resources in 2008, we will need to raise additional funds through public or private debt or sale of equity to fully achieve our business strategy. Such financing may not be available when needed. Even if such financing is available, it may be on terms that are materially adverse to your interests with respect to dilution of book value, dividend preferences, liquidation preferences, or other terms.

Our ability to grow our company through acquisitions, business combinations and joint ventures, to maintain and expand our development, production and distribution of motion pictures, television programming and digital media and to fund our operating expenses will depend upon our ability to obtain funds through equity financing, debt financing (including credit facilities) or the sale or syndication of some or all of our interests in certain projects or other assets. Our business plan requires a substantial investment of capital. The production, acquisition and distribution of motion pictures require a significant amount of capital. A significant amount of time may elapse between our expenditure of funds and the receipt of commercial revenues from our motion pictures, if any. This time lapse requires us to fund a significant portion of our capital requirements from private parties, institutions, and other sources. Although we intend to reduce the risks of our production exposure through strict financial guidelines and financial contributions from broadcasters, sub-distributors, tax shelters, government and industry programs and studios, we cannot assure you that we will be able to implement successfully these arrangements or that we will not be subject to substantial financial risks relating to the production, acquisition, completion and release of future motion pictures. If we increase our production slate or our production budgets, we may be required to increase overhead, make larger up-front payments to talent and consequently bear greater financial risks. Any of the foregoing could have a material adverse effect on our business, results of operations or financial condition.

If we are unable to obtain financing in the future on reasonable terms, we could be forced to delay, scale back or eliminate certain elements of our business model. In addition, such inability to obtain financing in the future on reasonable terms could have a material negative effect on our business, operating results, or financial condition to such extent that could be forced to restructure, file for bankruptcy, sell assets or cease operations, any of which could put our Company and any investments into our Company at significant risk.

We are subject to a working capital deficit, which means that our current assets at December 31, 2008, were not sufficient to satisfy our current liabilities

ITEM 1. DESCRIPTION OF BUSINESS - continued

Risk Factors - continued

Ability to Achieve Profitable Operations - continued

As of December 31, 2008, we had a working capital deficit of \$1,420,275, which means that our current liabilities of \$1,422,183 exceeded our current assets of \$1,908 by that amount on December 31, 2008. Current assets are assets that are expected to be converted to cash within one year and, therefore, may be used to pay current liabilities as they become due. Our working capital deficit means that our current assets on December 31, 2008, were not sufficient to satisfy all of our current liabilities on that date. We will have to raise additional capital or debt to fund the deficit.

If we are unable to retain the services of our executive officers, Robert P. Atwell and George Jackson, or if we are unable to successfully recruit qualified managerial personnel and employees with experience in business and the motion picture industry, we may not be able to continue our operations.

Our success depends to a significant extent upon the continued service of our executive officers, Robert P. Atwell, President and Chief Executive Officer, and George Jackson, Secretary and Chief Financial Officer. Loss of the services of any of our executive officers could have a material adverse effect on our growth, revenues, and prospective business. We do maintain key-man insurance on the lives of our executive officers.

In addition, in order to successfully implement and manage our Camelot Film and Media Group business plan, we will be dependent upon, among other things, successfully recruiting highly skilled creative and production personnel, including producers, executives, cinematographers, editors, costume designers, set designers, sound technicians, lighting technicians, actors, sales and marketing experts, and legal and accounting experts. With Camelot Studio Group, we will need key executives, real estate, financial, studio operators, studio staff and entitlement experts. For Camelot Production Services Group, we will need experts in production, technology, post production, distribution, accounting, legal, banking, event management, education, sales and marketing, internet and merchandising. Although we expect to find qualified candidates to fill these positions, competition is intense and they may be unwilling to work for us under acceptable terms. This could delay production or reduce the quality of our film projects, which would impair our ability to successfully implement our business model.

Also, many of these positions could require us to hire members of unions or guilds. As a result, our ability to terminate unsatisfactory or non-performing workers could be adversely affected by existing union or guild contracts and regulations. This could cause delays in production of our film projects and significantly increase costs.

There can be no assurance that we will be able to find, attract and retain existing employees or that we will be able to find, attract and retain qualified personnel on acceptable terms.

Mr. Atwell, our President, Chief Executive Officer and Chairman, owns a controlling interest in our voting stock and as a result stockholders will have a limited voice in our management

Mr. Atwell, our President, Chief Executive Officer and Chairman, is the beneficial owner of 34% of our issued and outstanding common shares and 83% of our Series A Convertible Preferred Stock ("Series A") and 84% of our Series B Convertible Preferred Stock ("Series B") and 84% of our Series C Convertible Preferred Stock ("Series C"). Each share of Series A entitles the holder to 50 votes and each share of Series B entitles the holder to 1,000 votes. In the aggregate, Mr. Atwell is entitled to cast 6,904,855,819 votes or 76% of the votes in any vote by our stockholders. Mr. Jackson, the Chief Financial Officer, corporate secretary and director, is the beneficial owner of 4% of our issued and outstanding common shares and 15% of each of our Series A Convertible Preferred Stock and 15% of our Series B

Convertible Preferred Stock and 15% of our Series C Convertible Preferred Stock. In the aggregate, Mr. Jackson is entitled to cast 1,225,136,599 votes or 13% of the votes in any vote by our stockholders. Together, they are entitled to cast 8,129,992,418 votes or 89% of the votes in any vote by our stockholders. Thus, Mr. Atwell and Mr. Jackson will have the ability to control substantially all matters submitted to our stockholders for approval, including:

- § election of our board of directors;
- § removal of any of our directors;
- § amendment of our certificate of incorporation or bylaws; and
- § adoption of measures that could delay or prevent a change in control or impede a merger, takeover or other business combination involving us.

As a result of Atwell and Wilson's ownership, and their respective positions as chief executive officer and director, they are able to influence all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. In addition, sales of significant amounts of shares held by our directors and executive officers, or the prospect of these sales, could adversely affect the market price of our common stock. Management's stock ownership may discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which in turn could reduce our stock price or prevent our stockholders from realizing a premium over our stock price.

It is likely that additional shares of our stock will be issued in the normal course of our business development, which will result in a dilutive effect on our existing shareholders

We will issue additional stock as required to raise additional working capital, meet additional funding requirements, secure intellectual properties, undertake company acquisitions, recruit and retain an effective management team, compensate our officers and directors, engage industry consultants and for other business development activities.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Risk Factors - continued

Ability to Achieve Profitable Operations - continued

If we fail to adequately manage our growth, we may not be successful in growing our business and becoming profitable

We expect our business and number of employees to grow over the next year. We expect that our growth will place significant stress on our operation, management, employee base and ability to meet capital requirements sufficient to support our growth over the next 12 months. Any failure to address the needs of our growing business successfully could have a negative impact on our chance of success.

If we acquire or invest in other businesses, we will face certain risks inherent in such transactions

We may acquire, make investments in, or enter into strategic alliances or joint ventures with, companies engaged in businesses that are similar or complementary to ours. If we make such acquisitions or investments or enter into strategic alliances, we will face certain risks inherent in such transactions. For example, we could face difficulties in managing and integrating newly acquired operations. Additionally, such transactions would divert management resources and may result in the loss of artists or songwriters from our rosters. We cannot assure you that if we make any future acquisitions, investments, strategic alliances or joint ventures that they will be completed in a timely manner, that they will be structured or financed in a way that will enhance our creditworthiness or that they will meet our strategic objectives or otherwise be successful. Failure to effectively manage any of these transactions could result in material increases in costs or reductions in expected revenues, or both.

“Penny Stock” rules may make buying or selling our common stock difficult

Trading in our securities is subject to the “penny stock” rules. The SEC has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than \$5.00 per share, subject to certain exceptions. These rules require that any broker-dealer who recommends our securities to persons other than prior customers and accredited investors, must, prior to the sale, make a special written suitability determination for the purchaser and receive the purchaser’s written agreement to execute the transaction. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated with trading in the penny stock market. In addition, broker-dealers must disclose commissions payable to both the broker-dealer and the registered representative and current quotations for the securities they offer. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in our securities, which could severely limit the market price and liquidity of our securities. Broker-dealers who sell penny stocks to certain types of investors are required to comply with the Commission’s regulations concerning the transfer of penny stocks. These regulations require broker-dealers to:

- § Make a suitability determination prior to selling a penny stock to the purchaser;
- § Receive the purchaser’s written consent to the transaction; and
- § Provide certain written disclosures to the purchaser.

Risks Associated with the Motion Picture Production and Distribution Industry

Because the movie industry is intensely competitive and we lack the name recognition and resources of our competitors, we may never generate any revenues or become profitable

The motion picture industry is highly competitive. We believe that a motion picture's theatrical success is dependent upon general public acceptance, marketing technology, advertising and the quality of the production. We intend to produce motion picture productions that normally should compete with numerous independent and foreign productions as well as productions produced and distributed by a number of major domestic companies, many of which are units of conglomerate corporations with assets and resources substantially greater than ours. Some of the production and distribution companies that we will compete with are The Weinstein Company, Jerry Bruckheimer Films, Miramax Films, Lions Gate Entertainment Corp., Sony Pictures Entertainment, Inc., New Line Cinema, a subsidiary of Time Warner, Universal Studios, 20th Century Fox Film Corporation, a subsidiary of News Corp., Buena Vista Motion Pictures Group, a collection of affiliated motion picture studios all subsidiaries of The Walt Disney Company, Paramount Pictures Corporation, a subsidiary of Viacom, and Troma Entertainment, Inc. Most of these competitors are significantly larger than us, have a long-standing business.

Our management believes that in recent years there has been an increase in competition in virtually all facets of the motion picture industry. With increased alternative distribution channels for many types of entertainment, the motion picture business competes more intensely than previously with all other types of entertainment activities as well as television. While increased use of pay per view television, pay television channels, and home video products are potentially beneficial, there is no guarantee that we will be able to successfully penetrate these markets. Failure to penetrate these potential distribution channels would have a material adverse impact on our results of operations.

Since our success depends on the commercial success of our motion pictures, which is unpredictable and highly speculative, we may never generate any revenue or become profitable

The success of a single motion picture project is fraught with an unusually high degree of uncertainty and risk. Similarly, the probability of successfully completing a motion picture project is also laden with an unusually high degree of uncertainty and risks. A studio or independent producer's ability to finance a project, execute a successful distribution strategy, obtain favorable press and compete with an unknown quantity of competing releases are just some of the factors that impact the commercial success or failure of a film project. Our strategy involves producing a minimum of 12 motion pictures per year. While the intent is to reduce production risk through this strategy, our plan has the potential to compound risks germane to the industry.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Risk Factors - continued

Ability to Achieve Profitable Operations - continued

Movie producers are often involved in several projects at the same time and an active film director is often presented with opportunities to direct many movies. In addition, independent contractors needed to produce the film often have commitments to more than one movie project. Because we may decide to replace key members of our production team if they are unable to perform their duties within our schedule, the marketing appeal of our film may be reduced.

If we do not complete the film on schedule or within budget, our ability to generate revenue may be diminished or delayed. Our success depends on our ability to complete the film on schedule and within budget.

Each film we produce and distribute should appeal to a given segment of society to achieve acceptance. Although our intent to target niche markets that should require less than broad market acceptance to achieve commercial success, there can be no assurance that this strategy will succeed.

Motion picture production and distribution is highly speculative and inherently risky. There can be no assurance of the economic success of any motion picture since the revenues derived from the production and distribution of a motion picture (which do not necessarily bear a direct correlation to the production or distribution costs incurred) depend primarily upon its acceptance by the public, which cannot be predicted. The commercial success of a motion picture also depends upon the acceptance of competing films released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions and other tangible and intangible factors, all of which can change and cannot be predicted with certainty. Further, the theatrical success of a motion picture is generally a key factor in generating revenues from other distribution channels. There is a substantial risk that some or all of our motion pictures will not be commercially successful, resulting in costs not being recouped or anticipated profits not being realized.

Theaters are more likely to exhibit feature films with substantial studio marketing budgets. Even if we are able to complete the films and obtain distribution, it is unclear how much should be spent on marketing to promote each film by our distributors.

All of these factors cannot be predicted with certainty. In addition, motion picture attendance is seasonal, with the greatest attendance typically occurring during the summer and holidays. The release of a film during a period of relatively low theater attendance is likely to affect the film's box office receipts adversely.

Relatively few motion pictures return a profit to investors. There can be no assurance that a motion picture will recoup its production costs. There is a very high degree of risk that any motion picture we may produce will not return all or any portion of our investment.

We intend to distribute our films in foreign countries which may be unpredictable and may have unstable and different governments and/or laws than the U.S.

We plan to license motion picture and television programming in foreign countries to sub-distributors. If we are at all successful in this regard, a portion of our revenues should be derived from foreign sources. Because of this, our business is subject to certain risks inherent in international trade, many of which are beyond our control. Such risks include, but are not limited to, changes in laws and policies affecting trade, investment and taxes (including laws and policies relating to the repatriation of funds and to withholding taxes), differing degrees of protection for intellectual property, the instability of foreign economies and governments and in some cases an adverse acceptance to a film may

occur, resulting in a demand to renegotiate the license agreement's terms and conditions. In addition, fluctuations in foreign exchange rates may affect our results of operations.

Piracy of the original motion pictures that we plan to produce may reduce our revenues and potential earnings

According to industry sources, piracy losses in the motion picture industry have increased substantially, from an estimated \$2.2 billion in 1997 to an estimated \$6.1 billion in 2005. In certain regions such as Asia, the former Soviet Union and South America, motion picture piracy has been a major issue for some time. With the proliferation of DVD format around the globe, along with other digital recording and playback devices, losses from piracy have spread more rapidly in North America and Europe. Piracy of original motion pictures we produce and distribute may adversely impact the gross receipts received from the exploitation of these films, which could have a material adverse effect on our business, results of operations or financial condition.

Our operating results will fluctuate

Like all motion picture production companies, our revenues and results of operations could be significantly dependent upon the timing of releases and the commercial success of the motion pictures we distribute, none of which can be predicted with certainty. Accordingly, our revenues and results of operations may fluctuate significantly from period to period, and the results of any one period may not be indicative of the results for any future periods.

In accordance with generally accepted accounting principles and industry practice, we intend to amortize film costs using the individual-film-forecast method under which such costs are amortized for each film in the ratio that revenue earned in the current period for such title bears to management's estimate of the total revenues to be realized from all media and markets for such title. To comply with this accounting principal, our management plans to regularly review, and revise when necessary, our total revenue estimates on a title-by-title basis, which may result in a change in the rate of amortization and/or a write-down of the film asset to net realizable value. Results of operations in future years should be dependent upon our amortization of film costs and may be significantly affected by periodic adjustments in amortization rates. The likelihood of the Company's reporting of losses is increased because the industry's accounting method requires the immediate recognition of the entire loss in instances where it is expected that a motion picture should not recover the Company's investment.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Risk Factors - continued

Ability to Achieve Profitable Operations - continued

Similarly, should any of our films be profitable in a given period, we should have to recognize that profit over the entire revenue stream expected to be generated by the individual film.

Our film production budgets may increase and film production spending may exceed such budgets

Our future film budgets may increase due to factors including, but not limited to, (1) escalation in compensation rates of people required to work on our projects, (2) number of personnel required to work on our projects, (3) equipment needs, (4) the enhancement of existing or the development of new proprietary technology and (5) the addition of facilities to accommodate the growth of a studio. Due to production exigencies, which are often difficult to predict, it is not uncommon for film production spending to exceed film production budgets, and our projects may not be completed within the budgeted amounts. In addition, when production of each film is completed, we may incur significant carrying costs associated with transitioning personnel on creative and development teams from one project to another. These carrying costs increase overall production budgets and could have a material adverse effect on our results of operations and financial condition.

Our anticipated successive releases of films could place a significant strain on our limited resources

We anticipate establishing parallel creative teams so that we can develop more than one film at a time. These teams are expected to work on future projects, as we move towards producing multiple films per year. Due to the anticipated strain on our personnel from the effort required for the release of an upcoming film and the time required for creative development of future films, it is possible that we would be unable to release twelve new films in the first year and in subsequent years. We may be required to expand our employee base, increase capital expenditures and procure additional resources and facilities in order to accomplish the scheduled releases of our films. This growth and expansion may place a significant strain on our resources. We cannot provide any assurances that any future film will be released as targeted or that this strain on resources will not have a material adverse effect on our business, financial condition or results of operations. As we move towards achieving multiple films a year, there will likely be additional demands placed on the availability of key people. A lack of availability of key people may adversely impact the success and timing of our future films.

We may implement a variety of new and upgraded operational and financial systems, procedures and controls, including improvement and maintenance of our accounting system, other internal management systems and backup systems. Our growth and these diversification activities, along with the corresponding increase in the number of our employees and our rapidly increasing costs, may result in increased responsibility for our management team. We may need to improve our operational, financial and management information systems, to hire, train, motivate and manage our employees, and to provide adequate facilities and other resources for them. We cannot provide any assurance we will be successful in accomplishing all of these activities on a timely and cost-effective basis. Any failure to accomplish one or more of these activities on a timely and cost-effective basis would have a material adverse effect on our business, financial condition and results of operations.

The decisions regarding the timing of theatrical releases and related products, the marketing and distribution strategy, and the extent of promotional support are important factors in determining the success of our motion pictures and related products. We may enter into agreements with third-parties to assist us in the marketing and distribution of our films, and we may require the marketers and distributors to consult with us with respect to all major marketing and

distribution decisions. Said agreements may or may not include: (1) the manner in which distributors may distribute our films and related products; (2) the number of theaters to which our films are distributed; (3) the specific timing of release of our films and related products; or (4) the specific amount or quality of marketing and promotional support of the films and related products as well as the associated promotional and marketing budgets.

We are smaller and less diversified than most of our competitors

Although we are a small independent distributor and producer at this time, we expect to constantly compete with major U.S. and international studios. Most of the major U.S. studios are part of large diversified corporate groups with a variety of other operations, including television networks and cable channels that can provide both means of distributing their products and stable sources of earnings that may allow them better to offset fluctuations in the financial performance of their motion picture and television operations. In addition, the major studios have more resources with which to compete for ideas, storylines and scripts created by third parties as well as for actors, directors and other personnel required for production. The resources of the major studios may also give them an advantage in acquiring other businesses or assets, including film libraries, that we might also be interested in acquiring. The foregoing could have a material adverse effect on our business, results of operations and financial condition.

The motion picture industry is highly competitive and at times may create an oversupply of motion pictures in the market

The number of motion pictures released by our competitors, particularly the major U.S. studios, may create an oversupply of product in the market, reduce our share of box office receipts and make it more difficult for our films to succeed commercially as we produce, market and distribute our films. Oversupply may become most pronounced during peak release times, such as school holidays and national holidays, when theater attendance is expected to be highest. For this reason, and because of our more limited production and advertising budgets, we plan to not release our films during peak release times, which may also reduce our potential revenues for a particular release. Moreover, we cannot guarantee that we can release all of our films when they are otherwise scheduled. In addition to production or other delays that might cause us to alter our release schedule, a change in the schedule of a major studio may force us to alter the release date of a film because we cannot always compete with a major studio's larger promotion campaign. Any such change could adversely impact a film's financial performance. In addition, if we cannot change our schedule after such a change by a major studio because we are too close to the release date, the major studio's release and its typically larger promotion budget may adversely impact the financial performance of our film. The foregoing could have a material adverse effect on our business, results of operations and financial condition.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Risk Factors - continued

Ability to Achieve Profitable Operations - continued

The limited supply of motion picture screens compounds this product oversupply problem. Currently, a substantial majority of the motion picture screens in the U.S. typically are committed at any one time to only ten to 15 films distributed nationally by major studio distributors. In addition, as a result of changes in the theatrical exhibition industry, including reorganizations and consolidations and the fact that major studio releases occupy more screens, the number of screens available to us when we want to release a picture may decrease. If the number of motion picture screens decreases, box office receipts, and the correlating future revenue streams, such as from home video and pay and free television, of our motion pictures may also decrease, which could have a material adverse effect on our business, results of operations or financial condition.

If we are alleged to have infringed on the intellectual property or other rights of third parties it could subject us to significant liability for damages and invalidation of our proprietary rights

Our business is highly dependent upon intellectual property, a field that has encountered increasing litigation in recent years. If third parties allege that we have infringed on their intellectual property rights, privacy rights or publicity rights or have defamed them, we could become a party to litigation. These claims and any resulting lawsuits could subject us to significant liability for damages and invalidation of our proprietary rights and/or restrict our ability to publish and distribute the infringing or defaming content. There can be no assurance that we would prevail in any such litigation. If we were to lose a litigation relating to intellectual property, we could be forced to pay monetary damages and to cease the sale of certain products or the use of certain technology. Any of the foregoing may adversely affect our business.

Risks Related to Our Common Stock and Its Market

If the ownership of our common stock continues to be somewhat concentrated in shares owned by our management, and mainly Mr. Atwell and Mr. Jackson, it may prevent you and other stockholders from influencing significant corporate decisions and may result in conflicts of interest that could cause our stock price to decline

As of December 31, 2008, Mr. Atwell, our President, Chief Executive Officer and Chairman, and his affiliates, and Mr. Jackson, our Chief Financial Officer, secretary and director, beneficially own or control approximately 89% of the votes that may be cast in any stockholder vote. Accordingly, Mr. Atwell, Mr. Jackson and their affiliates will have sole control over the outcome of corporate actions requiring stockholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets or any other significant corporate transactions. This stockholder control may also delay or prevent a change of control of us, even if such a change of control would benefit our other stockholders. The concentration of stock ownership may adversely affect the trading price of our common stock due to investors' perception that conflicts of interest may exist or arise.

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 is a limited market for our common stock which makes it difficult for investors to engage in transactions in our securities

Our common stock is quoted on the OTCBB under the symbol "CMLT". If public trading of our common stock does not increase, a liquid market will not develop for our common stock. The potential effects of this include difficulties for the holders of our common shares to sell our common stock at prices they find attractive. If liquidity in the market for our common stock does not increase, investors in our company may never realize a profit on their investment.

Our stock has been thinly traded, which can lead to price volatility and difficulty liquidating any investment in our stock

The trading volume of our stock has been low, which can cause the trading price of our stock to change substantially in response to relatively small orders. In addition, during the last two fiscal years and subsequent interim period, our common stock has traded as low as \$0.0001 and as high as \$0.05. Both 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 shareholders' ability to sell our 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.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Risks Related to Our Common Stock and Its Market - continued

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

If our shareholders sell substantial amounts of our common stock in the public market, including shares issued upon the exercise of outstanding options or warrants, 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.

The conversion of the promissory notes based on our 2006/2007/2008 financing is based on an average of our closing bid price of our intraday trading prices of our common stock over a certain period of time prior to conversion and the decrease of the intraday trading price will result in issuance of a significant increase of shares resulting in dilution to our shareholders

The conversion of the promissory notes in our 2006-2008 financing is based on the applicable percentage of the average of the lowest three (3) trading prices for the Common Stock during the twenty (20) trading day period prior to conversion. The “Applicable Percentage” means 50%; provided, however, that the Applicable Percentage shall be increased to (i) 55% in the event that a Registration Statement is filed within thirty days of the closing and (ii) 60% in the event that the Registration Statement becomes effective within one hundred and twenty days. At present, the

applicable percentage is 50%, as mutually agreed to between the note holders and the company. The price of our common shares may fluctuate and the lower intra-day trading price in the future, will result in a conversion ratio resulting in issuance of a significant amount of our common shares to the promissory note holders. This will result in our present shareholders being diluted as the note holders convert.

Future selling by stockholders may impact our stock value through the execution of short sales which may decrease the value of our common stock

Short sales are transactions in which a selling shareholder sells a security it does not own. To complete the transaction, a selling shareholder must borrow the security to make delivery to the buyer. The selling shareholder is then obligated to replace the security borrowed by purchasing the security at the market price at the time of replacement. The price at such time may be higher or lower than the price at which the security was sold by the selling shareholder. If the underlying security goes down in price between the time the selling shareholder sells our security and buys it back, the selling shareholder will realize a gain on the transaction. Conversely, if the underlying security goes up in price during the period, the selling shareholder will realize a loss on the transaction. The risk of such price increases is the principal risk of engaging in short sales. The selling shareholders in this registration statement could short the stock by borrowing and then selling our securities in the market, and then converting the stock through either the Note or Warrants at a discount to replace the security borrowed. Because the selling shareholders control a large portion of our common stock, the selling shareholders could have a large impact on the value of our stock if they were to engage in short selling of our stock. Such short selling could impact the value of our stock in an extreme and volatile manner to the detriment of other shareholders.

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 is 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, or in the case of the Investors in the recent financing, prices below the price they converted their notes and warrants into shares.

ITEM 1. DESCRIPTION OF BUSINESS - continued

Risks Related to Our Common Stock and Its Market - continued

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.

REPORTS TO SECURITY HOLDERS

The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may also obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. This information, once we complete our filing, should be available at <http://www.sec.gov>. Links to such information are expected to be available on our web site at www.camelotfilms.com.

ITEM 2. DESCRIPTION OF PROPERTY

Our corporate headquarters are located at 8001 Irvine Center Drive, Suite 400, Irvine, CA 92618. The space is leased on an annual basis. The current lease expires on December 31, 2009. We can be reached by calling (949) 754-3030, faxing (949) 643-5504 or emailing info@camelotfilms.com. We invite you to visit our website at www.camelotfilms.com for information about our company, products and services.

ITEM 3. LEGAL PROCEEDINGS

As of the date of this filing, we are involved in two legal proceedings. One matter involves a settlement of office rents owed at our previous office location in Aliso Viejo, California. We elected to move prior to the expiration of our lease, and we are currently negotiating a settlement with them. The other matter involves a dispute between us and Growthink, Inc., regarding the preparation and delivery of a business plan. To date, we have paid Growthink approximately \$60,000 for development, preparation, completion and delivery of our master business plan. They have requested additional payments be made totaling \$10,000. We have requested completion of certain delivery items prior to making any further payment.

Management is not aware of any other legal matters threatened or pending against the Company that have not been previously disclosed in one or more of the Company's filings with the Securities and Exchange Commission.

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

On August 19, 2008, the Board of Directors and the stockholders approved a 100-for-1 reverse stock split of all of our outstanding common and preferred stock. As a result of the reverse stock split, effective August 29, 2008, the number of outstanding common shares was reduced from 434,727,332 to 4,347,316, as of August 29, 2008, and the number of our outstanding preferred stock was reduced from 39,552,047 to 395,521.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Our Company's common stock is quoted on the Over-the-Counter Bulletin Board (OTCBB) under the symbol "CMLT" of the National Association of Securities Dealers, Inc. (the "NASD").

Any market price for shares of common stock of the Company is likely to be very volatile, and numerous factors beyond the control of the Company may have a significant effect. In addition, the over-the-counter stock markets generally have experienced, and continue to experience, extreme price and volume fluctuations that have often been unrelated to the operating performance of companies listed on such exchanges.

These broad market fluctuations, as well as general economic and political conditions, may adversely affect the market price of the Company's common stock in any market that may develop.

Sales of "restricted securities" under Rule 144 may also have an adverse effect on any market that may develop. See the caption "Sales of Unregistered Securities".

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS - continued

Stock Performance

Our common stock is currently quoted on the OTCBB under the symbol “CMLT”. There is a limited trading market for our common stock. The following table sets forth the range of high and low bid quotations for each quarter within the last two fiscal years. These quotations as reported by the OTCBB, Pink Sheets and historical data as reported by the OTCBB reflect inter-dealer prices without retail mark-up, mark-down, or commissions and may not necessarily represent actual transactions.

	Closing Bid	
YEAR 2008	High Bid	Low Bid
1st Quarter Ended March 31	\$0.01	\$0.002
2nd Quarter Ended June 30	\$0.0016	\$0.0006
3rd Quarter Ended September 30	\$0.05	\$0.0003
4th Quarter Ended December 31	\$0.003	\$0.0001
YEAR 2007	High Bid	Low Bid
1st Quarter Ended March 31	\$0.110	\$0.051
2nd Quarter Ended June 30	\$0.100	\$0.015
3rd Quarter Ended September 30	\$0.015	\$0.002
4th Quarter Ended December 31	\$0.007	\$0.003

As of December 31, 2008 the bid share price of our Common Stock was \$0.0001 on the OTCBB. As of December 31, 2007 the bid share price of our Common Stock was \$.004 on the OTCBB. OTCBB quotations reflect inter-dealer prices, without retail mark-up, mark-down, or commissions and may not represent actual transactions.

The decline in the market price of our stock over the past two years is due in part to several key factors that have occurred, including the following:

- Management’s decision to devote considerable time and financial resources to the development of Camelot Studios at ATEP without being able to publicly announce progress on that project due to contractual restraints; and
- The conversion of notes held by the NIR note holders and the resulting immediate sale of those shares into the marketplace, which resulted in stock price declines; and
- The conversion of notes held by various note holders and the resulting sale of those shares into the marketplace at extremely low market prices; and
- The lack of any significant news on the Company or any sustained public relations effort due in part to the inability to release news on the studio project.

Holders

As of December 31, 2008, there were 1,563,669,608 shares of Common Stock outstanding. On December 31, 2008, there were 127 holders of record of our Common Stock. However, we estimate there are approximately 1,027 total stockholders of our Common Stock including those held in street name, known as "CEDE". On December 31, 2007, there were 224,506,332 shares of Common stock outstanding and 112 holders of record of our Common Stock.

Dividends

We have never declared or paid cash dividends on our Common Stock. We currently intend to retain cash earnings, if any, to support expansion, and do not anticipate paying any cash dividends for the foreseeable future. Should we ever produce sufficient earnings as a result of gains in securities of Concept Affiliates we develop, our Board of Directors, after taking into account our earnings, capital requirements, financial condition and other factors, has the discretion to distribute such securities to our shareholders as property dividends.

Reverse Stock Split

On August 19, 2008, the Board of Directors approved a 100-for-1 reverse stock split of all of our outstanding common and preferred stock. As a result of the reverse stock split, effective August 29, 2008, the number of outstanding common shares was reduced from 434,727,332 to 4,347,316, as of August 29, 2008, and the number of our outstanding preferred stock was reduced from 39,552,047 to 395,521. All references to our common stock (other than issuances) in the balance of this Report have been restated to reflect the reverse stock split.

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS - continued

Sale of Unregistered Securities

All securities sold in the past three years have been reported in previous quarterly filings on Form 10-Q and annual filings on Form 10-K. Here is a summary of all shares issued during fiscal year 2008 effective dates:

Stockholder	Shares Issued	Exemption	Consideration	Disposition/Price
Robert P. Atwell	248,818,180	144	Loans;Services	Issued/Market
Hope Capital, Inc.	207,000,000	144	Debt Retirement	Issued/Market/Discount (1)
Watson Investment Enterprises	200,000,000	144	Debt Retirement	Issued/Market/Discount (1)
The Atwell Group	178,000,000	144	Loans;Services	Issued/Market
K&L International Enterprises	153,000,000	144	Debt Retirement	Issued/Market/Discount (1)
Camelot Escrow	100,000,000	144	Escrow	Held in Reserve
AJW Offshore LLC	86,665,515	144	Debt Retirement	Issued/Market/Discount (1)
Phillip Parsons	83,272,727	S8	Services	Issued/Market
Tamara Atwell	82,272,727	S8	Services	Issued/Market
George Jackson	78,300,000	S8	Services	Issued/Market
The Corporate Solution, Inc.	60,000,000	S8	Services	Issued/Market
Rodger Spainhower	52,000,000	S8	Services	Issued/Market
Chris Flannery	51,000,000	S8	Services	Issued/Market
Vince Monaco	51,000,000	S8	Services	Issued/Market
Douglas Warner	22,000,000	S8	Services	Issued/Market
Phil Scott	20,000,000	S8	Services	Issued/Market
AJW Qualified LLC	17,952,480	144	Debt Retirement	Issued/Market/Discount (1)
AJW Partners LLC	10,101,849	144	Debt Retirement	Issued/Market/Discount (1)
Scorpion Bay LLC	9,221,000	144	Services	Issued/Market
AlphaTrade.com	8,750,000	144	Debt Retirement	Issued/Market
La Jolla Investment Partners	7,000,000	144	Debt Retirement	Issued/Market/Discount (1)
Tania Babeshoff	7,000,000	144	Debt Retirement	Issued/Market/Discount (1)
ATG, Inc.	7,000,000	144	Debt Retirement	Issued/Market/Discount (1)
Ongkaruck Sripetch	7,000,000	144	Debt Retirement	Issued/Market/Discount (1)
Patrick Winn	6,022,727	S8	Services	Issued/Market
Susan Sanchez	2,272,727	S8	Services	Issued/Market
Bastien Living Trust	2,000,000	S8	Services	Issued/Market

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

Lewis Consulting Group	2,000,000	S8	Services	Issued/Market
New Millennium Capital LLC	1,393,356	144	Debt Retirement	Issued/Market/Discount (1)
Schubert Flint	1,000,000	S8	Services	Issued/Market
Joseph Petrucelli	1,000,000	S8	Services	Issued/Market
Jeffory Smith	1,000,000	S8	Services	Issued/Market
Thomas Stepp	500,000	S8	Services	Issued/Market
CEDE	4	42	Bal. Adj.	Issued/Market
Total	1,764,543,292			

Notes:

(1) Issued at 50% Discount to Market per contract

Here is a complete breakdown of all common shares issued in 2008 by effective date:

Date	Title	Exemption	Amount	Name	Type	Consideration	Price	Note
2/22/2008	Common	144	43,500	AJW Partners	Debt Retirement	Cash	.0024	Conversion
2/22/2008	Common	144	6,000	New Millennium	Debt Retirement	Cash	.0024	Conversion
2/22/2008	Common	144	299,000	AJW Offshore	Debt Retirement	Cash	.0024	Conversion
2/22/2008	Common	144	151,500	AJW Qualified Partners	Debt Retirement	Cash	.0024	Conversion
2/25/2008	Common	144	1,000,000	Schubert Flint	Consulting	Services	.005	CSG
3/03/2008	Common	144	43,500	AJW Partners	Debt Retirement	Cash	.003	Conversion
3/03/2008	Common	144	6,000	New Millennium	Debt Retirement	Cash	.003	Conversion
3/03/2008	Common	144	299,000	AJW Offshore	Debt Retirement	Cash	.003	Conversion
3/03/2008	Common	144	151,500	AJW Qualified Partners	Debt Retirement	Cash	.003	Conversion
3/06/2008	Common	144	43,500	AJW Partners	Debt Retirement	Cash	.0024	Conversion
3/06/2008	Common	144	6,000	New Millennium	Debt Retirement	Cash	.0024	Conversion
3/06/2008	Common	144	299,000	AJW Offshore	Debt Retirement	Cash	.0024	Conversion

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS - continued

Sale of Unregistered Securities - continued

Date	Title	Exemption	Amount	Name	Type	Consideration	Price	Note
3/06/2008	Common	144	151,500	AJW Qualified Partners	Debt Retirement	Cash	.0024	Conversion
3/11/2008	Common	144	43,500	AJW Partners	Debt Retirement	Cash	.0021	Conversion
3/11/2008	Common	144	6,000	New Millennium	Debt Retirement	Cash	.0021	Conversion
3/11/2008	Common	144	299,000	AJW Offshore	Debt Retirement	Cash	.0021	Conversion
3/11/2008	Common	144	151,500	AJW Qualified Partners	Debt Retirement	Cash	.0021	Conversion
3/14/2008	Common	144	43,500	AJW Partners	Debt Retirement	Cash	.0016	Conversion
3/14/2008	Common	144	6,000	New Millennium	Debt Retirement	Cash	.0016	Conversion
3/14/2008	Common	144	299,000	AJW Offshore	Debt Retirement	Cash	.0016	Conversion
3/14/2008	Common	144	151,500	AJW Qualified Partners	Debt Retirement	Cash	.0016	Conversion
3/20/2008	Common	144	43,500	AJW Partners	Debt Retirement	Cash	.0013	Conversion
3/20/2008	Common	144	6,000	New Millennium	Debt Retirement	Cash	.0013	Conversion
3/20/2008	Common	144	299,000	AJW Offshore	Debt Retirement	Cash	.0013	Conversion
3/20/2008	Common	144	151,500	AJW Qualified Partners	Debt Retirement	Cash	.0013	Conversion
3/26/2008	Common	144	43,500	AJW Partners	Debt Retirement	Cash	.0012	Conversion
3/26/2008	Common	144	6,000	New Millennium	Debt Retirement	Cash	.0012	Conversion
3/26/2008	Common	144	299,000	AJW Offshore	Debt Retirement	Cash	.0012	Conversion
3/26/2008	Common	144	151,500	AJW Qualified Partners	Debt Retirement	Cash	.0012	Conversion
3/31/2008	Common	144	174,000	AJW Partners	Debt Retirement	Cash	.0012	Conversion
3/31/2008	Common	144	24,000	New Millennium	Debt Retirement	Cash	.0012	Conversion
3/31/2008	Common	144	1,502,000	AJW Offshore	Debt Retirement	Cash	.0012	Conversion
3/31/2008	Common	144	300,000	AJW Qualified Partners	Debt Retirement	Cash	.0012	Conversion
4/04/2008	Common	144	174,000	AJW Partners		Cash	.0012	Conversion

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

				Debt Retirement			
4/04/2008	Common	144	24,000	New Millennium	Debt Retirement	Cash	.0012 Conversion
4/04/2008	Common	144	1,502,000	AJW Offshore	Debt Retirement	Cash	.0012 Conversion
4/04/2008	Common	144	300,000	AJW Qualified Partners	Debt Retirement	Cash	.0012 Conversion
4/11/2008	Common	144	174,000	AJW Partners	Debt Retirement	Cash	.0012 Conversion
4/11/2008	Common	144	24,000	New Millennium	Debt Retirement	Cash	.0012 Conversion
4/11/2008	Common	144	1,502,000	AJW Offshore	Debt Retirement	Cash	.0012 Conversion
4/11/2008	Common	144	300,000	AJW Qualified Partners	Debt Retirement	Cash	.0012 Conversion
4/16/2008	Common	144	174,000	AJW Partners	Debt Retirement	Cash	.0012 Conversion
4/16/2008	Common	144	24,000	New Millennium	Debt Retirement	Cash	.0012 Conversion
4/16/2008	Common	144	1,502,000	AJW Offshore	Debt Retirement	Cash	.0012 Conversion
4/16/2008	Common	144	300,000	AJW Qualified Partners	Debt Retirement	Cash	.0012 Conversion
4/22/2008	Common	144	174,000	AJW Partners	Debt Retirement	Cash	.0012 Conversion
4/22/2008	Common	144	24,000	New Millennium	Debt Retirement	Cash	.0012 Conversion
4/22/2008	Common	144	1,502,000	AJW Offshore	Debt Retirement	Cash	.0012 Conversion
4/22/2008	Common	144	300,000	AJW Qualified Partners	Debt Retirement	Cash	.0012 Conversion
4/25/2008	Common	144	174,000	AJW Partners	Debt Retirement	Cash	.0013 Conversion
4/25/2008	Common	144	24,000	New Millennium	Debt Retirement	Cash	.0013 Conversion
4/25/2008	Common	144	1,502,000	AJW Offshore	Debt Retirement	Cash	.0013 Conversion
4/25/2008	Common	144	300,000	AJW Qualified Partners	Debt Retirement	Cash	.0013 Conversion
5/01/2008	Common	144	174,000	AJW Partners	Debt Retirement	Cash	.001 Conversion
5/01/2008	Common	144	24,000	New Millennium	Debt Retirement	Cash	.001 Conversion
5/01/2008	Common	144	1,502,000	AJW Offshore	Debt Retirement	Cash	.001 Conversion
5/01/2008	Common	144	300,000	AJW Qualified Partners	Debt Retirement	Cash	.001 Conversion
5/05/2008	Common	144	174,000	AJW Partners	Debt Retirement	Cash	.001 Conversion

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

5/05/2008	Common	144	24,000	New Millennium	Debt Retirement	Cash	.001	Conversion
5/05/2008	Common	144	1,502,000	AJW Offshore	Debt Retirement	Cash	.001	Conversion
5/05/2008	Common	144	300,000	AJW Qualified Partners	Debt Retirement	Cash	.001	Conversion
5/09/2008	Common	144	1,035,300	AJW Partners	Debt Retirement	Cash	.001	Conversion
5/09/2008	Common	144	142,800	New Millennium	Debt Retirement	Cash	.001	Conversion
5/09/2008	Common	144	8,936,900	AJW Offshore	Debt Retirement	Cash	.001	Conversion
5/09/2008	Common	144	1,785,000	AJW Qualified Partners	Debt Retirement	Cash	.001	Conversion
6/10/2008	Common	144	487,200	AJW Partners	Debt Retirement	Cash	.001	Conversion
6/10/2008	Common	144	67,200	New Millennium	Debt Retirement	Cash	.001	Conversion
6/10/2008	Common	144	4,205,600	AJW Offshore	Debt Retirement	Cash	.001	Conversion
6/10/2008	Common	144	840,000	AJW Qualified Partners	Debt Retirement	Cash	.001	Conversion
8/01/2008	Common	144	100,000,000	Camelot	Financial	Escrow	.001	Reserve
8/13/2008	Common	144	9,221,000	Scorpion Bay LLC	Consulting	Services	.0005	CSG
8/13/2008	Common	S8	20,000,000	George Jackson	Management	Services	.0005	CMLT

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS - continued

Sale of Unregistered Securities - continued

Date	Title	Exemption	Amount	Name	Type	Consideration	Price	Note
8/13/2008	Common	144	28,000,000	The Atwell Group	Manage/Fiscal	Cash/Services	.0005	CMLT
8/13/2008	Common	S8	10,000,000	The Corporate Solution	Consulting	Services	.0005	CMLT
8/29/2008	Common	144	10,849	AJW Partners	Debt Retirement	Cash	.01	Conversion
8/29/2008	Common	144	1,496	New Millennium	Debt Retirement	Cash	.01	Conversion
8/29/2008	Common	144	93,650	AJW Offshore	Debt Retirement	Cash	.01	Conversion
8/29/2008	Common	144	18,705	AJW Qualified Partners	Debt Retirement	Cash	.01	Conversion
9/03/2008	Common	144	10,849	AJW Partners	Debt Retirement	Cash	.009	Conversion
9/03/2008	Common	144	1,496	New Millennium	Debt Retirement	Cash	.009	Conversion
9/03/2008	Common	144	93,650	AJW Offshore	Debt Retirement	Cash	.009	Conversion
9/03/2008	Common	144	18,705	AJW Qualified Partners	Debt Retirement	Cash	.009	Conversion
9/05/2008	Common	S8	250,000	Patrick Winn	Administrative	Services	.012	CMLT
9/08/2008	Common	144	4	CEDE	Share Adjustment	Adj	.00	Bal Adj
9/12/2008	Common	144	10,849	AJW Partners	Debt Retirement	Cash	.002	Conversion
9/12/2008	Common	144	1,496	New Millennium	Debt Retirement	Cash	.002	Conversion
9/12/2008	Common	144	93,650	AJW Offshore	Debt Retirement	Cash	.002	Conversion
9/12/2008	Common	144	18,705	AJW Qualified Partners	Debt Retirement	Cash	.002	Conversion
9/12/2008	Common	144	2,000,000	K & L International	Debt Retirement	Cash	.005	Conversion
9/16/2008	Common	144	10,849	AJW Partners	Debt Retirement	Cash	.0025	Conversion
9/16/2008	Common	144	1,496	New Millennium	Debt Retirement	Cash	.0025	Conversion
9/16/2008	Common	144	93,650	AJW Offshore	Debt Retirement	Cash	.0025	Conversion
9/16/2008	Common	144	18,705	AJW Qualified Partners	Debt Retirement	Cash	.0025	Conversion
9/16/2008	Common	144	2,000,000	Robert P. Atwell	Manage/Fiscal	Cash/Services	.003	CMLT
9/16/2008	Common	S8	300,000	George Jackson	Management	Services	.003	CMLT

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

9/18/2008	Common	144	4,785	AJW Partners	Debt Retirement	Cash	.0015	Conversion
9/18/2008	Common	144	660	New Millennium	Debt Retirement	Cash	.0015	Conversion
9/18/2008	Common	144	41,305	AJW Offshore	Debt Retirement	Cash	.0015	Conversion
9/18/2008	Common	144	8,250	AJW Qualified Partners	Debt Retirement	Cash	.0015	Conversion
9/18/2008	Common	S8	1,000,000	George Jackson	Management Services		.002	CMLT
9/18/2008	Common	S8	250,000	Patrick Winn	Administrative Services		.002	CMLT
9/18/2008	Common	S8	250,000	Patrick Winn	Administrative Services		.002	CMLT
9/18/2008	Common	144	1,000,000	Robert P. Atwell	Manage/Fiscal	Cash/Services	.002	CMLT
9/18/2008	Common	144	1,000,000	Robert P. Atwell	Manage/Fiscal	Cash/Services	.002	CMLT
9/18/2008	Common	144	1,000,000	Robert P. Atwell	Manage/Fiscal	Cash/Services	.002	CMLT
9/18/2008	Common	144	1,000,000	Robert P. Atwell	Manage/Fiscal	Cash/Services	.002	CMLT
9/18/2008	Common	144	1,000,000	Robert P. Atwell	Manage/Fiscal	Cash/Services	.002	CMLT
9/22/2008	Common	144	6,064	AJW Partners	Debt Retirement	Cash	.001	Conversion
9/22/2008	Common	144	836	New Millennium	Debt Retirement	Cash	.001	Conversion
9/22/2008	Common	144	52,345	AJW Offshore	Debt Retirement	Cash	.001	Conversion
9/22/2008	Common	144	10,455	AJW Qualified Partners	Debt Retirement	Cash	.001	Conversion
9/24/2008	Common	144	10,849	AJW Partners	Debt Retirement	Cash	.001	Conversion
9/24/2008	Common	144	1,496	New Millennium	Debt Retirement	Cash	.001	Conversion
9/24/2008	Common	144	93,650	AJW Offshore	Debt Retirement	Cash	.001	Conversion
9/24/2008	Common	144	18,705	AJW Qualified Partners	Debt Retirement	Cash	.001	Conversion
9/26/2008	Common	S8	1,000,000	George Jackson	Management Services		.002	CMLT
9/26/2008	Common	S8	1,000,000	George Jackson	Management Services		.002	CMLT
9/26/2008	Common	144	15,909,090	Robert P. Atwell	Manage/Fiscal	Cash/Services	.002	CMLT
9/26/2008	Common	144	15,909,090	Robert P. Atwell	Manage/Fiscal	Cash/Services	.002	CMLT
9/26/2008	Common	S8	1,000,000	Chris Flannery	Legal Services		.002	CMLT
9/26/2008	Common	S8	500,000	Thomas Stepp	Legal Services		.002	CMLT
9/26/2008	Common	S8	500,000	Patrick Winn	Administrative	Cash	.002	CMLT
9/26/2008	Common	S8	1,000,000	Joe Petrucelli	Legal Services		.002	CMLT
9/26/2008	Common	S8	1,000,000	Vince Monaco	Consulting Services		.002	CMLT
9/26/2008	Common	S8	1,000,000	Phil Parsons	Consulting Services		.002	CMLT
9/26/2008	Common	144	69,513	AJW Partners	Debt Retirement	Cash	.001	Conversion
9/26/2008	Common	144	9,588	New Millennium	Debt Retirement	Cash	.001	Conversion
9/26/2008	Common	144	600,049	AJW Offshore	Debt Retirement	Cash	.001	Conversion
9/26/2008	Common	144	119,850	AJW Qualified Partners	Debt Retirement	Cash	.001	Conversion
9/27/2008	Common	S8	2,272,727	Phil Parsons	Consulting Services		.002	CMLT

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

9/27/2008 Common S8	2,272,727	Patrick Winn	Administrative Services	.002	CMLT
9/27/2008 Common S8	2,272,727	Susan Sanchez	Administrative Services	.002	CMLT
9/27/2008 Common S8	2,272,727	Tamara Atwell	Administrative Services	.002	CMLT
9/27/2008 Common S8	1,000,000	Jeffory Smith	Consulting Services	.002	CMLT
9/27/2008 Common S8	2,000,000	Lewis Consulting Gp	Consulting Services	.002	CSG

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS - continued

Sale of Unregistered Securities - continued

Date	Title	Exemption	Amount	Name	Type	Consideration	Price	Note
9/27/2008	Common	S8	2,000,000	Bastien Living Trust	Consulting	Services	.002	CSG
9/27/2008	Common	S8	2,000,000	Doug Warner	Consulting	Services	.002	CMLT
10/01/2008	Common	144	69,513	AJW Partners	Debt Retirement	Cash	.0011	Conversion
10/01/2008	Common	144	9,588	New Millennium	Debt Retirement	Cash	.0011	Conversion
10/01/2008	Common	144	600,049	AJW Offshore	Debt Retirement	Cash	.0011	Conversion
10/01/2008	Common	144	119,850	AJW Qualified Partners	Debt Retirement	Cash	.0011	Conversion
10/01/2008	Common	144	7,000,000	La Jolla Investment	Debt Retirement	Cash/Services	.002	Conversion
10/01/2008	Common	144	7,000,000	Tania Babeshoff	Debt Retirement	Cash/Services	.002	Conversion
10/01/2008	Common	144	7,000,000	ATG, Inc.	Debt Retirement	Cash/Services	.002	Conversion
10/01/2008	Common	144	7,000,000	Ongkaruck Sripetch	Debt Retirement	Cash/Services	.002	Conversion
10/03/2008	Common	144	69,513	AJW Partners	Debt Retirement	Cash	.001	Conversion
10/03/2008	Common	144	9,588	New Millennium	Debt Retirement	Cash	.001	Conversion
10/03/2008	Common	144	600,049	AJW Offshore	Debt Retirement	Cash	.001	Conversion
10/03/2008	Common	144	119,850	AJW Qualified Partners	Debt Retirement	Cash	.001	Conversion
10/07/2008	Common	144	69,513	AJW Partners	Debt Retirement	Cash	.0007	Conversion
10/07/2008	Common	144	9,588	New Millennium	Debt Retirement	Cash	.0007	Conversion
10/07/2008	Common	144	600,049	AJW Offshore	Debt Retirement	Cash	.0007	Conversion
10/07/2008	Common	144	119,850	AJW Qualified Partners	Debt Retirement	Cash	.0007	Conversion
10/08/2008	Common	144	35,000,000	Robert P. Atwell	Manage/Fiscal	Cash/Services	.0004	CMLT
10/13/2008	Common	144	69,513	AJW Partners	Debt Retirement	Cash	.0003	Conversion
10/13/2008	Common	144	9,588	New Millennium	Debt Retirement	Cash	.0003	Conversion
10/13/2008	Common	144	600,049	AJW Offshore	Debt Retirement	Cash	.0003	Conversion
10/13/2008	Common	144	119,850			Cash	.0003	Conversion

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

10/14/2008	Common	144	69,513	AJW Qualified Partners	Debt Retirement	Cash	.0001	Conversion
10/14/2008	Common	144	9,588	New Millennium	Debt Retirement	Cash	.0001	Conversion
10/14/2008	Common	144	600,049	AJW Offshore	Debt Retirement	Cash	.0001	Conversion
10/14/2008	Common	144	119,850	AJW Qualified Partners	Debt Retirement	Cash	.0001	Conversion
10/14/2008	Common	S8	2,000,000	Rodger Spainhower	Edgar Fees	Services	.0004	CMLT
10/16/2008	Common	144	69,513	AJW Partners	Debt Retirement	Cash	.0001	Conversion
10/16/2008	Common	144	9,588	New Millennium	Debt Retirement	Cash	.0001	Conversion
10/16/2008	Common	144	600,049	AJW Offshore	Debt Retirement	Cash	.0001	Conversion
10/16/2008	Common	144	119,850	AJW Qualified Partners	Debt Retirement	Cash	.0001	Conversion
10/27/2008	Common	144	69,513	AJW Partners	Debt Retirement	Cash	.0001	Conversion
10/27/2008	Common	144	9,588	New Millennium	Debt Retirement	Cash	.0001	Conversion
10/27/2008	Common	144	600,049	AJW Offshore	Debt Retirement	Cash	.0001	Conversion
10/27/2008	Common	144	119,850	AJW Qualified Partners	Debt Retirement	Cash	.0001	Conversion
10/31/2008	Common	144	69,513	AJW Partners	Debt Retirement	Cash	.00009	Conversion
10/31/2008	Common	144	9,588	New Millennium	Debt Retirement	Cash	.00009	Conversion
10/31/2008	Common	144	600,049	AJW Offshore	Debt Retirement	Cash	.00009	Conversion
10/31/2008	Common	144	119,850	AJW Qualified Partners	Debt Retirement	Cash	.00009	Conversion
11/04/2008	Common	144	69,513	AJW Partners	Debt Retirement	Cash	.00009	Conversion
11/04/2008	Common	144	9,588	New Millennium	Debt Retirement	Cash	.00009	Conversion
11/04/2008	Common	144	600,049	AJW Offshore	Debt Retirement	Cash	.00009	Conversion
11/04/2008	Common	144	119,850	AJW Qualified Partners	Debt Retirement	Cash	.00009	Conversion
11/06/2008	Common	144	69,513	AJW Partners	Debt Retirement	Cash	.00009	Conversion
11/06/2008	Common	144	9,588	New Millennium	Debt Retirement	Cash	.00009	Conversion
11/06/2008	Common	144	600,049	AJW Offshore	Debt Retirement	Cash	.00009	Conversion

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

11/06/2008	Common	144	119,850	AJW Qualified Partners	Debt Retirement	Cash	.00009	Conversion
11/06/2008	Common	144	8,750,000	AlphaTrade.com	Debt Retirement	Services	.0017	Conversion
11/10/2008	Common	144	69,513	AJW Partners	Debt Retirement	Cash	.00009	Conversion
11/10/2008	Common	144	9,588	New Millennium	Debt Retirement	Cash	.00009	Conversion
11/10/2008	Common	144	600,049	AJW Offshore	Debt Retirement	Cash	.00009	Conversion
11/10/2008	Common	144	119,850	AJW Qualified Partners	Debt Retirement	Cash	.00009	Conversion
11/10/2008	Common	S8	5,000,000	Phil Parsons	Consulting	Services	.0016	CMLT
11/10/2008	Common	S8	2,500,000	Patrick Winn	Administrative	Services	.0016	CMLT
11/10/2008	Common	S8	5,000,000	Tamara Atwell	Administrative	Services	.0016	CMLT
11/11/2008	Common	144	69,513	AJW Partners	Debt Retirement	Cash	.00009	Conversion
11/11/2008	Common	144	9,588	New Millennium	Debt Retirement	Cash	.00009	Conversion
11/11/2008	Common	144	600,049	AJW Offshore	Debt Retirement	Cash	.00009	Conversion
11/11/2008	Common	144	119,850	AJW Qualified Partners	Debt Retirement	Cash	.00009	Conversion
11/13/2008	Common	144	69,513	AJW Partners	Debt Retirement	Cash	.00009	Conversion
11/13/2008	Common	144	9,588	New Millennium	Debt Retirement	Cash	.00009	Conversion

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS - continued

Sale of Unregistered Securities - continued

Date	Title	Exemption	Amount	Name	Type	Consideration	Price	Note
11/13/2008	Common	144	600,049	AJW Offshore	Debt Retirement	Cash	.00009	Conversion
11/13/2008	Common	144	119,850	AJW Qualified Partners	Debt Retirement	Cash	.00009	Conversion
11/13/2008	Common	144	18,000,000	Hope Capital, Inc.	Debt Retirement	Cash	.0008	Conversion
11/14/2008	Common	144	117,450	AJW Partners	Debt Retirement	Cash	.00009	Conversion
11/14/2008	Common	144	16,200	New Millennium	Debt Retirement	Cash	.00009	Conversion
11/14/2008	Common	144	1,013,850	AJW Offshore	Debt Retirement	Cash	.00009	Conversion
11/14/2008	Common	144	202,500	AJW Qualified Partners	Debt Retirement	Cash	.00009	Conversion
11/18/2008	Common	144	117,450	AJW Partners	Debt Retirement	Cash	.00009	Conversion
11/18/2008	Common	144	16,200	New Millennium	Debt Retirement	Cash	.00009	Conversion
11/18/2008	Common	144	1,013,850	AJW Offshore	Debt Retirement	Cash	.00009	Conversion
11/18/2008	Common	144	202,500	AJW Qualified Partners	Debt Retirement	Cash	.00009	Conversion
11/18/2008	Common	144	20,000,000	Hope Capital, Inc.	Debt Retirement	Cash	.0008	Conversion
11/19/2008	Common	144	117,450	AJW Partners	Debt Retirement	Cash	.00009	Conversion
11/19/2008	Common	144	16,200	New Millennium	Debt Retirement	Cash	.00009	Conversion
11/19/2008	Common	144	1,013,850	AJW Offshore	Debt Retirement	Cash	.00009	Conversion
11/19/2008	Common	144	202,500	AJW Qualified Partners	Debt Retirement	Cash	.00009	Conversion
11/19/2008	Common	144	22,000,000	K & L International	Debt Retirement	Cash	.0002	Conversion
11/19/2008	Common	S8	5,000,000	Phil Scott	Valuation	Services	.0005	CMLT
11/20/2008	Common	144	117,450	AJW Partners	Debt Retirement	Cash	.0001	Conversion
11/20/2008	Common	144	16,200	New Millennium	Debt Retirement	Cash	.0001	Conversion
11/20/2008	Common	144	1,013,850	AJW Offshore	Debt Retirement	Cash	.0001	Conversion
11/20/2008	Common	144	202,500	AJW Qualified Partners	Debt Retirement	Cash	.0001	Conversion
11/21/2008	Common	144	261,000	AJW Partners		Cash	.0001	Conversion

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

					Debt Retirement			
11/21/2008	Common	144	36,000	New Millennium	Debt Retirement	Cash	.0001	Conversion
11/21/2008	Common	144	2,253,000	AJW Offshore	Debt Retirement	Cash	.0001	Conversion
11/21/2008	Common	144	450,000	AJW Qualified Partners	Debt Retirement	Cash	.0001	Conversion
11/21/2008	Common	S8	25,000,000	Tamara Atwell	Administrative Services		.0002	CMLT
11/21/2008	Common	S8	25,000,000	Phil Parsons	Consulting Services		.0002	CMLT
11/21/2008	Common	S8	25,000,000	George Jackson	Management Services		.0002	CMLT
11/21/2008	Common	144	25,000,000	Robert P. Atwell	Manage/Fiscal	Cash/Services	.0002	CMLT
11/24/2008	Common	144	261,000	AJW Partners	Debt Retirement	Cash	.0001	Conversion
11/24/2008	Common	144	36,000	New Millennium	Debt Retirement	Cash	.0001	Conversion
11/24/2008	Common	144	2,253,000	AJW Offshore	Debt Retirement	Cash	.0001	Conversion
11/24/2008	Common	144	450,000	AJW Qualified Partners	Debt Retirement	Cash	.0001	Conversion
11/25/2008	Common	144	34,000,000	K & L International	Debt Retirement	Cash	.0002	Conversion
11/25/2008	Common	144	34,000,000	Hope Capital, Inc.	Debt Retirement	Cash	.0002	Conversion
11/26/2008	Common	144	380,364	AJW Partners	Debt Retirement	Cash	.00009	Conversion
11/26/2008	Common	144	52,464	New Millennium	Debt Retirement	Cash	.00009	Conversion
11/26/2008	Common	144	3,283,372	AJW Offshore	Debt Retirement	Cash	.00009	Conversion
11/26/2008	Common	144	655,800	AJW Qualified Partners	Debt Retirement	Cash	.00009	Conversion
12/01/2008	Common	144	725,667	AJW Partners	Debt Retirement	Cash	.0001	Conversion
12/01/2008	Common	144	100,092	New Millennium	Debt Retirement	Cash	.0001	Conversion
12/01/2008	Common	144	6,264,091	AJW Offshore	Debt Retirement	Cash	.0001	Conversion
12/01/2008	Common	144	1,251,150	AJW Qualified Partners	Debt Retirement	Cash	.0001	Conversion
12/02/2008	Common	144	40,000,000	K & L International	Debt Retirement	Cash	.0002	Conversion
12/02/2008	Common	S8	5,000,000	Phil Scott	Valuation Services		.0002	CMLT
12/03/2008	Common	144	25,000,000	Hope Capital, Inc.	Debt Retirement	Cash	.0002	Conversion
12/08/2008	Common	144	725,667	AJW Partners	Debt Retirement	Cash	.00009	Conversion
12/08/2008	Common	144	100,092	New Millennium	Debt Retirement	Cash	.00009	Conversion
12/08/2008	Common	144	6,264,091	AJW Offshore		Cash	.00009	Conversion

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

				Debt Retirement				
12/08/2008	Common	144	1,251,150	AJW Qualified Partners	Debt Retirement	Cash	.00009	Conversion
12/08/2008	Common	144	50,000,000	Hope Capital, Inc.	Debt Retirement	Cash	.0002	Conversion
12/08/2008	Common	144	50,000,000	K & L International	Debt Retirement	Cash	.0002	Conversion
12/16/2008	Common	144	60,000,000	Hope Capital, Inc.	Debt Retirement	Cash	.0002	Conversion
12/17/2008	Common	144	5,000,000	K & L International	Debt Retirement	Cash	.0002	Conversion
12/18/2008	Common	144	50,000,000	Watson Investment	Debt Retirement	Cash	.0001	Conversion
12/18/2008	Common	144	50,000,000	Watson Investment	Debt Retirement	Cash	.0001	Conversion
12/23/2008	Common	144	870,000	AJW Partners	Debt Retirement	Cash	.00009	Conversion
12/23/2008	Common	144	120,000	New Millennium	Debt Retirement	Cash	.00009	Conversion
12/23/2008	Common	144	7,510,000	AJW Offshore	Debt Retirement	Cash	.00009	Conversion
12/23/2008	Common	144	1,500,000	AJW Qualified Partners	Debt Retirement	Cash	.00009	Conversion
12/29/2008	Common	144	100,000,000	Watson Investment	Debt Retirement	Cash	.0001	Conversion
12/30/2008	Common	144	2,151,075	AJW Partners	Debt Retirement	Cash	.00006	Conversion

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS - continued

Sale of Unregistered Securities - continued

Date	Title	Exemption	Amount	Name	Type	Consideration	Price	Note
12/30/2008	Common	144	296,700	New Millennium	Debt Retirement	Cash	.00006	Conversion
12/30/2008	Common	144	18,568,475	AJW Offshore	Debt Retirement	Cash	.00006	Conversion
12/30/2008	Common	144	3,708,750	AJW Qualified Partners	Debt Retirement	Cash	.00006	Conversion
12/31/2008	Common	S8	20,000,000	Doug Warner	Consulting	Services	.0001	CMLT
12/31/2008	Common	S8	50,000,000	Rodger Spainhower	Edgar Fees	Services	.0001	CMLT
12/31/2008	Common	S8	50,000,000	Phil Parsons	Consulting	Services	.0001	CMLT
12/31/2008	Common	S8	50,000,000	Tamara Atwell	Administrative	Services	.0001	CMLT
12/31/2008	Common	S8	30,000,000	George Jackson	Management	Services	.0001	CMLT
12/31/2008	Common	144	50,000,000	Robert P. Atwell	Manage/Fiscal	Cash/Services	.0001	CMLT
12/31/2008	Common	144	50,000,000	Robert P. Atwell	Manage/Fiscal	Cash/Services	.0001	CMLT
12/31/2008	Common	144	50,000,000	Robert P. Atwell	Manage/Fiscal	Cash/Services	.0001	CMLT
12/31/2008	Common	144	50,000,000	The Atwell Group	Manage/Fiscal	Cash/Services	.0001	CMLT
12/31/2008	Common	144	50,000,000	The Atwell Group	Manage/Fiscal	Cash/Services	.0001	CMLT
12/31/2008	Common	144	50,000,000	The Atwell Group	Manage/Fiscal	Cash/Services	.0001	CMLT
12/31/2008	Common	S8	50,000,000	The Corporate Solution	Manage/Fiscal	Services	.0001	CMLT
12/31/2008	Common	S8	5,000,000	Phil Scott	Valuation	Services	.0001	CMLT
12/31/2008	Common	S8	5,000,000	Phil Scott	Valuation	Services	.0001	CMLT
12/31/2008	Common	S8	50,000,000	Vince Monaco	Consulting	Services	.0001	CMLT
12/31/2008	Common	S8	50,000,000	Chris Flannery	Legal	Services	.0001	CMLT
Total	Common		1,764,543,292					

Notes: "CMLT" refers to transactions related to Camelot Entertainment Group operations. "CSG" refers to transactions related to Camelot Studio Group operations. "Conversions" refer to convertible note transactions retiring debt.

Preferred Stock

Holders

As of December 31, 2008, there were 21,695,521 shares of Preferred Stock outstanding. On December 31, 2008, there were 19 holders of record of our Preferred Stock.

2008 Preferred Stock Issuances

In fiscal year 2008, we issued 31,450,000 shares of Preferred Stock, before and after the reverse split of shares that was effective on August 29, 2008. We issued 11,100,000 shares of Series A Convertible Preferred Stock, 8,100,000 shares of Series B Convertible Preferred Stock, and 12,250,000 shares of Series C Convertible Preferred Stock.

Date	Title	Exemption	Amount	Name	Type	Consideration	Price	Note
8/13/08	Series A	4.2	1,000,000	George Jackson	Management	Services	.0005	CMLT

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

8/13/08	Series A	4.2	3,000,000	Robert Atwell	Management	Cash/Services	.0005	CMLT
8/13/08	Series B	4.2	1,000,000	George Jackson	Management	Services	.0005	CMLT
8/13/08	Series C	4.2	750,000	Scorpion Bay LLC	CDG	Cash	.0005	CSG
8/13/08	Series C	4.2	3,000,000	The Atwell Group	CDG	Cash	.0005	CSG
8/13/08	Series C	4.2	50,000	Sea Castle LLC	CDG	Cash	.0005	CSG
8/13/08	Series C	4.2	100,000	Joseph Petrucelli	CDG	Cash	.0005	CSG
8/13/08	Series C	4.2	250,000	Pacific Surf Partners LP	CDG	Cash	.0005	CSG
8/13/08	Series C	4.2	775,000	OCTY, Inc.	CDG	Cash	.0005	CSG
8/13/08	Series C	4.2	50,000	Tim McCullium	CDG	Cash	.0005	CSG
8/13/08	Series C	4.2	100,000	George Jackson	CDG	Cash	.0005	CSG
8/13/08	Series C	4.2	50,000	Jeff Brown	CDG	Cash	.0005	CSG
8/13/08	Series C	4.2	25,000	Irene Aurand	CDG	Cash	.0005	CSG
9/26/08	Series A	4.2	100,000	George Jackson	Management	Services	.0022	CMLT
9/26/08	Series A	4.2	1,000,000	Robert Atwell	Management	Cash/Services	.0022	CMLT
9/26/08	Series B	4.2	100,000	George Jackson	Management	Services	.0022	CMLT
9/26/08	Series B	4.2	1,000,000	Robert Atwell	Management	Cash/Services	.0022	CMLT
9/26/08	Series C	4.2	100,000	George Jackson	Management	Services	.0022	CMLT
9/26/08	Series C	4.2	1,000,000	Robert Atwell	Management	Cash/Services	.0022	CMLT
12/20/08	Series A	4.2	1,000,000	George Jackson	Management	Services	.0001	CMLT
12/20/08	Series A	4.2	5,000,000	Robert Atwell	Management	Cash/Services	.0001	CMLT
12/20/08	Series B	4.2	1,000,000	George Jackson	Management	Services	.0001	CMLT
12/20/08	Series B	4.2	5,000,000	Robert Atwell	Management	Cash/Services	.0001	CMLT
12/20/08	Series C	4.2	1,000,000	George Jackson	Management	Services	.0001	CMLT
12/20/08	Series C	4.2	5,000,000	Robert Atwell	Management	Cash/Services	.0001	CMLT
Totals			31,450,000					

Notes: "CMLT" refers to transactions related to Camelot Entertainment Group operations. "CSG" refers to transactions related to Camelot Studio Group operations. "CDG" refers to transactions related to Camelot Development Group transactions.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The matters discussed in this report contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the "safe harbor" created by those sections. These forward-looking statements include but are not limited to statements concerning our business outlook or future economic performance; anticipated profitability, revenues, expenses or other financial items; and statements concerning assumptions made or exceptions as to any future events, conditions, performance or other matters which are "forward-looking statements" as that term is defined under the Federal Securities Laws. All statements, other than historical financial information, may be deemed to be forward-looking statements. The words "believes", "plans", "anticipates", "expects", and similar expressions herein are intended to identify forward-looking statements. Forward-looking statements are subject to risks, uncertainties, and other factors, which would cause actual results to differ materially from those stated in such statements. Forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this report, and the risks discussed in the Company's other SEC filings.

INTRODUCTION

Management's discussion and analysis of results of operations and financial condition ("MD&A") is provided as a supplement to the accompanying financial statements and notes to help provide an understanding of Camelot Entertainment Group Inc.'s ("Camelot" or the "Company") financial condition, cash flows and results of operations. MD&A is organized as follows:

- o Plan of Operation. This section provides a brief description of Camelot's plan of operation for fiscal year 2009.
- o Overview. This section provides a general description of our corporate structure and what the management will focus on in 2009.
- o Cash requirements. This section provides a discussion of how long Camelot can satisfy its cash requirements and the need, if any, to raise additional funds in 2009.
- o Research and Development. This section discusses the research and development activities of Camelot.
- o Equipment. This section looks at if there will be any major equipment purchases in 2009.
- o Change in Employees. This section discusses if there will be any significant change in the number of employees.
- o Results of Operations. This section provides an analysis of Camelot's results of operations for the two years ending December 31, 2008.
- o Liquidity and Capital Resources. This section provides an analysis of Camelot's cash flows for the two years ended December 31, 2008, as well as a discussion of the Company's outstanding debt and commitments that existed as of December 31, 2008. Included in the analysis of outstanding debt is a discussion of the amount of financial capacity available to fund the Company's future commitments, as well as a discussion of other financing arrangements.
- o Sources of Revenue. This section examines expected sources of revenues.

- o Recent Financings. This section discusses financing transactions of Camelot during 2008.
- o Off-Balance Sheet Arrangements. This section discloses any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on Camelot's financial condition.
- o Critical Accounting Estimates. This section identifies those accounting estimates that are considered important to the Company's results of operations and financial condition, require significant judgment and require estimates on the part of management in application.
- o Critical Accounting Policies. This section identifies those accounting policies that are considered important to the Company's results of operations and financial condition, require significant judgment and require estimates on the part of management in application. All of the Company's significant accounting policies, including those considered to be critical accounting policies, are summarized in Note 1 to the accompanying financial statements.
- o Caution Concerning Forward-Looking Statements. This section provides a description of the use of forward looking information appearing in this report, including in MD&A and the financial statements. Such information is based on management's current expectations about future events, which are inherently susceptible to uncertainty and changes in circumstances. Refer "Risk Factors" in Part I of this report, for a discussion of the risk factors applicable to the Company.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION - continued

Plan of Operation

Overview

Camelot Entertainment Group is working to become a fully integrated, broad based entertainment company whose planned future global operations expect to encompass motion picture production and distribution, television programming, production and syndication, home video acquisition and distribution, digital media production and distribution, development and operation of studio facilities, development of new technologies, and distribution of filmed entertainment worldwide. We are planning to become a global leader in the creation, production, distribution, licensing and marketing of all form of creative content and their related businesses across all current and emerging media and platforms. If we are successful in implementing our business model, we could lead the industry in every aspect from feature film, television and home entertainment production and distribution to DVD, digital distribution, licensing and entertainment related digital media.

Our Company is divided up into three major divisions, Camelot Film and Media Group, Camelot Studio Group and Camelot Production Services Group.

During fiscal year 2009, the Company's focus will be on the ongoing development of projects within our Camelot Film and Media Group division, while continuing to pursue opportunities through our Camelot Studio Group division. The emergence of Camelot Film and Media Group as it prepares to unveil its Camelot Production Model ("CPM") in 2009 points to significant activity for us this year. In order to implement our plans to become a global media and entertainment company, it is critical that we build a solid foundation to build upon, and that begins with making sure that each division is carefully structured and that their respective business models are implemented in accordance with those designs.

There are five steps that comprise the backbone of our operating philosophy. Each step, when implemented, secures the foundation for the next step. These five steps are:

1. Education; which leads to
2. Infrastructure; which leads to
3. Utilization; which leads to
4. Opportunity; which leads to
5. Success

The current focus of our operations is our Camelot Film and Media Group division, where we have acquired several literary properties as we gear up to hopefully begin physical production this year on several projects in our production pipeline. Veteran producer H. Kaye Dyal has been brought in to head up production for us in our Camelot Features division, and he has brought in several projects that are in various stages of development.

Fiscal year 2009 should also see the emergence of our production and distribution division, Camelot Film and Media Group, and the proprietary Camelot Films "CPM". Designed to have mainstream appeal and franchise potential, the CPM provides for the development, production, marketing and distribution of motion pictures by combining the efficiencies realized by studios of the early 1900's with the artistic focus and diversity of today's independent

productions. Using this approach, we believe the risk-reward relationship facing the typical film project can be dramatically shifted. For example, whereas a typical film pushes artists and directors to rush development and production in hopes of conserving cash, the CPM extends the pre-production cycle substantially to reduce costs while simultaneously increasing quality. Similarly, whereas many independent films are limited by the types of post production technology used, due in part to budget constraints, we intend to invest directly in top of the line technology, spreading the costs over a targeted minimum number of original motion pictures each year. One benchmark of the CPM is to develop the ability to consistently produce films with the look, feel and artistic content of multi-million dollar pictures, for a fraction of the cost.

Within our Camelot Film and Media Group division, Camelot Films plans to focus on high quality, suspense, action, thriller, comedy and dramatic commercial content. Camelot Features will continue to develop its limited catalogue of literary properties and preparations to begin pre-production on some of its projects as packaging is completed. Camelot Television Group plan to continue to explore potential pilots and television series to produce. Camelot Urban Entertainment is expected to complete its first feature length documentary during 2009 and continue the development process on several feature film properties currently being developed. Camelot Film and Media Group plans to accelerate the activity in its Latin entertainment division once it completes its search for an executive to lead that division. We also plan to increase activity in our family division, Ferris Wheel Films. We hope to renew our consulting agreement with Capital Arts Entertainment, which is part of a contemplated acquisition plan that could result in the Capital Arts Management team joining forces with the Company and heading up Camelot Film and Media Group. Experts in efficient budget production, the management of Capital Arts has over 250 film credits in production and distribution, and they have an excellent industry reputation. More details concerning this potential acquisition are expected to be released later this fiscal year. Camelot Gaming and our Digital Media division should begin to see activity in 2009. We continue to develop our distribution division, with three potential acquisitions being discussed. If completed, these acquisitions would strengthen our ability to distribute product both domestically and internationally. Initially delayed by economic uncertainty, further details on these potential acquisitions should be available during the 2nd quarter of 2009. We continued our consulting relationship with Chris Davis International in 2008 on international sales and we are currently exploring expansion of that relationship during 2009.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION - continued

Plan of Operation - continued

Overview - continued

Due to our prior focus and the commitment of resources on the Camelot Studios at ATEP project, we made the decision to slow down the progress of our other divisions and concentrate on completing the development and entitlement process of the ATEP project. When that stopped, we refocused our attention on Camelot Film and Media Group and will be increasing activity in Camelot Production Services Group during 2009. Notwithstanding the foregoing, our priority in 2009 will be as follows: first, Camelot Film and Media Group; second, Camelot Studio Group; and third, Camelot Production Services Group.

In addition, we are in the process of revamping our web site, www.camelotfilms.com. Our new web site is expected to allow us to provide more detail on our activities with regular updates. Our site plans to also be fully interactive and hopefully will provide those accessing our site with the latest technical innovations and industry wise links. Our site is expected to provide digital downloading capability, previews, film clips, distance learning, IPTV channels, blogs, user email, retail outlets, screenplay and film submissions, uploading capability and consumer interactive sections, including a consumer film review section where the public can submit their own personalized film, television and digital media reviews in addition to reviews of the commercial products featured in the film, television and digital media productions.

Cash Requirements

With current financial arrangements, we should be able to satisfy our operational cash requirements for fiscal year 2009. Our current operational cash requirements do not include any debt retirement, just basic operational expenses. In order to meet our 2009 obligations, we renewed our agreement with The Atwell Group to provide us with funds to meet our operational cash requirements in 2009. In addition to the renewing our agreement with The Atwell Group, we are also exploring other financing options for Camelot Film and Media Group in 2009. Additional 2009, working capital, if necessary, would be provided through agreements between Camelot and our officers and directors, and possibly through additional new agreements with The Atwell Group as discussed herein.

We had entered into an agreement with Camelot Studio Investors, LLC, whereby we were selling them up to thirty per cent (30%) of our interest in the Camelot Studios at ATEP development for a total purchase price of \$3,000,000 on an as needed basis. In the event the full purchase price had been received, we would have used part of the proceeds to retire and/or pay down the debt known as the "NIR Financing", which is described herein. We would have also used the proceeds to retire other debt, including debt to officers and other accounts payable, and to provide an operating reserve for the Company, which would have satisfied our operational cash requirements for fiscal year 2009 and beyond. However, those funds never materialized beyond an initial \$200,000 and that agreement was terminated. We are currently working on replacing that agreement and expect to have something in place by the second quarter of 2009.

Research and Development

Our research and development activities are expected to be performed under our Camelot Production Services Group division, which includes Camelot Technology Group, which plans to research new technologies for our industry.

Our Camelot Film and Media Group division is in the process of developing several literary properties that could become productions for us beginning in 2009. The development process of feature films is a lengthy process and many of the projects developed never are produced.

Equipment Purchases

We are not expecting to purchase any major pieces of equipment during 2009. The exception to this could be the purchase of equipment and other physical assets by Camelot Films in the event one or more of its film slates is funded during 2009.

Changes in Employees

We are not expecting a significant increase in the number of employees during 2009. If any additions are made, they would probably occur during the third and or fourth quarter of 2009, and would depend upon the status of Camelot Film and Media Group project and slate financing.

Recent Developments

Writers Guild of America Collective Bargaining Agreement

On November 5, 2007, the Writers Guild of America (East and West) (the "Guild") commenced a strike against film and television studios subsequent to the expiration of the Guild's collective bargaining agreement on October 31, 2007. The Company's Camelot Film and Media Group division and certain of their suppliers retain the services of writers who are members of the Guild. In February 2008, the Guild reached an agreement with the film and television studios, thereby ending the strike. The strike caused delays in the development of some feature films and hampered the development of new television projects. Camelot did not experience any short-term or long-term reduction in operating results that were attributable to these delays, and it does not anticipate that the strike will have a significant long-term impact.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION - continued

Plan of Operation - continued

SAG and AFTRA Suspend Bargaining Agreement - continued

The Screen Actors Guild ("SAG") and the American Federation of Television and Radio Artists ("AFTRA"), the two major actors unions that represent actors in film, television, stage and radio, will now negotiate studio contracts separately. AFTRA voted on March 29, 2008 to suspend the guild's 27-year joint bargaining agreement with the Screen Actors Guild, leaving the two unions to negotiate separately on new contracts with the major studios.

This action could undermine SAG's contract negotiations with the studios in its new contract as AFTRA pursues its own agenda on behalf of its members, who work mostly in television. The move ends a longstanding partnership between the two unions, known as Phase One, under which they had jointly bargained film and prime-time TV contracts for nearly three decades. AFTRA plans to negotiate a new prime-time TV contract directly with the studios and independently from SAG.

This move by AFTRA introduces a new element of uncertainty in the television and movie industry by raising the possibility of an actors walkout this summer, just as some shows are returning to the air after a three-month absence and the movie industry is trying to get back on its feet following the writers strike. Hollywood's talent guilds, which represent writers, directors and actors, have pushed to center stage in this year's contract negotiations the issue of how their members are paid in the digital era. Now that directors and writers have reached new three-year contracts with the studios, the industry had hoped the actors could peacefully negotiate a new deal before their contract expires June 30, 2008. That did not happen, and as of April 2009 contract negotiations were still ongoing.

Results of Operations

We have a limited history of operations as a film, television and digital media company. We believe that due to the complex nature and long term cycle of our business operations, period-to-period comparisons of our operating results are not necessarily meaningful and should not be relied on as an indication of future performance. However, it is still important that you review the audited financial statements, the unaudited interim financial statements and the related notes in addition to thoroughly reading our current plan of operations.

Our current cash requirements are provided principally through our financing agreement with The Atwell Group, Inc. ("TAG"), a company owned by our Chairman. We renewed an agreement with TAG (which assumed the original agreement from Eagle Consulting Group on March 28, 2003), to provide operational funding for the Company during the fourth quarter of 2008. In exchange for twenty percent (20%) of the Company's outstanding common stock on a non-dilutive, continuing basis until the Company could secure additional financing from another source, TAG has agreed to provide funding for the Company's annual audit, quarterly filings, accounts payable and other ongoing expenses including office, phones, business development, legal and accounting fees.

Our recent cash requirements were to be provided principally through our agreement with Camelot Studio Investors, LLC, whereby we were selling them up to thirty per cent (30%) of our interest in the Camelot Studios at ATEP development for a total purchase price of \$3,000,000. In the event the full purchase price had been received, we would have used part of the proceeds to retire and/or pay down the debt known as the "NIR Financing", which is described herein. We were to also use the proceeds to retire other debt, including debt to officers and other accounts payable, and to provide an operating reserve for the Company, which would have satisfied our operational cash requirements for fiscal year 2009. Other than an initial \$200,000, no other cash funds were ever received by the company as a result of that agreement, which is no longer in effect.

Our historical cash requirements were provided principally through our financing agreement with Eagle Consulting Group, Inc. (“Eagle”), a company owned by our Chairman. We entered into an agreement with Eagle on March 28, 2003, to provide operational funding for the Company. In exchange for twenty percent (20%) of the Company’s outstanding common stock on a non-dilutive, continuing basis until the Company could secure additional financing from another source, Eagle agreed to provide funding for the Company’s annual audit, quarterly filings, accounts payable and other ongoing expenses including office, phones, business development, legal and accounting fees. During 2007, Eagle advanced Camelot \$235,125. During 2006, Eagle advanced the Company a total, including interest, of \$401,982, which covered most of our operating expenses for 2006. The Eagle agreement was completed as of December 31, 2007.

In addition, during 2007 and 2006 we entered into various financing transactions with Scorpion Bay, LLC, managed by Timothy Wilson, one of our directors, and The Atwell Group, Inc., owned by our Chairman, Robert Atwell. The agreements are discussed in more detail elsewhere in this report.

Like all motion picture, television and digital media production and distribution companies, our expected future revenues and results of planned operations could be significantly dependent upon many factors, including the ability of Camelot to finance its projects, the progress made by Camelot in implementing its business model, and if Camelot is in a position to do so, the timing of releases and the commercial success of the motion pictures we plan to distribute in the future, none of which can be predicted with any certainty. Accordingly, our planned revenues and results of operations, if any, may fluctuate significantly from period to period, and the results of any one period may not be indicative of the results for any future periods. Similarly, the efficiencies we aim to realize through our model may not materialize. Failure of the efficiencies to materialize, along with other risks germane to the picture production, or if we are unable to finance our films, may cause us to produce fewer films than our plan calls for.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION - continued

Plan of Operation - continued

Liquidity and Capital Resources

We have a limited history of operations as a film, television and digital media production and distribution company. We believe that, due to the complex nature of our business model and the ensuing long term sales cycles, period-to-period comparisons of our operating results are not necessarily meaningful and should not be relied on as an indication of future performance. Our current liquidity and capital resources are provided principally through our current agreements with The Atwell Group, Inc., which are discussed below under Recent Financing. During 2008, we also received funds through the NIR Financing, described as well in Recent Financing. We have received financing commitments from three different groups thus far in 2009, and are in the process of completing those transactions. Due to the ongoing economic uncertainty, we have elected to withhold any further information on those agreements until they have been completed.

Recent Financing

Camelot Studio Investors

In January 2008, we agreed to sell up to 30% of our interest in Camelot Development Group, LLC ("CDG") to Camelot Studio Investors LLC ("CSI") for up to \$3,000,000 on an as needed basis. CDG, which is part of our Camelot Studio Group division, is 50% joint venture partner with Janez Investments Tustin XI ("JIT") in Camelot Development Tustin, LLC ("CDT"). CDT was working with the South Orange County Community College District ("SOCCCD") to become the master developer for the Advanced Technology and Education Park ("ATEP") campus in Tustin, California, which was to include Camelot Studios at ATEP. The ATEP project was terminated during the third quarter of 2008. We only received a total of \$200,000 in cash and an additional \$300,000 in debt conversion

CSI received 1,000 shares of our \$0.001 par value Series C Convertible Preferred Stock for each one half of one per cent (.05%) of CDG purchased by CSI. The managing member of CSI is Scorpion Bay, LLC ("Scorpion"), which is managed by Timothy Wilson, one of our former at-large directors. The proceeds from the sale, had it been completed, would have been utilized to retire debt, pay operating expenses and provide a contingency reserve for Camelot Studio Group and the Camelot Studios at ATEP project.

NIR Financing

2006 NIR Convertible Notes Payable

On December 27, 2006, we entered into a Securities Purchase Agreement with AJW Capital Partners, LLC, AJW Offshore, Ltd., AJW Qualified Partners, LLC and New Millennium Capital Partners II, LLC. Under the terms of the Securities Purchase Agreement, the Investors purchased an aggregate of (i) \$1,000,000 in Callable Secured Convertible Notes (the "Notes") and (ii) warrants to purchase 100,000 shares of our common stock (the "Warrants"). This transaction is referred to as the "NIR Financing".

Pursuant to the Securities Purchase Agreement, the Investors will purchase the Notes and Warrants in two tranches as set forth below:

1. At closing on December 27, 2006 ("Closing"), the Investors purchased Notes aggregating \$600,000 and Warrants to purchase 100,000 shares of CMEG common stock;

2. Upon effectiveness of the Registration Statement, on June 5, 2007 the Investors purchased Notes aggregating \$400,000.

The Notes carry an interest rate of 10% per annum (as amended) and a maturity date of December 27, 2009. The notes are convertible into CMEG common shares at the applicable percentage of the average of the lowest three (3) trading prices for CMEG shares of common stock during the twenty (20) trading day period prior to conversion. The "Applicable Percentage" means 50%; provided, however, that the Applicable Percentage shall be increased to (i) 55% in the event that a Registration Statement is filed within thirty (30) days of the closing.

At our option, we may prepay the Notes in the event that no event of default exists, there are a sufficient number of shares available for conversion of the Notes and the market price is at or below \$.25 per share. In addition, in the event that the average daily price of the common stock, as reported by the reporting service, for each day of the month ending on any determination date is below \$.25, we may prepay a portion of the outstanding principal amount of the Notes equal to 101% of the principal amount hereof divided by thirty-six (36) plus one month's interest. Exercise of this option will stay all conversions for the following month. The full principal amount of the Notes is due upon default under the terms of Notes. In addition, we have granted the Investors a security interest in substantially all of our assets and intellectual property as well as registration rights.

We simultaneously issued to the Investors seven year warrants to purchase 100,000 shares of our common stock at an exercise price of \$15.00.

In connection with the recent financing and pursuant to a Structuring Agreement, we also issued to Lionheart Associates, LLC d/b/a Fairhills Capital ("Lionheart") warrants representing the right to purchase up to 5,826 shares of our common stock under the same terms as the Warrants issued to the Investors.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION - continued

Plan of Operation - continued

2008 NIR Convertible Notes Payable

On August 14, 2008, Camelot issued a callable secured convertible note payable for \$160,000 to New Millennium Capital Partners II, LLC. Camelot received the proceeds in August and September 2008. The note payable provided for annual interest at 10%, was secured by the assets of the Company (less contractual exclusions), and matures on May 10, 2011. The principle and accrued interest of the note is convertible into Camelot's common stock at a variable conversion price which is 50% of the average market price of the common stock of the lowest three trading days prior to the date of conversion. The proceeds were used for working capital purposes and advances from related parties. In addition, the investors shall receive 20,000,000 cashless warrants at an exercise price of \$0.01 which expire in seven years.

On September 22, 2008, Camelot issued a callable secured convertible note payable for \$15,000 to New Millennium Capital Partners II, LLC. The proceeds were used to pay for public relations consulting services. The note payable provided for annual interest at 10%, was secured by the assets of the Company (less contractual exclusions), and matures on September 21, 2011. The principle and accrued interest of the note is convertible into Camelot's common stock at a variable conversion price which is 50% of the average market price of the common stock of the lowest three trading days prior to the date of conversion.

Additional Information

The Investors have contractually agreed to restrict their ability to convert the Notes and exercise the Warrants and receive shares of our common stock such that the number of shares of our common stock held by them and their affiliates after such conversion or exercise does not exceed 4.99% of the then issued and outstanding shares of CMEG's common stock.

As a result of our SB-2 Registration, a total of 132,285 shares of common stock were registered. They were all converted at various prices during 2007. With the changes in Rule 144 that became effective on February 15, 2008, additional shares will now be converted under Rule 144 B (1). As of December 31, 2008, the principal balance of the Notes was \$1,205,719.

In the event of full conversion of the aggregate principal amount of the Notes of \$1,205,719 as of December 31, 2008, we would have to issue a total of 21,264,640,000 shares of common stock. This amount is calculated as follows:

The aggregate principal amount of the Notes is \$1,205,719. The estimated conversion price of the Notes is \$0.00005 based on the following: \$0.0001 was the average of the lowest three (3) trading prices for our shares of common stock during the twenty (20) trading days prior to December 31, 2008, less a 50% discount. Thus, at a discounted price-per-share of \$0.00005, 24,114,380,000 shares of the Company's common stock would be issuable upon conversion of \$1,205,719 into common shares of the Company ("Conversion Shares"). However, due to contractual limitations, the most that could be converted in any singular conversion as of December 31, 2008 is approximately 78,027,113 shares, or 4.99% of the 1,563,669,608 outstanding shares. In addition, there are contractual limitations that could be imposed by Camelot that would result in the inability of the note holders to convert during any given 30 day period.

As of December 31, 2008, our stock was trading at \$.0001, the lowest quoted trade available on the OTCBB. As a result, the trading price of stock will not go any lower, thereby establishing a floor for the effective conversion price at

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

\$.00005. In the event the conversion price discount was increased, there could be more shares issued over time. The following table shows the effect on the number of shares issuable upon full conversion, in the event the common stock price declines by 25%, 50% and 75% from its the most recent trading price.

	12/31/2008	Price Decreases By		
		25%	50%	75%
Average Common Stock Price (as defined above)	\$0.0001	\$0.0001	\$0.0001	\$0.0001
Conversion Price (50% Discount)	\$0.00005	\$0.00005	\$0.00005	\$0.00005
100% Conversion Shares:	24,114,380,000	24,114,380,000	24,114,380,000	24,114,380,000
Principal Balance of Notes:	\$1,205,719			

There is no limit to the number of shares that we may be required to issue upon conversion of the Notes as it is dependent upon our share price, which varies from day to day. This could cause significant downward pressure on the price of our common stock.

Scorpion Bay Loans

On June 15, 2007, we entered into a loan agreement with Scorpion Bay, LLC (“Scorpion”), whereby Scorpion loaned Camelot \$300,000 in three tranches of \$100,000 each on June 15, July 15 and August 15 2007. Interest on the loan was in the form of 30,000 shares of our \$0.001 par value common stock (“Shares”). The loan was due and payable on November 15, 2007. The loan was secured with a blanket note and second deed of trust on real property owned by Robert and Tamara Atwell. Robert Atwell is the Chairman, President and CEO of Camelot (“Atwell”). In the event the loan was not paid by the due date, the note could be extended by Scorpion at a cost of 7,500 Shares for each 30 day extension. On or about October 25, 2007, Scorpion agreed to release and/or transfer the security interest provided by Atwell in reference to the \$300,000 loan to the Company by Scorpion on June 15, 2007 and the amount due to Scorpion was transferred to real property owned by Atwell. As a result, Camelot will not incur any additional interest charges and/or fees connected with the loan. Scorpion received a total of 130,000 Shares (including 50,000 shares issued to Dolphin Communities) in connection with the loan and events related thereto.

On November 21, 2006, we entered into a loan agreement with Scorpion, whereby Scorpion loaned Camelot \$250,000. Interest was paid in the form of 5000 Shares. As additional consideration, Scorpion received a total of 15,000 Shares. The loan was due and payable on March 22, 2007. The loan was secured with a blanket note and second deed of trust on real property owned by Robert and Tamara Atwell. In the event the loan was not paid by the due date, the note could be extended by Scorpion at a cost of 15,000 Shares for the first 30 day extension, 20,000 Shares for the second 30 day extension, 25,000 Shares for the third 30 day extension and so forth. The note was paid in full on June 5, 2007. As a result, Scorpion received a total of 80,000 Shares in connection with the loan and events related thereto.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION - continued

Plan of Operation - continued

Additional Scorpion Bay Loan

On November 23, 2007, Scorpion entered into a loan agreement with Love Bug Management Corp. ("Love Bug"), an entity owned by Atwell, whereby Scorpion loaned Love Bug \$100,000. The proceeds were used for Atwell and Camelot expenses. As a result of this loan, Atwell paid approximately \$36,000 in direct Camelot expenses. The loan was secured with a blanket note and second deed of trust on real property owned by Robert and Tamara Atwell. Scorpion received 47,000 Shares in connection with the loan and events related thereto.

Scorpion Bay Services in Connection with Camelot Development Tustin, LLC

On September 25, 2007, Camelot issued Scorpion 28,000 shares for services in connection with Camelot Development Tustin, LLC and the development of Camelot Studios at ATEP in conjunction with Camelot Studio Group.

On October 25, 2007, Camelot issued Scorpion 41,000 shares for services in connection with Camelot Development Tustin, LLC and the development of Camelot Studios at ATEP in conjunction with Camelot Studio Group.

The Atwell Group

Throughout 2008, The Atwell Group, Inc. has paid for expenses on behalf of Camelot as needed. With the occurrence of other financial resources becoming available, the amount of resources committed by The Atwell Group had diminished when compared to prior years. Due to the lack of funding being realized by the CSI investment agreement and other transactions, we have renewed our agreement with The Atwell Group to provide funding as needed during 2009. The Atwell Group, Inc. is owned by our Chairman, Robert Atwell.

Private Placements and Registrations

We are also in the process of preparing a private placement memorandum and an S-1 registration statement for the purpose of funding Camelot Films® initial slate of pictures. If the anticipated funding is successful, it is our goal to have between ten and 12 motion pictures in various stages of development or production within 12 to 24 months. In the event we are unable to complete the funding, we could have to delay our slate until such time as the necessary funding is acquired.

Like all entertainment companies, our revenues and results of operations could be significantly dependent upon the timing of releases and the commercial success of the various projects we develop, none of which can be predicted with certainty. Accordingly, our revenues and results of operations may fluctuate significantly from period to period, and the results of any one period may not be indicative of the results for any future periods. Similarly, the efficiencies we aim to realize through our model may not materialize. Failure of the efficiencies to materialize, along with other risks germane to the picture production, may cause us to produce fewer projects than our plan calls for.

Sources of Revenue

Our expected sources of revenue during 2009 and beyond are expected initially to be derived from our Camelot Film and Media Group and our Camelot Production Services Group.

Camelot Film and Media Group

We expect to begin generating minimal revenues, albeit slowly initially, during 2009 from our Camelot Film and Media Group division, specifically being generated from two divisions within Camelot Film and Media Group, Camelot Films® and Camelot Features. It will take three to five years to realize significant revenues from these divisions as they become fully operational.

We are currently updating our business plan, the core of which is our film, television and digital media business model. Upon completion of the business plan, we expect to finalize a private placement and subsequent S-1 Registration which could provide the funding necessary to launch our first slate of films under the Camelot Films banner. In addition, we will continue to develop and package projects within our Camelot Features division, including those projects listed earlier in this report. Our urban division, Camelot Urban Entertainment, plans on completing its first feature length documentary later this year with an expected release date of early 2010. Initial pre-sales could generate limited revenues prior to its formal release, although until the feature is completed we will not know how the market will react.

Once our films are funded and begin the production process, our distribution division intends to engage international and domestic channels of distribution using a variety of methods. If successful, these distribution outlets could generate early limited revenues prior to the actual delivery of the films. The type of film, subject matter and scale of the project will determine in most cases the priority in which the following distribution methods are addressed:

- Licensing of videocassettes and digital video discs (DVDs)

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION - continued

Plan of Operation - continued

Camelot Film and Media Group - continued

- Pay-per-view cable and satellite licensing
- Pay television and internet licensing
- Broadcast television, cable and satellite licensing
- Hotels, airlines and other non-theatrical exhibitions
- Theatrical exhibition
- Mobile and other forms of Digital Media
- Syndicated television licensing
- internet Protocol TV (IPTV)

Our strategy of developing in-house distribution and marketing expertise, while intended to increase the proportion of a given original motion picture's revenue we can retain, may actually have the effect of reducing the speed with which we can obtain cash from any motion pictures we complete. This is due in part to the way that many independent productions distribute their motion pictures.

We believe that many independent productions plan to engage sales agents to distribute their motion pictures. These sales agents often license the distribution rights to distributors on behalf of the production company, or another party that owns the rights to the motion picture negative. In exchange for these services, the agent normally receives a percentage of any licensing fees generated by licensing the film to a distributor.

The distributor's licensing a film's rights often has a fee set as a percentage of gross revenue from the film. While a preset rate is used, the amount of this fee is generally unknown at the time that the distribution agreement is entered into, as there is no way to know with any degree of certainty how much revenue, if any, will be generated by the film. However, in some cases the distributor might pay a certain minimum amount to the production company, or rights owner, upon delivery of a completed motion picture. This is sometimes referred to as a minimum guarantee or simply as an advance. Such guarantees, when available, reduce the perceived risks of parties financing original motion picture productions. As a result, these advances can make it easier for producers to obtain financing for a project.

Our strategy does not involve working through sales agents, although if we are unable to successfully market our films directly to distributors, we may have no alternative but to pursue such channels. Under our strategy of marketing directly to buyers and other distributors, we would still have the ability to pursue and negotiate minimum guarantees and advances. However, in general we believe that this would likely negatively impact the potential return we seek to realize on our original motion picture productions. The result of this strategy may be that the speed with which we convert film projects into cash inflows could also be negatively impacted.

Expected Significant Changes in the Number of Employees

According to the Bureau of Labor Statistics, in 2008, the United States had about 367,900 wage and salary jobs in the motion picture production and distribution industry. The majority of these jobs were in motion picture production and services, including casting, acting, directing, editing, film processing, motion picture and videotape reproduction, and equipment and wardrobe rental. Most motion picture and distribution establishments employ fewer than 10 workers.

Many additional individuals work in the motion picture production and distribution industry on a freelance, contract, or part-time basis, but accurate statistics on their numbers are not available. Many people in the film industry are self-employed. They sell their services to anyone who needs them, often working on productions for many different companies during the year. Competition for these jobs is intense, and many people are unable to earn a living solely from freelance work.

While these factors appear to reinforce our belief that there is a large pool of available resources to engage in the production of our original motion pictures, there can be no guarantee that the resources will accept our terms or business strategy. According to our planned business model, those that do are expected to be engaged primarily as independent contractors. However, our plans also call for substantially increasing the number of individuals we hire as salaried and hourly employees.

None of our executive officers or directors currently has a contracted compensation package. The Board of Directors has established parameters for the anticipated employment contracts, which are expected to be finalized during the second quarter of 2009. However, our executive officers do receive compensation. We also plan to hire a minimum of four additional personnel engaged in marketing and distribution, operations and general and administrative capacities. These planned changes in personnel alone are significant. However, should we be required to engage a higher number of production professionals as employees, instead of our current plans to engage many production personnel as independent contractors, the increase in employees would be even more significant.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION - continued

Plan of Operation - continued

General

Our operations consist primarily of developing literary properties which can be produced, distributed and marketed as original motion pictures, television programming and digital media through our Camelot Film and Media Group. In addition, we are continuing to pursue projects through our Camelot Studio Group division and on a limited basis, projects within our Camelot Production Services Group division. These have inherent long-term sales cycles. As a result, we believe that period-to-period comparisons of our operating results are not necessarily meaningful and should not be relied on as an indication of future performance. However, it is still important that you read the discussion in connection with the audited financial statements, the unaudited interim financial and the related notes included elsewhere in this annual report.

YEAR ENDED DECEMBER 31, 2008 COMPARED TO YEAR ENDED DECEMBER 31, 2007

REVENUE

	Cumulative During Development Stage	Year Ended December 31,		% Change
		2008	2007	
Net Revenues	\$ 58,568	\$ 0	\$ 0	(0%)

We did not generate any revenue for the year ended December 31, 2008. While we are currently focused on developing literary properties which can be produced, distributed and marketed as original motion pictures, television programming and digital media through our Camelot Film and Media Group, our focus had been on our studio group's development of our first studio facility project formerly known as "Camelot Studios at ATEP" in Tustin, California and on several projects under our production services division. All of our divisions, including those that have limited operations and those that are being developed, have not as yet generated any revenue. We do not expect to generate any significant revenue from any studio projects for two to three years. Revenue from film and media group operations should begin to materialize within the next 24 months, depending upon availability of financing and other logistical factors, including script development and staffing.

COST OF SERVICES

	Cumulative During Development Stage	Year Ended December 31,		% Change
		2008	2007	
Cost of Services	\$ 95,700	\$ 0	\$ 0	(0%)

Our cost of services historically was comprised principally of consulting services provided by contract individuals on behalf of our customer's business model we were structuring at that time. We provided no services that generated revenue for the year ended December 31, 2008, and had no costs of services. To the degree that we generate

consulting revenue in future periods, consulting services provided by officers during such periods are to be matched to revenue associated with such services and recorded as costs of services. In future periods, we expect to rely heavily on the ability to use exchanges of our equity to key production and other personnel and contractors as a means of reducing the cash required to complete original motion picture projects. Such reliance could likely result in a lack of predictability and a great deal of volatility with regard to our cost of sales and, therefore, our gross margin percentage.

SALES AND MARKETING EXPENSES

	Cumulative During Development Stage	Year Ended December 31,		% Change
		2008	2007	
Sales & Marketing Expenses	\$ 53,959	\$ 0	\$ 0	(0%)

Since inception, sales and marketing expenses have consisted of advertising, promotional materials and public relations expenses. There were no Sales & Marketing expenses for 2008 or 2007. In future periods, we expect that nearly all of our sales and marketing expenses should be related to the distribution and promotion of original motion pictures, television programming and digital media we intend to produce. Similarly, we anticipate that nearly all such expenses should require settlement in cash.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION - continued

RESEARCH AND DEVELOPMENT

	Cumulative During Development Stage	Year Ended December 31,		% Change
		2008	2007	
Research & Development Expenses	\$ 252,550	\$ 0	\$ 0	(0%)

Since inception, research and development expenses have consisted primarily of costs related to the acquisition, testing, design, development and enhancement of certain technologies we held rights to and which we intended to use in the future to meet our internal needs or the needs of ventures we might have invested these technologies with. While the total dollar amount of research and development expenses was zero during 2008 and there were none in 2007.

GENERAL AND ADMINISTRATIVE

	Cumulative During Development Stage	Year Ended December 31,		% Change
		2008	2007	
General & Administrative Expenses	\$ 13,418,567	\$ 1,406,916	\$ 1,864,178	(25%)

The Company has incurred \$13,418,567 of general and administrative expenses since its inception. General and Administrative expenses were \$1,864,178 for the year ended, December 31, 2007, compared to \$1,406,916 for the year ended, December 31, 2008.

The general and general administrative expenses for 2008 were comprised of \$602,300 of officer salaries and \$319,385 of professional services and \$71,133 of professional fees (accounting, legal and other fees). Additionally, \$123,520 for marketing costs, \$13,349 telephone costs, \$143,188 rent, \$10,196 for insurance (D&O, workers comp and business liability), office staff payroll \$26,250, write off of screenplay costs previously capitalized of \$79,700 and \$2,195 other administrative costs. These expenses were related to the pursuit of the Company's plan of developing Camelot Studios at ATEP and the development, production and distribution of film, television and digital media product.

The general and general administrative expenses for 2007 were comprised of \$450,000 of officer's salaries and \$713,032 of professional services and \$290,519 of professional fees (accounting, legal and other fees). Additionally, \$84,994 in expenses related to travel and industry trade shows, including the Cannes Film Festival, was incurred during the second quarter of 2007. Other costs, \$18,549 for marketing, seminars and trades, \$18,667 telephone costs, \$87,374 rent, \$48,647 for insurance (D&O, workers comp and business liability), office staff payroll \$91,227, bad debt \$17,500 and \$43,669 for other administrative costs. These expenses were related to the pursuit of the Company's plan of developing Camelot Studios at ATEP and the development, production and distribution of film, television and

digital media product.

IMPAIRMENT OF LONG-LIVED ASSETS AND IMPAIRMENT OF INVESTMENTS IN OTHER COMPANIES

	Cumulative During Development	Year Ended December 31,		% Change
	Stage	2008	2007	
Impairment of Assets	\$ 2,402,338	\$ 0	\$ 0	(0%)
Impairment of Investments in Other Companies	\$ 710,868	\$ 0	\$ 0	(0%)

Our impairment policy requires management to review assets and investments for impairment on an ongoing basis. In the case of investments in other companies, this analysis, combined with our other accounting policies, is expected to have a material impact on our results of operations in future periods. Our accounting policies generally may require us to record services performed in exchange for stock in early stage companies at a nominal value, since the stock issued generally has no readily determinable value. However, when we used our stock to effect investments in other companies, the bid price for our stock on the date of issuance is used to value the transaction initially. Subsequently, an impairment of this value may be required to reduce the carrying amount on our books to reflect an impairment in value.

Our financial results since inception are indicative of the extent to which impairment of investments and assets can impact our operating results. Since inception, impairment of investments in other companies accounts for \$710,868, or approximately 4% of our \$16,705,021 net loss, whereas impairment of long-lived assets has accounted for \$2,402,338, or approximately 20% of our net loss since inception. Together, these two expense categories account for 26% of our net loss from inception and through the year ended December 31, 2005.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION - continued

IMPAIRMENT OF LONG-LIVED ASSETS AND IMPAIRMENT OF INVESTMENTS IN OTHER COMPANIES - continued

An impairment loss is recorded in the period in which we determine that the carrying amount is not recoverable. This requires the Company to make long-term forecasts of its future revenues and costs related to the assets subject to review. These forecasts may require assumptions about demand for the Company's products and services, future market conditions and technological developments in order to support fair value and avoid impairment. Significant and unanticipated changes to these assumptions could require a provision for impairment in a future period.

INCOME TAXES

There is no current or deferred tax expense for the period from January 1, 2008 to December 31, 2008 due to net losses from operations by the Company. As of December 31, 2008 we had federal net operating loss carryforwards of over \$8,800,000, compared to operating loss carryforwards of over \$7,700,000 as of December 31, 2007. The operating loss carryforwards expire beginning in 2013 and may be subject to significant limitations attributable to change in control rules.

NET LOSS

	Cumulative During Development Stage	Year Ended December 31,		% Change
		2008	2007	
Net (loss)	\$ (16,705,021)	\$ (428,575)	\$ (2,103,235)	80%
Net (loss) per share		\$ (0.02)	\$ (0.02)	
Weighted average shares outstanding			1,231,640	

The net loss for 2008 was less than 2007 due to termination of the ATEP project during the year. General and Administrative expenses were more in 2007 due to professional service fees charged for money raised for the company during the year.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has had minimal revenues, has experienced an accumulated deficit of \$16,705,021 and has a stockholders' deficit. These conditions, the loss of financial support from affiliates, and the failure to secure a successful source of additional financial resources raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the classification of liabilities that may result from the outcome of this uncertainty.

We have incurred net losses from operations in each fiscal year since our inception. The changes in components of our net loss are important. Impairment of assets accounted for 0% of our net loss in 2003, 2004, 2005 and 2006, whereas impairment of assets accounted for 40% of our net loss in 2002. We anticipate that impairments should no longer play a major role in our operating results for 2007 as well as in future periods. Although none of our impairment losses have consumed cash flow since inception, our ability to convert the assets, resources and technology we acquired into gains, and ultimately positive cash flow, had largely determined the viability or lack thereof of our business model.

Similarly, to the degree that we had to issue more shares to acquire assets and resources that were later impaired and not readily recovered, such events were dilutive to our existing shareholders. Going forward, impairments should hopefully no longer be an issue.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, financings, or other relationships with entities or other persons, also known as “special purpose entities” (SPEs).

Critical Accounting Estimates

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires our management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. As such, in accordance with the use of accounting principles generally accepted in the United States of America, our actual realized results may differ from management’s initial estimates as reported. A summary of our significant accounting policies are detailed in the notes to the financial statements which are an integral component of this filing.

Management evaluates the probability of the utilization of the deferred income tax asset related to the net operating loss carryforward. The Company has estimated a \$7,600,000 deferred income tax asset related to net operating loss carryforward and other book/tax differences at December 31, 2008. Management determined that because the Company has yet to generate taxable income and that the generation of taxable income in the short term is uncertain, it was appropriate to provide a valuation allowance for the total deferred income tax asset, resulting in a net deferred income tax asset of \$0.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION - continued

Critical Accounting Policies

The Company has defined a critical accounting policy as one that is both important to the portrayal of the Company's financial condition and results of operations; and requires the management of the Company to make difficult, subjective or complex judgments. Estimates and assumptions about future events and their effects cannot be perceived with certainty. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments. These estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as the Company's operating environment changes.

We have identified the policies below as critical to our business operations and the understanding of our results of operations. The impact and any associated risks related to these policies on our business operations is discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations, where such policies affect our reported and expected financial results. In the ordinary course of business, we have made a number of estimates and assumptions relating to the reporting of results of operations and financial condition in the preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ significantly from those estimates under different assumptions and conditions. We believe that the following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results of operations and require our most difficult, subjective, and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Acquired Technology and Intangible Assets

Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), establishes accounting and reporting standards for recording, valuing and impairing goodwill and other intangible assets. The adoption of SFAS 142 did not have an impact on the Company's financial condition or results of operations for fiscal year 2004. However, as the Company's business model is heavily dependent on acquiring intangible assets, this pronouncement is expected to have a material impact on the Company's financial condition and results of operations in future periods, should the Company survive as an ongoing concern.

Going Concern Uncertainties

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles accepted in the United States, which contemplate continuation of Camelot as a going concern. However, Camelot has experienced recurring operating losses and negative cash flows from operations. This is due in part to Camelot's historical focus on developing Camelot Studios at ATEP, which has necessitated considerable monetary and time commitments from Camelot in lieu of Camelot pursuing revenue generating opportunities either through its Camelot Film and Media Group or Camelot Production Services Group divisions. Camelot's Board of Directors made the decision to have Camelot focus on the studio project due to the long term importance of the studio and the impact successful completion of that project would have on Camelot Studio Group and Camelot overall. As a result, Camelot has had to delay several revenue generating projects which it will implement once the basic entitlement phase has been concluded for Camelot Studios at ATEP. With the ATEP project now over, the company is pursuing those revenue generating projects.

Camelot's continued existence is dependent upon its ability to increase operating revenues and/or obtain additional equity financing. As part of our ongoing efforts to obtain additional financing, we have renewed our agreement with

The Atwell Group to provide funding for our basic operational requirements. Previously, in January 2008 Camelot agreed to sell up to 30% of its interest in Camelot Development Group, LLC (“CDG”) to Camelot Studio Investors (“CSI”) for up to \$3,000,000 on an as needed basis. Proceeds from the sale were to be used to retire debt, provide operating expenses for Camelot and establish a reserve for contingency expenditures related to the Camelot Studios at ATEP project and Camelot Studio Group. Those funds, with the exception of \$200,000, never materialized and that agreement has been terminated.

On December 27, 2006, we entered into a Securities Purchase Agreement with AJW Capital Partners, LLC, AJW Offshore, Ltd., AJW Qualified Partners, LLC and New Millennium Capital Partners II, LLC. Under the terms of the Securities Purchase Agreement, the Investors purchased an aggregate of (i) \$1,000,000 in Callable Secured Convertible Notes (the “Notes”) and (ii) warrants to purchase 100,000 shares of our common stock (the “Warrants”). This transaction is referred to also as the “NIR Funding”. Additional agreements with NIR were entered into on July 31, 2008 and September 22, 2008, whereby NIR provided an additional \$160,000 and \$15,000 respectively.

We entered into an agreement with Eagle Consulting Group, Inc. (“Eagle”) on March 28, 2003, to provide operational funding for the Company, which expires on March 28, 2008. In exchange for twenty percent (20%) of the Company’s outstanding common stock on a non-dilutive, continuing basis until the Company can secure additional financing from another source, Eagle provided funding for the Company’s annual audit, quarterly filings, accounts payable and other ongoing expenses including office, phones, business development, legal and accounting fees. On June 5, 2007, the Company completed its funding transaction with NIR and its note holders, whereby the note holders have invested monies into the Company, thereby ending the agreement with Eagle.

In addition, during 2006 and 2007 we also reached agreement with Scorpion Bay, LLC (“Scorpion”), to provide short term loans to Camelot on an as needed basis. To date, all of these loans have been repaid. Further, The Atwell Group has provided advances for certain Camelot expenses when necessary. It appears likely that such funding and financial arrangements with The Atwell Group and our officers and directors should continue to be enough to meet all of the Company's cash requirements in 2009. However, the Company must find additional sources of financing in order to remain a going concern in the future. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION - continued

Significant Accounting Practices

Beginning January 1, 2004, we adopted new accounting rules which were effective January 1, 2001, which require, among other changes, that exploitation costs, including advertising and marketing costs, be expensed as incurred. Theatrical print costs are amortized over the periods of theatrical release of the respective territories. Under accounting rules in effect for periods prior to January 1, 2001, such costs were capitalized as a part of film costs and amortized over the life of the film using the individual-film-forecast method. The current practice dramatically increases the likelihood of reporting losses upon a film's theatrical release, but should provide for increased returns when a film is released in the ancillary markets of home video and television, when we incur a much lower proportion of advertising costs. Additional provisions under the new accounting rules include changes in revenue recognition and accounting for development costs and overhead, and reduced amortization periods for film costs.

Accounting for Motion Picture Costs

In accordance with accounting principles generally accepted in the United States and industry practice, we amortize the costs of production, including capitalized interest and overhead, as well as participations and talent residuals, for feature films using the individual-film-forecast method under which such costs are amortized for each film in the ratio that revenue earned in the current period for such title bears to management's estimate of the total revenues to be realized from all media and markets for such title. All exploitation costs, including advertising and marketing costs, are expensed as incurred. Theatrical print costs are amortized over the periods of theatrical release of the respective territories.

We plan to regularly review, and revise when necessary, our total revenue estimates on a title-by-title basis, which may result in a change in the rate of amortization and/or a write-down of the film asset to estimated fair value. These revisions can result in significant quarter-to-quarter and year-to-year fluctuations in film write-downs and amortization. A typical film recognizes a substantial portion of its ultimate revenues within the first two years of release. By then, a film has been exploited in the domestic and international theatrical markets and the domestic and international home video markets, as well as the domestic and international pay television and pay-per-view markets. A similar portion of the film's capitalized costs should be expected to be amortized accordingly, assuming the film or television program is profitable.

The commercial potential of individual motion pictures varies dramatically, and is not directly correlated with production or acquisition costs. Therefore, it is difficult to predict or project a trend of our income or loss. However, the likelihood that we report losses, particularly in the year of a motion picture's release, is increased by the industry's method of accounting which requires the immediate recognition of the entire loss (through increased amortization) in instances where it is estimated the ultimate revenues of a motion picture could not recover our capitalized costs. On the other hand, the profit of a profitable motion picture must be deferred and recognized over the entire revenue stream generated by that motion picture. This method of accounting may also result in significant fluctuations in reported income or loss, particularly on a quarterly basis, depending on our release schedule, the timing of advertising campaigns and the relative performance of individual motion pictures.

Impairment of Long-Lived Assets

We adhere to the provisions of Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). The Company reviews the carrying value of its long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through undiscounted net cash flows. Impairment

is calculated based on fair value of the asset, generally using net discounted cash flows. Any long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less estimated costs to sell.

Equity Investments

We are accounting for any potential investment in other related entities in the future in accordance with Accounting Principles Board Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock." In accordance with APB Opinion No. 18, management plans to continually review its equity investments to determine if any impairment has occurred. If, in management's judgment, an investment has sustained an other-than-temporary decline in its value, the investment is written down to its fair value by a charge to earnings. Such determination is dependent on the specific facts and circumstances, including the financial condition of the investee, subscriber demand and growth, demand for advertising time and space, the intent and ability to retain the investment, and general economic conditions in the areas in which the investee operates.

Derivative Instruments

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of Financial Accounting Standards Board No. 133," and by Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment of Financial Accounting Standards Board Statement No. 133," which is effective for all quarters of fiscal years beginning after June 15, 2000. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. We adopted Statement of Financial Accounting Standards No. 133 beginning January 1, 2004. The adoption of Statement of Financial Accounting Standards No. 133 did materially impact our results of operations with our convertible notes payable entered into in December 2006.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION - continued

Accounting for Films

In June 2000, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 00-2 "Accounting by Producers or Distributors of Films" ("SoP 00-2"). SoP 00-2 establishes new accounting standards for producers or distributors of films, including changes in revenue recognition, capitalization and amortization of costs of acquiring films and accounting for exploitation costs, including advertising and marketing expenses. We elected adoption of SoP 00-2 effective as of April 1, 2004.

The principal changes as a result of applying SoP 00-2 are as follows:

Advertising and marketing costs, which were previously capitalized to investment in films on the balance sheet and amortized using the individual film forecast method, are now expensed the first time the advertising takes place.

We capitalize costs of production, including financing costs, to investment in motion pictures. These costs are amortized to direct operating expenses in accordance with SoP 00-2. These costs are stated at the lower of unamortized motion picture costs or fair value (net present value). These costs for an individual motion picture or television program are amortized in the proportion that current period actual revenues bear to management's estimates of the total revenue expected to be received from such motion picture over a period not to exceed ten years from the date of delivery.

Management plans to regularly review, and revise when necessary, its total revenue estimates, which may result in a change in the rate of amortization and/or write-down of all or a portion of the unamortized costs of the motion picture to its fair value. No assurance can be given that unfavorable changes to revenue estimates will not occur, which may result in significant write-downs affecting our results of operations and financial condition.

Revenue Recognition

Revenue from the sale or licensing of motion pictures is recognized upon meeting all recognition requirements of SoP 00-2. Revenue from the theatrical release of motion pictures is recognized at the time of exhibition based on the company's participation in box office receipts. Revenue from the sale of DVDs in the retail market, net of an allowance for estimated returns, is recognized on the latter of shipment to the customer or "street date" (when it is available for sale by the customer). Under revenue sharing arrangements, rental revenue is recognized when we are entitled to receipts and such receipts are determinable.

Revenues from television licensing are recognized when the motion picture is available to the licensee for telecast. For television licenses that include separate availability "windows" during the license period, revenue is allocated over the "windows." Revenue from sales of international territories are recognized when the feature film is available to the distributor for exploitation and no conditions for delivery exist, which under most sales contracts requires that full payment has been received from the distributor.

For contracts that provide for rights to exploit a program on multiple media (i.e. theatrical, video, television) with a fee for a single motion picture where the contract specifies the permissible timing of release to various media, the fee is allocated to the various media based on management's assessment of the relative fair value of the rights to exploit each media and is recognized as the program is released to each media. For multiple-title contracts with a fee, the fee is allocated on a title-by-title basis, based on management's assessment of the relative fair value of each title. Cash payments received are recorded as deferred revenue until all the conditions of revenue recognition have been met.

Income Taxes

The Company recognizes future income tax assets and liabilities for the expected future income tax consequences of transactions that have been included in the financial statements or income tax returns. Future income taxes are provided for using the liability method. Under the liability method, future income taxes are recognized for all significant temporary differences between the tax and financial statement bases of assets and liabilities.

Capital Structure

The Company has adopted Statement of Financial Accounting Standards No. 129, "Disclosure of Information about Capital Structure" ("SFAS 129"), which requires companies to disclose all relevant information regarding their capital structure.

On December 31, 2008, there were 1,563,977,942 shares outstanding of our \$0.001 par value Common Stock. Each share of Common Stock is entitled to one vote.

On December 31, 2008, there were 7,347,510 shares outstanding of our \$0.001 par value Series A Convertible Preferred Stock. The Series A Preferred converts to four shares of common stock for every one share of Series A Preferred Stock. Each share of Series A Preferred Stock is entitled to 50 votes. Series A Preferred ranks superior to our common stock and our Series C Preferred Stock and ranks junior to our Series B Preferred Stock.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION - continued

Capital Structure - continued

On December 31, 2008, there were 7,196,510 shares outstanding of our \$0.001 par value Series B Convertible Preferred Stock. The Series B Preferred converts to 10 shares of common stock for every one share of Series B Preferred Stock. Each share of Series B Preferred Stock is entitled to 1,000 votes. Series B Preferred ranks superior to all other classes of stock.

On December 31, 2008, there were 7,151,500 shares outstanding of our \$0.001 par value Series C Convertible Preferred Stock. The Series C Preferred converts to one shares of common stock for every one share of Series C Preferred Stock. Each share of Series C Preferred Stock is entitled to one vote. Series C Preferred ranks superior to our common stock and ranks junior to our Series A and Series B Preferred Stock.

On October 25, 2007, the Company entered into a Share Issuance Agreement ("SIA") with Zuckerman, Kocmur and Scorpion ("JIT"). According to the terms and conditions of the SIA, as additional consideration for Janez becoming a joint venture partner with CDG, and in consideration for additional business development and consulting efforts provided by JIT, JIT received 800,000 shares of our common stock. 200,000 shares were issued to Zuckerman, 200,000 shares were issued to Kocmur, these shares were valued at the market price at the date of issue \$0.60 and recorded as professional services in the amount of \$240,000. The 400,000 shares were issued to Scorpion in Preferred Series A and B stock were recorded at the market price at the date of issue and recorded as professional services in the amount of \$307,276. In addition, Zuckerman, Wilson and Joseph Petrucelli were nominated to serve on our Board of Directors. The parties also agreed on a common stock structure which provides JIT and Robert P. Atwell, our Chairman ("Atwell") with anti-dilution protection. Further, the SIA directs the Company to seek stockholder approval to increase the authorized shares of the common stock to 400,000,000 and increase the Board of Directors from five to seven members. The SIA has been terminated and is no longer in effect.

ITEM 7. FINANCIAL STATEMENTS

We are filing the following reports, financial statements and notes to financial statements with this Annual Report. These reports may be found following Part III of this Annual Report.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

Since January 28, 2008, McKennon, Wilson & Morgan, LLP has served as the company's Certifying Accountant.

On January 28, 2008, the Company engaged McKennon, Wilson & Morgan, LLP as its Certifying Accountant for 2007 year end. The Company has no consulting arrangements or other services that are performed by McKennon, Wilson & Morgan, LLP.

On January 28, 2008, the Company dismissed Malone & Bailey, CPA's as its Certifying Accountant for 2007 year-end audit. The Company had no disagreements or other issues with Malone & Bailey. The audit committee felt it was better to have the auditor located in the same region as the Company. Malone & Bailey is located in Houston, Texas. McKennon, Wilson & Morgan, LLP is located in Irvine, California. During 2007, quarterly reviews were performed by Malone & Bailey, CPA's. The Company had no consulting arrangements or other services that are performed by Malone-Bailey, CPA's or by Epstein, Weber & Conover and/or Moss/Adams, CPA's.

ITEM 8A. CONTROL AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Evaluation of Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as such term is defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed in reports filed or submitted by the Company under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that information required to be disclosed by the Company is accumulated and communicated to the Company's management to allow timely decisions regarding the required disclosure.

ITEM 8A. CONTROL AND PROCEDURES - continued

Management's Report on Internal Control over Financial Reporting

Our management, including the Certifying Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting 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 our assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that our receipt and expenditures are being made only in accordance with authorizations of management and our Board of Directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations. A system of internal control may become inadequate over time because of changes in conditions or deterioration in the degree of compliance with the policies or procedures. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2008 using the criteria set forth by the Commission of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on this assessment, our management concluded that, as of December 31, 2008, our internal control over financial reporting disclosure controls and procedures were not effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and is accumulated and communicated to our management, including the Certifying Officer, as appropriate to allow timely decisions regarding required disclosure, due to the material weaknesses described below.

In light of the material weaknesses described below, our management, including the Certifying Officer, performed additional analysis and other post-closing procedures to ensure our financial statements were prepared in accordance with generally accepted accounting principles. Accordingly, we believe that the financial statements included in this report fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented.

A material weakness is a control deficiency (within the meaning of the Public Company Accounting Oversight Board ("PCAOB") Auditing Standard No. 2) or combination of control deficiencies, which result in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The management has identified the following four material weaknesses which have caused the management to conclude that our disclosure controls and procedures were not effective at the reasonable assurance level:

1. We do not have sufficient segregation of duties within accounting functions due to the limited personnel, which is a basic internal control. This will change with the addition of more staff members.
2. Procedures are not in place to properly cut-off accounts payable and accrue un-invoiced liabilities.

3. The accounting department lacks adequate skills to account for stock based compensation for employees and non-employees related to stock issued for liabilities or services, and derivative accounting for convertible debt with a conversion rate with no floor (causing derivative accounting).

Our management, including the Certifying Officer, has discussed this matter with our current independent registered public accounting firm. To remediate the material weaknesses in our disclosure controls and procedures identified above, in addition to working with our independent auditors, we have continued to refine our internal procedures to address these weaknesses. These procedures include using an external consultant to assist in the identification and calculation of difficult accounting transactions which generally are associated with debt and equity.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Code of Ethics

We have adopted a Code of Business Conduct that applies to all our directors, officers (including our principal executive officer and principal financial officer) and employees. The Code of Business Conduct can be found on our website at www.camelotfilms.com. We plan to also post on this section of our website any amendment to the Code of Business Conduct, as well as any waivers that are required to be disclosed in accordance with Securities and Exchange Commission or market regulations.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT.

The following table sets forth the names and ages of the current directors and executive officers of the Company as of December 31, 2008, the principal offices and positions with the Company held by each person and the date such person became a director or executive officer of the Company. Each serves until the next annual meeting of stockholders.

Name	Age	Position	Date of Appointment
Robert P. Atwell	55	President, Chief Executive Officer, Chairman	March 19, 2003
George Jackson	48	Secretary, Chief Financial Officer, Director	April 1, 2005

Robert P. Atwell, 55, has been Chairman, President and Chief Executive Officer of the Company since March 19, 2003. Mr. Atwell is also the President of The Atwell Group, Inc., which encompasses several companies that Mr. Atwell has been affiliated with since 1978, including The Corporate Solution, Inc. (1978), Eagle Consulting Group, Inc. (1996), The Atwell Group, LLC (2004) and Camelot Films, Inc. (1978). Mr. Atwell is also the majority stockholder of two pink sheet companies, Sky440, Inc. and Emaji, Inc. Mr. Atwell recently took over control of those two companies to implement a restructuring of their operations and to install new management teams. Mr. Atwell's private companies specialize in taking small companies public, securing and implementing assignments for a variety of agencies and corporations including general business consulting, corporate restructuring, mergers and acquisitions,

corporate investigations and securities administration. Mr. Atwell has been involved in all aspects of motion picture industry, including business affairs, development, production, distribution, finance, sales and marketing. Mr. Atwell began his career in the entertainment business in 1971, working initially in television and independent film before establishing Camelot Films in 1978.

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT. - continued

George Jackson, 48, was appointed Chief Financial Officer and joined the Board of Directors on April 1, 2005. Mr. Jackson has been a Certified Public Accountant since 1984. He worked with the public accounting firm of KPMG. While at KPMG he worked as a consultant and auditor on many film companies including: Carolco Films, New World Pictures and others. He was the co-founder, CEO & CFO of several fitness centers from 1985 to 1999. He was responsible for managing companies with over \$20 million in revenue, 540 employees in the United States and Asia, raising over \$10 million in capital and managing the accounting departments and preparing financial statements for shareholders in the U.S. and Asia. He sold all his fitness center assets to Bally Total Fitness in early 2000, netting a return to shareholders of over 45% on an annual basis. From 2000 to present he has developed more fitness centers in Asia and been a director to several fitness companies. Mr. Jackson graduated from the University of Southern California with a B.S. in Accounting in 1982.

Board Committees

The Board of Directors of the Company has a standing Audit Committee, Corporate Governance and Nominating Committee and Compensation Committee.

Audit Committee

The principal functions of the Audit Committee are to review and monitor the Company's financial reporting and the internal and external audits. The committee's functions include, among other things: (i) to select and replace the Company's independent registered public accounting firm; (ii) to review and approve in advance the scope and the fees of our annual audit and the scope and fees of non-audit services of the independent registered public accounting firm; (iii) to receive and consider a report from the independent registered public accounting firm concerning their conduct of the audit, including any comments or recommendations they might want to make in that connection, and (iv) to review compliance with and the adequacy of our major accounting and financial reporting policies and controls. The Audit Committee met four times during the fiscal year ended December 31, 2008. It currently consists of Messrs. Atwell (Chairman) and Jackson. The Board has determined that Messrs. Atwell and Jackson are not "independent" as defined in the listing standards of the NASDAQ Stock Market.

Corporate Governance and Nominating Committee

Messrs. Atwell (Chairman) and Atwell constitute the Corporate Governance and Nominating Committee. The Board has determined that the members of the committee are not "independent" as defined in the listing standards of the NASDAQ Stock Market. The primary functions of the Corporate Governance and Nominating Committee are to identify, evaluate and recommend nominees to serve as Directors and review corporate governance principles and practices and respond to regulatory initiatives and requirements. The Corporate Governance and Nominating Committee met four times in the fiscal year ended December 31, 2008.

Compensation Committee

Messrs. Atwell (Chairman) and Jackson are the members. The primary functions of the Compensation Committee are to review and approve the compensation of the Chief Executive Officer and the other executive officers of the Company, to recommend the compensation of the directors, to review and approve the terms of any employment contracts with executive officers and to produce an annual report for inclusion in the Company's proxy statement. The Compensation Committee also administers and interprets the Company's equity compensation and employee benefit plans and grants all awards under the employee's stock incentive plan.

Significant Employees

We rely on our Board of Directors, Executive Officers, and all of our employees to further the development of our business.

Family Relationships

There are no family relationships.

Involvement in Certain Legal Procedures

None.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who beneficially own more than ten percent of a registered class of our equity securities (referred to as "reporting persons"), to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of common stock and other equity securities. Reporting persons are required by Commission regulations to furnish us with copies of all Section 16(a) forms they file. To the Company's knowledge, all Section 16(a) filing requirements applicable to its directors, executive officers and greater than ten percent beneficial owners during such period were satisfied.

ITEM 10. EXECUTIVE COMPENSATION

None of our executive officers or directors currently has a contracted compensation package. The Board of Directors has established parameters for the anticipated employment contracts, which are expected to be finalized during the second quarter of 2009. Our President and CEO earned \$420,000 as a base salary in 2008. Our CFO earned \$150,000 as a base salary in 2008. As of December 31, 2008 the CEO and CFO had not received these amounts and they are recorded as related party accounts payable on the balance sheet. In addition to the base salary, additional consideration is due and will be determined by the Board of Directors in 2009. The additional consideration will be added to the compensation packages for 2009, which are expected to increase.

ITEM 10. EXECUTIVE COMPENSATION - continued

The following table summarizes all compensation paid to our President and Chief Financial Officer for services rendered in all capacities to the Company during each of the fiscal years ended December 31, 2008 and 2007.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Totals (\$)
Robert P. Atwell, (1) President, Chief Executive Officer	2008	\$420,000	0	0	0	0	0	0	\$420,000
	2007	\$250,000	0	0	0	0	0	0	\$250,000
George Jackson, (2) Secretary, Chief Financial Officer	2008	\$150,000	0	0	0	0	0	0	\$150,000
	2007	\$100,000	0	0	0	0	0	0	\$100,000
Michael Ellis, (3) Chief Operating Officer	2008	\$ 0	0	0	0	0	0	0	\$ 0
	2007	\$ 70,000	0	70,000	0	0	0	0	\$140,000

Stock Option Plan

Our Board of Directors adopted the 2007 Stock Plan on October 1, 2007 ("Plan"). Under the Plan, stock options may be granted to eligible participants in the form of Incentive Stock Options (ISOs) under the Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or options which do not qualify as ISOs (non-Qualify Stock Options or "NQSOs"). In addition, the Plan permits several types of grants, including outright grants of common stock ("Awards"), direct purchase rights ("Purchase Rights") and other stock rights as determined by the board. The aggregate number of shares which may be issued under the Plan is Twenty Million (20,000,000), subject to certain allowed adjustments.

Under the Plan, outstanding options must be exercised within 10 years from the date of grant and no later than three months after termination of employment or service as a director, except that any optionee who is unable to continue employment or service as a director due to total and permanent disability may exercise such options within one year of termination and the options of an optionee who is employed or disabled and who dies must be exercised within one year after the date of death.

The Plan should require that the exercise prices of options granted must be at least equal to the fair market value of a share of common stock on the date of grant, provided that for incentive options if an employee owns more than 10% of the Company's outstanding common stock then the exercise price of an incentive option must be at least 110% of the fair market value of a share of the Company's common stock on the date of grant, and the maximum term of such option may be no longer than five years. The aggregate fair market value of common stock, determined at the time the option is granted, for which incentive stock options become exercisable by an employee during any calendar year, is to be limited to an amount to be determined by our Board of Directors.

The Plan is to be administered by the Company's Board of Directors, or a committee thereof, which determines the terms of options granted, including the exercise price, the number of shares of common stock subject to the option, and the terms and conditions of exercise. No option granted under the Plan is transferable by the optionee other than by will or the laws of descent and distribution, and each option is exercisable during the lifetime of the optionee only by such optionee.

Director Compensation

Directors who are not employees of the Company or any of its subsidiaries and who do not have a compensatory agreement providing for service as a director of the Company or any of its subsidiaries are eligible to receive the following compensation:

Annual retainer for each Director, paid quarterly in advance	\$	5,000
Additional annual retainer for Chairs of the Compensation Committee and Nominating and Governance Committee	\$	1,000
Additional annual retainer for Chair of the Audit Committee	\$	1,000

The Company pays each director's reasonable travel, lodging, meals and other expenses connected with their Board service. As of April 15, 2009, the Company's Board of Directors did not have any members that were not employees and or officers of the Company.

The Non-Employee Directors' Deferred Compensation Plan provides that eligible directors may elect to defer 50% to 100% of their retainer fees. Each deferral election must be made prior to the year such retainer payment is due and will last for the entire year. Deferral elections may be terminated for the next year. Deferred amounts may be used to acquire our common stock at fair market value on the date each retainer payment would be otherwise paid to an eligible director, to acquire stock units equivalent to the fair market value of our common stock on the date each retainer payment would be otherwise paid or may be paid in cash following termination of service as a director with interest accruing at the prime rate on such deferred fees.

ITEM 10. EXECUTIVE COMPENSATION - continued

Directors who are employees and non-employee directors who are not eligible for the foregoing non-employee director compensation receive no separate compensation for director service.

2008 Non-Employee Director Compensation

The following table provides information regarding compensation earned by, awarded or paid to non-employee directors who served during the year ended December 31, 2008.

Name	Fees Earned or Paid in		Non-equity		Total
	Cash (\$)	Value of Option Awards (\$)	Incentive Plan Compensation	All Other Compensation	
None	\$ 0	0	0	0	0
Total	\$ 0	0	0	0	0

Certain Relationships and Related Transactions

None of our Board members are related. There were no Company related transactions between the Board members in 2008.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following tables set forth, as of December 31, 2008, certain information regarding the ownership of Camelot's capital stock by Camelot's Board of Director's, executive officers and each person who is known to Camelot to be a beneficial owner of more than 5% of Camelot's Common Stock. Unless otherwise indicated below, to Camelot's knowledge, the persons listed below have sole voting and investing power with respect to his or her shares of Common Stock, except to the extent authority is shared by spouses under applicable community property laws.

The number of shares of common stock owned are those "beneficially owned" as determined under the rules of the Securities and Exchange Commission, including any shares of common stock as to which a person has sole or shared voting or investment power and any shares of common stock which the person has the right to acquire within 60 days through the exercise of any option, warrant or right. All shares are held beneficially and of record and each record shareholder has sole voting and investment power.

No officer, director or security holder listed herein owns any common stock warrants, options or rights not listed herein.

All shares are held beneficially and of record and each record shareholder has sole voting and investment power. The address at which each Executive Officer and Director can be reached is the Company's headquarters.

As of December 31, 2008, there were 1,563,977,942 shares of Common Stock held by 127 stockholders of record. Of these shares, 308,334 shares of Common Stock are being held by Camelot in reserve for funding and other contractual obligations. As a result, there are 1,563,669,608 shares of Common Stock considered to be issued and outstanding.

Name of Beneficial

Shares Beneficially

Percent

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

Owner	Owned	
Robert P. Atwell, Inc. (1) 130 Vantis, Suite 140 Aliso Viejo, CA 92656	531,766,319	34%
George Jackson (2) 130 Vantis, Suite 140 Aliso Viejo, CA 92656	58,535,599	4%
TOTAL 5% Stockholders as a Group	590,301,918	38%

58

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS - continued

(1) Includes all shares owned and or under the control of the Beneficial Owner. Robert P. Atwell is the owner of The Atwell Group, Inc. and other entities that have holdings in Camelot. Mr. Atwell is an officer and a director of Camelot.

(2) Includes all shares owned and or under the control of the Beneficial Owner. Mr. Jackson is an officer and director of Camelot.

Securities Ownership of Management

Common Stock

The following table sets forth as of December 31, 2008, certain information, based on information obtained from the persons named below, with respect to the securities ownership of the common stock by Management. Management owns 38%, or 590,301,918 shares, of the Company's common stock.

Name of Beneficial Owner	Shares Beneficially Owned	Percent (3)
Robert P. Atwell (1) Chairman, President, CEO 130 Vantis, Suite 140 Aliso Viejo, CA 92656	531,766,319	34%
George Jackson (2) Secretary, CFO 130 Vantis, Suite 140 Aliso Viejo, CA 92656	58,535,599	4%
Totals:	590,301,918	38%

Note (1): Includes direct and indirect affiliate ownership.

Note (2): Includes direct and indirect affiliate ownership.

Note (3): Based on 1,563,669,608 shares issued as of 12/31/08.

The number of shares of common stock owned are those "beneficially owned" as determined under the rules of the Securities and Exchange Commission, including any shares of common stock as to which a person has sole or shared voting or investment power and any shares of common stock which the person has the right to acquire within 60 days through the exercise of any option, warrant or right.

All shares are held beneficially and of record and each record stockholder has sole voting and investment power. The address at which each Executive Officer and Director can be reached is the Company's headquarters.

Preferred Stock

The following table sets forth as of December 31, 2008, certain information, based on information obtained from the persons named below, with respect to the securities ownership of preferred stock by Management. Management owns 99%, or 21,536,819 shares, of the Company's 21,695,521 total shares of preferred stock.

As of December 31, 2008, we had three classes of preferred stock, Series A Convertible Preferred Stock, Series B Convertible Preferred Stock and Series C Convertible Preferred Stock.

On December 31, 2008, there were 7,196,510 shares outstanding of our \$0.001 par value Series B Convertible Preferred Stock. The Series B Preferred converts to 10 shares of common stock for every one share of Series B Preferred Stock. Each share of Series B Preferred Stock is entitled to 1,000 votes. Series B Preferred ranks superior to all other classes of stock.

On December 31, 2008, there were 7,347,511 shares outstanding of our \$0.001 par value Series A Convertible Preferred Stock. The Series A Preferred converts to 4 shares of common stock for every one share of Series A Preferred Stock. Each share of Series A Preferred Stock is entitled to 50 votes. Series A Preferred ranks superior to our common stock and ranks junior to our Series B Preferred Stock.

On December 31, 2008, there were 7,151,500 shares outstanding of our \$0.001 par value Series C Convertible Preferred Stock. The Series C Preferred converts to 1 share of common stock for every one share of Series C Preferred Stock. Each share of Series C Preferred Stock is entitled to 1 vote. Series C Preferred ranks superior to our common stock and ranks junior to our Series A and Series B Preferred Stock.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS - continued

Name of Beneficial Owner	Series A Preferred Shares Beneficially Owned	Percent (3)
Robert P. Atwell (1) Chairman, President, CEO 130 Vantis, Suite 140 Aliso Viejo, CA 92656	6,125,010	83%
George Jackson (2) Secretary, CFO 130 Vantis, Suite 140 Aliso Viejo, CA 92656	1,110,000	15%
Totals:	7,235,010	98%

Note (1): Includes shares held directly and indirectly.
Converts to 24,500,040 common shares. Equals
306,250,500 votes.

Note (2): Includes shares held directly and indirectly.
Converts to 4,440,000 common shares. Equals
55,500,000 votes.

(3) Based on 7,347,511 total Series A Shares

Name of Beneficial Owner	Series B Preferred Shares Beneficially Owned	Percent (3)
Robert P. Atwell (1) Chairman, President, CEO 130 Vantis, Suite 140 Aliso Viejo, CA 92656	6,060,809	84%
George Jackson (2) Secretary, CFO 130 Vantis, Suite 140 Aliso Viejo, CA 92656	1,110,000	15%
Totals:	7,170,809	99%

Note (1): Includes shares held directly and indirectly.
Converts to 60,608,090 common shares. Equals
6,060,809,000 votes.

Note (2): Includes shares held directly and indirectly.
Converts to 11,100,000 common shares. Equals
1,110,000,000 votes.

Note (3): Based on 7,196,510 total Series B Shares

Name of Beneficial Owner	Series C Preferred Shares Beneficially Owned	Percent (3)
--------------------------	---	-------------

Robert P. Atwell (1) Chairman, President, CEO 130 Vantis, Suite 140 Aliso Viejo, CA 92656	6,030,000	84%
--	-----------	-----

George Jackson (2) Secretary, CFO 130 Vantis, Suite 140 Aliso Viejo, CA 92656	1,101,000	15%
--	-----------	-----

Totals:	7,131,000	99%
---------	-----------	-----

Note (1): Includes shares held directly and indirectly.
Converts to 6,030,000 common shares. Equals 6,030,000 votes.

Note (2): Includes shares held directly and indirectly.
Converts to 1,101,000 common shares. Equals 1,101,000 votes.

Note (3): Based on 7,151,500 total Series C Shares.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS - continued

Voting Rights by Class Summary as of December 31, 2008

Common	Shares	Common Equivalent	Votes	Percentage
Management	590,301,918	590,301,918	590,301,918	38%
Others	973,367,690	973,367,690	973,367,690	62%
Total	1,563,669,608	1,563,669,608	1,563,669,608	100%

Series A	Shares	Common Equivalent	Votes	Percentage
Management	7,235,010	28,940,040	361,750,500	98%
Others	112,501	450,004	5,625,050	2%
Total	7,347,511	29,390,044	367,375,550	100%

Series B	Shares	Common Equivalent	Votes	Percentage
Management	7,170,809	71,708,090	7,170,809,000	99%
Others	25,701	257,010	25,701,000	1%
Total	7,196,510	71,965,100	7,196,510,000	100%

Series C	Shares	Common Equivalent	Votes	Percentage
Management	7,131,000	7,131,000	7,131,000	99%
Others	20,500	20,500	20,500	1%
Total	7,151,500	7,151,500	7,151,500	100%

Total	Shares	Common Equivalent	Votes	Percentage
Management	611,838,737	698,081,048	8,129,992,418	89%
Others	973,526,392	974,095,204	1,004,714,240	11%
Total	1,585,365,129	1,672,176,252	9,134,706,658	100%

Voting Rights of Management and Beneficial Owners of 5% or More of the Common Stock as of December 31, 2008

The following table shows the total voting rights of management and beneficial owners of 5% or more of common stock on items that are presented to stockholders at annual and special meetings of the stockholders which require stockholder approval.

Name of Beneficial Owner (1)	Total Votes	Percent
Robert P. Atwell Chairman, President, CEO 130 Vantis, Suite 140 Aliso Viejo, CA 92656	6,904,855,819	76%

George Jackson Secretary, CFO 130 Vantis, Suite 140 Aliso Viejo, CA 92656	1,225,136,599	13%
All Other Common Stockholders	1,004,714,240	11%
Totals:	9,134,706,658	100%

Note (1): Includes direct and indirect affiliate ownership.

Involvement in Certain Legal Proceedings

None of our management is involved in any type of legal proceedings.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following transactions are for year ended December 31, 2008. All transactions are incorporated by reference and can be found through our previous filings:

Except as indicated below, and for the periods indicated, there were no material transactions, or series of similar transactions, since the beginning of the Company's last fiscal year, January 1, 2008, or any currently proposed transactions, or series of similar transactions, to which we were or are a party, in which the amount involved exceeds \$100,000, and in which any director or executive officer, or any security holder who is known by us to own of record or beneficially more than 5% of any class of our common stock, or any member of the immediate family of any of the foregoing persons, has an interest.

Camelot Studio Group

Camelot Studio Group ("CSG"), one of our major divisions, had been in the process of developing its first major studio facility, known as Camelot Studios at ATEP, as part of the Advanced Technology and Education Park ("ATEP") in Tustin, California. That project was terminated in August 2008. As part of that process, CSG formed Camelot Development Group, LLC ("CDG") which is a 50% joint venture partner with Janez Investments XI Tustin, LLC ("JIT") in Camelot Development Tustin, LLC ("CDT"). CDT was negotiating with the South Orange County Community College District ("SOCCCD") to be the master developer for the ATEP project, including Camelot Studios at ATEP. To date, the Company has invested approximately \$2,600,000 in the Camelot Studios at ATEP project since the Company began the process of locating CSG's first studio facility at the Tustin site in September 2005.

During the first quarter of 2008, CDG agreed to enter into an agreement with Camelot Studio Investors, LLC ("CSI"), whereby CSI would purchase 30% of CDG for \$3,000,000. As part of that transaction, Pacific Surf Partners, LP ("PSP") would receive 20% of CDG.

Timothy Wilson ("Wilson"), a former director and stockholder of the Company, is the managing member of Scorpion Bay, LLC ("Scorpion"), which owns 50% of JIT. Wilson is also the managing member of CSI and PSP.

Jeff Zuckerman ("Zuckerman"), a former director and stockholder of the Company, is Senior Vice-President of Janez Group ("Janez"), which is a 50% owner of JIT.

John Kocmur ("Kocmur"), a stockholder, is President of Janez.

Share Issuance Agreement

On October 25, 2007, the Company entered into a Share Issuance Agreement ("SIA") with Zuckerman, Kocmur and Scorpion ("JIT"). According to the terms and conditions of the SIA, as additional consideration for Janez becoming a joint venture partner with CDG, and in consideration for additional business development and consulting efforts provided by JIT, JIT received 80,000,000 shares of our common stock. 20,000,000 shares were issued to Zuckerman, 20,000,000 shares were issued to Kocmur and 40,000,000 shares were issued to Scorpion. In addition, Zuckerman, Wilson and Joseph Petrucelli were nominated to serve on our Board of Directors. The parties also agreed on a common stock structure which provides JIT and Robert P. Atwell, our Chairman ("Atwell") with anti-dilution protection. Further, the SIA directs the Company to seek stockholder approval to increase the authorized shares of the common stock to 400,000,000 and increase the Board of Directors from five to seven members. The SIS has been terminated and is no longer in effect.

Eagle Consulting Group

We entered into an agreement with Eagle Consulting Group, Inc. (“Eagle”) on March 28, 2003, to provide operational funding for the Company, which expired on March 28, 2008. Atwell is the Chairman of Eagle. Eagle is now part of The Atwell Group, owned by Atwell. This agreement has been renewed with The Atwell Group. In exchange for twenty percent (20%) of the Company’s outstanding common stock on a non-dilutive, continuing basis until the Company can secure additional required financing from another source, Eagle had agreed to provide funding for the Company’s annual audit, quarterly filings, accounts payable and other ongoing expenses including office, phones, business development, legal and accounting fees. In addition, Eagle received an option to receive 2,000,000 cashless options to purchase common shares at \$0.03 per share. For each one dollar (\$1) increase in the price of the Company’s stock, Eagle shall be entitled to receive an additional two million options throughout the term of the agreement. In addition, the Company shall have the first right of refusal to purchase the options from Eagle for the current market value once Eagle notifies the Company that it intends to exercise the options. In the event the Company elects not to exercise this first right of refusal, and subject to applicable laws, Eagle shall be entitled to exercise the sale of shares or options immediately thereafter. As of December 31, 2008, Eagle has not exercised its right to receive the options and therefore no options have been granted.

On June 5, 2007, the Company completed its funding transaction with NIR and its note holders, whereby the note holders have invested monies into the Company, thereby effectively ending the agreement with Eagle. The total stock to be issued in connection with the NIR funding has yet to be determined as the note holders have not yet completed their conversions. Upon completion of the NIR conversions, the total amount of additional stock due Eagle under the terms of the agreement shall be determined and issued to Eagle with an effective date of June 5, 2007, the date the funding agreement with NIR was completed.

For 2007, Eagle advanced to the Company a total, including interest, of \$170,747, which covered part of our operating expenses for 2007, including general and administrative costs, costs for screenplays and prepaid exhibitor’s space. We have not issued Eagle any shares of common stock for repayment of expenses advanced on behalf of the Company.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS - continued

Eagle Consulting Group - continued

For 2006, Eagle advanced to the Company a total, including interest, of \$429,182, which covered all of our operating expenses for 2006, including general and administrative costs, costs for screenplays and prepaid exhibitor's space. We issued Eagle 2,427,101 shares of common stock for repayment of expenses advanced on behalf of the Company. The stock issued was valued at the weighted average price per share. Eagle received an additional 1,270,722 shares of common stock for continuing to finance our operations under the agreement described above.

The Atwell Group

We previously leased office space provided by The Atwell Group, Inc., a privately-held company owned by Mr. Atwell, our President, Chief Executive Officer and Chairman. The space was leased on an annual basis for \$72,000 per year. The current lease expires on December 31, 2009. However, both The Atwell Group and we decided to terminate the lease early and move the company to its current location in Irvine. Settlement discussions are currently ongoing. In addition, The Atwell Group, The Corporate Solution and Love Bug Management Corp., all of which are owned by Mr. Atwell, paid expenses on behalf of Camelot during 2008 and 2007. Further, Mr. Atwell and his wife, Tamara Atwell, were guarantors on various financial transactions involving Camelot during 2008 and 2007.

Scorpion Bay

Scorpion Bay LLC, Pacific Surf Partners, Camelot Studio Investors LLC ("Scorpion"), which are managed or co-managed by Timothy Wilson, a former director, were involved in various business and financial transactions involving Camelot during 2008 and 2007. These transactions have been discussed throughout this report.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K LIST OF EXHIBITS ATTACHED OR INCORPORATED BY REFERENCE PURSUANT TO ITEM 601 OF REGULATION S-B.

Where so indicated by footnote, exhibits, which were previously filed, are incorporated by reference. For exhibits incorporated by reference, the location of the exhibit in the previous filing is indicated in parentheses.

Exhibit No.	Title of Document	Location
3.1.1	Certificate of Incorporation	Incorporated by reference as Exhibit 2.1 to Form 10-K filed April 17, 2001
3.1.2	Amended Certificate of Incorporation	Incorporated by reference to Form 8-K filed June 29, 2004
3.2	By-laws	Incorporated by reference as Exhibit 2.1 to Form 10-K filed April 17, 2001
4.1	Entry Into a Material Definitive Agreement with New Millennium Capital Partners II LLC, AJW Qualified Partners, LLC, AJW	Incorporated by reference to Form 8-K filed on January 4, 2007

	Offshore, Ltd. and AJW Partners, LLC	
4.2	Form of Stock Purchase Warrant issued to New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.3 to Form 8-K filed on January 4, 2007
4.3	Registration Rights Agreement dated December 27, 2006 by and among New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.4 to Form 8-K filed on January 4, 2007
4.4	Security Agreement dated December 27, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.5 to Form 8-K filed on January 4, 2007
4.5	Intellectual Property Security Agreement dated December 27, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.6 to Form 8-K filed on January 4, 2007
4.6	Structuring Agreement with Lionheart	Incorporated by reference as Exhibit 4.7 to Form 8-K filed on January 4, 2007
4.7	Change in Registrant's Certifying Accountant	Incorporated by reference to Form 8-K filed on January 31, 2007

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K LIST OF EXHIBITS ATTACHED OR INCORPORATED BY REFERENCE PURSUANT TO ITEM 601 OF REGULATION S-B. -continued

4.8	Change in Registrant's Certifying Accountant	Incorporated by reference to Form 8-K/A-1 filed on January 31, 2007
4.9	Entry Into a Material Definitive Agreement with New Millennium Capital Partners II LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference to Amendment No. 1 to Form 8-K filed on January 31, 2007
4.10	Securities Purchase Agreement dated December 27, 2006, by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.1 to Form 8-K filed on February 1, 2007
4.11	Form of Callable Convertible Secured Note by and among New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.2 to Form 8-K filed on February 1, 2007
4.12	Entry Into a Material Definitive Agreement	Incorporated by reference to Amendment No. 2 to Form 8-K filed on February 2, 2007
4.13	Stock Purchase Warrant issued to Lionheart Associates LLC d/b/a Fairhills Capital	Incorporated by reference as Exhibit 4.8 to Form 8-K filed on February 2, 2007
4.14	SB-2 Registration	Incorporated by reference to SB-2 Registration Statement Form SB-2 filed on February 2, 2007
4.15	SB-2 Registration	Incorporated by reference to SB-2 Registration Statement Form SB-2/A filed on May 11, 2007
4.16	SB-2 Registration	Incorporated by reference to SB-2 Registration Statement Form SB-2/2A filed on May 31, 2007

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

4.17	Departure of Directors	Incorporated by reference to Form 8-K filed on July 31, 2007
4.18	Departure of Directors	Incorporated by reference to Form 8-K filed on August 31, 2007
4.19	S-8 Registration	Incorporated by reference to Form S-8 filed on October 19, 2007
4.20	2007 Stock Option Plan	Incorporated by reference as Exhibit 4.1 to Form S-8 filed on October 19, 2007
4.20	2007 Stock Option Plan	Incorporated by reference as Exhibit 4.1 to Form S-8 filed on October 19, 2007
4.21	Changes in Registrant's Certifying Accountant	Incorporated by reference to Form 8-K filed on February 1, 2008
4.22	Changes in Registrant's Certifying Accountant	Incorporated by reference to Form 8-K/A filed on February 7, 2008
4.23	Appointment of Directors	Incorporated by reference to form 8-K filed on February 19, 2008
4.24	Departure of Directors	Incorporated by reference to form 8-K filed on May 19, 2008
4.25	Departure of Directors	Incorporated by reference to form 8-K filed on May 30, 2008
4.26	Reverse Stock Split	Incorporated by reference to form 14-C filed on August 14, 2008
4.27	Entry Into a Material Definitive Agreement with New Millennium Capital Partners II LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference to Form 8-K filed on August 21, 2008
4.28	Securities Purchase Agreement dated July 31, 2008, by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.1 to Form 8-K filed on August 21, 2008

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K LIST OF EXHIBITS ATTACHED OR INCORPORATED BY REFERENCE PURSUANT TO ITEM 601 OF REGULATION S-B. -continued

4.29	Form of Callable Convertible Secured Note dated July 31, 2008, by and among New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.2 to Form 8-K filed on August 21, 2008
4.30	Form of Stock Purchase Warrant issued to New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.3 to Form 8-K filed on August 21, 2008
4.31	Registration Rights Agreement dated July 31, 2008 by and among New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.4 to Form 8-K filed on August 21, 2008
4.32	Security Agreement dated July 31, 2008 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.5 to Form 8-K filed on August 21, 2008
4.33	Intellectual Property Security Agreement dated July 31, 2008 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.6 to Form 8-K filed on August 21, 2008
4.34	Subsidiary Security Agreement dated July 31, 2008 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.7 to Form 8-K filed on August 21, 2008
4.35	Amendment to Previous Notes by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.8 to Form 8-K filed on August 21, 2008
4.36	Form of Callable Convertible Secured Note dated August 15, 2008 by and among New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.9 to Form 8-K filed on August 21, 2008

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

4.37	Change of Trading Symbol to CMLT	Incorporated by reference to Form 8-K filed on August 29, 2008
4.38	Increase in Authorized to 850,000,000	Incorporated by reference to Form 14-C filed on December 19, 2008
4.39	Increase in Authorized to 3,000,000,000	Incorporated by reference to Form 14-C filed on December 19, 2008
4.40	Change of Address to Irvine	Incorporated by reference to Form 8-K filed on February 4, 2009
4.41	Increase in Authorized to 6,000,000,000	Incorporated by reference to Form 14-C filed on March 26, 2009
4.42	Increase in Authorized to 10,000,000,000	Incorporated by reference to Form 14-C filed on March 27, 2009
4.43	Annual Stockholders Meeting May 13, 2009	Incorporated by reference to Form 14-A filed on April 3, 2009
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	

ITEM13. EXHIBITS AND REPORTS ON FORM 8-K LIST OF EXHIBITS ATTACHED OR INCORPORATED BY REFERENCE PURSUANT TO ITEM 601 OF REGULATION S-B. -continued

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Our current auditors for December 31, 2008 and December 31, 2007 are McKennon, Wilson & Morgan, LLP. During the first three quarters of 2007, Malone & Bailey PLC were our auditors. Our auditors for December 31, 2006 were Malone & Bailey, CPA's. During the first three quarters of 2006, Epstein, Weber & Conover, PLC were our auditors. That firm was acquired by Moss/Adams, CPA's at the end of 2006.

Epstein, Weber & Conover, PLC had been the Company's independent auditor since March of 2004. James C. Marshall C.P.A., P.C., was the Company's independent auditor for the three quarters ended September 30, 2003.

The Principal Accountants performed the services listed below and were paid the fees listed below:

Audit Fees

McKennon, Wilson & Morgan, LLP charged \$20,000 for the year ended December 31, 2008 audit

McKennon, Wilson & Morgan, LLP charged \$18,000 for quarterly review fees during 2008.

McKennon, Wilson & Morgan, LLP charged \$25,000 for the year ended December 31, 2007 audit.

Malone-Bailey charged \$1,000 for documents related to the year ended December 31, 2007 audit.

Malone-Bailey charged \$24,037 for review of the quarterly statements during fiscal year 2007.

Malone-Bailey charged \$5,175 for review of the SB-2 and SB-2A during fiscal year 2007.

Malone-Bailey charged \$1,500 for review of the S-8 during fiscal year 2007.

Malone-Bailey charged \$22,000 for the year ended December 31, 2006 audit.

CAMELOT ENTERTAINMENT GROUP, INC.

Financial Statements as of
December 31, 2008
And Independent Auditors' Report

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	F-2
BALANCE SHEETS AS OF DECEMBER 31, 2008 and 2007	F-3
STATEMENTS OF OPERATIONS FOR 2008, 2007 AND FOR INCEPTION TO DECEMBER 31, 2008	F-4
STATEMENTS OF STOCKHOLDERS' DEFICIT FOR INCEPTION TO DECEMBER 31, 2008	F-5 - F-10
STATEMENTS OF CASH FLOWS FOR 2008, 2007 AND FOR INCEPTION TO DECEMBER 31, 2008	F-11
NOTES TO FINANCIAL STATEMENTS	F-12 TO F-36

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Camelot Entertainment Group, Inc.
(A Development Stage Company)

We have audited the accompanying balance sheets of Camelot Entertainment Group, Inc. as of December 31, 2008 and 2007 and the related statements of operations, stockholders' deficit, and cash flows for the years then ended. The financial statements for the period April 21, 1999 (inception) through December 31, 2006, were audited by other auditors whose reports expressed unqualified opinions on those statements. 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 audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Camelot Entertainment Group, Inc. as of December 31, 2008 and 2007, and the related statements of operations, stockholders' deficit, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that Camelot Entertainment Group, Inc. will continue as a going concern. As discussed in Note 2 to the financial statements, Camelot Entertainment Group, Inc. suffered losses from operations and has a working capital deficiency, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ McKennon Wilson & Morgan LLP
McKennon Wilson & Morgan LLP
Irvine, California
April 15, 2009

Camelot Entertainment Group, Inc.

(A Development Stage Company)

Balance Sheets

	ASSETS	
	December 31, 2008	December 31, 2007
Current Assets:		
Cash	\$ 175	\$ 122
Prepaid Expenses	1,733	6,424
Total Current Assets	1,908	6,546
School District Deposit	-	50,000
Deferred Financing Costs	-	54,984
Scripts Costs	-	79,700
Total Other Assets	-	184,684
Total Assets	\$ 1,908	\$ 191,230
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 206,847	\$ 176,999
Accrued Wages to Related Parties	722,000	350,000
Secured Convertible Notes Payable, net of discount of \$394,506 and \$0, respectively	92,070	-
Derivative Liability - Conversion Feature	147,838	-
Note Payable to Shareholder	215,598	300,000
Shareholder Advances	22,830	134,757
Other Current Liabilities	15,000	-
Total Current Liabilities	1,422,183	961,756
Long Term Liabilities:		
Derivative Liability - Series A, B and C Convertible Preferred Stock Conversion Feature	65,630	726,223
Secured Convertible Notes Payable, net of current portion and discount of \$407,246 and \$647,762, respectively	311,897	295,970
Derivative Liability - Conversion Feature	218,500	542,661
Derivative Liability - Warrant	3,992	50,759
Total Long Term Liabilities	600,019	1,615,613
Total Liabilities	2,022,202	2,577,369

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

Series A, B, C Convertible Preferred Stock	50,905	28,152
Par value \$.001 per share, 50,000,000 shares authorized: 7,347,510, 7,196,510 and 7,151,500		
shares issued and outstanding as of December 31, 2008		
35,000,000 shares authorized: 195,011, 86,510 and 0		
shares issued and outstanding as of December 31, 2007		
Stockholders' Deficit:		
Common Stock	1,563,670	2,245
Par Value \$.001 Per Share; Authorized 2,950,000,000 Shares; 1,563,977,942 Shares		
Issued and 1,563,669,608		
Outstanding as of December 31, 2008		
Authorized 300,000,000 shares; 2,553,397 issued and		
2,245,063 shares outstanding as of December 31, 2007		
Additional Paid-in Capital	13,070,152	13,859,910
Deficit Accumulated During the Development Stage	(16,705,021)	(16,276,446)
Total Stockholders' Deficit	(2,071,199)	(2,414,291)
Total Liabilities and Stockholders' Deficit	\$ 1,908	\$ 191,230

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

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Statements of Operations

	For Year Ended, December 31, 2008	For Year Ended, December 31, 2007	From Inception on April 21, 1999 through December 31, 2008
REVENUE -	\$ -	\$ -	\$ 58,568
Total Revenue	-	-	58,568
EXPENSES:			
Costs of Services	-	-	95,700
Sales and Marketing	-	-	53,959
Research and Development	-	-	252,550
General and Administrative	1,406,916	1,864,178	13,418,567
Impairment of Assets	-	-	2,402,338
Impairment of Investments in Other Companies	-	-	710,868
Total Expenses	1,406,916	1,864,178	16,933,982
NET OPERATING LOSS	(1,406,916)	(1,864,178)	(16,875,414)
OTHER INCOME (EXPENSES):			
Interest Expense	(625,711)	(717,537)	(2,175,467)
Gain on Derivative Liabilities	1,404,052	478,480	1,890,360
Other Income - CSI Investors	200,000	-	200,000
Gain on Extinguishment of Debt	-	-	255,500
Total Other Income (Expenses)	978,341	(239,057)	170,393
NET LOSS	\$ (428,575)	\$ (2,103,235)	\$ (16,705,021)
Basic and Dilutive Loss Per Common Share	\$ (0.00)	\$ (1.71)	
Weighted Average Number of Shares Outstanding	88,613,681	1,231,640	

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

Camelot Entertainment Group, Inc.

(A Development Stage Company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

For the Period from January 1, 2004 to December 31, 2008

	Common Shares	Stock Amount	Preferred Shares	Stock Amount	Additional Paid-In Capital	Deficit Accumulated During Development Stage	Subscriptions Receivable	Defered Compensation	Total Stockholders' Deficit
Balance at January 1, 2004	338,564	339	-	-	5,498,057	(6,059,442)	-	-	(561,046)
Shares issued for services	1,000	1	-	-	2,999	-	-	-	3,000
Shares issued for financing	67,913	68	-	-	203,671	-	-	-	203,739
Subscriptions receivable for financing agreement	-	-	-	-	-	-	(116,069)	-	(116,069)
Share issued for services	240,090	240	-	-	1,109,267	-	-	-	1,109,509
Share issued for financing	76,046	76	-	-	228,989	-	(316,003)	-	(86,938)
Advances offset sub a/r	-	-	-	-	-	-	174,000	-	174,000
Shares issued for debt	10,000	10	-	-	39,990	-	-	-	40,000
Shares issued for amt due	15,899	16	-	-	48,574	-	-	-	48,590
Value of option exercised	-	-	-	-	351,000	-	-	-	351,000
Net (loss)	-	-	-	-	-	(1,265,278)	-	-	(1,265,278)
Balance as of December 31, 2004	749,512	750	-	-	7,482,547	(7,324,720)	(258,072)	-	(99,493)
Shares issued for consulting services	40,000	40	-	-	219,960	-	-	-	220,000
Shares issued for officers salaries	22,760	22	-	-	189,822	-	-	-	189,844

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

Shares issued to Eagle for expenses paid	18,487	18	-	-	80,908	-	-	-	80,926
Shares issued for consulting services	2,335	2	-	-	9,998	-	-	-	10,000
Shares issued for officers salaries	35,383	35	-	-	174,965	-	-	-	175,000
Shares issued to Eagle for expenses paid	14,527	15	-	-	119,657	-	-	-	119,672
Shares issued to Eagle 20% of shares issued	17,623	18	-	-	122,738	-	-	-	122,753
Shares issued for Shareholder loans 2005	35,869	36	-	-	259,905	-	-	-	259,941
Class A Preferred Stock issued	-	-	51,000	51	560,949	-	-	-	561,000
Class B Preferred Stock issued	-	-	51,000	51	2,804,949	-	-	-	2,805,000
Net Loss	-	-	-	-	-	(4,500,139)	-	-	(4,500,139)
Balance at Dec 31, 2005	936,496	936	102,000	102	12,026,397	(11,824,859)	(258,072)	-	(55,496)
Net Loss at December 31, 2006	-	-	-	-	-	(2,348,352)	-	-	(2,348,352)
Shares issued for officers salaries	51,915	52	-	-	469,948	-	-	-	470,000
Shares issued to Consultants	20,098	20	-	-	181,068	-	-	-	181,088

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

Shares issued to Eagle for expenses paid	12,013	12	-	-	114,309	-	-	-	114,321
Shares issued to Eagle Shareholder loans	12,708	13	-	-	118,169	-	-	-	118,182
Shares issued to Eagle per agreement 20%	18,327	18	-	-	170,426	-	-	-	170,444
Shares issued to Scorpion Bay LLC	15,000	15	-	-	135,135	-	-	-	135,150
Imputed interest on related notes payable	-	-	-	-	19,238	-	-	-	19,238
Balance at Dec 31, 2006	1,066,557	1,067	102,000	102	13,234,690	(14,173,211)	(258,072)	-	(1,195,425)

F-5

Camelot Entertainment Group, Inc.

(A Development Stage Company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT) - continued

For the Period from January 1, 2004 to December 31, 2008

	Common Stock		Preferred Stock		Additional Paid-In Capital	During Development Stage	Deficit Accumulated	Subscription Receivable	Deferred Compensation	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount						
Shares issued to Nucore	50,000	50	-	-	499,950	-	(500,000)	-	-	
Shares issued for interest on Note Payable	70,000	70	-	-	338,930	-	-	-	339,000	
Shares issued for expenses paid	4,020	4	-	-	16,074	-	-	-	16,078	
Shares issued for services	12,500	13	-	-	49,987	-	-	-	50,000	
Shares issued for conversion of notes payable	12,508	13	-	-	29,411	-	-	-	29,424	
Derivatives liability relieved by conversions on N/P	-	-	-	-	48,399	-	-	-	48,399	
Imputed interest on Shareholders loans	-	-	-	-	2,246	-	-	-	2,246	
Shares issued for service - Bastien & Associates	2,084	2	-	-	2,081	-	-	-	2,083	
	27,289	27	-	-	22,349	-	-	-	22,376	
NIR Fairhill Capital	90,000	90	-	-	12,665	-	-	-	12,755	
Shares issued for interest on Notes payable - Scorpion Bay LLC	10,000	10	-	-	3,090	-	-	-	3,100	
Shares issued to Scorpion Bay	10,000	10	-	-	5,490	-	-	-	5,500	

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

LLC									
Shares issued for interest on notes payable - Scorpion Bay LLC	28,000	28	-	-	9,772	-	-	-	9,800
Shares issued for services - Patrick Winn	10,000	10	-	-	3,790	-	-	-	3,800
Shares issued for services - Susan Sanchez	10,000	10	-	-	3,790	-	-	-	3,800
Cancelled Subscription Receivable 2003					(258,072)	-	258,072	-	
Shares issued to Scorpion Bay, LLC	91,000	91	-	-	31,046	-	-	-	31,137
Shares issued for Services - Patrick Winn	27,680	28	-	-	9,106	-	-	-	9,134
Shares issued for Services - Susan Sanchez	34,460	34	-	-	11,338	-	-	-	11,372
Preferred Stock - Series A			144,010	144	189,950	-	-	-	190,094
Shares issued to Dolpin Communities	50,000	50	-	-	8,722	-	-	-	8,772
Preferred Stock - Series B	-		35,510	36	117,146	-	-	-	117,182
Shares issued to NIR	30,200	30	-	-	5,505	-	-	-	5,535
Shares issued for legal services - Chris Flannery	25,000	25	-	-	9,975	-	-	-	10,000
Shares issued to John Kozmur - investment	200,000	200	-	-	59,800	-	-	-	60,000
Shares issued to Jeff Zuckerman - investment	200,000	200	-	-	59,800	-	-	-	60,000

Camelot Entertainment Group, Inc.

(A Development Stage Company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT) - continued

For the Period from January 1, 2004 to December 31, 2008

	Common Shares	Stock Amount	Preferred Shares	Stock Amount	Additional Paid-In Capital	Deficit Accumulated During Development Stage	Subscriptions Received	Deferred Compensation	Total Stockholders' Deficit
Shares issued to Joseph Petrucelli - legal services	25,000	25	-	-	9,975	-	-	-	10,000
Shares issued to Chris Davis - services	2,384	2	-	-	1,190	-	-	-	1,192
Shares issued to Micheal Ellis - services	47,924	48	-	-	69,952	-	-	-	70,000
Shares issued to Lewis Consulting - services	10,000	10	-	-	4,990	-	-	-	5,000
Shares issued to Craig Prater - services	1,458	1	-	-	728	-	-	-	729
Shares issued to Scorpion Bay, LLC	147,000	147	-	-	52,781	-	-	-	52,928
Cancelled Subscription Receivable to Nucore	(50,000)	(50)	-	-	(499,950)	-	500,000	-	-
Derivative Liability - Preferred Stock A & B	-	-	(281,520)	(282)	(306,785)	-	-	-	(307,067)
Net Loss	-	-	-	-	-	(2,103,235)	-	-	(2,103,235)
Balance at December 31, 2007	2,245,063	2,245	-	-	13,859,910	(16,276,446)	-	-	(2,414,291)
Shares issued to Schubert Flint for	10,000	10	-	-	4,990	-	-	-	5,000

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

services									
Shares issued to NIR	55,000	55	-	-	8,440	-	-	-	8,495
Preferred shares issued to Scorpion Bay			-	-	5,829	-	-	-	5,829
Debt conversion 2nd qtr	315,000	315	-	-	25,331	-	-	-	25,646
Shares issued to Corporate Solution, Inc. 8/13/2008	100,000	100	-	-	2,900	-	-	-	3,000
Shares issued to investors escrow 8/1/2008	1,000,000	1,000	-	-	-	-	-	-	1,000
Shares issued to Scorpion Bay, LLC 8/13/2008	92,210	92	-	-	4,519	-	-	-	4,611
Shares issued to George Jackson 8/13/2008	200,000	200	-	-	9,800	-	-	-	10,000
Shares issued to Atwell Group, Inc. 8/13/2008	280,000	280	-	-	13,720	-	-	-	14,000
Shares issued to Jeff Brown 8/27/2008	10,000	10	-	-	290	-	-	-	300
Shares issued to investors escrow adjustment 8/27/2008 at stock split	(10,000)	(10)	-	-	-	-	-	-	(10)
Shares issued to CEDE 9/8/2008	4	-	-	-	4	-	-	-	4
Shares issued to NIR 8/29/2008	124,700	125	-	-	624	-	-	-	749
Shares issued to NIR	124,700	125	-	-	1,247	-	-	-	1,372

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

9/3/2008									
Shares issued to NIR									
9/12/2008	124,700	125	-	-	811	-	-	-	936
Shares issued to NIR									
9/17/2008	124,700	125	-	-	717	-	-	-	842
Shares issued to NIR									
9/18/2008	55,000	55	-	-	105	-	-	-	160
Shares issued to NIR									
9/22/2008	69,700	70	-	-	174	-	-	-	244
Shares issued to NIR									
9/24/2008	124,700	125	-	-	839	-	-	-	964
Shares issued to NIR									
9/26/2008	799,000	799	-	-	218	-	-	-	1,017
Shares issued to K&L Enterprises									
9/12/2008	2,000,000	2,000	-	-	22,000	-	-	-	24,000

F-7

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

Camelot Entertainment Group, Inc.

(A Development Stage Company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT) - continued

For the Period from January 1, 2004 to December 31, 2008

	Common Stock Shares	Common Stock Amount	Preferred Stock Shares	Preferred Stock Amount	Additional Paid-In Capital	Development Stage Receivable	Subscription Receivable	Deferred Compensation	Deficit Accumulated During	Total Stockholders' Deficit
Shares issued to Patrick Winn 9/5/2008	250,000	250	-	-	2,750	-	-	-	-	3,000
Shares issued to Robert Atwell 9/18/2008	2,000,000	2,000	-	-	4,000	-	-	-	-	6,000
Shares issued to George Jackson 9/18/2008	300,000	300	-	-	600	-	-	-	-	900
Shares issued to George Jackson 9/19/2008	1,000,000	1,000	-	-	1,000	-	-	-	-	2,000
Shares issued to Patrick Winn 9/19/2008	250,000	250	-	-	250	-	-	-	-	500
Shares issued to Patrick Winn 9/19/2008	250,000	250	-	-	250	-	-	-	-	500
Shares issued to Robert Atwell 9/19/2008	5,000,000	5,000	-	-	5,000	-	-	-	-	10,000
Shares issued to George Jackson 9/26/2008	2,000,000	2,000	-	-	2,400	-	-	-	-	4,400
Shares issued to Robert Atwell 9/26/2008	31,818,180	31,818	-	-	38,182	-	-	-	-	70,000
Shares issued to Chris Flannery 9/26/2008	1,000,000	1,000	-	-	1,200	-	-	-	-	2,200
Shares issued to Thomas Stepp 9/26/2008	500,000	500	-	-	600	-	-	-	-	1,100
Shares issued to Patrick Winn 9/26/2008	500,000	500	-	-	600	-	-	-	-	1,100
Shares issued to Joe Petrucci 9/26/2008	1,000,000	1,000	-	-	1,200	-	-	-	-	2,200
	1,000,000	1,000	-	-	1,200	-	-	-	-	2,200

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

Shares issued to Vince Monaco 9/26/2008									
Shares issued to Phillip Parsons 9/26/2008	1,000,000	1,000	-	-	1,200	-	-	-	2,200
Shares issued to Douglas Warner 9/27/2008	2,000,000	2,000	-	-	2,400	-	-	-	4,400
Shares issued to Bastien Living Trust 9/27/2008	2,000,000	2,000	-	-	2,400	-	-	-	4,400
Shares issued to Lewis Consulting Group 9/27/2008	2,000,000	2,000	-	-	2,400	-	-	-	4,400
Shares issued to Jeffory Smith 9/27/2008	1,000,000	1,000	-	-	1,200	-	-	-	2,200
Shares issued to Tamara Atwell 9/27/2008	2,272,727	2,273	-	-	2,727	-	-	-	5,000
Shares issued to Susan Sanchez 9/27/2008	2,272,727	2,273	-	-	2,727	-	-	-	5,000
Shares issued to Patrick Winn 9/27/2008	2,272,727	2,273	-	-	2,727	-	-	-	5,000
Shares issued to Phillip Parsons 9/27/2008	2,272,727	2,273	-	-	2,727	-	-	-	5,000
Shares issued to CEDE 9/30/2008	50,043	51	-	-		-	-	-	51
Shares issued to Hope Capital, Inc 11/14/2008	18,000,000	18,000	-	-	(5,400)	-	-	-	12,600
Shares issued to Hope Capital, Inc 11/18/2008	20,000,000	20,000	-	-	(4,000)	-	-	-	16,000
Shares issued to K&L international, Inc 11/19/2008	22,000,000	22,000	-	-	(6,600)	-	-	-	15,400
Shares issued to K&L international, inc 11/25/2008	34,000,000	34,000	-	-	(20,400)	-	-	-	13,600
Shares issued to Hope Capital, Inc/ 11/25/2008	34,000,000	34,000	-	-	(20,400)	-	-	-	13,600
	40,000,000	40,000	-	-	(24,000)	-	-	-	16,000

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

K&L international, inc 12/2/2008									
Hope Capital, Inc/ 12/3/2008	25,000,000	25,000	-	-	(15,000)	-	-	-	10,000
Hope Capital, Inc/ 12/8/2008	50,000,000	50,000	-	-	(30,000)	-	-	-	20,000
K&L international, inc 12/8/2008	50,000,000	50,000	-	-	(30,000)	-	-	-	20,000
Hope Capital, Inc/ 12/17/2008	60,000,000	60,000	-	-	(48,000)	-	-	-	12,000

F-8

Camelot Entertainment Group, Inc.

(A Development Stage Company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT) - continued

For the Period from January 1, 2004 to December 31, 2008

	Common Stock Shares	Common Stock Amount	Preferred Stock Shares	Preferred Stock Amount	Additional Paid-In Capital	Development Stage Receivables	Subscription Receivables	Deferred Compensation	Deficit Accumulated During the Period	Total Stockholders' Equity (Deficit)
K&L international, inc 12/17/2008	5,000,000	5,000	-	-	(4,000)	-	-	-	-	1,000
Watson Investment Enterprises, Inc. 12/18/2008	50,000,000	50,000	-	-	(40,000)	-	-	-	-	10,000
Watson Investment Enterprises, Inc. 12/18/2008	50,000,000	50,000	-	-	(40,000)	-	-	-	-	10,000
Watson Investment Enterprises, Inc. 12/29/2008	100,000,000	100,000	-	-	(80,000)	-	-	-	-	20,000
Shares issued to La Jolla Investment 10/1/2008	7,000,000	7,000	-	-	14,000	-	-	-	-	21,000
Shares issued to Tania Babeshoff 10/1/2008	7,000,000	7,000	-	-	14,000	-	-	-	-	21,000
Shares issued to ATG, Inc 10/2/2008	7,000,000	7,000	-	-	26,800	-	-	-	-	33,800
Shares issued to Ongkaruck Sripetch 10/2/2008	7,000,000	7,000	-	-	31,500	-	-	-	-	38,500
Shares issued to Robert Atwell 10/8/2008	35,000,000	35,000	-	-	(21,000)	-	-	-	-	14,000
Shares issued to Rodger Spainhower 10/14/2008	2,000,000	2,000	-	-	(1,200)	-	-	-	-	800
Shares issued to Alpha Trade 11/7/2008	8,750,000	8,750	-	-	8,111	-	-	-	-	16,861
Shares issued to Philip Parsons 11/10/2008	5,000,000	5,000	-	-	4,000	-	-	-	-	9,000
Shares issued to Patrick Winn 11/10/2008	2,500,000	2,500	-	-	2,000	-	-	-	-	4,500

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

Shares issued to Tamara Atwell 11/10/2008	5,000,000	5,000	-	-	4,000	-	-	-	9,000
Shares issued to Phil Scott 11/19/2008	5,000,000	5,000	-	-	(1,500)	-	-	-	3,500
Shares issued to Tamara Atwell 11/21/2008	25,000,000	25,000	-	-	(15,000)	-	-	-	10,000
Shares issued to Philip Parsons 11/21/2008	25,000,000	25,000	-	-	(15,000)	-	-	-	10,000
Shares issued to George Jackson 11/21/2008	25,000,000	25,000	-	-	(15,000)	-	-	-	10,000
Shares issued to Robert Atwell 11/21/2008	25,000,000	25,000	-	-	(15,000)	-	-	-	10,000
Shares issued to Phil Scott 12/2/2008	5,000,000	5,000	-	-	(3,000)	-	-	-	2,000
Shares issued to Doug Warner 12/31/2008	20,000,000	20,000	-	-	(16,000)	-	-	-	4,000
Shares issued to Rodger Spainhower 12/31/2008	50,000,000	50,000	-	-	(40,000)	-	-	-	10,000
Shares issued to Philip Parsons 12/31/2008	50,000,000	50,000	-	-	(40,000)	-	-	-	10,000
Shares issued to Tamara Atwell 12/31/2008	50,000,000	50,000	-	-	(40,000)	-	-	-	10,000
Shares issued to George Jackson 12/31/2008	30,000,000	30,000	-	-	(24,000)	-	-	-	6,000
Shares issued to Robert Atwell 12/31/2008	350,000,000	350,000	-	-	(280,000)	-	-	-	70,000
Shares issued to Phil Scott 12/31/2008	10,000,000	10,000	-	-	(8,000)	-	-	-	2,000
Shares issued to Vince Monaco 12/31/2008	50,000,000	50,000	-	-	(40,000)	-	-	-	10,000
Shares issued to Chris Flannery 12/31/2008	50,000,000	50,000	-	-	(40,000)	-	-	-	10,000

Camelot Entertainment Group, Inc.

(A Development Stage Company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT) - continued

For the Period from January 1, 2004 to December 31, 2008

	Common Stock Shares	Common Stock Amount	Preferred Stock Shares	Preferred Stock Amount	Additional Paid-In Capital	Deficit Accumulated During Development Stage	Subscriptions Received	Deferred Compensation	Stockholders' Deficit	Total
Shares issued to Shares to NIR										
10/1/2008	799,000	799	-	-	623	-	-	-		1,422
Shares issued to NIR										
10/3/2008	799,000	799	-	-	463	-	-	-		1,262
Shares issued to NIR										
10/8/2008	799,000	799	-	-	(16)	-	-	-		783
Shares issued to NIR										
10/13/2008	799,000	799	-	-	(656)	-	-	-		143
Shares issued to NIR										
10/14/2008	799,000	799	-	-	(975)	-	-	-		(176)
Shares issued to NIR										
10/16/2008	799,000	799	-	-	(975)	-	-	-		(176)
Shares issued to NIR										
10/27/2008	799,000	799	-	-	(975)	-	-	-		(176)
Shares issued to NIR										
10/31/2008	799,000	799	-	-	(991)	-	-	-		(192)
Shares issued to NIR										
11/5/2008	799,000	799	-	-	(991)	-	-	-		(192)
Shares issued to NIR										
11/7/2008	799,000	799	-	-	(991)	-	-	-		(192)
Shares issued to NIR										
11/10/2008	799,000	799	-	-	(991)	-	-	-		(192)
Shares issued to NIR	799,000	799	-	-	(987)	-	-	-		(188)

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

11/11/2008									
Shares issued to NIR									
11/14/2008	799,000	799	-	-	(991)	-	-	-	(192)
Shares issued to NIR									
11/14/2008	1,350,000	1,350	-	-	(1,675)	-	-	-	(325)
Shares issued to NIR									
11/18/2008	1,350,000	1,350	-	-	(1,675)	-	-	-	(325)
Shares issued to NIR									
11/19/2008	1,350,000	1,350	-	-	(1,675)	-	-	-	(325)
Shares issued to NIR									
11/20/2008	1,350,000	1,350	-	-	(1,648)	-	-	-	(298)
Shares issued to NIR									
11/21/2008	3,000,000	3,000	-	-	(3,660)	-	-	-	(660)
Shares issued to NIR									
11/25/2008	3,000,000	3,000	-	-	(3,660)	-	-	-	(660)
Shares issued to NIR									
11/26/2008	4,372,000	4,372	-	-	(5,421)	-	-	-	(1,049)
Shares issued to NIR									
12/1/2008	8,341,000	8,341	-	-	(10,177)	-	-	-	(1,836)
Shares issued to NIR									
12/8/2008	8,341,000	8,341	-	-	(10,344)	-	-	-	(2,003)
Shares issued to NIR									
12/23/2008	10,000,000	10,000	-	-	(12,402)	-	-	-	(2,402)
Shares issued to NIR									
12/30/2008	24,725,000	24,723	-	-	(33,177)	-	-	-	(8,455)
Net Loss						(428,575)			(428,575)
Balance at December 31, 2008	1,563,669,608	1,563,670	-	-	13,070,152	(16,705,021)	-	-	(2,071,199)

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

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Statements of Cash Flows

	For Year Ended, December 31, 2008	For Year Ended, December 31, 2007	From Inception on April 21, 1999 through December 31, 2008
OPERATING ACTIVITIES			
Net loss:	\$ (428,575)	\$ (2,103,235)	\$ (16,705,021)
Adjustments to reconcile net loss to cash used in operating activities:			
Amortization of deferred financing costs and discounts on notes payable	344,987	294,447	641,211
Imputed interest on related party advances	17,000	2,246	38,484
Gain on change of derivative liabilities	(1,404,052)	(478,480)	(1,245,251)
Common stock issued for interest expense	138,450	430,309	703,909
Common stock issued per dilution agreement	-	-	368,508
Value of options expensed	-	-	351,000
Gain on extinguishment of debt	-	-	(255,500)
Depreciation	-	-	3,997
Amortization of deferred compensation	-	-	1,538,927
Common stock issued for services	363,138	657,494	3,554,567
Common Stock issued for related party services	-	-	22,000
Common Stock issued for technology	-	-	19,167
Impairment of investments in other companies	-	-	710,868
Impairment of assets	129,700	17,500	2,758,060
Prepaid services expensed	-	-	530,000
Expenses paid through notes payable proceeds	-	-	66,439
Loss on disposal of property and equipment	-	-	5,854
Preferred stock issued to shareholder	-	-	3,366,000
Change in assets and liabilities:			
(Increase) decrease in prepaids and other current assets	4,691	-	(2,167)
Increase (decrease) in accounts payable and accrued liabilities	173,993	36,374	558,183
Increase (decrease) in due to officers	633,300	350,000	983,300
Cash used in operating activities	(27,368)	(793,345)	(1,987,465)
Cash flows from investing activities:			
Purchase of fixed assets	-	-	(6,689)
Purchase of scripts and deposits	-	(43,900)	(129,700)
Cash used in investing activities	-	(43,900)	(136,389)
Cash flows from financing activities:			
Contributed capital	-	-	25,500
Proceeds from related party note payable	-	300,000	1,316,613

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

Payments on related party note payable	(20,652)	-	(145,652)
Proceeds from note payable	150,000	400,000	1,317,998
Payments on notes payable	-	(250,000)	(254,477)
Deferred financing costs	-	(13,000)	(88,000)
Advances from shareholder	40,737	235,125	275,862
Payments on shareholder advances	(142,664)	(270,291)	(412,955)
Cash provided by financing activities	27,421	401,834	2,034,889
Increase (decrease) in cash	53	(435,411)	(88,965)
Cash at beginning of year	122	435,533	1,140
Cash at the end of the year	\$ 175	\$ 122	\$ (87,825)
Supplemental cash flow information:			
Cash paid for interest	\$ -	\$ -	
Cash paid for income taxes	\$ -	\$ -	
Non-cash investing and financing transactions:			
Stock issued for related party liabilities	\$ -	\$ 16,078	\$ 248,581
Creation of additional debt discount	\$ -	\$ 320,315	\$ 920,315
Stock issued for debt conversion	\$ 101,560	\$ 56,448	\$ 158,008
Derivative liability relieved by conversion	\$ 19,722	\$ 48,399	\$ 68,121
Accrued interest converted into convertible notes payable	\$ 144,143	\$ -	\$ 144,143
Accrued salaries relieved with issuance of common stock	\$ 261,300	\$ -	\$ 261,300
Stock issued per finance agreement	\$ -	\$ -	\$ 500,000

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

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Camelot Entertainment Group, Inc. (the “Company” or “Camelot”), a Delaware corporation, is a film, television, digital media and entertainment company. Camelot Entertainment Group has limited operations and thus is classified as a development stage company. Due to the unexpected termination of its agreement to develop Camelot Studios at Advanced Technology and Education Park (“ATEP”) in August, 2008, management has been in the process of restructuring its organization in order to focus on its core business objectives, which include the development, production and distribution of feature film, television, home video and digital media production. As a result, during the third and fourth quarters of 2008, the Company’s operations were severely limited as it went through the restructuring process. It did not generate any revenues during 2008, and due to its limited operations and the long-term revenue cycle of the film business in general, it does not expect to generate any significant revenues in 2009. The Company’s ability to develop sustained operations and to generate revenues is to a great extent dependent upon successful completion of its planned funding activities during 2009 and beyond. Failure to complete its funding objectives as discussed herein could have a material adverse effect on Camelot’s ability to sustain its limited operations.

Management believes that the direction the Company is now taking will allow it to fully implement its business plan and as a result make progress toward sustaining operations in 2009. Camelot’s business model classifies its planned operations into the following three major divisions:

- Camelot Film and Media Group, consisting principally of feature film, television, home video, and digital media production and distribution;
- Camelot Studio Group, consisting principally of site acquisition, design, development and operation of Camelot Studio locations domestically and internationally;
- Camelot Production Services Group, consisting principally of consulting, education, finance, production support and technology services.

At December 31, 2008, the Company had reduced its corporate staff to a total of three full time and part time employees and approximately four consultants which provides services to the Company on an as needed basis. The Company also retains independent contractors on a project by project basis to reduce its overhead. While Camelot’s main activity during the past three years had been centered within the Camelot Studio Group division during the third and fourth quarter of 2008, the Company refocused its development activities within the Camelot Film and Media Group division. While Camelot continued to pursue potential studio sites within its Camelot Studio Group division, it had very limited operations in its Camelot Production Services Group division during 2008. The Company reduced the size of its physical office space, moving its headquarters to Irvine, California during the first quarter of 2009.

Since March 31, 2003, Camelot’s activities have consisted of developing and implementing its business plan, securing operating capital, building a management team, acquiring and developing literary properties for its Camelot Film Group division, structuring its Camelot Studio Group division and embarking on its first studio project “Camelot Studios at ATEP”, obtaining and processing intellectual property rights, and entering into various ventures, consulting agreements and alliances with affiliates and third-party providers. Camelot has substantially relied on funding provided by its Chairman, Robert P. Atwell, and his affiliated companies, including The Atwell Group, Inc. and Eagle Consulting Group, Inc. and Scorpion Bay, LLC; funding provided by the “NIR SB-2 Transactions”, including the affiliated note holders; and funding provided by other directors, consultants and stockholders.

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Notes to Financial Statements

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

The Company's activities prior to becoming Camelot in 2003, going back to inception, consisted of raising capital, recruiting a management team and entering into ventures and alliances with affiliates. The Company, prior to Camelot, substantially relied on issuing stock to officers, directors, professional service providers and other parties in exchange for services and technology.

Basis of Presentation

Camelot is considered to be a development stage enterprise as defined in Statement of Financial Accounting Standards ("SFAS") No. 7, "Accounting and Reporting by Development Stage Enterprises." Consequently, Camelot has presented these financial statements in accordance with that Statement, including losses incurred from April 21, 1999 (Inception) to December 31, 2008. The Company has not presented the statement of stockholders' deficit for the year ended December 31, 2008, as the significant transactions relate to the issuance of common stock issued for services and conversions of debt which are described elsewhere in the document.

Cash and Cash Equivalents - Camelot considers all investment instruments purchased with maturities of three months or less to be cash equivalents

Script Costs - Camelot capitalizes costs it incurs to buy or develop scripts that will later be used in the production of films according to the guidelines in Statement of Position ("SOP") SOP 00-2. During 2008, Camelot expensed all script costs previously capitalized of \$79,700 as the scripts were not in production and had been outstanding in excess of three years.

Income Taxes - 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 bases. Deferred tax assets 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. Due to historical net losses, a valuation allowance has been established to offset the deferred tax assets.

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes— an interpretation of FASB Statement No. 109 ("FIN 48)". FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. FIN 48 describes a recognition threshold and measurement attribute for the recognition and measurement of tax positions taken or expected to be taken in a tax return and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The cumulative effect of adopting FIN 48 is required to be reported as an adjustment to the opening balance of retained earnings (or other appropriate components of equity) for that fiscal year, presented separately. The adoption of FIN 48 did not have a material impact to the Company's financial statements.

Financial Instruments - Financial instruments consist primarily of obligations under accounts payable and accrued expenses, related party notes payable, convertible notes payable and derivative liabilities. The carrying amounts of accounts payable and accrued expenses approximate fair value because of the short maturity of those instruments. The carrying value of related party notes payable, convertible notes payable and derivative liabilities approximate fair value because they contain market value interest rates and have specified repayment terms. Camelot has applied

certain assumptions in estimating these fair values. The use of different assumptions or methodologies may have a material effect on the estimates of fair values.

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

F-13

Camelot Entertainment Group, Inc.
 (A Development Stage Company)
 Notes to Financial Statements

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

Stock-Based Compensation - Prior to December 31, 2005, Camelot accounted for stock based compensation under SFAS No. 123 "Accounting for Stock-Based Compensation" as permitted under this standard; compensation cost was recognized using the intrinsic value method described in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". Effective December 15, 2005, Camelot adopted SFAS No. 123 (Revised 2004), "Share-Based Payment", and applied the provisions of the Securities and Exchange Commission Staff Accounting Bulletin No. 107 using the modified-prospective transition method. Camelot had not issued any options to employees in the prior periods thus; there was no impact of adopting the new standard.

Impairment of Long-lived Assets - Impairment of long-lived assets is assessed by the Company whenever there is an indication that the carrying amount of the asset may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted cash flows generated by those assets to the assets' net carrying value. The amount of impairment loss, if any, is measured as the difference between the net book value of the assets and the estimated fair value of the related assets.

Modifications to Convertible Debt - The Company accounts for modifications of ECFs in accordance with EITF 06-6 "Debtors Accounting for a Modification (or exchange) of Convertible Debt Instruments". EITF 06-6 requires the modification of a convertible debt instrument that changes the fair value of an ECF be recorded as a debt discount and amortized to interest expense over the remaining life of the debt. If modification is considered a substantial (i.e. greater than 10% of the carrying value of the debt), an extinguishment of the debt is deemed to have occurred, resulting in the recognition of an extinguishment gain or loss.

Equity Instruments Issued with Registration Rights Agreement - The Company accounts for registration rights agreement penalties as contingent liabilities, applying the accounting guidance of FASB No. 5. This accounting is consistent with views established by the Emerging Issues Task Force ("EITF") in its consensus set forth in FASB Staff Positions FSP EITF 00-19-2 "Accounting for Registration Payment Arrangements", which was issued December 21, 2006. Accordingly, the Company recognizes the damages when it becomes probable that they will be incurred and amounts are reasonably estimable. As of December 31, 2008, the Company does not believe damages related to these rights are probable, and thus, an accrual has not been recorded.

Earnings (Loss) per Share - Basic earnings (loss) per share are based on the weighted average number of shares of common stock outstanding during the period. Diluted earnings (loss) per share also includes the effect of stock options, other common stock equivalents outstanding during the during the period, and assumes the conversion of the Company's Series A, B and C preferred stock and conversion of convertible notes payable for the period of time such stock and notes were outstanding, if such preferred stock and convertible notes are dilutive. For the year ended, December 31, 2008, dilutive securities on a fully converted basis would cause the Company to be in excess of their authorized shares of 2,950,000,000. Thus, the dilutive earnings per share for year ended December 31, 2008 is limited to the amount of common stock authorized by the Company's stockholders.

The following table sets forth the computation of the numerator and of basic and diluted loss per share for the year ended December, 2008 and 2007. There were no adjustments to the denominator. The following items were anti-dilutive and thus excluded from the calculation.

December	December
31, 2008	31, 2007

Weighted average common shares outstanding		
Used in calculating basic loss per share	88,613,681	6,294,927
Effect of dilutive convertible preferred stock convertible notes and warrants	2,861,386,319	1,647,151
Weighted average common shares outstanding used in		
Calculating diluted loss per share	2,950,000,000	7,942,078

As of December 31, 2008, the Company has only 2,950,000,000 shares authorized, thus the effects of convertible preferred stock and notes into common stock are limited to the amount authorized by the Company's stockholders.

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Notes to Financial Statements

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 141(R), “Business Combinations” (“SFAS 141(R)”), which replaces FAS 141. SFAS 141(R) establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. FAS 141(R) is to be applied prospectively to business combinations.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51” (“SFAS 160”), which addresses the accounting and reporting framework for minority interests by a parent company. SFAS 160 also addresses disclosure requirements to distinguish between interests of the parent and interests of the noncontrolling owners of a subsidiary. SFAS 160 will become effective beginning with our first quarter of 2009. The Company does not expect SFAS No. 160 will have a material impact on its financial statements.

In March 2008, the FASB, affirmed the consensus of FASB Staff Position (FSP) APB No. 14-1 (APB 14-1), “Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement),” which applies to all convertible debt instruments that have a net settlement feature; which means that such convertible debt instruments, by their terms, may be settled either wholly or partially in cash upon conversion. FSP APB 14-1 requires issuers of convertible debt instruments that may be settled wholly or partially in cash upon conversion to separately account for the liability and equity components in a manner reflective of the issuer’s nonconvertible debt borrowing rate. Previous guidance provided for accounting for this type of convertible debt instrument entirely as debt. FSP APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. . The Company is currently evaluating the impact of this standard on our financial statements.

In May 2008, the FASB issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles.” SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (the “GAAP hierarchy”). SFAS No. 162 will become effective 60 days following the Security and Exchange Commission’s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, “The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles.” The Company does not expect the adoption of SFAS No. 162 to have a significant impact on our financial statements.

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Notes to Financial Statements

2. GOING CONCERN

The accompanying financial statements have been prepared assuming that Camelot will continue as a going concern. During the year ended, December 31, 2008, Camelot had no revenue producing operations; a negative working capital of \$1,420,275 and an accumulated deficit from Inception of \$16,705,021. These conditions raise substantial doubt about Camelot's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the classification of liabilities that may result from the outcome of this uncertainty.

Management's plans with respect to the current situation consist of restructuring its debt, seeking additional financial resources from its existing investors, note holders, debt holders, officers, directors (past and present) and its CEO Robert Atwell. In addition, the Company is planning a major capital raising effort during the second quarter of 2009. However, especially due to the current worldwide economic conditions, there can be no assurances that our efforts will be successful. If current conditions persist, the Company may have to delay its planned major capital raising efforts. During the year ended December 31, 2008, the Company sold 2% of its interest in CDG for \$200,000 and this money was used fund Camelot Entertainment Group's operating expenses and used to reduce related-party payables. During the year ended December 31, 2008, the Company issued \$160,000 in secured notes payable to fund operations. See Note 4 for additional information.

3. INVESTMENT

On November 5, 2007, Camelot Development Group, LLC ("CDG"), which on that date was owned 100% by Camelot, entered into an Operating Agreement known as Camelot Development Tustin ("CDT") with Janez Investments XI Tustin, LLC ("Janez"), for the purpose of master developing the ATEP in Tustin, California and the subsequent acquisition of real property through a ground lease with the South Orange County Community College District ("SOCCCD") in order to develop and build Camelot's first major studio complex which is planned to be located at ATEP campus ("Project"). Under the terms of the Operating Agreement, Camelot has been credited with an initial investment of \$1,500,000 into the Project, representing previous expenditures made by Camelot. Janez is obligated under the terms of the CDT Agreement contribute cash to CDT in the sum of \$1,500,000 as and when necessary to pay for predevelopment costs or acquisition expenses as set forth in the Business Plan for the Project. In addition, Camelot will be responsible for one half of future expenditures once Janez \$1,500,000 contribution has been extinguished. As of December 31, 2008, Camelot has terminated its involvement in the CDT project following a request by Janez to restructure the Operating Agreement. This request has resulted in the CDT project being mutually terminated by Camelot and the SOCCCD.

The Company accounted for the investment under the equity method of accounting. The Company did not record an initial investment in CDG as the intangible asset transferred could not be stepped up in basis because it did not have an ascertainable value nor can it be guaranteed that the asset will be ultimately recovered. In addition, the Company and Janez will be paid for their services from CDG. Total development costs by CDG during the year ended December 31, 2008, were \$304,277 of which \$146,053 was attributable to the Company. Due to the zero basis in the investment, the Company did not record any of the losses in the accompanying statement of operations in 2008. As of December 31, 2008, the project has been terminated. In connection with the termination, the Company expensed the \$50,000 deposit that had been previously paid.

In January 2008, the Company agreed to sell up to 30% of its interest in CDG to Camelot Studio Investors, LLC ("CSI") for up to \$3,000,000 on an as needed basis. In addition, CSI receives 1,000 shares of our \$0.001 par value Series C

Convertible Preferred Stock for each one half of one percent (.05%) of CDG purchased by CSI. Under this agreement 11,500 Series C Preferred Stock shares were issued. The managing member of CSI is Scorpion Bay, LLC, which is managed by Timothy Wilson, one of our previous directors, who resigned in May 2008. The proceeds from the sale were to be utilized to retire debt and to fund operations. During the year ended December 31, 2008, the Company sold 2% of its interest for \$200,000 in cash and another 3% for additional debt converted into shares. At December 31, 2008, the Company investment in CDG is not relevant since the CDT project has been terminated. The Company's investment in CDG will only become relevant in the future as additional studio projects are brought on-line by CDG.

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Notes to Financial Statements

4. CONVERTIBLE NOTES PAYABLE

2006 and 2007 Convertible Notes Payable

On December 27, 2006, Camelot issued a callable secured convertible note payable for \$1,000,000 to various holders. Camelot received the proceeds in two tranches: \$600,000 gross proceeds were received in December 2006 and \$400,000 in gross proceeds was received in June 2007 when the required registration statement was deemed effective. The note payable provided for annual interest at 8%, was secured by all of the assets of the Company, and matures on December 27, 2009. The principal and accrued interest of the note is convertible into Camelot's common stock at a variable conversion price, which is 50% of the average market price of the common stock of the lowest three trading days prior to the date of conversion. In addition, these notes have registration rights agreements, which call for liquidated damages in the event an effective registration statement is not filed within a timely basis. In addition, the holders of these notes and the placement agent were issued seven-year warrants to purchase 105,826 common shares at an exercise price of \$15.00 per share. The warrants were issued in connection with the first tranche received.

Camelot evaluated the notes and warrants under SFAS 133 "Accounting for Derivative Instruments and Hedging Activities" and EITF 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" and determined that the notes contained compound embedded derivative liabilities. The warrants were also determined to be liabilities under SFAS 133 and EITF 00-19. Camelot determined that the compound embedded conversion features required bi-furcation from the note instrument and required an estimate of its fair market value. The fair market value of the compound embedded derivative was estimated using a lattice model incorporating weighted average probability cash flow. The fair market value of the warrants was estimated using the Black Scholes model.

On August 14, 2008, in connection with a subsequent funding discussed below, the Company modified the interest rate to 10% and the discount on conversion to 50%. The Company determined that this modification was considered "significant" and thus qualified the note for extinguishments under EITF 06-6. Thus, the Company accounted for the extinguishment of the convertible notes, warrants and embedded conversion feature in accordance with APB 26. In accordance with these provisions, the Company recorded a non-cash loss on the extinguishment based on the difference between the fair value of the new instruments issued and the difference between the carry value and stated value of the convertible debt and fair value of the derivative liabilities immediately prior to extinguishment. In connection with the modification, the Company recorded an extinguishment loss of \$211,212 which is recorded in the gain on derivative liability on the accompanying statement of operations

2008 Convertible Notes Payable

On August 14, 2008, Camelot issued a callable secured convertible note payable for \$160,000 to various holders. Camelot received the proceeds in August and September 2008. The note payable provided for annual interest at 10%, was secured by all of the assets of the Company, and matures on May 10, 2011. The principal and accrued interest of the note is convertible into Camelot's common stock at a variable conversion price which is 50% of the average market price of the common stock of the lowest three trading days prior to the date of conversion. At no time can their aggregate holdings exceed 4.99%. The proceeds were used for working capital purposes and advances from related parties. In addition, the investors shall receive 20,000,000 cashless warrants at an exercise price of \$0.01 which expire in seven years.

Camelot evaluated the notes and warrants under SFAS 133 “Accounting for Derivative Instruments and Hedging Activities” and EITF 00-19 “Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock” and determined that the notes contained compound embedded derivative liabilities.

The warrants were also determined to be liabilities under SFAS 133 and EITF 00-19. Camelot determined that the compound embedded conversion features required bifurcation from the note instrument and required an estimate of its fair market value. The fair market value of the compound embedded derivative was estimated using a lattice model incorporating weighted average probability cash flow. The fair market value of the warrants was estimated using the Black Scholes model.

F-17

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Notes to Financial Statements

4. CONVERTIBLE NOTES PAYABLE - continued

2008 Accrued Interest Converted into Convertible Notes Payable

During 2008, Camelot converted accrued interest of \$144,143 into callable secured convertible notes payable. The notes payable provided for annual interest at __%, was secured by all of the assets of the Company, and matures three years from the date of issuance of January 31, 2011 and December 30, 2011. The principal of the note is convertible into Camelot's common stock at a variable conversion price which is 50% of the average market price of the common stock of the lowest three trading days prior to the date of conversion. At no time can their aggregate holdings exceed 4.99%.

Camelot evaluated the notes and warrants under SFAS 133 "Accounting for Derivative Instruments and Hedging Activities" and EITF 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" and determined that the notes contained compound embedded derivative liabilities.

Conversions and Valuation of Derivative Liabilities Issued with 2006, 2007 and 2008 Convertible Notes

As of December 31, 2008, Camelot estimated the fair value of the derivatives liabilities to be a total of \$336,338 resulting in gain on derivative liability presented in the statement of operations for the year ended December 31, 2008 of \$646,689. As of December 31, 2007, Camelot estimated the fair value of the derivatives liabilities to be a total of \$593,420 resulting in gain on derivative liability presented in the statement of operations for the year ended December 31, 2007 of \$925,788. In addition, Camelot amortized \$201,551 and \$294,447 of the discount on the convertible note payable to interest expense during the years ended December 31, 2008 and 2007, respectively. As of December 31, 2008 and 2007, the principal balances of the notes were \$1,205,719 and \$943,732, respectively.

At December 31, 2008 and 2007, the fair market value of the compound embedded derivative was estimated using a lattice model incorporating weighted average probability cash flow. The valuation was calculated using a lattice model with the following assumptions at December 31, 2008, the stock price would increase in the short term at the cost of equity with a 250% volatility, there was a 95% probability the Company would not be in default of its registration requirements, assuming an event of default occurring 50% of the time increasing .10% per month, reset events projected to occur 5% of the time at an exercise price of \$0.004, the holder would automatically convert at a stock price of \$0.20 if the registration was effective and the Company was not in default, the Company would trigger redemption of the note when available at a stock price of \$0.10 or higher, alternative financing would be initially available to redeem the note and start to increase monthly by 10% of the notes to a maximum of 75% and the trading volume would increase at 1% per month. The valuation was calculated using a lattice model with the following assumptions at December 31, 2007, the stock price would increase in the short term at the cost of equity with a 150% volatility, there was a 95% probability the Company would not be in default of its registration requirements, assuming an event of default occurring 5% of the time increasing .10% per month.

At December 31, 2008, the fair market value of the warrants was estimated using Black Scholes with the major assumptions of (1) calculated volatility of 250%; (2) expected term of five years; (3) risk free rate of 9% and (4) expected dividends of zero. At December 31, 2007, the fair market value of the warrants was estimated using Black Scholes with the major assumptions of (1) calculated volatility of 200%; (2) expected term of six years; (3) risk free rate of 3.45% and (4) expected dividends of zero.

During the years ended December 31, 2008 and 2007, the holders of convertible notes converted \$39,310 and \$56,448 resulting in the issuance of 79,483,200 and 137,707 shares of common stock, respectively. Upon conversion, the Company reclassified approximately \$19,722 and \$48,399 of the compound derivative to additional paid-in capital, respectively.

F-18

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Notes to Financial Statements

4. CONVERTIBLE NOTES PAYABLE - continued

In the event of full conversion of the aggregate principal amount of the notes of \$1,205,719 as of December 31, 2008, we would have to issue a total of 24,114,380,000 shares of common stock, which exceeds our authorized shares of 5,950,000,000. However, due to contractual limitations, the most that could be converted in any singular conversion is approximately 280,000,000 shares, or 4.99% of the outstanding. In addition, there are contractual limitations that could be imposed by Camelot that would result in the inability of the note holders to convert during any given 30-day period. There is no limit to the number of shares that Camelot may be required to issue upon conversion of the notes, as it is dependent upon Camelot's share price, which varies from day to day. This could cause significant downward pressure on the price of Camelot's common stock.

Future minimum principal payments due under convertible notes payable for the year ended December 31 are as follows: 2009 - \$486,576; 2010 - \$400,000; 2011 - \$319,143.

Transfer of Notes Payable

On August 28, 2008, the Company's CEO entered into an agreement with a third party to assume \$25,000 of amounts due to him from the Company. Under the terms of the agreement, the note accrues interest at 15%, is due in one year, and is convertible at 50% of the average market price of the common stock of the lowest three trading days prior to the date of conversion. Due to the significant changes to the term of the loan the Company treated the modification as an extinguishment. There was no impact on the financial statements. On September 30, 2008, the third party converted \$10,000 of the note into 2,000,000 shares of common stock. In connection of the issuance, the Company recorded fair value of amounts in excess of note relieved of \$12,000.

See Note 8 for additional amounts assigned by the CEO to third parties in which were immediately converted to shares of common stock.

Scorpion Bay, LLC

On June 15, 2007, we entered into a loan agreement with Scorpion Bay, LLC ("Scorpion"), whereby Scorpion loaned Camelot \$300,000 in three tranches of \$100,000 each on June 15, July 15 and August 15, 2007. Interest on the loan was payable in 30,000 shares of Camelot's common stock. The shares were issuable in 10,000 share increments at each tranche. Camelot valued the common stock with an average price per share of \$1.60 totaling \$47,600 based upon the fair market value of the shares at each tranche. The loan was due and payable on November 15, 2007. The loan was secured with a blanket note and second deed of trust on real property owned by Robert and Tamara Atwell ("Atwell"). In the event the loan was not paid by the due date, the note could be extended for a period of 30 days at Scorpion's option for 7,500 shares of common stock. On or about October 25, 2007, Scorpion transferred the note to the real property held by Atwell. In turn, Atwell assumed the \$300,000 note with the Company. (see Note 6) In connection with this transfer, Scorpion and a related entity of theirs received a total of 130,000 shares of common stock. The Company valued the common shares at \$39,000, or \$0.30 per share, based upon the market price at the time.

On November 21, 2006, Camelot entered into a loan agreement with Scorpion, whereby Scorpion loaned Camelot \$250,000 due on March 22, 2007. Interest was payable in the form of 5,000 common shares. Scorpion received a total of 15,000 shares upon issuance of the loan with a fair market value of \$135,150 which was recorded as interest expense during the year ended December 31, 2006. The loan was secured with a blanket note and second deed of trust on real property owned by Robert and Tamara Atwell. In the event the loan was not paid by the due date, the note

could be extended by Scorpion at a cost of 15,000 common shares for the first 30 day extension, 20,000 common shares for the second 30 day extension, 25,000 common shares for the third 30 day extension and so forth. The note was paid in full on June 5, 2007. Due to the extensions, Scorpion received a total of 60,000 shares during the year ended December 31, 2007, with an average price per share of \$4.90, in the amount of \$294,000 and recorded as interest expense.

On November 23, 2007, Scorpion entered into a loan agreement with Love Bug Management Corp. ("Love Bug"), an entity owned by Atwell, whereby Scorpion loaned Love Bug \$100,000. The proceeds were used for Atwell and Camelot expenses. As a result of this loan, Atwell paid approximately \$36,000 in direct Camelot expenses, which have been included in the amounts payable to Atwell at December 31, 2007. The loan was secured with a blanket note and second deed of trust on real property owned by Robert and Tamara Atwell and was not guaranteed by Camelot. Scorpion received 47,000 shares of the Company's common stock in connection with the loan and events related thereto. The Company valued the shares at \$19,928 based on \$0.40, market price on the date of issue.

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Notes to Financial Statements

5. INCOME TAXES

At December 31, 2008, Camelot determined that the federal and state net operating loss carryforwards were not significant due to potentially significant limitations as defined in Section 382 of the Internal Revenue code. Thus, at December 31, 2008, the Company has reversed the deferred tax assets and valuation allowance as a result of the expected limitation. The deferred tax assets at December 31, 2007 consisted of net operating loss carry forwards of \$1,367,634. During the years ended December 31, 2008 and 2007, the valuation allowance decreased by \$1,367,634 and increased by \$745,671.

6. RELATED PARTY TRANSACTIONS

Accrued Salaries

At December 31, 2008 and 2007, the Company has accrued \$722,000 and \$350,000 in compensation to its current officers, respectively. The amount due to officers includes: Robert Atwell, \$511,000 and \$250,000; and to George Jackson, \$211,000 and \$100,000, respectively.

Advances from Affiliates

During the year ended, December 31, 2008, the Company received \$40,737 in advances from either the CEO or affiliated company controlled by the CEO, compared to \$235,125 in advances for year ended December 31, 2007. During the year ended December 31, 2008, the Company paid \$142,664 of these amounts, leaving a balance due of \$22,830 at December 31, 2008. During the year ended December 31, 2007, the Company paid \$270,290 of these amounts, issued 4,019 with a market value of \$16,078, leaving a balance due of \$134,757 at December 31, 2008. Imputed interest recorded during the years ended December 31, 2008 and 2007, related to the advances by the affiliate were \$1,763 and \$2,246, respectively.

Robert Atwell

In October 2007, the \$300,000 note payable due to the Scorpion Bay, LLC was transferred to property owned by Robert Atwell in which secured the note payable. The note is due on demand and incurs interest at 6%. During the year ended, December 31, 2008, the Company accrued \$17,000 in interest expense. See Note 5 and 8 for assignment of portions of this note to various third parties. As of December 31, 2008 and 2007, amounts outstanding under the note were \$215,598 and \$300,000, respectively.

Scorpion Bay, LLC

Timothy Wilson ("Wilson"), one of our previous directors (resigned in May 2008) and a stockholder of the Company, is the managing member of Scorpion Bay, LLC ("Scorpion"), which owns 50% of JIT. Wilson is also the managing member of CSI and PSP. See Note 3, 7 and 9 for transactions.

Issuances of Preferred and Common Stock

See Note 7 and 9 for description of preferred and common stock issued to related parties.

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Notes to Financial Statements

6. RELATED PARTY TRANSACTIONS - continued

Other 2007 Related Party Transactions

The following transactions are for year ended December 31, 2007. All transactions are incorporated by reference and can be found through our previous filings:

Camelot Studio Group

Camelot Studio Group (“CSG”), one of our major divisions, is in the process of developing its first major studio facility, currently known as Camelot Studios at ATEP, as part of the Advanced Technology and Education Park (“ATEP”) in Tustin, California. As part of that process, CSG formed Camelot Development Group, LLC (“CDG”) which is a 50% joint venture partner with Janez Investments XI Tustin, LLC (“JIT”) in Camelot Development Tustin, LLC (“CDT”). CDT was negotiating with the South Orange County Community College District (“SOCCCD”) to be the master developer for the ATEP project, including Camelot Studios at ATEP. To date, the Company has invested approximately \$2,600,000 in the Camelot Studios at ATEP project since the Company began the process of locating CSG’s first studio facility at the Tustin site in September 2005. As of December 31, 2008, Camelot has terminated its involvement in the CDT project following a request by Janez to restructure the Operating Agreement. This request has resulted in the CDT project being mutually terminated by Camelot and the SOCCCD. See Note 3 for additional information.

Timothy Wilson (“Wilson”), a former directors and a former major stockholder of the Company, is the managing member of Scorpion Bay, LLC (“Scorpion”), which owns 50% of JIT. Wilson is also the managing member of CSI and PSP. Jeff Zuckerman (“Zuckerman”), former directors and a former significant stockholder of the Company, is Senior Vice-President of Janez Group (“Janez”), which is a 50% owner of JIT. John Kocmur (“Kocmur”), was previously a 5% or more beneficial owner of our common stock, is President of Janez.

Share Issuance Agreement

On October 25, 2007, the Company entered into a Share Issuance Agreement (“SIA”) with Zuckerman, Kocmur and Scorpion (“JJT”). According to the terms and conditions of the SIA, as additional consideration for Janez becoming a joint venture partner with CDG, and in consideration for additional business development and consulting efforts provided by JJT, JJT received 800,000 shares of our common stock. 200,000 shares were issued to Zuckerman, 200,000 shares were issued to Kocmur and 400,000 shares were issued to Scorpion. In addition, Zuckerman, Wilson and Joseph Petrucelli were nominated to serve on our Board of Directors. The parties also agreed on a common stock structure which provides JJT and Robert P. Atwell, our Chairman (“Atwell”) with anti-dilution protection. Further, the SIA directs the Company to seek stockholder approval to increase the authorized shares of the common stock to 400,000,000 and increase the Board of Directors from five to seven members. Upon the cancellation of the ATEP project, the agreement was cancelled.

Eagle Consulting Group

We entered into an agreement with Eagle Consulting Group, Inc. (“Eagle”) on March 28, 2003, to provide operational funding for the Company, which expires on March 28, 2008. Atwell is the Chairman of Eagle. Eagle is now part of The Atwell Group, owned by Atwell. In exchange for twenty percent (20%) of the Company’s outstanding common stock on a non-dilutive, continuing basis until the Company can secure additional financing from another source,

Eagle has agreed to provide funding for the Company's annual audit, quarterly filings, accounts payable and other ongoing expenses including office, phones, business development, legal and accounting fees. In addition, Eagle received an option to receive 20,000 cashless options to purchase common shares at \$0.03 per share. For each one dollar (\$1) increase in the price of the Company's stock, Eagle shall be entitled to receive an additional two million options throughout the term of the agreement. In addition, the Company shall have the first right of refusal to purchase the options from Eagle for the current market value once Eagle notifies the Company that it intends to exercise the options. In the event the Company elects not to exercise this first right of refusal, and subject to applicable laws, Eagle shall be entitled to exercise the sale of shares or options immediately thereafter. As of December 31, 2008 and 2007, Eagle has not exercised its right to receive the options and therefore no options have been granted.

F-21

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Notes to Financial Statements

6. RELATED PARTY TRANSACTIONS - continued

On June 5, 2007, the Company completed its funding transaction with NIR and its note holders, whereby the note holders have invested monies into the Company, thereby ending the agreement with Eagle. The total stock to be issued in connection with the NIR funding has yet to be determined as the note holders have not yet completed their conversions. Upon completion of the NIR conversions, the total amount of additional stock due Eagle under the terms of the agreement shall be determined and issued to Eagle with an effective date of June 5, 2007, the date the funding agreement with NIR was completed.

For 2007, Eagle has advanced to the Company a total, including interest, of \$170,747, which covered part of our operating expenses for 2007, including general and administrative costs, costs for screenplays and prepaid exhibitor's space. We have not issued Eagle any shares of common stock for repayment of expenses advanced on behalf of the Company. These advances are recorded under the advances payable to related party.

The Atwell Group

We utilize office space provided by The Atwell Group, Inc., a privately-held company owned by Mr. Atwell, our President, Chief Executive Officer and Chairman. The space is leased on an annual basis for \$72,000 per year. The current lease expires on December 31, 2009. In addition, The Atwell Group, The Corporate Solution and Love Bug Management Corp., all of which are owned by Mr. Atwell, paid expenses on behalf of Camelot during 2007. Further, Mr. Atwell and his wife, Tamara Atwell, were guarantors on various financial transactions involving Camelot during 2007. These advances are recorded under the advances payable to related party.

Scorpion Bay

Scorpion Bay LLC, Pacific Surf Partners, Camelot Studio Investors LLC ("Scorpion"), which are managed or co-managed by Timothy Wilson, one of our directors, were involved in various business and financial transactions involving Camelot during 2007. These transactions have been discussed throughout this report.

7. PREFERRED STOCK

As of December 31, 2008, there were 7,347,510 shares outstanding of our \$0.001 par value Series A Convertible Preferred Stock ("Series A Preferred"). The Series A Preferred converts to four shares of common stock for every one share of Series A Preferred stock. Each share of Series A Preferred stock is entitled to 50 votes. Series A Preferred ranks superior to our common stock and ranks junior to our Series B Preferred Stock.

As of December 31, 2008, there were 7,196,510 shares outstanding of our \$0.001 par value Series B Convertible Preferred Stock ("Series B Preferred"). The Series B Preferred converts to 10 shares of common stock for every one share of Series B Preferred stock. Each share of Series B Preferred stock is entitled to 1,000 votes. Series B Preferred ranks superior to all other classes of stock.

On January 8, 2008, Camelot established a Series C Convertible Preferred Stock ("Series C Preferred") of which 10,000,000 shares were authorized. The Series C Convertible Preferred converts to one share of common stock for every one share of Series C Convertible Preferred stock. Each share of Series C Preferred stock is entitled to one vote. The Company's Series A and B are superior to the Series C Preferred.

2008 Issuances of Preferred Stock

On January 1, 2008, 12,500 shares of Series A Preferred stock were issued to Scorpion Bay, LLC for services rendered in connection with the studio project. The shares were valued at \$25,000 based on the estimated fair value of the Series A Preferred stock on the date of issuance and expensed. The fair value is based upon the closing market price of the Company's common stock on the date of issuance assuming no future performance commitments exist. All per-share data discussed below represent the fair market value on the date of agreement.

F-22

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Notes to Financial Statements

7. PREFERRED STOCK - continued

On August 13, 2008, the Company issued Scorpion Bay, LLC 7,500 shares of Series C Preferred shares at \$0.05 per share in reference to the development of ATEP.

On August 13, 2008, the Company issued Tim McCullium 500 shares of Series C Preferred shares at \$0.05 per share in reference to the development of Camelot Studios at the Advanced Education and Technology Park ("ATEP") in Tustin, California.

On August 13, 2008, the Company issued George Jackson 1,000 shares of Series C Preferred shares at \$0.05 per share in reference to the development of Camelot Studios at ATEP.

On August 13, 2008, the Company issued The Atwell Group 30,000 shares of Series C Preferred shares at \$0.05 per share in reference to the development of Camelot Studios at ATEP.

On August 13, 2008, the Company issued Sea Castle, LLC 500 shares of Series C Preferred shares at \$0.05 per share in reference to the development of Camelot Studios at ATEP.

On August 13, 2008, the Company issued Joseph Petrucelli 1,000 shares of Series C Preferred shares at \$0.05 per share in reference to the development of Camelot Studios at ATEP.

On August 13, 2008, the Company issued Pacific Surf Partners, LP 2,500 shares of Series C Preferred shares at \$0.05 per share in reference to the development of Camelot Studios at ATEP.

On August 13, 2008, the Company issued Octy, Inc. 7,750 shares of Series C Preferred shares at \$0.05 per share in reference to the development of Camelot Studios at ATEP.

On August 13, 2008, the Company issued Jeff Brown 500 shares of Series C Preferred shares at \$0.05 per share in reference to the development of Camelot Studios at ATEP.

On August 13, 2008, the Company issued Irene Aurand 250 shares of Series C Preferred shares at \$0.05 per share in reference to the development of Camelot Studios at ATEP.

On August 13, 2008, the Company issued George Jackson 10,000 shares of Series B Preferred stock at \$0.50 per share for services and other consideration rendered to the Company.

On August 13, 2008, the Company issued George Jackson 10,000 shares of Series A Preferred stock at \$0.20 per share for services and other consideration rendered to the Company.

On August 13, 2008, the Company issued Robert Atwell 30,000 shares of Series A Preferred stock at \$0.20 per share for services and other consideration rendered to the Company.

On September 26, 2008, the Company issued George Jackson 100,000 shares of Series B Preferred stock at \$0.08 per share for services and other consideration rendered to the Company.

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

On September 26, 2008, the Company issued Robert Atwell 1,000,000 shares of Series B Preferred stock at \$0.08 per share for services and other consideration rendered to the Company.

On September 26, 2008, the Company issued George Jackson 100,000 shares of Series C Preferred stock at \$0.002 per share for services and other consideration rendered to the Company.

On September 26, 2008, the Company issued Robert Atwell 1,000,000 shares of Series C Preferred stock at \$0.002 per share for services and other consideration rendered to the Company.

F-23

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Notes to Financial Statements

7. PREFERRED STOCK - continued

On December 23, 2008, the Company issued George Jackson 1,000,000 shares of Series A Preferred stock at \$0.0008 per share for services and other consideration rendered to the Company.

On December 23, 2008, the Company issued Robert Atwell 5,000,000 shares of Series A Preferred stock at \$0.0008 per share for services and other consideration rendered to the Company.

On December 23, 2008, the Company issued George Jackson 1,000,000 shares of Series B Preferred stock at \$0.002 per share for services and other consideration rendered to the Company.

On December 23, 2008, the Company issued Robert Atwell 5,000,000 shares of Series B Preferred stock at \$0.002 per share for services and other consideration rendered to the Company.

On December 23, 2008, the Company issued George Jackson 1,000,000 shares of Series C Preferred stock at \$0.0002 per share for services and other consideration rendered to the Company.

On December 23, 2008, the Company issued Robert Atwell 5,000,000 shares of Series C Preferred stock at \$0.0002 per share for services and other consideration rendered to the Company.

2007 Issuances of Preferred Stock

In 2007, we issued 192,020 shares of Preferred Stock. We issued 156,511 shares of Series A Convertible Preferred Stock and 35,510 shares of Series B Convertible Preferred Stock.

Date	Title	Amount	Name	Type	Consideration	Price
12/31/07	Series A	100,000	Scorpion Bay	Services	Consulting	\$1.32
12/31/07	Series A	44,011	The Atwell Group	Services	Administrative	\$1.32
12/31/07	Series B	27,500	Scorpion Bay	Services	Consulting	\$3.30
12/31/07	Series B	9,810	The Atwell Group	Services	Administrative	\$3.30

Derivative Valuation

At the time of issuance of the Series A, B and C Preferred stock, the Company did not have enough authorized shares on a fully diluted basis due to the conversion feature of the convertible notes, which caused the Series A, B and C Preferred stock to be tainted, and more akin to debt. In addition, management determined that the Series A, B and C Preferred contained compound embedded derivative liabilities under SFAS 133 and EITF 00-19, because of the classification of these securities as liabilities. The Company determined that the compound embedded conversion features required bifurcation from the remaining Series A, B and C Preferred and required an estimate of its fair market value. The fair market value of the compound embedded derivative was estimated using a lattice model

incorporating weighted average probability cash flow.

For issuances during the year ended 2008, the fair market value of the compound embedded derivative associated with the Series A, B and C Preferred stock was estimated to be \$196,982 and resulted in the Series A, B and C Preferred stock being discounted to its par value. Due to the excess fair value of the compound embedded derivative over the proceeds of (\$100,749) the Company recorded an immediate charge to derivative gain (loss).

For issuances during the year ended 2007, the fair market value of the compound embedded derivative associated with the Series A, B and C Preferred stock was estimated to be \$485,098 and resulted in the Series A, B and C Preferred stock being discounted to its par value. Due to the excess fair value of the compound embedded derivative over the proceeds of (\$220,143) the Company recorded an immediate charge to derivative gain (loss).

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Notes to Financial Statements

7. PREFERRED STOCK - continued

As of December 31, 2008, the Company estimated the fair value of the preferred stock derivative liabilities to be a total of \$65,630 resulting in a loss on derivative liability presented in the statement of operations of \$757,363. At December 31, 2008, the fair market value of the conversion feature derivative related to the Series A, B and C Preferred stock was estimated using a lattice model incorporating weighted average probability cash flow. The valuation was calculated using a lattice model with the following weighted average assumptions: the stock price would increase in the short term at the cost of equity with a 250% volatility and there was a 100% probability the Company would not be in default of its registration requirements as there were none.

As of December 31, 2007, the Company estimated the fair value of the preferred stock derivative liabilities to be a total of \$726,223 resulting in a loss on derivative liability presented in the statement of operations of \$241,125. At December 31, 2008, the fair market value of the conversion feature derivative related to the Series A, B and C Preferred stock was estimated using a lattice model incorporating weighted average probability cash flow. The valuation was calculated using a lattice model with the following weighted average assumptions: the stock price would increase in the short term at the cost of equity with a 150% volatility and there was a 100% probability the Company would not be in default of its registration requirements as there were none.

8. COMMITMENTS

Operating Lease

The Atwell Group has an office usage agreement with the Company to provide office space. During the year ended December 31, 2008, the Company paid \$72,000 under this agreement which is included in rent expense. This agreement was for a period of two years with monthly payments ranging from \$6,000 to \$6,108. Minimum annual payments under this contract as of December 31, 2008, for the year ended December 31, 2009 are \$73,296. In January 2009, the company moved to a smaller office. The company has accrued rent expense for \$83,000 for obligations due under the lease agreement. The agreement for the smaller office is for a period of thirteen (13) months with monthly payments of \$1,700 per month. Minimum annual payments under this contract for 2009 are \$20,400.

Employment Contracts and Guarantees

In December 2008, the Board of Directors authorized the Company to enter into employment contracts with Robert P. Atwell, Chairman, President and CEO, and George Jackson, Secretary and Chief Financial Officer. These contracts are expected to be finalized during the second quarter of 2009. The board authorized certain components of those contracts contingent upon the Company raising in excess of \$1,000,000 in gross proceeds from an offering. The components are as follows:

For the employment contract with Robert P. Atwell, the Company will enter into a formal employment agreement with Atwell no later than December 31, 2009. Further, that the employment agreement shall provide all of the basic terms and conditions contained in other similar employment agreements entered into by chairmen, presidents and/or chief executive officers of publicly traded motion picture production and distribution companies, including, but limited to, base salary, bonuses, stock and warrant and/or option issuances, expense provisions, health, dental and eye care insurance, E & O insurance, D & O insurance, key man insurance, life insurance, auto insurance, travel allowance, auto allowance, memberships and subscriptions, continuing education, professional legal and accounting services and other customary inclusions. In addition, the employment agreement shall provide assumption by the

Company of any and all tax liabilities of Atwell, if any, incurred on or after March 19, 2003, including, but not limited to, personal and corporate tax liabilities to be identified as an exhibit to the Employment Agreement. And, the employment agreement shall provide assumption by the Company of any and all tax liabilities of Atwell and/or Eagle Consulting Group, Inc., if any, incurred on or after January 1, 2000, including, but not limited to, personal and corporate tax liabilities to be identified as an exhibit to the Employment Agreement; with this assumption being provided as a result of Atwell and Eagle's original funding of the Company and its predecessor and first subsidiary, Camelot Films, Inc. prior to March 19, 2003. Also, the employment agreement shall contain clauses protecting Atwell in the event of a change in control, including, but not limited to, an acquisition and/or merger involving the Company, in part by including contract termination language which will provide Atwell with compensation for a period of no less than ten (10) years following any termination, whether for cause or not and that the base salary shall be set at no less than the current salary allocated for Atwell as shown in the Company's 10-K annual report for 2008.

F-25

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Notes to Financial Statements

8. COMMITMENTS - continued

For the employment agreement with George Jackson, the Company will enter into a formal employment agreement with Jackson no later than December 31, 2009 and that the employment agreement shall provide all of the basic terms and conditions contained in other similar employment agreements entered into by chief executive financial officers of publicly traded motion picture production and distribution companies, including, but limited to, base salary, bonuses, stock and warrant and/or option issuances, expense provisions, health, dental and eye care insurance, E & O insurance, D & O insurance, key man insurance, life insurance, auto insurance, travel allowance, auto allowance, memberships and subscriptions, continuing education, professional legal and accounting services and other customary inclusions. Further, that the employment agreement shall provide assumption by the Company of any and all tax liabilities of Jackson, if any, incurred on or after April 1, 2005, including, but not limited to, personal tax liabilities to be identified as an exhibit to the Employment Agreement. Also, the Employment Agreement shall contain clauses protecting Jackson in the event of a change in control, including, but not limited to, an acquisition and/or merger involving the Company, in part by including contract termination language which will provide Jackson with compensation for a period of no less than ten (10) years following any termination, whether for cause or not and that the base salary shall be set at no less than the current salary allocated for Jackson as shown in the Company's 10K annual report for 2008.

9. STOCKHOLDERS' DEFICIT

Authorized Shares

On May 6, 2008, the Company's board of directors increased the authorized shares of common stock to 500,000,000.

On December 4, 2008, the Company's board of directors increased the authorized shares of common stock to 850,000,000.

On December 23, 2008, the Company's board of directors increased the authorized shares of common stock to 3,000,000,000.

Reverse Stock Split

On August 19, 2008, the Board of Directors approved a 100-for-1 reverse stock split of all of our outstanding common and preferred stock. As a result of the reverse stock split, effective August 29, 2008, the number of outstanding common shares was reduced from 434,727,332 to 4,347,316, as of August 29, 2008, and the number of our outstanding preferred stock was reduced from 39,552,047 to 395,521. All references to our common stock in the balance of this report have been restated to reflect the reverse stock split.

Determination of Fair Value

The fair value of the Company's common stock issuances are based upon the closing market price of the Company's common stock on the date of issuance assuming no future performance commitments exist. All shares discussed below are valued using these assumptions.

Common Stock Held in Treasury

On August 1, 2008, the Company set aside 1,000,000 shares for future funding and other corporate transactions in order to meet current and contemplated terms and conditions of consulting and funding agreements to be held in reserve. As of December 31, 2008, 990,000 are still held in reserve.

F-26

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Notes to Financial Statements

9. STOCKHOLDERS' DEFICIT - continued

Common Stock Issued for Related Party Services

On August 13, 2008, the Company issued George Jackson, our CFO, 200,000 Shares at \$0.05 per share for services rendered to the Company.

On August 13, 2008, the Company issued The Atwell Group 280,000 Shares at \$0.05 per Share for services and other consideration provided by Robert Atwell, our CEO.

On August 13, 2008, the Company issued The Corporate Solution, Inc. 100,000 Shares at \$0.03 per Share for services and other consideration provided to the Company. The Corporate Solution is owned by Robert Atwell, our CEO.

On September 18, 2008, the Company issued Robert Atwell 2,000,000 shares at \$0.003 per share for services rendered to the Company and other consideration.

On September 18, 2008, the Company issued George Jackson 300,000 shares at \$0.003 per share for services rendered to the Company and other consideration.

On September 19, 2008, the Company issued Robert Atwell 5,000,000 shares at \$0.002 per share for services rendered to the Company and other consideration.

On September 19, 2008, the Company issued George Jackson 1,000,000 shares at \$0.002 per share for services rendered to the Company and other consideration.

On September 26, 2008, the Company issued George Jackson 2,000,000 shares at \$0.0022 per share for services rendered to the Company and other consideration.

On September 26, 2008, the Company issued Robert Atwell a total of 31,818,180 shares at \$0.0022 per share for services rendered to the Company and other consideration.

On September 27, 2008, the Company issued Tamara Atwell 2,272,727 shares at \$0.0022 per share for administrative services rendered to the Company and other consideration.

On October 9, 2008, the Company authorized the issuance of 35,000,000 Shares at \$0.0004 per share to Robert Atwell for services rendered to the Company and other consideration.

On November 10, 2008, the Company authorized the issuance of 5,000,000 Shares at \$0.0018 per share to Tamara Atwell for administrative services rendered to the Company and other consideration.

On November 21, 2008, the Company authorized the issuance of 25,000,000 Shares at \$0.0004 per share to Tamara Atwell for administrative services rendered to the Company and other consideration.

On November 21, 2008, the Company authorized the issuance of 25,000,000 Shares at \$0.0004 per share to George Jackson for services rendered to the Company and other consideration.

On November 21, 2008, the Company authorized the issuance of 25,000,000 Shares at \$0.0004 per share to Robert Atwell for services rendered to the Company and other consideration.

On December 31, 2008, the Company authorized the issuance of 30,000,000 Shares at \$0.0002 per share to George Jackson for services rendered to the Company and other consideration.

On December 31, 2008, the Company authorized the issuance of 350,000,000 Shares at \$0.0002 per share to Robert Atwell for services rendered to the Company and other consideration.

On December 31, 2008, the Company authorized the issuance of 50,000,000 shares at \$0.0002 per share to Tamara Atwell for administrative services rendered to the Company and other consideration.

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Notes to Financial Statements

9. STOCKHOLDERS' DEFICIT - continued

Common Stock Issued for Wrap-Around Agreements

At various times during the year ended December 31, 2008, the Company's CEO assigned portions of the amounts due to him to third parties ("Wrap-Around Agreement"). Under the terms of the Wrap-Around Agreement the notes incurred interest at 15% per annum and generally had a maturity date of one year from the transaction. In addition, at the holders option, at any time after the issuance of the note, to convert all or any lesser portion of the Outstanding Principal Amount and accrued but unpaid Interest into common voting stock at the price of 50 % discount of the average three deep bid on the day of conversion. Generally, the notes were converted on the date of purchase or shortly there after. In connection with these transactions the Company recorded the excess value of the common stock issued over the note relieved as interest expense. The fair value of the common stock was determined based upon the closing market price of the Company's common stock on the date of conversion. The following is a summary of Wrap-Around Agreement conversions:

On September 12, 2008, the Company issued K & L Enterprises 2,000,000 shares at \$0.012 per share in satisfaction of notes of \$10,000 in accordance with the terms and conditions of the Wrap-Around Agreement between K &L and the Company dated August 28, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$24,000 over the note relieved of \$14,000 as interest expense.

On November 14, 2008, the Company issued Hope Capital 18,000,000 shares at \$0.0003 per share in satisfaction of notes of \$6,000 in accordance with the terms and conditions of the Wrap-Around Agreement between Hope Capital and the Company dated October 1, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$12,600 over the note relieved of \$6,600 as interest expense.

On November 18, 2008, the Company issued Hope Capital 20,000,000 shares at \$0.0003 per share in satisfaction of notes of \$7,000 in accordance with the terms and conditions of the Wrap-Around Agreement between Hope Capital and the Company dated November 13, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$16,000 over the note relieved of \$9,000 as interest expense.

On November 19, 2008, the Company issued K & L International Enterprises 22,000,000 shares at \$0.00007 per share in satisfaction of notes of \$1,500 in accordance with the terms and conditions of the Wrap-Around Agreement between K & L International Enterprises and the Company dated August 28, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$15,400 over the note relieved of \$13,900 as interest expense.

On November 25, 2008, the Company issued K & L International Enterprises 34,000,000 shares at \$0.0004 per share in satisfaction of notes of \$1,500 in accordance with the terms and conditions of the Wrap-Around Agreement between K & L International Enterprises and the Company dated August 28, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$13,600 over the note relieved of \$12,100 as interest expense.

On November 25, 2008, the Company issued Hope Capital 34,000,000 shares at \$0.000073 per share in satisfaction of notes of \$2,500 in accordance with the terms and conditions of the Wrap-Around Agreement between Hope Capital and the Company dated November 19, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$13,600 over the note relieved of \$11,100 as interest expense.

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Notes to Financial Statements

9. STOCKHOLDERS' DEFICIT - continued

Common Stock Issued for Wrap-Around Agreements

On December 2, 2008, the Company issued K & L Enterprises 40,000,000 shares at \$0.0001 per share in satisfaction of notes of \$2,000 in accordance with the terms and conditions of the Wrap-Around Agreement between K & L International Enterprises and the Company dated August 28, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$16,000 over the note relieved of \$12,000 as interest expense.

On December 3, 2008, the Company issued Hope Capital 25,000,000 shares at \$0.00008 per share in satisfaction of notes of \$2,000 in accordance with the terms and conditions of the Wrap-Around Agreement between Hope Capital and the Company dated November 19, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$10,000 over the note relieved of \$3,000 as interest expense.

On December 8, 2008, the Company issued K & L Enterprises 50,000,000 shares at \$0.00015 per share in satisfaction of notes of \$7,500 in accordance with the terms and conditions of the Wrap-Around Agreement between K & L International Enterprises and the Company dated August 28, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$20,000 over the note relieved of \$12,500 as interest expense.

On December 8, 2008, the Company issued Hope Capital 50,000,000 shares at \$0.000125 per share in satisfaction of notes of \$6,250 in accordance with the terms and conditions of the Wrap-Around Agreement between Hope Capital and the Company dated November 19, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$20,000 over the note relieved of \$13,750 as interest expense.

On December 17, 2008, the Company issued Hope Capital 60,000,000 shares at \$0.000116 per share in satisfaction of notes of \$7,000 in accordance with the terms and conditions of the Wrap-Around Agreement between Hope Capital and the Company dated November 19, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$12,000 over the note relieved of \$5,000 as interest expense.

On December 17, 2008, the Company issued K & L International Enterprises 5,000,000 shares at \$0.0001 per share in satisfaction of notes of \$500 in accordance with the terms and conditions of the Wrap-Around Agreement between K & L International Enterprises and the Company dated August 28, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$1,000 over the note relieved of \$500 as interest expense.

On December 18, 2008, the Company issued Watson Investment Enterprises 50,000,000 shares at \$0.00005 per share in satisfaction of notes of \$2,500 in accordance with the terms and conditions of the Wrap-Around Agreement between Watson Investment Enterprises and the Company dated August 28, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$10,000 over the note relieved of \$7,500 as interest expense.

On December 18, 2008, the Company issued Watson Investment Enterprises 50,000,000 shares at \$0.00005 per share in satisfaction of notes of \$2,500 in accordance with the terms and conditions of the Wrap-Around Agreement between Watson Investment Enterprises and the Company dated August 28, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$10,000 over the note relieved of \$7,500 as interest expense.

On December 29, 2008, the Company issued Watson Investment Enterprises 100,000,000 shares at \$0.00005 per share in satisfaction of notes of \$5,000 in accordance with the terms and conditions of the Wrap-Around Agreement.

In connection with this conversion, the Company recorded the excess of fair value of \$20,000 over the note relieved of \$15,000 as interest expense.

F-29

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Notes to Financial Statements

9. STOCKHOLDERS' DEFICIT - continued

Common Stock Issued for Wrap-Around Agreements

On October 1, 2008, the Company issued Tania Babeshoff 7,000,000 shares at \$0.002 per share in connection with a Wrap-Around Agreement. However, no proceeds were received by the Company or Robert Atwell. The Company expensed the fair value of the common stock issued immediately.

On October 2, 2008, the Company issued ATG, Inc. 7,000,000 shares at \$0.004 per share in connection with a Wrap-Around Agreement. However, no proceeds were received by the Company or Robert Atwell. The Company expensed the fair value of the common stock issued immediately.

On October 2, 2008, the Company issued Ongkaruck Sripetch 7,000,000 shares at \$0.004 per share in connection with a Wrap-Around Agreement. However, no proceeds were received by the Company or Robert Atwell. The Company expensed the fair value of the common stock issued immediately.

On November 7, 2008, the Company issued AlphaTrade.com 8,750,000 shares at \$0.002 per share in connection with a Wrap-Around Agreement. However, no proceeds were received by the Company or Robert Atwell. The Company expensed the fair value of the common stock issued immediately.

Common Stock Issued for Services

On February 24, 2008, the Company issued 10,000 shares of common shares public relations firm for professional services rendered in connection with the Tustin Studio project. The shares were valued at \$0.05 per share, totaling \$5,000. The shares were valued based on the closing market price of the Company's common stock on the date of issuance and expensed immediately as there were no future performance requirements.

On August 13, 2008, the Company issued Scorpion Bay, LLC 92210 shares at \$0.05 per share in accordance with various agreements between the Company and Scorpion Bay in reference to the development of Camelot Studios at ATEP.

On August 27, 2008, the Company issued Jeff Brown 10,000 shares of its \$0.001 par value common stock at \$0.03 per share for services and other consideration in reference to the development of Camelot Studios at ATEP.

On September 5, 2008, the Company issued Patrick Winn 250,000 Shares at \$0.012 per share for administrative services rendered to the Company.

On September 19, 2008, the Company issued Patrick Winn 250,000 Shares at \$0.002 per share for administrative services rendered to the Company and other consideration.

On September 19, 2008, the Company issued Patrick Winn an additional 250,000 shares at \$0.002 per share for administrative services rendered to the Company and other consideration.

On September 26, 2008, the Company issued Chris Flannery 1,000,000 shares at \$0.0022 per share for legal services rendered to the Company and other consideration.

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

On September 26, 2008, the Company issued Thomas Stepp 500,000 shares at \$0.0022 per share for legal services rendered to the Company and other consideration.

On September 26, 2008, the Company issued Patrick Winn 500,000 shares at \$0.0022 per share for administrative services rendered to the Company and other consideration.

On September 26, 2008, the Company issued Joe Petrucelli 1,000,000 shares at \$0.0022 per share for legal services rendered to the Company and other consideration.

On September 26, 2008, the Company issued Vince Monaco 1,000,000 shares at \$0.0022 per share for marketing and printing services rendered to the Company and other consideration.

F-30

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Notes to Financial Statements

9. STOCKHOLDERS' DEFICIT - continued

Common Stock Issued for Wrap-Around Agreements

On September 26, 2008, the Company issued Phillip Parsons 1,000,000 shares at \$0.0022 per share for craft services, transportation and security services rendered to the Company and other consideration.

On September 27, 2008, the Company issued Douglas Warner 2,000,000 shares at \$0.0022 per share for business development and management services rendered to the Company and other consideration.

On September 27, 2008, the Company issued Gary Bastien 2,000,000 shares at \$0.0022 per share for architectural services rendered to the Company and other consideration.

On September 27, 2008, the Company issued John Lewis 2,000,000 shares at \$0.0022 per share for public policy services rendered to the Company and other consideration.

On September 27, 2008, the Company issued Jeffory Smith 1,000,000 shares at \$0.0022 per share for business development services rendered to the Company and other consideration.

On September 27, 2008, the Company issued Susan Sanchez 2,272,727 Shares at \$0.0022 per share for administrative services rendered to the Company and other consideration.

On September 27, 2008, the Company issued Patrick Winn 2,272,727 Shares at \$0.0022 per share for administrative services rendered to the Company and other consideration.

On September 27, 2008, the Company issued Phillip Parsons 2,272,727 Shares at \$0.0022 per share for craft service, transportation and security services rendered to the Company and other consideration.

On October 14, 2008, the Company authorized the issuance of 2,000,000 shares at \$0.0004 per share to Rodger Spainhower for Edgar services rendered to the Company and other consideration.

On November 10, 2008, the Company authorized the issuance of 5,000,000 shares at \$0.0018 per share to Phillip Parsons for craft service, transportation and security services rendered to the Company and other consideration.

On November 10, 2008, the Company authorized the issuance of 2,500,000 shares at \$0.0018 per share to Patrick Winn for administrative services rendered to the Company and other consideration.

On November 19, 2008, the Company authorized the issuance of 5,000,000 shares at \$0.0007 per share to Phil Scott for accounting services rendered to the Company and other consideration.

On November 21, 2008, the Company authorized the issuance of 25,000,000 shares at \$0.0004 per share to Phillip Parsons for craft service, transportation and security services rendered to the Company and other consideration.

On December 2, 2008, the Company authorized the issuance of 5,000,000 shares at \$0.0004 per share to Phil Scott for accounting services rendered to the Company and other consideration.

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

On December 31, 2008, the Company issued Douglas Warner 20,000,000 shares at \$0.0002 per share for business development and management services rendered to the Company and other consideration.

On December 31, 2008, the Company authorized the issuance of 50,000,000 shares at \$0.0002 per share to Phillip Parsons for craft service, transportation and security services rendered to the Company and other consideration.

On December 31, 2008, the Company authorized the issuance of 10,000,000 Shares at \$0.0002 per share to Phil Scott for accounting services rendered to the Company and other consideration.

On December 31, 2008, the Company authorized the issuance of 50,000,000 Shares at \$0.0002 per share to Rodger Spainhower for Edgar services rendered to the Company and other consideration.

F-31

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Notes to Financial Statements

9. STOCKHOLDERS' DEFICIT - continued

Common Stock Issued for Wrap-Around Agreements

On December 31, 2008, the Company issued Vince Monaco 50,000,000 Shares at \$0.0002 per share for marketing and printing services rendered to the Company and other consideration.

On December 31, 2008, the Company issued Chris Flannery 50,000,000 Shares at \$0.0002 per share for legal services rendered to the Company and other consideration.

2007 Shares Issuances

During fiscal year 2007, the Company issued 1,866,839 total shares of common stock, all of which were issued to third parties at or above the market price. Of these shares, 380,000 shares, or 20.35%, were issued in connection with a proposed \$3,000,000 financing transaction with Nucore World Industries in Pasadena, California. That transaction did not close, and 330,000 of those shares were returned to the treasury and 50,000 of those shares have had an administrative stop placed on them pending return of the certificate and cancellation thereof. 356,000 shares, or 19.06%, were issued to Scorpion Bay, LLC, for interest and services rendered to the Company, including services on behalf of Camelot Studio Group. Scorpion Bay is managed by Tim Wilson, one of our directors. In addition, 308,333 shares, or 16.51%, were issued to the Company to be held for financing activities during 2007, including reserving shares for note conversions in connection with the NIR financing agreements. 2,000,000 shares, or 10.71%, were issued to Jeff Zuckerman, one of our directors and a member of Janez Development Group, a member of Camelot Development Tustin; and 2,000,000 shares, or 10.71%, were issued to John Kozmur, also a member of Janez Development Group. Both Zuckerman and Kozmur were issued shares in connection with Camelot Studio Group activities. The four note holders who provided financing to us during 2007 through the SB2 registration (known as the "NIR" funding transaction) were issued an aggregate total of 132,708, or 7.1% of the total issued. Here is a summary of the total shares issued by stockholder:

Stockholder	Shares Issued	Consideration	Disposition/Price
Nucore World Industries	380,000	Funding	Cancelled; Stopped
Scorpion Bay, LLC	356,000	Interest; Services	Issued/Market
Camelot Ent. Gp.	308,333	Funding	Held in Reserve
Jeff Zuckerman	200,000	Services	Issued/Market
John Kozmur	200,000	Services	Issued/Market
AJW Offshore	85,053	Funding	Issued/Market
Dolphin Communities	50,000	Loans; Services	Issued/Market
Michael Ellis	47,924	Services	Issued/Market
Susan Sanchez	44,460	Services	Issued/Market
Patrick Winn	37,680	Services	Issued/Market
AJW Qualified Partners	34,559	Funding	Issued/Market
	29,373	Services	Issued/Market

Bastien and Associates			
Chris Flannery	25,000	Services	Issued/Market
Petrucelli & Associates	25,000	Services	Issued/Market
Douglas Warner	12,500	Services	Issued/Market
AJW Partners	11,501	Funding	Issued/Market
Lewis Consulting Group	10,000	Services	Issued/Market
The Atwell Group	4,120	Loans; Services	Issued/Market
Chris Davis Int'l	2,384	Services	Issued/Market
New Millennium Capital	1,587	Funding	Issued/Market
Craig Prater	1,458	Services	Issued/Market
	1,866,839		
Total			

F-32

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Notes to Financial Statements

10. SUBSEQUENT EVENTS

Authorized Shares

On March 26, 2009, the Company's board of directors authorized an increase in the authorized shares of stock to 6,000,000,000.

On March 29, 2009, the Company's board of directors increased the authorized shares of stock to 10,000,000,000.

Escrow Shares

On March 2, 2009, the Company issued 900,000,000 shares of common stock to the Company to be held in escrow for future issuances.

Related Party Issuances for Services

On March 25, 2009, the Company issued Robert P. Atwell 5,000,000 shares of its Series A Preferred Stock for management services rendered to the Company and other consideration.

On March 25, 2009, the Company issued George Jackson 600,000 shares of its Series A Preferred Stock for management services rendered to the Company and other consideration.

Wrap-Around Agreements

On January 6, 2009, the Company issued Watson Investment Enterprises 300,000,000 shares at \$0.00005 per share in satisfaction of notes of \$15,000 in accordance with the terms and conditions of the Wrap-Around Agreement between Watson Investment Enterprises and the Company.

On January 6, 2009, the Company issued Hope Capital 100,000,000 shares at \$0.000055 per share in satisfaction of notes of \$5,500 in accordance with the terms and conditions of the Wrap-Around Agreement between Hope and the Company.

On January 15, 2009, the Company issued Watson Investment Enterprises 110,000,000 shares at \$0.000045 per share in satisfaction of notes of \$5,000 in accordance with the terms and conditions of the Wrap-Around Agreement between Watson Investment Enterprises and the Company.

On January 28, 2009, the Company issued TJ Management Group, LLC 454,545,454 shares at \$0.000055 per share in satisfaction of notes of \$25,000 in accordance with the terms and conditions of the Wrap-Around Agreement between TJ Management Group, LLC and the Company.

On February 11, 2009, the Company issued Acicia Investors, LLC 100,000,000 shares at \$0.00005 per share in satisfaction of notes of \$5,000 in accordance with the terms and conditions of the Wrap-Around Agreement between Acacia Investors, LLC and the Company.

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

On February 23, 2009, the Company issued TJ Management Group, LLC 454,545,454 shares at \$0.000055 per share in satisfaction of notes of \$25,000 in accordance with the terms and conditions of the Wrap-Around Agreement between TJ Management Group, LLC and the Company.

On February 23, 2009, the Company issued Hope Capital 255,000,000 shares at \$0.00007 per share in satisfaction of notes of \$18,000 in accordance with the terms and conditions of the Wrap-Around Agreement between Hope and the Company.

F-33

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Notes to Financial Statements

10. SUBSEQUENT EVENTS - continued

On February 24, 2009, the Company issued Primary Finance LLC 100,000,000 shares at \$0.00005 per share in satisfaction of notes of \$5,000 in accordance with the terms and conditions of the Wrap-Around Agreement between Hope and the Company.

On February 26, 2009, the Company issued Watson Investment Enterprises 110,000,000 shares at \$0.000045 per share in satisfaction of notes of \$5,000 in accordance with the terms and conditions of the Wrap-Around Agreement between Watson Investment Enterprises and the Company.

On February 26, 2009, the Company issued TJ Management Group, LLC 454,545,454 shares at \$0.000055 per share in satisfaction of notes of \$25,000 in accordance with the terms and conditions of the Wrap-Around Agreement between TJ Management Group, LLC and the Company.

On February 26, 2009, the Company issued Hope Capital 300,000,000 shares at \$0.00005 per share in satisfaction of notes of \$15,000 in accordance with the terms and conditions of the Wrap-Around Agreement between Hope and the Company.

On March 11, 2009, the Company issued Primary Finance LLC 100,000,000 shares at \$0.00005 per share in satisfaction of notes of \$5,000 in accordance with the terms and conditions of the Wrap-Around Agreement between Hope and the Company.

On March 16, 2009, the Company issued TJ Management Group, LLC 454,545,454 shares at \$0.000055 per share in satisfaction of notes of \$25,000 in accordance with the terms and conditions of the Wrap-Around Agreement between TJ Management Group, LLC and the Company.

On March 19, 2009, the Company issued Watson Investment Enterprises 200,000,000 shares at \$0.00005 per share in satisfaction of notes of \$10,000 in accordance with the terms and conditions of the Wrap-Around Agreement between Watson Investment Enterprises and the Company.

On March 23, 2009, the Company issued Hope Capital 300,000,000 shares at \$0.00005 per share in satisfaction of notes of \$15,000 in accordance with the terms and conditions of the Wrap-Around Agreement between Hope and the Company.

On March 23, 2009, the Company issued TJ Management Group, LLC 454,545,454 shares at \$0.000055 per share in satisfaction of notes of \$25,000 in accordance with the terms and conditions of the Wrap-Around Agreement between TJ Management Group, LLC and the Company.

On March 24, 2009, the Company issued Watson Investment Enterprises 250,000,000 shares at \$0.00005 per share in satisfaction of notes of \$12,500 in accordance with the terms and conditions of the Wrap-Around Agreement between Watson Investment Enterprises and the Company.

On March 27, 2009, the Company issued Hope Capital 300,000,000 shares at \$0.00005 per share in satisfaction of notes of \$15,000 in accordance with the terms and conditions of the Wrap-Around Agreement between Hope and the Company.

Edgar Filing: Camelot Entertainment Group, Inc. - Form 10-K

On March 27, 2009, the Company issued Watson Investment Enterprises 200,000,000 shares at \$0.00005 per share in satisfaction of notes of \$10,000 in accordance with the terms and conditions of the Wrap-Around Agreement between Watson Investment Enterprises and the Company.

On March 31, 2009, the Company issued Watson Investment Enterprises 150,000,000 shares at \$0.00005 per share in satisfaction of notes of \$7,500 in accordance with the terms and conditions of the Wrap-Around Agreement between Watson Investment Enterprises and the Company.

On April 1, 2009, the Company issued TJ Management Group, LLC 454,545,454 shares at \$0.000055 per share in satisfaction of notes of \$25,000 in accordance with the terms and conditions of the Wrap-Around Agreement between TJ Management Group, LLC and the Company.

F-34

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Notes to Financial Statements

10. SUBSEQUENT EVENTS - continued

On April 6, 2009, the Company issued New Media Advisors, Inc. 50,000,000 shares at \$0.0001 per share in satisfaction of notes of \$5,000 in accordance with the terms and conditions of the Wrap-Around Agreement between New Media Advisors and the Company.

NIR Conversions

On January 6, 2009, the Company issued 24,725,000 shares of its \$0.001 par value common stock to the note holders in connection the callable secured convertible notes described in “Notes Payable”, Section 4 herein.

On January 9, 2009, the Company issued 24,725,000 shares of its \$0.001 par value common stock to the note holders in connection the callable secured convertible notes described in “Notes Payable”, Section 4 herein.

On January 15, 2009, the Company issued 24,725,000 shares of its \$0.001 par value common stock to the note holders in connection the callable secured convertible notes described in “Notes Payable”, Section 4 herein.

On January 23, 2009, the Company issued 5,020,000 shares of its \$0.001 par value common stock to the note holders in connection the callable secured convertible notes described in “Notes Payable”, Section 4 herein.

On February 3, 2009, the Company issued 10,000,000 shares of its \$0.001 par value common stock to the note holders in connection the callable secured convertible notes described in “Notes Payable”, Section 4 herein.

On February 13, 2009, the Company issued 10,000,000 shares of its \$0.001 par value common stock to the note holders in connection the callable secured convertible notes described in “Notes Payable”, Section 4 herein.

On February 23, 2009, the Company issued 10,000,000 shares of its \$0.001 par value common stock to the note holders in connection the callable secured convertible notes described in “Notes Payable”, Section 4 herein.

On February 27, 2009, the Company issued 10,000,000 shares of its \$0.001 par value common stock to the note holders in connection the callable secured convertible notes described in “Notes Payable”, Section 4 herein.

On March 2, 2009, the Company issued 10,000,000 shares of its \$0.001 par value common stock to the note holders in connection the callable secured convertible notes described in “Notes Payable”, Section 4 herein.

On March 5, 2009, the Company issued 10,000,000 shares of its \$0.001 par value common stock to the note holders in connection the callable secured convertible notes described in “Notes Payable”, Section 4 herein.

On March 9, 2009, the Company issued 10,000,000 shares of its \$0.001 par value common stock to the note holders in connection the callable secured convertible notes described in “Notes Payable”, Section 4 herein.

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Notes to Financial Statements

10. SUBSEQUENT EVENTS - continued

On March 20, 2009, the Company issued 239,765,300 shares of its \$0.001 par value common stock to the note holders in connection the callable secured convertible notes described in "Notes Payable", Section 4 herein.

On March 31, 2009, the Company issued 9,640,000 shares of its \$0.001 par value common stock to the note holders in connection the callable secured convertible notes described in "Notes Payable", Section 4 herein.

On April 1, 2009, the Company issued 3,000,000 shares of its \$0.001 par value common stock to the note holders in connection the callable secured convertible notes described in "Notes Payable", Section 4 herein.

On April 6, 2009, the Company issued 381,834,000 shares of its \$0.001 par value common stock to the note holders in connection the callable secured convertible notes described in "Notes Payable", Section 4 herein.

Shares Issued for Services

On January 23, 2009, the Company authorized the issuance of 25,000,000 Shares at \$0.0002 per share to Phillip Parsons for craft services, transportation and security services rendered to the Company and other consideration.

On March 27, 2009, the Company authorized the issuance of 50,000,000 Shares at \$0.0001 per share to Phil Scott for accounting services rendered to the Company and other consideration.

On April 6, 2009, the Company authorized the issuance of 50,000,000 Shares at \$0.0001 per share to Phil Scott for accounting services rendered to the Company and other consideration.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has caused this report on Form 10-K, dated April 15, 2009, to be signed on its behalf by the undersigned, thereunto duly authorized.

CAMELOT ENTERTAINMENT GROUP, INC.
(Registrant)

/s/Robert P. Atwell
Robert P. Atwell
Chief Executive Officer

/s/ George Jackson
George Jackson
Chief Financial Officer

S-1
