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)

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

FOR FISCAL YEAR ENDED DECEMBER 31, 2008

o 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 x No o

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. x

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

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FISCAL YEAR ENDED DECEMBER 31, 2008

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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 put 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 Pictures	Roseblood				
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.

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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 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 Gamin “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 field 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 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

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

					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

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

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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

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		