

Camelot Entertainment Group, Inc.
Form 10-K
April 20, 2010

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

(MARK ONE)

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

FOR FISCAL YEAR ENDED DECEMBER 31, 2009

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(B) OF THE ACT: NONE

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

COMMON STOCK, PAR VALUE \$0.0001

(TITLE OF CLASS)

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

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

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

As of December 31, 2009, the total issued Common Stock of the Registrant is 3,061,330,703 shares, including 100,000,000 shares held in reserve, resulting in 2,961,330,703 total common shares issued and outstanding. The approximate aggregate market value of 2,739,987,415 Common Stock shares held by non-affiliates of the Registrant, based on 2,961,330,703 total outstanding shares, calculated at a market price of \$.0001, had a market value of \$273,999 as of December 31, 2009. Total market value of all outstanding shares was \$296,133 as of December 31, 2009.

Of the 2,961,330,703 total Common Stock shares outstanding, 332,699,674 shares were restricted. 2,728,631,029 shares were classified as non-restricted. As of December 31, 2009, there were 1,339,014,717 shares held in CEDE, also known as the public float. There were an additional 100,000,000 shares issued, but not outstanding, held in reserve for financing activities.

On December 31, 2009, the Registrant had outstanding 2,961,330,703 shares of Common Stock, \$0.0001 par value. The Registrant had outstanding 27,295,521 shares of Preferred Stock, \$0.0001 par value.

As of April 15, 2010, the Registrant had 8,448,116,075 shares issued, with 8,098,116,075 shares of Common Stock issued and outstanding, having a \$0.0001 par value and 50,443,032 shares of Preferred Stock were issued and outstanding, having a \$0.0001 par value.

The Registrant's revenues for the year ended December 31, 2009 were \$0.

DOCUMENTS INCORPORATED BY REFERENCE: SEE ITEM 13

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FISCAL YEAR ENDED DECEMBER 31, 2009
CAMELOT ENTERTAINMENT GROUP, INC.

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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. BUSINESS

Our Business

Camelot Entertainment Group, Inc. (the “Company” or “Camelot”), a Delaware corporation, is a film, television, digital media and entertainment company. During fiscal year 2009, Camelot Entertainment Group had limited operations and therefore was classified as a development stage company.

Our business model classifies our existing and planned operations into the following three major divisions:

- Camelot Film Group, consisting principally of feature film, television, home video, and digital media production and distribution, including Camelot Distribution Group and DarKnight Pictures;
- 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.

The current primary focus of the Company is to maximize profits through the distribution and exploitation of feature films, television and digital media through its wholly owned subsidiary Camelot Film Group, Inc. and its Camelot Distribution Group, Inc. subsidiary. To provide a solid foundation for our distribution activities and to provide that division with a steady flow of titles through our product pipeline, the Company is in the process of negotiating the rolling up of several corporate entities and their respective film, television and digital media libraries into Camelot through four planned acquisitions.

The Company is also pursuing its planned film slate which incorporates the Company’s proprietary Camelot Production Model in order to further bolster the titles available through the Company’s product pipeline. We are continuing to pursue several opportunities within our Camelot Studio Group division, specifically negotiating the acquisition of potential studio sites in Las Vegas, Nevada and New Orleans, Louisiana. We are also continuing discussions with potential partners for the development of a studio site in Orange County, California. In our Camelot Production Services Group division we plan to concentrate on the development of our consulting and financial services activities once we have stabilized our other divisions.

All of the aforementioned acquisitions and negotiations are complex financial transactions and there can be no guarantee that we will be able to successfully complete those transactions. While at present our distribution operations are growing, volatile market conditions and the ongoing uncertainty of the global economic outlook could stymie that growth at any time and increase the pressure on an already strained corporate financial structure. Any or all of the above uncertainties could have a material adverse effect on the Company.

At December 31, 2009, we had increased our corporate staff to a total of seven (7) full time and part time employees and approximately four (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 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 2009. We reduced the size of our headquarters office space, moving our main office to Irvine, California during the first quarter of 2009. In August 2009, we opened our international office in London, England. In October 2009, we opened our distribution and production offices in Universal City, California.

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

ITEM 1. BUSINESS - continued

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, 2009.

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.camelotent.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.

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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.

ITEM 1. BUSINESS - continued

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 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 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 Group division with the addition of Mr. H. Kaye Dyal as head of production for Camelot Features and also in the other divisions as we continued to work on the development of the Camelot business model. We refocused our efforts on the development, financing, production and distribution of several projects in our Camelot Film 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 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.

During fiscal year 2009, we made significant progress within Camelot Film Group as we expanded our distribution activities, acquiring films, and began setting the stage to generate revenues in 2010. Jamie Thompson was named President of Camelot Distribution Group. Jessica Kelly was named Vice President of Sales and Marketing. We established DarKnight Pictures for our genre driven product line. We made several key additions to our legal and finance team. We entered into four letters of intent to acquire four different companies, including three distribution companies and one post production facility.. While there can be no guarantee that these acquisitions will close, we expect to either conclude these transactions or abandon them during 2010. We continued to pursue the development and implementation of the Camelot Production Model in conjunction with our distribution activities, along with expanding the production undertakings of Camelot Features as further described in this report. In addition, we began preliminary negotiations on potential studio sites in Las Vegas and New Orleans. We reestablished Camelot Films® U.K. Limited and opened up a small office in London. We opened up our distribution and production offices in Universal City, California.

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:

- § Camelot Film Group (“CFG”)
- § Camelot Studio Group (“CSG”)
- § Camelot Production Services Group (“CPS”)

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 2010 in our CPS division. Historically, our activity in Camelot Film Group (“CFG”) and Camelot Production Services Group (“CPS”) has been limited. Our main activity had been in our Camelot Studio Group (“CSG”) 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 Group is responsible for all content acquisition, 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
- Camelot Distribution Group/DarKnight Pictures

ITEM 1. BUSINESS - continued

Our Structure - continued

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 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.

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 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.

Camelot Film Group is comprised of three key divisions: Camelot Films®, Camelot Features and Camelot Distribution Group. Camelot Distribution Group is divided into two operating divisions, Camelot Distribution for main stream titles and DarKnight Pictures, Inc., for genre titles.

With our renewed focus on generating revenues through our distribution activities, the following feature films were acquired for distribution by Camelot Distribution Group and DarKnight Pictures during the fourth quarter of 2009 as we began selling these films both domestically and internationally with revenues expected to be received by us beginning in the first quarter of 2010:

Camelot Distribution Group:

Title:

The Fallen
Wiener Dog Nationals
The Wiffler

ITEM 1. BUSINESS - continued

DarKnight Pictures:

Title:

Samurai Avenger
Nude Nuns with Big Guns
First Strike

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 Group. The current version of the film is in post production with additional material expected to be added in 2010. 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
Survival Trilogy
Iceman
Eyes of the Red Skull
Invincible

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*

Kimberly Drake*
The Great Night*
Raising Hell*
Go For It*

*Through Media Financial Partners, Inc.

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.

ITEM 1. BUSINESS - continued

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 plans to offer 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 as a result of his consulting agreement being negotiated with the Company. 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. We are negotiating with Industry veteran Doug Warner to assist 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 division's 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

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. BUSINESS - continued

Camelot Distribution Group and DarKnight Pictures

Camelot Distribution Group, and its two divisions, Camelot Distribution and DarKnight Pictures, Inc., are 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. With DVD, on-line purchasing and rental activities maturing into a steady, albeit slower growth segment of the market, with global DVD sales declining as video on demand (“VOD”) and other direct to consumer technology gain a larger market share, customer service will be a key component in our potential success. This division is led by Jamie Thompson, President of Camelot Distribution Group, Inc.

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.

Proposed 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

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.

ITEM 1. BUSINESS - continued

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 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).

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.

ITEM 1. BUSINESS - continued

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 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 2009, we made significant progress within Camelot Film Group as we unveiled our new distribution team and began the process of acquiring and distributing product. Jamie Thompson was named President of Camelot Distribution Group. Jessica Kelly was named Vice President of Sales and Marketing. We made several key additions to our legal and finance team. We entered into four letters of intent to acquire four different companies, including three distribution companies and one post production facility. The negotiations for these acquisitions are ongoing and are dependent on raising significant financing. We expect to either conclude or terminate negotiations during 2010. There can be no assurance that we will be successful in acquiring these entities.. We continue to pursue the development and implementation of the Camelot Production Model in conjunction with our distribution activities, along with expanding the production undertakings of Camelot Features as further described in this report. In addition, we began preliminary negotiations on potential studio sites in Las Vegas and New Orleans. We reestablished Camelot Films® U.K. Limited and opened up a small office in London.

ITEM 1. BUSINESS - continued

Following the unexpected termination of our agreement to develop our first major physical studio project in August 2008, we began 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 part of this transition, we expanded our distribution activities in 2009, including bring in a new president of Camelot Distribution Group, a subsidiary of Camelot Film Group, Inc., one of our three major operating divisions. As a result, during the third and fourth quarters of 2009, we acquired a number of feature films for distribution for \$37,500 to began generating operational revenues in 2010.

In August 2009, we also entered into a financing agreement with JMJ Financial which will provide us with \$3,000,000 in operating capital over the next two years. This funding commitment along with our current revenue generating capabilities should enable us to sustain operations for the foreseeable future.

Although we did not earn any revenues during fiscal year 2009, we did begin generating revenues from our distribution activities in fiscal year 2010. Due to our limited operations and the long-term revenue cycle of the film business in general, our early 2010 revenues will be minimal. However, we do expect to begin to generate significant revenues during fiscal year 2010. Our ability to develop sustained operations and to generate revenues is to a great extent dependent upon successful resolution of the “chill” situation with DTCC and completion of our planned funding activities during 2010 and beyond, which will allow us to complete the planned acquisitions and continue to expand our distribution activities. Failure to complete our funding objectives as discussed herein could have a material adverse effect on our ability to complete the acquisitions and therefore expedite the expansion of our planned operations.

We believe that the direction the Company is now taking along with the financing commitments we have obtained through our financing agreement with JMJ Financial will allow us to fully implement our business plan and as a result make progress toward sustaining operations in 2010 and beyond and as a result no longer be classified as a development stage company, and further, provide us with the opportunity to become listed on a national exchange.

Principal Products or Services and Their Markets

Although our operations have been limited, our focus during 2009 has been on expanding Camelot Film Group, focusing on the proposed development, production, marketing and distribution of original motion pictures, television and digital media. Our operations are currently centered on activities within Camelot Distribution Group and DarKnight Pictures, where we have been acquiring product and generating revenues. Our objective at Camelot Film Group 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 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, including DarKnight Pictures, thereby keeping as much control as possible over the future 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.

ITEM 1. BUSINESS - continued

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 2010. 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.

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.

ITEM 1. BUSINESS - continued

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.

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 chord 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.

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, including Blue-Ray and DVD, television, video-on-demand, pay-per-view, direct to consumer, digital media, mobile media and other ancillary markets.

General Statistics

ITEM 1. BUSINESS - continued

General Statistics

According to the Motion Picture Association's U.S. Theatrical Market: 2009 Statistics, worldwide box office reached \$29.9 billion, a 7.6% increase over 2008. Overall domestic box office revenue was approximately \$10.6 billion in 2009. This represents a 10.1% increase in total domestic box office compared to 2008 statistics. Global box office reached an all-time high with its \$29.9 billion in 2009, with 64% of the global box office generated internationally, up from 51% in 2001. Domestic moviegoers purchased 1.42 billion theater tickets in 2009, a 5.5% increase over 2008. Although it fluctuates from year to year (including a moderate decline from 2004 to 2005, followed by steady increases through 2009), the domestic motion picture industry has grown in revenues and attendance over the past five (5) years, with box office receipts up 20.3% (\$8.8 billion in 2005) and admissions up 1.6% (1.39 billion in 2005). U.S./Canada movie admissions, or tickets sold, reached a five year high at 1.42 billion in 2009. Admissions rose 5.5% from 2008, the first increase in two years. The national average of tickets sold per person (admissions per capita) increased to 4.3 in 2009, the first increase since 2002. 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 558 feature films released in 2009, down from 633 in 2008. 28%, or 158, of those were released by the major studios. 400, or 72%, were released by independent distributors. Of the top 25 films in 2009, 1 movie earned more than \$400,000,000 at the U.S./Canadian box office in 2009; 1 movie earned more than \$300,000,000; 5 earned between \$200,000,000 and \$300,000,000, and 18 earned between \$100,000,000 and \$199,000,000. PG-13 films continue to dominate the top 25, with 13 films in the top 25. 9 films were rated PG and 3 films were rated R. Overall, approximately 50% of all movies released theatrically were rated PG-13. 30% were rated PG, 15% were rated R and 5% were rated G.

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.

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. Camelot plans to fund its production costs through either a private and/or public offering during 2010. There can be no assurance that Camelot will be successful in raising the funds necessary to fund its production costs. If it is unable to do so, Camelot’s production activity would have to be delayed and that could have a material adverse effect on the Company’s ability to implement its business plan.

ITEM 1. BUSINESS - continued

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.

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.

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.

ITEM 1. BUSINESS - continued

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. This is one reason why Camelot has its own distribution division, Camelot Distribution Group, which allow Camelot to keep all of these fees within the Company and oversee the collection of revenues generated through our distribution activities.

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.

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 2009.

ITEM 1. BUSINESS - continued

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.

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, NBC Universal and its subsidiaries, Focus, USA Films, and NBC; Sony, and its divisions Columbia, MGM, UA, Sony Pictures Classics, Screen Gems, and TriStar Pictures; Paramount and its subsidiaries, Vantage, Paramount Classics, Nickelodeon Movies, DreamWorks Live Action and MTV Films; Warner and its divisions, HBO, Castle Rock, and Turner; Disney and its subsidiaries Buena Vista, Touchstone, Miramax, Hollywood Pictures, Pixar and ABC; and Fox and its divisions Fox Searchlight 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, 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.

ITEM 1. BUSINESS - continued

In addition, there also have been rapid technological changes over the past 15 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.

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 Group," "Camelot Features", "Camelot Television Group", "Ferris Wheel Films", "Camelot Gaming", "Camelot Digital Media", "Camelot Distribution Group", "Camelot Studio Group", "Camelot Production Services Group", "Camelot Studio Model", "Camelot Production Model", "Camelot Urban Entertainment", "Camelot Latin Entertainment", "Camelot University", "Camelot College of the Arts", "Camelot Technology" and "Camelot Merchandising" are expected to be filed and/or are in the process of being filed with the United States Patent and Trademark Office. We are also in the process of patenting our unique business model.

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

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.

ITEM 1. BUSINESS - continued

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.

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.

ITEM 1. BUSINESS - continued

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 40% 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, 2009, we have seven full and part time employees. Six of our staff members spend 100% of their 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.

ITEM 1A. RISK FACTORS

Ability to Achieve Profitable Operations

Our operations to date have been limited. During 2009 we expanded Camelot Distribution Group, added DarKnight Pictures and began to acquire films to distribute and generate revenues. Historically, 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 seven (7) years initially, with affiliate, residual and syndication revenues continuing for years. As of December 31, 2009, we had one project in production and several in pre-production. Our first studio facility, Camelot Studios at ATEP, 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 2010, 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.

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 limited revenues and a limited operating history as a motion picture company upon which an evaluation of our future success or failure can be made. During 2009 we expanded Camelot Distribution Group, added DarKnight Pictures and began to acquire films to distribute and generate revenues. Prior to this year, our primary focus had been the development of Camelot Studios at ATEP and to a lesser scale project development within Camelot Film Group. As a result, many of our planned divisions are not operational or have very limited operations as of December 31, 2009. While we currently believe that our current company assets and financial commitments, specifically JMJ, are suitable for the projected financial needs forecast during 2010, we do not know at this time the outlook for 2011 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 \$4,256,802 and \$428,575 respectively in 2009 and 2008, and have an accumulated deficit of \$20,964,823 at December 31, 2009, with losses during the past two years primarily the result of accrued salaries to our offices, interest expense on debt issuances, and our financial commitment to the development of Camelot Studios at ATEP.

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 2009 and revenues from operations and additional funding in 2010, we will need to raise additional funds through public or private debt or sale of equity to fully achieve our business strategy and to fund operations. 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.

ITEM 1A. RISK FACTORS - continued

We are subject to a working capital deficit, which means that our current assets at December 31, 2009, were not sufficient to satisfy our current liabilities

As of December 31, 2009, we had a working capital deficit of \$1,534,010, which means that our current liabilities of \$1,643,675 exceeded our current assets of \$109,665 by that amount on December 31, 2009. 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, 2009, 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 our President of Camelot Distribution Group Jamie Thompson, 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, and our President of Camelot Distribution group, Jamie Thompson. 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 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

As of December 31, 2009, Mr. Atwell, our President, Chief Executive Officer and Chairman, is the beneficial owner of 4% of our issued and outstanding common shares; 85% of our Class A Convertible Preferred Stock ("Class A"); 86% of our Class B Convertible Preferred Stock ("Class B"); and 84% of our Class C Convertible Preferred Stock ("Class C"). Each share of Class A entitles the holder to 50 votes; each share of Class B entitles the holder to 1,000 votes; and each share of Class C entitles the holder to 1 vote. In the aggregate, Mr. Atwell is entitled to cast 9,123,849,166 votes or 69% of the votes in any vote by our stockholders. Mr. Jackson, the Chief Financial Officer, corporate secretary and

director, is the beneficial owner of 3% of our issued and outstanding common shares; 14% of our Class A Convertible Preferred Stock; 14% of our Class B Convertible Preferred Stock; and 15% of our Class C Convertible Preferred Stock. In the aggregate, Mr. Jackson is entitled to cast 1,339,014,717 votes or 10% of the votes in any vote by our stockholders. Together, they are entitled to cast 10,386,033,788 votes or 78% 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:

- § compensation under employment contracts;
- § 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 Jackson's ownership, and their respective positions as chief executive officer and chief financial officer, 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 1A. RISK FACTORS - 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, Sony, Warner, Universal, Fox, Summitt, Relativity, Buena Vista Motion Pictures Group, Disney, Paramount, Showtime, HBO, Starz, Comedy Central, USA, Turner 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 1A. RISK FACTORS - 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 become 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 2009. In certain regions such as Asia, the former Soviet Union and South America, motion picture piracy has been a major issue for some time. With the proliferation of DVD format around the globe, along with other digital recording and playback devices, losses from piracy have spread more rapidly in North America and Europe. Piracy of original motion pictures we produce and distribute may adversely impact the gross receipts received from the exploitation of these films, which could have a material adverse effect on our business, results of operations or financial condition.

Our operating results will fluctuate

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

ITEM 1A. RISK FACTORS - continued

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.

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.

ITEM 1A. RISK FACTORS - continued

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.

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

Future DTCC Chill on Camelot

The Company's \$0.0001 par value Common Stock ("Common Stock"), which trades on the Over the Counter Bulletin Board ("OTCBB"), had been subject to a "chill" placed on deposits into CEDE by the Depository Trust and Clearance Corporation ("DTCC") between on or about October 12, 2009 and April 12, 2010. This "chill" did not affect the trading of Common Stock already in the marketplace. Even though this "chill" issue with the DTCC has been resolved and is no longer in place, in the future the Company could be subject to one or additional similar type of Common Stock

deposit restriction, which, if this was to occur, could have a material adverse effect on the Company and has caused substantial damage to the Company and its credibility in the marketplace.

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, 2009, 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 78% 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.

ITEM 1A. RISK FACTORS - continued

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 "CMGR". 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 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.

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 2006/2007/2008/2009 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 2006-2009 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. Unless changed by amendments to the agreements, 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.

ITEM 1A. RISK FACTORS - continued

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.

We may be required to increase the authorized shares of the Company

Because of the large amount of our stock we have issued in the past, we were required to increase our authorized shares in the future. This could have a negative effect on our ability to manage stockholder related issues and on our ability to raise equity capital in the future.

We may be required to do a reverse stock split

Because of the large amount of our stock we have issued in the past, we may need to consider a reverse stock split in the future in order to restructure our Common Stock to comply with financing and other business related requirements.

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.camelotent.com.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved staff comments.

ITEM 2. PROPERTIES

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, 2010. We can be reached by calling (949) 754-3030, faxing (949) 643-5504 or emailing info@camelotfilms.com.

Our distribution and production offices are located at Universal City Plaza, NBC Universal Building, 20th Floor, Universal City, CA 91608. The space is leased on an annual basis. The current lease expires on October 31, 2010. We can be reached by calling (818) 308-8858 or faxing (818) 308-8848.

Our international distribution and production office is located at 81 Oxford Street, London, England. The space is leased on an annual basis. The current lease expires on October 31, 2010. We can be reached by calling (818) 308-8858 or faxing (818) 308-8848.

We invite you to visit our website at www.camelotent.com for information about our company, products and services.

ITEM 3. LEGAL PROCEEDINGS

Management is not aware of any 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.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Submission of matters to a Vote of Security Holders

On June 16, 2009, the Company's board of directors approved a 700 to 1 reverse stock split of all of our outstanding Common Stock. All references to our Common Stock (other than issuances) in the balance of this Report have been restated to reflect the reverse stock split.

Market Information for Common Stock

Our Company's Common Stock is quoted on the Over-the-Counter Bulletin Board (OTCBB) under the symbol "CMGR" 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".

Stock Performance

Our Common Stock is currently quoted on the OTCBB under the symbol "CMGR". 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. The quotations shown below have not been adjusted to reflect the reverse stock split. They are shown as reported by the OTCBB, Pink Sheets and historical data as reported by the OTCBB.

YEAR 2009	Closing Bid	
	High Bid	Low Bid
1st Quarter Ended March 31	\$0.0002	\$0.0001
2nd Quarter Ended June 30	\$0.0001	\$0.0001
3rd Quarter Ended September 30	\$0.03	\$0.0009
4th Quarter Ended December 31	\$0.001	\$0.0001
YEAR 2008	High Bid	Low Bid
1st Quarter Ended March 31	\$0.01	\$0.002

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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

As of December 31, 2009 the bid share price of our Common Stock was \$0.0001 on the OTCBB. As of December 31, 2008 the bid share price of our Common Stock was \$0.0001 on the OTCBB. OTCBB quotations reflect inter-dealer prices, without retail mark-up, mark-down, or commissions and may not represent actual transactions.

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

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:

The “chill” put on deposits of Common Stock into CEDE by The Depository Trust and Clearing Corporation (“DTCC”) on or about October 12, 2009 which resulted in many stockholders being unable to deposit their shares into a brokerage account and preventing most people from buying our stock through a brokerage firm; and

- The conversion of notes held by the NIR note holders at a 50% discount to the market price 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 at a 50% discount to the market price and the resulting sale of those shares into the marketplace at extremely low market prices; the shares in which were obtained through the sales of the obligations due to the Chief Executive Officer to the third parties; and
- The lack of any significant news on the Company or any sustained public relations effort.

Holders

As of December 31, 2009, there were 3,061,330,703 shares of Common Stock issued with 2,961,330,703 shares issued and outstanding. On December 31, 2009, there were 157 holders of record of our Common Stock. However, we estimate there are approximately 2,800 total stockholders of our Common Stock including those held in street name, known as “CEDE”. On December 31, 2008, there were 2,234,254 shares of Common Stock issued with 2,233,814 shares issued and outstanding. There were 127 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 July 9, 2009, Camelot issued a press release announcing that in connection with the effective date of July 10, 2009 for the 700:1 reverse of the Company’s Common Stock, Camelot has received a new trading symbol “CMGR” from OTC Corporate Actions FINRA Operations.

In addition, Camelot has established a new series of preferred stock known as “Class D Convertible Preferred Stock”. All stockholders of record as of July 9, 2009 shall be eligible to receive as a cashless dividend the Class D Convertible Preferred Stock. Stockholders shall be eligible to receive 40 shares of the Class D Convertible Preferred Stock for each one million shares of Common Stock owned as of the close of trading on July 9, 2009. Holders of Class D Convertible Preferred Stock shall have the right, once the Common Stock achieves a 30 day average closing bid price of \$2.50 per share as determined by the Over The Counter Bulletin Board (“OTCBB”) historical daily stock price quote, to convert any or all of their Class D Convertible Preferred Stock into 1 share of fully paid and nonassessable shares

of Common Stock for each share of Class D Convertible Preferred Stock held. In addition, holders of Class D Convertible Preferred Stock will have the right to convert, as described in the designation, upon an initial or secondary public offering of the Common Stock by the Corporation where the offering price is \$2.50 or greater. There are no Common Stock voting rights. Camelot expects to begin the process of registering these shares for distribution to its Common Stockholders during the second quarter of 2010.

New Media				
Advisors				
Share Balance Adj	5,008	4(2)	Bal. Adj.	Issued/Market
CEDE	22	4(2)	Bal. Adj.	Issued/Market
Total	3,059,096,263			

Notes:

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

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7/12/2009	Common4(2)/506	1,050,000	Falcon	Consulting Services	\$ 0.0015	CMGR
7/14/2009	Common4(2)/506	7,500,000	Acacia	Debt Retire Cash	\$ 0.0043	Conv
7/14/2009	Common4(2)	22	Adj Cede	Acctng Adj	\$ 0.0001	CMGR
7/15/2009	Common4(2)/506	1,200,000	Watson	Debt Retire Cash	\$ 0.0042	Conv
7/15/2009	CommonS8	500,000	Spainhower	Edgar Services	\$ 0.0150	CMGR

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9/10/2009	Common4(2)/506	25,000,000	TJM	Debt Retire Cash	\$ 0.0010	Conv
9/11/2009	Common4(2)/506	32,000,000	JMJ	Fin Conv Cash	\$ 0.0005	Conv
9/11/2009	Common4(2)/506	60,000,000	Mazuma	Debt Retire Cash	\$ 0.0008	Conv
9/11/2009	CommonS8	10,000,000	Ted Baer	Legal Services	\$ 0.0016	CMGR
9/11/2009	CommonS8	10,000,000	Bastien	Admin Services	\$ 0.0016	CSG
9/11/2009	CommonS8	10,000,000	Spainhower	Edgar Services	\$ 0.0016	CMGR

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12/4/2009	CommonS8	200,000,000	Jackson	Mngmnt	Services	\$ 0.0001	CMGR
12/9/2009	CommonS8	10,000,000	Winn	Admin	Services	\$ 0.0004	CMGR
12/14/2009	CommonS8	125,000,000	Reznikoff	Consulting	Services	\$ 0.0003	CMGR
12/21/2009	Common4(2)/506	107,322,600	NIR	Fin Conv	Cash	\$ 0.0001	Conv
12/30/2009	Common4(2)/506	107,322,600	NIR	Fin Conv	Cash	\$ 0.0001	Conv
12/31/2009	Common4(2)	5,008	Share Adj	Acctng	Adj	\$ 0.0001	CMGR
Total		3,059,096,263					

Notes: "CMGR" refers to transactions related to Camelot Entertainment Group operations. "CSG" refers to transactions related to Camelot Studio Group operations. "CFG" refers to transactions related to Camelot Film Group transactions. "CDG" refers to transactions related to Camelot Distribution Group transactions.

well as a discussion of other financing arrangements.

- o Sources of Revenue. This section examines expected sources of revenues.
- o Recent Financings. This section discusses financing transactions of Camelot during 2009.
- o Off-Balance Sheet Arrangements. This section discloses any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on Camelot's financial condition.
- o Critical Accounting Estimates. This section identifies those accounting estimates that are considered important to the Company's results of operations and financial condition, require significant judgment and require estimates on the part of management in application.
- o Critical Accounting Policies. This section identifies those accounting policies that are considered important to the Company's results of operations and financial condition, require significant judgment and require estimates on the part of management in application. All of the Company's significant accounting policies, including those considered to be critical accounting policies, are summarized in Note 1 to the accompanying financial statements.
- o Caution Concerning Forward-Looking Statements. This section provides a description of the use of forward looking information appearing in this report, including in MD&A and the financial statements. Such information is based on management's current expectations about future events, which are inherently susceptible to uncertainty and changes in circumstances. Refer to "Risk Factors" in Part I of this report, for a discussion of the risk factors applicable to the Company.

directors to rush development and production in hopes of conserving cash, the CPM extends the pre-production cycle substantially to reduce costs while simultaneously increasing quality. Similarly, whereas many independent films are limited by the types of post production technology used, due in part to budget constraints, we intend to invest directly in top of the line technology, spreading the costs over a targeted minimum number of original motion pictures each year. One benchmark of the CPM is to develop the ability to consistently produce films with the look, feel and artistic content of multi-million dollar pictures, for a fraction of the cost.

Within our Camelot Film Group division, Camelot Films® plans to focus on high quality, suspense, action, thriller, comedy and dramatic commercial content. Camelot Features will continue to develop its limited catalogue of literary properties and preparations to begin pre-production on some of its projects as packaging is completed. Camelot Television Group plan to continue to explore potential pilots and television series to produce. Camelot Urban Entertainment is expected to complete its first feature length documentary during 2010 and continue the development process on several feature film properties currently being developed. Camelot Film Group plans to accelerate the activity in its Latin entertainment division once it completes its search for an executive to lead that division. We also plan to increase activity in our family division, Ferris Wheel Films. We hope to renew our consulting agreement with Capital Arts Entertainment, which is part of a contemplated acquisition plan that could result in the Capital Arts Management team joining forces with the Company and heading up Camelot Film Group. Experts in efficient budget production, the management of Capital Arts has over 250 film credits in production and distribution, and they have an excellent industry reputation. More details concerning this potential acquisition are expected to be released later this fiscal year. Camelot Gaming and our Digital Media division should begin to see activity in 2010.

Due to our prior focus and the commitment of resources on the Camelot Studios at ATEP project, we made the decision to slow down the progress of our other divisions and concentrate on completing the development and entitlement process of the ATEP project. When that stopped, we refocused our attention on Camelot Film Group and will be increasing activity in Camelot Production Services Group during 2010. Notwithstanding the foregoing, our priority in 2010 will be as follows: first, Camelot Film Group; second, Camelot Studio Group; and third, Camelot Production Services Group.

The Company's Common Stock, which trades on the OTCBB, was subject to a "chill" placed on deposits into CEDE by the DTCC between on or about October 12, 2009 and April 12, 2010. This "chill" did not affect the trading of Common Stock already in the marketplace. Nor did it affect the ability to DWAC shares already in the market. It did affect the ability of stockholders to deposit new shares into the market through CEDE, and further it has impacted the ability for investors to purchase Camelot stock through their brokerage firms, especially national firms that do the majority of their trading activity on-line. According to the DTCC the "chill" was put in place to review high volume of shares issued during the second quarter of 2009. More importantly, the "chill" caused our major corporate funding partner JMJ Financial to freeze our corporate financing until the "chill" had been lifted, as the ability to continue as a DTC/DWAC eligible company was a condition precedent to the financing agreements. This put a severe strain on the Company's financial condition. The Company and its legal team have resolved this situation with the DTCC and the "chill" was lifted on April 12, 2010.

During this critical time period, the Company was able to maintain operations through the ongoing financial support of its Chairman and founder, Robert Atwell, interim bridge financial support from its lenders, deferred payment arrangements with its consultants, advisors and legal team, and the limited revenues being generated from operations.

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

If requested by the note holder, in accordance with the terms and conditions of the Registration Rights Agreement, we are committed to registering the shares of Common Stock underlying the Notes in the event no other exemption is available to the Investor, including Rule 144. In the event no other exemption is available, we have agreed to use our best efforts to file the registration statement within thirty (30) days from the date of request by the Investor otherwise we may be subject to penalty provisions. There are penalty provisions if the Company does not use its best efforts and respond to comments from the SEC regarding its Registration Statement in a timely manner, or after the Registration Statement has been declared effective by the SEC, sales of all of the Registrable Securities cannot be made pursuant to the Registration Statement due to the fault of the Company.

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

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

At our option, we may prepay the Notes in the event that no event of default exists, there are a sufficient number of shares available for conversion of the Notes and the market price is at or below \$175 per share. In addition, in the event that the average daily price of the Common Stock, as reported by the reporting service, for each day of the month ending on any determination date is below \$175, we may prepay a portion of the outstanding principal amount of the Notes equal to 101% of the principal amount hereof divided by thirty-six (36) plus one month's interest. Exercise of this option will stay all conversions for the following month. The full principal amount of the Notes is due upon default under the terms of Notes. In addition, we have granted the Investors a security interest in substantially all of our assets and intellectual property as well as registration rights.

We simultaneously issued to the Investors seven year warrants to purchase 100,000 shares of our Common Stock at an exercise price of \$10,500.

In connection with the recent financing and pursuant to a Structuring Agreement, we also issued to Lionheart Associates, LLC d/b/a Fairhills Capital (“Lionheart”) warrants representing the right to purchase up to eight (8) shares of our Common Stock under the same terms as the Warrants issued to the Investors.

Since inception, research and development expenses have consisted primarily of costs related to the acquisition, testing, design, development and enhancement of certain technologies we held rights to and which we intended to use in the future to meet our internal needs or the needs of ventures we might have invested these technologies with.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION - continued

GENERAL AND ADMINISTRATIVE

	Cumulative During Development Stage	Year Ended December 31,		% Change
		2009	2008	
General & Administrative Expenses	\$ 15,505,374	\$ 2,086,807	\$ 1,406,916	(48%)

The Company has incurred \$15,505,374 of general and administrative expenses since its inception. General and Administrative expenses were \$2,086,807 for the year ended, December 31, 2009, compared to \$1,406,916 for the year ended, December 31, 2008.

The general and general administrative expenses for 2009 were comprised of \$570,000 of officer salaries, \$385,448 of professional services and \$437,718 of professional fees (accounting, legal and other fees). Additionally, we incurred \$145,012 for marketing costs, \$16,902 in telephone costs, \$44,660 in rent, \$11,841 for insurance (D&O, workers compensation and business liability), office staff payroll of \$39,613, stock transfer fees and services of \$34,198, trade shows and travel costs of \$39,097, acquisition expenses of \$54,000, corporate filing fees of \$10,728, office supplies of \$22,057, dues and subscriptions of \$12,770, approximately \$223,000 in accrued payroll taxes for officer salaries and other administrative costs.

The general and general administrative expenses for 2008 were comprised of \$602,300 of officer salaries, \$319,385 of professional services and \$71,133 of professional fees (accounting, legal and other fees). Additionally, we incurred \$123,520 for marketing costs, \$13,349 in telephone costs, \$143,188 in rent, \$10,196 for insurance (D&O, workers compensation and business liability), office staff payroll of \$26,250 along with other administrative costs.

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

	Cumulative During Development Stage	Year Ended December 31,		% Change
		2009	2008	
Impairment of Assets	\$ 2,402,338	\$ 0	\$ 0	(0%)
Impairment of Investments in Other Companies	\$ 710,868	\$ 0	\$ 0	(0%)

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

Our financial results since inception are indicative of the extent to which impairment of investments and assets can impact our operating results. Since inception, impairment of investments in other companies accounts for \$710,868, or approximately 3% of our \$20,964,823 net loss, whereas impairment of long-lived assets has accounted for \$2,402,338, or approximately 11% of our net loss since inception. Together, these two expense categories account for 24% of our net loss from inception and through the year ended December 31, 2005.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION - continued

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

INCOME TAXES

There is no current or deferred tax expense for the period from January 1, 2009 to December 31, 2009 due to net losses from operations by the Company. As of December 31, 2009 we had federal net operating loss carryforwards of over \$10,500,000, compared to operating loss carryforwards of over \$8,800,000 as of December 31, 2008. The operating loss carryforwards expire beginning in 2013 and may be subject to significant limitations attributable to change in control rules.

NET LOSS

	Cumulative During Development Stage	Year Ended December 31,		% Change
		2009	2008	
Net (loss)	\$ (20,964,823)	\$ (4,259,802)	\$ (428,575)	893%

The net loss for 2009 was more than in 2008 due to increase in interest expense due to debt retirement, large increase in legal fees and professional services and the start up of Camelot distribution operations. during the year. General and Administrative expenses were more in 2009 due to professional service fees charged for money raised for the company during the year.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has had minimal revenues, has experienced an accumulated deficit of \$20,964,823 and has a stockholders' deficit. These conditions, the loss of financial support from affiliates, and the failure to secure a successful source of additional financial resources raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the classification of liabilities that may result from the outcome of this uncertainty.

We have incurred net losses from operations in each fiscal year since our inception. The changes in components of our net loss are important. Impairment of assets accounted for 0% of our net loss in 2003, 2004, 2005 and 2006, whereas impairment of assets accounted for 40% of our net loss in 2002. We anticipate that impairments should no longer play a major role in our operating results for 2007 as well as in future periods. Although none of our impairment losses have consumed cash flow since inception, our ability to convert the assets, resources and technology we acquired into gains, and ultimately positive cash flow, had largely determined the viability or lack thereof of our business model. Similarly, to the degree that we had to issue more shares to acquire assets and resources that were later impaired and not readily recovered, such events were dilutive to our existing shareholders. Going forward, impairments should

hopefully no longer be an issue.

Off-Balance Sheet Arrangements

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

Critical Accounting Estimates

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

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION - continued

Management evaluates the probability of the utilization of the deferred income tax asset related to the net operating loss carryforward. The Company has not estimated a deferred income tax asset related to net operating loss carryforward and other book/tax differences at December 31, 2009. Management determined that because the Company has yet to generate taxable income and that the generation of taxable income in the short term is uncertain, it was appropriate to provide a valuation allowance for the total deferred income tax asset, resulting in a net deferred income tax asset of \$0.

Critical Accounting Policies

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

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

Acquired Technology and Intangible Assets

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

Going Concern Uncertainties

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles accepted in the United States, which contemplate continuation of Camelot as a going concern. In addition, our independent auditors have included a paragraph within their report that expresses substantial doubt about our going concern. However, Camelot has experienced recurring operating losses and negative cash flows from operations. This is due in part to Camelot's historical focus on developing Camelot Studios at ATEP, which has necessitated considerable monetary and time commitments from Camelot in lieu of Camelot pursuing revenue generating opportunities either through its Camelot Film Group or Camelot Production Services Group divisions.

Camelot's Board of Directors made the decision to have Camelot focus on the studio project due to the long term importance of the studio and the impact successful completion of that project would have on Camelot Studio Group and Camelot overall. Camelot had to delay several revenue generating projects that it is now implementing with the ATEP project having been terminated. As a result, Camelot began generating revenues from its distribution operations during the fourth quarter of 2009 and began collecting those revenues during the first quarter of 2010.

Camelot's continued existence is dependent upon its ability to increase operating revenues and/or obtain additional equity financing. As part of our ongoing efforts to obtain additional financing, we entered into a financing agreement with JMJ Financial in August, 2009 and have renewed our agreement with The Atwell Group to provide funding for our basic operational requirements.

Further, The Atwell Group has provided advances for certain Camelot expenses when necessary. It appears likely that such funding and financial arrangements with JMJ Financial, NIR, The Atwell Group and our officers and directors should continue to be enough to meet all of the Company's cash requirements in 2010. However, the Company must find additional sources of financing in order to have a more traditional form of funding in place and to remain a going concern in the future. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION - continued

Significant Accounting Practices

Derivative Instruments

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of Financial Accounting Standards Board No. 133," and by Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment of Financial Accounting Standards Board Statement No. 133," which is effective for all quarters of fiscal years beginning after June 15, 2000. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. We adopted Statement of Financial Accounting Standards No. 133 beginning January 1, 2004, which was codified to ASC 855. The adoption of Statement of Financial Accounting Standards No. 133 did not materially impact our results of operations with our convertible notes payable entered into in December 2006.

Revenue Recognition

Revenue from the sales or licensing of films is recognized upon meeting all recognition requirements of Accounting Standard Codification 926, Entertainment — Films ("ASC 926") (formerly Statement of Position 00-2.) These requirements are a) persuasive evidence of a sale or licensing arrangement with a customer exists, b) the film is complete and, in accordance with the terms of the arrangement, has been delivered or is available for immediate and unconditional delivery, c) the license period of the arrangement has begun and the customer can begin its exploitation, exhibition, or sale, d) the arrangement fee is fixed or determinable, and e) collection of the arrangement fee is reasonably assured. For the year ended December 31, 2009 the Company had not produced and theatrically released any films that would meet all of the above-stated requirements and therefore recognized no revenues.

Cash payments received in advance are recorded as deferred revenue until all the conditions of revenue recognition have been met. As of December 31, 2009 and 2008, the Company has not recorded any deferred revenue.

ITEM 7A. MARKET RISK DISCLOSURES

We are currently not exposed to any market risks relating to our operations which might result from changes in interest rates and changes in foreign currency exchange rates. In addition, we currently do not have any foreign currency exposures on distribution and/or production expenses, although we may encounter such exposure in the future. Our principal risk with respect to our convertible debt is the downward pressure these types of financings can have on our stock price, which could make it more difficult for us to obtain additional financing in the future.

ITEM 8. FINANCIAL STATEMENTS

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

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

Since April 30, 2009, dbbmckennon has served as the company's Certifying Accountant.

In connection with the reorganization of McKennon, Wilson & Morgan LLP (the "Former Auditors") in which certain of its audit partners resigned from the Former Auditors and have joined dbbmckennon. The Former Auditors resigned as the independent auditors of Camelot Entertainment Group, Inc. (the "Company"), effective April 30, 2009. The Former Auditors had been the Company's auditor since January 28, 2008. The Company's Board of Directors (the "Board") approved the resignation of McKennon, Wilson & Morgan LLP on April 30, 2009.

Between January 28, 2008 and April 30, 2009, McKennon, Wilson & Morgan, LLP served as the company's Certifying Accountant.

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

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

ITEM 9A. CONTROL AND PROCEDURES

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

Evaluation of Disclosure Controls and Procedures

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

Management's Report on Internal Control over Financial Reporting

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

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

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2009 using the criteria set forth by the Commission of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on this assessment, our management concluded that, as of December 31, 2009, our internal control over financial reporting disclosure controls and procedures were not effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities

Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including the Certifying Officer, as appropriate to allow timely decisions regarding required disclosure, due to the material weaknesses described below.

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

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

ITEM 9A. CONTROL AND PROCEDURES - continued

1. We do not have sufficient segregation of duties within accounting functions due to the limited personnel, which is a basic internal control. This will change with the addition of more staff members, which has occurred during the first quarter of 2010.
2. Procedures have not been consistently in place to properly cut-off accounts payable and accrue un-invoiced liabilities. This is being addresses with the addition of new accounting staff in 2010.
3. The accounting department lacks adequate skills to account for stock based compensation for employees and non-employees related to stock issued for liabilities or services, and derivative accounting for convertible debt with a conversion rate with no floor (causing derivative accounting). The Company expects to add personnel familiar with these issues to our accounting department in 2010.

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

Changes in Internal Control Over Financial Reporting

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

ITEM 9B. OTHER INFORMATION

Code of Ethics

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

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT.

The following table sets forth the names and ages of the current directors and executive officers of the Company as of December 31, 2009, the principal offices and positions with the Company held by each person and the date such person became a director or executive officer of the Company. Each serves until the next annual meeting of stockholders.

Name	Age	Position	Date of Appointment
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Robert P. Atwell	56	President, Chief Executive Officer, Chairman	March 19, 2003
George Jackson	49	Secretary, Chief Financial Officer, Director	April 1, 2005

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT - continued

Robert P. Atwell, 56, has been Chairman, President and Chief Executive Officer of the Company since March 19, 2003. Mr. Atwell is also the President of The Atwell Group, Inc., which encompasses several companies that Mr. Atwell has been affiliated with since 1978, including The Corporate Solution, Inc. (1978), Eagle Consulting Group, Inc. (1996), The Atwell Group, LLC (2004) and Camelot Films®, Inc. (1978). Mr. Atwell is also the majority stockholder of two pink sheet companies, Sky440, Inc. and Emaji, Inc. Mr. Atwell recently took over control of those two companies to implement a restructuring of their operations and to install new management teams. Mr. Atwell's private companies specialize in taking small companies public, securing and implementing assignments for a variety of agencies and corporations including general business consulting, corporate restructuring, mergers and acquisitions, corporate investigations and securities administration. Mr. Atwell has been involved in all aspects of motion picture industry, including business affairs, development, production, distribution, finance, sales and marketing. Mr. Atwell began his career in the entertainment business in 1971, working initially in television and independent film before establishing Camelot Films® in 1978.

George Jackson, 49, was appointed Chief Financial Officer and joined the Board of Directors on April 1, 2005. Mr. Jackson has been a Certified Public Accountant since 1984. He worked with the public accounting firm of KPMG. While at KPMG he worked as a consultant and auditor on many film companies including: Carolco Films, New World Pictures and others. He was the co-founder, CEO & CFO of several fitness centers from 1985 to 1999. He was responsible for managing companies with over \$20 million in revenue, 540 employees in the United States and Asia, raising over \$10 million in capital and managing the accounting departments and preparing financial statements for shareholders in the U.S. and Asia. He sold all his fitness center assets to Bally Total Fitness in early 2000, netting a return to shareholders of over 45% on an annual basis. From 2000 to present he has developed more fitness centers in Asia and been a director to several fitness companies. Mr. Jackson graduated from the University of Southern California with a B.S. in Accounting in 1982.

Board Committees

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

Audit Committee

The principal functions of the Audit Committee are to review and monitor the Company's financial reporting and the internal and external audits. The committee's functions include, among other things: (i) to select and replace the Company's independent registered public accounting firm; (ii) to review and approve in advance the scope and the fees of our annual audit and the scope and fees of non-audit services of the independent registered public accounting firm; (iii) to receive and consider a report from the independent registered public accounting firm concerning their conduct of the audit, including any comments or recommendations they might want to make in that connection, and (iv) to review compliance with and the adequacy of our major accounting and financial reporting policies and controls. The Audit Committee met four times during the fiscal year ended December 31, 2009. It currently consists of Messrs. Atwell (Chairman) and Jackson. The Board has determined that Messrs. Atwell and Jackson are not "independent" as defined in the listing standards of the NASDAQ Stock Market.

Corporate Governance and Nominating Committee

Messrs. Atwell (Chairman) and Jackson constitute the Corporate Governance and Nominating Committee. The Board has determined that the members of the committee are not "independent" as defined in the listing standards of the

NASDAQ Stock Market. The primary functions of the Corporate Governance and Nominating Committee are to identify, evaluate and recommend nominees to serve as Directors and review corporate governance principles and practices and respond to regulatory initiatives and requirements. The Corporate Governance and Nominating Committee met four times in the fiscal year ended December 31, 2009.

Compensation Committee

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

Significant Employees

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

Family Relationships

Tamara Atwell, wife of Camelot Chairman Robert Atwell, provides administrative services to the Company on an as needed basis.

Involvement in Certain Legal Procedures

None.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT - continued

Section 16(a) Beneficial Ownership Reporting Compliance

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

ITEM 11. EXECUTIVE COMPENSATION

Both of our executive officers and current directors have a contracted compensation package. The Board of Directors established the parameters for the employment contracts, which are expected to be amended during the second quarter of 2010. Our President and CEO earned \$420,000 as a base salary in 2009. Our CFO earned \$150,000 as a base salary in 2009. As of December 31, 2009 the CEO and CFO had not received all of these amounts and they are recorded as related party accounts payable on the balance sheet. In addition to the base salary, additional consideration is due and will be determined by the Board of Directors in 2010. The additional consideration will be added to the compensation packages for 2010, which are expected to increase.

The following table summarizes all compensation paid to our President and Chief Financial Officer for services rendered in all capacities to the Company during each of the fiscal years ended December 31, 2009 and 2008.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Totals (\$)
Robert P. Atwell, (1)President, Chief Executive Officer	2009	\$420,000	0	0	0	0	0	15,000	\$435,000
	2008	\$420,000	0	0	0	0	0	0	\$420,000
George Jackson, (2) Secretary, Chief Financial Officer	2009	\$150,000	0	0	0	0	0	0	\$150,000
	2008	\$100,000	0	0	0	0	0	0	\$100,000

Stock Option Plan

Our Board of Directors adopted the 2009 Stock Option/Stock Issuance Plan on October 30, 2009 (“Plan”). This Plan replaced our previous 2007 Stock Option Plan. The Plan is divided into two separate equity programs: the Option Grant Program under which eligible persons may, at the discretion of the Plan Administrator, be granted options to purchase shares of Common Stock, and the Stock Issuance Program under which eligible persons may, at the discretion of the Plan Administrator, be issued shares of Common Stock directly, either through the immediate purchase of such shares or as a bonus for services rendered the Company (or any Parent or Subsidiary).

The persons eligible to participate in the Plan are employees, non-employee members of the Board or the non-employee members of the board of directors of any Parent or Subsidiary, and consultants and other independent advisors who provide Services to the Company (or any Parent or Subsidiary). The Plan Administrator shall have full authority to determine, (i) with respect to the grants made under the Option Grant Program, which eligible persons are to receive such grants, the time or times when those grants are to be made, the number of shares to be covered by each such grant, the status of the granted option as either an Incentive Option or a Non-Statutory Option, the time or times when each option is to become exercisable, the vesting schedule (if any) applicable to the option shares and the maximum term for which the option is to remain outstanding, and (ii) with respect to stock issuances made under the Stock Issuance Program, which eligible persons are to receive such issuances, the time or times when those issuances are to be made, the number of shares to be issued to each Participant, the vesting schedule (if any) applicable to the issued shares and the consideration to be paid by the Participant for such shares.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT - continued

The stock issuable under the Plan are shares of authorized but unissued or reacquired Common Stock. The maximum number of shares of Common Stock which may be issued over the life of the Plan may not exceed 3,000,000,000 shares. Shares of Common Stock subject to outstanding options shall be available for subsequent issuance under the Plan to the extent: (i) the options expire or terminate for any reason prior to exercise in full; or (ii) the options are cancelled in accordance with the cancellation-regrant provisions. Unvested shares issued under the Plan and subsequently repurchased by the Company, at the option exercise or direct issue price paid per share, pursuant to the Company's repurchase rights under the Plan shall be added back to the number of shares of Common Stock reserved for issuance under the Plan and shall accordingly be available for reissuance through one or more subsequent option grants or direct stock issuances under the Plan.

Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Company's receipt of consideration, appropriate adjustments shall be made to: (i) the maximum number and/or class of securities issuable under the Plan; and (ii) the number and/or class of securities and the exercise price per share in effect under each outstanding option in order to prevent the dilution or enlargement of benefits thereunder. The adjustments determined by the Plan Administrator shall be final, binding and conclusive. In no event shall any such adjustments be made in connection with the conversion of one or more outstanding shares of the Company's preferred stock into shares of Common Stock.

The option exercise price per share shall be fixed by the Plan Administrator in accordance with the following provisions: The exercise price per share shall not be less than 100% of the Fair Market Value per share of Common Stock on the option grant date. If the person to whom the option is granted is a 10% or more Stockholder, then the exercise price per share shall not be less than 110% of the Fair Market Value per share of Common Stock on the option grant date. The exercise price shall become immediately due upon exercise of the option and shall, subject to the provisions of Section I of Article Four and the documents evidencing the option, be payable in cash or check made payable to the Company. Should the Common Stock be registered under Section 12 of the Exchange Act at the time the option is exercised, then the exercise price may also be paid as follows: in shares of Common Stock held for the requisite period necessary to avoid a charge to the Company's earnings for financial reporting purposes and valued at Fair Market Value on the Exercise Date; or to the extent the option is exercised for vested shares, through a special sale and remittance procedure pursuant to which the Optionee shall concurrently provide irrevocable instructions (A) to a Company -designated brokerage firm to effect the immediate sale of the purchased shares and remit to the Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased shares plus all applicable Federal, state and local income and employment taxes required to be withheld by the Company by reason of such exercise and (B) to the Company to deliver the certificates for the purchased shares directly to such brokerage firm in order to complete the sale. Except to the extent such sale and remittance procedure is utilized, payment of the exercise price for the purchased shares must be made on the Exercise Date.

The stock issuance purchase price per share shall be fixed by the Plan Administrator but shall not be less than 100% of the Fair Market Value per share of Common Stock on the issue date. However, the purchase price per share of Common Stock issued to a 10% Stockholder shall not be less than 110% of such Fair Market Value. Shares of Common Stock may be issued under the Stock Issuance Program for any of the following items of consideration which the Plan Administrator may deem appropriate in each individual instance: cash or check made payable to the Company or past Services rendered to the Company (or any Parent or Subsidiary).

The Plan shall become effective when adopted by the Board, but no option granted under the Plan may be exercised, and no shares shall be issued under the Plan, until the Plan is approved by the Company's stockholders. If such stockholder approval is not obtained within 12 months after the date of the Board's adoption of the Plan, then all options previously granted under the Plan shall terminate and cease to be outstanding, and no further options shall be granted and no shares shall be issued under the Plan. Subject to such limitation, the Plan Administrator may grant options and issue shares under the Plan at any time after the effective date of the Plan and before the date fixed herein for termination of the Plan.

The Plan shall terminate upon the earliest of: (i) the expiration of the ten year period measured from the date the Plan is adopted by the Board; (ii) the date on which all shares available for issuance under the Plan shall have been issued as vested shares; or (iii) the termination of all outstanding options in connection with a Company Transaction. All options and unvested stock issuances outstanding at the time of a clause (i) termination event shall continue to have full force and effect in accordance with the provisions of the documents evidencing those options or issuances.

Director Compensation

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

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

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT - continued

The Company pays each director's reasonable travel, lodging, meals and other expenses connected with their Board service. As of April 15, 2010, the Company's Board of Directors did not have any members that were not employees and or officers of the Company.

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

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

2009 Non-Employee Director Compensation

The following table provides information regarding compensation earned by, awarded or paid to non-employee directors who served during the year ended December 31, 2009.

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

Certain Relationships and Related Transactions

None of our Board members are related. There were no Company related transactions between the Board members in 2009.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following tables set forth, as of December 31, 2009, certain information regarding the ownership of Camelot's capital stock by Camelot's Board of Director's, executive officers and each person who is known to Camelot to be a beneficial owner of more than 5% of Camelot's Common Stock. Unless otherwise indicated below, to Camelot's knowledge, the persons listed below have sole voting and investing power with respect to his or her shares of Common Stock, except to the extent authority is shared by spouses under applicable community property laws.

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

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

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

As of December 31, 2009, there were 3,061,330,703 shares of Common Stock issued and outstanding held by 157 stockholders of record. Of these shares, 100,000,000 shares of Common Stock are being held by Camelot in reserve for funding and other contractual obligations. As a result, there are 2,961,330,703 shares of Common Stock considered to be issued and outstanding.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS - continued

Name of Beneficial Owner	Shares Beneficially Owned	Percent
Robert P. Atwell, Inc. (1) 8001 Irvine Center Drive, Suite 400 Irvine, CA 92618	125,759,666	4%
George Jackson (2) 8001 Irvine Center Drive, Suite 400 Irvine, CA 92618	95,583,622	3%
TOTAL 5% Stockholders as a Group	221,343,288	7%

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

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

Securities Ownership of Management

Common Stock

The following table sets forth as of December 31, 2009, certain information, based on information obtained from the persons named below, with respect to the securities ownership of the Common Stock by Management. Management owns 7%, or 221,343,288 shares, of the Company's Common Stock.

Name of Beneficial Owner	Shares Beneficially Owned	Percent (3)
Robert P. Atwell, Inc. (1) 8001 Irvine Center Drive, Suite 400 Irvine, CA 92618	125,759,666	4%
George Jackson (2) 8001 Irvine Center Drive, Suite 400 Irvine, CA 92618	95,583,622	3%
Totals:	221,343,288	7%

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

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

Note (3): Based on 3,061,330,703 shares issued as of 12/31/09.

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS - continued

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

Preferred Stock

As of December 31, 2009, we had three classes of outstanding Class A Convertible Preferred Stock, Class B Convertible Preferred Stock and Class C Convertible Preferred Stock.

On December 31, 2009, there were 10,147,511 shares outstanding of our \$0.0001 par value Class A Convertible Preferred Stock. The Class A Preferred converts to 4 shares of Common Stock for every one share of Class A Preferred Stock. Each share of Class A Preferred Stock is entitled to 50 votes. Class A Preferred ranks superior to our Common Stock and ranks junior to our Class B Preferred Stock.

On December 31, 2009, there were 9,996,510 shares outstanding of our \$0.0001 par value Class B Convertible Preferred Stock. The Class B Preferred converts to 10 shares of Common Stock for every one share of Class B Preferred Stock. Each share of Class B Preferred Stock is entitled to 1,000 votes. Class B Preferred ranks superior to all other classes of stock.

On December 31, 2009, there were 7,151,500 shares outstanding of our \$0.0001 par value Class C Convertible Preferred Stock. The Class C Preferred converts to 1 share of Common Stock for every one share of Class C Preferred Stock. Each share of Class C Preferred Stock is entitled to 1 vote. Class C Preferred ranks superior to our Common Stock and ranks junior to our Class A and Class B Preferred Stock.

Name of Beneficial Owner	Class A Preferred Shares Beneficially Owned	Percent (3)
Robert P. Atwell (1) Chairman, President, CEO 8001 Irvine Center Drive, Suite 400 Irvine, CA 92618	8,625,010	85%
George Jackson (2) Secretary, CFO 8001 Irvine Center Drive, Suite 400 Irvine, CA 92618	1,410,000	14%
Totals:	10,035,010	99%

Note (1): Includes shares held directly and indirectly. Converts to 34,500,040 shares of Common Stock. Equals 431,250,500 votes.

Note (2): Includes shares held directly and indirectly. Converts to 5,640,000 shares of Common Stock. Equals 70,500,000 votes

Note (3) Based on 10,147,511 total Class A Shares

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS - continued

Name of Beneficial Owner	Class B Preferred Shares Beneficially Owned	Percent (3)
Robert P. Atwell (1) Chairman, President, CEO 8001 Irvine Center Drive, Suite 400 Irvine, CA 92618	8,560,809	86%
George Jackson (2) Secretary, CFO 8001 Irvine Center Drive, Suite 400 Irvine, CA 92618	1,410,000	14%
Totals:	9,970,809	100%

Note (1): Includes shares held directly and indirectly. Converts to 85,608,090 shares of Common Stock. Equals 8,560,809,000 votes.

Note (2): Includes shares held directly and indirectly. Converts to 14,100,000 shares of Common Stock. Equals 1,410,000,000 votes.

Note (3): Based on 9,996,510 total Class B Shares

Name of Beneficial Owner	Class C Preferred Shares Beneficially Owned	Percent (3)
Robert P. Atwell (1) Chairman, President, CEO 8001 Irvine Center Drive, Suite 400 Irvine, CA 92618	6,030,000	84%
George Jackson (2) Secretary, CFO 8001 Irvine Center Drive, Suite 400 Irvine, CA 92618	1,101,000	15%
Totals:	7,131,000	99%

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

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

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

Voting Rights by Class Summary as of December 31, 2009

Common Management	Shares	Common Equivalent	Votes	Percentage
Management	221,343,288	221,343,288	221,343,288	7%
Others	2,839,987,415	2,839,987,415	2,839,987,415	93%
Total	3,061,330,703	3,061,330,703	3,061,330,703	100%

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Class A	Shares	Common Equivalent	Votes	Percentage
Management	10,035,010	38,940,040	486,750,500	99%
Others	112,501	450,004	5,625,050	1%
Total	10,147,511	39,390,044	492,375,550	100%

Class B	Shares	Common Equivalent	Votes	Percentage
Management	9,970,809	99,708,090	9,670,809,000	100%
Others	25,701	257,010	25,701,000	0%
Total	9,996,510	99,965,100	9,696,510,000	100%

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

Total	Shares	Common Equivalent	Votes	Percentage
Management	248,480,107	367,122,418	10,386,033,788	78%
Others	2,840,146,117	2,840,714,929	2,871,333,965	22%
Total	3,088,626,224	3,207,837,347	13,257,367,753	100%

Voting Rights of Management and Beneficial Owners of 5% or More of the Common Stock as of December 31, 2009

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS - continued

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

Name of Beneficial Owner (1)	Total Votes	Percent
Robert P. Atwell Chairman, President, CEO 8001 Irvine Center Drive, Suite 400 Irvine, CA 92618	9,123,849,166	69%
George Jackson Secretary, CFO 8001 Irvine Center Drive, Suite 400 Irvine, CA 92618	1,262,184,622	9%
Management and Beneficial Owners of 5% or More of the Common Stock	10,386,033,788	78%
All Other Common Stockholders	2,871,333,965	22%
Totals:	13,257,367,753	100%

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

Involvement in Certain Legal Proceedings

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following transactions are for year ended December 31, 2009. All transactions are incorporated by reference and can be found through our previous filings:

Except as indicated below, and for the periods indicated, there were no material transactions, or series of similar transactions, since the beginning of the Company's last fiscal year, January 1, 2009, or any currently proposed transactions, or series of similar transactions, to which we were or are a party, in which the amount involved exceeds \$100,000, and in which any director or executive officer, or any security holder who is known by us to own of record or beneficially more than 5% of any class of our Common Stock, or any member of the immediate family of any of the foregoing persons, has an interest.

The Atwell Group Funding

We entered into an agreement with The Atwell Group in 2010 to continue providing capital including operational funding for the Company as needed, based upon a previous agreement entered between the Company and Eagle

Consulting Group, Inc. (“Eagle”), which originally expired 2007. Atwell is the owner of Eagle. Eagle is now part of The Atwell Group, owned by Atwell. In exchange for twenty percent (20%) of the Company’s outstanding Common Stock on a non-dilutive, continuing basis until the Company can secure permanent additional required financing from another source, Eagle had agreed to provide funding for the Company’s annual audit, quarterly filings, accounts payable and other ongoing expenses including office, phones, business development, legal and accounting fees.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS - continued

The Atwell Group Advances, Expenses and Guarantors

We previously leased office space provided by The Atwell Group, Inc., a privately-held company owned by Mr. Atwell, our President, Chief Executive Officer and Chairman. The space was leased on an annual basis for \$72,000 per year. That lease contractually expired on December 31, 2009. However, both The Atwell Group and we decided to terminate the lease early and move the company to its current location in Irvine. The Company is currently making monthly payments toward settlement of the remaining monies due on the lease. Total settlement amount to be paid over the next three years, \$79,530, initial payments of \$1,000 per month start on March 1, 2010. In addition, The Atwell Group, The Corporate Solution and Love Bug Management Corp., all of which are owned by Mr. Atwell, paid expenses on behalf of Camelot during 2009 and 2008. Further, Mr. Atwell and his wife, Tamara Atwell, were guarantors on various financial transactions involving Camelot during 2009 and 2008.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Our current auditors for December 31, 2009 are dbbmckennon.

Our auditors for December 31, 2008 were McKennon, Wilson & Morgan, LLP.

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

Audit Fees

dbbmckennon charged \$20,000 for the year ended December 31, 2009 audit.

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

dbbmckennon charged \$19,500 for quarterly review fees during 2009.

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

dbbmckennon charged \$20,000 for other services performed in connection with the audit of a pending acquisition and other items during 2009.

ITEM 15. EXHIBITS AND REPORTS ON FORM 8-K LIST OF EXHIBITS ATTACHED OR INCORPORATED BY REFERENCE PURSUANT TO ITEM 601 OF REGULATION S-B AND FINANCIAL STATEMENT SCHEDULES.

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

Exhibit No.	Title of Document	Location
3.1.1	Certificate of Incorporation	Incorporated by reference as Exhibit 2.1 to Form 10-K filed April 17, 2001
3.1.2	Amended Certificate of Incorporation	Incorporated by reference to Form 8-K filed June 29, 2004
3.2	By-laws	Incorporated by reference as Exhibit 2.1 to Form 10-K filed April 17, 2001
4.1	Entry Into a Material Definitive Agreement with New Millennium Capital Partners II LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference to Form 8-K filed on January 4, 2007
4.2	Form of Stock Purchase Warrant issued to New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.3 to Form 8-K filed on January 4, 2007
4.3	Registration Rights Agreement dated December 27, 2006 by and among New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.4 to Form 8-K filed on January 4, 2007
4.4	Security Agreement dated December 27, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.5 to Form 8-K filed on January 4, 2007
4.5	Intellectual Property Security Agreement dated December 27, 2006 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.6 to Form 8-K filed on January 4, 2007
4.6	Structuring Agreement with Lionheart	Incorporated by reference as Exhibit 4.7 to Form 8-K filed on January 4, 2007

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4.7	Change in Registrant's Certifying Accountant	Incorporated by reference to Form 8-K filed on January 31, 2007
4.8	Change in Registrant's Certifying Accountant	Incorporated by reference to Form 8-K/A-1 filed on January 31, 2007
4.9	Entry Into a Material Definitive Agreement with New Millennium Capital Partners II LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference to Amendment No. 1 to Form 8-K filed on January 31, 2007
4.1	Securities Purchase Agreement dated December 27, 2006, by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.1 to Form 8-K filed on February 1, 2007
4.11	Form of Callable Convertible Secured Note by and among New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.2 to Form 8-K filed on February 1, 2007
4.12	Entry Into a Material Definitive Agreement	Incorporated by reference to Amendment No. 2 to Form 8-K filed on February 2, 2007
4.13	Stock Purchase Warrant issued to Lionheart Associates LLC d/b/a Fairhills Capital	Incorporated by reference as Exhibit 4.8 to Form 8-K filed on February 2, 2007
4.14	SB-2 Registration	Incorporated by reference to SB-2 Registration Statement Form SB-2 filed on February 2, 2007
4.15	SB-2 Registration	Incorporated by reference to SB-2 Registration Statement Form SB-2/A filed on May 11, 2007
4.16	SB-2 Registration	Incorporated by reference to SB-2 Registration Statement Form SB-2/2A filed on May 31, 2007
4.17	Departure of Directors	Incorporated by reference to Form 8-K filed on July 31, 2007
4.18	Departure of Directors	Incorporated by reference to Form 8-K filed on August 31, 2007
4.19	S-8 Registration	Incorporated by reference to Form S-8 filed on October 19, 2007
4.20	2007 Stock Option Plan	Incorporated by reference as Exhibit 4.1 to Form S-8 filed on October 19, 2007

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4.20	2007 Stock Option Plan	Incorporated by reference as Exhibit 4.1 to Form S-8 filed on October 19, 2007
4.21	Changes in Registrant's Certifying Accountant	Incorporated by reference to Form 8-K filed on February 1, 2008
4.22	Changes in Registrant's Certifying Accountant	Incorporated by reference to Form 8-K/A filed on February 7, 2008
4.23	Appointment of Directors	Incorporated by reference to form 8-K filed on February 19, 2008
4.24	Departure of Directors	Incorporated by reference to form 8-K filed on May 19, 2008
4.25	Departure of Directors	Incorporated by reference to form 8-K filed on May 30, 2008
4.26	Reverse Stock Split	Incorporated by reference to form 14-C filed on August 14, 2008
4.27	Entry Into a Material Definitive Agreement with New Millennium Capital Partners II LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference to Form 8-K filed on August 21, 2008
4.28	Securities Purchase Agreement dated July 31, 2008, by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.1 to Form 8-K filed on August 21, 2008
4.29	Form of Callable Convertible Secured Note dated July 31, 2008, by and among New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.2 to Form 8-K filed on August 21, 2008
4.30	Form of Stock Purchase Warrant issued to New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.3 to Form 8-K filed on August 21, 2008
4.31	Registration Rights Agreement dated July 31, 2008 by and among New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.4 to Form 8-K filed on August 21, 2008
4.32		

	Security Agreement dated July 31, 2008 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.5 to Form 8-K filed on August 21, 2008
4.33	Intellectual Property Security Agreement dated July 31, 2008 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.6 to Form 8-K filed on August 21, 2008
4.34	Subsidiary Security Agreement dated July 31, 2008 by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.7 to Form 8-K filed on August 21, 2008
4.35	Amendment to Previous Notes by and among the Company and New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.8 to Form 8-K filed on August 21, 2008
4.36	Form of Callable Convertible Secured Note dated August 15, 2008 by and among New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC	Incorporated by reference as Exhibit 4.9 to Form 8-K filed on August 21, 2008
4.37	Change of Trading Symbol to CMLT	Incorporated by reference to Form 8-K filed on August 29, 2008
4.38	Increase in Authorized to 850,000,000	Incorporated by reference to Form 14-C filed on December 19, 2008
4.39	Increase in Authorized to 3,000,000,000	Incorporated by reference to Form 14-C filed on December 19, 2008
4.40	Change of Address to Irvine	Incorporated by reference to Form 8-K filed on February 4, 2009

4.41	Increase in Authorized to 6,000,000,000	Incorporated by reference to Form 14-C filed on March 26, 2009
4.42	Increase in Authorized to 10,000,000,000	Incorporated by reference to Form 14-C filed on March 27, 2009
4.43	Annual Stockholders Meeting May 13, 2009	Incorporated by reference to Form 14-A filed on April 3, 2009
4.44	Annual Report for 2008	Incorporated by reference to Form 10-K filed on April 15, 2009
4.45	Changes in Registrant's Certifying Accountant	Incorporated by reference to Form 8-K filed on May 4, 2009
4.46	Quarterly Report for 1st Quarter 2009	Incorporated by reference to Form 10-Q filed on May 20, 2009
4.47	Increase in Authorized to 20,000,000,000	Incorporated by reference to Form 14-C filed on June 5, 2009
4.48	Increase in Authorized to 20,000,000,000	Incorporated by reference to Form 14-C filed on June 9, 2009
4.49	Change of Trading Symbol to CMGR and Reverse Stock Split	Incorporated by reference to Form 8-K filed on July 9, 2009
4.50	Retention of Investment Banking Firms	Incorporated by reference to Form 8-K filed on August 19, 2009
4.51	Quarterly Report for 2nd Quarter 2009	Incorporated by reference to Form 10-Q filed on August 19, 2009
4.52	Amended Quarterly Report for 2nd Quarter 2009	Incorporated by reference to Form 10-QA filed on August 20, 2009
4.53	Entry Into a Material Definitive Agreement with JMJ Financial	Incorporated by reference to Form 8-K filed on September 3, 2009
4.54	Convertible Promissory Note dated August 18, 2009, by and among the Company and JMJ Financial	Incorporated by reference as Exhibit 4.1 to Form 8-K filed on September 3, 2009
4.55	Secured Collateralized Promissory Note dated August 18, 2009 by and among JMJ Financial and the Company	Incorporated by reference as Exhibit 4.2 to Form 8-K filed on September 3, 2009
4.56		

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	Entry Into a Material Definitive Agreement with New Millennium Capital Partners III LLC	Incorporated by reference to Form 8-K filed on September 4, 2009
4.57	Securities Purchase Agreement dated August 31, 2009, by and among the Company and New Millennium Capital Partners III LLC	Incorporated by reference as Exhibit 4.1 to Form 8-K filed on September 4, 2009
4.58	Form of Callable Convertible Secured Note dated August 31, 2009, by and among New Millennium Capital Partners III LLC	Incorporated by reference as Exhibit 4.2 to Form 8-K filed on September 4, 2009
4.59	Registration Rights Agreement dated August 31, 2009 by and among New Millennium Capital Partners III LLC	Incorporated by reference as Exhibit 4.3 to Form 8-K filed on September 4, 2009
4.60	Security Agreement dated August 31, 2009 by and among the Company and New Millennium Capital Partners III LLC	Incorporated by reference as Exhibit 4.4 to Form 8-K filed on September 4, 2009
4.61	Intellectual Property Security Agreement dated August 31, 2009 by and among the Company and New Millennium Capital Partners II, LLC	Incorporated by reference as Exhibit 4.5 to Form 8-K filed on September 4, 2009
4.62	Subsidiary Security Agreement dated August 31, 2009 by and among the Company and New Millennium Capital Partners III LLC	Incorporated by reference as Exhibit 4.6 to Form 8-K filed on September 4, 2009
4.63	Entry Into a Material Definitive Agreement Universal City Office Space	Incorporated by reference to Form 8-K filed on September 16, 2009
4.64	Entry Into a Material Definitive Agreement and Unregistered Sale of Equity Securities	Incorporated by reference to Form 8-K filed on October 2, 2009
4.65	Notice of Acquisition LOI's	Incorporated by reference to Form 8-K filed on October 5, 2009
4.66	S-8 Registration	Incorporated by reference to Form S-8 filed on November 5, 2009
4.67	Quarterly Report for 3rd Quarter 2009	Incorporated by reference to Form 10-Q filed on October 16, 2009
4.68	Unregistered Sale of Equity Securities	Incorporated by reference to Form 8-K filed on December 31, 2009
4.69	Unregistered Sale of Equity Securities	Incorporated by reference to Form 8-K filed on February 11, 2010

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4.70	Unregistered Sale of Equity Securities	Incorporated by reference to Form 8-K filed on February 11, 2010
4.71	Unregistered Sale of Equity Securities	Incorporated by reference to Form 8-K filed on February 11, 2010
4.72	Acquisition of Beneficial Ownership	Incorporated by reference to Form 13-D filed on February 18, 2010
4.73	Unregistered Sale of Equity Securities	Incorporated by reference to Form 8-K filed on February 19, 2010
4.74	Funding Freeze Notice Due to DTCC Chill	Incorporated by reference to Form 8-K filed on March 5, 2010
4.75	Unregistered Sale of Equity Securities	Incorporated by reference to Form 8-K filed on March 16, 2010
4.76	Entry Into a Material Definitive Agreement with New Millennium Capital Partners III LLC, AJW Master Fund II, LLC, AJW Master Fund, LLC. and AJW Partners, LLC, AJW Partners II, LLC	Incorporated by reference to Form 8-K filed on March 24, 2010
4.77	Securities Purchase Agreement dated July 31, 2008, by and among the Company and New Millennium Capital Partners III LLC, AJW Master Fund II, LLC, AJW Master Fund, LLC. and AJW Partners, LLC, AJW Partners II, LLC	Incorporated by reference as Exhibit 4.1 to Form 8-K filed on March 24, 2010
4.78	Form of Callable Convertible Secured Note dated July 31, 2008, by and among New Millennium Capital Partners III LLC, AJW Master Fund II, LLC, AJW Master Fund, LLC. and AJW Partners, LLC, AJW Partners II, LLC	Incorporated by reference as Exhibit 4.2 to Form 8-K filed on March 24, 2010
4.79	Registration Rights Agreement dated July 31, 2008 by and among New Millennium Capital Partners III LLC, AJW Master Fund II, LLC, AJW Master Fund, LLC. and AJW Partners, LLC, AJW Partners II, LLC	Incorporated by reference as Exhibit 4.3 to Form 8-K filed on March 24, 2010
4.80	Security Agreement dated July 31, 2008 by and among the Company and New Millennium Capital Partners III LLC, AJW Master Fund II, LLC, AJW Master Fund, LLC. and AJW Partners, LLC, AJW Partners II, LLC	Incorporated by reference as Exhibit 4.4 to Form 8-K filed on March 24, 2010

4.81	Intellectual Property Security Agreement dated July 31, 2008 by and among the Company and New Millennium Capital Partners III LLC, AJW Master Fund II, LLC, AJW Master Fund, LLC. and AJW Partners, LLC, AJW Partners II, LLC	Incorporated by reference as Exhibit 4.5 to Form 8-K filed on March 24, 2010
4.82	Subsidiary Security Agreement dated July 31, 2008 by and among the Company and New Millennium Capital Partners III LLC, AJW Master Fund II, LLC, AJW Master Fund, LLC. and AJW Partners, LLC, AJW Partners II, LLC	Incorporated by reference as Exhibit 4.6 to Form 8-K filed on March 24, 2010
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	

CAMELOT ENTERTAINMENT GROUP, INC.
(A Development Stage Company)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying balance sheet of Camelot Entertainment Group, Inc. as of December 31, 2009, and the related statements of operations, stockholders' deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Camelot Entertainment Group, Inc. as of December 31, 2009, and the related statements of operations, stockholders' deficit, and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

/s/ dbbmckennon
Newport Beach, California
April 20, 2010

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying balance sheet of Camelot Entertainment Group, Inc. as of December 31, 2008, and the related statements of operations, stockholders' deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Camelot Entertainment Group, Inc. as of December 31, 2008, and the related statements of operations, stockholders' deficit, and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

Camelot Entertainment Group, Inc.
(A Development Stage Company)
Balance Sheets

	ASSETS	
	December 31, 2009	December 31, 2008
Current Assets		
Cash	\$ 56,320	\$ 175
Prepaid Expenses	53,345	1,733
Total Current Assets	109,665	1,908
Total other assets	37,350	-
Total Assets	\$ 147,015	\$ 1,908
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 529,759	\$ 206,847
Accrued expenses to related parties	627,584	722,000
Secured Convertible Notes Payable, net of discount of \$166,954 and \$394,506 respectively	364,504	92,070
Derivative Liability - Conversion Feature	121,828	147,838
Note Payable to Shareholder	-	215,598
Stockholder advances	-	22,830
Convertible Notes Payable	-	15,000
Total Current Liabilities	1,643,675	1,422,183
Long Term Liabilities		
Derivative Liability - Preferred Stock Class A, B, and C	21,620	65,630
Secured Convertible Note Payable, net of Discount \$409,486 and \$407,246, respectively	309,657	311,897
Derivative Liability - Embedded Conversion Feature	512,198	218,500
Derivative Liability - Warrant	-	3,992
Total Long Term Liabilities	843,475	600,019
Total Liabilities	2,487,150	2,022,202
Class A, B, C Convertible Preferred Stock par value \$0.0001 per share, 50,000,000 shares authorized: 10,147,510, 9,896,510 and 7,151,500	56,505	50,905

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shares issued and outstanding as of December 31, 2009

par value \$0.0001 per share, 50,000,000 shares

authorized: 7,347,510, 7,196,510 and

7,151,500

shares issued and outstanding as of December

31, 2008

Stockholders' Deficit

Common Stock; Par Value \$0.0001 Per Share; Authorized

19,900,000,000 Shares; 3,061,330,703 Shares

Issued and 2,961,330,703 Outstanding as of December 31, 2009	296,133	223
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Authorized 2,950,000,000 shares; 2,234,254 issued and

2,233,814 shares outstanding as of December 31, 2008

Additional Paid-In Capital	18,272,050	14,633,599
Deficit Accumulated During the Development Stage	(20,964,823)	(16,705,021)
	-	
Total Stockholders' Deficit	(2,396,640)	(2,071,199)
Total Liabilities and Stockholders' Deficit	\$ 147,015	\$ 1,908

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

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

	For Year ended December 31, 2009	For Year ended December 31, 2008	From Inception on April 21, 1999 through December 31, 2009 (Unaudited)
REVENUE	\$ -	\$ -	\$ 58,568
Total Revenue	-	-	58,568
EXPENSES			
Costs of services	-	-	95,700
Sales and marketing	-	-	53,959
Research and development	-	-	252,550
General and administrative	2,086,807	1,406,916	15,505,374
Impairment of assets	-	-	2,402,338
Impairment of investments in other companies	-	-	710,868
Total Expenses	2,086,807	1,406,916	19,020,789
NET OPERATING LOSS	(2,086,807)	(1,406,916)	(18,962,221)
OTHER INCOME (EXPENSES)			
Interest (Expense)	(2,284,364)	(625,711)	(4,459,831)
Gain/ (loss) on derivative liabilities	111,369	1,404,052	2,001,729
Other income - CSI investors	-	200,000	200,000
Gain on extinguishment of debt	-	-	255,500
Total Other Income (Expenses)	(2,172,995)	978,341	(2,002,602)
NET LOSS	\$ (4,259,802)	\$ (428,575)	\$ (20,964,823)
BASIC AND DILUTIVE LOSS PER COMMON SHARE	\$ (0.01)	\$ (3.39)	
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	626,419,938	126,591	

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

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Camelot Entertainment Group, Inc.

(a Development Stage Company)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

For the Period from January 1, 2004 to December 31, 2009

	Common Stock		Preferred Stock		Additional Paid-In Capital	During Development Stage	Subscription Receivable	Deferred Compensation	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount					
Balance at January 1, 2004	484	-	-	-	5,498,396	(6,059,442)	-	-	(561,046)
Shares issued for services	1	-	-	-	3,000	-	-	-	3,000
Shares issued for financing	97	-	-	-	203,739	-	-	-	203,739
Subscriptions receivable for financing agreement	-	-	-	-	-	(116,069)	-	-	(116,069)
Share issued for services	343	-	-	-	1109509	-	-	-	1,109,509
						-			
Share issued for financing	109	-	-	-	229065	-	(316,003)	-	(86,938)
Advances offset sub a/r							174,000	-	174,000
Shares issued for debt	14	-	-	-	40000	-	-	-	40,000
Shares issued for amt due	23	-	-	-	48590	-	-	-	48,590
Value of option exercised	-	-	-	-	351000	-	-	-	351,000
Net (loss)						(1,265,278)		-	(1,265,278)
	1,071	-	-	-	7483299	(7,324,720)	(258,072)	-	(99,493)

Balance as
of
December
31, 2004

Shares issued for consulting services	57	-	-	-	220000	-	-	220,000
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Shares issued for officers salaries	33	-	-	-	189,844	-	-	189,844
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Shares issued to Eagle for expenses paid	26	-	-	-	80927	-	-	80,927
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Shares issued for consulting services	3	-	-	-	10,000	-	-	10,000
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Camelot Entertainment Group, Inc.
(a Development Stage Company)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the Period from January 1, 2004 to December 31, 2009

	Common Stock		Preferred Stock		Additional Paid-In Capital	During Development Stage	Subscription Receivable	Deferred Compensation	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount					
Shares issued for officers salaries	51	-	-	-	175,000	-	-	-	175,000
Shares issued to Eagle for expenses paid	21	-	-	-	119,672	-	-	-	119,672
Shares issued to Eagle 20% of shares issued	25	-	-	-	122,753	-	-	-	122,753
Shares issued for Shareholder loans 2005	51	-	-	-	259,941	-	-	-	259,941
Class A Preferred Stock issued	-	-	51,000	5	560,995	-	-	-	561,000
Class B Preferred Stock issued	-	-	51,000	5	2,804,995	-	-	-	2,805,000
Net Loss	-	-	-	-	-	(4,500,139)	-	-	(4,500,139)
Balance at Dec 31, 2005	1,338	-	102,000	10	12,027,426	(11,824,859)	(258,072)	-	(55,496)

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Net Loss at December 31, 2006	-	-	-	-	-	(2,348,352)	-	-	(2,348.353)
Shares issued for officers salaries	74	-	-	-	470,000	-	-	-	470,000
Shares issued to Consultants	29	-	-	-	181,088	-	-	-	181,088
Shares issued to Eagle for expenses paid	17	-	-	-	114,321	-	-	-	114,321
Shares issued to Eagle	18	-	-	-	118,182	-	-	-	118,182

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Camelot Entertainment Group, Inc.
(a Development Stage Company)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the Period from January 1, 2004 to December 31, 2009

	Common Stock		Preferred Stock		Additional Paid-In Capital	During Development Stage	Subscription Receivable	Deferred Compensation	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount					
Shares issued to Eagle per agreement 20%	26	-	-	-	170,444	-	-	-	170,444
Shares issued to Scorpion Bay LLC	21	-	-	-	135,150	-	-	-	135,150
Imputed interest on related notes payable	-	-	-	-	19,238	-	-	-	19,238
Balance at Dec 31, 2006	1,524	-	102,000	10	13,235,848	(14,173,211)	(258,072)	-	(1,195,425)
Shares issued to Nucore	71	-	-	-	500,000	-	(500,000)	-	-
Shares issued for interest on Note Payable	100	-	-	-	339,000	-	-	-	339,000
Shares issued for expenses paid	6	-	-	-	16,078	-	-	-	16,078
Shares issued for services	18	-	-	-	50,000	-	-	-	50,000
Shares issued for	18	-	-	-	29,424	-	-	-	29,424

conversion of
notes payable

Derivatives
liability
relieved by
conversions
on N/P

-	-	-	-	48,399	-	-	-	48,399
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Imputed
interest on
Shareholders
loans

-	-	-	-	2,246	-	-	-	2,246
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Camelot Entertainment Group, Inc.
(a Development Stage Company)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the Period from January 1, 2004 to December 31, 2009

	Common Stock		Preferred Stock		Additional	During	Subscription	Deferred	Total
	Shares	Amount	Shares	Amount	Paid-In	Development	Receivable	Compensation	Stockholders'
					Capital	Stage			Deficit
Shares issued for service - Bastien & Associates	3	-	-	-	2,083	-	-	-	2,083
	39	-	-	-	22,376	-	-	-	22,376
NIR Fairhill Capital	129	-	-	-	12,755	-	-	-	12,755
Shares issued for interest on Notes payable	14	-	-	-	3,100	-	-	-	3,100
Scorpion Bay LLC	14	-	-	-	5,500	-	-	-	5,500
	40	-	-	-	9,800	-	-	-	9,800
Shares issued for services - Patrick Winn	14	-	-	-	3,800	-	-	-	3,800
Shares issued for services - Susan Sanchez	14	-	-	-	3,800	-	-	-	3,800
Cancelled Subscription Receivable 2003	-	-	-	-	(258,072)	-	258,072	-	-
Shares issued to Scorpion Bay, LLC	130	-	-	-	31,137	-	-	-	31,137
Shares issued for Services - Patrick Winn	40	-	-	-	9,134	-	-	-	9,134
Shares issued for Services - Susan Sanchez	49	-	-	-	11,372	-	-	-	11,372
Preferred Stock - Series A	-	-	144,010	14	190,080	-	-	-	190,094

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Shares issued to Dolpin Communities	71	-	-	-	8,772	-	-	8,772
Preferred Stock - Series B	-	-	35,510	4	117,178	-	-	117,182
Shares issued to NIR	43	-	-	-	5,535	-	-	5,535

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Camelot Entertainment Group, Inc.
(a Development Stage Company)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the Period from January 1, 2004 to December 31, 2009

	Common Stock		Preferred Stock		Additional Paid-In Capital	During Development Stage	Subscription Receivable	Deferred Compensation	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount					
Shares issued for legal services - Chris Flannery	36	-	-	-	10,000	-	-	-	10,000
Shares issued to John Kozmur - investment	286	-	-	-	60,000	-	-	-	60,000
Shares issued to Jeff Zuckerman - investment	286	-	-	-	60,000	-	-	-	60,000
Shares issued to Joseph Petrucelli - legal services	36	-	-	-	10,000	-	-	-	10,000
Shares issued to Chris Davis - services	3	-	-	-	1,192	-	-	-	1,192
Shares issued to Micheal Ellis - services	68	-	-	-	70,000	-	-	-	70,000
Shares issued to Lewis Consulting - services	14	-	-	-	5,000	-	-	-	5,000
Shares issued to Craig Prater - services	2	-	-	-	729	-	-	-	729
Shares issued to Scorpin Bay, LLC	210	-	-	-	52,928	-	-	-	52,928
	(71)	-	-	-	(500,000)	-	500,000	-	-

Cancelled Subscription Receivable to Nucore Derivative Liability - Preferred Stock A & B	-	-	(281,520)	(28)	(307,039)	-	-	-	(307,067)
Interest Expense for Shareholders Loans	-	-	-	-	-	-	-	-	-
Net Income (Loss)	-	-	-	-	-	(2,103,235)	-	-	(2,103,235)
Balance at December 31, 2007	3,207	-	-	-	13,862,155	(16,276,446)	-	-	(2414,291)
Shares issued to Schubert Flint for services	14	-	-	-	5,000	-	-	-	5,000
Shares issued to NIR	79	-	-	-	8,495	-	-	-	8,495
Preferred shares issued to Scorpion Bay			-	-	5,829	-	-	-	5,829

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Camelot Entertainment Group, Inc.
(a Development Stage Company)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the Period from January 1, 2004 to December 31, 2009

		Common Stock		Preferred Stock		Additional	During	Subscription	Deferred	Total
		Shares	Amount	Shares	Amount	Paid-In	Development	Receivable	Compensation	Stockholders'
						Capital	Stage			Deficit
Debt conversion 2nd qtr		450	-	-	-	25,646	-	-	-	25,646
Shares issued to Corporate Solution, Inc.	8/13/2008	143	-	-	-	3,000	-	-	-	3,000
Shares issued to investors escrow	8/1/2008	1,429	-	-	-	1,000	-	-	-	1,000
Shares issued to Scorpion Bay, LLC	8/13/2008	132	-	-	-	4,611	-	-	-	4,611
Shares issued to George Jackson	8/13/2008	286	-	-	-	10,000	-	-	-	10,000
Shares issued to Atwell Group, Inc.	8/13/2008	400	-	-	-	14,000	-	-	-	14,000
Shares issued to Jeff Brown	8/27/2008	14	-	-	-	300	-	-	-	300
Shares issued to investors escrow adjustment	8/27/2008	(14)	-	-	-	(10)	-	-	-	(10)
Shares at stock split										
Shares issued to	9/8/2008	-	-	-	-	4	-	-	-	4

CEDE

Shares issued to NIR	8/29/2008	178	-	-	-	749	-	-	-	749
Shares issued to NIR	9/3/2008	178	-	-	-	1,372	-	-	-	1,372
Shares issued to NIR	9/12/2008	178	-	-	-	936	-	-	-	936
Shares issued to NIR	9/17/2008	178	-	-	-	842	-	-	-	842
Shares issued to NIR	9/18/2008	79	-	-	-	160	-	-	-	160

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Camelot Entertainment Group, Inc.
(a Development Stage Company)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the Period from January 1, 2004 to December 31, 2009

		Common Stock		Preferred Stock		Additional	During	Subscriptions	Deferred	Total
		Shares	Amount	Shares	Amount	Paid-In	Development	Receivable	Compensation	Stockholders'
						Capital	Stage			Deficit
Shares issued to NIR	9/22/2008	100	-	-	-	244	-	-	-	244
Shares issued to NIR	9/24/2008	178	-	-	-	964	-	-	-	964
Shares issued to NIR	9/26/2008	1,141	-	-	-	1,017	-	-	-	1,017
Shares issued to K&L Enterprises	9/12/2008	2,857	-	-	-	24,000	-	-	-	24,000
Shares issued to Patrick Winn	9/5/2008	357	-	-	-	3,000	-	-	-	3,000
Shares issued to Robert Atwell	9/18/2008	2,857	-	-	-	6,000	-	-	-	6,000
Shares issued to George Jackson	9/18/2008	429	-	-	-	900	-	-	-	900
Shares issued to George Jackson	9/19/2008	1,429	-	-	-	2,000	-	-	-	2,000
Shares issued to Patrick Winn	9/19/2008	357	-	-	-	500	-	-	-	500

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Shares issued to Patrick Winn	9/19/2008	357	-	-	-	500	-	-	-	500
Shares issued to Robert Atwell	9/19/2008	7,143	1	-	-	9,999	-	-	-	10,000
Shares issued to George Jackson	9/26/2008	2,857	-	-	-	4,400	-	-	-	4,400
Shares issued to Robert Atwell	9/26/2008	45,455	5	-	-	69,995	-	-	-	70,000
Shares issued to Chris Flannery	9/26/2008	1,429	-	-	-	2,200	-	-	-	2,200
Shares issued to Thomas Stepp	9/26/2008	714	-	-	-	1,100	-	-	-	1,100
Shares issued to Patrick Winn	9/26/2008	714	-	-	-	1,100	-	-	-	1,100
Shares issued to Joe Petrucelli	9/26/2008	1,429	-	-	-	2,200	-	-	-	2,200
Shares issued to Vince Monaco	9/26/2008	1,429	-	-	-	2,200	-	-	-	2,200

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Camelot Entertainment Group, Inc.
(a Development Stage Company)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the Period from January 1, 2004 to December 31, 2009

		Common Stock		Preferred Stock		Additional	During	Subscription	Defered	Total
		Shares	Amount	Shares	Amount	Paid-In	Development	Received	Compensation	Stockholders'
						Capital	Stage	Over		Deficit
Shares issued to Phillip Parsons	9/26/2008	1,429	-	-	-	2,200	-	-	-	2,200
Shares issued to Douglas Warner	9/27/2008	2,857	-	-	-	4,400	-	-	-	4,400
Shares issued to Bastien Living Trust	9/27/2008	2,857	-	-	-	4,400	-	-	-	4,400
Shares issued to Lewis Consulting Group	9/27/2008	2,857	-	-	-	4,400	-	-	-	4,400
Shares issued to Jeffory Smith	9/27/2008	1,429	-	-	-	2,200	-	-	-	2,200
Shares issued to Tamara Atwell	9/27/2008	3,247	-	-	-	5,000	-	-	-	5,000
Shares issued to Susan Sanchez	9/27/2008	3,247	-	-	-	5,000	-	-	-	5,000
Shares issued to Patrick Winn	9/27/2008	3,247	-	-	-	5,000	-	-	-	5,000
Shares issued to Phillip Parsons	9/27/2008	3,247	-	-	-	5,000	-	-	-	5,000
Shares issued to CEDE	9/30/2008	71	-	-	-	51	-	-	-	51
Shares issued to Hope Capital, Inc	11/14/2008	25,714	3	-	-	12,597	-	-	-	12,600
Shares issued to Hope Capital, Inc	11/18/2008	28,571	3	-	-	15,997	-	-	-	16,000
Shares issued to K&L international, Inc	11/19/2008	31,429	3	-	-	15,397	-	-	-	15,400
Shares issued to K&L international, inc	11/25/2008	48,571	5	-	-	13,595	-	-	-	13,600
Shares issued to Hope Capital, Inc/ K&L	11/25/2008	48,571	5	-	-	13,595	-	-	-	13,600
Shares issued to K&L international, inc	12/2/2008	57,143	6	-	-	15,994	-	-	-	16,000

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Hope Capital, Inc/12/3/2008	35,714	4	-	-	9,996	-	-	-	10,000
Hope Capital, Inc/12/8/2008	71,429	7	-	-	19,993	-	-	-	20,000

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Shares issued to										
Patrick Winn	11/10/2008	3,571	-	-	-	4,500	-	-	-	4,500
Shares issued to										
Tamara Atwell	11/10/2008	7,143	1	-	-	8,999	-	-	-	9,000
Shares issued to										
Phil Scott	11/19/2008	7,143	1	-	-	3,499	-	-	-	3,500

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Camelot Entertainment Group, Inc.
(a Development Stage Company)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the Period from January 1, 2004 to December 31, 2009

		Common Stock		Preferred Stock		Additional	During	Subscription	Deferred	Total
		Shares	Amount	Shares	Amount	Paid-In	Development	Receivable	Compensation	Stockholders'
						Capital	Stage			Deficit
Shares issued to Tamara Atwell	11/21/2008	35,714	4	-	-	9,996	-	-	-	10,000
Shares issued to Philip Parsons	11/21/2008	35,714	4	-	-	9,996	-	-	-	10,000
Shares issued to George Jackson	11/21/2008	35,714	4	-	-	9,996	-	-	-	10,000
Shares issued to Robert Atwell	11/21/2008	35,714	4	-	-	9,996	-	-	-	10,000
Shares issued to Phil Scott	12/2/2008	7,143	1	-	-	1,999	-	-	-	2,000
Shares issued to Doug Warner	12/31/2008	28,571	3	-	-	3,997	-	-	-	4,000
Shares issued to Rodger Spainhower	12/31/2008	71,429	7	-	-	9,993	-	-	-	10,000
Shares issued to Philip Parsons	12/31/2008	71,429	7	-	-	9,993	-	-	-	10,000
Shares issued to Tamara Atwell	12/31/2008	71,429	7	-	-	9,993	-	-	-	10,000
Shares issued to George	12/31/2008	42,857	4	-	-	5,996	-	-	-	6,000

Jackson										
Shares issued to Robert Atwell	12/31/2008	500,000	50	-	-	69,950	-	-	-	70,000
Shares issued to Phil Scott	12/31/2008	14,286	1	-	-	1,999	-	-	-	2,000
Shares issued to Vince Monaco	12/31/2008	71,429	7	-	-	9,993	-	-	-	10,000
Shares issued to Chris Flannery	12/31/2008	71,429	7	-	-	9,993	-	-	-	10,000
Shares issued to Shares to NIR	10/1/2008	1,141	1	-	-	1,421	-	-	-	1,422
Shares issued to NIR	10/3/2008	1,141	1	-	-	1,262	-	-	-	1,263
Shares issued to NIR	10/8/2008	1,141	1	-	-	783	-	-	-	784
Shares issued to NIR	10/13/2008	1,141	1	-	-	143	-	-	-	144
Shares issued to NIR	10/14/2008	1,141	1	-	-	(176)	-	-	-	(175)
Shares issued to NIR	10/16/2008	1,141	1	-	-	(176)	-	-	-	(175)

Camelot Entertainment Group, Inc.
(a Development Stage Company)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the Period from January 1, 2004 to December 31, 2009

		Common Stock	Preferred Stock	Additional Paid-In Capital	During Development Stage	Subscription Received	Deferred Compensation	Total Stockholders' Deficit	
		Shares	Amount	Shares	Amount				
Shares issued to NIR	10/27/2008	1,141	1	-	-	(176)	-	-	(175)
Shares issued to NIR	10/31/2008	1,141	1	-	-	(192)	-	-	(191)
Shares issued to NIR	11/5/2008	1,141	1	-	-	(192)	-	-	(191)
Shares issued to NIR	11/7/2008	1,141	1	-	-	(192)	-	-	(191)
Shares issued to NIR	11/10/2008	1,141	1	-	-	(192)	-	-	(191)
Shares issued to NIR	11/11/2008	1,141	1	-	-	(188)	-	-	(187)
Shares issued to NIR	11/14/2008	1,141	1	-	-	(192)	-	-	(191)
Shares issued to NIR	11/14/2008	1,929	-	-	-	(325)	-	-	(325)
Shares issued to NIR	11/18/2008	1,929	-	-	-	(325)	-	-	(325)
Shares issued to NIR	11/19/2008	1,929	-	-	-	(325)	-	-	(325)
Shares issued to NIR	11/20/2008	1,929	-	-	-	(298)	-	-	(298)
Shares issued to	11/21/2008	4,286	-	-	-	(660)	-	-	(660)

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NIR Shares issued to	11/25/2008	4,286	-	-	-	(660))	-	-	-	(660))	
NIR Shares issued to	11/26/2008	6,246	1	-	-	(1,050))	-	-	-	(1,049))	
NIR Shares issued to	12/1/2008	11,916	1	-	-	(1,837))	-	-	-	(1,836))	
NIR Shares issued to	12/8/2008	11,916	1	-	-	(2,004))	-	-	-	(2,003))	
NIR Shares issued to	12/23/2008	14,286	1	-	-	(2,403))	-	-	-	(2,402))	
NIR Shares issued to	12/30/2008	35,320	4	-	-	8,464)	-	-	-	8,460)	
NIR difference		-	-	-	-	-)	-	-	-	-)	
Net Income (Loss) as of 12/31/08		-	-	-	-	-)	(428,575))	-	-	(428,575))
Balance at December 31, 2008		2,233,812	231	-	-	14,633,599)	(16,705,021))	-	-	(2,071,199))

Camelot Entertainment Group, Inc.
(a Development Stage Company)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the Period from January 1, 2004 to December 31, 2009

		Common Stock		Preferred Stock		Additional	During	Subscription	Deferred	Total
		Shares	Amount	Shares	Amount	Paid-In	Development	Receivable	Compensation	Stockholders'
						Capital	Stage	Clawback		Deficit
Shares issued to NIR	1/6/2009	35,321	4	-	-	973	-	-	-	977
Shares issued to NIR	1/9/2009	35,321	4	-	-	973	-	-	-	977
Shares issued to NIR	1/16/2009	35,321	4	-	-	487	-	-	-	491
Shares issued to NIR	1/23/2009	7,171	1	-	-	99	-	-	-	100
Shares issued to NIR	2/3/2009	14,286	1	-	-	197	-	-	-	198
Shares issued to NIR	2/13/2009	14,286	1	-	-	197	-	-	-	198
Shares issued to NIR	2/23/2009	14,286	1	-	-	394	-	-	-	395
Shares issued to NIR	2/27/2009	14,286	1	-	-	394	-	-	-	395
Shares issued to NIR	3/2/2009	14,286	1	-	-	197	-	-	-	198
Shares issued to NIR	3/5/2009	14,286	1	-	-	197	-	-	-	198
Shares issued to NIR	3/9/2009	14,286	1	-	-	197	-	-	-	198
Shares issued to NIR	3/20/2009	342,522	34	-	-	9,437	-	-	-	9,471

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Shares issued to NIR	3/31/2009	13,771	1	-	-	190	-	-	-	191
Shares issued to Hope Capital	1/6/2009	142,857	14	-	-	19,986	-	-	-	20,000
Shares issued to Hope Capital	2/23/2009	364,286	36	-	-	50,964	-	-	-	51,000
Shares issued to Hope Capital	2/26/2009	428,571	43	-	-	59,957	-	-	-	60,000
Shares issued to Hope Capital	3/2/2009	428,571	43	-	-	59,957	-	-	-	60,000
Shares issued to Hope Capital	3/27/2009	428,571	43	-	-	29,957	-	-	-	30,000
Shares issued to Watson Investment	1/6/2009	428,571	43	-	-	59,957	-	-	-	60,000
Shares issued to Watson Investment	1/15/2009	157,143	16	-	-	21,984	-	-	-	22,000

Camelot Entertainment Group, Inc.
(a Development Stage Company)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the Period from January 1, 2004 to December 31, 2009

		Common Stock		Preferred Stock		Additional Paid-In Capital	During Development Stage	Subscriptions Received	Deferred Compensation	Total Stockholders' Deficit
		Shares	Amount	Shares	Amount					
Shares issued to Watson Investment										
	2/26/2009	157,143	16	-	-	21,984	-	-	-	22,000
Shares issued to Watson Investment										
	3/19/2009	285,714	29	-	-	19,971	-	-	-	20,000
Shares issued to Watson Investment										
	3/24/2009	357,143	36	-	-	24,964	-	-	-	25,000
Shares issued to Watson Investment										
	3/27/2009	285,714	29	-	-	19,971	-	-	-	20,000
Shares issued to Watson Investment										
	3/31/2009	214,286	21	-	-	14,979	-	-	-	15,000
Shares issued to TJM Management										
	1/28/2009	649,351	65	-	-	45,390	-	-	-	45,455
Shares issued to TJM Management										
	2/23/2009	649,351	65	-	-	90,844	-	-	-	90,909
Shares issued to TJM Management										
	2/26/2009	649,351	65	-	-	90,844	-	-	-	90,909
Shares issued to TJM Management										
	3/16/2009	649,351	65	-	-	45,390	-	-	-	45,455
Shares issued to TJM Management										
	3/24/2009	649,351	65	-	-	45,390	-	-	-	45,455
Shares issued to Acacia Investors										
	2/11/2009	142,857	14	-	-	9,986	-	-	-	10,000
Shares issued to Acacia Investors										
	2/24/2009	142,857	14	-	-	19,986	-	-	-	20,000
Shares issued to Acacia Investors										
	3/11/2009	142,857	14	-	-	9,986	-	-	-	10,000

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Investors										
Shares issued to Phil Scott	3/27/2009	71,429	7	-	-	4,993	-	-	-	5,000
Shares issued to Phillip Parsons	1/23/2009	71,429	7	-	-	4,993	-	-	-	5,000
Shares issued to Camelot		8,128	1	-	-	568	-	-	-	569
Shares issued to NIR	4/1/2009	4,286	1	-	-	299	-	-	-	300
Shares issued to NIR	4/7/2009	545,477	53	-	-	-	-	-	-	-
Shares issued to TJ Management	4/2/2009	428,571	43	-	-	29,957	-	-	-	30,000
Shares issued to TJ Management	4/2/2009	220,779	22	-	-	15,432	-	-	-	15,454
Shares issued to TJ Management	5/6/2009	649,351	65	-	-	45,390	-	-	-	45,455

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Camelot Entertainment Group, Inc.
(a Development Stage Company)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the Period from January 1, 2004 to December 31, 2009

		Common Stock		Preferred Stock		Additional	During	Subscription	Deferred	Total
		Shares	Amount	Shares	Amount	Paid-In	Development	Received	Compensation	Stockholders'
						Capital	Stage	Over		Deficit
Shares issued to New Media advisors	4/6/2009	71,429	7	-	-	4,993	-	-	-	5,000
Shares issued to Phil Scott	4/6/2009	71,429	7	-	-	4,993	-	-	-	5,000
Shares issued to Phil Scott	5/6/2009	71,429	7	-	-	4,993	-	-	-	5,000
Shares issued to H. Kaye Dyal	6/4/2009	57,143	6	-	-	3,994	-	-	-	4,000
Shares issued to Rodger Spainhower	6/17/2009	71,429	8	-	-	4,992	-	-	-	5,000
Shares issued to Phil Scott	6/17/2009	71,429	8	-	-	4,992	-	-	-	5,000
Shares issued to Falcon Financial	6/29/2009	642,857	64	-	-	-	-	-	-	64
Shares issued to NIR	7/17/2009	666,300	67	-	-	1,947	-	-	-	2,014
Shares issued to NIR	7/24/2009	4,158,600	416	-	-	8,534	-	-	-	8,119
Shares issued to NIR	7/28/2009	4,158,600	416	-	-	8,017	-	-	-	9,264
Shares issued to NIR	8/7/2009	2,158,600	216	-	-	2,416	-	-	-	2,632
	8/7/2009	5,014,179	502	-	-	4,989	-	-	-	5,490

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Shares issued to NIR										
Shares issued to NIR	8/14/2009	7,172,801	717	-	-	5,352	-	-	-	6,070
Shares issued to NIR	8/20/2009	7,172,801	717	-	-	2,230	-	-	-	2,948
Shares issued to NIR	8/24/2009	7,172,801	717	-	-	2,230	-	-	-	2,948
Shares issued to NIR	8/27/2009	7,172,801	717	-	-	2,230	-	-	-	2,948
Shares issued to NIR	9/2/2009	7,172,801	717	-	-	2,230	-	-	-	2,948
Shares issued to NIR	9/10/2009	25,144,000	2,514	-	-	7,818	-	-	-	10,332
Shares issued to NIR	9/15/2009	25,144,000	2,514	-	-	7,818	-	-	-	11,052

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Camelot Entertainment Group, Inc.
(a Development Stage Company)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the Period from January 1, 2004 to December 31, 2009

		Common Stock		Preferred Stock		Additional Paid-In Capital	During Development Stage	Subscriptions Received	Deferred Compensation	Total Stockholders' Deficit
		Shares	Amount	Shares	Amount					
Shares issued to NIR	9/16/2009	25,144,000	2,514	-	-	7,818	-	-	-	11,052
Shares issued to NIR	9/21/2009	25,144,000	2,514	-	-	7,818	-	-	-	11,052
Shares issued to NIR	9/23/2009	25,144,000	2,514	-	-	7,818	-	-	-	11,052
Shares issued to NIR	9/28/2009	11,700,000	1,170	-	-	3,492	-	-	-	4,662
Shares issued to JMJ	8/27/2009	14,000,000	1,400	-	-	5,460	-	-	-	6,860
Shares issued to JMJ	8/31/2009	14,500,000	1,450	-	-	5,655	-	-	-	7,105
Shares issued to JMJ	9/3/2009	14,600,000	1,460	-	-	5,694	-	-	-	7,154
Shares issued to JMJ	9/10/2009	14,900,000	1,490	-	-	5,811	-	-	-	7,301
Shares issued to JMJ	9/11/2009	32,000,000	3,200	-	-	12,480	-	-	-	15,680
Shares issued to JMJ	9/15/2009	12,040,817	1,204	-	-	4,696	-	-	-	5,900
Shares issued to JMJ	9/16/2009	16,500,000	1,650	-	-	6,435	-	-	-	8,085
Shares issued to JMJ	9/23/2009	32,000,000	3,200	-	-	12,480	-	-	-	15,680
Shares issued to JMJ	9/25/2009	32,500,000	3,250	-	-	5,850	-	-	-	9,100
Shares issued to JMJ	9/29/2009	61,196,429	6,120	-	-	48,956	-	-	-	55,076
Shares issued to Villam	9/23/2009	32,478,483	3,248	-	-	20,137	-	-	-	23,385
Shares issued to Acacia/Primary	7/14/2009	7,500,000	750	-	-	82,500	-	-	-	83,250
Shares issued to Acacia/Primary	8/7/2009	8,500,000	850	-	-	28,900	-	-	-	29,750
Shares issued to Acacia/Primary	8/13/2009	8,500,000	850	-	-	65,450	-	-	-	66,300
	8/19/2009	10,000,000	1,000	-	-	33,000	-	-	-	34,000

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Shares issued to
Acacia/Primary

Shares issued to

Epic	9/24/2009	54,500,000	5,450	-	-	54,500	-	-	-	59,950
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Camelot Entertainment Group, Inc.
(a Development Stage Company)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the Period from January 1, 2004 to December 31, 2009

		Common Stock		Preferred Stock		Additional	During	Subscriptions	Defered	Total
		Shares	Amount	Shares	Amount	Paid-In	Develop	Received	Compensation	Stockholders'
						Capital	Stage			Deficit
Shares issued to K & L	8/3/2009	8,000,000	800	-	-	36,800	-	-	-	37,600
Shares issued to K & L	8/18/2009	13,000,000	1,300	-	-	49,400	-	-	-	50,700
Shares issued to K & L	8/28/2009	20,000,000	2,000	-	-	40,000	-	-	-	42,000
Shares issued to K & L	9/2/2009	25,000,000	2,500	-	-	40,000	-	-	-	42,500
Shares issued to K & L	9/8/2009	28,571,429	2,857	-	-	42,857	-	-	-	45,714
Shares issued to Mazuma	9/11/2009	60,000,000	6,000	-	-	90,000	-	-	-	96,000
Shares issued to Falcon Financial	7/13/2009	1,050,000	105	-	-	(7,368)	-	-	-	(7,263)
Shares issued to TJ Management	7/20/2009	11,250,000	1,125	-	-	133,875	-	-	-	135,000
Shares issued to TJ Management	7/28/2009	11,250,000	1,125	-	-	145,125	-	-	-	146,250
Shares issued to TJ Management	8/7/2009	16,000,000	1,600	-	-	54,400	-	-	-	56,000
Shares issued to TJ Management	8/13/2009	16,000,000	1,600	-	-	123,200	-	-	-	124,800
Shares issued to TJ Management	8/18/2009	16,666,666	1,667	-	-	63,333	-	-	-	65,000
Shares issued to TJ Management	8/25/2009	16,666,666	1,667	-	-	41,667	-	-	-	43,334
Shares issued to TJ Management	8/31/2009	22,727,272	2,273	-	-	47,727	-	-	-	50,000
Shares issued to TJ	9/8/2009	31,250,000	3,125	-	-	46,875	-	-	-	50,000

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Management										
Shares issued										
to TJ										
Management	9/10/2009	25,000,000	2,500	-	-	40,000	-	-	-	42,500
Shares issued										
to TJ										
Management	9/14/2009	50,000,000	5,000	-	-	85,000	-	-	-	90,000
Shares issued										
to TJ										
Management	9/21/2009	50,000,000	5,000	-	-	70,000	-	-	-	75,000
Shares issued										
to TJ										
Management	9/29/2009	72,727,272	7,273	-	-	58,182	-	-	-	65,455
Shares issued										
to Watson										
Management	7/15/2009	1,200,000	120	-	-	17,880	-	-	-	18,000
Shares issued										
to Watson										
Management	7/23/2009	1,250,000	125	-	-	16,125	-	-	-	16,250

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Camelot Entertainment Group, Inc.
(a Development Stage Company)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the Period from January 1, 2004 to December 31, 2009

		Common Stock		Preferred Stock		Additional Paid-In Capital	During Development Stage	Subscription Receipts	Deferred Compensation	Total Stockholders' Deficit
		Shares	Amount	Shares	Amount					
Shares issued to Watson	7/28/2009	1,666,667	167	-	-	21,500	-	-	-	21,667
Shares issued to Watson	8/4/2009	5,000,000	500	-	-	22,000	-	-	-	22,500
Shares issued to Watson	8/10/2009	6,666,667	667	-	-	14,000	-	-	-	14,667
Shares issued to Watson	8/14/2009	5,000,000	500	-	-	44,000	-	-	-	44,500
Shares issued to Watson	8/20/2009	6,444,447	644	-	-	23,844	-	-	-	24,488
Shares issued to Watson	8/20/2009	3,555,553	356	-	-	13,155	-	-	-	13,511
Shares issued to Watson	9/1/2009	50,000,000	5,000	-	-	90,000	-	-	-	95,000
Shares issued to Robert Atwell	9/25/2009	50,000,000	5,000	-	-	40,000	-	-	-	45,000
Shares issued to HK Dyal	9/25/2009	20,000,000	2,000	-	-	16,000	-	-	-	18,000
Shares issued to George Jackson	9/25/2009	20,000,000	2,000	-	-	16,000	-	-	-	18,000
Shares issued to Phillip Parsons	7/16/2009	1,000,000	100	-	-	14,900	-	-	-	15,000
Shares issued to	8/13/2009	7,000,000	700	-	-	53,900	-	-	-	54,600

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Complete Advisory Shares issued to Patrick Winn	9/25/2009	10,000,000	1,000	-	-	8,000	-	-	-	9,000
Shares issued to Mark Petroff	8/19/2009	10,000,000	1,000	-	-	33,000	-	-	-	34,000
Shares issued to Jamie Thompson	9/1/2009	25,000,000	2,500	-	-	45,000	-	-	-	47,500
Shares issued to Ted Baer	9/11/2009	10,000,000	1,000	-	-	15,000	-	-	-	16,000
Shares issued to Bastien living trust	9/11/2009	10,000,000	1,000	-	-	15,000	-	-	-	16,000
Shares issued to Rodger Spainhower	7/15/2009	500,000	50	-	-	7,450	-	-	-	7,500
Shares issued to Rodger Spainhower	9/11/2009	10,000,000	1,000	-	-	15,000	-	-	-	16,000
Shares issued to Mark Petroff	9/30/2009	10,000,000	1,000	-	-	8,000	-	-	-	9,000
Shares issued to HAL Nominees Ltd	9/14/2009	30,000,000	3,000	-	-	51,000	-	-	-	54,000

Camelot Entertainment Group, Inc.
(a Development Stage Company)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the Period from January 1, 2004 to December 31, 2009

		Common Stock		Preferred Stock		Additional Paid-In Capital	During Development Stage	Subscriptions Received	Deferred Compensation	Total Stockholders' Deficit
		Shares	Amount	Shares	Amount					
Shares issued to Camelot	7/15/2009	23	0	-	-	-	-	-	-	-
Shares issued to Phil Scott	9/28/2009	10,000,000	1,000	-	-	8,000	-	-	-	9,000
Shares issued to TJ Management	10/5/2009	121,212,121	12,121	-	-	84,848	-	-	-	96,969
Shares issued to NIR	10/6/2009	65,272,199	6,527	-	-	10,052	-	-	-	16,579
Shares issued to NIR	10/12/2009	37,000,000	3,700	-	-	5,698	-	-	-	9,398
Shares issued to NIR	10/12/2009	28,272,199	2,827	-	-	3,732	-	-	-	6,559
Shares issued to NIR	10/19/2009	40,000,000	4,000	-	-	6,160	-	-	-	10,160
Shares issued to NIR	10/22/2009	25,272,000	2,527	-	-	4,448	-	-	-	6,975
Shares issued to NIR	10/30/2009	65,272,000	6,527	-	-	10,052	-	-	-	16,579
Shares issued to NIR	11/6/2009	30,000,000	3,000	-	-	3,960	-	-	-	6,960
Shares issued to NIR	11/6/2009	5,000,000	500	-	-	660	-	-	-	1,160
Shares issued to NIR	11/6/2009	8,000,000	800	-	-	1,056	-	-	-	1,856
Shares issued to NIR	11/6/2009	7,500,000	750	-	-	990	-	-	-	1,740
Shares issued to NIR	11/6/2009	37,786,000	3,779	-	-	4,988	-	-	-	8,767
Shares issued to NIR	11/30/2009	88,286,000	8,829	-	-	11,693	-	-	-	20,522
Shares issued to NIR	12/21/2009	107,323,175	10,732	-	-	4,709	-	-	-	15,441

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Shares issued to NIR	12/30/2009	107,322,600	10,732	-	-	-	-	-	10,732
Shares issued to Robert Kerchner	10/12/2009	10,000,000	1,000	-	-	6,000	-	-	7,000
Shares issued to Mike Elliott	10/12/2009	10,000,000	1,000	-	-	6,000	-	-	7,000

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Camelot Entertainment Group, Inc.
(a Development Stage Company)
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
For the Period from January 1, 2004 to December 31, 2009

		Common Stock	Preferred		Additional					Total
		Shares	Amount	Shares	Amount	Paid-In	Development	Subscription	Preferred	Stockholders'
						Capital	Stage	Receivable	Compensation	Deficit
Shares issued to Rodger Spainhower	11/9/2009	10,000,000	1,000	-	-	7,000	-	-	-	8,000
Shares issued to Phil Scott	11/9/2009	10,000,000	1,000	-	-	7,000	-	-	-	8,000
Shares issued to Adam Reznikoff	11/16/2009	10,000,000	1,000	-	-	6,000	-	-	-	7,000
Shares issued to Adam Reznikoff	11/25/2009	80,000,000	8,000	-	-	40,000	-	-	-	48,000
Shares issued to Ted Baer	11/30/2009	95,000,000	9,500	-	-	38,000	-	-	-	47,500
Shares issued to Mark Temple	12/3/2009	60,000,000	6,000	-	-	18,000	-	-	-	24,000
Shares issued to Robert Atwell	12/4/2009	200,000,000	20,000	-	-	60,000	-	-	-	80,000
Shares issued to George Jackson	12/4/2009	200,000,000	20,000	-	-	60,000	-	-	-	80,000
Shares issued to Patrick Winn	12/9/2009	10,000,000	1,000	-	-	3,000	-	-	-	4,000
Shares issued to Adam Reznikoff	12/14/2009	125,000,000	12,500	-	-	25,000	-	-	-	37,500

Net Income (Loss) as of 12/31/09	-	-	-	-	-	(4,259,802)	-	-	(4,259,802)
Balance as of 12/31/2009	2,961,330,703	\$296,133	-	\$-	\$18,272,050	\$(20,964,823)	\$-	\$-	\$2,396,640

The period from Inception to December 31, 2007 is unaudited.

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

	For Year Ended, December 31, 2009	For Year Ended December 31, 2008	From Inception on April 21, 1999 through December 31, 2009 (Unaudited)
OPERATING ACTIVITIES			
Net loss	\$ (4,259,802)	\$ (428,575)	\$ (20,964,823)
Adjustments to reconcile net loss to cash used in operating activities:			
Amortization of discounts on notes payable	552,163	344,987	1,193,374
Imputed Interest on Note Payable	-	17,000	38,484
Gain (loss) on derivative liability	(111,369)	(1,404,052)	(1,356,620)
Common Stock issued for interest expenses	-	138,450	703,909
Common stock issued per dilution agreement	-	-	368,508
Value of options expensed	-	-	351,000
Gain on extinguishment of debt	-	-	(255,500)
Depreciation	-	-	3,997
Amortization of deferred compensation	-	-	1,538,927
Common stock issued for services	768,409	363,138	4,322,976
Common stock issued for related party services and wraparound agreements	1,759,489	-	1,781,489
Common stock issued for technology	-	-	19,167
Impairment of investments in other companies	-	-	710,868
Impairment of assets	-	129,700	2,758,060
Prepaid services expensed	-	-	530,000
Expenses paid through notes payable proceeds	-	-	66,439
Loss on disposal of property and equipment	-	-	5,854
Preferred stock issued to shareholder	-	-	3,366,000
Change in assets and liabilities:			
(increase) decrease in other current assets	(51,613)	4,691	(53,779)
Increase (decrease) in accounts payable and accrued liabilities	322,724	173,993	880,906
Increase (decrease) in due to officers	426,255	633,300	1,409,555
Net Cash used in operating activities	(593,744)	(27,368)	(2,581,209)
Cash flows from investing activities:			
Purchase of fixed assets	-	-	(6,689)
Purchase of assets-script costs/business deposits	(37,350)	-	(167,050)
Cash used in investing activities	(37,350)	-	(173,739)

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Cash flows from financing activities:			
Proceeds from Convertible notes payable	500,000	-	500,000
Contributed capital	-	-	25,500
Proceeds from related party note payable	-	-	1,316,613
Payments on related party notes payable	-	(20,652)	(145,652)
Proceeds from notes payable	-	150,000	1,317,998
Advances to affiliate / shareholders loans	735,457	40,737	1,011,319
Payments from shareholder advances	(548,218)	(142,664)	(961,173)
Payable on notes payable	-	-	(254,477)
Cash provided by financing activities	687,239	27,421	2,810,128
	-		
Increase in cash	56,145	53	55,180
Cash at beginning of period	175	122	1,140
Cash at the end of the period	\$ 56,320	\$ 175	\$ 56,320

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Statements of Cash Flows - continued

Non-cash investing and financing transactions:			
Stock issued for related party liabilities	\$ -	\$ -	\$ 248,541
Creation of additional debt discount	\$ 455,342	\$ -	\$ 1,375,657
Stock issued for debt conversion	\$ 1,563,069	\$ 101,560	\$ 1,721,077
Derivative liability relieved by conversion	\$ 122,607	\$ 19,722	\$ 190,728
Accrued interest converted into convertible notes payable	\$ -	\$ 144,143	\$ 144,143
Accrued salaries relieved with issuance of common stock	\$ 223,000	\$ 261,300	\$ 484,300
Stock issued per finance agreement	\$ -	\$ -	\$ 500,000

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

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

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Camelot Entertainment Group, Inc. (the “Company” or “Camelot”), a Delaware corporation, is a film, television, digital media and entertainment company. During fiscal year 2009, Camelot Entertainment Group had limited operations, generated no revenues and therefore was classified as a development stage company.

Our business model classifies our existing and planned operations into the following three major divisions:

- Camelot Film Group, consisting principally of feature film, television, home video, and digital media production and distribution, including Camelot Distribution Group and DarKnight Pictures;
- 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.

The current primary focus of the Company is the distribution and exploitation of feature films, television and digital media. In addition, we intend to provide a solid foundation for our distribution activities and to provide that division with a steady flow of titles through our product pipeline, the Company is in the process of negotiating the rolling up of several corporate entities and their respective film, television and digital media libraries into Camelot through four planned acquisitions within our Camelot Film Group division and the continued growth of our distribution subsidiary, Camelot Distribution Group. We have executed four letters of intent to acquire a London based film and television distribution company, two domestic based film libraries and a post production facility. Our current plans are to close these at least two of these acquisitions during the second quarter of 2010 and the other two later in the year. Camelot Distribution Group, and its subsidiary DarKnight Pictures, have acquired distribution rights to six feature films since the addition of Jamie Thompson as President of Camelot Distribution Group in September 2009.

All of the aforementioned acquisitions and negotiations are complex financial transactions and there can be no guarantee that we will be able to successfully complete those transactions. In addition, all require the raising of a significant amount of capital. While at present our distribution operations are growing, volatile market conditions and the ongoing uncertainty of the global economic outlook could stymie that growth at any time and increase the pressure on an already strained corporate financial structure. Any or all of the above uncertainties could have a material adverse effect on the Company.

To date, Camelot has substantially relied on funding provided by its Chairman, Robert P. Atwell, and his affiliated companies, among other third party investment and note payables. See Note 10 for material agreements entered into with Robert Atwell and affiliated companies subsequent to year end.

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Presentation

Camelot is considered to be a development stage enterprise as defined in Statement of Financial Accounting Standards (“SFAS”) No. 7, “Accounting and Reporting by Development Stage Enterprises.” Consequently, Camelot has presented these financial statements in accordance with that Statement, including losses incurred from April 21, 1999 (Inception) to December 31, 2009.

Script Costs - Camelot capitalizes costs it incurs to buy or develop scripts that will later be used in the production of films according to the guidelines in the Accounting Standard Codification (“ASC”) 926, Entertainment — Films (“ASC 926”) (formerly Statement of Position 00-2.). During 2008, Camelot expensed all script costs previously capitalized of \$79,700 as the scripts were not in production and had been outstanding in excess of three years. Script costs capitalized during the year ended December 31, 2009 are recorded as Other Assets on the accompanying balance sheet.

Income Taxes - Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Due to historical net losses, a valuation allowance has been established to offset the deferred tax assets.

In July 2006, the FASB issued FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes— an interpretation of FASB Statement No. 109 (“FIN 48”)”, codified into ASC 740. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. FIN 48 describes a recognition threshold and measurement attribute for the recognition and measurement of tax positions taken or expected to be taken in a tax return and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The cumulative effect of adopting FIN 48 is required to be reported as an adjustment to the opening balance of retained earnings (or other appropriate components of equity) for that fiscal year, presented separately. The adoption of FIN 48 did not have a material impact to the Company's financial statements.

Fair Value of Financial Instruments - On January 1, 2009, the Company adopted ASC 820 (“ASC 820”) Fair Value Measurements and Disclosures. The Company did not record an adjustment to retained earnings as a result of the adoption of the guidance for fair value measurements, and the adoption did not have a material effect on the Company's results of operations. Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The guidance also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors market participants would use in valuing the asset or liability. The guidance establishes three levels of inputs that may be used to measure fair value:

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

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

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

As of December 31, 2009, the Company's derivative liabilities are considered a level 2 item, see Note 4 and 7.

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

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

Stock-Based Compensation - The Company accounts for stock options issued to employees and consultants under ASC 718 formerly SFAS No. 123(R), "Share-Based Payment". Under SFAS 123(R), share-based compensation cost to employees is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite vesting period. The Company measures compensation expense for its non-employee stock-based compensation under ASC 505 formerly EITF No. 96-18 "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services" ("EITF 96-18"). The fair value of the shares or options issued or committed to be issued is used to measure the transaction, as this is more reliable than the fair value of the services received. The fair value is measured at the value of the Company's common stock on the date that the commitment for performance by the counterparty has been reached or the counterparty's performance is complete. The fair value of the equity instrument is charged directly to stock-based compensation expense and credited to additional paid-in capital.

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

Modifications to Convertible Debt -The Company accounts for modifications of ECFs in accordance with EITF 06-6 "Debtors Accounting for a Modification (or exchange) of Convertible Debt Instruments", codified into ASC 470 EITF 06-6 requires the modification of a convertible debt instrument that changes the fair value of an ECF be recorded as a debt discount and amortized to interest expense over the remaining life of the debt. If modification is considered a substantial (i.e. greater than 10% of the carrying value of the debt), an extinguishment of the debt is deemed to have occurred, resulting in the recognition of an extinguishment gain or loss.

Equity Instruments Issued with Registration Rights Agreement - The Company accounts for registration rights agreement penalties as contingent liabilities. Accordingly, the Company recognizes the damages when it becomes probable that they will be incurred and amounts are reasonably estimable. As of December 31, 2009, the Company does not believe damages related to these rights are probable, and thus, an accrual has not been recorded.

Earnings (Loss) per Share - Basic earnings (loss) per share are based on the weighted average number of shares of Common Stock outstanding during the period. Diluted earnings (loss) per share also includes the effect of stock options, other Common Stock equivalents outstanding during the during the period, and assumes the conversion of the Company's Class A, B and C preferred stock and conversion of convertible notes payable for the period of time such stock and notes were outstanding, if such preferred stock and convertible notes are dilutive.

The following table sets forth the computation of the numerator and of basic and diluted loss per share for the year ended December 31, 2009 and 2008. There were no adjustments to the denominator. The following items were anti-dilutive and thus excluded from the calculation.

	December 31, 2009	December 31, 2008
Weighted average common shares outstanding		
Used in calculating basic loss per share	626,419,838	126,591
		2,949,873,409

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Effect of dilutive convertible preferred stock, convertible notes and warrants	19,273,580,162	
Weighted average common shares outstanding used in		
Calculating diluted loss per share	19,900,000,000	2,950,000,000

As of December 31, 2009, the Company has only 19,900,000,000 shares authorized, thus the effects of convertible preferred stock and notes into common stock are limited to the amount authorized by the Company's stockholders.

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1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

Recent Accounting Pronouncements

In May 2009, the FASB issued ASC 855 “Subsequent Events” (formerly SFAS No. 165, Subsequent Events). FASB ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855 is effective for interim and annual financial periods ending after June 15, 2009 with no impact on the accompanying financial statements.

In June 2009, the FASB issued ASC 105 “Generally Accepted Accounting Principles” (formerly SFAS No. 168 The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162). ASC 105 establishes the FASB Accounting Standards Codification as the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. ASC 105, which changes the referencing of financial standards, is effective for interim or annual financial periods ending after September 15, 2009. The Company adopted ASC 105 during the three months ended September 30, 2009 with no impact to its financial statements, except for the changes related to the referencing of financial standards.

2. GOING CONCERN

The accompanying financial statements have been prepared assuming that Camelot will continue as a going concern. During the year ended, December 31, 2009, Camelot had no revenue producing operations; a negative working capital of \$1,534,010 and an accumulated deficit from Inception of \$20,964,823. These conditions raise substantial doubt about Camelot’s ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the classification of liabilities that may result from the outcome of this uncertainty.

Management’s plans with respect to the current situation consist of increasing the revenues being generated by Camelot Distribution Group subsequent to year end, successfully complete its planned roll-up of four corporate entities and the resultant revenues that come with each entity, restructuring its debt, seeking additional financial resources from its existing investors, note holders, debt holders, officers, directors (past and present) and its CEO Robert Atwell. There are no assurance that the Company’s efforts will be successful and/or at acceptable terms. During the year ended December 31, 2009, the Company received \$400,000 from JMJ Management and \$100,000 from NIR in secured convertible notes payable with additional funding from Robert Atwell and affiliates to fund operations. See Note 4 for additional information regarding the secured convertible notes payable.

3. INVESTMENT

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

restructure the Operating Agreement. This request has resulted in the CDT project being mutually terminated by Camelot and the SOCCCD.

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

In January 2008, the Company agreed to sell up to 30% of its interest in CDG to Camelot Studio Investors, LLC (“CSI”) for up to \$3,000,000 on an as needed basis. In addition, CSI receives 1,000 shares of our \$0.001 par value Class C Convertible Preferred Stock for each one half of one percent (.05%) of CDG purchased by CSI. Under this agreement 11,500 Class C Preferred Stock shares were issued. The managing member of CSI is Scorpion Bay, LLC, which is managed by Timothy Wilson, one of our previous directors, who resigned in May 2008. The proceeds from the sale were to be utilized to retire debt and to fund operations. During the year ended December 31, 2008, the Company sold 2% of its interest for \$200,000 in cash and another 3% for additional debt converted into shares. At December 31, 2008, the Company investment in CDG is not relevant since the CDT project has been terminated. The Company’s investment in CDG will only become relevant in the future as additional studio projects are brought on-line by CDG.

4. CONVERTIBLE NOTES PAYABLE

2006 and 2007 NIR Convertible Notes Payable

On December 27, 2006, Camelot issued a callable secured convertible note payable for \$1,000,000 to various holders. Camelot received the proceeds in two tranches: \$600,000 gross proceeds were received in December 2006 and \$400,000 in gross proceeds was received in June 2007 when the required registration statement was deemed effective. The note payable provided for annual interest at 8%, was secured by all of the assets of the Company, and matures on December 27, 2009. The principal and accrued interest of the note is convertible into Camelot's Common Stock at a variable conversion price, which is 50% of the average market price of the Common Stock of the lowest three trading days prior to the date of conversion. In addition, these notes have registration rights agreements, which call for liquidated damages in the event an effective registration statement is not filed within a timely basis. In addition, the holders of these notes and the placement agent were issued seven-year warrants to purchase 151 common shares at an exercise price of \$10,500 per share. The warrants were issued in connection with the first tranche received.

Camelot evaluated the notes and warrants under the pertaining accounting standards and determined that the notes contained embedded conversion features and warrants that needed to be accounted for as derivative liabilities. Camelot determined that the embedded conversion features required bi-furcation from the note instrument and required an estimate of its fair market value. The fair market value of the embedded conversion feature was estimated using a lattice model incorporating weighted average probability cash flow. The fair market value of the warrants was estimated using the Black Scholes model.

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

As of December 31, 2009, the Company had secured convertible notes payable outstanding of \$169,626 which was due on December 27, 2009. The Company has not received a letter of default. In addition, the holder is continuing to convert the secured convertible notes payable into common stock.

2008 NIR Convertible Notes Payable

On August 14, 2008, Camelot issued a secured convertible note payable for \$160,000 to various holders. Camelot received the proceeds in August and September 2008. The note payable provided for annual interest at 10%, was secured by all of the assets of the Company, and matures on May 10, 2011. The principal and accrued interest of the note is convertible into Camelot's Common Stock at a variable conversion price which is 50% of the average market price of the Common Stock of the lowest three trading days prior to the date of conversion. At no time can their aggregate holdings exceed 4.99%. The proceeds were used for working capital purposes and advances from related parties. In addition, the investors shall receive 28,571 cashless warrants at an exercise price of \$7.00 which expire in seven years. Camelot evaluated the notes and warrants and determined that the notes contained an embedded conversion feature and warrants that needed to be accounted for as derivative liabilities. Camelot determined that the embedded conversion features required bifurcation from the note instrument and required an estimate of its fair market value. The fair market value of the embedded conversion feature derivative was estimated using a lattice model

incorporating weighted average probability cash flow. The fair market value of the warrants was estimated using the Black Scholes model.

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4. CONVERTIBLE NOTES PAYABLE - continued

2008 NIR Accrued Interest Converted into Convertible Notes Payable

During 2008, Camelot converted accrued interest of \$144,143 into callable secured convertible notes payable. The notes payable provided for annual interest at 2%, was secured by all of the assets of the Company, and matures three years from the date of issuance of January 31, 2011 and December 30, 2011. The principal of the note is convertible into Camelot's Common Stock at a variable conversion price which is 50% of the average market price of the Common Stock of the lowest three trading days during a twenty day period prior to the date of conversion. At no time can their aggregate holdings exceed 4.99%.

Camelot evaluated the notes and determined that the notes contained an embedded conversion feature in which needed to be accounted for as a derivative liability. The embedded conversion features required bifurcation from the note instrument and required an estimate of its fair market value. The fair market value of the compound embedded derivative was estimated using a lattice model incorporating weighted average probability cash flow.

2009 NIR Convertible Notes Payable

On September 3, 2009, the Company's Board of Directors ratified an agreement entered into between the Company and New Millennium Capital Partners II, LLC, an affiliate of The NIR Group, on August 31, 2009 whereby we entered into an Securities Purchase Agreement (the "Securities Purchase Agreement") with New Millennium Capital Partners III, LLC (the "Investor"). Under the terms of the Securities Purchase Agreement, the Investor purchased an aggregate of (i) \$100,000 in callable convertible secured notes (the "Notes"). The Company received the proceeds from the Securities Purchase Agreement on September 2, 2009. This and other similar transactions with NIR described herein are referred to as the "NIR Financing".

The Notes carry an interest rate of 10% and a maturity date of August 30, 2012. The notes are convertible into our common shares at the Variable Conversion Price (as defined hereafter). The Variable Conversion Price shall be equal to the Applicable Percentage multiplied by the average of the lowest three (3) trading prices for our shares of Common Stock during the twenty (20) trading day period prior to conversion. The Applicable Percentage is 50%.

At our option, we may prepay the Notes in the event that no event of default exists, there are a sufficient number of shares available for conversion of the Notes and the Common Stock is trading below the Initial Market Price as adjusted. In addition, in the event that the average daily price of the Common Stock, as reported by the reporting service, for each day of the month ending on a determination date is below the Initial Market Price as adjusted, we may prepay a portion of the outstanding principal amount of the Notes equal to 104% of the principal amount hereof divided by thirty-six (36) plus one month's interest. Exercise of this option will stay all conversions for the following month. The full principal amount of the Notes is due upon default under the terms of Notes. In addition, the Company has granted the investors a security interest in substantially all of its assets and intellectual property, excluding Camelot Studio Group and Camelot Film Group, as well as demand registration rights.

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

If requested by the note holder, in accordance with the terms and conditions of the Registration Rights Agreement, we are committed to registering the shares of Common Stock underlying the Notes in the event no other exemption is available to the Investor, including Rule 144. In the event no other exemption is available, we have agreed to use our best efforts to file the registration statement within thirty (30) days from the date of request by the Investor otherwise we may be subject to penalty provisions. There are penalty provisions if the Company does not use its best efforts and respond to comments from the SEC regarding its Registration Statement in a timely manner, or after the Registration Statement has been declared effective by the SEC, sales of all of the Registrable Securities cannot be made pursuant to the Registration Statement due to the fault of the Company.

Camelot evaluated the notes and determined that the notes contained an embedded conversion feature in which needed to be accounted for as a derivative liability. The embedded conversion features required bifurcation from the note instrument and required an estimate of its fair market value. The fair market value of the compound embedded derivative was estimated using a lattice model incorporating weighted average probability cash flow. On the date of issuance the Company determined that the fair value of the embedded conversion feature was \$77,786 and thus recorded the amount as a liability with the offset to the discount on the note. The Company is amortizing the discount using the effective interest method over the term of the note.

2009 JMJ Financial Convertible Notes Payable

On September 3, 2009, the Company's Board of Directors ratified an agreement entered into between the Company and JMJ Financial on August 18, 2009 whereby we entered into a financing agreement with JMJ Financial to invest \$3,000,000 into the Company over a period of two years through six \$500,000 convertible promissory notes (the "Convertible Promissory Notes") with JMJ Financial (the "Investor"). Under the terms of the Convertible Promissory Notes, the Investor and the Company entered into an initial \$500,000 Convertible Promissory Note (the "Note") on August 18, 2009. The Company received an initial \$100,000 on August 26, 2009. The company received \$100,000 on October 1, 2009, \$100,000 on November 1, 2009 and \$50,000 on December 1, 2010 and \$50,000 on December 30, 2009 total received in 2009, \$400,000. The Convertible Promissory Notes are secured by the Secured & Collateralized Promissory Note between JMJ Financial and the Company dated August 18, 2009, of which the Company is the holder.

The Notes carry an interest rate of 12% and a maturity date of August 17, 2012. This interest rate is offset by the 12% interest rate on the Secured & Collateralized Promissory Note. The Notes are convertible into our common shares at the Conversion Price (as defined hereafter). The Conversion Price shall be 50% of the lowest trade price in the 20 trading days previous to any conversion.

The Investors have contractually agreed to restrict their ability to convert the Convertible Promissory Notes and receive shares of the Company's Common Stock such that the number of shares of the Company's Common Stock held by them and their affiliates after such conversion or exercise does not exceed 4.99% of the then issued and outstanding shares of the Company's Common Stock.

The sale of Convertible Promissory Notes described above is still underway and is expected to be completed on or before August 17, 2011. The Company received \$100,000 in gross proceeds from the initial Convertible Promissory Note on August 26, 2009. The Company expects to receive an additional minimum of \$100,000 in gross proceeds from the initial Convertible Promissory Note each month until it has received the total \$500,000. The balance of the Convertible Promissory Notes, \$2,500,000, will be delivered to the Company over the next two years. The Notes are a debt obligation arising other than in the ordinary course of business which constitute a direct financial obligation of us.

4. CONVERTIBLE NOTES PAYABLE - continued

Camelot evaluated the notes and determined that the notes contained an embedded conversion feature in which needed to be accounted for as a derivative liability. The embedded conversion features required bifurcation from the note instrument and required an estimate of its fair market value. The fair market value of the compound embedded derivative was estimated using a lattice model incorporating weighted average probability cash flow. On the date of issuances, the Company determined that the fair value of the embedded conversion features were \$377,556 and thus recorded the amount as a liability with the offset to the discount on the note. The Company is amortizing the discounts using the effective interest method over the term of the note.

Conversions and Valuation of Derivative Liabilities Issued with Secured Convertible Notes

As of December 31, 2009, Camelot estimated the fair value of the derivatives liabilities to be a total of \$634,026 resulting in gain on derivative liability presented in the statement of operations for the year ended December 31, 2009 of \$67,703. As of December 31, 2008, Camelot estimated the fair value of the derivatives liabilities to be a total of \$366,338 resulting in gain on derivative liability presented in the statement of operations for the year ended December 31, 2008 of \$646,689. In addition, Camelot amortized \$484,177 and \$201,551 of the discount on the convertible note payable to interest expense during the years ended December 31, 2009 and 2008, respectively. Principal balances of the notes were \$850,601 to NIR and \$400,000 to JMJ as of December 31, 2009. As of December 31, 2009, the discount on the NIR and JMJ notes were \$204,715 and \$371,725, respectively.

At December 31, 2009 and 2008, the fair market value of embedded derivative was estimated using a lattice model incorporating weighted average probability cash flow. The valuation was calculated using a lattice model with the following assumptions at December 31, 2009, the stock price would increase in the short term at the cost of equity with a volatility ranging from 251% to 402%, probability of 95% that the Company would not be in default of its registration requirements, assuming an event of default occurring ranging from 2% to 50% of the time increasing .10% per month, reset events projected to occur 5% of the time, alternative financing would be initially available to redeem the note and start to increase monthly by 10% of the notes to a maximum of 75% and the trading volume would increase at 5% per month. A significant factor in the valuation of the derivative was the limitations placed on the holder related to the maximum amount in which could be converted. The 2008 valuation was calculated using a lattice model with the following assumptions at December 31, 2008, the stock price would increase in the short term at the cost of equity with a 150% volatility, there was a 95% probability the Company would not be in default of its registration requirements, assuming an event of default occurring 5% of the time increasing .10% per month.

During the years ended December 31, 2009 and 2008, the holders of convertible notes converted \$455,431 and \$39,310 resulting in the issuance of 1,119,581,382 and 126,113,200 shares of Common Stock, respectively. Upon conversion, the Company reclassified approximately \$122,601 and \$19,722 of the compound derivative to additional paid-in capital, respectively.

In the event of full conversion of the aggregate principal amount of the notes of \$1,250,601 as of December 31, 2009, we would have to issue a total of 25,012,020,000 shares of Common Stock, which exceeds our authorized shares of 19,950,000,000. However, due to contractual limitations, the most that could be converted in any singular conversion represents 4.99% of the outstanding. In addition, there are contractual limitations that could be imposed by Camelot that would result in the inability of the note holders to convert during any given 30-day period. There is no limit to the number of shares that Camelot may be required to issue upon conversion of the notes, as it is dependent upon Camelot's share price, which varies from day to day. This could cause significant downward pressure on the price of Camelot's Common Stock.

Future minimum principal payments due under convertible notes payable for the year ended December 31 are as follows: 2010 - \$531,458; 2011 - \$219,143; 2012 - \$500,000.

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4. CONVERTIBLE NOTES PAYABLE - continued

Transfer of Notes Payable

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

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

5. INCOME TAXES

At December 31, 2008 and 2009, Camelot determined that the federal and state net operating loss carryforwards were not significant due to potentially significant limitations as defined in Section 382 of the Internal Revenue code. During the past two years the Company has issued a significant amount of shares in which could have triggered this limitation. Thus, at December 31, 2009 and 2008, the Company has reversed the deferred tax assets and valuation allowance as a result of the expected limitation. During the year ended December 31, 2008, the valuation allowance decreased by \$1,367,634.

6. RELATED PARTY TRANSACTIONS

Accrued Salaries

At December 31, 2009 and 2008, the Company has accrued compensation of \$529,759 and \$722,000 due to its officers, respectively. The amount due to officers includes: Robert Atwell, \$316,259 and \$511,000; and to George Jackson, \$213,500 and \$211,000, respectively. During the year ended December 31, 2009, the Company accrued \$223,000 in estimated payroll taxes for payments made to Robert Atwell in which taxes were not withheld. See Note 9 for discussion of wrap around agreements entered into by Robert Atwell in which resulted in a significant decrease to the amounts payable to him by the Company.

Advances from Affiliates

During the year ended December 31, 2009, the Company received \$735,458 in advances from either the CEO or affiliated company controlled by the CEO, compared to \$40,737 in advances for year ended December 31, 2008. During the year ended December 31, 2009, the Company paid \$1,279,058 of these amounts, leaving a balance due of \$0 at December 31, 2009 and the Company reclassified \$520,670 to compensation to Robert Atwell, see above for payroll tax accrual. See Note 9 for discussion of wrap around agreements entered into by the CEO in which resulted in a significant decrease to the amounts payable to him by the Company. During the year ended December 31, 2008, the Company had a balance due of \$22,830 advance due. See Note 7, 9 and 10 for description of Preferred and Common Stock issued to related parties.

7. PREFERRED STOCK

Preferred Stock

As of December 31, 2009 and 2008, there were 10,147,510 and 7,347,510 shares outstanding of our \$0.0001 par value Class A Convertible Preferred Stock (“Class A Preferred”), respectively. The Class A Preferred converts to four shares of Common Stock for every one share of Class A Preferred stock. Each share of Class A Preferred stock is entitled to 50 votes. Class A Preferred ranks superior to our Common Stock and ranks junior to our Class B Preferred Stock.

As of December 31, 2009 and 2008, there were 9,996,510 and 7,196,510 shares outstanding of our \$0.0001 par value Class B Convertible Preferred Stock (“Class B Preferred”), respectively. The Class B Preferred converts to 10 shares of Common Stock for every one share of Class B Preferred stock. Each share of Class B Preferred stock is entitled to 1,000 votes. Class B Preferred ranks superior to all other classes of stock.

As of December 31, 2009, there were 7,151,500 shares outstanding of our \$0.0001 par value Class C Convertible Preferred Stock (“Class B Preferred”). The Class C Convertible Preferred converts to one share of Common Stock for every one share of Class C Convertible Preferred stock. Each share of Class C Preferred stock is entitled to one vote. The Company’s Class A and B are superior to the Class C Preferred.

Preferred Stock Designations

On October 6, 2009, the Company established a Class D Convertible Preferred Stock (“Class D Preferred Stock”). The Class D Preferred Stock has a par value of \$0.0001, 10,000,000 authorized, is subordinate to all other Class of preferred stock and is convertible into one share of common stock once the Company’s common stock achieves a 30 day average closing bid price of \$2.50 per share as determined by the Over The Counter Bulletin Board historical daily stock price quote. In addition, holders of Class D Preferred Stock will have the right to convert, as described in the designation, upon a public offering of the common stock by the Company where the offering price is \$2.50 or greater. The Company intends to issue the Class D Preferred Stock to common shareholders of record as of July 9, 2009. Stockholders shall be eligible to receive 40 shares of the Class D Convertible Preferred Stock for each one million shares of common stock owned as of the close of trading on July 9, 2009. The Company expects to issue approximately 374,000 shares of Class D Preferred Stock, valued at \$37, once the required registration statement is filed and declared effective by the Securities and Exchange Commission.

7. PREFERRED STOCK - continued

2009 Issuances of Preferred Stock

On March 26, 2009, the Company issued George Jackson 300,000 shares of Class A Preferred stock at \$0.0001 per share for administrative and executive services and other consideration rendered to the Company.

On March 26, 2009, the Company issued Robert Atwell 2,500,000 shares of Class A Preferred stock at \$0.0001 per share for administrative and executive services and other consideration rendered to the Company.

On March 26, 2009, the Company issued George Jackson 300,000 shares of Class B Preferred stock at \$0.0001 per share for administrative and executive services and other consideration rendered to the Company.

On March 26, 2009, the Company issued Robert Atwell 2,500,000 shares of Class B Preferred stock at \$0.0001 per share for administrative and executive services and other consideration rendered to the Company.

2008 Issuances of Preferred Stock

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

On August 13, 2008, the Company issued Scorpion Bay, LLC 7,500 shares of Class C Preferred shares at \$0.05 per share in reference to the development of ATEP.

On August 13, 2008, the Company issued Tim McCullium 500 shares of Class C Preferred shares at \$0.05 per share in reference to the development of Camelot Studios at the Advanced Education and Technology Park ("ATEP") in Tustin, California.

On August 13, 2008, the Company issued George Jackson 1,000 shares of Class C Preferred shares at \$0.05 per share in reference to the development of Camelot Studios at ATEP.

On August 13, 2008, the Company issued The Atwell Group 30,000 shares of Class C Preferred shares at \$0.05 per share in reference to the development of Camelot Studios at ATEP.

On August 13, 2008, the Company issued Sea Castle, LLC 500 shares of Class C Preferred shares at \$0.05 per share in reference to the development of Camelot Studios at ATEP.

On August 13, 2008, the Company issued Joseph Petrucelli 1,000 shares of Class C Preferred shares at \$0.05 per share in reference to the development of Camelot Studios at ATEP.

On August 13, 2008, the Company issued Pacific Surf Partners, LP 2,500 shares of Class C Preferred shares at \$0.05 per share in reference to the development of Camelot Studios at ATEP.

On August 13, 2008, the Company issued Octy, Inc. 7,750 shares of Class C Preferred shares at \$0.05 per share in reference to the development of Camelot Studios at ATEP.

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On August 13, 2008, the Company issued Jeff Brown 500 shares of Class C Preferred shares at \$0.05 per share in reference to the development of Camelot Studios at ATEP.

On August 13, 2008, the Company issued Irene Aurand 250 shares of Class C Preferred shares at \$0.05 per share in reference to the development of Camelot Studios at ATEP.

On August 13, 2008, the Company issued George Jackson 10,000 shares of Class B Preferred stock at \$0.50 per share for administrative and executive services and other consideration rendered to the Company.

On August 13, 2008, the Company issued George Jackson 10,000 shares of Class A Preferred stock at \$0.20 per share for administrative and executive services and other consideration rendered to the Company.

On August 13, 2008, the Company issued Robert Atwell 30,000 shares of Class A Preferred stock at \$0.20 per share for administrative and executive services and other consideration rendered to the Company.

On September 26, 2008, the Company issued George Jackson 100,000 shares of Class B Preferred stock at \$0.08 per share for administrative and executive services and other consideration rendered to the Company.

On September 26, 2008, the Company issued Robert Atwell 1,000,000 shares of Class B Preferred stock at \$0.08 per share for administrative and executive services and other consideration rendered to the Company.

On September 26, 2008, the Company issued George Jackson 100,000 shares of Class C Preferred stock at \$0.002 per share for administrative and executive services and other consideration rendered to the Company.

On September 26, 2008, the Company issued Robert Atwell 1,000,000 shares of Class C Preferred stock at \$0.002 per share for administrative and executive services and other consideration rendered to the Company.

On December 23, 2008, the Company issued George Jackson 1,000,000 shares of Class A Preferred stock at \$0.0008 per share administrative and executive for services and other consideration rendered to the Company.

On December 23, 2008, the Company issued Robert Atwell 5,000,000 shares of Class A Preferred stock at \$0.0008 per share for administrative and executive services and other consideration rendered to the Company.

7. PREFERRED STOCK - continued

On December 23, 2008, the Company issued George Jackson 1,000,000 shares of Class B Preferred stock at \$0.002 per share for administrative and executive services and other consideration rendered to the Company.

On December 23, 2008, the Company issued Robert Atwell 5,000,000 shares of Class B Preferred stock at \$0.002 per share for administrative and executive services and other consideration rendered to the Company.

On December 23, 2008, the Company issued George Jackson 1,000,000 shares of Class C Preferred stock at \$0.0002 per share for administrative and executive services and other consideration rendered to the Company.

On December 23, 2008, the Company issued Robert Atwell 5,000,000 shares of Class C Preferred stock at \$0.0002 per share for administrative and executive services and other consideration rendered to the Company.

Derivative Valuation 2008 and 2009 Preferred Issuances

For issuances during the year ended 2009, the fair market value of the compound embedded derivative associated with the Series A, B and C Preferred stock was estimated to be \$6,717 and resulted in the Series A, B and C Preferred stock being discounted to its par value. Due to the excess fair value of the compound embedded derivative over the proceeds of (\$8,397) the Company recorded an immediate charge to derivative gain (loss).

As of December 31, 2009, the Company estimated the fair value of the preferred stock derivative liabilities to be a total of \$21,620 resulting in a gain on derivative liability presented in the statement of operations of \$43,666. At December 31, 2009, the fair market value of the conversion feature derivative related to the Series A, B and C Preferred stock was estimated using a lattice model incorporating weighted average probability cash flow. The valuation was calculated using a lattice model with the following weighted average assumptions: the stock price would increase in the short term at the cost of equity with a 350% volatility and there was a 100% probability the Company would not be in default of its registration requirements as there were none.

At the time of issuance of the Class A, B and C Preferred stock in 2008, the Company did not have enough authorized shares on a fully diluted basis due to the conversion feature of the convertible notes, which caused the Class A, B and C Preferred stock to be tainted, and more akin to debt and thus required classification of these securities as liabilities. The Company determined that the embedded conversion features required bifurcation from the remaining Class A, B and C Preferred and required an estimate of its fair market value. The fair market value of the compound embedded derivative was estimated using a lattice model incorporating weighted average probability cash flow.

For issuances during the year ended 2008, the fair market value of the compound embedded derivative associated with the Class A, B and C Preferred stock was estimated to be \$196,982 and resulted in the Class A, B and C Preferred stock being discounted to its par value. Due to the excess fair value of the compound embedded derivative over the proceeds of (\$100,749) the Company recorded an immediate charge to derivative gain (loss).

As of December 31, 2008, the Company estimated the fair value of the preferred stock derivative liabilities to be a total of \$65,630 resulting in a loss on derivative liability presented in the statement of operations of \$757,363. At December 31, 2008, the fair market value of the conversion feature derivative related to the Class A, B and C Preferred stock was estimated using a lattice model incorporating weighted average probability cash flow. The valuation was calculated using a lattice model with the following weighted average assumptions: the stock price would increase in the short term at the cost of equity with a 250% volatility and there was a 100% probability the Company would not be in default of its registration requirements as there were none.

8. COMMITMENTS

Operating Leases

Current Leases:

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, 2010. The agreement for the office is for a period of thirteen (13) months with minimum monthly payments of approximately \$1,800 per month. Annual costs are approximately \$25,000.

Our distribution and production offices are located at Universal City Plaza, NBC Universal Building, 20th Floor, Universal City, CA 91608. The space is leased on an annual basis. The current lease expires on October 31, 2010. Annual costs are approximately \$72,000.

Our international distribution and production office is located at 81 Oxford Street, London, England. The space is leased on an annual basis. The current lease expires on October 31, 2010. Annual costs are approximately \$3,000.

Prior Leases:

The Atwell Group had an office usage agreement with the Company to provide office space. During the year ended December 31, 2008, the Company paid \$72,000 under this agreement which is included in rent expense. This agreement was for a period of two years with monthly payments ranging from \$6,000 to \$6,108. In January 2009, the Company moved to a smaller office. The Company has accrued rent expense for \$83,000 for obligations due under the lease agreement. In 2010, the Company entered into a settlement agreement with the property owner to begin making initial monthly payments of \$1,000 per month for a period of six months and then gradually increasing thereafter until the obligations due under the lease are paid.

9. STOCKHOLDERS' DEFICIT

Stock Option Plan

In October 2009, the Company established the 2009 Stock Option/Stock Issuance Plan. Under the plan the Company may issue up to 3,000,000,000 shares or options to purchase shares of the Company's common stock to employees and consultants. As of December 31, 2009, there were a total of 650,000,000 shares issued under the plan, with 2,350,000,000 shares remaining issuable.

Authorized Shares

On May 6, 2008, the Company's board of directors increased the authorized shares of common and preferred stock to 500,000,000.

On December 4, 2008, the Company's board of directors increased the authorized shares of common and preferred stock to 850,000,000.

On December 23, 2008, the Company's board of directors increased the authorized shares of common and preferred stock to 3,000,000,000.

On February 20, 2009, the Company's board of directors increased the authorized shares of common and preferred stock to 6,000,000,000.

On March 26, 2009, the Company's board of directors increased the authorized shares of common and preferred stock to 10,000,000,000.

On June 5, 2009, the Company's board of directors increased the authorized shares of common and preferred stock to 20,000,000,000.

Reverse Stock Split

On June 16, 2009, the Board of Directors approved a 700-for-1 reverse stock split of all of our outstanding Common Stock. All references to our Common Stock in the balance of this report have been restated to reflect the 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. All references to our Common Stock in the balance of this report have been restated to reflect the reverse stock split.

Determination of Fair Value

The fair value of the Company's Common Stock issuances are based upon the closing market price of the Company's Common Stock on the date of issuance assuming no future performance commitments exist. All shares discussed below are valued using these assumptions.

Common Stock Held in Treasury

On September 1, 2009, the Company set aside 100,000,000 shares for future funding and other corporate transactions in order to meet current and contemplated terms and conditions of consulting and funding agreements to be held in reserve. As of December 31, 2009, 100,000,000 are still held in reserve and are reflected as issued but not outstanding.

Common Stock Issued for Related Party Services 2009

Common Stock for Related Party Services

	Issue Services Date	Issue Price	Shares	Issued Amount
Robert Atwell	9/25/2009	0.0009	50,000,000	45,000
George Jackson	9/25/2009	0.0009	20,000,000	18,000
Robert Atwell	12/4/2009	0.0004	200,000,000	80,000
George Jackson	12/4/2009	0.0004	200,000,000	80,000
Totals			470,000,000	223,000

Common Stock Issued for Related Party Services 2008

On August 13, 2008, the Company issued George Jackson, our CFO, 285 Shares at \$35 per share for administrative and executive services rendered to the Company.

On August 13, 2008, the Company issued The Atwell Group 400 Shares at \$35 per Share for s administrative and executive services and other consideration provided by Robert Atwell, our CEO.

On August 13, 2008, the Company issued The Corporate Solution, Inc. 142 Shares at \$21 per Share for administrative and executive services and other consideration provided to the Company. The Corporate Solution is owned by Robert Atwell, our CEO.

On September 18, 2008, the Company issued Robert Atwell 2,857 shares at \$2.10 per share for administrative and executive services rendered to the Company and other consideration.

9. STOCKHOLDERS' DEFICIT - continued

On September 18, 2008, the Company issued George Jackson 428 shares at \$2.10 per share for administrative and executive services rendered to the Company and other consideration.

On September 19, 2008, the Company issued Robert Atwell 7,142 shares at \$1.40 per share for administrative and executive services rendered to the Company and other consideration.

On September 19, 2008, the Company issued George Jackson 1,428 shares at \$1.40 per share for administrative and executive services rendered to the Company and other consideration.

On September 26, 2008, the Company issued George Jackson 2,857 shares at \$1.54 per share for administrative and executive services rendered to the Company and other consideration.

On September 26, 2008, the Company issued Robert Atwell a total of 45,454 shares at \$1.54 per share for administrative and executive services rendered to the Company and other consideration.

On September 27, 2008, the Company issued Tamara Atwell 3,246 shares at \$1.54 per share for administrative services rendered to the Company and other consideration.

On October 9, 2008, the Company authorized the issuance of 50,000 Shares at \$0.28 per share to Robert Atwell for administrative and executive services rendered to the Company and other consideration.

On November 10, 2008, the Company authorized the issuance of 7,142 Shares at \$1.26 per share to Tamara Atwell for administrative services rendered to the Company and other consideration.

On November 21, 2008, the Company authorized the issuance of 35,714 Shares at \$0.28 per share to Tamara Atwell for administrative services rendered to the Company and other consideration.

On November 21, 2008, the Company authorized the issuance of 35,714 Shares at \$0.28 per share to George Jackson for administrative and executive services rendered to the Company and other consideration.

On November 21, 2008, the Company authorized the issuance of 35,714 Shares at \$0.28 per share to Robert Atwell for administrative and executive services rendered to the Company and other consideration.

On December 31, 2008, the Company authorized the issuance of 42,857 Shares at \$0.14 per share to George Jackson for administrative and executive services rendered to the Company and other consideration.

On December 31, 2008, the Company authorized the issuance of 500,000 Shares at \$0.14 per share to Robert Atwell for administrative and executive services rendered to the Company and other consideration.

On December 31, 2008, the Company authorized the issuance of 71,428 shares at \$0.14 per share to Tamara Atwell for administrative services rendered to the Company and other consideration.

Common Stock Issued for Wrap-Around Debt Agreements in 2009

During 2008 and through October 5, 2009, the Company's CEO and CFO assigned portions of the debt amounts due to them to third parties ("Wrap-Around Agreement"). The Company decided to terminate these types of agreements on September 23, 2009, with the final contract being completed on October 5, 2009. Under the terms of the

Wrap-Around Agreement the notes incurred interest at 15% per annum and generally had a maturity date of one year from the transaction. In addition, at the holder's option, at any time after the issuance of the note, to convert all or any lesser portion of the Outstanding Principal Amount and accrued but unpaid Interest into common voting stock at the price of 50 % discount of the average three deep bid on the day of conversion. Generally, the notes were converted on the date of purchase or shortly thereafter. In connection with these transactions the Company recorded the excess value of the Common Stock issued over the note relieved as interest expense. The fair value of the Common Stock was determined based upon the closing market price of the Company's Common Stock on the date of conversion. The following is a summary of Wrap-Around Agreement conversions:

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9. STOCKHOLDERS' DEFICIT - continued

Debt Wrap	Issue Date	Issued Price	Shares	Bid Close	Amount Paid	Issued amt	Int exp
Hope Capital	1/6/2009	\$ 0.0385	142,857	\$ 0.1400	\$ 5,500	\$ 29,955	\$ 24,455
Watson	1/6/2009	\$ 0.0350	428,571	\$ 0.1400	\$ 15,000	\$ 60,000	\$ 45,000
Watson	1/15/2009	\$ 0.0315	157,143	\$ 0.1400	\$ 5,000	\$ 22,000	\$ 17,000
TJM	1/28/2009	\$ 0.0385	649,351	\$ 0.0700	\$ 23,300	\$ 45,455	\$ 22,155
Acacia	2/11/2009	\$ 0.0350	142,857	\$ 0.0700	\$ 5,000	\$ 10,000	\$ 5,000
Hope Capital	2/23/2009	\$ 0.0490	364,286	\$ 0.1400	\$ 18,000	\$ 51,000	\$ 33,000
TJM	2/23/2009	\$ 0.0385	649,351	\$ 0.1400	\$ 23,300	\$ 90,909	\$ 67,609
Primary	2/24/2009	\$ 0.0350	142,857	\$ 0.1400	\$ 5,000	\$ 20,000	\$ 15,000
Hope Capital	2/26/2009	\$ 0.0350	428,571	\$ 0.1400	\$ 15,000	\$ 60,000	\$ 45,000
TJM	2/26/2009	\$ 0.0385	649,351	\$ 0.1400	\$ 23,300	\$ 90,909	\$ 67,609
Watson	2/26/2009	\$ 0.0315	157,143	\$ 0.1400	\$ 5,000	\$ 22,000	\$ 17,000
Primary	3/11/2009	\$ 0.0350	142,857	\$ 0.0700	\$ 5,000	\$ 10,000	\$ 5,000
TJM	3/16/2009	\$ 0.0385	649,351	\$ 0.0700	\$ 23,300	\$ 45,455	\$ 22,155
Watson	3/24/2009	\$ 0.0350	357,143	\$ 0.0700	\$ 12,500	\$ 25,000	\$ 12,500
Hope Capital	3/27/2009	\$ 0.0350	428,571	\$ 0.0700	\$ 15,000	\$ 60,000	\$ 45,000
Watson	3/27/2009	\$ 0.0350	285,714	\$ 0.0700	\$ 10,000	\$ 20,000	\$ 10,000
Watson	3/31/2009	\$ 0.0350	214,286	\$ 0.0700	\$ 7,500	\$ 15,000	\$ 7,500
TJM	4/2/2009	\$ 0.0385	649,351	\$ 0.0700	\$ 23,300	\$ 45,455	\$ 22,155
Watson	3/19/2009	\$ 0.03500	285,714	\$ 0.0700	\$ 10,000	\$ 20,000	\$ 10,000
TJM	3/24/2009	\$ 0.03850	649,351	\$ 0.0700	\$ 23,300	\$ 45,455	\$ 22,155
Hope	3/2/2009	\$ 0.03500	428,571	\$ 0.0700	\$ 6,666	\$ 10,985	\$ 2,191
TJM	5/6/2009	\$ 0.0385	649,351	\$ 0.0700	\$ 23,300	\$ 45,455	\$ 22,155
Acacia	7/14/2009	\$ 0.0043	7,500,000	\$ 0.0111	\$ 41,625	\$ 83,250	\$ 41,625
Watson	7/15/2009	\$ 0.0042	1,200,000	\$ 0.0150	\$ 5,040	\$ 18,000	\$ 12,960
TJM	7/20/2009	\$ 0.0020	11,250,000	\$ 0.0120	\$ 22,500	\$ 135,000	\$ 112,500
Watson	7/23/2009	\$ 0.0040	1,250,000	\$ 0.0130	\$ 5,000	\$ 16,250	\$ 11,250
TJM	7/28/2009	\$ 0.0020	11,250,000	\$ 0.0130	\$ 22,500	\$ 146,500	\$ 124,000
Watson	7/28/2009	\$ 0.0030	1,666,667	\$ 0.0130	\$ 5,000	\$ 21,667	\$ 16,667
K&L	8/3/2009	\$ 0.0025	8,000,000	\$ 0.0047	\$ 20,000	\$ 37,600	\$ 17,600
Watson	8/4/2009	\$ 0.0020	5,000,000	\$ 0.0045	\$ 10,000	\$ 22,500	\$ 12,500
Acacia	8/7/2009	\$ 0.0011	8,500,000	\$ 0.0035	\$ 14,450	\$ 29,750	\$ 15,300
TJM	8/7/2009	\$ 0.0013	16,000,000	\$ 0.0035	\$ 20,000	\$ 56,000	\$ 36,000
Watson	8/10/2009	\$ 0.0015	6,666,667	\$ 0.0022	\$ 10,000	\$ 14,667	\$ 4,667
Acacia	8/13/2009	\$ 0.0027	8,500,000	\$ 0.0078	\$ 29,750	\$ 66,300	\$ 36,550
TJM	8/13/2009	\$ 0.0013	16,000,000	\$ 0.0078	\$ 20,000	\$ 124,000	\$ 104,000
Watson	8/14/2009	\$ 0.0020	5,000,000	\$ 0.0089	\$ 10,000	\$ 44,500	\$ 34,500
K&L	8/18/2009	\$ 0.0015	13,000,000	\$ 0.0039	\$ 19,500	\$ 50,700	\$ 31,200
TJM	8/18/2009	\$ 0.0015	16,666,666	\$ 0.0039	\$ 25,000	\$ 65,000	\$ 40,000
Acacia	8/19/2009	\$ 0.0014	10,000,000	\$ 0.0034	\$ 23,000	\$ 34,000	\$ 11,000

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Watson	8/20/2009	\$	0.0015	6,444,447	\$	0.0038	\$	9,667	\$	24,489	\$	14,822
Watson	8/20/2009	\$	0.0015	3,555,553	\$	0.0038	\$	5,333	\$	13,511	\$	8,178
TJM	8/25/2009	\$	0.0015	16,666,666	\$	0.0026	\$	25,000	\$	43,333	\$	18,333
K&L	8/28/2009	\$	0.0010	20,000,000	\$	0.0021	\$	25,000	\$	50,000	\$	25,000
TJM	8/31/2009	\$	0.0011	22,727,272	\$	0.0022	\$	25,000	\$	50,000	\$	25,000
Watson	9/1/2009	\$	0.0008	50,000,000	\$	0.0019	\$	37,500	\$	95,000	\$	57,500
K&L	9/2/2009	\$	0.0008	25,000,000	\$	0.0017	\$	20,000	\$	42,500	\$	22,500
K&L	9/8/2009	\$	0.0007	28,571,429	\$	0.0016	\$	25,000	\$	50,000	\$	25,000
TJM	9/8/2009	\$	0.0008	31,250,000	\$	0.0016	\$	25,000	\$	50,000	\$	25,000
TJM	9/10/2009	\$	0.0010	25,000,000	\$	0.0017	\$	25,000	\$	42,500	\$	17,500
Mazuma	9/11/2009	\$	0.0008	60,000,000	\$	0.0016	\$	45,000	\$	96,000	\$	51,000
TJM	9/14/2009	\$	0.0010	50,000,000	\$	0.0018	\$	50,000	\$	90,000	\$	40,000
TJM	9/21/2009	\$	0.0010	50,000,000	\$	0.0015	\$	50,000	\$	75,000	\$	25,000
Epic	9/24/2009	\$	0.0006	54,500,000	\$	0.0011	\$	29,975	\$	59,500	\$	29,525
TJM	9/29/2009	\$	0.0006	72,727,272	\$	0.0010	\$	40,000	\$	65,455	\$	25,455
TJM	10/5/2009	\$	0.0003	121,212,121	\$	0.0008	\$	40,000	\$	96,970	\$	56,970
2009 Totals				793,757,358	\$	1,084,106	\$	2,752,847	\$	1,668,741		

9. STOCKHOLDERS' DEFICIT - continued

Common Stock Issued for Wrap-Around Debt Agreements in 2008

The following is a summary of Wrap-Around Agreement conversions during 2008:

September 12, 2008, the Company issued K & L Enterprises 2,857 shares at \$8.40 per share in satisfaction of notes of \$10,000 in accordance with the terms and conditions of the Wrap-Around Agreement between K & L and the Company dated August 28, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$24,000 over the note relieved of \$14,000 as interest expense.

On November 14, 2008, the Company issued Hope Capital 25,714 shares at \$0.21 per share in satisfaction of notes of \$6,000 in accordance with the terms and conditions of the Wrap-Around Agreement between Hope Capital and the Company dated October 1, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$12,600 over the note relieved of \$6,600 as interest expense.

On November 18, 2008, the Company issued Hope Capital 28,571 shares at \$0.21 per share in satisfaction of notes of \$7,000 in accordance with the terms and conditions of the Wrap-Around Agreement between Hope Capital and the Company dated November 13, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$16,000 over the note relieved of \$9,000 as interest expense.

On November 19, 2008, the Company issued K & L International Enterprises 31,429 shares at \$0.05 per share in satisfaction of notes of \$1,500 in accordance with the terms and conditions of the Wrap-Around Agreement between K & L International Enterprises and the Company dated August 28, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$15,400 over the note relieved of \$13,900 as interest expense.

On November 25, 2008, the Company issued K & L International Enterprises 48,571 shares at \$0.28 per share in satisfaction of notes of \$1,500 in accordance with the terms and conditions of the Wrap-Around Agreement between K & L International Enterprises and the Company dated August 28, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$13,600 over the note relieved of \$12,100 as interest expense.

On November 25, 2008, the Company issued Hope Capital 48,571 shares at \$0.05 per share in satisfaction of notes of \$2,500 in accordance with the terms and conditions of the Wrap-Around Agreement between Hope Capital and the Company dated November 19, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$13,600 over the note relieved of \$11,100 as interest expense.

On December 2, 2008, the Company issued K & L Enterprises 57,143 shares at \$0.07 per share in satisfaction of notes of \$2,000 in accordance with the terms and conditions of the Wrap-Around Agreement between K & L International Enterprises and the Company dated August 28, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$16,000 over the note relieved of \$12,000 as interest expense.

On December 3, 2008, the Company issued Hope Capital 35,714 shares at \$0.06 per share in satisfaction of notes of \$2,000 in accordance with the terms and conditions of the Wrap-Around Agreement between Hope Capital and the Company dated November 19, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$10,000 over the note relieved of \$3,000 as interest expense.

On December 8, 2008, the Company issued K & L Enterprises 71,429 shares at \$0.11 per share in satisfaction of notes of \$7,500 in accordance with the terms and conditions of the Wrap-Around Agreement between K & L International Enterprises and the Company dated August 28, 2008. In connection with this conversion, the Company recorded the

excess of fair value of \$20,000 over the note relieved of \$12,500 as interest expense.

On December 8, 2008, the Company issued Hope Capital 71,429 shares at \$0.09 per share in satisfaction of notes of \$6,250 in accordance with the terms and conditions of the Wrap-Around Agreement between Hope Capital and the Company dated November 19, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$20,000 over the note relieved of \$13,750 as interest expense.

On December 17, 2008, the Company issued Hope Capital 85,715 shares at \$0.08 per share in satisfaction of notes of \$7,000 in accordance with the terms and conditions of the Wrap-Around Agreement between Hope Capital and the Company dated November 19, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$12,000 over the note relieved of \$5,000 as interest expense.

On December 17, 2008, the Company issued K & L International Enterprises 7,143 shares at \$0.07 per share in satisfaction of notes of \$500 in accordance with the terms and conditions of the Wrap-Around Agreement between K & L International Enterprises and the Company dated August 28, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$1,000 over the note relieved of \$500 as interest expense.

On December 18, 2008, the Company issued Watson Investment Enterprises 71,429 shares at \$0.035 per share in satisfaction of notes of \$2,500 in accordance with the terms and conditions of the Wrap-Around Agreement between Watson Investment Enterprises and the Company dated August 28, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$10,000 over the note relieved of \$7,500 as interest expense.

9. STOCKHOLDERS' DEFICIT - continued

On December 18, 2008, the Company issued Watson Investment Enterprises 71,429 shares at \$0.035 per share in satisfaction of notes of \$2,500 in accordance with the terms and conditions of the Wrap-Around Agreement between Watson Investment Enterprises and the Company dated August 28, 2008. In connection with this conversion, the Company recorded the excess of fair value of \$10,000 over the note relieved of \$7,500 as interest expense.

On December 29, 2008, the Company issued Watson Investment Enterprises 142,857 shares at \$0.035 per share in satisfaction of notes of \$5,000 in accordance with the terms and conditions of the Wrap-Around Agreement. In connection with this conversion, the Company recorded the excess of fair value of \$20,000 over the note relieved of \$15,000 as interest expense.

Common Stock Issued for Wrap-Around Agreements Not Completed 2008

On October 1, 2008, the Company issued Tania Babeshoff 10,000 shares at \$1.40 per share in connection with a Wrap-Around Agreement. However, no proceeds were received by the Company or Robert Atwell. The Company expensed the fair value of the Common Stock issued immediately.

On October 2, 2008, the Company issued ATG, Inc. 10,000 shares at \$2.80 per share in connection with a Wrap-Around Agreement. However, no proceeds were received by the Company or Robert Atwell. The Company expensed the fair value of the Common Stock issued immediately.

On October 2, 2008, the Company issued Ongkaruck Sripetch 10,000 shares at \$2.80 per share in connection with a Wrap-Around Agreement. However, no proceeds were received by the Company or Robert Atwell. The Company expensed the fair value of the Common Stock issued immediately.

On November 7, 2008, the Company issued AlphaTrade.com 12,500 shares at \$1.40 per share in connection with a Wrap-Around Agreement. However, no proceeds were received by the Company or Robert Atwell. The Company expensed the fair value of the Common Stock issued immediately.

9. STOCKHOLDERS' DEFICIT - continued

Common Stock Issued for Services 2009

Services	Issue Date	Issued Price	Shares	Issued amt	Type
Phillip Parsons	1/23/2009	\$ 0.0700	71,429	\$ 5,000	Business Services
Phil Scott	3/27/2009	\$ 0.0700	71,429	\$ 5,000	Valuation Services
Phil Scott	4/6/2009	\$ 0.0700	71,429	\$ 5,000	Valuation Services
New Media Advisors	4/6/2009	\$ 0.0700	71,429	\$ 5,000	Business Consulting
Phil Scott	5/9/2009	\$ 0.0700	71,429	\$ 5,000	Valuation Services
H K Dyal	6/4/2009	\$ 0.0700	57,143	\$ 4,000	Production Consulting
Rodger Spainhower	6/17/2009	\$ 0.0700	71,429	\$ 5,000	Edgar Services
Phil Scott	6/17/2009	\$ 0.0700	71,429	\$ 5,000	Valuation Services
Falcon Financial	7/12/2009	\$ 0.0015	1,050,000	\$ 1,575	Business Consulting
Rodger Spainhower	7/15/2009	\$ 0.0150	500,000	\$ 7,500	Edgar Services
Phillip Parsons	7/16/2009	\$ 0.0150	1,000,000	\$ 15,000	Business Services
Complete Advisory Partners	8/12/2009	\$ 0.0015	7,000,000	\$ 10,500	Business Consulting
Mark Petroff	8/19/2009	\$ 0.0034	10,000,000	\$ 34,000	Business Consulting
Jamie Thompson	9/1/2009	\$ 0.0019	25,000,000	\$ 47,500	Distribution Services
Ted Baer	9/11/2009	\$ 0.0016	10,000,000	\$ 16,000	Legal Services
Bastien Living Trust	9/11/2009	\$ 0.0016	10,000,000	\$ 16,000	Studio Services
Rodger Spainhower	9/11/2009	\$ 0.0016	10,000,000	\$ 16,000	Edgar Services
HAL Nominees Ltd	9/14/2009	\$ 0.0018	30,000,000	\$ 54,000	Legal Services
H K Dyal	9/25/2009	\$ 0.0009	20,000,000	\$ 18,000	Production Consulting
Patrick Winn	9/25/2009	\$ 0.0009	10,000,000	\$,000	Administrative Services
Phil Scott	9/28/2009	\$ 0.0009	10,000,000	\$,000	Valuation Services
H K Dyal	9/29/2009	\$ 0.0011	9,543	\$ 10	Production Consulting
Mark Petroff	9/29/2009	\$ 0.0011	10,000,000	\$ 11,000	Business Consulting
Robert Kerchner	10/12/2009	\$ 0.0007	10,000,000	\$ 7,000	Production Consulting
Mike Elliott	10/12/2009	\$ 0.0007	10,000,000	\$ 7,000	Production Consulting
Rodger Spainhower	11/9/2009	\$ 0.0008	10,000,000	\$ 8,000	Edgar Services
Phil Scott	11/9/2009	\$ 0.0008	10,000,000	\$ 8,000	Valuation Services
Adam Reznikoff	11/16/2009	\$ 0.0007	10,000,000	\$ 7,000	Administrative Services
Adam Reznikoff	11/25/2009	\$ 0.0006	80,000,000	\$ 48,000	Administrative Services
Ted Baer	11/30/2009	\$ 0.0005	95,000,000	\$ 47,500	Legal Services
Mark Temple	12/3/2009	\$ 0.0004	60,000,000	\$ 24,000	Legal Services
Patrick Winn	12/9/2009	\$ 0.0004	10,000,000	\$ 4,000	Administrative Services
Adam Reznikoff	12/14/2009	\$ 0.0003	125,000,000	\$ 37,500	Administrative Services
Total Service Issuances			575,116,689	\$ 502,086	

Common Stock Issued for Services 2008

On February 24, 2008, the Company issued 14 shares of common shares public relations firm for professional services rendered in connection with the Tustin Studio project. The shares were valued at \$35 per share, totaling \$5,000. The shares were valued based on the closing market price of the Company's Common Stock on the date of issuance and expensed immediately as there were no future performance requirements.

On August 13, 2008, the Company issued Scorpion Bay, LLC 132 shares at \$35 per share in accordance with various agreements between the Company and Scorpion Bay in reference to the development of Camelot Studios at ATEP.

On August 27, 2008, the Company issued Jeff Brown 14 shares of its \$0.70 par value Common Stock at \$0.03 per share for services and other consideration in reference to the development of Camelot Studios at ATEP.

On September 5, 2008, the Company issued Patrick Winn 357 Shares at \$8.40 per share for administrative services rendered to the Company.

On September 19, 2008, the Company issued Patrick Winn 357 Shares at \$1.40 per share for administrative services rendered to the Company and other consideration.

On September 19, 2008, the Company issued Patrick Winn an additional 357 shares at \$1.40 per share for administrative services rendered to the Company and other consideration.

On September 26, 2008, the Company issued Chris Flannery 1,429 shares at \$1.54 per share for legal services rendered to the Company and other consideration.

On September 26, 2008, the Company issued Thomas Stepp 714 shares at \$1.54 per share for legal services rendered to the Company and other consideration.

On September 26, 2008, the Company issued Patrick Winn 714 shares at \$1.54 per share for administrative services rendered to the Company and other consideration.

On September 26, 2008, the Company issued Joe Petrucelli 1,429 shares at \$1.54 per share for legal services rendered to the Company and other consideration.

On September 26, 2008, the Company issued Vince Monaco 1,429 shares at \$1.54 per share for marketing and printing services rendered to the Company and other consideration.

On September 26, 2008, the Company issued Phillip Parsons 1,429 shares at \$1.54 per share for craft services, transportation and security services rendered to the Company and other consideration.

9. STOCKHOLDERS' DEFICIT - continued

On September 27, 2008, the Company issued Douglas Warner 2,857 shares at \$1.54 per share for business development and management services rendered to the Company and other consideration.

On September 27, 2008, the Company issued Gary Bastien 2,857 shares at \$1.54 per share for architectural services rendered to the Company and other consideration.

On September 27, 2008, the Company issued John Lewis 2,857 shares at \$1.54 per share for public policy services rendered to the Company and other consideration.

On September 27, 2008, the Company issued Jeffory Smith 1,429 shares at \$1.54 per share for business development services rendered to the Company and other consideration.

On September 27, 2008, the Company issued Susan Sanchez 3,247 Shares at \$1.54 per share for administrative services rendered to the Company and other consideration.

On September 27, 2008, the Company issued Patrick Winn 3,247 Shares at \$1.54 per share for administrative services rendered to the Company and other consideration.

On September 27, 2008, the Company issued Phillip Parsons 3,247 Shares at \$1.54 per share for craft service, transportation and security services rendered to the Company and other consideration.

On October 14, 2008, the Company authorized the issuance of 2,857 shares at \$0.28 per share to Rodger Spainhower for Edgar services rendered to the Company and other consideration.

On November 10, 2008, the Company authorized the issuance of 7,143 shares at \$1.26 per share to Phillip Parsons for craft service, transportation and security services rendered to the Company and other consideration.

On November 10, 2008, the Company authorized the issuance of 3,571 shares at \$1.26 per share to Patrick Winn for administrative services rendered to the Company and other consideration.

On November 19, 2008, the Company authorized the issuance of 7,143 shares at \$0.49 per share to Phil Scott for accounting services rendered to the Company and other consideration.

On November 21, 2008, the Company authorized the issuance of 35,714 shares at \$0.28 per share to Phillip Parsons for craft service, transportation and security services rendered to the Company and other consideration.

On December 2, 2008, the Company authorized the issuance of 7,143 shares at \$0.28 per share to Phil Scott for accounting services rendered to the Company and other consideration.

On December 31, 2008, the Company issued Douglas Warner 28,571 shares at \$0.14 per share for business development and management services rendered to the Company and other consideration.

On December 31, 2008, the Company authorized the issuance of 71,429 shares at \$0.14 per share to Phillip Parsons for craft service, transportation and security services rendered to the Company and other consideration.

On December 31, 2008, the Company authorized the issuance of 14,286 Shares at \$0.14 per share to Phil Scott for accounting services rendered to the Company and other consideration.

On December 31, 2008, the Company authorized the issuance of 71,429 Shares at \$0.14 per share to Rodger Spainhower for Edgar services rendered to the Company and other consideration.

On December 31, 2008, the Company issued Vince Monaco 71,429 Shares at \$0.14 per share for marketing and printing services rendered to the Company and other consideration.

On December 31, 2008, the Company issued Chris Flannery 71,429 Shares at \$0.14 per share for legal services rendered to the Company and other consideration.

10. SUBSEQUENT EVENTS

Escrow Shares

On March 12, 2010, the Company set aside 250,000,000 shares for future funding and other corporate transactions in order to meet current and contemplated terms and conditions of consulting and funding agreements to be held in reserve. As of April 15, 2010, 350,000,000 are still held in reserve by the Company.

Related Party Common Stock Issuances for Services

On January 4, 2010, the Company authorized the issuance of 500,000 shares of common stock at \$0.0001 per share to George Jackson in the amount of \$50 for services rendered to the Company and other consideration.

On January 26, 2010, the Company authorized the issuance of 200,000,000 shares of common stock at \$0.0003 per share to Tamara Atwell in the amount of \$60,000 for services rendered to the Company and other consideration.

NIR Convertible Notes Payable Conversions

In March 2010, NIR loaned the Company an additional \$75,000 under similar terms disclosed in Note 4. The Company will record a derivative liability in connection with this note.

From January 2 through April 9, 2010, the holders of convertible notes converted \$70,247 resulting in the issuance of 1,366,917,300 shares of common stock.

JMJ Convertible Notes Payable Conversions

Through April 2010, MJM loaned the Company an additional \$75,000 under similar terms disclosed in Note 4. The Company will record a derivative liability in connection with this note.

From March 1 through April 9, 2010, the holders of the convertible notes converted \$32,950 resulting in the issuance of 659,000,000 shares of common stock.

Common Shares Issued for Services

On January 5, 2010 the Company authorized the issuance of 125,000,000 shares at \$0.0001 per share to Adam Reznikoff in the amount of \$12,500 for consulting services rendered to the Company and other consideration.

On January 26, 2010, the Company authorized the issuance of 60,000,000 shares at \$0.0003 per share to Jonathon Russo in the amount of \$18,000 for business consulting services rendered to the Company and other consideration.

On January 26, 2010, the Company authorized the issuance of 200,000,000 shares at \$0.0003 per share to Ted Baer in the amount of \$60,000 for legal services rendered to the Company and other consideration.

On February 1, 2010, the Company issued Adam Reznikoff 125,000,000 shares at \$0.0001 per share in the amount of \$12,500 for business development and consulting services rendered to the Company and other consideration.

On February 2, 2010, the Company authorized the issuance of 100,000,000 shares at \$0.0001 per share to Peter Jarowey III in the amount of \$10,000 for administrative and consulting services rendered to the Company and other

consideration.

On February 2, 2010, the Company authorized the issuance of 100,000,000 shares at \$0.0001 per share to Jessica Kelly in the amount of \$10,000 for administrative and consulting services rendered to the Company and other consideration.

On February 2, 2010, the Company authorized the issuance of 100,000,000 shares at \$0.0001 per share to Jeffrey Giles in the amount of \$10,000 for administrative and consulting services rendered to the Company and other consideration.

On February 2, 2010, the Company authorized the issuance of 100,000,000 shares at \$0.0001 per share to Jamie Thompson in the amount of \$10,000 for administrative and consulting services rendered to the Company and other consideration.

On February 18, 2010, the Company issued Adam Reznikoff 125,000,000 shares at \$0.0002 per share in the amount of \$25,000 for business development and consulting services rendered to the Company and other consideration.

On March 12, 2010, the Company authorized the issuance of 100,000,000 shares at \$0.0001 per share in the amount of \$10,000 to Ted Baer for Legal services rendered to the Company and other consideration.

On March 12, 2010, the Company authorized the issuance of 100,000,000 shares at \$0.0001 per share to Ted Baer in the amount of \$10,000 for Legal services rendered to the Company and other consideration.

On March 12, 2010, the Company authorized the issuance of 100,000,000 shares at \$0.0001 per share to Peter Jarowey II in the amount of \$10,000 for Business and financing services rendered to the Company and other consideration.

On March 12, 2010, the Company authorized the issuance of 100,000,000 shares at \$0.0001 per share to Peter Jarowey II in the amount of \$10,000 for business and financing services rendered to the Company and other consideration.

10. SUBSEQUENT EVENTS - continued

On March 15, 2010, the Company authorized the issuance of 300,000,000 shares at \$0.0001 per share to David Loewenstein in the amount of \$30,000 for business and financing services rendered to the Company and other consideration.

On March 17, 2010, the Company issued Adam Reznikoff 150,000,000 shares at \$0.0001 per share in the amount of \$15,000 for business development and consulting services rendered to the Company and other consideration.

Preferred Stock Issued for Services

On February 18, 2010, the Company issued George Jackson 1,000,000 shares of Class A Preferred stock at \$0.0001 per share for administrative and executive services and other consideration rendered to the Company.

On February 18, 2010 the Company issued George Jackson 1,000,000 shares of Class B Preferred stock at \$0.0001 per share for administrative and executive services and other consideration rendered to the Company.

On February 18, 2010 the Company issued Robert Atwell 3,000,000 shares of Class A Preferred stock at \$0.0001 per share for administrative and executive services and other consideration rendered to the Company.

On February 18, 2010, the Company issued Bob Atwell 18,147,511 shares of Class B Preferred stock at \$0.0001 per share for administrative and executive services and other consideration rendered to the Company.

Employment Contracts and Guarantees

On January 6, 2010, the Board of Directors authorized the Company to amend the employment contracts with Robert P. Atwell, Chairman, President and CEO, and George Jackson, Secretary and Chief Financial Officer in accordance with contingencies placed upon the agreements by the Board of Directors, including a “triggering event” which is expected to occur during the first quarter of 2010. These contracts are now expected to be finalized during the second quarter of 2010. The board authorized certain components of those contracts contingent upon the Company raising in excess of \$1,000,000 in gross proceeds known as a “Triggering Event”. That requirement is expected to be met during the first quarter of 2010. The components are as follows:

For the employment contract with Robert P. Atwell, the Company will enter into a formal employment agreement with Atwell no later than June 30, 2010. Further, that the employment agreement shall provide all of the basic terms and conditions contained in other similar employment agreements entered into by chairmen, presidents and/or chief executive officers of publicly traded motion picture production and distribution companies, including, but limited to, base salary, bonuses, stock and warrant and/or option issuances, expense provisions, health, dental and eye care insurance, E & O insurance, D & O insurance, key man insurance, life insurance, auto insurance, travel allowance, auto allowance, memberships and subscriptions, continuing education, professional legal and accounting services and other customary inclusions. In addition, the employment agreement shall provide Atwell with a bonus of \$500,000 as additional consideration for his services and funding to the Company once the Company has received financing commitments of \$1,000,000 or more (“Triggering Event”). Also, the employment agreement shall contain clauses protecting Atwell in the event of a change in control, including, but not limited to, an acquisition and/or merger involving the Company, in part by including contract termination language which will provide Atwell with compensation for a period of no less than ten (10) years following any termination, whether for cause or not and that the base salary shall be set at no less than the current salary allocated for Atwell as shown in the Company’s 10-K annual report for 2009.

For the employment agreement with George Jackson, the Company will enter into a formal employment agreement with Jackson no later than June 30, 2010 and that the employment agreement shall provide all of the basic terms and conditions contained in other similar employment agreements entered into by chief executive financial officers of publicly traded motion picture production and distribution companies, including, but limited to, base salary, bonuses, stock and warrant and/or option issuances, expense provisions, health, dental and eye care insurance, E & O insurance, D & O insurance, key man insurance, life insurance, auto insurance, travel allowance, auto allowance, memberships and subscriptions, continuing education, professional legal and accounting services and other customary inclusions.. Further, the employment agreement shall provide Jackson with a bonus of \$200,000 as consideration for his services to the Company once the Company has received financing commitments of \$1,000,000 or more (“Triggering Event”). Also, the Employment Agreement shall contain clauses protecting Jackson in the event of a change in control, including, but not limited to, an acquisition and/or merger involving the Company, in part by including contract termination language which will provide Jackson with compensation for a period of no less than ten (10) years following any termination, whether for cause or not and that the base salary shall be set at no less than the current salary allocated for Jackson as shown in the Company’s 10K annual report for 2009.

On January 6, 2010, we renewed an agreement with TAG (which assumed the original agreement from Eagle Consulting Group entered into on March 28, 2003), to continue to provide operational funding for the Company as needed during 2010 and beyond. In exchange for twenty percent (20%) of the Company’s outstanding Common Stock on a non-dilutive, continuing basis until the Company could secure permanent additional financing from another source, TAG has agreed to provide funding for the Company’s annual audit, quarterly filings, accounts payable and other ongoing expenses including office, phones, business development, legal and accounting fees. On February 18, 2010, the Company authorized the issuance of 925,868,072 shares at \$0.0001 per share in the amount of \$92,586 to The Atwell Group in connection with the agreement. In addition, the Company shall provide TAG with a bonus of \$500,000 as additional consideration for TAG’s original funding of the Company and its predecessor and first subsidiary, Camelot Films, Inc. prior to March 19, 2003, with such bonus only occurring once the Company has received financing commitments of \$1,000,000 or more (“Triggering Event”).

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has caused this report on Form 10-K, dated April 20, 2010, to be signed on its behalf by the undersigned, thereunto duly authorized.

CAMELOT ENTERTAINMENT GROUP, INC.
(Registrant)

/s/Robert P. Atwell
Robert P. Atwell
Chief Executive Officer

/s/ George Jackson
George Jackson
Chief Financial Officer

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