

Camelot Entertainment Group, Inc.  
Form 10-Q  
August 19, 2008

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2008

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-30785

CAMELOT ENTERTAINMENT GROUP, INC.

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(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

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

130 Vantis, Suite 130  
Aliso Viejo, California 92656

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(Address of principal executive offices (zip code))

(949) 334 - 2950

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(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the last 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

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

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reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input type="radio"/>	Accelerated Filer	<input type="radio"/>
Non-Accelerated Filer	<input type="radio"/>	Smaller Reporting Company	<input checked="" type="radio"/>

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

Yes  No

As of August 15, 2008, the Registrant had outstanding 367,506,332 shares of Common Stock, \$0.001 par value.

The registrant had outstanding 29,402,047 shares of Preferred Stock series A and B, par value \$0.001

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CAMELOT ENTERTAINMENT GROUP, INC.  
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THIS REPORT ON FORM 10-Q 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 MARKET 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.

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

ASSETS		
	June 30, 2008	December 31, 2007
<b>Current Assets:</b>		
Cash	\$ 87	\$ 122
Prepaid expenses		6,424
<b>Total Current Assets</b>	<b>87</b>	<b>6,546</b>
Deferred financing costs	40,140	54,984
Scripts costs	79,700	79,700
Deposit for studio project	50,000	50,000
<b>Total other assets</b>	<b>169,840</b>	<b>184,684</b>
<b>Total Assets</b>	<b>\$ 169,927</b>	<b>\$ 191,230</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 166,386	\$ 176,999
Accrued salaries to related parties	604,000	350,000
Note payable to related party	309,000	300,000
Stockholder advances	60,986	134,757
<b>Total Current Liabilities</b>	<b>1,140,372</b>	<b>961,756</b>
<b>Long Term Liabilities:</b>		
Secured convertible notes payable, net of discount of \$495,219 and \$647,762, respectively	405,013	295,970
Derivative liabilities – Series A and B convertible preferred stock conversion feature	150,345	726,223
Derivative liability – conversion feature	272,245	542,661
Derivative liability – warrants	10,506	50,759
<b>Total Long Term Liabilities</b>	<b>838,109</b>	<b>1,615,613</b>
<b>Total Liabilities</b>	<b>1,978,481</b>	<b>2,577,369</b>
Series A and B Convertible Preferred Stock; par value \$0.001 per share 35,000,000; shares authorized; 29,402,047 and 28,152,047 shares issued and outstanding at June 30, 2008 and December 31, 2007, respectively	29,402	28,152
<b>Stockholders' Deficit:</b>		
Common Stock; par value \$0.001; 500,000,000 shares authorized;	262,506	224,506

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262,506,332 and 224,506,322 shares issued and outstanding at June 30, 2008

and December 31, 2007, respectively

Additional paid-in capital	13,644,627	13,637,649
Deficit accumulated during the development stage	(15,745,089)	(16,276,446)
Total Stockholders' Deficit	(1,837,956)	(2,414,291)
Total Liabilities and Stockholders' Deficit	\$ 169,927	\$ 191,230

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

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

	For the Three Months Ended,		For the Six Months Ended,		From Inception on April 21, 1999 Through June 30, 2008
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	
Revenue	\$ -	\$ -	\$ -	\$ -	\$ 58,568
Operating expenses:					
Costs of services	-	-	-	-	95,700
Sales and marketing	-	-	-	-	53,959
Research and development	-	-	-	-	252,550
General and administrative	168,092	552,359	404,312	938,780	12,415,963
Impairment of assets	-	-	-	-	2,402,338
Impairment of investments in other companies	-	-	-	-	710,868
Total Expenses	168,092	552,359	404,312	938,780	15,931,378
Operating loss	(168,092)	(552,359)	(404,312)	(938,780)	(15,872,810)
Other income (expense):					
Gain on sale of interest in CDG	-	-	200,000	-	200,000
Interest expense	(78,160)	(410,806)	(159,390)	(463,956)	(1,709,146)
Gain (loss) on derivative liabilities	474,061	617,524	895,059	402,270	1,381,367
Gain on extinguishment of debt	-	-	-	-	255,500
Total other income (expenses)	395,901	206,718	935,669	(61,686)	127,721
Net income (loss)	\$ 227,809	\$ (345,641)	\$ 531,357	\$ (1,000,466)	\$ (15,745,089)
Basic income (loss) per common share	\$ -	\$ -	\$ -	\$ (0.01)	
Diluted income (loss) per common share	\$ -	\$ -	\$ -	\$ (0.01)	
Weighted average number of shares outstanding:					
Basic	245,995,770	114,097,641	236,420,496	110,793,359	
Diluted	500,000,000	114,097,641	500,000,000	110,793,359	

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





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

	For Six Months Ending,		From Inception on April 21, 1999 through June 30, 2008
	June 30, 2008	June 30, 2007	
<b>Cash Flows From Operating Activities:</b>			
Net income (loss) for the period	\$ 531,357	\$ (1,000,466)	\$ (15,745,089)
Adjustments to reconcile net income (loss) to cash provided (used) by operating activities:			
Amortization of deferred financing costs and discounts on notes payable	148,628	135,934	444,852
Imputed interest on note payable	9,000	2,246	30,484
Common stock issued for interest expenses	-	300,000	565,459
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	30,000	50,000	3,221,429
Loss or (Gain) on derivative liability	(895,059)	(402,270)	(736,258)
Common stock issued for expense reimbursement	-	-	22,000
Common stock issued for technology	-	-	19,167
Impairment of investments in other companies	-	-	710,868
Impairment of assets	-	-	2,628,360
Impairment of note receivable	-	-	17,500
Prepaid services expensed	-	-	530,000
Expenses paid through notes payable proceeds	-	-	66,489
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	6,424	-	(17,934)
Increase (decrease) in accounts payable and accrued liabilities	(10,614)	483,603	373,526
Increase (decrease) in due to officers	254,000	-	604,000
Net Cash provided by (used) in operating activities	73,736	(430,953)	(1,886,361)
<b>Cash flows from investing activities:</b>			
Purchase of fixed assets	-	-	(6,689)
Purchase of scripts and deposits	-	(78,900)	(129,700)
Cash provided (used) from investing activities	-	(78,900)	(136,389)

Cash flows from financing activities:			
Contributed capital	-	-	25,500
Proceeds from related party notes payable	-	132,686	1,316,613
Payments on notes payable	-	(250,000)	(254,477)
Proceeds from notes payable	-	487,000	1,167,998
Payments on related party notes payable	-	(271,888)	(125,000)
Advances from shareholder advances	17,578	-	