

Camelot Entertainment Group, Inc.  
Form 10QSB  
May 15, 2007

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**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 10-QSB**  
(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended March 31, 2007

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.**

(Exact name of registrant as specified in its charter)

Delaware 52-2195605

(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

2020 Main Street #990  
Irvine, CA 92614

(Address of principal executive offices (zip code))

(949) 777-1090

(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

As of March 31, 2007, the Registrant had outstanding 111,655,743 shares of Common Stock, \$0.001 par value.



**CAMELOT ENTERTAINMENT GROUP, INC.  
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THIS REPORT ON FORM 10-QSB 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.



**PART I. FINANCIAL INFORMATION**

## Item 1. Financial Statements (Unaudited)

**Camelot Entertainment Group, Inc.**

Balance Sheets

Unaudited

<b><u>ASSETS</u></b>			
		March 31,	December
		2007	31,
			2006
<b><u>Current Assets</u></b>			
Cash	\$	819	\$ 435,533
Prepaid Expenses		6,424	6,424
Total Current Assets		7,243	441,957
Deferred Financing Costs		68,974	74,744
Loan Receivable		17,500	17,500
Scripts Costs		79,700	75,800
Deposit for potential business acquisition		50,000	10,000
Total other assets		216,174	178,044
Total Assets	\$	223,417	620,001
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY(DEFICIT)</u></b>			
<b><u>Current Liabilities</u></b>			
Accounts Payable and accrued liabilities	\$	299,844	\$ 140,625
Note Payable - Scorpion Bay, LLC		250,000	250,000
Stockholder advances		34,223	186,000
Total Current Liabilities		584,067	576,625
<b><u>Long Term Liabilities</u></b>			
Secured Note Payable - NIR Fairhill, net of unamortized discount of \$564,169		35,831	1,521
Derivative Liability - Compound		521,293	538,890
Derivative Liability - Warrant		931,241	698,390
Total Long Term Liabilities		1,488,365	1,238,801
Total Liabilities		2,072,432	1,815,426
<b><u>Stockholders' Equity (Deficit)</u></b>			
Common Stock; Par Value \$.001 Per Share; Authorized 150,000,000 Shares; 144,655,743 Shares Issued and 111,655,743 Outstanding.		111,656	106,656

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Class A Convertible Preferred Stock; Par Value \$.01 per share Authorized, issued and outstanding 5,100,000 shares	5,100	5,100
Class B Convertible Preferred Stock; Par Value \$.01 per share Authorized, issued and outstanding 5,100,000 shares	5,100	5,100
Subscription Receivable	(758,072)	(258,072)
Capital in Excess of Par Value	13,615,236	13,119,002
Deficit Accumulated During the Development Stage	(14,828,035)	(14,173,211)
Total Stockholders' Equity (Deficit)	(1,849,015)	(1,195,425)
Total Liabilities and Stockholders' Equity (Deficit)	\$ 223,417	\$ 620,001

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

**Camelot Entertainment Group, Inc.**  
**Statements of Operations**  
Unaudited

	For the Quarter Ended,		From
	March 31,	March 31,	Inception on
	2007	2006	April 21,
			1999
			through
			March 31,
			2007
REVENUE	\$ -	\$ -	\$ 58,568
<b>EXPENSES</b>			
Costs of services			95,700
Sales and Marketing			53,959
Research & Development			252,550
General & Administrative	386,420	190,762	10,533,893
Impairment of assets			2,402,338
Impairment of investments in other companies			710,868
Total Expenses	386,420	190,762	14,049,308
NET OPERATING LOSS	(386,420)	(190,762)	(13,990,740)
<b>OTHER INCOME (EXPENSES)</b>			
Interest (Expense)	(53,150)	-	(885,369)
Gain (loss) on derivative liability	(215,254)	-	(207,426)
Gain on extinguishment of debt	-	-	255,500
Total Other Income (Expenses)	(268,404)	-	(837,295)
NET LOSS	(654,824)	(90,762)	\$ (14,828,035)
BASIC LOSS PER COMMON SHARE	(0.0060)	(0.00)	\$ (0.29)
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>			
	107,433,521	93,649,589	50,135,678

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

## Camelot Entertainment Group, Inc.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT  
(unaudited))

	Common Stock		Preferred Stock		Additional Paid-In Capital	(Deficit) Accumulated During Development Stage	Subscription Receivable	Total
	Shares	Amount	Shares	Amount				
Balance at January 1, 2004	33,856,433	33,857	-	-	5,464,539	(6,059,442)	-	(561,046)
Shares issued for services	100,000	100			2,900			3,000
Shares issued for financing	6,791,287	6,791			196,948			203,739
Subscriptions receivable for financing agreement							(116,069)	(116,069)
Net (loss)						(131,681)		(131,681)
Balance at March 31, 2004	40,747,720	\$ 40,748	\$ -	\$ -	5,664,387	(6,191,123.00)	(\$116,069)	\$ (602,057)
Share issued for services	24,009,000	24,009			1,085,500			1,109,509
Share issued for financing	7,604,562	7,605			221,460		(316,003)	(86,938)
Advances offset sub a/r							174,000	174,000
Shares issued for debt	1,000,000	1,000			39,000			40,000
Shares issued for amt due	1,589,927	1,590			47,000			48,590
Value of option exercised					351,000			351,000
Net (loss)						(1,161,756)		(1,161,756)
Balance as of December 31, 2004	74,951,209	74,952	-	-	7,408,347	(7,324,719)	(258,072)	(99,492)
						(117,096)		(117,096)

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Net (loss) 1st  
quarter

<b>Balance at March 31, 2005</b>	<b>74,951,209</b>	<b>74,952</b>	<b>\$ -</b>	<b>-</b>	<b>7,408,347</b>	<b>(7,441,815)</b>	<b>(258,072)</b>	<b>(216,588)</b>
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Shares issued for consulting services	4,000,000	4,000			216,000			220,000
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Shares issued for officers salaries	2,276,033	2,276			187,568			189,844
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Shares issued to Eagle for expenses paid	1,848,723	1,849			79,078			80,927
Net Loss						(486,174)		(486,174)

<b>Balance at June 30, 2005</b>	<b>83,075,965</b>	<b>83,076</b>	<b>-</b>	<b>-</b>	<b>7,890,993</b>	<b>(7,927,989)</b>	<b>(258,072)</b>	<b>(211,991)</b>
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Net Loss					\$	(127,024)		\$ (127,024)
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<b>Balance at Sept 30, 2005</b>	<b>83,075,965</b>	<b>83,076</b>	<b>-</b>	<b>-</b>	<b>7,890,993</b>	<b>\$ (8,055,013)</b>	<b>(\$258,072)</b>	<b>(339,015)</b>
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## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY - continued

<b>Balance at Sept 30, 2005</b>	83,075,965	83,076	-	-	7,890,993	\$ (8,055,013)	(\$258,072)	(339,015)
Shares issued for consulting services	233,547	233			9,767			10,000
Shares issued for officers salaries	3,538,263	3,538			171,462			175,000
Shares issued to Eagle for expenses paid	1,452,662	1,453			118,219			119,672
Shares issued to Eagle 20% of shares issued	1,762,271	1,762			120,991			122,753
Shares issued for Shareholder loans 2005	3,586,881	3,587			256,354			259,941
Net Loss						\$ (3,769,845)		\$ (3,769,845)
Class A Preferred Stock issued			5,100,000	5,100	555,900			561,000
Class B Preferred Stock issued			5,100,000	5,100	2,799,900			2,805,000
<b>Balance at Dec 31, 2005</b>	<b>93,649,589</b>	<b>93,649</b>	<b>10,200,000</b>	<b>10,200</b>	<b>11,923,586</b>	<b>(11,824,860)</b>	<b>(258,072)</b>	<b>(55,496)</b>
Shares issued for officers salaries	5,191,538	5,192			464,808			470,000
Shares issued to Consultants	2,009,787	2,010			179,078			181,088
Shares issued to Eagle for expenses paid	1,201,329	1,201			113,120			114,321
Shares issued to Eagle	1,270,772	1,271			116,911			118,182

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Shareholder loans								
Shares issued to Eagle per agreement 20%	1,832,728	1,833			168,611			170,444
Net Loss						(2,348,351)		(2,348,351)
Shares issued to Scorpion Bay	1,500,000	1,500			133,650			135,150
Imputed interest on shareholder loan					19,238			19,238
<b>Balance at Dec 31, 2006</b>	<b>106,655,743</b>	<b>106,656</b>	<b>10,200,000</b>	<b>10,200</b>	<b>13,119,002</b>	<b>(14,173,211)</b>	<b>(258,072)</b>	<b>(1,195,425)</b>
Shares issued for advance on financing arrangement	5,000,000	5,000			495,000		(500,000)	-
Imputed interest on shareholder loan					1,234			1,234
Net Loss						(654,824)		(654,824)
<b>Balance at March 31, 2007</b>	<b>111,655,743</b>	<b>111,656</b>	<b>10,200,000</b>	<b>10,200</b>	<b>13,615,236</b>	<b>(14,828,035)</b>	<b>(758,072)</b>	<b>(1,849,015)</b>

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

**Camelot Entertainment Group, Inc.**  
Statement of Cash Flows  
Unaudited

	For the Quarter ended		From Inception on April 21, 1999 through
	March 31, 2007	March 31, 2006	March 31, 2007
<b>OPERATING ACTIVITIES</b>			
Net (loss) income for the period	\$ (654,824)	\$ (190,762)	\$ (14,828,035)
Adjustments to reconcile net (loss) to cash provided (used) by operating activities:			
Amortization of deferred financing cost	5,770	-	6,026
Amortization of discount associated with notes payable	34,310	-	35,831
Imputed interest on shareholder loan	1,234	-	20,472
Loss on derivative liability	232,851	-	899,612
Gain on derivative liability	(17,597)	-	(47,077)
Common stock issued for interest expense	-	-	135,150
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	-	-	2,533,935
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
Prepaid services expensed	-	1,200	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	-	-	(24,358)

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Increase (decrease) in accounts payable & other a/p	159,219	98,832	506,985
Increase (decrease) in due to officers			
<b>Net Cash provided (used) by operating activities</b>	<b>\$ (239,037)</b>	<b>\$ (90,730)</b>	<b>\$ (1,405,789)</b>
<b>Cash flows from investing activities:</b>			
Purchase of fixed assets			(6,689)
Purchase of assets-Script Costs/business deposits	(43,900)	(5,000)	(129,700)
Cash provided (used) from investing activities	<b>\$ (43,900)</b>	<b>\$ (5,000)</b>	<b>\$ (136,389)</b>
<b>Cash flows from financing activities:</b>			
Contributed capital			25,500
Borrowings on related party debt	32,144	92,962	1,048,757
Payments on related party debt	(183,921)	-	(308,921)
Borrow			