As filed with the Securities and Exchange Commission on May 11, 2007

Registration No. 333-140420

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1 to
FORM SB-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

CAMELOT ENTERTAINMENT GROUP INC.
(Name of Small Business Issuer in its Charter)

Delaware	**7812**	**52-2195605**
State or Jurisdiction of Incorporation or Organization	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

2020 Main Street, Suite 990
Irvine, CA 92614
(949) 777-1090
(Address and Telephone Number of Principal Executive Offices and Principal Place of Business)

Robert P. Atwell, Chief Executive Officer
2020 Main Street, Suite 990
Irvine, CA 92614
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(Name, Address and Telephone Number of Agent for Service)

Copies of Communications to:

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Approximate date of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act Registration Statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

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CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Number of Units/Shares to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee [3]
Common Stock, par value $.001 per share [1]	12,811,825[2]	$0.036	$461,226	$14.16
Total	12,811,825		$461,226	$14.16

[1] Represents 12,811,825 shares of common stock issuable in connection with the conversion of promissory notes in accordance with the Securities Purchase Agreement dated December 27, 2006 between us and AJW Partners, LLC, AJW Offshore, Ltd., AJW Qualified Partners, LLC and New Millennium Capital Partners II, LLC. The price of $0.036 per share is being estimated solely for the purpose of computing the registration fee pursuant to Rule 457(c) of the Securities Act and is based on the estimated conversion price of the Callable Secured Convertible Notes ($0.06 was the average of the lowest three (3) intraday trading prices for our common shares during the twenty (20) trading days prior to the date the Notes were issued on December 27, 2006, less a 40% discount).

[2] The number of shares being registered for the conversion of the Callable Secured Convertible Notes is 12,811,825 representing approximately $^{1}/_{3}$ of our 38,435,475 non-affiliate common shares issued and outstanding as of May 8, 2007.

[3] Previously paid Registration Fee of $144.30.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the commission, acting pursuant to Section 8(a), may determine.

The information in this Prospectus is not complete and may be changed. The Selling Stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Preliminary Prospectus subject to completion dated May 11, 2007

PROSPECTUS

12,811,825 SHARES OF COMMON STOCK

This prospectus relates to the resale of up to 12,811,825 shares of our common stock issuable to AJW Partners, LLC, AJW Offshore, Ltd., AJW Qualified Partners, LLC and New Millennium Capital Partners II, LLC (collectively, the "Selling Stockholders") in connection with the conversion of notes. The Selling Stockholders may sell their common stock from time to time at prevailing market prices.

Our common stock is currently quoted on the OTC Bulletin Board ("OTCBB") under the symbol "CMEG". On May 3, 2007, the closing price of our shares was $0.05.

The securities offered in this prospectus involve a high degree of risk and are subject to the "penny stock" rules. You should carefully consider the factors described under the heading "Risk Factors" beginning on page 8.

Neither the Securities and Exchange Commission (the "SEC") nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is ___, 2007.

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SUMMARY INFORMATION

This summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus carefully, including, the section entitled "Risk Factors", and our Consolidated Financial Statements and the related Notes included in this prospectus before deciding to invest in our common stock. Except as otherwise required by the context, all references in this prospectus to "we", "us", "our", "CMEG", or "Company" refer to the consolidated operations of Camelot Entertainment Group Inc., a Delaware corporation, and its wholly owned subsidiaries.

Our Business

We are a vertically-integrated entertainment company focused on creating, producing and distributing quality content across various media channels including feature film, television, radio, the Internet, and various forms of digital media for use in the home or on mobile devices. We were incorporated in Delaware on October 12, 1999 as Dstage.com, Inc. On April 15, 2004, we changed our name to Camelot Entertainment Group, Inc. and changed our business model from pursuing a new approach to venture formation (the Dstage.com Model) to the "Camelot Studio Model" (or "CSM"), which provides for the development, production, marketing and distribution of motion pictures. The CSM attempts to combine the efficiencies realized by studios of the early 1900's, with the artistic focus and diversity of today's independent productions. Using this approach, we believe the risk-reward relationship facing the typical film project can be dramatically shifted. For example, whereas a typical film pushes artists and directors to rush development and production in hopes of conserving cash, the CSM extends the pre-production cycle substantially to reduce costs while simultaneously increasing quality. Similarly, whereas a low-budget picture is severely limited by the types of postproduction technology used, due to budget constraints, we intend to invest directly in top of the line technology, spreading the costs over a targeted minimum of 12 original motion pictures each year. The goal of the CSM 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.

Our historical operations, as Dstage.com, Inc., consisted primarily of attempting to provide support, organization and restructuring services to other development stage companies. Due to the complete and drastic change in our business focusto producing, distributing and marketing original motion pictures, we believe that period-to-period comparisons of our operating results are not necessarily meaningful and should not be relied on as an indication of future performance. However, it is still important that you read the audited financial statements, and the related notes included elsewhere in this prospectus in addition to thoroughly reading our current plan of operations.

Our common stock is currently quoted on the OTCBB under the symbol "CMEG".

Our Contact Information

Our principal executive offices are located at 2020 Main Street, Suite 990, Irvine, CA 92614. We can be reached by calling (949) 777-1090, faxing (949) 777-1090 or emailing info@camelotfilms.com. We invite you to visit our website at www.camelotfilms.com for information about our company, products and services.

Going Concern

As reflected in Note 2 to the Financial Statements which accompany this prospectus, our consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liabilities and commitments in the normal course of business. 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 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 near future are expected to continue to use working capital.

To successfully grow the individual segments of the business, we must decrease our cash burn rate, improve our cash position and the revenue base of each segment, 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 contractors and our executives, and the loss of any of those contractors or executives, may harm our business.

The Offering

Common Stock Offered by Selling Stockholders:	Up to 12,811,825 shares which represented approximately $^1/_3$ of our 38,435,475 non-affiliate common shares outstanding as of May 4, 2007.
Common Stock to be Outstanding After the Offering:	Up to 126,369,525 shares.
Use of Proceeds:	We will not receive any proceeds from the sale of the common stock.
OTCBB Symbol:	CMEG

DISCLOSURE REGARDING OUR RECENT FINANCING AND CONVERSION OF NOTES AND EXERCISE OF WARRANTS

Terms of Financing Documents

Securities Purchase Agreement

On December 27, 2006 (the "Issuance Date"), we entered into a Securities Purchase Agreement with AJW Partners, LLC, AJW Offshore, Ltd., AJW Qualified Partners, LLC and New Millennium Capital Partners II, LLC (the "Investors"), whereby the Investors purchased an aggregate of (i) $1,000,000 in Callable Secured Convertible Notes (the "Notes") and (ii) warrants to purchase 10,000,000 shares of our common stock (the "Warrants"). The Investors will purchase the Notes and Warrants in two tranches as set forth below:

1. At closing on December 29, 2006 ("Closing"), the Investors purchased Notes aggregating $600,000 and Warrants to purchase 10,000,000 shares of CMEG common stock; and

2. Upon effectiveness of the Registration Statement, the Investors will purchase Notes aggregating $400,000.

Under the Securities Purchase Agreement, we are obligated to pay all costs and expenses incurred by us in connection with the negotiation, preparation and delivery of the transaction documents, as well as the costs associated with registering the common shares underlying the Notes being offered in this Prospectus. In addition, we granted the Investors a security interest in substantially all of our assets and intellectual property, excluding Camelot Studio Group and Camelot Film Group, as well as demand registration rights.

Future Capital Raising Limitations. The Company may not, without the prior written consent of a majority-in-interest of the Investors, negotiate or contract with any party to obtain additional equity financing (including debt financing with an equity component) involving the following:

1. Issuance of common stock at a discount to the market price of such stock;

2. Issuance of convertible securities that are convertible into an indeterminate number of shares of Common Stock; or

3.

Issuance of warrants during the "Lock-Up Period", beginning on the Closing Date and ending on the date the Registration Statement is declared effective.

In addition, Investors have a right of first refusal of any future equity offerings (including debt with an equity component) for the period beginning on the Closing and ending eighteen (18) months after the end of the Lock-up Period (the "Right of First Refusal"). The Right of First Refusal provides each Investor an option to purchase its pro rata share of the securities being offered in the future offering on the same terms as contemplated by such Future Offering. For purposes of the Securities Purchase Agreement, discussions relating to financing of the construction of studio facilities with investment banks, commercial banks, investment groups, development partners or individual investors shall not be considered engaging in equity financing.

Notwithstanding the above, such limitations shall not apply to any transaction involving:

1. issuances of securities in a firm commitment underwritten public offering (excluding a continuous offering pursuant to Rule 415 under the 1933 Act);

2. issuances of securities as consideration for a merger, consolidation or purchase of assets, or in connection with any strategic partnership or joint venture (the primary purpose of which is not to raise equity capital), or in connection with the disposition or acquisition of a business, product or license by the Company;

3. Camelot Film Group, Inc. and Camelot Studio Group, Inc., two of the Company's wholly owned subsidiaries; or

4. the issuance of securities upon exercise or conversion of the Company's options, warrants or other convertible securities outstanding as of the date hereof or to the grant of additional options or warrants, or the issuance of additional securities, under any employment agreement, contract, Company stock option or restricted stock plan approved by the shareholders of the Company.

Liquidated Damages. We are liable to pay liquidated damages in shares or cash, at our election, equal to 3% of the outstanding amount of the Notes per month plus accrued and unpaid interest if we breach any (i) covenant set forth in the Securities Purchase Agreement, including the failure to comply with blue sky laws, timely file all public reports, use the proceeds from the sale of the Notes in the agreed upon manner, obtain written consent from the Investors to negotiate or contract with a party for additional financing, reserve and have authorized the required number of common shares or maintain the listing or quotation of our common shares on an exchange or automated quotation system; or (ii) representation or warranty regarding the condition of our company set forth in the Securities Purchase Agreement.

Security Agreement and Intellectual Property Security Agreement

In connection with the Securities Purchase Agreement and as security for the Notes, we executed a Security Agreement and an Intellectual Property Security Agreement granting the Investors a continuing security interest in, a continuing first lien upon, an unqualified right to possession and disposition of, and a right of set-off against, in each case to the fullest extent permitted by law, all of the Company's right, title and interest in all of our goods, inventory, contractual rights and general intangibles, receivables, documents, instruments, chattel paper, and intellectual property, excluding Camelot Studio Group and Camelot Film Group. Under the Security Agreement and Intellectual Property Security Agreement, events of default occur upon:

§ The occurrence of an event of default (as defined in the Notes and listed below) under the Notes;

§ Any representation or warranty we made in the Security Agreement or in the Intellectual Property Security Agreement shall prove to have been incorrect in any material respect when made;

§ The failure by us to observe or perform any of our obligations under the Security Agreement or Intellectual Property Security Agreement for ten (10) days after receipt of notice of such failure from the Investors; and

§ Any breach of, or default under, the Warrants.

Warrants

Exercise Terms and Limitation. We simultaneously issued to the Investors seven (7) year Warrants to purchase 10,000,000 shares of our common stock at an exercise price of $0.30. The Investors have contractually agreed to restrict their ability to exercise the Warrants and receive shares of our common stock such that the number of shares of our common stock held by them and their affiliates after such exercise does not exceed 4.99% of the then issued and outstanding shares of our common stock.

Cashless Exercise. If the shares of common stock underlying the Warrants are not registered, then the Investors are entitled to exercise the Warrants on a cashless basis without paying the exercise price in cash. In the event that the

Investors exercise the Warrants on a cashless basis, then we will not receive any proceeds.

Anti-Dilution. The Warrants' exercise price will be adjusted in certain circumstances such as if we issue common stock at a price below market price, except for any securities issued in connection with the Notes, if we pay a stock dividend, subdivide or combine outstanding shares of common stock into a greater or lesser number of shares, or take such other actions as would otherwise result in dilution of the Investors' position.

Notes

Interest, Maturity and Conversion. The Notes bear interest at 8% per annum, mature three (3) years from the issuance date, and are convertible into shares of our common stock at the applicable percentage of the average of the lowest three (3) intraday trading prices for our shares of common stock during the twenty (20) trading day period prior to conversion, but not including the conversion date. 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, and (ii) 60% in the event that the Registration Statement is declared effective by the SEC.

In the event of full conversion of the aggregate principal amount of the Notes of $1,000,000, we would have to register a total of 27,777,778 shares of common stock. This amount is calculated as follows:

The aggregate principal amount of the Notes is $1,000,000. The estimated conversion price of the Notes is $0.036 based on the following: $0.06 was the average of the lowest three (3) intraday trading prices for our shares of common stock during the twenty (20) trading days prior to the Issuance Date ("Average Common Stock Price"), less a 40% discount. Thus, at a discounted price-per-share of $0.036, 27,777,778 shares of the Company's common stock would be issuable upon conversion of $1,000,000 into common shares of the Company ("Conversion Shares") and would be registered.

There is no limit to the number of shares that we may be required to issue upon conversion of the Notes as it is dependent upon our share price, which varies from day to day. This could cause significant downward pressure on the price of our common stock. The following table shows the effect on the number of shares issuable upon full conversion, in the event the common stock price declines by 25%, 50% and 75% from the trading price on the Issuance Date.

		Price Decreases By		
	12/27/2006	**25%**	**50%**	**75%**
Average Common Stock Price (as defined above)	$0.060	$0.045	$0.030	$0.015
Conversion Price	$0.036	$0.027	$0.018	$0.009
100% Conversion Shares	27,777,778	37,037,037	55,555,556	111,111,111

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

Call Option. The Notes have a call option, which provides us with the right to 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 $0.25 per share. Prepayments are to be made in cash equal to either (i) 120% of the outstanding principal and accrued interest for prepayments occurring within 30 days following the issue date of the Notes; (ii) 130% of the outstanding principal and accrued interest for prepayments occurring between 31 and 60 days following the issue date of the Notes; and (iii) 140% of the outstanding principal and accrued interest for prepayments occurring after the 60th day following the issue date of the Notes. To exercise this right, we must provide to the note holders prior written notice no less than 3 trading days before the exercise date.

Partial Call Option. In the event that the average daily price of the common stock for each day of the month ending on any determination date is below $0.07we have a partial call option which provides us with the right to 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, we have granted the Investors a security interest in substantially all of our assets and intellectual property as well as registration rights.

Anti-Dilution. The Notes' conversion price will be adjusted in certain circumstances such as if we issue common stock at a price below market price, except for any securities issued in connection with the Notes, if we pay a stock dividend, subdivide or combine outstanding shares of common stock into a greater or lesser number of shares, or take such other actions as would otherwise result in dilution of the Investors' position.

Default. An "Event of Default" occurs if we:

§ Fail to pay the principal or interest when due;

§ Fail to issue shares of common stock upon receipt of a conversion notice;

§ Fail to file a registration statement within 30 days following the Closing;

§ Breach any material covenant or other material term or condition in the Notes or the Securities Purchase Agreement;

§ Breach any representation or warranty made in the Securities Purchase Agreement or other document executed in connection with the financing transaction;

§ Fail to maintain the listing or quotation of our common stock on the OTCBB or an equivalent exchange, the Nasdaq National Market, the Nasdaq SmallCap Market, the New York Stock Exchange, or the American Stock Exchange;

§ Apply for or consent to the appointment of a receiver or trustee for us or any of our subsidiaries or for a substantial part of our of our subsidiaries' property or business, or such a receiver or trustee shall otherwise be appointed;

§ Have any money judgment, writ or similar process shall be entered or filed against us or any of our subsidiaries or any of our property or other assets for more than $50,000, and shall remain unvacated, unbonded or unstayed for a period of twenty (20) days unless otherwise consented to by the Investors;

§ Institute or have instituted against us or any of our subsidiaries any bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings for relief under any bankruptcy law or any law for the relief of debtors; or

§ Default under any Note issued pursuant to the Securities Purchase Agreement.

Value of Shares Underlying Notes

The maximum aggregate dollar value of the 12,811,825 shares of common stock underlying the Notes that the Company has registered for resale is $461,225.70. This number was based on $^1/_3$ of our 38,435,475 non-affiliate common shares outstanding as of May 4, 2007 and the estimated conversion price per share of $0.036 ($0.06 was the average of the lowest three (3) intraday trading prices for our common shares during the twenty (20) trading days prior to the Issuance Date, less a 40% discount).

The market price for the Company's common stock on the Issuance Date was $0.07 per share based on the closing price that day. Using this market price per share, the maximum aggregate dollar value of the 12,811,825 common shares underlying the Notes that the Company has registered for resale is $896,827.75.

Fees and Payments Associated with Transaction

In connection with the recent financing and pursuant to a Structuring Agreement, we also issued to Lionheart Associates LLC d/b/a Fairhills Capital warrants representing the right to purchase up to 582,609 shares of our common stock under the same terms as the Warrants issued to the Investors (the "Finder's Warrants"). We also paid to Lionheart a fee of $120,000 (the "Finder's Fee").

The following table discloses the dollar amount of each payment (including the dollar value of any payments to be made in common stock) in connection with the financing transaction that the Company has paid, or may be required to pay to any Selling Stockholder, any affiliate of a Selling Stockholder, or any person with whom any Selling Stockholder has a contractual relationship regarding the transaction. The table also reflects the potential net proceeds to the Company from the sale of the Notes and the total possible payments to all selling shareholders and any of their affiliates in the first year following the sale of convertible notes. We intend to use all proceeds received in connection with the financing transaction for general corporate, business development and working capital purposes. For purposes of this table, we assumed that the aggregate of $1,000,000 in Notes were issued on December 27, 2006, even though the Investors are not obligated to pay to us the second tranche of $400,000 until this registration statement is declared effective by the SEC. There are no other persons with whom any Selling Stockholder has a contractual relationship with regarding the transaction.

Finder's Fee[1]	Structuring and Due Diligence Fees[2]	Maximum Possible Interest Payments[3]	Maximum Redemption Premium[4]	Maximum Possible Liquidated Damages[5]	Maximum First Year Payments[6]	Maximum Possible Payments[7]	Net Proceeds to Company[8]
$120,000	$20,000	$128,109.16	$427,560.18	$32,067.01	$100,967.47	$300,176.17	$860,000

(1) The Company paid to Lionheart Associates a fee of $120,000 on December 29, 2006 for arranging the financing pursuant to a Structuring Agreement with Lionheart.

(2) Pursuant to the Securities Purchase Agreement, the Company paid to The National Investment Resources, LLC $20,000 in structuring and due diligence fees in connection with the transaction.

(3) Maximum amount of interest that can accrue assuming all Notes aggregating $1,000,000 were issued on December 27, 2006 and remain outstanding until the maturity date. Interest is payable quarterly provided that no interest shall be due and payable for any month in which the intraday trading price is greater than $0.07. The Company, at its option, may pay accrued interest in either cash or, in shares of its common stock.

(4) Under certain circumstances we have the right to redeem the full principal amount of the Notes prior to the maturity date by repaying the principal and accrued and unpaid interest plus a redemption premium of 40%. This represents the maximum redemption premium the Company would pay assuming we redeem all of the Notes twelve (12) months from December 27, 2006.

(5) Under the Stock Purchase Agreement, the maximum amount of liquidated damages that the Company may be required to pay for the twelve (12) months following the sale of all Notes is 3% of the outstanding principal and accrued and unpaid interest.

(6) Total maximum payments that the Company may be required to pay to the Selling Stockholders for the twelve (12) months following the sale of all Notes is comprised of $68,900.46 in first year interest and $32,067.01 in liquidated damages. If we redeemed the Notes one year from the Issuance Date, then the total payments would be $1,528,527.65, which is calculated by adding the outstanding principal ($1,000,000), plus total first year interest payments ($68,900.46), plus liquidated damages ($32,067.01), plus maximum redemption premium ($427,560.18).

(7) Total maximum payments payable by Company, includes finder's fees of $120,000, structuring and due diligence fees of $20,000, maximum possible interest of $128,109.16 and maximum possible liquidated damages of $32,067.01. We also incurred $65,000 in legal fees for the transaction and filing of this registration statement, which would increase the possible maximum payments by Company to $365,176.17 and reduce the net proceeds to Company to $792,932.99. In addition, we were required to place in escrow $15,000 for the purchase of keyman insurance for our executives. We anticipate the premium to be less than $15,000 and the balance of money held in escrow to be returned to us after paying the initial premium. Assuming the initial premium is $15,000, would increase the possible maximum payments by Company to $380,176.17 and reduce the net proceeds to Company to $777,932.99.

(8) Total net proceeds to the Company assuming that the Company was not required to make any payments as described in footnotes 3, 4 and 5. We also incurred $65,000 in legal fees for the transaction and filing of this registration statement, and placed in escrow $15,000 for the purchase of keyman insurance for our executives, both of which would increase the possible maximum payments by Company to $365,176.17 and $380,176.17, respectively, and reduce the net proceeds to Company to $792,932.99 and $777,932.99, respectively.

Total Possible Profit Selling Stockholders Could Realize

Notes

The following table discloses the total possible profit Selling Stockholders could realize as a result of the conversion discount for the securities underlying the Notes. For purposes of this table, we assumed that the aggregate of $1,000,000 in Notes were issued on December 27, 2006, even though the Investors are not obligated to pay to us the second tranche of $400,000 until this registration statement is declared effective by the SEC.

Market Price(1)	Conversion Price(2)	Shares Underlying Notes(3)	Combined Market Price of Shares(4)	Total Conversion Price(5)	Total Possible Discount to Market Price(6)
$0.07	$0.036	28,094,877	$1,966,641	$1,011,416	$955,225

(1) Market price per share of our common stock on the Issuance Date (December 27, 2006).

(2) The conversion price per share of our common stock underlying the Notes on the Issuance Date is calculated by the average of the lowest three (3) intraday trading prices for our common shares during the twenty (20) trading days prior to the date the Notes were issued on December 27, 2006 ($0.06 was the average), less a 40% discount.

(3)

Total number of shares of common stock underlying the Notes assuming full conversion as of the Issuance Date. Since the conversion price of the Notes may fluctuate as market prices fluctuate, the actual number of shares that underlie the Notes will also fluctuate.

(4) Total market value of shares of common stock underlying the Notes assuming full conversion as of the Issuance Date based on the market price on the Issuance Date.

(5) Total value of shares of common stock underlying the Notes assuming full conversion of the Notes as of the Issuance Date based on the conversion price.

(6) Discount to market price calculated by subtracting the total conversion price (result in footnote (5)) from the combined market price (result in footnote (4)).

Warrants

We also issued to Selling Stockholders seven year Warrants to purchase an aggregate of 10,000,000 shares of our common stock, exercisable on a cashless basis provided we are not in default of the Notes with the aggregate exercise price of $1,500,000 if exercised on a cashless basis. The following table discloses the total possible profit Selling Stockholders could realize as a result of the cashless exercise of the Warrants.

Market Price[(1)]	Exercise Price[(2)]	Shares Underlying Warrants[(3)]	Combined Market Price[(4)]	Total Exercise Price[(5)]	Total Possible Discount to Market Price[(6)]
$0.07	$0.15	10,000,000	$700,000	$1,500,000	$0

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(1) Market price per share of our common stock on the Issuance Date (December 27, 2006).

(2) The exercise price per share of our common stock underlying the Warrants is fixed at $0.15 except that the Warrants contain anti-dilution protections which in certain circumstances may result in a reduction to the exercise price.

(3) Total number of shares of common stock underlying the Warrants assuming full exercise as of the Issuance Date. Upon certain adjustments of the exercise price of the warrants, the number of shares underlying the warrants may also be adjusted such that the proceeds to be received by us would remain constant.

(4) Total market value of shares of common stock underlying the Warrants assuming full exercise as of the Issuance Date based on the market price of the common stock on the Issuance Date.

(5) Total value of shares of common stock underlying the Warrants assuming full exercise as of the Issuance Date based on the conversion price.

(6) Discount to market price calculated by subtracting the total conversion price (result in footnote (5)) from the combined market price (result in footnote (4)). The result of an exercise of the Warrants at the exercise price and a sale at the market price would be a loss to the Selling Stockholder. Since the current closing price of our common stock is less than the Warrants' exercise price, the Warrants are out of the money and no profit would be realized as of May 4, 2007.

Combined Total Possible Profit Selling Stockholders Could Realize

The following table summarizes the potential proceeds available to the Company pursuant to the financing with the Investors and the Investors' return on investment. For purposes of this table, we assumed that the aggregate of $1,000,000 in Notes were issued on December 27, 2006, even though the Investors are not obligated to pay to us the second tranche of $400,000 until this registration statement is declared effective by the SEC, and that the Investors exercise all of the in-the-money Warrants, if any, on a cash basis.

Gross Proceeds Payable to Company[(1)]	Maximum Possible Payments by Company[(2)]	Net Proceeds to Company[(3)]	Combined Total Possible Profit to Investors[(4)]	All Payments + Possible Profit / Net Proceeds[(5)]	All Payments + Possible Profit / Net Proceeds Averaged Over 3 Years[(6)]
$1,000,000	$300,176.17	$860,000	$955,225	145.98%	48.66%

(1) Total amount of the Notes.

(2) Total maximum payments payable by Company, includes finder's fees of $120,000, structuring and due diligence fees of $20,000, maximum possible interest of $128,109.16 and maximum possible liquidated damages of $32,067.01. We also incurred $65,000 in legal fees for the transaction and filing of this registration statement, which would increase the possible maximum payments by Company to $365,176.17 and reduce the net proceeds to Company to $792,932.99. In addition, we were required to place in escrow $15,000 for the purchase of keyman insurance for our executives.

We anticipate the premium to be less than $15,000 and the balance of money held in escrow to be returned to us after paying the initial premium. Assuming the initial premium is $15,000, would increase the possible maximum payments by Company to $380,176.17 and reduce the net proceeds to Company to $777,932.99.

(3) Total net proceeds to the Company including the $120,000 finder's fee and $20,000 structuring and due diligence fees. We also incurred $65,000 in legal fees for the transaction and filing of this registration statement, and placed in escrow $15,000 for the purchase of keyman insurance for our executives, both of which would increase the possible maximum payments by Company to $365,176.17 and $380,176.17, respectively, and reduce the net proceeds to Company to $792,932.99 and $777,932.99, respectively.

(4) Total possible profit to the Investors is based on the aggregate discount to market price of the conversion of the Notes and cashless exercise of Warrants. The Notes' conversion price is calculated by the average of the lowest three (3) intraday trading prices for our common shares during the twenty (20) trading days prior to the date the Notes were issued on December 27, 2006 ($0.06 was the average), less a 40% discount. The result of an exercise of the Warrants at the exercise price and a sale at the market price would be a loss to the Selling Stockholder. Since the current closing price of our common stock is less than the Warrants' exercise price, the Warrants are out of the money and no profit would be realized as of May 4, 2007.

(5) Percentage equal to the maximum possible payments by us in the transaction ($300,176.17) plus total possible discount to the market price of the shares underlying the Notes ($955,225), plus profit from 10,000,000 warrants in the money as of May 4, 2007 ($0), divided by the net proceeds to the Company resulting from the sale of the Notes ($860,000).

(6) Calculated by dividing 145.98% (footnote 5) by 3.

Prior Securities Transactions with Selling Stockholders

We have not engaged in any prior securities transactions with the Selling Stockholders, any affiliates of the Selling Stockholders, or any person with whom any Selling Stockholder has a contractual relationship regarding the transaction (or any predecessors of those persons).

Shares Outstanding Prior to the Transaction

The following table discloses certain information comparing the number of shares outstanding prior to the transaction, number of shares registered by the Selling Stockholders, or their affiliates, in prior registration statements (along with that number still held and number sold pursuant to such prior registration statement) and the number of shares registered for resale in this Registration Statement relating to the financing transaction.

Number of shares outstanding prior to convertible note transaction held by persons other than the Selling Stockholders, affiliates of the Company and affiliates of the Selling Stockholders.	38,435,475
Number of shares registered for resale by Selling Stockholders or affiliates in prior registration statements.	0
Number of shares registered for resale by Selling Stockholders or affiliates of Selling Stockholders that continue to be held by Selling Stockholders or affiliates of Selling Stockholders.	0
Number of shares sold in registered resale by Selling Stockholders or affiliates of Selling Stockholders.	0
Number of shares registered for resale on behalf of Selling Stockholders or affiliates of Selling Stockholders in current transaction.	12,811,825

Repayment, Shorting and Prior Transactions with Selling Stockholders

The Company intends to repay the overlying securities and believes that it will have the financial ability to make all payments on the Notes when they become due and payable. To the best of our knowledge, and based on information obtained from the Selling Stockholders, none of the selling shareholders have an existing short position in the Company’s common stock.

Other than its issuance and sale of the Notes and the Warrants to the Selling Stockholders, the Company has not in the past three (3) years engaged in any securities transaction with any of the Selling Stockholders, any affiliates of the Selling Stockholders, or, after due inquiry and investigation, to the knowledge of the management of the Company, any person with whom any Selling Stockholder has a contractual relationship regarding the transaction (or any predecessors of those persons). In addition, other than in connection with the contractual obligations set forth in the transaction documents filed as Exhibits to our Form 8-K filed January 4, 2007, as amended February 1, 2007 and February 2, 2007, including the (i) the Securities Purchase Agreement, (ii) the Notes and the Warrants and (iii) the Security Agreement, (iv) the Intellectual Property Security Agreement, the Company does not have any agreements or arrangements with the Selling Stockholders with respect to the performance of any current or future obligations.

RISK FACTORS

An investment in our shares involves a high degree of risk. Before making an investment decision, you should carefully consider all of the risks described in this prospectus. Each of the following risks could materially adversely affect our business, financial condition and results of operations, which could cause the price of our shares to decline

significantly and you may lose all or a part of your investment. Our forward-looking statements in this prospectus are subject to the following risks and uncertainties. Our actual results could differ materially from those anticipated by our forward-looking statements as a result of the risk factors below. See "Forward-Looking Statements."

Risks Associated with Our Operations

We are subject to various risks that may materially harm our business, financial condition and results of operations. You should carefully consider the risks and uncertainties described below and the other information in this filing before deciding to purchase our common stock. If any of these risks or uncertainties actually occurs, our business, financial condition or operating results could be materially harmed. In that case, the trading price of our common stock could decline.

We have a limited operating history as a motion picture company in which to evaluate our business.

We were incorporated in Delaware on October 12, 1999 as Dstage.com, Inc., a business development organization. On April 15, 2004, we changed our name to Camelot Entertainment Group, Inc. and our business model to motion picture production, distribution and marketing. We have been unable to fully implement this new business model because of financing constraints. To date, we have no revenue and a limited operating history as a motion picture company upon which an evaluation of our future success or failure can be made. Current and future Company assets, including scripts and other properties that may be obtained in the future, may not be suitable for development to the projected forecast for 2007-2008 unless additional financing is secured. No assurances of any nature can be made to investors that the Company will be profitable or that it will remain in business. There can be no assurances that our management will be successful in managing the Company as a motion picture production, distribution and marketing company.

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

We have experienced significant operating losses since our inception on October 12, 1999. We have incurred net losses of approximately $2,348,352 and $4,500,141 for the years ended December 31, 2006 and 2005, respectively, and have an accumulated deficit of $14,173,211 at December 31, 2006, all of which related to our previous activities as a business development organization, Dstage.com, and none of which relate to our current activities as a motion picture production, marketing and distribution entity.

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.

Even with the proceeds generated from this offering and through prior funding, including loans from Company executives, we will need to raise additional funds through public or private debt or sale of equity to achieve our new business strategy. Such financing may not be available when needed. Even if such financing is available, it may be on terms that are materially adverse to your interests with respect to dilution of book value, dividend preferences, liquidation preferences, or other terms.

Our ability to grow our company through acquisitions, business combinations and joint ventures, to maintain and expand our development, production and distribution of motion pictures 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 new business plan requires a substantial investment of capital. At present, we need to generate approximately one million dollars ($1,000,000) annually either through revenue generation or some form of financing to implement our business model. This amount may be adjusted at the time we begin fully implementing our business plan. As a result, there can be no guarantee that we will be able to generate this level of revenue and/or funding, and as a result our ability to remain in business could be adversely affected if we are not successful in developing revenues and/or funding. 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 on reasonable terms, we could be forced to delay, scale back or eliminate certain product and service development programs. In addition, such inability to obtain financing on reasonable terms could have a material negative effect on our business, operating results, or financial condition to such extent that we are forced to restructure, file for bankruptcy, sell assets or cease operations, any of which could put your investment dollars at significant risk.

We have been the subject of a going concern opinion for the fiscal years ended December 31, 2006 and 2005 from our independent auditors, which means that we may not be able to continue operations unless we can become profitable or obtain additional funding.

Our independent auditors have added an explanatory paragraph to their audit opinions issued in connection with our financial statements for the fiscal years ended December 31, 2006 and 2005, which states that the financial statements raise substantial doubt as to our ability to continue as a going concern. Our ability to make operations profitable or obtain additional funding will determine our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty. We will have to raise additional funds to meet our current obligations and to cover operating expenses through the year ending December 31, 2007. If we are not successful in raising additional capital we may not be able to continue as a going concern.

We are subject to a working capital deficit, which means that our current assets at December 31, 2006 were not sufficient to satisfy our current liabilities.

As of December 31, 2006, we had a working capital deficit of $42,424, which means that our current liabilities of $576,625 exceeded our current assets of $534,201 by that amount on December 31, 2006. 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, 2006 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 or cease operations.

If we are unable to retain the services of our executive officers, Robert P. Atwell, George Jackson, and Michael Ellis, 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, George Jackson, Secretary and Chief Financial Officer, and Michael Ellis, Chief Operating Officer. Loss of the services of any of our executive officers could have a material adverse effect on our growth, revenues, and prospective business. We do not maintain key-man insurance on the lives of our executive officers.

In addition, in order to successfully implement and manage our 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. 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 investors will not have any voice in our management.

As of May 4, 2007, Mr. Atwell, our President, Chief Executive Officer and Chairman, is the beneficial owner of 58.93% of our outstanding common shares and 51.00% of each of our Class A Convertible Preferred Stock (“Class A”) and Class B Convertible Preferred Stock (“Class B”). Each share of Class A entitles the holder to 50 votes and each share of Class B entitles the holder to 1,000 votes. In the aggregate, Mr. Atwell is entitled to cast 5,421,915,004 or 99.15% of the votes in any vote by our stockholders. Thus, Mr. Atwell, will have the ability to control substantially all matters submitted to our stockholders for approval, including:

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

As a result of his ownership and position as a director and executive officer, he is 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 affect on our existing stockholders.

We will issue additional stock as required to raise additional working capital in order to 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.

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.

<u>Risks Associated with the Motion Picture Production and Distribution Industry</u>

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 pictures that normally should compete with numerous independent and foreign productions

as well as productions produced and distributed by a number of major domestic companies, many of which are units of conglomerate corporations with assets and resources substantially greater than ours. Some of the production and distribution companies that we will compete with are The Weinstein Company, Jerry Bruckheimer Films, Miramax Films, Lions Gate Entertainment Corp., Sony Pictures Entertainment, Inc., New Line Cinema, a subsidiary of Time Warner, Universal Studios, 20th Century Fox Film Corporation, a subsidiary of News Corp., Buena Vista Motion Pictures Group, a collection of affiliated motion picture studios all subsidiaries of The Walt Disney Company, Paramount Pictures Corporation, a subsidiary of Viacom, and Troma Entertainment, Inc. All of these competitors are significantly larger than us, have a long-standing business relationship with customers, vendors and financial institutions, and have established staying power in the industry over the past twenty years.

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.. 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.

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 may not be able to complete a specific motion picture, which could cost us substantial amounts and potentially adversely affect our other planned productions.

The probability of successfully completing a motion picture project is also laden with an unusually high degree of uncertainty and risks. 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 availability of qualified personnel to replace key members may not be adequate and as a result our ability to continue and complete a specific production may be put in jeopardy. As a result, we might have to close down a production. That event would have an adverse affect on our planned operations.

If we do not complete the film on schedule or within budget, our ability to generate revenue may be diminished, delayed or even evaporate. Our success depends on our ability to complete the film on schedule and within budget. If a specific film is not completed, we may loose all of the funds paid into a particular project with no way to recoup that investment.

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

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

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

According to industry sources, piracy losses in the motion picture industry have increased substantially, from an estimated $2.2 billion in 1997 to an estimated $3.5 billion in 2002. In certain regions such as Asia, the Eastern bloc countries and South America, motion picture piracy has been a major issue for some time. With the proliferation of DVD format around the globe, along with other digital recording and playback devices, losses from piracy have spread more rapidly in North America and Europe. Piracy of original motion pictures we produce and distribute may adversely impact the gross receipts received from the exploitation of these films, which could have a material adverse effect on our business, results of operations or financial condition.

Our operating results will fluctuate.

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

In accordance with generally accepted accounting principles and industry practice, we intend to amortize film costs using the individual-film-forecast method under which such costs are amortized for each film in the ratio that revenue earned in the current period for such title bears to management's estimate of the total revenues to be realized from all media and markets for such title. To comply with this accounting principle, 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 12 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 12 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 all of our competitors.

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

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

The number of motion pictures released by our competitors, particularly the major U.S. studios, may create an oversupply of product in the market, reduce our share of box office receipts and make it more difficult for our films to succeed commercially once we begin to 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

If the ownership of our common stock continues to be somewhat concentrated in shares owned by our management, and mainly Mr. Atwell, 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 May 4, 2007, Mr. Atwell, our President, Chief Executive Officer and Chairman, and his affiliates, beneficially own or control approximately 99.15% of the votes that may be cast in any stockholder vote. Accordingly, Mr. Atwell and his 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 may also delay or prevent a change of control of us, even if such a change of control would benefit our other stockholders. The concentration of stock ownership may adversely affect the trading price of our common stock due to investors' perception that conflicts of interest may exist or arise.

We have not, and currently do not anticipate, paying dividends on our common stock.

We have never paid any dividend on our common stock and do not plan to pay dividends on our common stock for the foreseeable future. We currently intend to retain future earnings, if any, to finance operations, capital expenditures and to expand our business.

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

Our common stock is quoted on the OTCBB under the symbol “CMEG”. 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 is thinly traded, which can lead to price volatility and difficulty liquidating your investment.

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 $0.015 and as high as $0.16. 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 stockholders' 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 stockholders 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 from our recent financing is based on an average of the three (3) lowest intraday trading prices of our common stock during the twenty (20) trading day period prior to conversion and the decrease of the intraday trading price will result in issuances of a significant increase of shares resulting in dilution to our stockholders.

The conversion of the promissory notes in our recent financing is based on the applicable percentage of the average of the lowest three (3) intraday trading prices for the Common Stock during the twenty (20) trading day period prior to conversion. The “Applicable Percentage” means 50%; provided, however, that the Applicable Percentage shall be increased to (i) 55% in the event that a Registration Statement is filed within thirty days of the closing and (ii) 60% in the event that the Registration Statement is declared effective by the SEC. 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 stockholders being diluted.

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Selling 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 Stockholders 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 Stockholders control a large portion of our common stock, the Selling Stockholders 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 stockholders.

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. In addition, a decreased market price may result in potential future investors losing confidence in us and failing to provide needed funding. This will have a negative effect on our ability to raise equity capital in the future.

USE OF PROCEEDS

The Selling Stockholders are selling shares of common stock covered by this prospectus for their own account. We will not receive any of the proceeds from the resale of these shares. We have agreed to bear the expenses relating to the registration of the shares for the Selling Stockholders.

PENNY STOCK CONSIDERATIONS

Broker-dealer practices in connection with transactions in “penny stocks” are regulated by certain penny stock rules adopted by the SEC. Penny stocks generally are equity securities with a price of less than $5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system). Penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. The broker-dealer must also make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These requirements may have the effect of reducing the level of trading activity, if any, in the secondary market for a security that becomes subject to the penny stock rules.

SELLING STOCKHOLDERS

We agreed to register for resale shares of common stock held by the Selling Stockholders listed below. On December 27, 2006, we entered into a Securities Purchase Agreement for a total subscription amount of $1,000,000 that included Stock Purchase Warrants and Callable Secured Convertible Notes with AJW Partners, LLC, AJW Offshore, Ltd., AJW Qualified Partners, LLC and New Millennium Capital Partners II, LLC (collectively, the “Investors”). The initial funding of $600,000, of which we received net proceeds of $525,000, was completed on December 29, 2006 (the “Closing Date”). On the Closing Date, the following parties issued callable secured convertible notes as follows: AJW Partners, LLC invested $52,200; AJW Offshore, Ltd. invested $358,800; AJW Qualified Partners, LLC invested $181,800; and New Millennium Capital Partners II, LLC invested $7,200.

The Callable Secured Convertible Notes are convertible into shares of our common stock at a variable conversion price based upon the applicable percentage of the average of the lowest three (3) intraday trading prices for the Common Stock during the twenty (20) trading day period prior to conversion. The “Applicable Percentage” means 50%; provided, however, that the Applicable Percentage shall be increased to (i) 55% in the event that a Registration Statement is filed within thirty days of the closing, and (ii) 60% in the event that the Registration Statement is declared effective by the SEC. Under the terms of the callable secured convertible note and the related warrants, the callable secured convertible note and the warrants are exercisable by any holder only to the extent that the number of shares of common stock issuable pursuant to such securities, together with the number of shares of common stock owned by such holder and its affiliates (but not including shares of common stock underlying unconverted shares of Callable Secured Convertible Notes or unexercised portions of the warrants) would not exceed 4.99% of the then outstanding common stock as determined in accordance with Section 13(d) of the Exchange Act.

The Investors also received the following seven year warrants to purchase shares of our common stock, exercisable at $0.15 per share: AJW Partners, LLC - 870,000 warrants; AJW Offshore, Ltd. - 5,980,000 warrants; AJW Qualified Partners, LLC - 3,030,000 warrants; and New Millennium Capital Partners II, LLC - 650,000 warrants (the "Warrants"). The Warrants are not subject to registration rights.

We are presently registering 12,811,825 shares, or $^1/_3$ of our 38,435,475 non-affiliate shares of outstanding common stock, as follows: (i) AJW Partners, LLC - 1,114,629 shares of common stock issuable in connection with the conversion of the callable secured convertible note; (ii) AJW Offshore, Ltd. - 7,661,471 shares of common stock issuable in connection with the conversion of the callable secured convertible note;; (iii) AJW Qualified Partners, LLC - 3,881,983 shares of common stock issuable in connection with the conversion of the callable secured convertible note; and (iv) New Millennium Capital Partners II, LLC - 153,742 shares of common stock issuable in connection with the conversion of the Callable Secured Convertible Notes.

Name of Selling Stockholder[11]	**Shares of Common Stock Owned Prior to the Offering[1]**	**Percent of Common Shares Owned Prior to the Offering**	**Shares of Common Stock to be Sold in The Offering**	**Number of Shares Owned After the Offering**	**Percent of Shares Owned After Offering**
AJW Partners, LLC [7]	0	0	1,114,629 [2][3]	0	0%
AJW Offshore, Ltd. [8]	0	0	7,661,471 [2][4]	0	0%
AJW Qualified Partners, LLC [9]	0	0	3,881,983 [2][5]	0	0%
New Millennium Capital Partners II, LLC [10]	0	0	153,742 [2][6]	0	0%
Totals	**0**	**0**	**12,811,825**	**0**	**0%**

* Less than 1%

(1) Based on 113,557,700 shares outstanding as of May 4, 2007.

(2) The conversion has been calculated based on the maximum number of shares the investors can receive in accordance with the 8% Callable Secured Convertible Notes, up to $^1/_3$ of our non-affiliate shares of outstanding common stock. The number of shares set forth in the table for the Selling Stockholders represents an estimate of the number of shares of common stock to be offered by the Selling Stockholders. The actual number of shares of common stock issuable upon conversion of the notes is indeterminate, is subject to adjustment and could be materially less or more than such estimated numbers depending on factors which cannot be predicted by us at this time including, among other factors, the future market price of the common stock. The actual number of shares of common stock offered in this prospectus, and included in the registration statement of which this prospectus is a part, includes such additional number of shares of common stock as may be issued or issuable upon conversion of

the notes by reason of any stock split, stock dividend or similar transaction involving the common stock, in accordance with Rule 416 under the Securities Act of 1933 (the "Securities Act"). Under the terms of the debentures, if the debentures had actually been converted on December 27, 2006, the conversion price would have been $0.036. Under the terms of the debentures, the debentures are convertible by any holder only to the extent that the number of shares of common stock issuable pursuant to such securities, together with the number of shares of common stock owned by such holder and its affiliates (but not including shares of common stock underlying unconverted shares of the debentures) would not exceed 4.99% of the then outstanding common stock as determined in accordance with Section 13(d) of the Exchange Act. Accordingly, the number of shares of common stock set forth in the table for the Selling Stockholders exceeds the number of shares of common stock that the selling stockholder could beneficially own at any given time through their ownership of the debentures.

(3) Represents 1,114,629 shares of our common stock issuable in connection with the conversion of the callable secured convertible note.

(4) Represents 7,661,471 shares of our common stock issuable in connection with the conversion of the callable secured convertible note.

(5) Represents 3,881,983 shares of our common stock issuable in connection with the conversion of the callable secured convertible note.

(6) Represents 153,742 shares of our common stock issuable in connection with the conversion of the callable secured convertible note.

(7) AJW Partners, LLC is a private investment fund that is owned by its investors and managed by SMS Group, LLC. SMS Group, LLC of which Mr. Corey S. Ribotsky is the fund manager, has voting and investment control over the shares listed below owned by AJW Partners, LLC.

(8) AJW Offshore, Ltd. is a private investment fund that is owned by its investors and managed by First Street Manager II, LLC. First Street Manager II, LLC, of which Corey S. Ribotsky is the fund manager, has voting and investment control over the shares listed below owned by AJW Offshore Ltd.

(9) AJW Qualified Partners, LLC is a private investment fund that is owned by its investors and managed by AJW Manager, LLC of which Corey S. Ribotsky and Lloyd A. Groveman are the fund managers, have voting and investment control over the shares listed below owned by AJW Qualified Partners, LLC.

(10) New Millennium Capital Partners II, LLC is a private investment fund that is owned by its investors and managed by First Street Manager II, LLC. First Street Manager II LLC of which Corey S. Ribotsky is the fund manager, has voting and investment control over the shares listed below owned by New Millennium Capital Partners, LLC.

(11) None of the Selling Stockholders are broker-dealers or affiliates of broker-dealers.

PLAN OF DISTRIBUTION

All of the stock owned by the Selling Stockholders will be registered by the registration statement of which this prospectus is a part. The Selling Stockholders may sell some or all of their shares immediately after they are registered. The Selling Stockholders shares may be sold or distributed from time to time by the Selling Stockholders or by pledgees, donees or transferees of, or successors in interest to, the Selling Stockholders, directly to one or more purchasers (including pledgees) or through brokers, dealers or underwriters who may act solely as agents or may acquire shares as principals, at market prices prevailing at the time of sale, at prices related to such prevailing market prices, at negotiated prices or at fixed prices, which may be changed. The distribution of the shares may be effected in one or more of the following methods:

§ ordinary brokers transactions, which may include long or short sales;
§ transactions involving cross or block trades on any securities or market where our common stock is trading;
§ purchases by brokers, dealers or underwriters as principal and resale by such purchasers for their own accounts pursuant to this prospectus, “at the market” to or

through market makers or into an existing market for the common stock;

§ in other ways not involving market makers or established trading markets, including direct sales to purchasers or sales effected through agents; or

§ any combination of the foregoing, or by any other legally available means.

In addition, the Selling Stockholders may enter into hedging transactions with broker-dealers who may engage in short sales, if short sales were permitted, of shares in the course of hedging the positions they assume with the Selling Stockholders. The Selling Stockholders may also enter into option or other transactions with broker-dealers that require the delivery by such broker-dealers of the shares, which shares may be resold thereafter pursuant to this prospectus.

Brokers, dealers, underwriters or agents participating in the distribution of the shares may receive compensation in the form of discounts, concessions or commissions from the Selling Stockholders and/or the purchasers of shares for whom such broker-dealers may act as agent or to whom they may sell as principal, or both (which compensation as to a particular broker-dealer may be in excess of customary commissions). The Selling Stockholders and any broker-dealers acting in connection with the sale of the shares hereunder may be deemed to be underwriters within the meaning of Section 2(11) of the Securities Act, and any commissions received by them and any profit realized by them on the resale of shares as principals may be deemed underwriting compensation under the Securities Act. Neither the Selling Stockholders nor we can presently estimate the amount of such compensation. We know of no existing arrangements between the Selling Stockholders and any other stockholder, broker, dealer, underwriter or agent relating to the sale or distribution of the shares.

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We will not receive any proceeds from the sale of the shares of the Selling Stockholders pursuant to this prospectus. We have agreed to bear the expenses of the registration of the shares, including legal and accounting fees, and such expenses are estimated to be approximately $100,000.

The Selling Stockholders named in this prospectus must comply with the requirements of the Securities Act and the Exchange Act in the offer and sale of the common stock. The Selling Stockholders and any broker-dealers who execute sales for the Selling Stockholders may be deemed to be an “underwriter” within the meaning of the Securities Act in connection with such sales. In particular, during such times as the Selling Stockholders may be deemed to be engaged in a distribution of the common stock, and therefore be considered to be an underwriter, they must comply with applicable laws and may among other things:

1. Not engage in any stabilization activities in connection with our common stock;
2. Furnish each broker or dealer through which common stock may be offered, such copies of this prospectus from time to time, as may be required by such broker or dealer; and
3. Not bid for or purchase any of our securities or attempt to induce any person to purchase any of our securities permitted under the Exchange Act.

Regulation M

We have informed the Selling Stockholders that Regulation M promulgated under the Securities Exchange Act may be applicable to them with respect to any purchase or sale of our common stock. In general, Rule 102 under Regulation M prohibits any person connected with a distribution of our common stock from directly or indirectly bidding for, or purchasing for any account in which it has a beneficial interest, any of the shares or any right to purchase the shares, for a period of one business day before and after completion of its participation in the distribution.

During any distribution period, Regulation M prohibits the Selling Stockholders and any other persons engaged in the distribution from engaging in any stabilizing bid or purchasing our common stock except for the purpose of preventing or retarding a decline in the open market price of the common stock. None of these persons may effect any stabilizing transaction to facilitate any offering at the market. As the Selling Stockholders will be offering and selling our common stock at the market, Regulation M will prohibit them from effecting any stabilizing transaction in contravention of Regulation M with respect to the shares.

We also have advised the Selling Stockholders that they should be aware that the anti-manipulation provisions of Regulation M under the Exchange Act will apply to purchases and sales of shares of common stock by the Selling Stockholders, and that there are restrictions on market-making activities by persons engaged in the distribution of the shares. Under Regulation M, the Selling Stockholders or their agents may not bid for, purchase, or attempt to induce any person to bid for or purchase, shares of our common stock while such Selling Stockholders are distributing shares covered by this prospectus. Regulation M may prohibit the Selling Stockholders from covering short sales by purchasing shares while the distribution is taking place, despite any contractual rights to do so under the Agreement. We have advised the Selling Stockholders that they should consult with their own legal counsel to ensure compliance with Regulation M.

LEGAL PROCEEDINGS

Neither the Company nor any of its subsidiaries is a party to any pending or threatened legal proceedings.

DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

The following table sets forth the names and ages as of management, and business experience of the directors, executive officers and certain other significant employees of our company. Our directors hold their offices for a term of one year or until their successors are elected and qualified. Our officers serve at the discretion of the Board of Directors. Each officer devotes as much of his working time to our business as is required.

Name	Age	Position	Date of Appointment
Robert P. Atwell	52	President, Chief Executive Officer, Chairman	March 19, 2003
George Jackson	45	Secretary, Chief Financial Officer, Director	April 1, 2005
Michael Ellis	55	Chief Operating Officer	March 2006
Jane Olmstead, CPA	51	Director	December 1, 2004
Rounsevelle Schaum	73	Director	October 2002

The principal occupation for the past five years (and, in some instances, for prior years) of each of our directors and officers are as follows:

Robert P. Atwell

Mr. Atwell has served as our Chairman, President and Chief Executive Officer since March 19, 2003, and founded Camelot Films, a subsidiary of our Company, where he served as President since its inception in 1978. As Chief Executive Officer, Mr. Atwell is responsible for all aspects of the Company's management and operations, including oversight of the Company's major divisions and subsidiaries, including Camelot Film Group, Camelot Studio Group and Camelot Production Services Group. Mr. Atwell reports directly to the Company's Board of Directors.

Mr. Atwell has been involved in all phases of feature film production, including research and development, acquisitions, packaging, financing, budgeting and forecasting, writing, casting, pre-production, physical production, post-production, domestic and foreign distribution, sales and marketing, publicity, insurance, completion bonding, syndication, corporate, legal, union negotiation, contract enforcement, product placement and promotion. Mr. Atwell has been involved in the development, financing and production of more than twenty feature film projects during his career. Working primarily behind the scenes, he has developed and implemented domestic and international financing facilities, designed and implemented domestic and international sales and marketing campaigns and established completion bond programs for low budget films. After establishing Camelot Films in New York and its subsequent expansion into London and Los Angeles between 1978 and 1981, Mr. Atwell developed a financing program in 1981 that resulted in the company's first feature film “One Down, Two To Go” being 100% financed directly from a major international bank utilizing only the negative as collateral. Prior to founding Camelot Films, Mr. Atwell served as vice president of Sunset Productions, where he was responsible for acquisition, finance, production and distribution for the Los Angeles-based company. Mr. Atwell began his career in 1976 with On the Scene Productions, where his responsibilities included the physical production of various publishing, commercial, television and feature film projects.

Mr. Atwell is also the President of The Atwell Group, Inc., which was formed in September of 2003 to consolidate various entities owned by Mr. Atwell, including The Corporate Solution, Inc., where Mr. Atwell served as President and Chief Executive Officer since founding the company in 1978. The Atwell Group specializes in taking on 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

attended nine colleges and universities, including Amarillo College, Pasadena City College, National University, Texas Tech University, University of California at Los Angeles, University of Maryland, University of Southern California, University of Texas, and University of Texas El-Paso. Mr. Atwell also served in the United States Army and is a graduate of Pasadena High School in Pasadena, California.

Michael Ellis

Mr. Ellis has served as our Chief Operating Officer since March 2006, and had been a consultant to us since November 2005. Mr. Ellis offers over 25 years of senior executive management experience with an emphasis on technology-driven enterprises from NYSE and NASDAQ listed corporations to emerging-growth startups. He possesses broad expertise in finance, marketing, technology and operations with an emphasis on growing revenues, profits and market valuations for both publicly traded and private entities. Over the years, his highly-effective teams have consistently translated aggressive goals into efficiently executed and highly profitable programs. Successes encompass managing “Profit and Loss” at $450 million and “Capital Expenditures” at $500 million annually, overseeing centerpiece development for the most popular destination attraction in the United States, to rebuilding a NASDAQ global entertainment enterprise, producing record profits for all.

Before joining us in 2005, Mr. Ellis served as a management consultant between 2002 and 2005, bringing "leading-edge" operational methodologies and technologies, financial savvy plus worldwide contacts to entrepreneurial startup, turnaround and high-growth companies. Mr. Ellis typically functioned in senior executive roles to quickly diagnose, design and implement revenue and profit growth strategies for entities involved in entertainment, hospitality, Internet services, information technologies, telecom, electronics, retail, international trade, real estate services and construction management.

Prior to his consulting endeavors, Mr. Ellis served as the Senior Vice President for Showscan Entertainment, a NASDAQ traded global manufacturer, producer, distributor and licensor of state-of-the-art, location based entertainment attractions plus special venue film and digital media from 1994 to 2001. He performed as both the COO and CTO, updating Showscan's strategic plan, creating new business/technology alliances and rebuilding the corporate infrastructure. Worldwide responsibilities included operations, engineering, construction, electronics manufacturing, supply chain management, customer services, product development plus film/digital media production and post, sales, marketing, licensing and distribution. In addition, Ellis managed Showscan's largest customer accounts including Gardaland, Imagine Japan, Universal Studios, Futuroscope, Tokyo Dome and Fox Studios.

Previously, Mr. Ellis was the Corporate Director of Engineering for Knott's Berry Farm between 1989 and 1993 and was responsible for overseeing design and construction of Mall of America, Knott's Camp Snoopy, a $100+ million, seven acre enclosed theme park in Minneapolis, MN. In this lead role, Mr. Ellis built a distinguished project team of international consultants and contractors while managing design, construction and operations planning activities. Today, Mall of America is the most visited destination attraction in the U.S. with over 43 million annual visitors.

Before joining Knott's Berry Farm, Mr. Ellis was a senior executive for divisions of PepsiCo, including Frito-Lay and Taco Bell, from 1978 to 1988, where he built and managed numerous engineering, technology and operations based organizations while overseeing major capital expansion programs. Between 1974 and 1978 Mr. Ellis worked as an engineer for Fiber Industries/Celanese.

Mr. Ellis is a 1973 graduate of North Carolina State University and holds a Bachelor of Science degree in Electrical Engineering.

George Jackson

Mr. Jackson has served as our Chief Financial Officer and Director since 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 and CFO of several fitness centers from 1985 to 1999, and 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 stockholders in the U.S. and Asia. He sold all his fitness center assets to Bally Total Fitness in early 2000, netting a return to stockholders 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.

Jane Olmstead, CPA

Ms. Olmstead has been a Director and member of the Audit Committee since December 1, 2004 and has over 20 years experience in the financial and accounting fields, including serving as a Senior Management Consultant with Touche Ross & Co. (currently Deloitte & Touche) for nine years. From December 1, 2004 to March 31, 2005, Ms. Olmstead

served as our Interim Chief Financial Officer. Ms. Olmstead's expertise is in strategic business planning, financial systems design and implementation and tax preparation and planning. Her involvement with numerous Fortune 500 companies such as Ford Motor Co., Mobil Oil and Coors resulted in cost savings measures and increases in profitability through the implementation of improved financial and communication systems.

Ms. Olmstead has been an independent auditing and financial consultant for the past ten years. Ms. Olmstead has focused on improving corporate efficiency and effectiveness through a variety of means including: acting as CFO, implementing new procedures, creating reorganization plans, forecasting and planning for future growth. Some of her additional strengths are in asset management, systems integration, budgeting and cost control. Ms. Olmstead graduated *magna cum laude* from the University of Tennessee with a B.S. in Accounting and a Minor in Statistics. She is currently a member of the Colorado Society of CPAs and the Association of Professional Consultants.

Rounsevelle Schaum

Mr. Schaum has served as a Director since October 2002, and has served as the Chairman of Newport Capital Partners, Inc., an investment banking firm specializing in providing financial advisory services to emerging growth companies for the past twelve years. He is a graduate of Phillips Andover Academy and holds a Bachelor of Science degree in Mechanical Engineering from Stanford University and an MBA from the Harvard Business School. He was also a member of the faculty and Defense Research Staff of the Massachusetts Institute of Technology, where he participated in the development of the computer programs for the Ballistic Missile Early Warning System.

He is a director and chairman of the audit committee of the Quigley Corporation (NASDAQ Symbol “QGLY”) and was a founder and director of Streaming Media Corporation. He was also the Chairman and CEO of BusinessNet Holdings Corporation and has served as a crisis manager for Heller Financial Corporation. He also served on the District Advisory Council of the U.S. Small Business Administration; as Chairman of the California Small Business Development Corporation, a private venture capital syndicate; and was the founder and Managing Director of the Center of Management Sciences, a consulting firm serving the aerospace industry.

Mr. Schaum was the principal author of the “Weapon Systems Management Guide” under contract to the Office of the Secretary of Defense. Mr. Schaum resides in Newport, Rhode Island, where he has been active in civic affairs. He is a member of the Naval War College Foundation and a director of the Newport Historical Society.

Board of Directors

All directors hold office until the annual meeting of stockholders of the Company following their election or until their successors are duly elected and qualified. Officers are appointed by the Board of Directors and serve at its discretion. We have had a standing audit committee since our inception.

Audit Committee

Our current audit committee consists of two members, Jane Olmstead and George Jackson. Ms. Olmstead is an independent director and our audit committee financial expert. Ms. Olmstead was appointed to the Audit Committee in December 2004 and Mr. Jackson was appointed to the Audit Committee at the beginning of the second quarter of 2005.

Significant Employees

None.

Family Relationships

No family relationships exist among our directors or executive officers.

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Involvement in Certain Legal Proceedings

To our knowledge, during the past five years, none of our directors, executive officers, promoters, control persons, or nominees has been:

- the subject of any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- convicted in a criminal proceeding or is subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or
- found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law.

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. Once we complete the redesign of our website, the Code of Business Conduct can be found at www.camelotfilms.com. We plan to also post on this section of our website any amendment to the Code of Business Conduct, as well as any waivers that are required to be disclosed in accordance with Securities and Exchange Commission or market regulations.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the ownership of our capital stock, as of May 4, 2007, for: (i) each director; (ii) each person who is known to us to be the beneficial owner of more than 5% of our outstanding common stock; (iii) each of our executive officers named in the Summary Compensation Table; and (iv) all of our current executive officers and directors of as a group. Except as otherwise indicated in the footnotes, all information with respect to share ownership and voting and investment power has been furnished to us by the persons listed. Except as otherwise indicated in the footnotes, each person listed has sole voting power with respect to the shares shown as beneficially owned.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class[2]
Common Stock	Robert P. Atwell [1] [3]	66,915,004	58.93%
Common Stock	George Jackson [1]	3,559,955	3.13%
Common Stock	Jane Olmstead [1]	1,859,552	1.64%
Common Stock	Rounsevelle Schaum [1]	1,100,000	0.97%

Common Stock	Michael Ellis [(1)]	1,687,714	1.49%
Common Stock	**All officers and directors as a group (5 in number)**	**75,122,225**	**66.15%**
Class A Convertible Preferred Stock	Robert P. Atwell [(1)]	5,100,000	100%
Class A Convertible Preferred Stock	**All officers and directors as a group (1 in number)**	**5,100,000**	**100%**

Class B Convertible Preferred Stock	Robert P. Atwell [1]	5,100,000	100%
Class B Convertible Preferred Stock	**All officers and directors as a group (1 in number)**	**5,100,000**	**100%**

[1] The person listed is an officer and/or director of the Company and the address for each beneficial owner is 2020 Main Street, Suite 990, Irvine, CA 92614.

[2] Based on 113,557,700 common shares and 5,100,000 shares each of Class A and Class B outstanding as of May 4, 2007.

[3] Includes shares issued to The Atwell Group, Inc., Eagle Consulting Group, Inc., and The Corporate Solution, for which Mr. Atwell is the President, and shares issued to Mr. Atwell's wife.

DESCRIPTION OF SECURITIES

We are authorized to issue 150,000,000 shares of common stock, par value $0.001 per share, and 50,000,000 shares of “blank check” preferred stock, par value $0.001 per share, of which 10,000,000 shares have been designated Class A Convertible Preferred Stock and 10,000,000 shares have been designated Class B Convertible Preferred Stock. As of May 4, 2007, there were outstanding 113,557,700 shares of common stock, 5,100,000 shares of Class A Convertible Preferred Stock and 5,100,000 shares of Class B Convertible Preferred Stock. Only common stock is offered in this prospectus.

Common Stock

Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of our stockholders. Holders of our common stock are entitled to receive dividends ratably, if any, as may be declared by the board of directors out of legally available funds, subject to any preferential dividend rights of any outstanding preferred stock (there are none currently). Upon our liquidation, dissolution or winding up, the holders of our common stock are entitled to receive ratably our net assets available after the payment of all debts and other liabilities and subject to the prior rights of any outstanding preferred stock. Holders of our common stock have no preemptive, subscription, redemption or conversion rights. The outstanding shares of common stock are fully paid and non-assessable. The rights, preferences and privileges of holders of our common stock are subject to, and may be adversely affected by, the rights of holders of shares of any series of preferred stock which we may designate and issue in the future without further shareholder approval.

Preferred Stock

We have authorized 50,000,000 shares of “blank check” preferred stock, par value $0.001 per share, of which 10,000,000 shares have been designated Class A Convertible Preferred Stock and 10,000,000 shares have been designated Class B Convertible Preferred Stock. Our Board of Directors has the authority, without further action by the stockholders, to issue from time to time the blank check preferred stock in one or more series for such consideration and with such relative rights, privileges, preferences and restrictions that the Board may determine. The preferences, powers, rights and restrictions of different series of preferred stock may differ with respect to dividend rates, amounts payable on liquidation, voting rights, conversion rights, redemption provisions, sinking fund provisions and purchase funds and other matters. The issuance of preferred stock could adversely affect the voting power or other rights of the holders of common stock.

Class A Convertible Preferred Stock

The Class A is reserved for employees, consultants and other professionals retained by the Company, and ranks junior to the Class B as to the payment of dividends and distribution of assets. Dividends are payable only if declared by the Board of Directors and are not cumulative. Each share of Class A Convertible Preferred Stock entitles the holder to 50 votes, and is convertible into 2 common shares upon demand.

Class B Convertible Preferred Stock

The Class B is reserved for the Board of Directors, and ranks senior to the Class A as to the payment of dividends and distribution of assets. Dividends are payable only if declared by the Board of Directors and are not cumulative. Each share of Class B Convertible Preferred Stock entitles the holder to 1,000 votes, and is convertible into 10 common shares, once the thirty day moving average bid price of the common stock is at or exceeds $0.15 per share. In the event of liquidation, holders of Class B shall rank senior to Class A holders and are entitled to $1.00 per share held of Class B.

Convertible Notes

On December 27, 2006, we entered into a Securities Purchase Agreement for a total subscription amount of $1,000,000 that included Stock Purchase Warrants and Callable Secured Convertible Notes with AJW Partners, LLC, AJW Offshore, Ltd., AJW Qualified Partners, LLC and New Millennium Capital Partners II, LLC (collectively, the “Investors”). The initial funding of $600,000, of which we received net proceeds of $525,000, was completed on December 29, 2006 (the “Closing Date”). On the Closing Date, the following parties issued callable secured convertible notes as follows: AJW Partners, LLC invested $52,200; AJW Offshore, Ltd. invested $358,800; AJW Qualified Partners, LLC invested $181,800; and New Millennium Capital Partners II, LLC invested $7,200.

The Callable Secured Convertible Notes are convertible into shares of our common stock at a variable conversion price based upon the applicable percentage of the average of the lowest three (3) intraday trading prices for the Common Stock during the twenty (20) trading day period prior to conversion. The “Applicable Percentage” means 50%; provided, however, that the Applicable Percentage shall be increased to (i) 55% in the event that a Registration Statement is filed within thirty days of the closing, and (ii) 60% in the event that the Registration Statement is declared effective by the SEC. Under the terms of the callable secured convertible note and the related warrants, the callable secured convertible note and the warrants are exercisable by any holder only to the extent that the number of shares of common stock issuable pursuant to such securities, together with the number of shares of common stock owned by such holder and its affiliates (but not including shares of common stock underlying unconverted shares of Callable Secured Convertible Notes or unexercised portions of the warrants) would not exceed 4.99% of the then outstanding common stock as determined in accordance with Section 13(d) of the Exchange Act.

Warrants

Based on our recent financing, we issued the following seven year warrants to purchase shares of our common stock, exercisable at $0.15 per share: AJW Partners, LLC - 870,000 warrants; AJW Offshore, Ltd. - 5,980,000 warrants; AJW Qualified Partners, LLC - 3,030,000 warrants; and New Millennium Capital Partners II, LLC - 650,000 warrants. Each Warrant entitles the holder to one share of our common stock and is exercisable for seven years from December 27, 2007. The Warrants are not subject to registration rights.

In connection with the recent financing and pursuant to a Structuring Agreement, we also issued to Lionheart Associates, LLC d/b/a Fairhills Capital warrants representing the right to purchase up to 582,609 shares of our common stock under the same terms as the Warrants issued to the Investors.

INTEREST OF NAMED EXPERTS AND COUNSEL

No expert or counsel named in this prospectus as having prepared or certified any part of this prospectus or having given an opinion upon the validity of the securities being registered or upon other legal matters in connection with the registration or offering of the common stock was employed on a contingency basis, or had, or is to receive, in connection with the offering, a substantial interest, direct or indirect, in the registrant or any of its parents or subsidiaries. Nor was any such person connected with the registrant or any of its parents or subsidiaries as a promoter, managing or principal underwriter, voting trustee, director, officer, or employee. Anslow & Jaclin, LLP, retained as our independent legal counsel in connection with our recent financing transaction, has provided an opinion on the validity of our common stock.

The December 31, 2006 financial statements included in this prospectus and the registration statement have been audited by Malone & Bailey, P.C. and the December 31, 2005 financial statements have been audited by Epstein, Weber & Conover, PLC, to the extent and for the periods set forth in their reports appearing elsewhere herein and in

the registration statement, and are included in reliance upon such report given upon the authority of said firm as experts in auditing and accounting.

DISCLOSURE OF COMMISSION POSITION OF INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Our Certificate of Incorporation provides that, to the fullest extent permitted by law, none of our directors or officers shall be personally liable to us or our stockholders for damages for breach of any duty owed to our stockholders or us.

In addition, we have the power, by our by-laws or in any resolution of our stockholders or directors, to undertake to indemnify the officers and directors of ours against any contingency or peril as may be determined to be in our best interest and in conjunction therewith, to procure, at our expense, policies of insurance. At this time, no statute or provision of the by-laws, any contract or other arrangement provides for insurance of any of our controlling persons, directors or officers that would affect his or her liability in that capacity.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the small business issuer pursuant to the foregoing provisions, or otherwise, the small business issuer has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities, other than the payment by us of expenses incurred or paid by our directors, officers or controlling persons in the successful defense of any action, suit or proceedings, is asserted by such director, officer, or controlling person in connection with any securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issues.

DESCRIPTION OF BUSINESS

Business Development

Background of the Company

We are 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. We were originally incorporated in Delaware on October 12, 1999 as Dstage.com, Inc. with the intention to provide support, organization and restructuring services to development stage companies. From then, until March 31, 2003, the Company's activities consisted of developing its business plan, raising capital, business plan implementation, recruiting a management team and entering into new ventures and alliances with affiliates. On March 31, 2003, we underwent a restructuring which resulted in a new management team and the adoption of a new business model to pursue the development, production, marketing and distribution of motion pictures. On April 15, 2004, we changed our name to Camelot Entertainment Group, Inc. (“CMEG”), and incorporated its refined business model of developing, producing, marketing and distributing motion pictures, television and digital media.

Since inception and continuing into 2006, we had been in the development stage and our activities consisted of raising capital, recruiting a management team and entering into ventures and alliances with affiliates. During 2006, we stepped up operations and began the process of identifying and selecting various projects to be produced by the Company. As a result, we have entered into various verbal and written option agreements on projects to be developed and produced through our Camelot Film and Media Group division. Our urban film division, which is part of our film and media group, is completing a feature length documentary which we expect will be available for distribution during the second quarter of 2007. Our studio group division has begun the process of potentially acquiring the rights to build our first studio project in Orange County, California. We expect to have a final decision on whether or not we will be able to acquire those rights at some point during the second quarter of 2007. Further, we are in the process of retaining consultants and other experts to assist us in implementing our business model. To date, the Company has substantially relied on issuing stock to officers, directors, professional service providers and other parties in exchange for services and technology. As our operations begin to grow, it becomes even more critical for us to be able to attract and secure the necessary financing to sustain these activities. If we are unable to do so, our ability to continue as a going concern would be adversely affected.

During 2004 and 2005 we acquired three companies, Camelot Films, Inc., a Nevada corporation, Camelot Films, Inc., a California corporation, and Camelot Films, Inc., a Delaware corporation, all of which are our wholly-owned subsidiaries. None of the corporations have current operations, assets or liabilities. Each newly acquired subsidiary will handle a specific area of our business model, including, but not limited to, production services, marketing, distribution and our new family film division.

In the second quarter of 2005, we incorporated Ferris Wheel Films, Inc., a Nevada corporation and wholly owned subsidiary of us, to establish a family film division dedicated to developing, producing, marketing and distributing specifically family films domestically and internationally.

Fiscal year 2005 saw us take the initial steps in setting up European operations in order to better facilitate potential funding and production opportunities in Europe. The first step in this process was to be the retention of a business consultant to represent us at the Berlin Film Festival during the first quarter of 2005. In the second quarter of 2005, we formed Camelot Distribution Group, Inc. and hired Chris Davis International, Inc. to consult with us and help develop our international film distribution subsidiary. Camelot Distribution Group, Inc. was incorporated in Nevada in the second quarter of 2005 and is also a wholly owned subsidiary of Camelot Entertainment Group, Inc. In May 2006 we entered into a binding letter of intent to acquire Elemental Pictures, Inc., a production company with limited operations in Capetown, South Africa, Majorca, Spain, Berlin, Germany, and most recently in Seoul, South Korea. Elemental has three motion pictures in pre-production, and is actively developing a horror trilogy which they expect will be ready for pre-production during the summer of 2007. Elemental has generated limited revenues to date, mostly through production service contracts in South Africa and Majorca Spain. Until we finalize a formal agreement to acquire Elemental and their pictures are produced and distributed, we do not expect any financial impact on our Company. We anticipate entering into a formalized agreement with Elemental during the first or second quarter of 2007.§

We are comprised of the following three top-level divisions that can act in concert on its projects or autonomously as circumstances warrant.

§ Film & Media Group
§ Camelot Studio Group
§ Camelot Production Services Group

Camelot Film & Media Group is responsible for all content production and distribution. It is organized into five operational units:

- § Camelot Films
- § Camelot Features
- § Camelot Distribution
- § Camelot Television
- § Camelot Digital Media

Camelot Studio Group is solely focused on the development, financing, design, planning, building, completion and operation of the major West Coast production studio, which Camelot is currently proposing to locate in the Advanced Technology & Education Park ("ATEP") complex, which would include the following entities:

- § Studio Development
- § Business Development
- § Developer
- § Counsel
- § Academic Program Development

Camelot Production Services Group is comprised of five divisions:

- § Technology
- § Radio and Music
- § Consulting
- § Financial Services
- § Event Management

Our New Camelot Films Business Model

The new management team developed a new Camelot Films business model for implementation during 2004 and 2005 and continued to enhance its model during 2006. The plan attempts to combine the efficiencies realized by studios of the early 1900s, with the artistic focus and diversity of today's independent productions. Using this approach, the Company believes the risk-reward relationship facing the typical film project can be dramatically shifted. Three key ingredients of the business model are financial transparency, full-time annualized employment and employee revenue/stock ownership.

For example, whereas a typical film pushes artists and directors to rush development and production in hopes of conserving cash, the Camelot model extends the pre-production cycle substantially to reduce costs while simultaneously increasing quality. Similarly, whereas a low-budget picture is severely limited by the types of postproduction technology used, due to budget constraints, Camelot intends to invest directly in top of the line technology, spreading the costs over a minimum 12 original motion pictures each year. The goal 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.

We believe that only a fraction of the writers, directors, actors and other film production personnel actively seeking motion picture projects are successful in any given year. Similarly, we believe that only a small fraction of films in production in any given year will actually be released and an even smaller percentage will generate profits. As a result, it is our opinion that independent filmmakers are often willing to go to great lengths to get a picture made, sacrificing not only their current standard of living, but also their claim to potential profits made by the film. Despite these concessions, relatively few succeed. Our business model is intended to overcome these obstacles for writers,

producers, directors, actors and other personnel that wish to actively participate in original motion picture projects and are willing to accept incentive and stock based compensation for a portion of their efforts, while still receiving full compensation and benefits.

We believe that our plan to create our motion pictures should succeed because our management team has worked extensively in all phases of motion picture production. In addition, we are actively seeking to bolster our management team with executives who have extensive experience in not only motion picture production, distribution and marketing, but also in television and other related fields. This combined experience led our management team to a number of beliefs upon which our business model for creating our product is founded. These key views are:

- The manner in which development and pre-production activities are managed can have the largest impact on the quality, creative content and the cost of creating a motion picture.

- There are a number of factors that make it difficult for most production companies to invest large amounts of time and a proportionally large share of a motion picture's overall budget into development and pre-production activities.

- The factors that make it difficult for many motion picture projects to invest a major share of a film's time and financial resources into development and pre-production activities may have created a pervasive business culture that emphasizes moving projects towards principal photography too quickly.

- A very small percentage of all writers that want to have their screenplays become completed motion picture projects will ever realize this ambition.

- A very small percentage of all directors will participate in principal photography in any given year.

- The percentage of qualified actors that never have the opportunity to participate in a completed original motion picture that is released commercially is substantial.

- There are large periods of unemployment for many individuals involved in motion picture production.

We believe that these observations suggest that the capacity to create motions pictures, in terms of employable professionals, is far higher than the current demand of existing film production companies for these services. However, we also believe that growth in motion picture consumption worldwide has created increased demand for original motion pictures in general. As a result, we anticipate that the underemployed, or unemployed, directors, writers and other film professionals could help fill a void for low cost, quality original motion picture production, given the right mix of incentives and business structure.

Successfully creating such low cost, but relatively high quality pictures might result in a higher per picture financial return and a lower breakeven point for each film produced. Also, by distributing these pictures primarily through in-house distribution professionals, the per picture return might be increased even further, enabling more motion pictures to be produced by us annually and thereby diversifying the risk associated with any single film project. These beliefs form the foundation for our planned business model and strategy.

The Motion Picture Industry

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

General. According to the Motion Picture Association's *U.S. Theatrical Market: 2005 Statistics*, overall domestic box office revenue was approximately $9.0 billion in 2005. Although it fluctuates from year to year (including a moderate decline from 2004 to 2005), the domestic motion picture industry has grown in revenues and attendance over the past 10 years, with box office receipts up 63.7% and admissions up 11.1% from 1995 to 2005. However, revenues and attendance numbers have remained fairly flat from 2002 to 2005.

Competition. Major studios have historically dominated the motion picture industry. The term major studios is generally regarded in the entertainment industry to mean: Universal Pictures (“Universal”); Warner Bros.; Twentieth Century Fox; Sony Pictures Entertainment (“Sony”); Paramount Pictures; and The Walt Disney Company (“Disney”). Competitors less diversified than the major studios include Dreamworks SKG (now owned by Paramount), The Weinstein Company, Jerry Bruckheimer Films, Miramax Films, Lions Gate Entertainment Corp., New Line Cinema, Newmarket Films, Motion Picture Distribution LP and IFC Entertainment.

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

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

Typical Film Release Windows*

Release Period	**Months After Initial Release**	**Approximate Release Period**
Theatrical	--	0-3 months
Home video/ DVD (1st cycle)	3-6 months	1-3 months
Pay-per-transaction (pay per-view and video-on-demand)	4-8 months	3-4 months
Pay television	9-12 months**	18 months
Network or basic cable	21-28 months	18-60 months
Syndication	48-70 months	12-36 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.

** First pay television window.

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

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

Principal photography, or the actual physical principal production and filming of the screenplay, generally extends on the average from 4 to 16 weeks, with some schedules extending out as much as 52 weeks, depending upon such factors as budget, location, weather and complications inherent in the screenplay. Following completion of principal photography, the motion picture enters what is typically referred to as post-production. In this phase, the motion picture is edited, opticals, dialogue, music and any special effects are added, and voice, effects and music soundtracks and pictures are synchronized. This results in the production of the negative from which release prints of the motion picture are made. Major studios and independent film companies hire editors, composers and special effects

technicians on the basis of their suitability for a particular picture.

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

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

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

Business of Issuer

Our Products and Services and their Markets

We are engaged in the development, production, marketing and distribution of original motion pictures. Our objective is to develop, produce, market and distribute 12 pictures annually. Our initial plans call for a slate of 36 pictures, with a total cash investment of $15,000,000 for the slate. We plan to operate on an annual budget basis, allocating expenses over the planned 12 pictures we expect to produce annually. By utilizing production teams that will be hired on an annual basis, our cost allocation per film project is reduced significantly, in some cases by 30% to 40%. The elements of our annual budget will include cash, deferments, corporate contributions and utilization of our common stock. Each picture is expected to have a 12 month production cycle, including 6 months of pre-production, 2 months of physical production and 4 months of post-production. Our plan is to market and distribute all of our pictures ourselves through our Camelot Distribution subsidiary, thereby keeping as much control as possible over the revenues generated by our productions.

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

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

Pre-Production

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

Production/Principal Photography

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

Post-Production

Following the last date of principal photography, the film footage produced during that phase enters the post-production phase. Post-production is the phase where the film footage captured in the production phase is enhanced and edited into a form that should, hopefully, strike a cord with the target audience upon release of the completed motion picture. This phase includes activities such as adding voices as needed, opticals, music, special effects, soundtracks, and even additional film footage. These elements must be brought together symbiotically, to

create a completed negative ready to be converted into release prints. This phase has a substantial impact on how an audience perceives the work that was performed during the principal photography phase. For instance, although the performances of actors and directors may have been excellent during the principal photography phase, if the sound, sequence of visuals and events are not brought together in the proper manner, the end result may not be artistically or commercially viable. For major studios, hiring the best available consultants, editors or other parties to remedy, at least partially, such an outcome can often mitigate such an event. Few independent productions can access such resources without exceeding the projected revenues required to deliver a potential return to their investors.

The Completion Bond

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

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

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

Fees for the completion bond are normally paid out of a particular's film budget. These fees