

Camelot Entertainment Group, Inc.
Form 8-K
March 24, 2010

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 23, 2010

CAMELOT ENTERTAINMENT GROUP INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

| | | |
|---|--------------------------------------|--|
| Delaware (State or other jurisdiction of incorporation or organization) | 000-3078 (Commission File Number) | 52-2195605 (IRS Employee Identification No.) |
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|--|---------------------|
| 8001 Irvine Center Drive Suite 400 Irvine CA (Address of principal executive offices) | 92618 (Zip Code) |
|--|---------------------|

Registrant's telephone number, including area code: (949) 754 3030

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT(S)
1.01

On March 23, 2010, the Company's Board of Directors ratified an agreement entered into between the Company and AJW Partners, LLC, AJW Partners II, LLC, AJW Master Fund, Ltd., AJW Master Fund II, Ltd. and New Millennium Capital Partners III on March 18, 2010 whereby we entered into an Securities Purchase Agreement (the "Securities Purchase Agreement") with AJW Partners, LLC, AJW Partners II, LLC, AJW Master Fund, Ltd., AJW Master Fund II, Ltd. and New Millennium Capital Partners III (collectively, the "Investor"). Under the terms of the Securities Purchase Agreement, the Investor purchased an aggregate of (i) \$75,000 in callable convertible secured notes (the "Notes"). The Company received the initial proceeds from the Securities Purchase Agreement on March 19, 2010.

The Notes carry an interest rate of 10% and a maturity date of March 17, 2013. The notes are convertible into our common shares at the Variable Conversion Price (as defined hereafter). The Variable Conversion Price shall be equal to the Applicable Percentage multiplied by the average of the lowest three (3) trading prices for our shares of common stock during the twenty (20) trading day period prior to conversion. The Applicable Percentage is 45%.

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

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

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

ITEM CREATION OF A DIRECT FINANCIAL OBLIGATION OR AN OBLIGATION UNDER AN
2.03 OFF-BALANCE SHEET ARRANGEMENT OF A REGISTRANT

The sale of Note described in Item 1.01 has been completed. The Notes are a debt obligation arising other than in the ordinary course of business which constitute a direct financial obligation of us.

ITEM UNREGISTERED SALES OF EQUITY SECURITIES
3.02

The Note referenced in Item 1.01 was offered and sold to the Investors in a private placement transaction in reliance upon exemptions from registration pursuant to Section 4(2) of the Securities Act of 1933 and/or Rule 506 of Regulation D promulgated thereto. Each of the Investors is an accredited investor as defined in Rule 501 of Regulation D under the Securities Act of 1933.

ITEM FINANCIAL STATEMENT AND EXHIBITS

9.01

(a) Financial Statements of Business Acquired.

None

(b) Pro Forma Financial Information.

None

(c) Exhibits.

| Exhibit Number | Description |
|-------------------|--|
| 4.1 | Securities Purchase Agreement dated March 17, 2010 by and among the Company and the Investor |
| 4.2 | Form of Callable Convertible Secured Note by and among the Company and the Investor |
| 4.3 | Registration Rights Agreement by and among the Company and the Investor |
| 4.4 | Security Agreement by and among the Company and the Investor |
| 4.5 | Intellectual Property Security Agreement by and among the Company and the Investor |
| 4.6 | Subsidiary Guarantee Agreement by and among the Company and the Investor |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

CAMELOT ENTERTAINMENT GROUP, INC.

Dated: March 23, 2010

By: /s/ Robert P. Atwell
Robert P. Atwell
Chairman