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-and-

VAN COTT, BAGLEY, CORNWALL & McCARTHY

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Attorneys for Defendants Camelot Entertainment

Group, Inc., Camelot Film Group, Inc., Camelot Distribution

Group, Inc, Robert P. Atwell, Jamie R. Thompson and Steven Istock

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF UTAH, CENTRAL DIVISION

INCENTIVE CAPITAL, LLC,

Plaintiff,

v.

CAMELOT ENTERTAINMENT GROUP,
INC., a Delaware Corporation; CAMELOT
FILM GROUP, INC., a Nevada Corporation;
CAMELOT DISTRIBUTION GROUP, INC., a
Nevada Corporation; ROBERT P. ATWELL,
an individual; JAMIE R. THOMPSON, an
individual; STEVEN ISTOCK, an individual;
TED BAER, an individual; PETER
JAROWEY, an individual,

Defendants.

**ANSWER AND COUNTERCLAIM OF
CAMELOT ENTERTAINMENT
GROUP, INC., CAMELOT FILM
GROUP, INC., CAMELOT
DISTRIBUTION GROUP, INC.,
ROBERT P. ATWELL, JAMIE R.
THOMPSON AND STEVEN ISTOCK
TO AMENDED COMPLAINT**

JURY DEMAND

Case No. 2:11-CV-00288

Judge Clark Waddoups

Defendants and Counterclaimants CAMELOT ENTERTAINMENT
GROUP, INC., a Delaware Corporation, CAMELOT FILM GROUP, INC., a
Nevada Corporation, CAMELOT DISTRIBUTION GROUP, INC., a Nevada
Corporation, ROBERT P. ATWELL, an individual, JAMIE R. THOMPSON, an

individual, and STEVEN ISTOCK, an individual (“Defendants”), answer the Amended Complaint filed in this action by Plaintiff, Incentive Capital, LLC, a Utah Limited Liability Company, and admit, deny and allege as follows:

FIRST DEFENSE

The Amended Complaint fails to state a claim against Defendants upon which relief may be granted.

SECOND DEFENSE

Answering the specific allegations contained in the Amended Complaint, on a paragraph by paragraph basis, Defendants state as follows:

NATURE OF THE ACTION

1. Answering Paragraph 1 of the Complaint, the Complaint speaks for itself.
2. Defendants deny the allegations contained in Paragraph 2 of the Complaint.
3. Answering Paragraph 3 of the Complaint, the “Loan Documents” speak for themselves. Otherwise, defendants deny that there was a foreclosure or that Incentive is the “legal title holder” of the “Library”.
4. Defendants deny the allegations contained in paragraph 4 of the Complaint.
5. Defendants deny the allegations contained in paragraph 5 of the Complaint.

DESCRIPTION OF THE PARTIES

6. Defendants are without knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 6 of the Complaint, and on said grounds deny the same.

7. Defendants admit the allegations contained in paragraph 7 of the Complaint.

8. Defendants admit the allegations contained in paragraph 8 of the Complaint.

9. Defendants admit the allegations contained in paragraph 9 of the Complaint.

10. Defendants admit the allegations contained in paragraph 10 of the Complaint.

11. Defendants admit that Jamie Thompson was President of Camelot Distribution Group but otherwise deny the allegations contained in Paragraph 11 of the Complaint.

12. Defendants admit that Steven Istock is CFO of Camelot Entertainment Group but otherwise deny the allegations contained in Paragraph 12 of the Complaint.

13. Defendants deny that Ted Baer is "General Counsel for CEG, CFG and CDG" but otherwise admit the allegations contained in Paragraph 13 of the Complaint.

14. Defendants deny the allegations contained in paragraph 14 of the Complaint.

15. Defendants deny the allegations contained in paragraph 15 of the Complaint.

16. Defendants deny the allegations contained in paragraph 16 of the Complaint.

17. Defendants deny the allegations contained in paragraph 17 of the Complaint.

18. Defendants deny the allegations contained in paragraph 18 of the Complaint.

19. Defendants deny the allegations contained in paragraph 19 of the Complaint.

20. Defendants deny the allegations contained in paragraph 20 of the Complaint.

21. Answering Paragraph 21 of the Complaint, Defendants admit that Exhibit A to the Complaint is a document titled Promissory Note, the terms of said document speak for themselves.

22. Answering Paragraph 22 of the Complaint, Defendants admit that Exhibit A to the Complaint is a document titled Promissory Note, the terms of said document speak for themselves

JURISDICTION AND VENUE

23. Answering Paragraph 23 of the Complaint, Defendants admit that Exhibit B to the Complaint is a document titled Security Agreement, however, the terms of said document speak for themselves.

24. Answering Paragraph 24 of the Complaint, Defendants admit that Exhibit B to the Complaint is a document titled Security Agreement, however, the terms of said document speak for themselves.

25. Answering Paragraph 25 of the Complaint, Defendants admit that Exhibit B to the Complaint is a document titled Security Agreement, however, the terms of said document speak for themselves

26. Answering Paragraph 26 of the Complaint, Defendants admit that Exhibit C to the Complaint is a document titled Security and Participation, however, the terms of said document speak for themselves.

27. Answering Paragraph 27 of the Complaint, Defendants admit that Exhibit C to the Complaint is a document titled Security and Participation, however, the terms of said document speak for themselves.

28. Answering Paragraph 28 of the Complaint, Defendants admit that Exhibit C to the Complaint is a document titled Security and Participation, however, the terms of said document speak for themselves.

29. Answering Paragraph 29 of the Complaint, Defendants admit that Exhibit E to the Complaint is a document titled Commercial Guaranty, however, the terms of said document speak for themselves.

30. Answering Paragraph 30 of the Complaint, Defendants admit that Exhibit E to the Complaint is a document titled Commercial Guaranty, however, the terms of said document speak for themselves.

31. Answering Paragraph 31 of the Complaint, Defendants admit that Exhibit F to the Complaint is a document titled Commercial Guaranty, however, the terms of said document speak for themselves.

32. Answering Paragraph 32 of the Complaint, Defendants admit that Exhibit F to the Complaint is a document titled Commercial Guaranty, however, the terms of said document speak for themselves.

33. Answering Paragraph 33 of the Complaint, Defendants admit that Exhibit G to the Complaint is a document titled Commercial Guaranty, however, the terms of said document speak for themselves.

34. Answering Paragraph 34 of the Complaint, Defendants admit that Exhibit G to the Complaint is a document titled Commercial Guaranty, however, the terms of said document speak for themselves.

35. Answering Paragraph 35 of the Complaint, Defendants admit that Exhibit H to the Complaint is a document titled Escrow Agreement, however, the terms of said document speak for themselves.

36. Answering Paragraph 36 of the Complaint, Defendants admit that Exhibit H to the Complaint is a document titled Escrow Agreement, however, the terms of said document speak for themselves.

37. Answering Paragraph 37 of the Complaint, Defendants admit that Exhibit I to the Complaint is a document titled Loan Modification Agreement, however, the terms of said document speak for themselves.

38. Answering Paragraph 38 of the Complaint, Defendants admit that Exhibit I to the Complaint is a document titled Loan Modification Agreement, however, the terms of said document speak for themselves.

39. Answering Paragraph 39 of the Complaint, the "Loan Documents" and terms of the documents speak for themselves.

40. Defendants incorporate their responses to Paragraph 1-39 of this Answer.

41. Answering Paragraph 41 of the Complaint, the terms of the Note speak for themselves.

42. Answering Paragraph 42 of the Complaint, the terms of the Note speak for themselves.

43. Answering Paragraph 43 of the Complaint, the terms of the Loan Documents speak for themselves.

44. Answering Paragraph 44 of the Complaint, the terms of the Exhibits to the Complaint speak for themselves.

45. Defendants deny the allegations contained in paragraph 45 of the Complaint.

GENERAL ALLEGATIONS

46. Answering Paragraph 46 of the Complaint, Defendants admit that Exhibit F to the Complaint is a document titled Guaranty Agreement; however, the terms of said document speak for themselves.

47. Answering Paragraph 47 of the Complaint, Defendants admit that Exhibit G to the Complaint is a document titled Guaranty Agreement; however, the terms of said document speak for themselves.

48. Answering Paragraph 48 of the Complaint, the documents attached to the Complaint speak for themselves.

49. Answering Paragraph 49 of the Complaint, the documents, and legal effect thereof, attached to the Complaint speak for themselves.

50. Answering Paragraph 50 of the Complaint, CFG Security Agreement, and the legal effect thereof, speak for themselves.

51. Answering Paragraph 1 of the Complaint, the documents (including the Escrow Agreement), attached to the Complaint speak for themselves.

52. Defendants deny the allegations contained in paragraph 52 of the Complaint.

53. Answering Paragraph 53 of the Complaint, the Loan Modification, Exhibit I, speaks for itself. Defendants have insufficient information to admit or deny the allegations as to Incentive's motives, and on that basis deny said allegation.

54. Answering Paragraph 54 of the Complaint, the terms and conditions of the Loan Modification speaks for themselves.

55. Defendants are without knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 55 of the Complaint regarding Incentive's motives and the Loan Modification, and on said grounds deny said allegation.

56. Defendants deny the allegations contained in paragraph 56 of the Complaint.

57. Defendants deny the allegations contained in paragraph 57 of the Complaint.

**Incentive Properly Foreclosed on the Library
and Related Rights and Interests**

58. Defendants deny the allegations contained in paragraph 58 of the Complaint.

59. Defendants deny the allegations contained in paragraph 59 of the Complaint.

60. Defendants deny the allegations contained in paragraph 60 of the Complaint.

61. Defendants deny the allegations contained in paragraph 61 of the Complaint.

62. Defendants deny the allegations contained in paragraph 62 of the Complaint.

63. Defendants deny the allegations contained in paragraph 63 of the Complaint.

64. Answering Paragraph 64 of the Complaint, Defendants admit that Exhibit J to the Complaint is a document titled "Transfer Statement", however, the terms of said document speak for themselves.

65. Defendants deny the allegations contained in paragraph 65 of the Complaint.

66. Defendants deny the allegations contained in paragraph 66 of the Complaint.

67. Defendants deny the allegations contained in paragraph 67 of the Complaint.

68. Defendants deny the allegations contained in paragraph 68 of the Complaint.

69. Answering Paragraph 69 of the Complaint, the Complaint filed in case No. CV11-01949 speaks for itself.

70. Defendants deny the allegations contained in paragraph 70 of the Complaint.

71. Defendants deny the allegations contained in paragraph 71 of the Complaint.

72. Defendants deny the allegations contained in paragraph 72 of the Complaint.

73. Defendants deny the allegations contained in paragraph 73 of the Complaint.

74. Defendants deny the allegations contained in paragraph 74 of the Complaint.

**Camelot and the Atwell Defendants Made Fraudulent
Misrepresentations to Induce the Loan**

75. Defendants deny the allegations contained in paragraph 75 of the Complaint.

76. Defendants deny the allegations contained in paragraph 76 of the Complaint.

77. Defendants deny the allegations contained in paragraph 77 of the Complaint.

78. Defendants deny the allegations contained in paragraph 78 of the Complaint.

79. Defendants deny the allegations contained in paragraph 79 of the Complaint.

80. Defendants deny the allegations contained in paragraph 80 of the Complaint.

81. Defendants deny the allegations contained in paragraph 81 of the Complaint.

82. Defendants deny the allegations contained in paragraph 82 of the Complaint.

83. Defendants deny the allegations contained in paragraph 83 of the Complaint.

84. Defendants deny the allegations contained in paragraph 84 of the Complaint.

85. Defendants deny the allegations contained in paragraph 85 of the Complaint.

86. Defendants deny the allegations contained in paragraph 86 of the Complaint.

87. Defendants deny the allegations contained in paragraph 87 of the Complaint.

88. Defendants deny the allegations contained in paragraph 88 of the Complaint.

89. Defendants deny the allegations contained in paragraph 89 of the Complaint.

90. Defendants deny the allegations contained in paragraph 90 of the Complaint.

91. Defendants deny the allegations contained in paragraph 91 of the Complaint.

92. Defendants deny the allegations contained in paragraph 92 of the Complaint.

93. Defendants deny the allegations contained in paragraph 93 of the Complaint.

94. Defendants deny the allegations contained in paragraph 94 of the Complaint.

95. Defendants deny the allegations contained in paragraph 95 of the Complaint.

96. Defendants deny the allegations contained in paragraph 96 of the Complaint.

97. Defendants deny the allegations contained in paragraph 97 of the Complaint.

98. Defendants deny the allegations contained in paragraph 98 of the Complaint.

FIRST CAUSE OF ACTION
(Breach of Contract – Against CFG)

99. Answering Paragraph 99 of the Complaint, Defendants incorporate Paragraphs 1-98 of this answer.

100. Answering Paragraph 100 of the Complaint, the Loan Documents and related documents which are Exhibits to the Complaint, speak for themselves.

101. Defendants deny the allegations contained in paragraph 101 of the Complaint.

102. Defendants deny the allegations contained in paragraph 102 of the Complaint.

103. Defendants deny the allegations contained in paragraph 103 of the Complaint.

104. Defendants deny the allegations contained in paragraph 104 of the Complaint.

105. Defendants deny the allegations contained in paragraph 105 of the Complaint.

106. Defendants deny the allegations contained in paragraph 106 of the Complaint.

SECOND CAUSE OF ACTION
(Breach of Guarantees – Against CDG, CEG and Atwell)

107. Answering Paragraph 107 of the Complaint, Defendants incorporate Paragraphs 1-107 of this Answer.

108. Defendants deny the allegations contained in paragraph 108 of the Complaint.

109. Defendants deny the allegations contained in paragraph 109 of the Complaint.

110. Defendants deny the allegations contained in paragraph 110 of the Complaint.

111. Defendants deny the allegations contained in paragraph 111 of the Complaint.

112. Defendants deny the allegations contained in paragraph 112 of the Complaint.

THIRD CAUSE OF ACTION
(Promissory Estoppel – Against the Loan Parties)

113. Answering Paragraph 113 of the Complaint, Defendants incorporate Paragraphs 1-113 of this answer.

114. Defendants deny the allegations contained in paragraph 114 of the Complaint.

115. Defendants deny the allegations contained in paragraph 115 of the Complaint.

116. Defendants deny the allegations contained in paragraph 116 of the Complaint.

117. Defendants deny the allegations contained in paragraph 117 of the Complaint.

118. Defendants deny the allegations contained in paragraph 118 of the Complaint.

119. Defendants deny the allegations contained in paragraph 119 of the Complaint.

120. Defendants deny the allegations contained in paragraph 120 of the Complaint.

FOURTH CAUSE OF ACTION
(Quasi Contract, Unjust Enrichment and/or Quantum Meruit Claim – Against the Loan Parties)

121. Answering Paragraph 121 of the Complaint, Defendants incorporate Paragraphs 1-120 of this Answer.

122. Answering Paragraph 122 of the Complaint, Defendants respond that Incentive is not entitled to any relief at all, regardless of the legal theory asserted.

123. Defendants deny the allegations contained in paragraph 123 of the Complaint.

124. Defendants deny the allegations contained in paragraph 124 of the Complaint.

125. Defendants deny the allegations contained in paragraph 125 of the Complaint.

126. Defendants deny the allegations contained in paragraph 126 of the Complaint.

127. Defendants deny the allegations contained in paragraph 127 of the Complaint.

128. Defendants deny the allegations contained in paragraph 128 of the Complaint.

129. Defendants deny the allegations contained in paragraph 129 of the Complaint.

FIFTH CAUSE OF ACTION
**(Breach of Covenant of Good Faith and Fair Dealing –
Against the Loan Parties)**

130. Answering Paragraph 130 of the Complaint, Defendants incorporate Paragraphs 1-129 of this Answer.

131. Defendants deny the allegations contained in paragraph 131 of the Complaint.

132. Defendants deny the allegations contained in paragraph 132 of the Complaint.

133. Defendants deny the allegations contained in paragraph 133 of the Complaint.

134. Defendants deny the allegations contained in paragraph 134 of the Complaint.

135. Defendants deny the allegations contained in paragraph 135 of the Complaint.

SIXTH CAUSE OF ACTION
(Fraud – Against All Defendants)

136. Answering Paragraph 136 of the Complaint, Defendants incorporate Paragraphs 1-135 of this answer.

137. Defendants deny the allegations contained in paragraph 137 of the Complaint.

138. Defendants deny the allegations contained in paragraph 138 of the Complaint.

139. Defendants deny the allegations contained in paragraph 139 of the Complaint.

140. Defendants deny the allegations contained in paragraph 140 of the Complaint.

141. Defendants deny the allegations contained in paragraph 141 of the Complaint.

142. Defendants deny the allegations contained in paragraph 142 of the Complaint.

143. Defendants deny the allegations contained in paragraph 143 of the Complaint.

SEVENTH CAUSE OF ACTION
(Fraud in the Inducement – Against All Defendants)

144. Answering Paragraph 144 of the Complaint, Defendants incorporate Paragraphs 1-143 of this answer.

145. Defendants deny the allegations contained in paragraph 145 of the Complaint.

146. Defendants deny the allegations contained in paragraph 146 of the Complaint.

147. Defendants deny the allegations contained in paragraph 147 of the Complaint.

148. Defendants deny the allegations contained in paragraph 148 of the Complaint.

149. Defendants deny the allegations contained in paragraph 149 of the Complaint.

150. Defendants deny the allegations contained in paragraph 150 of the Complaint.

151. Defendants deny the allegations contained in paragraph 151 of the Complaint.

152. Defendants deny the allegations contained in paragraph 152 of the Complaint.

EIGHTH CAUSE OF ACTION
(Alter Ego – Against All Defendants)

153. Answering Paragraph 153 of the Complaint, Defendants incorporate Paragraphs 1-152 of this answer.

154. Defendants deny the allegations contained in paragraph 154 of the Complaint.

155. Defendants deny the allegations contained in paragraph 155 of the Complaint.

156. Defendants deny the allegations contained in paragraph 156 of the Complaint.

157. Defendants deny the allegations contained in paragraph 157 of the Complaint.

158. Defendants deny the allegations contained in paragraph 158 of the Complaint.

159. Defendants deny the allegations contained in paragraph 159 of the Complaint.

160. Defendants deny the allegations contained in paragraph 160 of the Complaint.

161. Defendants deny the allegations contained in paragraph 161 of the Complaint.

162. Defendants deny the allegations contained in paragraph 162 of the Complaint.

163. Defendants deny the allegations contained in paragraph 163 of the Complaint.

NINTH CAUSE OF ACTION
(Civil Conspiracy - Against All Defendants)

164. Answering Paragraph 164 of the Complaint, Defendants incorporate Paragraphs 1-163 of this answer.

165. Defendants deny the allegations contained in paragraph 165 of the Complaint.

166. Defendants deny the allegations contained in paragraph 166 of the Complaint.

167. Defendants deny the allegations contained in paragraph 167 of the Complaint.

168. Defendants deny the allegations contained in paragraph 168 of the Complaint.

169. Defendants deny the allegations contained in paragraph 169 of the Complaint.

170. Defendants deny the allegations contained in paragraph 170 of the Complaint.

171. Defendants deny the allegations contained in paragraph 171 of the Complaint.

TENTH CAUSE OF ACTION
(Conversion – Against the Loan Parties)

172. Answering Paragraph 172 of the Complaint, Defendants incorporate Paragraphs 1-171 of this answer.

173. Defendants deny the allegations contained in paragraph 173 of the Complaint.

174. Defendants deny the allegations contained in paragraph 174 of the Complaint.

175. Defendants deny the allegations contained in paragraph 175 of the Complaint.

176. Defendants deny the allegations contained in paragraph 176 of the Complaint.

177. Defendants deny the allegations contained in paragraph 177 of the Complaint.

178. Defendants deny the allegations contained in paragraph 178 of the Complaint.

ELEVENTH CAUSE OF ACTION
(Negligent Misrepresentation - Against All Defendants)

179. Answering Paragraph 179 of the Complaint, Defendants incorporate Paragraphs 1-178 of this answer.

180. Defendants deny the allegations contained in paragraph 180 of the Complaint.

181. Defendants deny the allegations contained in paragraph 181 of the Complaint.

182. Defendants deny the allegations contained in paragraph 182 of the Complaint.

183. Defendants deny the allegations contained in paragraph 183 of the Complaint.

184. Defendants deny the allegations contained in paragraph 184 of the Complaint.

185. Defendants deny the allegations contained in paragraph 185 of the Complaint.

TWELFTH CAUSE OF ACTION
(Gross Negligence – Against All Defendants)

186. Answering Paragraph 186 of the Complaint, Defendants incorporate Paragraphs 1-185 of this answer.

187. Defendants deny the allegations contained in paragraph 187 of the Complaint.

188. Defendants deny the allegations contained in paragraph 188 of the Complaint.

189. Defendants deny the allegations contained in paragraph 189 of the Complaint.

190. Defendants deny the allegations contained in paragraph 190 of the Complaint.

191. Defendants deny the allegations contained in paragraph 191 of the Complaint.

THIRTEENTH CAUSE OF ACTION
(Constructive Trust – Against the Loan Parties)

192. Answering Paragraph 192 of the Complaint, Defendants incorporate Paragraphs 1-191 of this answer.

193. Defendants deny the allegations contained in paragraph 193 of the Complaint.

194. Defendants deny the allegations contained in paragraph 194 of the Complaint.

195. Defendants deny the allegations contained in paragraph 195 of the Complaint.

196. Defendants deny the allegations contained in paragraph 196 of the Complaint.

197. Defendants deny the allegations contained in paragraph 197 of the Complaint.

198. Defendants deny the allegations contained in paragraph 198 of the Complaint.

199. Defendants deny the allegations contained in paragraph 199 of the Complaint.

FOURTEENTH CAUSE OF ACTION
(Declaratory Relief – Against All Defendants)

200. Answering Paragraph 200 of the Complaint, Defendants incorporate Paragraphs 1-199 of this answer.

201. Answering Paragraph 201 of the Complaint, the “Loan Documents” (and the legal effect thereof) speak for themselves.

202. Answering Paragraph 202 of the Complaint, the “Loan Documents” (and the legal effect thereof) speak for themselves.

203. Defendants deny the allegations contained in paragraph 203 of the Complaint.

204. Defendants deny the allegations contained in paragraph 204 of the Complaint.

205. Defendants deny the allegations contained in paragraph 205 of the Complaint.

206. Defendants deny the allegations contained in paragraph 206 of the Complaint.

207. Defendants deny the allegations contained in paragraph 207 of the Complaint.

208. Defendants deny the allegations contained in paragraph 208 of the Complaint.

209. Defendants deny the allegations contained in paragraph 209 of the Complaint.

210. Defendants deny the allegations contained in paragraph 210 of the Complaint.

211. Defendants deny the allegations contained in paragraph 211 of the Complaint.

212. Defendants deny the allegations contained in paragraph 212 of the Complaint.

213. Defendants deny the allegations contained in paragraph 213 of the Complaint.

214. Defendants deny the allegations contained in paragraph 214 of the Complaint.

FIFTEENTH CAUSE OF ACTION
(Tortious Interference with Economic Relations – Against All Defendants)

215. Answering Paragraph 215 of the Complaint, Defendants incorporate Paragraphs 1-214 of this answer.

216. Defendants deny the allegations contained in paragraph 216 of the Complaint.

217. Defendants deny the allegations contained in paragraph 217 of the Complaint.

218. Defendants deny the allegations contained in paragraph 218 of the Complaint.

219. Defendants deny the allegations contained in paragraph 219 of the Complaint.

220. Defendants deny the allegations contained in paragraph 220 of the Complaint.

FIRST AFFIRMATIVE DEFENSE

1. The Complaint, and each and every allegation contained therein fails to state a cause of action upon which relief can be granted.

SECOND AFFIRMATIVE DEFENSE
(Failure to State Cause of Action)

2. The Complaint, and each and every allegation contained therein fails to state a cause of action against these answering Defendants.

THIRD AFFIRMATIVE DEFENSE
(Comparative Negligence)

3. Any injury or damage allegedly sustained by Plaintiff was proximately caused, in whole or in part, by the negligence of Plaintiff and any recovery by Plaintiff should be barred or diminished to the extent that Plaintiff contributed to his own injury or damage.

FOURTH AFFIRMATIVE DEFENSE
(Contributory Negligence)

4. Any injury or damage allegedly sustained by Plaintiff was proximately caused, in whole or in part, by the negligence of persons other than these answering Defendants. Any recovery by Plaintiff herein should be barred or diminished to the extent that others so contributed to Plaintiff injury or damages.

FIFTH AFFIRMATIVE DEFENSE
(Mitigation of Damages)

5. Plaintiff was capable of mitigating any damages allegedly suffered by it, but failed to make reasonable effort to do so. Any recovery by Plaintiff herein should be barred or diminished to the extent that Plaintiff so failed to avoid additional, unnecessary damages.

SIXTH AFFIRMATIVE DEFENSE
(Unclean Hands)

6. Any recovery by Plaintiff is barred by the doctrine of Unclean Hands.

SEVENTH AFFIRMATIVE DEFENSE
(Waiver)

7. Any recovery by Plaintiff is barred by the doctrine of Waiver.

EIGHTH AFFIRMATIVE DEFENSE
(Estoppel)

8. Any recovery by Plaintiff is barred by the doctrine of Estoppel.

NINTH AFFIRMATIVE DEFENSE
(Set Off)

9. Any recovery by Plaintiff is to be reduced by amounts owed to Defendants.

TENTH AFFIRMATIVE DEFENSE
(Laches)

10. Any recovery by Plaintiff is barred by the doctrine of laches.

ELEVENTH AFFIRMATIVE DEFENSE
(Statute of Limitations)

11. Any recovery by Plaintiff is barred pursuant to the applicable Statute of Limitations.

TWELFTH AFFIRMATIVE DEFENSE
(Assumption of Risk)

12. Any recovery by Plaintiff is barred because Plaintiff assumes the risk of the act/damage for which he now seeks relief.

THIRTEENTH AFFIRMATIVE DEFENSE
(Plaintiff's Breach of Contract)

13. Any recovery by Plaintiff is barred because Plaintiff breached the applicable Agreements.

FOURTEENTH AFFIRMATIVE DEFENSE
(Incorporation of Claims and Allegations)

14. Defendants incorporate herein the claims and allegations asserted by it in the Complaint (“Complaint”) filed in the action entitled Camelot Entertainment, Inc, et al. v. Incentive Capital, LLC, Case Number BC 455114, previously pending in the Superior Court of the State of California, County of Los Angeles.

FIFTEENTH AFFIRMATIVE DEFENSE
(Plaintiff has been paid in full)

15. Any recovery by plaintiff is barred because Plaintiff has been paid in full by the tender of shares as more particularly described in the Complaint.

RESERVATION OF RIGHTS AS TO ALL CAUSES OF ACTION

Defendants presently have insufficient knowledge or information on which to form a belief as to whether it may have additional, as yet unstated, defenses available. Defendants reserve the right to assert additional defenses in the event discovery indicates they would be appropriate.

COUNTERCLAIM

Defendants and Counterclaimants CAMELOT ENTERTAINMENT GROUP, INC., a Delaware Corporation, CAMELOT FILM GROUP, INC., a Nevada Corporation, CAMELOT DISTRIBUTION GROUP, INC., a Nevada Corporation, and ROBERT P. ATWELL (collectively “Counterclaimants”) for a counterclaim allege as follows:

FIRST CAUSE OF ACTION
(Breach of Contract)
(Against all Counterclaim Defendants)

1. Counterclaimant Camelot Entertainment Group, Inc. is a

corporation organized and existing under the laws of the State of Delaware and is engaged in business in the State of California. It is a publicly traded company. [Camelot Entertainment Group will sometimes be referred to as CEG.]

2. Counterclaimant Camelot Film Group, Inc. is a corporation organized and existing under the laws of the State of Nevada and is engaged in business in the State of California. Camelot Film Group Inc is a wholly owned subsidiary of Camelot Entertainment Group, Inc. [Camelot Film Group will sometimes be referred to as CFG.]

3. Counterclaimant Camelot Distribution Group, Inc. is a corporation organized and existing under the laws of the State of Nevada and is engaged in business in the State of California. Camelot Distribution Group Inc. is a wholly owned subsidiary of Camelot Entertainment Group, Inc. [Camelot Distribution Group will sometimes be referred to as CDG.]

4. Counterclaimant Robert P. Atwell resides in the State of California.

5. Counterclaim Defendant Incentive Capital, LLC, is a Utah Limited Liability Company existing under the laws of the State of Utah and, on information and belief, is engaged in business in the State of California.

6 The true names and capacities, whether individual, corporate, associate or otherwise, of defendants named herein as Roes 1 through 50, inclusive, are unknown to Counterclaimants who therefore sues said Counterclaim Defendants by such fictitious names and will seek leave of court to amend this Counterclaim to insert their true names and capacities when such has been ascertained.

7. Counterclaimants are informed and believe and thereon allege that

each of the fictitiously named Counterclaim Defendants is responsible, negligently, or in some other actionable manner or legal theory, for the events and happenings alleged herein which proximately caused injury to Counterclaimants as alleged herein.

8. At all times relevant herein, the Counterclaim Defendants, and each of them, were the agents, representatives, servants, employees, assistants and the like of their co-Counterclaim Defendants, and were, as such, acting within the course and scope of such agency, representation and/or employment and with the permission, authority, knowledge and consent of the other Counterclaim Defendants; that each and every Counterclaim Defendant was negligent in the selection, hiring, monitoring, supervising and/or continued employment of each and every other Counterclaim Defendant as an agent, representative, servant, employee and/or assistant.

9. Counterclaimants are informed and believe and thereon allege that each of the Counterclaim Defendants named herein or designated as a Roe was negligently, wantonly, recklessly, maliciously and otherwise tortuously responsible in some manner for the events and happenings herein referred to and negligently, wantonly, recklessly, maliciously and otherwise tortuously proximately caused the injuries and damages to Counterclaimants as alleged herein.

10. Counterclaimants produce, distribute, license, and sell motion picture and television series/episodes. Counterclaimants' main operations are in Universal City, California, an area where many entertainment companies are located.

11. Through variety of means, Counterclaimants have accumulated a large film and television library of motion picture titles and the rights thereat. Counterclaimants either own some titles outright or are a licensee and are a holder of the rights to other titles. Counterclaimants' business includes, but is not limited to, selling, licensing and distributing these titles to third parties.

12. On information and belief, Counterclaim Defendant Incentive Capital is what is known as a hard money lender. It provides loans at high interest rates and secures those loans with a promise to repay, guarantees and collateral.

13. On or about April 27, 2011 Camelot Film Group, Inc. executed a promissory note pursuant to which Counterclaim Defendant promised to pay Camelot Film Group the sum of \$650,000 ("The Loan").

14. The Loan was to be repaid under the terms and conditions of the Note (hereinafter "Note"), a copy of which is attached as **Exhibit 1**.

15. The obligations of Camelot Film Group, Inc. under the Note were secured, by the following:

(i). A Security Agreement executed by Camelot Film Group Inc. pursuant to which Camelot Film Group purported to grant a Security Interest to Incentive in certain motion pictures (**Exhibit 2**) hereto.

(ii) A Security and Participation Agreement (**Exhibit 3**) executed by Camelot Film Group and Incentive Capital pursuant to which Camelot Film Group granted a security interest in assets to Incentive Capital which were then owned or to be acquired by Camelot Film Group. This includes the so called Liberation Assets which is a large library of motion pictures and television series. The vast majority of the Material Elements of the Liberation Assets (master copies, film

and marketing materials) are located in California.

(iii). A Commercial Guaranty Agreement executed by Camelot Distribution Group pursuant to which Camelot Distribution Group Inc. guaranteed the obligations of Camelot Film Group under the Note (**Exhibit 4**).

(iv). A Commercial Guaranty Agreement executed by Camelot Entertainment Group, Inc. Film Group Inc pursuant to which Camelot Entertainment Group, Inc guaranteed the obligations of Camelot Film Group under the Note (**Exhibit 5**).

(v). A Commercial Guaranty Agreement executed by Robert P. Atwell pursuant to which Robert Atwell guaranteed the obligations of Camelot Film Group under the Note (**Exhibit 6**) hereto.

16. **The Liberation Assets**. At the same time as the loan transaction referred to herein, Camelot Film Group Inc. purchased the Liberation Assets.

17. The initial purchase price was \$3.9 million with a ceiling of \$4.43 million dependent on the value achieved through the sale of certain titles.

18. The purchase of the Liberation Assets were affected through an agreement between a third party called CMBG Advisors, acting as the assignee for the benefit of creditors of Liberation Entertainment Inc. (The Agreement between CMBG and Camelot Film Group is attached hereto as **Exhibit 7**.)

16. Since April 28, 2010 the Counterclaimants have all right, title and interest to the Liberation Assets. That interest includes but not limited to Counterclaimants' rights as licensees as those rights relate to certain specific titles.

17. **The Escrow Agreement**. In addition to requiring certain loan

documents be executed as a condition to its funding of the loan, Incentive required that Camelot Film Group execute an escrow agreement a copy of which is attached as **Exhibit 8**.

18. The Escrow Agreement required the delivery, into Escrow, of a certificate authorizing the issuance of Six Hundred Fifty Thousand Dollars (\$650,000) worth of Capital Entertainment Group Class F Convertible Preferred Shares (the "Pledged Shares".)

19. In order to obtain the loan and in reliance on the representations of Incentive Capital Entertainment delivered the Pledged Shares into Escrow.

20. **Under the Escrow Agreement CFG, CEG and CDG has the right to unconditionally tender additional shares as payment in full of the Note.**

21. Section 1 (c) of the Escrow agreement provides, in part: "If the total consideration received by the Lender from loan payments, distribution revenues generated by Camelot Distribution Group, Inc. and/or CFG and all other sources as more fully discussed and agreed to in the Loan Documents, is less than Six Hundred and Fifty Thousand Dollars (\$650,000.00) plus applicable interest, in the aggregate, by the time all of said Common Stock has been delivered and is eligible for sale, then CEG shall issue additional shares of CEG Common Stock to the Lender until the Lender has received Common Stock that has a fair market value in an amount not less than Six Hundred Fifty Thousand Dollars (\$650,000.00) plus applicable interest."

22. Counterclaimants have performed all the obligations to be performed by them in connection with the Agreements referred to herein other than those obligations excused or waived by the Counterclaim Defendants.

23. **Incentive claims a default under the Note and proceeds against the Collateral.**

24. Under the terms of the Note the principal became due and payable on January 31, 2011.

25. As of January 31, 2011 the Counterclaimants had paid a total of \$104,750 towards the note. This represents payment of principal and interest.

26. Section 1 page 3, of the Note defines Event of Default to include: "If (a) the interest hereunder or other fee due under the Loan Documents shall not be paid in full punctually when due and payable, or within five (5) business days thereafter, or (b) the principal hereof shall not be paid in full punctually when due and payable".

27. Prior to any Notice of Default being given by Incentive, or indeed their being an actual Event of default, on February 2, 2011 Counterclaimants invoked Section 1 (c) of the Escrow Agreement and tendered shares with the aggregate value of all shares tendered equal to \$666,888 to Incentive as provided for in the Escrow Agreement. The tender was unconditional and was in the form of a letter to Incentive at its address in Utah. The letter in which Counterclaimants invoked their rights under the Escrow Agreement was written and sent to Incentive Capital by Michael O' Brien, Counterclaimants' Utah lawyer, and is attached hereto as **Exhibit 9**.

28. The letter states in relevant part: "Reference is made to that certain Escrow Agreement...[P] ursuant to the Loan Documents and the Agreement, and as of February 1, 2011, CEG, on behalf of CFG has issued 1,912,086 shares of CEG Class F Convertible Preferred Stock ("Class F Shares") to Lender which

shares, when combined with the existing Class F shares issued to Lender, are convertible into 2,012,086,097 shares of CEG Common Stock at a conversion price of \$.0003 for an aggregate value of \$666,886 in full satisfaction of the obligation of CEG and CFG under the Loan Documents.”

29. Exhibit 9 was delivered by certified mail to Incentive and complies with the requirements of Notice as outlined in the Note.

30. Incentive has never denied receiving the February 2, 2011 Notice. Rather, Incentive has chosen to ignore its obligations under the Escrow Agreement and proceeded as though the Escrow Agreement and Counterclaimants’ rights thereunder do not exist.

31. On February 9, 2011 the Counterclaim Defendant took steps to sell the collateral by way of public sale (**Exhibit 10** are the Notices of Disposition of Collateral by Public Sale issued by Nathan Doriuis, a lawyer with the law firm which, on information and belief, represents Incentive Capital). On information and belief Counterclaim Defendants have caused the publication of said Notices.

32. Counterclaimants have performed all the obligations to be performed by them other than those obligations excused or waived by the Counterclaim Defendants.

33. The Counterclaim Defendants have breached the Note, Escrow Agreement and related documents in a manner which includes but is not limited to:

- a. Noticing the auction at a time when Counterclaimants’ obligation has been paid in full.
- b. Refusing the unconditional tender of the shares.

c. Attempting to sell the Liberation Assets and convert those Assets.

34. As a proximate result of Counterclaim Defendants' breaches, Counterclaimants have been damaged in an amount according to proof.

SECOND CAUSE OF ACTION
(Declaratory Relief)
(Against all Counterclaim Defendants)

35. Counterclaimants incorporate paragraphs 1-34 of this Counterclaim as though the same are stated herein in full.

36. A dispute has arisen between Counterclaimants and Counterclaim Defendants as to the following:

a. Whether the Note has been paid off in full.

b. Whether Incentive has any right to the Collateral, including the Liberation Assets.

c. Whether Incentive is required to accept the unconditional tender as contained in Michael O' Brien's letter of February 2, 2011.

d. Whether the obligations of Camelot Entertainment, Inc., Camelot Film Group, Inc., Camelot Distribution Group, Inc. and Robert P. Atwell under the Security Agreements have been extinguished.

THIRD CAUSE OF ACTION
(Unlawful Business Practices)
(Against all Counterclaim Defendants)

37. Counterclaimants incorporates herein paragraphs 1-36 of this complaint.

38. Counterclaim Defendant's Unfair Business Practices included utilizing and converting the Liberation Assets

39. The actions and representations of the Counterclaim Defendants as

described herein were Unlawful Business Practices within the meaning of Business and Professions Code Section 17200 et seq.

40. As a result of said Counterclaim Defendants' actions, Counterclaimants have suffered damage in an amount not as yet ascertained but within the jurisdiction of this court. Counterclaimants will seek leave to amend this Counterclaim when said amount is ascertained. Through this action Counterclaimants also seek the disgorgement of all monies received by the defendant where said monies arise out of or are related to the Liberation Assets.

FOURTH CAUSE OF ACTION
(Constructive Fraud)
(Against all Counterclaim Defendants)

41. Counterclaimants incorporate herein paragraphs 1-40 of this counter-claim.

42. The actions of the Counterclaim Defendants constitute constructive fraud.

43. Effectively Counterclaim Defendant has refused payment of the obligations allegedly owed to them by refusing to accept payment in full.

44. On information and belief Counterclaim Defendants have so acted for an unlawful purpose, namely to obtain control of the Liberation Assets and any other collateral which Counterclaim Defendant seeks to acquire.

45. As a direct and proximate result of the foregoing, Counterclaimants have suffered damages which are not yet ascertained but within the jurisdiction of this court. Counterclaimants will seek leave of this court to amend this complaint when said amount has been ascertained.

46. In doing the acts herein alleged, Counterclaim Defendants acted

willfully, maliciously and with the intent to injure and oppress Counterclaimants and are guilty of a total disregard of Counterclaimants' rights and by reason thereof, Counterclaimants are entitled to exemplary and punitive damages according to proof.

FIFTH CAUSE OF ACTION
(Intentional Interference with Prospective Economic Advantage)
(Against all Counterclaim Defendants)

47. Counterclaimants incorporate Paragraphs 1 through 46 of this complaint as though same were set forth in full herein.

48. Counterclaim Defendants, in doing the acts herein alleged, knowingly and intentionally interfered with Counterclaimants' business and prospective economic advantage.

49. As a direct and proximate result of the foregoing, Counterclaimants have suffered damages which are not yet ascertained but within the jurisdiction of this court. Counterclaimants will seek leave of this court to amend this complaint when said amount has been ascertained.

50. In doing the acts herein alleged, Counterclaim Defendants acted willfully, maliciously and with the intent to injure and oppress Counterclaimants and are guilty of a total disregard of Counterclaimants' rights and by reason thereof, Counterclaimants are entitled to exemplary and punitive damages according to proof.

SIXTH CAUSE OF ACTION
(Unjust Enrichment)
(Against all defendants)

51. Counterclaimants incorporate herein paragraphs 1-50 of this complaint.

52. Any benefit which Counterclaim Defendants obtain as a result of their usurpation of the Liberation Assets would be a benefit to which they are not entitled, i.e., monies paid to defendant by third parties in connection with those assets.

53. If Counterclaim Defendants would have fulfilled their obligations under the Escrow Agreement, then Counterclaimants would have received those monies which were paid by third parties in connection with the Liberation Assets.

54. Consequently, Counterclaim Defendant should be required to disgorge all unjustly retained benefits, the full value of which are presently unknown, but are believed to exceed \$1,000,000, according to proof at trial.

DEMAND FOR JURY TRIAL

These answering Defendants and Counterclaimants hereby make a demand for a trial by jury on all issues triable as a matter of right by a jury, as provided in Fed. R. Civ. P. 38.

WHEREFORE, as to Plaintiff's Complaint, these answering Defendants pray that the Court enter judgment in their favor, that they recover their reasonable costs and attorneys' fees incurred herein, and that Plaintiff take nothing thereby and be afforded no relief.

WHEREFORE, as to their Counterclaim in this matter, Counterclaimants pray that the Court enter judgment in their favor, as follows:

ON THEIR FIRST CAUSE OF ACTION

1. For compensatory and general damages according to proof.
2. For consequential damages according to proof.

ON THEIR SECOND CAUSE OF ACTION

1. For an order of court that
 - a. The Note has been paid off in full.
 - b. Incentive has no right to the Collateral, including the Liberation Assets, or any rights therein.
 - c. Incentive is required to accept the unconditional tender as contained in Michael O' Brien's letter of February 2, 2011.
 - d. The obligations of Camelot Entertainment, Inc., Camelot Film Group, Inc., Camelot Distribution Group, Inc. and Robert P. Atwell under the Security Agreements have been extinguished.

ON THEIR THIRD CAUSE OF ACTION

1. For disgorgement of all monies received by the Counterclaim Defendants as a result of the commercial exploitation of the Liberation Assets.

ON THEIR FOURTH CAUSE OF ACTION

1. For compensatory and general damages according to proof.
2. For consequential damages according to proof.
3. For punitive damages according to proof

ON THEIR FIFTH CAUSE OF ACTION

1. For compensatory and general damages according to proof.
2. For consequential damages according to proof.
3. For punitive damages according to proof

ON THEIR SIXTH CAUSE OF ACTION

1. For compensatory and general damages according to proof.
2. For consequential damages according to proof.

ON ALL CAUSES OF ACTION

1. For the issuance of a temporary restraining order, preliminary injunction and permanent injunction, all requiring defendants, and their agents, partners, servants, and employees, and all persons acting under or in concert with or through them from:

a. Contacting any buyers or prospective licensees of any film title or television series which form part of the Liberation Assets.

b. Selling, pledging, acquiring, encumbering, hypothecating, licensing or distributing any film title or television series which forms part of the Liberation Assets.

c. Obtaining any monetary benefit from any film title or television series which forms part of the Liberation Assets.

d. Commercially exploiting the Liberation Assets

e. From auctioning, selling, or any way disposing of the Liberation Assets.

2. For reasonable costs of suit incurred herein;

3. For reasonable attorneys' fees incurred herein; and

4. For such other relief as the Court may deem just and proper.

DATED this 27th day of July, 2011.

VAN COTT BAGLEY CORNWALL & McCARTHY

/s/ John A. Snow

John A. Snow

Attorneys for Defendants Camelot Entertainment Group, Inc., Camelot Film Group, Inc., Camelot Distribution Group, Inc, Robert P. Atwell, Jamie R. Thompson and Steven Istock

CERTIFICATE OF SERVICE

I hereby certify that on the 27th day of July, 2011, I electronically filed the foregoing with the Clerk of Court using the CM/ECF system, which sent notification of such filing to the following CM/ECF participants:

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