HALF ROBERT INTERNATIONAL INC /DE/
Form 10-Q
November 08, 2012

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2012

OR

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

FOR THE TRANSITION PERIOD FROM to .

Commission File Number 1-10427

ROBERT HALF INTERNATIONAL INC.

(Exact name of registrant as specified in its charter)

Delaware	**94-1648752**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
2884 Sand Hill Road	
Suite 200	
Menlo Park, California	**94025**
(Address of principal executive offices)	**(zip-code)**

Registrant s telephone number, including area code: (650) 234-6000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. (Check one):

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock as of October 31, 2012:

140,738,839 shares of $.001 par value Common Stock

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(in thousands, except share amounts)

	September 30, 2012	December 31, 2011
ASSETS		
Cash and cash equivalents	$ 289,428	$ 279,336
Accounts receivable, less allowances of $26,226 and $22,627	556,590	493,327
Current deferred income taxes	106,971	88,578
Other current assets	151,835	145,437
Total current assets	1,104,824	1,006,678
Goodwill	190,924	189,423
Other intangible assets, net	466	50
Property and equipment, net	105,184	107,972
Other assets	5,309	7,713
Total assets	$ 1,406,707	$ 1,311,836
LIABILITIES		
Accounts payable and accrued expenses	$ 141,909	$ 117,596
Accrued payroll costs and retirement obligations	366,297	355,294
Income taxes payable	24,319	
Current portion of notes payable and other indebtedness	117	111
Total current liabilities	532,642	473,001
Notes payable and other indebtedness, less current portion	1,458	1,545
Other liabilities	36,735	36,785
Total liabilities	570,835	511,331
Commitments and Contingencies (Note G)		
STOCKHOLDERS EQUITY		
Preferred stock, $.001 par value authorized 5,000,000 shares; issued and outstanding zero shares		
Common stock, $.001 par value authorized 260,000,000 shares; issued and outstanding 140,810,908 shares and 142,085,533 shares	141	142
Capital surplus	784,327	759,476
Accumulated other comprehensive income	42,719	40,887
Retained earnings	8,685	
Total stockholders equity	835,872	800,505
Total liabilities and stockholders equity	$ 1,406,707	$ 1,311,836

The accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

are an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Net service revenues	$ 1,033,173	$ 984,668	$ 3,077,000	$ 2,803,503
Direct costs of services, consisting of payroll, payroll taxes, insurance costs and reimbursable expenses	617,924	592,765	1,844,365	1,701,223
Gross margin	415,249	391,903	1,232,635	1,102,280
Selling, general and administrative expenses	321,030	319,817	986,312	924,705
Amortization of intangible assets	100	39	187	118
Interest income, net	(348)	(148)	(867)	(598)
Income before income taxes	94,467	72,195	247,003	178,055
Provision for income taxes	36,807	28,027	95,680	70,757
Net income	$ 57,660	$ 44,168	$ 151,323	$ 107,298
Net income available to common stockholders diluted	$ 57,383	$ 43,556	$ 150,551	$ 105,740
Net income per share (Note J):				
Basic	$ .42	$ .31	$ 1.09	$ .75
Diluted	$ .41	$ .31	$ 1.08	$ .74
Shares:				
Basic	137,918	139,449	138,627	141,118
Diluted	139,141	140,433	139,735	142,373
Cash dividends declared per share	$ .15	$ .14	$ .45	$ .42

The accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

are an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
COMPREHENSIVE INCOME:				
Net income	$ 57,660	$ 44,168	$ 151,323	$ 107,298
Foreign currency translation adjustments, net of tax	4,212	(14,611)	1,832	(3,597)
Total comprehensive income	$ 61,872	$ 29,557	$ 153,155	$ 103,701

The accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

are an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (UNAUDITED)

(in thousands, except per share amounts)

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
COMMON STOCK SHARES:		
Balance at beginning of period	142,086	146,183
Net issuances of restricted stock	1,264	1,252
Repurchases of common stock	(4,521)	(5,238)
Exercises of stock options	1,982	661
Balance at end of period	140,811	142,858
COMMON STOCK PAR VALUE:		
Balance at beginning of period	$ 142	$ 146
Net issuances of restricted stock	1	1
Repurchases of common stock	(4)	(5)
Exercise of stock options	2	1
Balance at end of period	$ 141	$ 143
CAPITAL SURPLUS:		
Balance at beginning of period	$ 759,476	$ 787,105
Net issuances of restricted stock at par value	(1)	(1)
Repurchases of common stock excess over par value	(7,715)	(33,088)
Cash dividends ($.45 per share and $.42 per share)	(42,614)	(61,016)
Stock-based compensation expense	30,891	38,193
Exercises of stock options excess over par value	37,840	15,277
Tax impact of equity incentive plans	6,450	1,814
Balance at end of period	$ 784,327	$ 748,284
ACCUMULATED OTHER COMPREHENSIVE INCOME:		
Balance at beginning of period	$ 40,887	$ 47,120
Foreign currency translation adjustments, net of tax	1,832	(3,597)
Balance at end of period	$ 42,719	$ 43,523
RETAINED EARNINGS:		
Balance at beginning of period	$	$
Net income	151,323	107,298
Repurchases of common stock excess over par value	(121,388)	(107,298)
Cash dividends (.45 per share)	(21,250)	
Balance at end of period	$ 8,685	$

The accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

are an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

	Nine Months Ended September 30, 2012		2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 151,323	$	107,298
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of intangible assets	187		118
Depreciation expense	36,323		38,509
Stock-based compensation expense restricted stock and stock units	30,891		38,193
Excess tax benefits from stock-based compensation	(3,104)		(1,087)
Provision for deferred income taxes	(19,544)		(7,186)
Provision for doubtful accounts receivable	7,657		3,940
Changes in assets and liabilities:			

-	34,077	-	-	36,827
-	37,000	-	-	72,000
	28,500			60,000
				-

(1) Mr. Saucedo-Bardan resigned as a director and chairman during 2012

DIRECTORS COMPENSATION

		Annual compensation			Long-term compensation				
					Awards		Payouts		
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other annual compen -sation ($)	Restricted stock award(s) ($)	Securities under-lying options/ SARs (#)	LTIP payouts ($)	All other compen-sation ($) (1)	Total Compensation
Kenneth	2012	2,750	-	-	19,538	-	-		22,288
Bosket, CEO,	2011	35,000	-	-	37,000	-	-		72,000
Director	2010	28,000			38,000				66,000
Arnulfo	2012	2,750	-	-	19,538	-	-		22,288
Saucedo-Bardan,	2011	35,000	-	-	37,000	-	-		72,000
Chairman,	2010	29,400	-	-	39,600	-	-		69,000
Director (1)					-				
Montse Zaman,	2012	3,000	-	-	43,385	-	-		46,385
Secretary,	2011	64,500	-	-	79,500	-	-		144,000
Treasurer,	2010	61,250	-	-	87,950	-	-		149,200
Director									
Lowell Holden	2012	2,750	-	-	34,077	-	-		36,827
CFO, Director	2011	35,000	-	-	37,000	-	-		72,000
	2010	31,500	-		28,500				60,000
									-

(1) Mr. Saucedo-Bardan resigned as a director and chairman during 2012

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Directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meeting of the Board of Directors.

The Company has no material bonus or profit-sharing plans pursuant to which cash or non-cash compensation is or may be paid to the Company's directors or executive officers.

The Company has no compensatory plan or arrangements, including payments to be received from the Company, with respect to any executive officer or director, where such plan or arrangement would result in any compensation or remuneration being paid resulting from the resignation, retirement or any other termination of such executive officer's employment or from a change-in-control of the Company or a change in such executive officer's responsibilities following a change-in-control and the amount, including all periodic payments or installments where the value of such compensation or remuneration exceeds $100,000 per executive officer.

During the last completed fiscal year, no funds were set aside or accrued by the Company to provide pension, retirement or similar benefits for Directors or Executive Officers.

The Company has no written employment agreements.

In December, 2007, the Company adopted the Crown Equity Holdings, Inc. Consultants and Employees Stock Plan for 2007. Under the Plan, 100,000,000 shares are reserved for issuance to employees, officers, directors, advisors and consultants. As of December 31, 2012, 57,710,000 shares had been issued under the Plan.

Termination of Employment and Change of Control Arrangement. Except as noted herein, the Company has no compensatory plan or arrangements, including payments to be received from the Company, with respect to any individual named above from the latest or next preceding fiscal year, if such plan or arrangement results or will result from the resignation, retirement or any other termination of such individual's employment with the Company, or from a change in control of the Company or a change in the individual's responsibilities following a change in control.

Section 16(a) Beneficial Ownership Reporting Compliance. During the year ended December 31, 2012, the following persons were officers, directors and more than ten-percent shareholders of the Company's common stock:

Name	Position	Filed Reports
Steven Onoue	Director	Yes
Kenneth Bosket	Officer, Director	Yes
Montse Zaman	Officer, Director	Yes
Lowell Holden	Officer, Director	Yes
Crown Marketing	Shareholder	Yes

Item 12: Security Ownership of Certain Beneficial Owners and Management

There were 880,325,835 shares of the Company' common stock issued and outstanding on December 31, 2012. There are 100,000,000 shares of preferred stock, par value $.001, authorized with none outstanding. The following tabulates holdings of shares of the Company by each person who, subject to the above, at the date of this Report, holds or record or is known by Management to own beneficially more than five percent (5%) of the Common Shares of the Company and, in addition, by all directors and officers of the Company individually and as a group.

Names and Addresses	Number of Shares Owned Beneficially	Percent of Beneficially Owned Shares	
Steven Onoue (1) 5440 Sahara, Suite 205 Las Vegas, NV 89146	3,500,000	.40	%
Kenneth Bosket (1) 5440 Sahara, Suite 205 Las Vegas, NV 89146	9,736,636	1.11	%
Montse Zaman (1) 5440 Sahara, Suite 205 Las Vegas, NV 89146	88,338,040	10.03	%
Lowell Holden(1) 5440 Sahara, Suite 205 Las Vegas, NV 89146	5,980,375	.68	%
Crown Marketing Corporation Mina #222 Sur, Gomez Palacio Durango Mexico CP 35000	440,794,100	50.07	
Aida Bardan Gloria(2) Mina #222 Sur, Gomez Palacio Durango Mexico CP 35000	440,794,100	50.07	
All directors and officers as a group (4)	107,555,051	12.22	%

(1) Denotes officer or director.

(2) Mrs. Bardan Gloria is the sole shareholder of Crown Marketing Corp. She is the mother of Montse Zaman. Ms. Zaman disclaims any beneficial interest in the shares owned by Crown Marketing.

Change in Control. There are no arrangements known to the Company, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change of control of the Company.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity

	options, warrants and rights (a)	(b)	compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	--	--	66,290,000
Equity compensation plans not approved by security holders	--	--	--
Total	--	--	66,290,000

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The Company utilizes the shares available under the Plan described above to issue shares of stock as compensation to employees, consultants and officers and directors. At the end of each quarter, the Board of Directors of the Company determines the amount of shares to be issued pursuant to the Plan.

Item 13: Certain Relationships and Related Transactions

In 2012, the Company paid the following related parties:

- Ken Bosket, CEO and director, received $2,750 in cash and 1,098,862 shares of restricted stock for a total value of $19,538
- Montse Zaman, Secretary, Treasurer and director, received $3,000 in cash and 2,460,455 shares of restricted stock for a total value of $43,385.
- Lowell Holden CFO and director, received $2,750 in cash and 2,560,401 shares of restricted stock for a total value of $34,077

On December 2, 2009, the Company signed a one year lease for 2,400 square feet of office space. The rent for the space was $2,400 per month or $28,800 paid in 2011. The landlord is Ms. Zaman’s husband. The lease was renewed for one more year at the same rental rate as in 2011 and terminated as of June 30, 2012.

On November 20, 2009, the Company converted accounts payable and advances from Montse Zaman, a related party, of $79,184 to a three year unsecured note maturing on November 19, 2012. Interest is incurred at 12% per annum unless the principal and interest are not paid by maturity at which time the interest rate accelerates to 18% per annum. During 2010 the related party advanced the Company $8,000 and brings the total principal amount under the note as of December 31, 2012 and 2011 to $79,184. The note is in default.

During the year ended December 31, 2012, Montse Zaman made multiple advances totaling $12,610 to the Company. The debt carries zero interest and is due on demand.

During the year ended December 31, 2012, the Company borrowed $1,000 from Tisa Capital Corp controlled by a related party. The debt carries zero interest and is due on demand.

During 2007, the Company borrowed $12,700 from Phoenix Consulting Services Inc. controlled by a related party. The loan is unsecured and matured on April 1, 2008 and accrued interest at 12% per annum. The note can be converted into common shares of the company at the holder’s option at a conversion price to be determined in the future. Amounts outstanding under this agreement subsequent to April 1, 2008 accrued interest at 18% per annum. On November 20, 2009, the note including principal and interest totaling $16,025 was converted to a long term note due November 19, 2012 with principal and interest due at maturity. If the principal and interest are not paid by maturity, the interest rate accelerates to 18% per annum. The unpaid principal amount on this note was $16,025 as of December 31, 2011. During 2012, Phoenix Consulting advanced $1,000 to the Company and brings the total principal amount under the note to $17,025 as of December 31, 2012. The note is in default.

During June 2011, the Company entered into a service agreement with Cleantech Transit, Inc. which is a related party due to common Directors and officers. The Company provided consulting services to Cleantech from April 1, 2011 through March 31, 2012 in return for 5,000,000 shares of Cleantech common stock. The fair value of the stock received was determined to be $775,000 of which $581,781 was recognized as revenue during 2011 and $193,219 was written-off against the carrying value of the equity method investment during the year ended December 31, 2012.

In April 2012 the Company extended its contract with Cleantech Transit, Inc. through April 30, 2013. Under the terms of the agreement the Company receives $22,000 per month paid either in cash or stock. During the year ended December 31, 2012 the Company received 105,953,150 shares of Cleantech stock valued at $0 plus $21,800 in cash.

Of the Company's four directors, only Messrs. Holden and Onoue may be considered "independent" directors as they are the only directors which do not work out of the Company's headquarters in Las Vegas, Nevada. The Company has no committees and therefore has no independent directors serving on committees

Item 14: Principal Accounting Fees and Services

The following table presents for each of the last two fiscal years the aggregate fees billed in connection with the audits of our financial statements and other professional services rendered by our independent registered public accounting firm MaloneBailey, LLP, Certified Public Accountants and Consultants.

	2012	2011
Audit fees	$ 31,300	22,000
Audit related fees	-	-
Tax fees	--	1,500
All other fees	-	-

Audit fees represent the professional services rendered for the audit of our annual financial statements and the review of our financial statements included in quarterly reports, along with services normally provided by the accounting firm in connection with statutory and regulatory filings or engagements. Audit-related fees represent professional services rendered for assurance and related services by the accounting firm that are reasonably related to the performance of the audit or review of our financial statements that are not reported under audit fees.

Tax fees represent professional services rendered by the accounting firm for tax compliance, tax advice, and tax planning. All other fees represent fees billed for products and services provided by the accounting firm, other than the services reported for in the other categories.

Item 13: Exhibits and Reports on Form 8-K

(a) Financial Statements and Schedules

The following financial statements and schedules are filed as part of this report:

EXHIBITS FILED WITH THIS REPORT

Exhibits required by Item 601 of Regulation S-K. The following exhibits are filed as a part of, or incorporated by reference into, this Report.

Exhibit Number	Description
3(i)	Amended and Restated Articles of Incorporation
3(ii)	Bylaws
10(5)	License Agreement with Velvet International
10(6)	Stock Purchase Agreement by and between TaxMasters, Inc. and Crown Marketing Corp.
10(7)*	Agreement with Cleantech Transit Inc.
14	Code of Business Conduct and Ethics
31.1*	Certifications Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS **	XBRL Instance Document
101.SCH **	XBRL Taxonomy Extension Schema Document
101.CAL **	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF **	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB **	XBRL Taxonomy Extension Label Linkbase Document
101.PRE **	XBRL Taxonomy Extension Presentation Linkbase Document

* Exhibit filed herewith

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized, in the City of Las Vegas, State of Nevada, on January 16, 2014 .

	CROWN EQUITY HOLDINGS, INC.	
Dated: January 16, 2014	By:	/s/ Kenneth Bosket Kenneth Bosket, Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on January 16, 2014.

Signature	Title
/s/ Kenneth Bosket Kenneth Bosket	Director, Chief Executive Officer
/s/ Steven Onoue Steven Onoue	Chairman, Director
/s/ Montse Zaman Montse Zaman	Director, Secretary, Treasurer
/s/ Lowell Holden Lowell Holden	Director, Chief Financial Officer (Principal Financial Officer), Principal Accounting Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Crown Equity Holdings, Inc.
Las Vegas, Nevada

We have audited the accompanying consolidated balance sheets of Crown Equity Holdings, Inc. and its subsidiaries (collectively, the “Company”) as of December 31, 2012 and 2011, and the related consolidated statements of operations, stockholders’ equity, and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of Crown Equity Holdings, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Crown Equity Holdings, Inc. and its subsidiaries as of December 31, 2012 and 2011 and the results of their operations and their cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that Crown Equity Holdings, Inc. will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, Crown Equity Holdings, Inc. has historically suffered losses from operations which raise substantial doubt about its ability to continue as a going concern. Management’s plans regarding those matters also are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ MaloneBailey, LLP
www.malonebailey.com
Houston, Texas
June 26, 2013

CROWN EQUITY HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

		December 31, 2012		2011
ASSETS				
Current assets:				
Cash and cash equivalents	$	1,209	$	84,325
Marketable securities		105,000		82,400
Accounts receivable		--		12,395
Prepaid expense		35,000		2,400
Total current assets		141,209		181,520
Property and equipment, net of accumulated depreciation of $54,705 and $29,732, respectively		19,286		44,208
Equity method investment held in related party		132,988		737,377
Total assets	$	293,483	$	963,105
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued expense	$	132,002	$	182,697
Notes payable to related parties		109,819		95,209
Notes payable		2,000		--
Deferred revenue from related party		--		193,219
Total current liabilities		243,821		471,125
Stockholders' equity:				
Preferred stock; $0.001 par value, 100,000,000 shares authorized, 99,000,000 undesignated authorized				
Series A convertible preferred stock; $0.001 par value, 1,000,000 shares authorized, 0 and 600,000 shares issued and outstanding, respectively		--		600
Common stock, $0.001 par value, 4,900,000,000 authorized, 880,325,835and 798,360,078 issued and outstanding, respectively		880,326		798,361
Additional paid-in capital		7,938,818		7,673,372
Accumulated deficit		(8,769,482)		(7,980,353)
Total stockholders' equity		49,662		491,980
Total liabilities and stockholders' equity	$	293,483		963,105

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

CROWN EQUITY HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31, 2012	Years Ended December 31, 2011
Revenue	$2,554	$989,033
Revenue from related party	21,800	581,781
Total revenue	24,354	1,570,814
Direct material costs	8,588	6,420
Operating expenses:		
General and administrative expense	346,651	1,989,524
Depreciation	24,973	19,209
Loss from operations	(355,858)	(444,339)
Other income (expenses):		
Other income	2,972	1,064
Realized loss on marketable securities	(4,484)	(84,841)
Unrealized gain (loss) on marketable securities	28,000	(1,435,600)
Interest expense	(43,865)	(11,668)
Impairment of equity method investment in related party	(172,617)	--
Loss on equity method investment in related party	(234,581)	(37,623)
Loss on debt extinguishment	(7,200)	--
Other expense	(1,496)	(8,787)
Total other expense	(433,271)	(1,577,455)
Net loss	(789,129)	(2,021,794)
Deemed dividend on Series A convertible preferred stock	--	(600,000)
Net loss attributable to common stockholders	$(789,129)	$(2,621,794)
Net loss per share, basic and diluted	$(0.00)	$(0.00)
Weighted average number of shares outstanding, basic and diluted	856,423,784	786,135,684

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

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CROWN EQUITY HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
Balances at December 31, 2010	--	$ --	753,737,071	$ 753,737	$ 6,222,775	$ (5,958,559)	$ 1,017,953
Issuance of common stock for services	--	--	44,623,007	44,624	851,197	--	895,821
Issuance of preferred stock for cash	600,000	600	--	--	599,400	--	600,000
Beneficial conversion feature on preferred stock	--	--	--	--	600,000	--	600,000
Deemed dividend on preferred stock	--	--	--	--	(600,000)	--	(600,000)
Net loss	--	--	--	--	--	(2,021,794)	(2,021,794)
Balances at December 31, 2011	600,000	600	798,360,078	798,361	7,673,372	(7,980,353)	491,980
Issuance of common stock for services	--	--	15,779,045	15,778	223,333	--	239,111
Common stock issued for preferred stock	(600,000)	(600)	60,000,000	60,000	(59,400)	--	--
Issuance of common stock for cash	--	--	1,000,000	1,000	9,000	--	10,000
Stock returned and cancelled	--	--	(713,288)	(713)	713	--	--
Stock issued for debt	--	--	5,900,000	5,900	60,300	--	66,200
Beneficial conversion feature on debt	--	--	--	--	31,500	--	31,500
Net loss	--	--	--	--	--	(789,129)	(789,129)

Balances at December 31, 2012	--	$ --	880,325,835	$ 880,326	$ 7,938,818	$ (8,769,482)	$ 49,662

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

CROWN EQUITY HOLDINGS, INC.
CONSOLDIATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2012	2011
Cash flows from operating activities:		
Net loss	$(789,129)	$(2,021,794)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	24,973	19,209
Common stock issued for services	239,111	895,821
Amortization of debt discount	31,500	--
Bad debt expense	12,395	--
Unrealized (gain) loss on marketable securities	(28,000)	1,435,600
Realized loss on marketable securities	4,484	84,841
Marketable securities received for revenue	--	(705,857)
Securities held in related party equity method investee received for related party revenue	--	(581,781)
Impairment of equity method investment held in related party	172,617	--
Loss on equity method investment held in related party	234,581	37,623
Loss on extinguishment of debt	7,200	--
Changes in operating assets and liabilities:		
Accounts receivable	--	(1,730)
Prepaid expense	(32,600)	--
Accounts payable and accrued expense	(50,695)	(2,801)
Deferred revenue	--	(216,095)
Net cash used in operating activities	(173,563)	(1,056,964)
Cash flows from investing activities:		
Proceeds from the sale of marketable securities	4,888	398,767
Cash paid for acquisition of fixed assets	(51)	(7,205)
Net cash provided by investing activities	4,837	391,562
Cash flows from financing activities:		
Proceeds from the issuance of related party debt	14,610	--
Proceeds from issuance of preferred stock	--	600,000
Proceeds from issuance of common stock	10,000	--
Proceeds from the issuance of convertible debt	35,000	--
Proceeds from the issuance of debt	26,000	--
Net cash provided by financing activities	85,610	600,000
Net decrease in cash	(83,116)	(65,402)
Cash – beginning of year	84,325	149,727
Cash – end of year	$1,209	$84,325
SUPPLEMENT DISCLOSURES:		
Interest paid	$13	$48
Income taxes paid	--	--

NONCASH INVESTING AND FINANCING ACTIVITIES:		
Common stock issued for the conversion of preferred stock	$60,000	$--
Common stock issued for the conversion of debt	59,000	--
Beneficial conversion feature on debt	31,500	--
Common stock returned and cancelled	713	--
Related party deferred revenue written-off against carrying value of equity method investment in related party	193,219	--
Equity method investment received for related party deferred revenue	--	193,219
Deemed dividend beneficial conversion feature on convertible preferred stock	--	600,000

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

CROWN EQUITY HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF ACCOUNTING POLICIES

Nature of Business

Crown Equity Holdings Inc. ("Crown Equity" or the "Company") was incorporated in August 1995 in Nevada. The Company offers its services to companies seeking to become public entities in the United States. It has launched a website, www.crownequityholdings.com, which offers its services in a wide range of fields. The Company provides various consulting services to companies and individuals dealing with corporate structure and operations globally.

In 2010, the Company formed two subsidiaries Crown Tele Service, Inc. and Crown Direct, Inc. Crown Tele will provide voice over IP messaging at a competitive price to other competitors and Crown Direct will provide its client with direct sales of products.

In 2011, the Company formed a wholly owned subsidiary CRWE Real Estate, Inc. CRWE Real Estate will hold real estate.

Principles of Consolidation

The consolidated financial statements include the financial information of Crown Equity Holdings and its wholly owned subsidiaries, Crown Tele, Inc., Crown Direct, Inc. and CRWE Real Estate, Inc. All significant inter-company accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates.

Cash and Cash Equivalents

Crown Equity considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Stock-Based Compensation

The Company accounts for stock-based compensation to employees in accordance with ASC 718 requiring employee equity awards to be accounted for under the fair value method. Accordingly, share-based compensation is measured at grant date, based on the fair value of the award and is recognized as expense over the requisite employee service period. The Company accounts for stock-based compensation to other than employees in accordance with FASB ASC 505-50. Equity instruments issued to other than employees are valued at the earlier of a commitment date or upon completion of the services, based on the fair value of the equity instruments and is recognized as expense over the service period. The Company estimates the fair value of share-based payments using the Black-Scholes option-pricing model for common stock options and the closing price of the company's common stock for common share issuances.

Revenue Recognition

Crown Equity’s revenue is recognized pursuant to ASC 605 “Revenue Recognition.” The Company recognizes its revenue from services as those services are performed. Revenue recognition is limited to the amount that is not contingent upon delivery of any future service or meeting other specified performance conditions.

Services are normally completed as described on the sales invoice issued for the service provided. In most cases the services is a one-time completion and recognized when the service is completed. If a service is provided over a time period that exceeds 30 days the revenue is recognized on a monthly basis at the end of the month in which it is completed.

Contract revenues include royalties under license. Contract revenue related to technology licenses is fully recognized only after the license period has commenced, the technology has been delivered and no further involvement of Crown Equity is required.

Crown Equity receives payment for its services in both cash and equity instruments issued by the customer. The equity instruments are accounted for in accordance with the provisions of ASC 718 “Compensation – Stock Compensation” and is based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date of the fair value of the equity instrument issued is the date on which the Company fully vests in the shares received. The company is fully vested in the stock it received on the date of receipt of the shares. Services that are not preformed within the period are recognized as deferred revenue.

During 2012, the Company’s ownership interest in a related party exceeded the level required to report using the equity method for stock received in lieu of fair market valuation. In addition, 2011 was restated to reflect the equity method.

Based on these valuation methods, during 2012 and 2011 the Company received marketable equity securities accounted for as available-for-sale securities and equity securities in equity method investees valued at an aggregate of $0 and $1,287,638, respectively for payment of services provided by the Company and equity securities valued at $0 and $193,219 which were recorded as deferred revenue as of December 31, 2012 and 2011, respectively.

Allowance for Doubtful Accounts

The Company establishes an allowance for bad debts through a review of several factors including historical collection experience, current aging status of the customer accounts, and financial condition of our customers. The Company does not generally require collateral for our accounts receivable. There was no allowance for doubtful accounts as of December 31, 2012 and 2011. Bad debt expense was $12,395 and $0, during the years ended December 31, 2012 and 2011, respectively.

Concentrations

During 2012 and 2011, 89.5% and 37.0% of total revenue, respectively, was generated from a single related party customer, Cleantech Transit, Inc., which has common officers and directors as the Company.

General and Administrative Expenses

Crown Equity’s general and administrative expenses consisted of the following types of expenses during 2012 and 2011: Compensation expense, payroll expense, rent, travel and entertainment, legal and accounting, utilities, web sites, office expenses, depreciation and other administrative related expenses.

Marketable Securities

In accordance with Accounting Standards Codification 825 an entity is permitted to irrevocably elect fair value on a contract-by-contract basis for new assets or liabilities within the scope of ASC 825 as the initial and subsequent measurement attribute for those financial assets and liabilities and certain other items including property and casualty insurance contracts. Entities electing the fair value option are required to (i) recognize changes in fair value in earnings and (ii) expense any upfront costs and fees associated with the item for which the fair value option is elected. Entities electing the fair value option are required to distinguish, on the face of the statement of financial position, the fair value of assets and liabilities for which it has elected the fair value option, and similar assets and liabilities measured using another measurement attribute. An entity can accomplish this either by reporting the fair value and non-fair-value carrying amounts as separate line items or by aggregating those amounts and disclosing parenthetically the amount of fair value included in the aggregate amount.

Crown Equity adopted ASC 825 in the third quarter of fiscal 2009 and elected the fair value option for all their marketable securities. Management has elected the fair value option as management believes it best reflects the true market value of the securities at the date of valuation.

The Company reports the change in value of the securities as realized or unrealized gains or losses on a quarterly basis against earnings. The gain or loss is calculated as the difference between the acquiring value and the closing market value at the end of the reporting period. For securities purchased, the acquiring value is the fair value of the securities on the date they are acquired. For securities received as payment for revenue transactions, the acquiring value is the fair value of the securities on the date the Company receives the shares as this is the date the company is fully vested in the stock.

Equity Method Investments

For investments that represent significant influence in the investee, the Company follows ASC 323 Investments—Equity Method and Joint Ventures when recognizing these investments in the consolidated financial statements. Under this method, any net income or net loss must be recorded against the Company’s investment, not to exceed the original investment and recognized as additional income or loss on the Company’s income statement. Crown evaluates the carrying value of its equity method investments for impairment. During 2012, Crown recognized an impairment loss of $172,617 on it equity method investment.

During 2012, the Company’s ownership percentage in Cleantech Transit, Inc., a related party due to common officers and directors, increased to more than 20% and the Company began accounting for this investment under the equity method. The Company’s ownership percentage in Cleantech Transit, Inc. was 42.53% and 4.55% as of December 31, 2012 and 2011, respectively.

Change in Accounting Principle

During 2012, the Company changed its policy for accounting for its investment in Cleantech Transit, Inc., a related party, common stock. During 2011, the Company accounted for this investment as an available-for-sale security. In 2012, the Company’s ownership percentage increased to more than 20%. The Company changed its accounting policy in accordance with ASC 323 Investments—Equity Method and Joint Ventures. The consolidated financial statements presented herein have been retroactively restated to reflect the change in accounting principle.

The following table presents the comparative effect of the change in accounting principle and its impact on key components of the Company's consolidated balance sheet as of December 31, 2011:

	December 31, 2011	
	As Previously Reported	As Revised
Marketable securities held in related party	$ 480,000	$ --
Total current assets	661,520	181,520
Equity method investments held in related party	--	737,377
Total assets	705,728	963,105
Accumulated deficit	(8,237,730)	(7,980,353)
Total stockholders' equity	234,603	491,980
Total liabilities and stockholders' equity	$ 705,728	$ 963,105

The following table presents the comparative effect of the change in accounting principle and its impact on key components of the Company's consolidated statement of operations for the year ended December 31, 2011:

	Year Ended December 31, 2011	
	As Previously Reported	As Revised
Unrealized loss on marketable securities	$ (1,730,600)	$ (1,435,600)
Loss on equity method investment in related party	--	(37,623)
Total other expense	(1,834,810)	(1,577,455)
Net loss	(2,279,171)	(2,021,794)
Net loss attributable to common stockholders	$ (2,879,171)	$ (2,621,794)

The following table presents the comparative effect of the change in accounting principle and its impact on key components of the Company's consolidated statement of cash flows for the year ended December 31, 2011:

	Year Ended December 31, 2011	
	As Previously Reported	As Revised
Cash flows from operating activities:		
Net loss	$ (2,279,171)	$ (2,021,794)
Adjustments to reconcile net loss to net cash used in operating activities:		
Unrealized loss on related party marketable securities	295,000	--
Marketable securities received for related party revenue	(581,781)	--
Securities held in related party equity method investee received for related party revenue	--	(581,781)
Loss on equity method investments held in related party	$ --	$ 37,623

Property and Equipment

Property and equipment are carried at the cost of acquisition or construction and depreciated over the estimated useful lives of the assets. Costs associated with repair and maintenance are expensed as incurred. Costs associated with improvements which extend the life, increase the capacity or improve the efficiency of our property and equipment are capitalized and depreciated over the remaining life of the related asset. Gains and losses on dispositions of equipment are reflected in operations. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which are 3 to 5 years.

Impairment of Long-Lived Assets

The Company reviews the carrying value of its long-lived assets annually or whenever events or changes in circumstances indicate that the historical-cost carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the asset by comparing the undiscounted future net cash flows expected to result from the asset to its carrying value. If the carrying value exceeds the undiscounted future net cash flows of the asset, an impairment loss is measured and recognized. An impairment loss is measured as the difference between the net book value and the fair value of the long-lived asset. Fair value is estimated based upon either discounted cash flow analysis or estimated salvage value. No impairment charge was recorded in 2012 or 2010.

Basic and Diluted Net Loss per Share

Basic and diluted net loss per share calculations are calculated on the basis of the weighted average number of common shares outstanding during the year. They include the dilutive effect of common stock equivalents in years with net income. Basic and diluted net loss per share are the same due to the absence of common stock equivalents.

Income Taxes

Crown Equity recognizes deferred tax assets and liabilities based on differences between the financial reporting and tax basis of assets and liabilities using the enacted tax rates and laws that are expected to be in effect when the differences are expected to be recovered. Crown Equity provides a valuation allowance for deferred tax assets for which it does not consider realization of such assets to be more likely than not.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash, marketable securities and debt. The carrying amount of these financial instruments approximates fair value due either to length of maturity or interest rates that approximate prevailing market rates unless otherwise disclosed in these consolidated financial statements.

Reclassifications

Certain prior period amounts have been reclassified to conform to current period presentation.

Recently Issued Accounting Pronouncements

Crown Equity does not expect the adoption of any recently issued accounting pronouncements to have a significant impact on their financial position, results of operations or cash flows.

NOTE 2 – GOING CONCERN

As shown in the accompanying consolidated financial statements, Crown Equity has an accumulated deficit of $8,769,482 and a working capital deficit of $102,612 as of December 31, 2012 and incurred a net loss of $789,129 during 2012. Unless profitability and increases in stockholders’ equity continues, these conditions raise doubt as to Crown Equity's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might be necessary if Crown Equity is unable to continue as a going concern.

Crown Equity continues to review its expense structure reviewing costs and their reduction to move towards profitability. The Company’s expenses are planned to decrease as a percent of revenue resulting in profitability and increased shareholders’ equity.

NOTE 3 – MARKETABLE SECURITIES

Marketable securities are classified as available-for-sale and are presented in the balance sheet at fair market value.

Per Accounting Standards Codification 820 “Fair Value Measurement”, fair values defined establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820 does not require any new fair value measurements.

ASC 820 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities
Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data
Level 3: Unobservable inputs that are not corroborated by market data

Crown Equity has classified these marketable securities at level 1 with a fair value of $105,000 and $82,400 as of December 31, 2012 and 2011, respectively.

During 2011, the Company received marketable securities valued at $705,857 for revenue. No marketable securities were acquired during 2012. During the years ended December 31, 2012 and 2011, the Company reported realized losses of $4,484 and $84,841 and unrealized gains of $28,000 and unrealized losses of $1,730,600, respectively, on its investments in marketable securities.

NOTE 4 – EQUITY METHOD INVESTMENT HELD IN RELATED PARTY

The Company’s ownership percentage in Cleantech Transit, Inc. was 42.53% and 4.55% as of December 31, 2012 and 2011, respectively. Beginning in 2012, the Company began accounting for this investment under the equity method. It was accounted for as an available-for-sale investment during 2011. The consolidated financial statements for 2011 presented herein have been retroactively restated to reflect the change in accounting principal.

As of December 31, 2012 and 2011, the carrying value of the equity method investment held in related party was $132,988 and $737,377, respectively. During 2012, the Company received equity securities in its related party equity method investee valued at $0 for related party revenue. During 2011, the Company received equity securities in its related party equity method investee valued at $581,781 and $193,219 for related party revenue and related party deferred revenue, respectively. The related party deferred revenue was written-off against the carrying value of the equity method investment during 2012. Aggregate losses recognized on the equity method investment held in related party were $234,581 and $37,623 during the year ended December 31, 2012 and 2011, respectively. As of December 31, 2012, Crown determined the carrying value of its equity method investment was impaired and an impairment loss of $172,617 was recognized.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2012 and 2011:

	2012	2011
Computer equipment (useful lives of 3 to 5 years)	$ 73,991	$ 73,940
Less: accumulation depreciation	(54,705)	(29,732)
Net property and equipment	$ 19,286	$ 44,208

Depreciation expense totaled $24,973 and $19,209 during 2012 and 2011, respectively.

NOTE 6 – NOTES PAYABLE

During 2012, the Company borrowed an aggregate of $61,000 under three notes payable as follows:

- Two 60-day unsecured notes bearing interest at 6% per annum for $10,000 and $14,000
- One 60-day note for $35,000 bearing no interest that automatically converts into 3,500,000 shares of the Company stock if the note is not paid within the 60 day time period.
- A demand non-interest bearing note for $2,000 from a non-related party.

The $10,000 and $14,000 notes were paid during 2012 through the issuance of 2,400,000 common shares. The fair value of the common shares was determined to be $31,200 resulting in a loss on the extinguishment of debt of $7,200.

The Company evaluated the $35,000 note for a beneficial conversion feature on the loan commitment date and determined that a beneficial conversion feature existed. The intrinsic value of the beneficial conversion feature was determined to be $31,500. This beneficial conversion feature was recognized as interest expense on the date the loan became convertible. The $35,000 note was not repaid by its maturity date and it was converted into the 3,500,000 common shares.

As of December 31, 2012 and 2011, the aggregate outstanding principal on third party notes payable was $2,000 and $0, respectively.

NOTE 7 - RELATED PARTY TRANSACTIONS

On December 2, 2009, the Company signed a one year lease for 2,400 square feet of office space. The rent for the space is $2,400 per month. The landlord is related to one of the officers of the Company. The lease was renewed on January 1, 2012, however, during 2012, the lease was terminated by mutual consent and the offices were vacated by the Company.

During 2012, the Company paid four related parties $11,250 in cash and issued 7,218,580 shares of common stock with a value of $116,538 for officer and director services. In the year ended December 31, 2011 the Company paid four related parties $169,500 and issued $169,250 of common stock to the same parties and accrued $44,250 for officer and director services.

On November 20, 2009, the Company converted accounts payable and advances from Montse Zaman, a related party, of $71,184 to a three year unsecured note maturing on November 19, 2012. Interest is incurred at 12% per annum unless the principal and interest are not paid by maturity at which time the interest rate accelerates to 18% per annum. During 2010 the related party advanced the Company an additional $8,000 bringing the total principal amount under the note as of December 31, 2012 and 2011 to $79,184.

During 2012, Montse Zaman made multiple advances totaling $12,610 to the Company. The debt is unsecured, carries zero interest and is due on demand.

During 2012, the Company borrowed $1,000 from Tisa Capital Corp which is controlled by a related party. The debt is unsecured, carries zero interest and is due on demand.

During 2007, the Company borrowed $12,700 from Phoenix Consulting Services Inc. controlled by a related party. The loan is unsecured and matured on April 1, 2008 and accrued interest at 12% per annum. The note can be converted into common shares of the company at the holder’s option at a conversion price to be determined in the future. Amounts outstanding under this agreement subsequent to April 1, 2008 accrue interest at 18% per annum. On

November 20, 2009, the note including principal and interest totaling $16,025 was converted to a long term note due November 19, 2012 with principal and interest due at maturity. If the principal and interest are not paid by maturity, the interest rate accelerates to 18% per annum. The unpaid principal amount on this note was $16,025 as of December 31, 2011. During 2012, Phoenix Consulting advanced an additional $1,000 to the Company bringing the total principal amount under the note to $17,025 as of December 31, 2012.

During June 2011, the Company entered into a service agreement with Cleantech Transit, Inc. which is a related party due to common directors and officers. The Company provided consulting services to Cleantech from April 1, 2011 through March 31, 2012 in return for 5,000,000 shares of Cleantech common stock. The fair value of the stock received was determined to be $775,000 of which $581,781 was recognized as revenue during 2011 and $193,219 was recorded as deferred revenues as of December 31, 2011. The deferred revenue was written-off against the carrying value of the equity method investment during the year ended December 31, 2012.

In April 2012 the Company extended its contract with Cleantech Transit, Inc. through April 30, 2013. Under the terms of the agreement the Company receives $22,000 per month payable in either in cash or stock at the option of Cleantech Transit. During the year ended December 31, 2012 the Company received an aggregate of 105,953,152 shares of Cleantech stock valued at $0 and received $21,800 in cash. The shares received from Cleantech were accounted as an equity method investment held in related party in the consolidated balance sheets (see Note 4).

NOTE 8 – STOCKHOLDERS' EQUITY

In December, 2007, the Company adopted the Crown Equity Holdings, Inc. Consultants and Employees Stock Plan for 2007. Under the Plan, 10,000,000 shares are reserved for issuance to employees, officers, directors, advisors and consultants.

During 2011, the Company issued 44,623,007 common shares with a value of $895,821 for services.

During 2011, the Company issued 600,000 shares of Class A preferred shares for $600,000 cash. Each share is convertible into 100 common shares at the option of the holder. Crown Equity evaluated the convertible preferred stock under FASB ASC 470-20-30 and determined it contained a beneficial conversion feature. The intrinsic value of the beneficial conversion feature was determined to be $600,000. The beneficial conversion feature was fully amortized and recorded as a deemed dividend.

During 2012, the Company issued:

- 15,779,045 common shares for services with a value of $239,111
- 60,000,000 common shares for the conversion of 600,000 preferred shares
- 1,000,000 common shares for cash of $10,000,
- and 5,900,000 common shares for the conversion of notes payable valued at $66,200 (see Note 6).

During 2012, the Company also cancelled 713,288 shares originally issued to an independent contractor upon his resignation from the company.

NOTE 9 – INCOME TAXES

The Company follows ASC 740, Accounting for Income Taxes. During 2009, there was a change in control of the Company. Under section 382 of the Internal Revenue Code such a change in control negates much of the tax loss carry forward and deferred income tax. Deferred income taxes reflect the net tax effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax reporting purposes, and (b) net operating loss carry forwards. For federal income tax purposes, the Company uses the accrual basis of accounting, the same that is used for financial reporting purposes.

The Company did not have taxable income during 2012 or 2011.

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The Company's deferred tax assets consisted of the following as of December 31, 2012 and 2011:

		2012		2011
Net operating loss	$	203,000	$	1,000
Valuation allowance		(203,000)		(1,000)
Net deferred tax asset	$	-	$	-

As of December 31, 2012, the company's accumulated net operating loss carry forward was approximately $580,000 and will begin to expire in the year 2031.

NOTE 10 – SUBSEQUENT EVENTS

On April 4, 2013, an aggregate of 2,133,333 common shares previously issued for services were returned to the company and cancelled.