

Crown City Pictures, INC.  
Form 10-Q  
November 19, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**

**FORM 10-Q**

(Mark One)

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: 0-50090

**CROWN CITY PICTURES, INC.**  
( Exact Name of Registrant as Specified in our Charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

45-2632739  
(IRS Employer Identification No.)

**1365 N. Courtenay Parkway, Suite A, Merritt Island, FL**  
(Address of principal executive offices)

**32953**  
(Zip Code)

**(321)-452-9091**  
(Registrant's Telephone Number, Including Area Code )

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  No

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Indicate by check mark whether the registrant has submitted electronically and posted on our corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  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. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if a smaller reporting company)

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

As of November 19, 2012, there were 32,616,160 shares of Common Stock (\$0.001 par value) outstanding.

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**PART I – FINANCIAL INFORMATION****Item 1. Financial Statements.**

**CROWN CITY PICTURES, INC.**  
**(A Development Stage Company)**  
**CONSOLIDATED BALANCE SHEETS**

	September 30, 2012 (Unaudited)	December 31, 2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,126	\$ -
Total current assets	1,126	-
Property, plant and equipment (net of accumulated depreciation of \$5,757 and \$4,608)	2,265	2,688
Total non-current assets	2,265	2,688
Total assets	\$ 3,392	\$ 2,688
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 189,815	\$ 66,386
Accrued interest	3,381	945
Related party advances	68,978	72,261
Total current liabilities	262,175	139,592
<b>LONG-TERM LIABILITIES</b>		
Notes payable, net of debt discount \$0 and \$31,333	55,272	4,167
Total long-term liabilities	55,272	4,167
Total liabilities	317,447	143,759
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Common stock, \$0.0001 par value; 50,000,000 shares authorized. 32,616,160 shares issued and outstanding	3,261	3,124

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Preferred Stock, \$0.0001 par value; 1,000,000 shares authorized and outstanding	100	100
Additional paid in capital	51,218	37,616
Deficit accumulated during the development stage	(368,635)	(181,911)
Total stockholders' equity (deficit)	(314,055)	(141,071)
Total liabilities and stockholders' equity	\$ 3,392	\$ 2,688

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

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**CROWN CITY PICTURES, INC.**  
**(A Development Stage Company)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

	<b>For the Three Months Ended September 30, 2012</b>	<b>For the Three Months Ended September 30, 2011</b>	<b>For the Nine Months Ended September 30, 2012</b>	<b>For the Nine Months Ended September 30, 2011</b>	<b>For the Period from Inception, April 27, 2011, to September 30, 2012</b>
<b>REVENUES</b>	\$ 5,565	\$ 3,750	\$ 37,224	\$ 28,193	\$ 40,974
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>					
Depreciation	383	347	1,149	1,040	1,976
Travel and entertainment	2,129	2,789	13,150	8,194	25,529
Bank service charges	171	247	884	360	1,615
Production expense	1,436	11,081	35,399	25,522	56,445
Consulting and professional fees	34,946	20,000	123,092	20,000	231,892
Rent	950	19,125	950	21,732	32,413
Utilities	-	479	869	1,060	1,589
Office expense	708	515	2,482	1,245	3,534
Telephone	271	134	6,327	557	6,985
Auto	748	2,104	3,177	1,540	4,597
Postage	10	109	36	123	146
Miscellaneous	-	760	-	760	760
Dues and subscriptions	32	-	193	148	772

Loss from operations	(36,220)	(53,939)	(150,483)	(54,089)	(327,282)
<b>OTHER INCOME (EXPENSE)</b>					
Interest, net	(993)	-	(36,241)	-	(41,353)
Net loss	\$ (37,213)	\$ (53,939)	\$ (186,724)	\$ (54,089)	\$ (368,635)
<b>Net loss per share - basic and diluted</b>	\$ (0.001)	\$ (0.002)	\$ (0.006)	\$ (0.002)	
<b>Weighted average number of shares outstanding during the period - basic and diluted</b>	32,332,402	34,515,455	31,608,237	34,515,455	

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

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**CROWN CITY PICTURES, INC.**  
**(A Development Stage Company)**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)**  
(Unaudited)

For the Period from Inception, April 27, 2011, to September 30, 2012

	Common Stock		Preferred Stock		Additional	Deficit	Total
	Shares	Par Value	Shares	Par Value	Paid In	Accumulated	Stockholders'
					Capital	During the	Equity
						Development	(Deficit)
						Stage	
<b>Balance - April 27, 2011 (inception)</b>	-	\$ -	-	\$ -	-	\$ -	\$ -
Capital Contributions	-	-	-	-	70	-	70
Acquisition of United Front, LLC	-	-	-	-	3,270	-	3,270
Recapitalization	31,242,175	3,124	1,000,000	100	(3,224)	-	-
Notes payable issued with beneficial conversion feature	-	-	-	-	37,500	-	37,500
Net loss for the period	-	-	-	-	-	(181,911)	(181,911)

<b>Balance - December 31, 2011</b>	31,242,175	\$ 3,124	1,000,000	\$ 100	\$ 37,616	\$ (181,911)	\$ (141,071)
Converted notes payable to common stock, \$0.001 per share	1,373,985	137	-	-	13,602	-	13,740
Net loss for the period	-	-	-	-	-	(186,724)	(186,724)
<b>Balance - September 30, 2012</b>	<b>32,616,160</b>	<b>\$ 3,261</b>	<b>1,000,000</b>	<b>\$ 100</b>	<b>\$ 51,218</b>	<b>\$ (368,635)</b>	<b>\$ (314,055)</b>

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

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**CROWN CITY PICTURES, INC.**  
**(A Development Stage Company)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011	April 27, 2011 to September 30, 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss	\$ (186,724)		\$ (368,635)

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		\$	(54,089)	
Adjustments to reconcile net loss to net cash used by operations:				
Notes payable for consulting services	-	-		37,973
Depreciation expense	1,149	1,040		1,976
Amortization of debt discount	33,333	-		37,500
Change in operating assets and liabilities:				
Accrued interest payable	2,909	-		3,381
Increase in accounts payable	129,468	20,000		195,854
Net cash used by operating activities	(19,865)	2,690		(91,951)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property and equipment	(726)	2,690		(1,088)
Net cash used by investing activities	(726)	-		(1,088)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Issuance of convertible notes payable	25,000	-		25,000
Capital contributions	-	34,733		70
Related party advances	(3,283)	-		68,978
Contribution of United Front, LLC	-	117		117
Net cash provided by financing activities	21,717	34,850		94,165
Net increase in cash	1,126	4,491		1,126
Cash and equivalents, beginning of period	-	-		-
Cash and equivalents, end of period	\$ 1,126	\$ 4,491	\$	1,126
<b>SUPPLEMENTAL CASHFLOW INFORMATION</b>				
Cash paid for income taxes	\$ -	\$ -	\$	-
Cash paid for interest	\$ -	\$ -	\$	-
<b>Significant non-cash activities</b>				
Recapitalization	\$ -	\$ -	\$	233
Liabilities converted to notes payable	\$ 6,040	\$ -	\$	6,040
Accrued interest converted to notes payable	\$ 472	\$ -	\$	472
Contribution of United Front, LLC fixed assets	\$ -	\$ 3,153	\$	3,153
	\$ -	\$ -	\$	37,500



Beneficial conversion  
feature-note payable

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

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**CROWN CITY PICTURES, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**  
**(Unaudited)**

**Note 1. BASIS OF PRESENTATION OF INTERIM PERIOD FINANCIAL STATEMENTS**

**ORGANIZATION AND NATURE OF BUSINESS**

On June 30, 2011, American Post Tension, Inc. (“APTI,” “Registrant”, or “the Company”), a Delaware Corporation, acquired all of the issued and outstanding stock of Crown City Pictures, Inc., a Florida corporation (“Crown City Florida”), from Crown City Holdings, Inc. (“Holdings”) in exchange for 20,000,000 shares of Registrant’s common stock and 1,000,000 shares of a new class of convertible preferred stock, with voting rights equal to 51 percent of the total vote of all classes of stock entitled to vote and convertible at the discretion of the holder into 51 percent of the then outstanding common stock of Registrant at any time commencing one year after closing. As a result of the proposed transaction, Crown City Holdings, Inc. acquired control of the Company, two of the three members of the Board of Directors resigned and were replaced by new directors, and new officers were elected. The change of control of the Company was reported in a Schedule 14F-1 filed with the U.S. Securities and Exchange Commission (“SEC”) on June 30, 2011, and the change in directors was effective on July 11, 2011.

At the same time, the Company exchanged all of our interest in our wholly-owned operating subsidiary, Post Tension of Nevada, Inc. (PTNV), and all of our interest in the post tension concrete business, in exchange for the redemption and cancellation of 23,329,705 shares of our common stock held by our former controlling shareholders, Edward Hohman and John Hohman, and the assumption by them of all outstanding liabilities of the Company as of June 30, 2011. Effective August 1, 2011, the Company changed our corporate name to Crown City Pictures, Inc. and obtained a new trading symbol (CCPI) by application filed with the Financial Industry Regulatory Association (FINRA), effective October 7, 2011.

Crown City Florida, incorporated in Florida on April 27, 2011 as Century City Pictures, Inc., is a holding company with two operating subsidiaries in the movie and film industry, United Front, LLC and The Uprising Film and Television, LLC (“The Uprising”). On May 2, 2011, Century City Pictures, Inc. changed our name to Crown City Pictures, Inc. United Front, LLC was incorporated in California on December 22, 2006 and was contributed to Crown City Florida on June 5, 2011 by Holdings. The Uprising was formed in California on May 5, 2011 and was contributed to Crown City Florida on June 27, 2011 by Holdings. The Uprising acquisition was rescinded by mutual agreement on April 3, 2012, and no operating or financial information regarding The Uprising is included in these financial statements accordingly. As a result of the acquisition of Crown City Florida, the Company is now engaged in the business of development and production of independent motion pictures, feature-length documentaries, reality television series, commercials and emerging online branded content, feature films, action sports programs and events, music television, reality based series and documentaries.

In management’s opinion, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation to make the Company’s financial statements not misleading have been included.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Presentation**

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of the Company and our wholly owned subsidiary. All significant inter-company balances and transactions have been eliminated in consolidation.

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## **CROWN CITY PICTURES, INC.**

**(A DEVELOPMENT STAGE COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(Unaudited)**

### **Note 1. BASIS OF PRESENTATION OF INTERIM PERIOD FINANCIAL STATEMENTS (continued)**

#### **Development Stage**

The Company is currently a development stage entity as defined under accounting standards, as it continues development activities related to the development and production of independent films. As required for development stage enterprises, the statements of operations, cash flows and changes in stockholders' equity (deficit) are presented on a cumulative basis from inception.

### **Cash and Cash Equivalents**

Cash includes all cash and highly liquid investments with original maturities of three months or less. The Company maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses on these accounts.

### **Property and Equipment**

Property and equipment are recorded at cost less accumulated depreciation. Depreciation and amortization on property and equipment are determined using the straight-line method over the three to seven year estimated useful lives of the assets.

### **Impairment of Long-Lived Assets**

The Company reviews our long-lived assets for impairment when events or changes in circumstances indicate that the book value of an asset may not be recoverable. The Company evaluates, at each balance sheet date, whether events and circumstances have occurred which indicate possible impairment. The Company uses an estimate of future undiscounted net cash flows of the related asset or group of assets over the estimated remaining life in measuring whether the assets are recoverable. If it is determined that an impairment loss has occurred based on expected cash flows, such loss is recognized in the statement of operations.

### **Accounts Receivable**

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company extends unsecured credit to our customers in the ordinary course of business but mitigates the associated risks by performing credit checks and actively pursuing past due accounts. An allowance for doubtful accounts is established and determined based on managements' assessment of known requirements, aging of receivables, payment history, the customer's current credit worthiness and the economic environment. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

## **Income Taxes**

Income taxes are accounted for in accordance with the provisions of FASB ASC Topic 740-10. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

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### **CROWN CITY PICTURES, INC.**

**(A DEVELOPMENT STAGE COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(Unaudited)**

#### **Note 1. BASIS OF PRESENTATION OF INTERIM PERIOD FINANCIAL STATEMENTS (continued)**

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income in the period that includes the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amounts expected to be realized, but no less than quarterly. Due to the uncertainty whether the accumulated losses will be available to offset future revenues, no deferred tax asset has been reported.

The Company follows the provisions of FASB ASC 740-10-50 and has performed a comprehensive review of our uncertain tax positions in accordance with recognition and measurement standards established by the codification. In this regard, an uncertain tax position represents the Company's expected treatment of a tax position taken in a filed tax return, or expected to be taken in a tax return, that has not been reflected in measuring income tax expense for financial reporting purposes. The Company does not expect any reasonably possible material changes to the estimated amount of liability associated with uncertain tax position. The Company's continuing policy is to recognize accrued interest and penalties related to income tax matters in income tax expense.

## **Related Parties**

For the purposes of these financial statements, parties are considered to be related if one party has the ability, directly or indirectly, to control the party or exercise significant influence over the other party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. Currently, Crown City Holdings, Inc., our majority shareholder, is considered to be a related party, as are our principal officers and the principal officer of our operating subsidiary, Michael W. Abbott.

### **Revenue Recognition**

The Company recognizes revenue in accordance with FASB ASC 926-605 on revenue recognition for entertainment films. Revenue from the sale of film and television programming rights and license arrangements will be recognized only when persuasive evidence of a sale or arrangement with a customer exists, the project is complete, the contractual delivery arrangements have been satisfied, the license period has commenced if applicable, the arrangement fee is fixed or determinable, collection of the arrangement fee is reasonably assured, and other conditions as specified in the respective agreements have been met.

Revenue from production services for third parties is recognized when the production is completed and delivered. All associated production costs are deferred and charged against income when the film is delivered and the related revenue is recognized.

Fees for other services provided to third parties are recognized as revenues when the services are performed and there is reasonable assurance over the collection of the fees.

Cash received in advance of meeting the revenue recognition criteria described above is recorded as deferred revenue.

### **CROWN CITY PICTURES, INC.**

**(A DEVELOPMENT STAGE COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(Unaudited)**

**Note 1. BASIS OF PRESENTATION OF INTERIM PERIOD FINANCIAL STATEMENTS (continued)**

**Basic and Diluted Earnings/ (Loss) Per Share**

Net earnings and loss per share is computed in accordance with FASB ASC 260-10 and requires the presentation of both basic and diluted earnings per share. Basic net earnings and loss per common share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur through the potential effect of common shares issuable upon the exercise of stock options, warrants and convertible securities. The calculation assumes: (i) the exercise of stock options and warrants based on the treasury stock method; and (ii) the conversion of convertible preferred stock only if an entity records earnings from continuing operations, as such adjustments would otherwise be anti-dilutive to earnings per share from continuing operations.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting periods. Actual results could differ from those estimates and those differences could be material.

**Going Concern**

The accompanying consolidated financial statements of the Company have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company has suffered an operating loss, has operating cash outflows, and negative working capital and stockholders' equity. Our ability to continue as a going concern is dependent upon achieving profitable operations and generating positive cash flows. The level of operations may not sustain the Company's expenses and it may have to borrow additional funds to meet our cash needs. These factors, among others, could affect our ability to continue as a going concern.

There can be no assurances that the Company will be able to achieve profitable operations or obtain additional funding. These factors create substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of the uncertainty.

## **Other Comprehensive Income**

The Company has no components of other comprehensive income and, accordingly, no Statement of Comprehensive Income has been included in the accompanying consolidated financial statements.

## **Recent Accounting Pronouncements**

ASU 2011-5, Statement of Comprehensive Income, was effective for the first quarter of 2012, but the guidance, which required companies to present net income and comprehensive income in one continuous statement or two consecutive statements, had no impact on the Company's financial statements.

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### **CROWN CITY PICTURES, INC.**

**(A DEVELOPMENT STAGE COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(Unaudited)**

#### **Note 1. BASIS OF PRESENTATION OF INTERIM PERIOD FINANCIAL STATEMENTS (continued)**

In July 2012, the FASB issued ASU 2012-02 "Testing Indefinite-Lived Intangible Assets for Impairment", which provides an entity the option to make a qualitative assessment about the likelihood that an indefinite-lived intangible asset is impaired to determine whether it should perform a quantitative impairment test. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012, if a public entity's financial statements for the most recent annual or interim period have not yet been issued. The Company is currently assessing the impact ASU 2012-02 will have on its financial statements, but does not expect a significant impact from adoption of the pronouncement.

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and does not believe the future adoption of any such pronouncements may be expected to cause a material impact on our financial condition or the results of our operations.

**Note 2. FAIR VALUE MEASUREMENTS**

Accounting principles generally accepted in the United States define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices included in Level 1. We value assets and liabilities included in this level using dealer and broker quotations, bid prices, quoted prices for similar assets and liabilities in active markets, or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

**Recurring Fair Value Measurements**

In accordance with accounting principles generally accepted in the United States, certain assets and liabilities are required to be recorded at fair value on a recurring basis. The Company does not currently have any such assets or liabilities.

**Note 3. DUE TO RELATED PARTY**

During the period from inception (April 27, 2011) and ending September 30, 2012, the Company received net cash advances of \$68,978 from its parent company. These advances are non-interest bearing and due upon demand.



**CROWN CITY PICTURES, INC.**

**(A DEVELOPMENT STAGE COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(Unaudited)**

**Note 4. INCOME TAXES**

The Company accounts for income taxes in accordance with accounting standards for Accounting for Income Taxes which require the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and tax basis of assets and liabilities, and for the expected future tax benefit to be derived from tax loss and tax credit carry-forwards. Additionally, the standards require the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets.

The following is a reconciliation of income taxes computed using the statutory Federal rate to the income tax expense in the financial statements for September 30, 2012:

Income tax provision at the federal statutory rate	34%
Income tax provision at the state statutory rate	4%
Effect of operating losses	(38%)

The following is a schedule of deferred tax assets as of September 30, 2012:

Net operating loss	\$	368,635
Future tax benefit at 34%		125,336
Less: Valuation allowance		(125,336)
Net deferred tax asset	\$	--

As a result of the distribution of the post tension business and all related assets and liabilities and the acquisition of Crown City Pictures, Inc., Crown City Pictures, Inc. is treated as the surviving entity for reverse merger accounting purposes, and both of APTI's net operating losses for prior periods and the valuation allowance were eliminated as of June 30, 2011.

Under Sections 382 and 269 (the 'shell corporation' rule) of the Code following an 'ownership change,' special limitations ('Section 382 Limitations') apply to the use by a corporation of its net operating loss, or NOL, carry-forwards arising before the ownership change and various other carry-forwards of tax attributes (referred to collectively as the 'Applicable Tax Attributes'). As a result of the June 30, 2011 transactions, the Company

experienced an ownership change, and Section 382 Limitations will apply to the Applicable Tax Attributes of the Company.

**Note 5. OPERATING LEASES**

The Company formerly leased office space in Los Angeles County, California, for our then two operating subsidiaries under an operating lease with lease terms that extend through July 31, 2013. As part of the rescission of the acquisition of The Uprising on April 3, 2012, The Uprising assumed all responsibility under that lease and has agreed to indemnify the Company for any losses or liabilities. The Company has no operating leases as a result and maintains our sole offices in Florida with a consultant providing legal, financial and administrative support for the Company.

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**CROWN CITY PICTURES, INC.**

**(A DEVELOPMENT STAGE COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(Unaudited)**

**Note 6: CONVERTIBLE DEBT**

In October 2011, the Company entered into an arrangement with CF Consulting, LLC in which the Company promised to pay an aggregate of \$37,973 which is comprised of \$37,500, the original principal balance from a prior note, and accrued interest of \$473 also relating to the prior note. The Company recorded the note issuances as consulting expenses of \$37,973 in the consolidated statement of operations. Interest was payable at 5% per annum on the principal balance due in a lump sum at December 1, 2013. The indebtedness, including accrued but unpaid interest, was convertible into common stock at \$.02 per share. The convertible note had a beneficial conversion feature, resulting in a debt discount of \$37,500 to be amortized to interest expense over the life of the note. In March, 2012, CF Consulting, LLC sold the convertible note to Crystal Falls Investments, LLC and the Company issued a replacement note on the same terms to Crystal Falls for \$37,973, including interest of \$473 to the date of the new note, except that the interest rate on the new note was increased from 5 to 8 percent. Additional interest accrued on the prior note of \$940 was transferred to Crystal Falls and remains outstanding. The Company has accrued interest of \$2,186 on the note for the period from inception (April 27, 2011) to September 30, 2012. The conversion rate under the new note was a fixed rate of \$0.02 per share, which was the fair market value of the Company's common stock on the date of the note. The remaining debt discount of \$29,166 of the prior note was cancelled and charged to interest expense. In July, 2012, Crystal Falls Investments partially exercised its conversion rights under the convertible note dated March 2012. A total of \$13,740 in principal on the note was converted into 1,373,985 shares of common stock, leaving a remaining principal balance of \$24,233.

In February 2012, the Company borrowed the sum of \$12,500 from Crystal Falls and issued a convertible promissory note for that amount, plus interest, due in a lump sum at February 28, 2014. The indebtedness, including accrued but unpaid interest, is convertible into common stock at \$.01 per share. The Company accrued interest of \$359 on the note for the period from inception (April 27, 2011) to June 30, 2012. The conversion rate under the new note was a fixed rate of \$0.01 per share, which was the fair market value of the Company's common stock on the date of the note.

In March 2012, the Company borrowed the sum of \$12,500 from Crystal Falls and issued our convertible promissory note for that amount, plus interest, due in a lump sum at June 30, 2014. Interest is payable at 8% per annum on the principal balance. The indebtedness, including accrued but unpaid interest, is convertible into common stock at \$.01 per share. The Company accrued interest of \$332 on the note for the period from inception (April 27, 2011) to June 30, 2012. The conversion rate under the new note was a fixed rate of \$0.01 per share, which was the fair market value of the Company's common stock on the date of the note.

## **Note 7. SUBSEQUENT EVENTS**

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## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

### **Overview**

On June 30, 2011, we acquired all of the issued and outstanding stock of Crown City Pictures, Inc., a Florida corporation ("Crown City Florida"), from Crown City Holdings, Inc. ("Holdings") in exchange for 20,000,000 shares of Registrant's common stock and 1,000,000 shares of a new class of convertible preferred stock, with voting rights equal to 51 percent of the total vote of all classes of stock entitled to vote and convertible at the discretion of the holder into 51 percent of our then outstanding common stock at any time commencing one year after closing. As a result of the proposed transaction, Crown City Holdings, Inc. acquired control of the Company, two of the three members of our Board of Directors resigned and were replaced by new directors, and new officers were elected. The change of control was reported in a Schedule 14F-1 filed with the U.S. Securities and Exchange Commission ("SEC") on June 30, 2011, and the change in directors was effective on July 11, 2011.

At the same time, we exchanged all of our interest in our wholly-owned operating subsidiary, Post Tension of Nevada, Inc. (PTNV), and all of our interest in the post tension concrete business, in exchange for the redemption and cancellation of 23,329,705 shares of our common stock held by our former controlling shareholders, Edward Hohman and John Hohman, and the assumption by them of all our outstanding liabilities as of June 30, 2011. We changed our corporate name to Crown City Pictures, Inc. and obtained a new trading symbol (CCPI).

The transfer of the post tension business in exchange for the common stock cancellation was approved unanimously by our Board of Directors. No shareholder vote or approval was required under Delaware law to approve the transaction.

Prior to the effective date of the transaction, our total liabilities were \$3,820,030, assets reported on our June 30, 2011 balance sheet totaled \$3,065,339 and we had a shareholder deficit of \$754,691. We reported a net loss of \$1,850,978 on our Form 10-K Annual Report for the year ended December 31, 2010, and an accumulated net loss at December 31, 2010 of \$6,481,832. Our former majority shareholders assumed all of our outstanding debts as part of the transaction and agreed to indemnify us and hold us harmless from any debt, liability or claim of any kind existing at or arising before July 1, 2011.

## **BUSINESS PLAN**

We are a holding company with one operating subsidiary in the movie and film industry, United Front, LLC.

**United Front, LLC** ("United Front") is a Los Angeles based multi-media content creation studio that is engaged in the development and production of genre-based independent motion pictures, feature-length documentaries, reality television series, commercials and emerging online branded content. United Front's productions have premiered in the Sundance Film Festival and Cannes Film Festival, have been sold to MTV, OWN and Showtime Networks, and have earned numerous film festival and advertising awards. United Front's motion picture and television content finds our global distribution in a variety of outlets such as movie theaters, television (pay, network and syndicated), online, home video /DVD / SVOD-VOD as well as in other evolving ancillary media outlets.

United Front has developed a two-prong strategy. First, United Front develops, finances, and produces genre films with global content, style and themes with budgets under \$5 million as well as A-level documentary feature films with budgets under \$1 million. United Front focuses on horror, action and comedy genres guided by uniquely fresh directorial vision and strong screenplays, because these have historically been the most successful genres and films of these genres (with comparable budgets) have exhibited the highest potential to become franchise film properties. United Front develops larger budget action/adventure, horror and science-fiction films, developed both in-house as original material as well as material based on content already popularized, either domestically or in foreign markets, through media other than filmed entertainment, such as children's fables, comic books, animation and video games. United Front partners with larger production companies who possess output deals with major studio distribution to co-produce such films by using already popularized content and partnering with a major studio-based production company, United Front is able to mitigate the risk associated with producing big budget, often special effects driven, motion pictures while maintaining the potential for large returns.

As television is a primary focus of United Front's content strategy, the development and consequent sale of reality television to major U.S. and cable networks has taken a more center stage as of 2009. United Front has begun development on properties for scripted television in 1/2 hour animated comedy, 1/2 hour situation comedy, and comic book /graphic novel based horror drama.

United Front was founded by Michael W. Abbott in 2007 with an ethos driven by passion and creativity but guided by a sound operating and fiscal strategy for a low risk / high return approach to development and production while maintaining that each project invested by the company must make an impact on our viewers without letting go of our commercial accessibility to the broadest of audiences. United Front has been created to produce entertaining, engaging and story-driven genre motion pictures, reality television programming and branded content with proven talent behind and in front of the camera.

## **Results of Operations**

Crown City Pictures, Inc. ("Company") acquired United Front Films, Inc on June 30, 2011. United Front is engaged in the film and television markets. United Front has been engaged in this market for several years but had minimal activities in the period ending June 30, 2011 as all of our activities were in the development and pre-production stages.

For the three and nine months ended September 30, 2012, the Company had revenues of \$5,565 and \$37,224, respectively. The Company had a net loss of \$37,213 and \$186,724 for the three and nine months ended September 30, 2012, respectively and a net loss of \$368,635 for the period from inception, April 27, 2011, to September 30, 2012. The losses are primarily due to production expenses on current production deals, consulting, rent and interest expenses. The Company anticipates considerable revenues in the near future due to various production deals in progress. However, there can be no assurances that such negotiations will be successful or that considerable revenues will be generated in the near future. The Company had a net loss of \$53,939 and \$54,089 for the three and nine months ended September 30, 2011, respectively. The Company had minimal activities during the period from inception, April 27, 2011, to September 30, 2011.



## **Liquidity and Capital Resources**

Our primary cash requirements are paying our operating expenses and for capital expenditures. Our primary cash sources are cash flows from operating activities and issuances of debt.

During the nine months ended September 30, 2012, cash used in operating activities was \$19,865. Net changes in operating assets and liabilities provided net cash of \$166,859, which primarily included a \$129,468 increase in accounts payable. Cash used in operating activities during the nine months ended September 30, 2011 was \$33,049.

Cash used in investing activities was \$726 during the nine months ended September 30, 2012 and represented purchases of property and equipment.

During the nine months ended September 30, 2012, cash provided by financing activities was \$21,717 and was primarily attributed to the proceeds of two note payable issuances totaling \$25,000. In February 2012, the Company borrowed the sum of \$12,500 from Crystal Falls and issued a convertible promissory note for that amount, plus interest, due in a lump sum at February 28, 2014. The indebtedness, including accrued but unpaid interest, is convertible into common stock at \$.01 per share. Additionally, in March 2012, the Company borrowed the sum of \$12,500 from Crystal Falls and issued a convertible promissory note for that amount, plus interest, due in a lump sum at June 30, 2014. Interest is payable at 8% per annum on the principal balance. The indebtedness, including accrued but unpaid interest, is convertible into common stock at \$.01 per share. In addition to these debt issuances, related party advances decreased by \$3,948 during the period. Cash provided by financing activities during the nine months ended September 30, 2011 was \$34,850.

Overall, Crown City Holdings, Inc. provided \$132,400 in direct working capital funding to us through September 30, 2012, and has provided a total of \$112,400 to the date of this report in direct working capital funding. Crown City Holdings, Inc. has committed to continue to provide working capital.

There can be no assurances that the Company will achieve profitable operations or obtain additional funding. These factors create substantial doubt about the Company's ability to continue as a going concern.

## **Off-Balance Sheet Arrangements**

None

## **Critical Accounting Policies**

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **Contractual Obligations**

We entered into a consulting agreement with CFOs to Go, Inc., a financial and legal consulting firm, to provide financial, accounting, legal, administrative, HR, supply chain management, corporate governance, SEC compliance and similar services to us for a monthly fee of \$10,000. CFOs to Go also provides contract principal accounting officer and corporate counsel services to us under our agreement and also provides telephone, office address, access to software and servers owned by CFOs to Go, and related office support. We maintain our corporate offices at the Florida offices of CFOs to Go under this arrangement. CFOs to GO is a wholly-owned subsidiary of Lin-Han Century Corp., which is also the majority shareholder of Crown City Holdings, Inc., our direct parent company and majority shareholder.

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## **Item 3. Quantitative and Qualitative Disclosures About Market Risks.**

Not applicable

## **Item 4. Controls and Procedures.**

### **Evaluation of Disclosure Controls and Procedures**

As of September 30, 2012, the Chief Executive Officer and Principal Accountant carried out an assessment, of the effectiveness of the design and operation of our disclosure controls and procedure and concluded that the Company's disclosure controls and procedures were not effective as of September 30, 2012, because of the material weakness described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.



The material weakness identified during management's assessment was the lack of sufficient resources with SEC, generally accepted accounting principles (GAAP) and tax accounting expertise. This control deficiency did not result in adjustments to the Company's interim financial statements. However, this control deficiency could result in a material misstatement of significant accounts or disclosures that would result in a material misstatement to the Company's interim or annual financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness.

The Chief Executive Officer and Principal Accountant performed additional accounting and financial analyses and other post-closing procedures including detailed validation work with regard to balance sheet account balances, additional analysis on income statement amounts and managerial review of all significant account balances and disclosures in the Quarterly Report on Form 10-Q, to ensure that the Company's Quarterly Report and the financial statements forming part thereof are in accordance with accounting principles generally accepted in the United States of America. Accordingly, management believes that the financial statements included in this Quarterly Report fairly present, in all material respects, the Company's financial condition, results of operations, and cash flows for the periods presented.

#### **Changes in Internal Control over Financial Reporting**

During the three months ended September 30, 2012 there were no changes in our system of internal controls over financial reporting.

## **PART II – OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

We are not currently subject to any material pending legal proceedings.

### **Item 1A. Risk Factors.**

In addition to the other information set forth in this report, you should carefully consider the risk factors set forth below, which could materially affect our business, financial condition and operating results. The risks described below are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.



Our Company has recently been formed to produce and distribute motion pictures and other entertainment media programming. We have no operating history other than through our subsidiaries, United Front Films, Inc., which has reflected losses or slight profits since it commenced operations in 2006.

## **Risks Related to Our Business**

### **Risks inherent in production and distribution of motion pictures and entertainment media programming.**

Our revenue is derived from the distribution of motion picture rights which we acquire from others, principally the producer or owner of the motion picture and from the production of motion picture and television properties. Our business is dependent on our ability to produce or to continue to acquire such rights to commercially exploitable motion pictures. The production or acquisition of such rights and the distribution of motion pictures is a highly speculative business. Because each motion picture is an individual artistic work and our commercial success is primarily determined by audience reaction, which is unpredictable, the revenues derived from a motion picture do not necessarily correlate to the costs incurred, and there can be no assurance as to the economic success of any motion picture. It is therefore difficult to produce or to identify and acquire films suitable for distribution by us on acceptable terms. The entertainment business, and the film and video industry in particular, are undergoing significant changes such that the ancillary markets, including home video, pay-per-view, cable television and free television have become increasingly important sources of revenue. Nevertheless, the traditional mainstay of a motion picture's economic performance, our theatrical success, may affect a picture's ability to generate revenue in ancillary markets. If programs are not well received in theatrical distribution or are not exhibited in theaters, their value in the ancillary markets may also be diminished.

Television distribution is also highly speculative and inherently risky. The success of our television distribution business is affected by some of the same factors described above and may also be impacted by prevailing advertising rates, which are subject to fluctuation. Thus, there is a substantial risk that some or all of our television projects will not be commercially successful, resulting in costs not being recouped or anticipated profits not being realized.

**We have insufficient funding to finance all our projected projects and joint ventures. In the event that we are unable to raise the necessary debt or equity financing, we may be forced to cease operations.**

Our lack of funding, whether through debt or equity capital, makes it unlikely that we will be able to meet our commitments or continue in business without additional capital.

**The film making industry requires significant up-front capital expenditures.**

The film making industry requires significant up-front capital expenditures for script writers, actors, other talent, production staff and capital equipment before a film or production is ever made and a movie is shown to the public. We may not have the financial resources to be successful in this industry given these underlying economics.

**We face intense competition from other media and entertainment companies, many of whom have significantly greater resources than do we.**

Many of our existing competitors have greater financial, personnel, artistic and capacity resources than we do and, as a result, these competitors may be in a stronger position to respond quickly to market opportunities, new or emerging trends and changes in client requirements.

**Box office revenue and other types of revenue from films and TV series may be difficult to predict and have a long payment cycle; traditional business planning models and capital budgeting techniques are difficult to apply.**

Our future business will be subject to the whim of the box office, with revenues that are difficult to predict, which makes traditional business planning techniques and capital budgeting decisions very risky.

**Talent driven businesses are risky when revenue depends on the performance of an actor or actress.**

Our future business will be subject to the changes and vicissitudes of our primary resources, which are our talented actors and actresses.

**Our operations depend highly on our Chairman.**

The success of operations depends greatly on key executive, Michael W. Abbott, our Chairman. The loss of the services of this individual could adversely affect our ability to conduct our business.

**Our operations will depend on our ability to attract and retain a highly talented group of artists and production personnel.**

Because of the highly specialized, technical and artistic nature of the business of our companies, we must attract and retain a highly skilled group of employees and a sizeable workforce of competent skilled employees. Although we do not anticipate unacceptable attrition among the staff at our companies, if our companies were to lose a substantial portion of such persons in the future, our ability to effectively pursue our business strategy could be materially and negatively affected.

**We may not be able to effectively respond to rapid growth in demand for our television shows and films.**

If we are successful in obtaining rapid market growth of our media and entertainment businesses, we may be required to deliver large volumes of quality television programs and films to clients on a timely basis at a reasonable cost to those customers. Meeting such increased demands will require us to expand our facilities, to increase our ability to

purchase talent, to increase the size of our work force, to expand our quality control capabilities and to increase the scale upon which we produce products. Such demands would require more capital and working capital than we currently have available.

**We may not be able to finance the development of our business.**

Our future operating results will depend to a significant extent on our ability to continue to provide new media and entertainment products that compare favorably on the basis of cost with the products of our competitors, many of whom have production capabilities and technologies that compete well with our products. This will require a substantial outlay of capital. To remain competitive, we must continue to incur significant costs in talent, equipment and facilities. These costs may increase, resulting in greater fixed costs and operating expenses. All of these factors create pressures on our working capital and ability to fund our current and future production activities and the expansion of our business.

**Our business depends on our ability to protect our intellectual property effectively.**

The success of our business depends in substantial measure on the legal protection of the copyrights and trademarks and other proprietary rights in media and entertainment products that we will hold. While we may be able to obtain protection in the United States under existing laws, we may not be able to obtain worldwide protection for our activities.

Monitoring infringement of intellectual property rights is difficult, and we cannot be certain that the steps we have taken will prevent unauthorized use of our intellectual property and know-how, particularly in other countries in which the laws may not protect our proprietary rights as fully as the laws of the United States. Accordingly, other parties, including competitors, may duplicate our products using our proprietary technologies. Pursuing legal remedies against persons infringing our copyrights and trademarks or otherwise improperly using our proprietary information is a costly and time consuming process that would divert management's attention and other resources from the conduct of our other business.

**Lack of Diversification**

The Company may not have the ability or sufficient capital to produce or to acquire a variety of films for distribution. If the Company is not able to diversify and produce or acquire a number of different films for distribution, then the failure of one or two films could have a material diverse impact on the Company, causing shareholders to lose all or a substantial amount of their investment.

**Speculative Nature of Investment**

The entertainment industry is extremely competitive and the commercial success of any motion picture or other program is often dependent on factors beyond our control, including but not limited to audience preference and exhibitor acceptance. We may experience substantial cost overruns in marketing our programs, and may not have sufficient capital to successfully complete any of our projects. Competent sub-distributors or licensees may not be available to assist us in our marketing efforts for our programs. We may not be able to sell or license our programs because of industry conditions, general economic conditions, competition from other producers and distributors, or lack of acceptance for our programs by studios, distributors, exhibitors and audiences. We may also incur uninsured losses for liabilities which arise in the ordinary course of business in the entertainment industry, or which are unforeseen, including but not limited to copyright infringement, product liability, and employment liability.

**Competition**

Motion picture and television production and distribution are highly competitive. The competition comes from both companies within the business and companies in other entertainment media which create alternative forms of leisure entertainment. Our competition for the production and acquisition of distribution rights to entertainment properties, includes major film studios such as The Walt Disney Company, Paramount Pictures Corporation, MCA, Columbia Pictures, Tri-Star Pictures, Twentieth Century Fox, Warner Bros Inc. and MGM/UA, which are dominant in the motion picture industry, as well as numerous independent motion picture and television companies, broadcast television networks and pay television systems. Many of these organizations with which we compete have significantly greater financial and other resources than we do. With greater resources, these companies are able to pay more to acquire film properties and to distribute films to a greater market.



## **Risks Related to our Common Stock**

**The Company's stock is thinly traded, so you may be unable to sell your shares at or near the quoted bid prices if you need to sell a significant number of your shares.**

The shares of the Company's common stock are thinly-traded on the OTC Bulletin Board, meaning that the number of persons interested in purchasing our common shares at or near bid prices at any given time may be relatively small or non-existent. This situation is attributable to a number of factors, including the fact that the Company is relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if it came to the attention of such persons, they tend to be risk-averse and may be reluctant to follow the Company. As a consequence, there may be periods of several days or more when trading activity in the shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. The Company cannot give you any assurance that a broader or more active public trading market for our common shares will develop or be sustained, or that current trading levels will be sustained. Due to these conditions, the Company can give you no assurance that you will be able to sell your shares at or near bid prices or at all if you need money or otherwise desire to liquidate your shares.

**Investors may have difficulty selling our shares because they are deemed “penny stocks”.**

Since our common stock is not listed on the NASDAQ Stock Market, if the trading price of our common stock remains below \$5.00 per share, trading in our common stock will be subject to the requirements of certain rules promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which require additional disclosure by broker-dealers in connection with any trades involving a stock

defined as a penny stock (generally, any non-NASDAQ equity security that has a market price of less than \$5.00 per share, subject to certain exceptions). Such rules require the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and the risks associated therewith and impose various sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors (generally defined as an investor with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 individually or \$300,000 together with a spouse). For these types of transactions, the broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to the sale. The broker-dealer also must disclose the commissions payable to the broker-dealer, current bid and offer quotations for the penny stock and, if the broker-dealer is the sole market-maker, the broker-dealer must disclose this fact and the broker-dealers' presumed control over the market. Such information must be provided to the customer orally or in writing before or with the written confirmation of trade sent to the customer. Monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. The additional burdens imposed upon broker-dealers by such requirements could discourage broker-dealers from effecting transactions in our common stock, which could severely limit the market liquidity of the common stock and the ability of holders of the common stock to sell their shares.

Stockholders should be aware that, according to SEC Release No. 34-29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include (i) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (ii) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (iii) boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (iv) excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and (v) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses.

**Potential issuance of additional common and preferred stock could dilute existing stockholders.**

We are authorized to issue up to 50,000,000 shares of common stock. To the extent of such authorization, our Board of Directors has the ability, without seeking stockholder approval, to issue additional shares of common stock in the future for such consideration as the Board of Directors may consider sufficient. The issuance of additional common stock in the future will reduce the proportionate ownership and voting power of the common stock offered hereby. We are also authorized to issue up to 1,000,000 shares of preferred stock. In addition the Board of Directors could designate additional classes and series of preferred stock without stockholder approval, and could create additional securities which would have dividend and liquidation preferences over the common stock. Preferred stockholders could adversely affect the rights of holders of common stock by:

- exercising voting, redemption and conversion rights to the detriment of the holders of common stock;
- receiving preferences over the holders of common stock regarding or surplus funds in the event of our dissolution or liquidation;
- delaying, deferring or preventing a change in control of the Company; and
- discouraging bids for or common stock.

**The market price of our stock may be adversely affected by market volatility.**

The market price of our common stock is likely to be volatile and could fluctuate widely in response to many factors, including:

- announcements of contracts or innovations by the Company or our competitors;
- announcements of new entertainment products or new contracts by the Company or our competitors;
- actual or anticipated variations in our operating results due to the level of expenses and other factors;
- changes in financial estimates by securities analysts and whether our earnings meet or exceed such estimates;
- new accounting standards;
- general economic, political and market conditions and other factors; and
- The lack of depth and liquidity of the market for our common stock; and

In addition, the stock market in general, and the over-the-counter market in particular, has experienced significant price and volume fluctuations that have often been unrelated or disproportionate to the performance of listed companies. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance.

**The existing preferred stock may cause dilution on the price or value of our common stock.**

We have issued 1,000,000 shares of preferred stock to Crown City Holdings, Inc., which are convertible, voting shares after one year from the date of issuance in June, 2011. Under the terms of the preferred shares, Crown City Holdings has at all times a total of 51 percent of the total vote of all classes of common stock and is convertible into 51 percent of the resulting total shares of common stock then outstanding, at the election of Crown City Holdings, Inc. This means that Crown City Holdings, Inc. has effective voting control at all times. This may significantly affect the trading value of our common stock and may also make it more difficult to raise capital from equity shares of common stock or from issuing debt convertible into common stock.

**Only a limited trading market for our common stock exists.**

Historically, we have had limited trading in our common stock, in part, as a result of the limited public float in our stock and as a result of our operating history. Unless a substantial number of shares are sold by the selling shareholders and other GCME shareholders into the open market, an active trading market for shares of our common stock may never develop. Without an active market in our shares, the liquidity of the stock could be limited and prices for the common stock would be depressed.

Our common stock is traded in the over-the-counter market through the Over-the-Counter Electronic Bulletin Board under the symbol CCPI. Our common stock may never be included for trading on any stock exchange or through any other quotation system (including, without limitation, the NASDAQ Stock Market).

**We are obligated to indemnify our officers and directors for certain losses they suffer.**

Our By-Laws provide that we will indemnify any person who was or is a party or is threatened to be made a party to any proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a Director, Trustee, Officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, Trustee, Officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgment, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or our equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and with respect to any criminal action proceeding, had reasonable cause to believe that such person's conduct was unlawful.

Regarding indemnification for liabilities arising under the Securities Act of 1933, which may be permitted to directors or officers under Delaware law, we are informed that, in the opinion of the Securities and Exchange Commission, indemnification is against public policy, as expressed in the Securities Act, and, is, therefore, unenforceable.

**We have never paid dividends and do not expect to pay dividends in the near future.**

We have never paid cash dividends on our Common Stock and no cash dividends are expected to be paid on the Common Stock in the foreseeable future. We anticipate that for the foreseeable future all of our cash resources and earnings, if any, will be retained for the operation and expansion of our business.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

We issued 1,373,985 common shares in July, 2012 on conversion of \$13,740 in convertible debt then outstanding.

**Item 3. Defaults Upon Senior Securities.**

None

**Item 4. (Removed and Reserved).**

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**Item 5. Other Information.**

None

**Item 6. Exhibits.**

(a)

Exhibits

- 31.1 Certification of Chief Executive Officer
- 31.2 Certification of Principal Accountant
- 32.1 Section 1350 Certification of Chief Executive Officer
- 32.2 Section 1350 Certification of Principal Accounting Officer

**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 our behalf by the undersigned, thereunto duly authorized on November 19, 2012.

**Crown City Holdings, Inc.**

By: /s/ Michael W. Abbott  
**Michael W. Abbott**  
**Chairman and President**

By: /s/ John Burke  
**John Burke**  
**Principal Accountant**