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PRINCETON AMERICAN CORP

Form 10QSB

April 15, 2002

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

FORM 10-QSB

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

For the quarterly period ended February 28, 2002

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

For the transition period from to

Commission file No.0-5141

Princeton American Corporation
(Exact name of small business issuer as specified in its Charter)

Nevada 22-1848644
(state or other jurisdiction of (I.R.S. Employer Identification
incorporation or organization) Number)

2222 East Camelback Road, Suite 105, Phoenix, AZ 85016
(Address of Principal Executive Offices, including Zip Code)

Issuer's telephone number, including area code: (602) 522-2444

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 periods
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 ☐

10,923,918 shares of Common Stock, par value \$.001 per share, were
outstanding at November 30, 2001

Transitional Small Business Disclosure Format (Check One): Yes ☐ No ☒

PRINCETON AMERICAN CORPORATION

FORM 10-QSB

INDEX

PART I Financial Information	Page
Item 1 - Financial statements (unaudited)	
Unaudited Condensed Balance Sheet - February 28, 2002	3
Unaudited Condensed Statements of Operations and Comprehensive Income (Loss) - Nine Months and three Months ended February 28, 2002 and February 28, 2001	5

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Unaudited Condensed Statements of Cash Flows - Nine Months ended February 28, 2002 and February 28, 2001	6
Unaudited Notes to Financial Statements	7
Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations.	9
PART II Other Information	11
Item 5 Other information	11
Item 6 Exhibits and Reports on Form 8-K.	11

Signatures

PRINCETON AMERICAN CORPORATION

UNAUDITED CONDENSED BALANCE SHEET

FEBRUARY 28, 2002

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 18,394
Accounts receivable	17,486
Investments in marketable securities	5,213
Prepaid expenses	31,143
Other receivables	27,212
Deposit	5,000

Total current assets	104,448

PREPAID EXPENSES	44,452
INVESTMENT IN COMMISSION CONTRACT	208,566
PROPERTY AND EQUIPMENT, NET	1,364,474

	\$1,721,940
	=====

PRINCETON AMERICAN CORPORATION

UNAUDITED CONDENSED BALANCE SHEET

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FEBRUARY 28, 2002

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:

Notes payable - current portion	\$ 35,030
Note payable - other	245,508
Notes payable, officers	100,000
Accounts payable	347,614
Bankruptcy claims	679,289
Liabilities settled	560,000
Accrued interest	302,328
Accrued real estate taxes	372,358
Payroll and sales taxes payable	29,939
Advance rental income and tenant security deposits	20,631

Total current liabilities	2,692,697
TENANT SECURITY DEPOSITS - LONG TERM	51,461
MORTGAGE NOTES PAYABLE	1,719,297

	4,463,455

STOCKHOLDERS' DEFICIT:

Common stock	
approximately 15,000,000 shares issued and outstanding	15,000
Additional paid-in-capital	2,460,350
Accumulated deficit	(4,792,673)

	(2,317,323)
Net unrealized loss on marketable securities	(424,192)

Total stockholders' deficit	(2,741,515)

Total liabilities and stockholders' deficit	\$ 1,721,940
	=====

PRINCETON AMERICAN CORPORATION

Unaudited Condensed Statements of Operations and Comprehensive Loss
For the Three Months and Nine Months Ended February 28, 2002 and 2001

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	THREE MONTHS Ended February 28, 2002 -----	THREE MONTHS Ended February 28, 2001 -----	NINE MONTHS Ended February 28, 2002 -----
REVENUES			
Rental income	\$ 228,576	198,091	706,192
Parking and other	8,760	3,545	24,093
	----- 237,336	----- 201,636	----- 730,285
COSTS AND EXPENSES			
Building operating costs	72,536	76,045	269,237
Professional fees	22,158	24,982	224,920
Payroll and payroll taxes	32,036	36,051	98,818
Ground lease	31,486	31,201	94,323
Depreciation	24,100	34,939	70,780
Consulting	7,500	17,900	14,662
Other	12,162	11,029	44,077
	----- Total costs and expenses	----- 232,147	----- 816,817
INCOME (LOSS) FROM OPERATIONS	----- 35,358	----- (30,511)	----- (86,532)
OTHER INCOME (EXPENSE)			
Interest and dividend income	4,611	5,101	14,017
Interest expense	(81,563)	(52,076)	(256,880)
Gain on settlement of lawsuit	--	--	59,603
Other	--	--	(16,029)
	----- (76,952)	----- (46,975)	----- (199,289)
NET LOSS BEFORE INCOME TAXES	(41,594)	(77,486)	(285,821)
INCOME TAXES	--	--	--
NET LOSS	----- \$ (41,594) =====	----- (77,486) =====	----- (285,821) =====
NET LOSS PER COMMON SHARE, BASIC AND DILUTED	----- \$ (0.00) =====	----- (0.01) =====	----- (0.02) =====
NET LOSS	\$ (41,594)	(77,486)	(285,821)
NET UNREALIZED LOSS ON MARKETABLE SECURITIES	(1,000)	(5,286)	(12,445)
COMPREHENSIVE LOSS	----- \$ (42,594) =====	----- (82,772) =====	----- (298,266) =====

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PRINCETON AMERICAN CORPORATION

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED FEBRUARY 28, 2002 AND 2001

	2002	2001
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (285,821)	(233,936)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	70,780	100,115
Interest income on investment contract	(13,842)	(13,620)
Rent abatement	--	(7,052)
Loss on sale of marketable security	8,804	--
Gain on settlement of lawsuit	(59,603)	
Increase (decrease) in cash due to change in:		
Accounts receivable	(11,418)	(21,833)
Prepaid expenses	17,645	(62,032)
Other receivables	4,808	--
Other assets	6,009	--
Accounts payable and accrued expenses	251,525	129,079
Accrued interest	112,404	44,484
Rent deposits	(102,241)	35,836
	-----	-----
Net cash used in operating activities	(950)	(28,959)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments on notes receivable	--	18,149
Purchase of property and equipment	(56,111)	(5,567)
Payments on investment contract	11,437	11,063
	-----	-----
Net cash provided by (used in) investing activities	(44,674)	23,645
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(19,821)	--
Proceeds from bank loan	131,398	--
Proceeds from (payment on) loan from officers	(30,000)	30,000
Payments on mortgage notes payable	(20,100)	(20,131)
	-----	-----
Net cash provided by financing activities	61,477	9,869
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,853	4,555
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,541	1,650
	-----	-----

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CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 18,394	6,205
	=====	=====
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
CASH PAID DURING THE PERIOD FOR INTEREST	\$ 119,821	105,426
	=====	=====
Cash paid during the period for income taxes	\$ --	--
	=====	=====
NON-CASH INVESTING ACTIVITIES:		
Transfer of marketable securities	\$ 44,020	--
	=====	=====
Assets acquired in return for rent abatement	\$ --	70,525
	=====	=====

PRINCETON AMERICAN CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS

FEBRUARY 28, 2002 AND 2001

1. BASIS OF PRESENTATION

The accompanying financial statements have been prepared by the Company, without audit, and reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods. The statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial reporting and Securities and Exchange Commission regulations. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the financial statements reflect all adjustments (of a normal and recurring nature) which are necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. The results of operations for the nine months ended February 28, 2002 are not necessarily indicative of the results to be expected for the entire fiscal year.

These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10K-SB for the fiscal year ended May 31, 2001.

2. LITIGATION

Harry and Irene Weiss - On February 9, 2001, the Weiss's and the Company concluded a two-day settlement conference before the Hon. Charles G. Case of the United States Bankruptcy Court. The conference culminated in an agreement between the parties to settle the various disputes among them, including the Company's objection to the priority and amount of the Weiss' claim. The parties have agreed on settlement documents and in November the Bankruptcy Court approved the terms of the settlement and entered an order establishing the amount and priority of the Weiss's' claim.

Under the agreement, Princeton recognized that the Weiss's have an allowed

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claim of \$560,000 as of February 9, 2001. The Company recognized a gain on settlement of \$59,603. Interest of approximately \$59,000 has been accrued on the claim at the rate of 10% per annum from February 9, 2001. The Company was to have paid the claim on the earlier of the following events: (1) February 9, 2002; or (2) when the Company sells or refinances its office building at 4808 N. 22nd Street, Phoenix, Arizona (the "4808 Property"). The Weiss's' claim is secured by a third-position deed of trust against the 4808 Property. As of February 28, 2002, this claim was unpaid.

The Weiss's have renounced and released their shareholder interest in Princeton American Corporation. The parties have provided mutual releases of all claims relating to the Company's bankruptcy case and have dismissed all pending appeals relating to the Weiss's' claim and their motion to convert the case from a Chapter 11 to a Chapter 7 proceeding.

Effective with the entry of the court order on November 20, 2001 approving this settlement, the Company has six months to pay unsecured creditors pursuant to the Plan as modified.

2. LITIGATION, CONTINUED

11

PRINCETON AMERICAN CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS

FEBRUARY 28, 2002 AND 2001

Testasecca, et al v. Princeton American Corporation and William C. Taylor - On May 22, 2001 Lawrence Testasecca and others filed a complaint in an adversary proceeding in the Bankruptcy Court. Among other things, the Plaintiffs alleged that they should be recognized as owners of an unspecified number of shares purchased by them after the Bankruptcy Court proceedings began without establishing that these shares were the subject of allowed interests under the Plan of Reorganization. The Plaintiffs asked the Court to vacate its September 15, 2000 order canceling all outstanding Princeton share certificates and issuing new certificates reflecting the allowed interests of shareholders under the Plan of Reorganization for Princeton American and the Court's prior orders. At least three of the Plaintiffs (Lawrence Testasecca, Charles Crehore and Eugene Targosz) had received actual notice of the bankruptcy, had filed Proofs of Interest pursuant to the July 1977 order of the Court establishing a deadline for filing Proofs of Interest and had voted in favor of the Plan. The remaining Plaintiffs are relatives of two of them. The matter was heard by the Court commencing on May 31, 2001 with final evidence and closing arguments on August 28, 2001. On November 8, 2001 the Bankruptcy Court issued its Memorandum Decision and Order denying the Plaintiffs claims. The Plaintiffs have appealed this decision to the Federal District Court for the District of Arizona. The Company has offered to settle the litigation if the Plaintiffs pay the Company's attorney's fees and costs.

Onset Investment Limited - The Company's request for a hearing with respect to its motion for Summary Judgment has been denied. The Company has requested a hearing with respect to the nature of the recovery. Princeton anticipates its maximum exposure to be approximately \$25,000 in cash and 70,000 shares of its common stock.

3. RELATED PARTY TRANSACTIONS

The Company is paying a 4% leasing commission on certain leases to an director of the Company. Related party commission expense for the nine months

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ended February 28, 2002 was \$9,319. Payments of \$20,000 have been made, resulting in prepaid commissions of \$10,681.

4. SUBSEQUENT EVENT

The Company has received a loan commitment for \$4,500,000 to refinance both buildings. The Company intends to use these funds to pay off existing obligations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this report discuss future expectations, contain projections of results of operations or financial condition or state other "forward-looking" information. Those statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by the statements. The forward-looking information is based on various factors and was derived using numerous assumptions. Important factors that may cause actual results to differ from forward-looking statements and projections include, for example:

- a downturn in the Phoenix, Arizona real estate market, particularly one which would adversely affect commercial lease rates;

- an adverse result in the Testasecca, et al, Onset or other litigation referred to in this report;

- any change in tax laws which would change the Company's ability to utilize its tax loss carry-forward or the inability under existing tax laws for the full utilization of such tax loss carry-forward;

- an inability of the Company to regain listed or trading status on the Over-the-Counter Bulletin Board, NASDAQ, the American Stock Exchange, or some other recognized market or exchange;

- certain operations of the Company, including the formation of alliances with other entities, will remain under the jurisdiction of and be subject to the confirmation and approval of the U.S. Bankruptcy Court. The decisions of the Bankruptcy Court, with respect to Company operations retained under its jurisdiction, could affect the business of the Company;

- the inability of the Company to secure renewals of existing leases at commercially reasonable rates or to promptly replace tenants following the expiration of existing leases;

- the effect of changing economic conditions; and

other risks which may be described in our future filings with Securities and Exchange Commission. We do not promise to update forward-looking information to reflect actual results or changes in assumptions or other factors that could affect those statements.

RESULTS OF OPERATIONS:

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Since the filing of the 10QSB for the second quarter ended November 30, 2001, management has focused on:

Continuing settlement negotiations in the matter of Testasecca, et al adv. Princeton American Corporation and William C. Taylor. On November 8, 2001, the Bankruptcy Court issued its Memorandum Decision and Order denying each of the Plaintiffs' claims and allegations and denying their Petition for an Order overturning its September 15, 2000 Order canceling all existing shares and authorizing the issuance of new certificates to recognized shareholders. This decision upheld the Company's position with respect to the approximately 12,000,000 shares canceled by that Order. The Plaintiffs have appealed this decision and order to The Federal District Court for the District of Arizona. The Company has offered to settle this litigation provided the Plaintiffs pay the Company's attorney's fees and costs and move to dismiss with prejudice the complaint brought in a companion proceeding as well as the appeal from the Bankruptcy Court's Decision and Order denying the Petition. There is no certainty with respect to the outcome of this litigation.

Pursuit of a settlement with Onset Investment Limited. Princeton's Motion for Summary Judgment in the Onset Investment Limited claim was denied by the court and the matter set for trial on limited fact issues. The Company has requested a hearing with respect to its contention that Onset's claim is subordinated to the claims of general creditors and that any recovery should be limited to stock in Princeton. The Company estimates its maximum exposure to be approximately \$25,000 in cash and 70,000 shares of its common stock.

Conclusion of the processing of its application to the NASD for registration of its shares for trading on the Over the Counter Bulletin Board Market (OTC:BB). The NASD is awaiting verification by the SEC that the Company has complied with and is current with respect to the Commission's reporting requirements. No date for action by the NASD has been provided and there is no assurance that the application will be successful. A new trading symbol will be issued by the NASD if Princeton's application is approved.

Refinancing of Princeton's two office buildings. The Company has received a loan commitment from Southwest Bank of Phoenix. Proceeds of these loans should be sufficient to pay off the Vanderford mortgage loan, to generate sufficient funds to satisfy allowed creditor's claims including the Weiss settlement. While the Company anticipates that this loan will be finalized during the fourth quarter, there is no assurance that the loan will be made and the necessary amounts received to accomplish these objectives.

Final work on the common area improvements to the office building at 2222 East Camelback Road. Renovation of the four restrooms is now complete and the painting, carpeting and wallpapering of the common areas should be achieved during the next quarter. This office building is now fully leased.

Leasing up of 4808 North 22nd Street. During this reporting quarter, leases were executed with WRG Design, Inc. and Alliance Residential Company. WRG has taken over the spaces formerly occupied by Shaefer, Smith, Ankeney Insurance Agency on the first floor of the building for a term of three years. Alliance Residential Company has expanded its five year lease of the entire second floor to include the spaces vacated by WRG. Extensive tenant improvements have been completed in both suites. This office building is now fully leased.

THREE MONTHS ENDED FEBRUARY 28, 2001 COMPARED TO THREE MONTHS ENDED
FEBRUARY 28, 2001

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We believe that our cash position of \$18,394 together with the increased revenues from the two fully leased office buildings will be sufficient to continue operations pending receipt of the anticipated loan funds from Southwest Bank. It is anticipated that the loans will provide sufficient funds to the Company to allow it to emerge from bankruptcy in due course.

PART II - OTHER INFORMATION

Item 5 Other information

NONE

Item 6 EXHIBITS AND REPORTS ON FORM 8K

NONE

SIGNATURES

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

Date: April 15, 2002

PRINCETON AMERICAN CORPORATION

/s/ William C. Taylor

William C. Taylor, President

/s/ Roderick W. McKinnon III

Roderick W. McKinnon III
Corporate Secretary