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PRINCETON AMERICAN CORP
Form 10QSB
October 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 August 31, 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
(state or other jurisdiction of
incorporation or organization)

22-1848644
(I.R.S. Employer
Identification 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 August 31, 2002

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

PRINCETON AMERICAN CORPORATION

FORM 10-QSB

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PRINCETON AMERICAN CORPORATION
Unaudited Condensed Balance Sheet
August 31, 2002

ASSETS

Current assets	
Cash and cash equivalents	\$ 12,707
Loan retention account	184,605
Accounts receivable	23,123
Investments in marketable securities	29,316
Prepaid expenses	36,561
Other assets	52,730

Total current assets	339,042

Prepaid expenses	76,705
Investment in commission contract	210,173
Property and equipment, net	1,377,756
Loan costs, net	54,303

	\$ 2,057,979
	=====

See accompanying notes to financial statements

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LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities	
Mortgage notes payable - current portion	55,135
Notes payable, officers	66,969
Accounts payable	31,161
Bankruptcy claims	154,658
Accrued interest	79,458
Accrued real estate taxes	70,306
Payroll and sales taxes payable	24,736
Advance rental income and tenant security deposits	6,602

Total current liabilities	489,025
Tenant security deposits - long term	61,366
Mortgage notes payable, net of current portion	4,423,702

	4,974,093

Stockholders' deficit	
Common stock	
approximately 11,000,000 shares issued and outstanding	15,000
Additional paid-in-capital	2,460,350
Accumulated deficit	(5,380,975)

	(2,905,625)
Net unrealized loss on marketable securities	(10,489)

Total stockholders' deficit	(2,916,114)

Total liabilities and stockholders' deficit	\$ 2,057,979
	=====

See accompanying notes to financial statements

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PRINCETON AMERICAN CORPORATION
 Unaudited Condensed Statements of Operations and Comprehensive Loss
 For the Three Months Ended August 31, 2002 and 2001

	Three Months Ended August 31, 2002	Three Months Ended August 31, 2001
	-----	-----
Revenues		
Rental income	\$ 265,718	239,940
Parking and other	9,495	7,443
	-----	-----
	275,213	247,383
	-----	-----
Costs and expenses		
Building operating costs	86,960	111,309
Professional fees	26,645	89,565
Payroll and payroll taxes	37,707	35,912
Ground lease	31,486	31,285
Depreciation and amortization	29,986	23,340
Consulting	11,800	--

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Other	13,783	12,324
	-----	-----
Total costs and expenses	238,367	303,735
	-----	-----
Income (loss) from operations	36,846	(56,352)
	-----	-----
Other income (expense)		
Interest and dividend income	4,750	4,854
Interest expense	(98,783)	(66,650)
Gain on settlement of lawsuit	5,336	--
Other	--	(5,725)
	-----	-----
	(88,697)	(67,521)
	-----	-----
Net loss before income taxes	(51,851)	(123,873)
Income taxes	50	--
	-----	-----
Net loss	\$ (51,901)	(123,873)
	=====	=====
Net loss per common share, basic and diluted	\$ (0.00)	(0.01)
	=====	=====
Net loss	\$ (51,901)	(123,873)
Net unrealized loss on marketable securities	(16,014)	(3,141)
	-----	-----
Comprehensive loss	\$ (67,915)	(127,014)
	=====	=====

See accompanying notes to financial statements

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PRINCETON AMERICAN CORPORATION
 Unaudited Condensed Statements of Cash Flows
 For the Three Months Ended August 31, 2002 and 2001

	2002	2001
	----	----
Cash flows from operating activities:		
Net loss	\$ (51,901)	(123,873)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	29,986	23,340
Interest income on investment contract	(4,750)	(4,854)
Gain on settlement of lawsuit	(5,336)	--
Increase (decrease) in cash due to change in:		
Accounts receivable	15,354	6,068
Prepaid expenses	2,087	6,646
Other assets	(26,365)	11,009
Accounts payable and accrued expenses	47,424	120,110
Accrued interest	(4,586)	17,731
Bankruptcy claims	(15,115)	--

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Rent deposits	(23,668)	(37,429)
	-----	-----
Net cash provided by (used in) operating activities	(36,870)	18,748
	-----	-----
Cash flows from investing activities:		
Proceeds from investment	432	--
Purchase of property and equipment	(8,788)	(20,972)
Payments on investment contract	3,938	3,987
	-----	-----
Net cash used in investing activities	(4,418)	(16,985)
	-----	-----
Cash flows from financing activities:		
Proceeds from loan retention	40,000	--
Proceeds from bank loan	--	5,000
Payment on loan from officers	(22,031)	--
Payments on mortgage notes payable	(13,129)	(7,412)
	-----	-----
Net cash provided by (used in) financing activities	4,840	(2,412)
	-----	-----
Net decrease in cash and cash equivalents	(36,448)	(649)
Cash and cash equivalents, beginning of year	49,155	2,541
	-----	-----
Cash and cash equivalents, end of period	\$ 12,707	1,892
	=====	=====
Supplementary Disclosure of Cash Flow Information		
Cash paid during the period for interest	\$ 108,706	38,813
	=====	=====
Cash paid during the period for income taxes	\$ --	--
	=====	=====

See accompanying notes to financial statements

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PRINCETON AMERICAN CORPORATION
Notes to Condensed Financial Statements
August 31, 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

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operations and cash flows for the interim periods. The results of operations for the three months ended August 31, 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, 2002.

2. Litigation

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

Commission fees equal to 4% of the gross lease amount on several leases in the office buildings are being paid to a real estate firm with which one of the directors of the company is affiliated. During the three months ended August 31, 2002, payments of \$30,000 were made to this firm.

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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 Onset Investments, Inc. claim 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 carryforward or the inability under existing tax laws for the full utilization of such tax loss carryforward;
- 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

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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

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- 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:

Since the filing of the 10KSB for the fiscal year ended May 31, 2002, Management has focused on:

Concluding the litigation process with Testasecca, et al and Onset Investments.

On July 8, 2002 The U.S. District Court for the State of Arizona dismissed the appeal filed with it by Testasecca, et al for failure of the Plaintiffs to follow the required procedures to establish the Courts jurisdiction. The Company and individual defendant William C. Taylor intend to file a Motion to Dismiss the remaining complaint filed with the Bankruptcy Court.

In the matter of Onset Investments, the Bankruptcy Court has set the hearing for October 31, 2002. Negotiations for settlement are proceeding at this time; however the Company feels that its maximum liability will be approximately \$25,000 cash and 70,000 shares of stock.

- Contacting Princeton shareholders and issuing new certificates reflecting the allowed interests of shareholders under the Plan of Reorganization for Princeton American pursuant to the Bankruptcy Court's September 15, and November 30, 2000 orders. This is an ongoing project by which the Company has
- requested shareholders to return their cancelled certificates to the Company to be replaced by new certificates as authorized by the November 30, 2000 Order.

Finalizing the issuance of certificates to "Allowed Shareholders". In June, 2002, the Company filed a motion with the Bankruptcy Court for an Order allowing the removal from its shareholder list of all shareholders who have not responded to the Company's repeated notices requesting the return of cancelled share certificates for replacement. The Court granted this motion on July 31, 2002. As a result the Company is required to: (1) conduct a national data base search for the current address of all shareholders whose mail was returned as undeliverable or who have not responded to notices

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received by them and (2) mail a final notice to each shareholder in these categories informing them that their names will be deleted from its shareholder list if they do not respond and claim their certificates within six (6) months of the date of the mailing of the notice. Approximately 1800 shareholders are affected by this Order.

Continuation of the application process with the NASD. The Company has applied to the NASD for registration of the Company's shares for trading on the Over the Counter Bulletin Board Market (OTC:BB). It is anticipated that a new trading symbol will be issued by the NASD if Princeton's application is approved. However there can be no assurance that this application will be successful.

- Completion of the renovation of the office building at 2222 East Camelback Road. The bathrooms have been completed and the common areas were upgraded with new carpeting and wallpaper during this quarter

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- Leasing up of 2222 East Camelback Road. With the renewal of International Circuit Sales' lease for an additional five years this building is fully leased. The Company's other office building at 4808 North 22nd Street continues to be fully leased as well.

THREE MONTHS ENDED AUGUST 31, 2002 COMPARED TO THREE MONTHS ENDED AUGUST 31, 2001.

We believe that our cash position of \$12,707 as of August 31, 2002, coupled with the increased revenues resulting from the continued lease-up of 4808 North 22nd Street and renewal of the ICS lease at 2222 East Camelback Road, will be sufficient to allow Princeton American Corporation to continue operations for the next twelve months (if necessary) under bankruptcy court supervision.

ITEM 3. CONTROLS AND PROCEDURES

The Company is operated solely by William C. Taylor, CEO and Roderick W. McKinnon, CFO. There are no additional employees or officers of the Company. The Company has established disclosure controls and procedures pursuant to which, all material information relating to the Company and disclosures contained within this quarterly report are jointly reviewed and discussed by both Mr. Taylor and Mr. McKinnon. Because there are no other employees of the Company management for the Company believes that this joint conference of the officers to discuss the Company's material information and disclosures has been a reasonably efficient method of disclosure controls and procedures to ensure that all material information of the Company is known to them.

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PART II - OTHER INFORMATION

Item 5 Other information

Certifications of Officers

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CERTIFICATION:

I, William C. Taylor, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Princeton American Corporation.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrants' other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrants' other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls subsequent to the date of our most recent evaluation including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 14, 2002

/s/ William C. Taylor

William C. Taylor
President and CEO

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CERTIFICATION:

I, Roderick W. McKinnon, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Princeton American Corporation.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrants' other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrants' other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls subsequent to the date of our most recent evaluation including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: October 14, 2002

/s/ Roderick W. McKinnon

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Roderick W. McKinnon, CFO

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Item 6 - Exhibits and Reports on Form 8-K
NONE

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SIGNATURES

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

Date: October 14, 2002

PRINCETON AMERICAN CORPORATION

/s/ William C. Taylor

William C. Taylor
President and CEO

/s/ Roderick W. McKinnon III

Roderick W. McKinnon III
Corporate Secretary and CFO

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