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PRINCETON AMERICAN CORP
Form 10QSB
January 18, 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 November 30, 2001

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

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PRINCETON AMERICAN CORPORATION
 UNAUDITED CONDENSED BALANCE SHEET
 NOVEMBER 30, 2001

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	\$ 13,636
Accounts receivable	392
Investments in marketable securities	6,213
Prepaid expenses	22,925
Other receivables	29,770
Total current assets	72,936
PREPAID EXPENSES	49,567
INVESTMENT IN COMMISSION CONTRACT	207,789
PROPERTY AND EQUIPMENT, NET	1,358,358
	\$1,688,650

PRINCETON AMERICAN CORPORATION
 UNAUDITED CONDENSED BALANCE SHEET
 NOVEMBER 30, 2001

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:	
Notes payable - current portion	\$ 32,719

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Note payable - other	194,656
Notes payable, officers	130,000
Accounts payable	338,473
Bankruptcy claims	679,289
Liabilities settled	560,000
Accrued interest	267,274
Accrued real estate taxes	332,631
Payroll and sales taxes payable	19,761
Advance rental income and tenant security deposits	57,336

Total current liabilities	2,612,139
TENANT SECURITY DEPOSITS - LONG TERM	47,782
MORTGAGE NOTES PAYABLE	1,727,650

	4,387,571

STOCKHOLDERS' DEFICIT:	
Common stock	
approximately 15,000,000 shares issued and outstanding	15,000
Additional paid-in-capital	2,460,350
Accumulated deficit	(4,751,079)

	(2,275,729)
Net unrealized loss on marketable securities	(423,192)

Total stockholders' deficit	(2,698,921)

Total liabilities and stockholders' deficit	\$1,688,650
	=====

PRINCETON AMERICAN CORPORATION
UNAUDITED CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS AND SIX MONTHS ENDED NOVEMBER 30, 2001 AND 2000

	THREE MONTHS ENDED NOVEMBER 30, 2001	THREE MONTHS ENDED NOVEMBER 30, 2000	NOVEMBER 30, 2000
	-----	-----	-----
REVENUES			
Rental income	\$ 237,676	182,975	
Parking and other	7,890	2,765	
	-----	-----	
	245,566	185,740	
	-----	-----	
COSTS AND EXPENSES			
Building operating costs	85,187	87,026	
Professional fees	113,197	55,596	
Payroll and payroll taxes	30,870	34,684	
Ground lease	31,553	31,451	
Depreciation	23,340	32,588	
Consulting	7,162	5,650	

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Other	19,795	11,869
	-----	-----
Total costs and expenses	311,104	258,864
	-----	-----
INCOME (LOSS) FROM OPERATIONS	(65,538)	(73,124)
	-----	-----
OTHER INCOME (EXPENSE)		
Interest and dividend income	4,552	4,848
Interest expense	(108,668)	(56,214)
Gain on settlement of lawsuit	59,603	--
Other	(10,303)	(4,080)
	-----	-----
	(54,816)	(55,446)
	-----	-----
NET LOSS BEFORE INCOME TAXES	(120,354)	(128,570)
INCOME TAXES	--	--
	-----	-----
NET LOSS	\$ (120,354)	(128,570)
	=====	=====
NET LOSS PER COMMON SHARE, BASIC AND DILUTED	\$ (0.01)	(0.01)
	=====	=====
NET LOSS	\$ (120,354)	(128,570)
NET UNREALIZED LOSS ON MARKETABLE SECURITIES	(8,304)	(9,602)
	-----	-----
COMPREHENSIVE LOSS	\$ (128,658)	(138,172)
	=====	=====

PRINCETON AMERICAN CORPORATION
 UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
 FOR THE SIX MONTHS ENDED NOVEMBER 30, 2001 AND 2000

	2001

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	\$ (244,227)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	46,680
Interest income on investment contract	(9,253)
Loss on sale of marketable security	8,804
Gain on settlement of lawsuit	(59,603)
Changes in:	
Accounts receivable	5,676
Prepaid expenses	20,748
Other receivables	2,250
Other assets	11,009
Accounts payable and accrued expenses	192,479
Accrued interest	77,350

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Rent deposits	(69,215)

Net cash used in operating activities	(17,302)

CASH FLOWS FROM INVESTING ACTIVITIES:	
Payments on notes receivable	--
Purchase of property and equipment	(25,895)
Payments on investment contract	7,625

Net cash provided by (used in) investing activities	(18,270)

CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on notes payable	(19,821)
Proceeds from bank loan	80,546
Proceeds from loan from officers	--
Payments on mortgage notes payable	(14,058)

Net cash provided by financing activities	46,667

NET INCREASE IN CASH AND CASH EQUIVALENTS	11,095
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,541

CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 13,636
	=====
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION	

CASH PAID DURING THE PERIOD FOR INTEREST	\$ 85,031
	=====
CASH PAID DURING THE PERIOD FOR INCOME TAXES	\$ --
	=====
NON-CASH INVESTING ACTIVITIES:	
Transfer of marketable securities	\$ 44,020
	=====

PRINCETON AMERICAN CORPORATION
NOTES TO CONDENSED FINANCIAL STATEMENTS
NOVEMBER 30, 2001 AND 2000

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 six months ended 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's' 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 claim of \$560,000 as of February 9, 2001. The Company recognized a gain on settlement of \$59,603. Interest of \$45,000 has been accrued on the claim at the rate of 10% per annum from February 9, 2001. The Company must pay 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.

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.

PRINCETON AMERICAN CORPORATION
NOTES TO CONDENSED FINANCIAL STATEMENTS
NOVEMBER 30, 2001 AND 2000

2. LITIGATION, CONTINUED

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

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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.

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

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.

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RESULTS OF OPERATIONS:

Since the filing of the 10QSB for the quarter ended August 31, 2001, Management has focused on:

Finalizing settlement negotiations with Harry and Irene Weiss with respect to their claim. On February 9, 2001, the Weisses 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 Weisses' claim. The parties have signed settlement documents and the Bankruptcy Court approved the terms of the settlement and entered an order on November 20, 2001 establishing the amount and priority of the Weisses' claim.

Pursuant to the Court Order, the Weisses have an allowed claim of \$560,000 as of February 9, 2001. Interest will accrue on the claim at the rate of 10% per annum from February 9, 2001 until paid. The Company must pay 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 Weisses' claim has been secured by a third-position deed of trust against the 4808 Property.

Accordingly the Weisses have renounced and released their shareholder interest in Princeton American Corporation and have returned their shares in the Company for cancellation. The parties have also dismissed all pending appeals relating to the Weisses' claim and their motion to convert the case from a Chapter 11 to a Chapter 7 proceeding.

The outcome of litigation in the matter of Testasecca, et al v. 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 cancelling all existing shares and authorizing the issuance of new certificates to recognized shareholders. This decision preserved the Company's position with respect to the approximately 12,000,000 shares cancelled by that Order. The Plaintiffs have appealed this decision to the Federal District Court for the District of Arizona. No further proceedings have been scheduled as of the date of this report.

The filing of a motion for Summary Judgment in the matter of Onset Investment Limited and related court proceedings. Princeton's Motion for Summary Judgment 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 any recovery should be limited to stock in Princeton. Princeton anticipates its maximum exposure to be approximately \$25,000 in cash and 70,000 shares of its common stock

The Company continues to pursue its application to the NASD for registration of the Company's shares for trading on the Over the Counter Bulletin Board Market (OTC:BB). No date for action on the application has been provided by the NASD 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.

On January 11, 2002 the Company received an oral commitment from the Arizona State Compensation Fund for the refinancing of its two office buildings. Proceeds of these loans should be sufficient to pay off the Vanderford mortgage loan, to generate sufficient funds to satisfy all

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creditors claims (including the Weiss claim) and to establish an operating capital fund. While the Company anticipates that this loan will be funded during the third quarter, there is no assurance that the loan will be made and the necessary funds received to accomplish these objectives.

Continuing renovation of the office building at 2222 East Camelback Road. The completion of this project is now in sight. Renovation of the bathroom areas is nearly complete and the final task of painting and carpeting of the common areas should be achieved during the next quarter. On December 1, 2001, United Title Agency leased the remaining space (Suite 108). This building is now fully leased.

Leasing up of 4808 North 22nd Street. Lease proposals have been accepted by Alliance Residential Company and WRG Design, Inc. to occupy Suite 100, recently vacated by Smith, Shaeffer & Ankeney. WRG will move into this suite upon completion of tenant improvements and Alliance will expand its operation into Suite 150 currently occupied by WRG. Upon completion of this transition (expected to occur in February, 2001), 4808 North 22nd Street will be fully leased.

THREE MONTHS ENDED NOVEMBER 30, 2001 COMPARED TO THREE MONTHS ENDED NOVEMBER 30, 2000

We believe that our cash position of \$13,636 together with the revenues produced by the continued lease-up of both office buildings will be sufficient to continue operations pending receipt of the anticipated funds from the State Compensation Fund. It is expected that the loans from this agency will provide sufficient funds to the Company to allow it to emerge from bankruptcy. It is anticipated that this process will be completed by fiscal year end.

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

Date: January 18, 2002

PRINCETON AMERICAN CORPORATION

/s/ William C. Taylor

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William C. Taylor
President

/s/ Roderick W. McKinnon III

Roderick W. McKinnon III
Corporate Secretary