PRINCETON AMERICAN CORP
Form 10KSB
August 28, 2002

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C., 20549
FORM 10-KSB

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

For the fiscal year ended May 31, 2002

Commission File No. 0-5141

PRINCETON AMERICAN CORPORATION
(Name of small business issuer in its charter)

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

2222 East Camelback Road, Suite 105 Phoenix, AZ	85016
(Address of principal office)	(Zip code)

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, $.001 par value

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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

Issuer's revenues for its most recent fiscal year were $1,017,304

The aggregate market value of voting stock held by non-affiliates of the registrant is not determinable as of August 28, 2002 as the trading of the Company's shares was halted on October 9, 2000 at the request of the registrant.

The number of shares outstanding of the issuer's common stock, as of the latest practicable date of August 28, 2002 was 10,923,918.

FOR THE FISCAL YEAR ENDED MAY 31, 2002

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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 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 indefinitely remain under the jurisdiction of and be subject to the confirmation and approval of the U.S. Bankruptcy Court. Disagreements between the Bankruptcy Court and the Company regarding business decisions could adversely affect 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 the Securities and Exchange Commission. The Company does not promise to update forward-looking information to reflect actual results or changes in assumptions or other factors that could affect those statements.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

CURRENT COMPANY BUSINESS.

As of May 31, 2002, Princeton's primary business activity is the management of its assets including two office buildings totaling 50,000 square feet in Phoenix, Arizona. The Company has 2 employees. None of the Company's employees is represented by a labor union and we believe that employee relations are good.

BANKRUPTCY FILING; APPOINTMENT OF A TRUSTEE.

On December 11, 1996 the Company filed for protection under Chapter 11 of the U.S. Bankruptcy code. (Case number 96-13675 PHX JMM) On January 21, 1977, the then existing management of Princeton submitted a Plan of Reorganization. The Plan was challenged by William C. Taylor, a former principal and creditor of the Company, who petitioned the Court for the appointment of a trustee.

The case was tried and on February 4, 1997, the Court issued its order appointing Roger W. Brown as Trustee. Shortly thereafter, the Trustee terminated the then existing management of Princeton and assumed day-to-day management of the Company.

CONFIRMATION OF JOINT PLAN OF REORGANIZATION.

After Roger W. Brown was appointed Trustee in February 1997, William C. Taylor submitted his proposed Plan of Reorganization of Princeton on May 30, 1997. During the course of extensive litigation among competing plan proponents, other concerned parties and creditors, on August 28, 1997, Trustee Brown and Mr. Taylor filed a joint Plan of Reorganization. Their Joint Plan was confirmed by the Court on November 19, 1997 and was published in its entirety in a current Report on Form 8K which was filed with the Securities and Exchange Commission (the "Commission") on December 20, 1997, the Effective Date of the Plan.

ITEM 2. DESCRIPTION OF PROPERTY

2222 EAST CAMELBACK ROAD, PHOENIX, ARIZONA.

On March 12, 1992 Princeton acquired this two story building which contains approximately 30,778 rentable square feet of office space. The property includes a banking facility with a drive-in teller's window and a vault on the ground floor. The Company paid approximately $296,000 cash for the building including closing costs and commissions.

Princeton occupies 1497 square feet (4.86%) of the total leasable space in this building. As of May 31, 2002, the balance of the remaining leasable space was occupied by unaffiliated tenants, producing approximately $700,000 of income annually. The Realty Taxes for 2222 are approximately $65,400. Additional information about this property is included in the Property Information and Operating Data Table at the end of this Item 2.

4808 NORTH 22ND STREET, PHOENIX, ARIZONA.

On December 1, 1994, Princeton acquired this 19,226 rentable sq. ft. two story office building. The Company paid $1,000,000 for the building, of which $900,000 was borrowed from the seller at 8% annual interest. As of May 31, 2002 the building is 100% leased and produces approximately $407,000 of income annually.

The Realty Taxes are approximately $40,057. Additional information about this property is included in the Property Information and Operating Data Table at the end of this Item 2.

MESA TRAILER PARK COMMISSION RECEIVABLE.

In March, 1994 Princeton acquired a real estate brokerage commission that provides for payments equal to 5% of the total lease payments generated from a 55 year ground lease of a 55-acre mobile home park in Mesa, Arizona. The Company purchased the commission for $60,000 cash and 174,400 shares of restricted Princeton common stock. The lease runs from 1980 to 2031. The commission

agreement presently provides quarterly payments of $3,937.50 which are made through an escrow at Security Title Company. The quarterly payments escalate annually to $7,437 per quarter at year 2030. Through May 31, 2002 approximately $332,500 had been paid and $783,218.45 of additional commission will be paid to Princeton through year 2031 pursuant to the agreement. While there can be no assurance that Princeton will receive any or all of these assigned brokerage fees in the future, as of the date of this report all payments have been received on time.

PROPERTY INFORMATION AND OPERATING DATA

2222 East Camelback Road
Phoenix, Arizona

1. Character and Location. Two story office building; 30,778 rentable square feet; includes a banking facility with a drive-in teller window and a bank vault.

2. Title to Property. Building is subject to a First Deed of Trust:

Principal:	$2,819,976
Interest rate:	8.25%
Payment:	$22,503.68
Maturity:	April 2007

(On April 15, 2002, Southwest Bank of Phoenix, one of the prime tenants in the building, made two loans to the Company aggregating $4,500,000. The loans are secured by first deeds of trust on both of the Company's office buildings, in the amount of $2,825,000 for the 2222 East Camelback Road building and $1,675,000 for the 4808 North 22nd Street facility.)

3. Lease Terms. The Building is subject to two 99 year net ground leases that expire in 2073 and 2076. Rent adjusts each 10 years based upon 8% of the fair market value of the ground, excluding improvements. The first lease has a monthly base payment of $4,933, and will next adjust in 2009. The second lease has a monthly payment of $3,100 and will next adjust during the 2003 fiscal year.

4. Renovation or Improvement Plans. In March, 2001, the Company commenced remodeling of the common areas of the building including a renovated lobby, hallways and four bathrooms. These improvements were paid for from the proceeds of a loan obtained from Southwest Bank which was paid in full from the refinance proceeds of the first deed of trust mentioned above.

5. Competitive Conditions. This property is located in an area known as the "Camelback Corridor" which is comprised predominately of Class A office

buildings. This area is considered one of the most prestigious in the metropolitan Phoenix. This building competes with both higher and lower priced office space in the immediate vicinity. The current market is strong, with high renewals.

6. Insurance. Management believes that the property is adequately covered by insurance.

7. General Information.

(i) Occupancy Rate - 100% - as of May 31, 2002.

(ii) Tenants - Rent Roll As of May 31, 2002.

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TENANT	RENTABLE SQUARE FEET	TENANT SHARE	MONTHS TO EXPIRATION	EFFECTIVE RATE/YR/ SQUARE FEET	CURRENT BASE PER MONTH
Princeton American Corp.	1,497	4.86%	N/A	N/A	N/A
Eubanks Consulting	325	1.06%	N/A	$24.00	$ 650
Southwest Bank	8,057	26.17%	40	$22.95	$ 15,410(1)
GBLS Commercial Real Estate Services	3,301	10.73%	6 (2)	$24.00	$ 6,602
United Title Agency	9,541	31.00%	44	$22.92	$ 18,220
Nationwide Vision	5,084	16.52%	46	$22.50	$ 9,533
International Circuit Sales	2,973	9.66%	1	$21.00	$ 5,203

(1) Lessee has two (2) five-year options to renew

(2) Lessee has extended lease to December 1, 2002 with right to terminate after May 1, 2002.

(iii) Tenants principal business, occupations and professions -

Princeton American Corporation - owner and manager of building. Southwest Bank - banking. GBLS Commercial Real Estate Services - real estate brokers. United Title Agency/ First Financial Title Agency - title insurance and escrow services. Nationwide Vision Centers - outpatient laser eye surgery. International Circuit Sales - computer component sales- .Eubanks Consulting, Land Planners, Construction and Development Managers

(iv) Average rental per square foot for the year ending 5/31/02, $21.81 (not including parking and miscellaneous income)

(v) Lease Expirations: All leases will expire no later than five years from the date of this filing unless renewed or extended by the lessee.

(vi) Depreciation Components: The Company depreciates the buildings primarily over lives of 39 years, using the Modified Accelerated Cost Recovery Method for federal income tax purposes.

PROPERTY INFORMATION AND OPERATING DATA

4808 North 22nd Street
Phoenix, Arizona

1. Character and Location. Two story office building; 19,226 square feet; located at 4808 North 22nd Street, Phoenix, Arizona.

2. Title to Property. Building is subject to a first deed of trust:

Principal:	$1,671,991
Interest rate:	8.0%
Payment:	$13,058.97
Maturity:	April 2004

3. Lease Terms. Subject to a ground lease which expires July 31, 2031. The current rent rate is $2,461.93 per month, subject to annual adjustment based on the Consumer Price Index.

4. Renovation or Improvement Plans. On December 5, 2000, the Company leased the second floor (comprised of 10,075 square feet) to Alliance Investors, LLC. for a period of five years. As a condition of this lease, the Tenant

completely renovated this space at a cost in excess of $200,000 of which approximately $100,000 was contributed by the Company. During the months of January and February, 2002, the Company leased Suite 150 previously occupied by Shaeffer-Smith-Ankeney Insurance Agency to WRG Design, LLC. for a new three year term. The cost of tenant improvements to the new WRG spaces of approximately $26,500 was paid by the Company. Alliance Investors, LLC (the tenant in Suite 200) expanded its occupancy of the entire second floor of this building to include the former WRG spaces and has made extensive improvements to that suite at its own expense. This office building is now fully leased.

5. Competitive Conditions.

This property is located in an area known as the "Camelback Corridor," which is comprised predominantly of office buildings. This building competes with both higher and lower priced office space in the immediate vicinity. Current market conditions are strong, with high renewals.

6. Insurance. Management believes that the property is adequately covered by insurance.

7. General Information.

(i) Occupancy Rate: 100% - effective as of May 31, 2002.

(ii) Tenants - Rent Roll as of May 31, 2002.

TENANT	RENTABLE SQUARE FEET	TENANT SHARE	MONTHS TO EXPIRATION	EFFECTIVE RATE/YR/ SQUARE FEET	CURRENT BASE

Alliance Investors, LLC	10,075	52,40%	43	$20.25	$17,002
Alliance Investors, LLC	3,302	17.17	20	$20.25	$ 5,572
WRG Design	5,849	30.43%	33	$21.75	$10,601

(iii) Principal business, occupations and professions -

Alliance Investors, LLC - residential real estate. WRG Design - Civil Engineers, Landscape Architecture

(iv) Average effective rental per square foot for year ending 5/31/02 - $20.71 (not including parking and miscellaneous income)

(v) Lease Expirations: All leases will expire no later than five years from the date of this filing unless renewed or extended by lessee.

(vi) Depreciation Components: The Company depreciates the buildings primarily over lives of 39 years, using the Modified Accelerated Cost Recovery Method for federal income tax purposes.

ITEM 3. LEGAL PROCEEDINGS

CHAPTER 11 BANKRUPTCY LITIGATION.

ADMINISTRATIVE CLAIMS.

Administrative claims for professional and other services have been paid by the Company.

UNSECURED CREDITOR CLAIMS.

During the initial stage of the bankruptcy proceedings, creditors filed 65 proofs of claim aggregating $5,001,503. These proofs of claim had been litigated or settled, reducing the number of claims to 50 and the amount to $1,468,564, including principal and interest, at the end of fiscal year 2001. As of May 31, 2002, only 34 General Creditor's claims remain unpaid and are the subject of pending litigation or other disposition by the Bankruptcy Court.

SHAREHOLDER CLAIMS.

As reported in the May 31, 2000 10KSB, equity shareholders filed approximately 900 proof of interest claims, allegedly representing 14,840,000 shares. These claims were reviewed by management and litigated or settled by agreements which were confirmed by Court orders reducing such outstanding shares to approximately 8,488,828 shares. During the current reporting year, the outstanding shares were further reduced to 6,554,351 by taking into consideration the 10 to 1 reverse split which occurred in December 1995 and which had not been calculated with respect to some of the shareholder's interests.

Unresolved Claims. All proof of interest claims have been resolved by the Court with the exception of the following matters:

Onset Investment Limited. Onset filed a claim for damages in the amount of

$200,713 based on an alleged breach of a stock purchase agreement by Princeton. The Company has objected to this claim and the matter is awaiting determination by the Court. Settlement negotiations are pending, and Princeton anticipates its maximum exposure to be approximately $25,000 cash and 70,000 shares of common stock. If the Onset claim is allowed in whole or in part, the Company intends to seek a ruling by the Bankruptcy Court subordinating the Onset claim from that of a creditor to that of an equity holder.

There are 26 claims which remain on the company's books that management believes are invalid. These claims will remain on the books until a formal determination has been made as to their invalidity. The aggregate value of these disputed claims is $133,433 including interest and principal.

RESOLVED CLAIMS.

A proof of claim had been filed with the bankruptcy court by Harry and Irene Weiss in the amount of $812,707 which was objected to by the company and resulted in several lawsuits. (See note 8 to the financial statements) This issue was settled on February 9, 2001. The company agreed to pay the Weiss's $560,000 in cash plus 10% interest until paid. During the year ended 5-31-02 the settlement amount of $560,000 plus accrued interest in the amount of $76,823 was paid in full settlement of this claim.

CURRENT LITIGATION:

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 pleading in the Bankruptcy Court. Among other things, the Plaintiffs alleged that they should be recognized as owners of an unspecified number of shares that they purchased after the Bankruptcy Court proceedings began without establishing that these shares were the subject of allowed interests under the Plan of Reorganization. The Plaintiffs petitioned the Court to vacate its September 15, 2001 order which canceled all outstanding Princeton American share certificates and authorized the issuance of new certificates reflecting the allowed interests of shareholders under the Plan of Reorganization. At least three of the Plaintiffs (Larry Testasecca, Charles Crehore and Eugene Targosz) received actual notice of the bankruptcy, had filed Proofs of Interest pursuant to the July 1997 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 Mr. Targosz and Mr. Testasseca.

On November 8, 2001, the Court issued a Memorandum Decision and Order denying Plaintiffs petition. Plaintiffs appealed this decision to the U.S. District Court for the District of Arizona. On July 8, 2002, the District Court dismissed the appeal because of the failure of the plaintiffs to pursue it. The remaining segment of the lawsuit is the subject of a Motion for Summary Judgment filed by the Company and William C. Taylor seeking its dismissal.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters have been submitted to a vote of security holders since the annual meeting on September 14, 1995, when shareholders voted to (i) change the name of the Company from Princeton Electronic Products, Inc. to Princeton American Corporation, and (ii) to change the domicile of the Company from New Jersey to the State of Nevada.

Management expects to call for a shareholder's meeting at 10:00 AM on October 30, 2002 at a location to be announced.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SHAREHOLDER MATTERS

Princeton's Common Stock had traded on the over-the-counter market "pink sheets" since the Company was delisted from the NASDAQ (Small Capital) Market in November 1996, until the following events took place:

On September 15, 2000, the Bankruptcy Court ordered Princeton American and its transfer agent to cancel all outstanding share certificates and issue new certificates reflecting the allowed interests under the Plan of Reorganization and the Court's prior orders. The Court further ordered that Princeton and its transfer agent are not subject to any claim based upon the cancellation of outstanding share certificates and the issuance of new certificates in accordance with the Court's orders.

Effective as of October 9, 2000 the trading symbol "PELT" was cancelled by the NASD at the Company's request and no further trades will be made under that symbol. The Company is currently processing exchanges of cancelled share certificates for new certificates.

The Company has applied to the NASD through the sponsoring brokerage firm of Peacock, Hislop, Staley and Given, Inc. to be listed on the Over the Counter Bulletin Board (OTCBB) with a view toward establishing a broader market for Princeton Shares.

Princeton has never paid any cash dividends on any equity securities, and no change of this policy is under consideration by the Board of Directors.

Recent Sales of Unregistered Securities. None.

CONFIRMATION OF SECURITIES HOLDINGS

The final shareholder equity base established by Order of the Bankruptcy Court is set forth below:

Shares recognized as of May 31, 2001. (2)	6,554,351
Shares recognized for issuance to William C. Taylor.(1)	4,369,567
TOTAL SHARES (2)	10,923,918

(1) Represents forty percent (40%) of the total of all of Princeton's common stock which was outstanding as of the Final Order Allowing Shares. In the event that the Onset claim is subordinated to Class 12 Claims pursuant to Section 510(b) of the Bankruptcy Code, Taylor's shares will be increased in order to maintain his 40% ownership of the stock of Princeton American Corporation. This could result in a dilution in the value of shares held by other shareholders.

(2) Represents a downward adjustment in total shares from 14,148,047 as set forth in the May 31, 2000 and 2001 10KSBs This adjustment conforms with the Final Order Allowing Shares, after taking into consideration certain shares for which the 10:1 reverse split calculation had not been made.

(3) As of 5-31-02 10,928,418 shares of common stock have been approved by the Bankruptcy Court of which 7,460,893 have been issued to 347 holders of record. 3,462,525 shares have been non- responsive and represent 2,240

holders.

ITEM 6 MANAGEMENT DISCUSSION AND ANALYSIS BACKGROUND:

During the past year Princeton American management has focused on:

1. Upgrading the Company's two office buildings and solving the problems resulting from the "deferred maintenance" policies of prior management;

2. Completing the task of establishing a final shareholder base and revitalizing the market for Princeton's shares;

3. Returning the Company to financial stability including refinancing of both office buildings; and

4. Payment of substantially all of the creditors claims, thereby moving Princeton closer to emergence from the bankruptcy proceedings. The proceeds resulting from the Southwest Bank loans were used to clear all of the company's prior debt including principal and interest to bankruptcy claimants. The balance is on deposit with the company's bank and will be used for working capital. 31 claims are still on the company's books which management considers invalid. At such time as the validity of these claims is determined an additional adjustment will be made.

The shareholder base has been carefully analyzed and significantly modified by Court Orders. All old share certificates have been cancelled and new share certificates issued to shareholders who have tendered their old shares.

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The Company also focused its attention on the rehabilitation and marketing of its two office buildings, which have benefited from the increase in demand for office space in the Phoenix market over the past five years. Several tenant leases have matured and have either been rolled over at higher prices, or the tenants have moved elsewhere allowing the Company to replace them with higher rent paying tenants. The office building at 2222 East Camelback Road is fully occupied with annual gross revenues exceeding $700,000. It is now known as the "Southwest Bank Building" in acknowledgement of that financial institution's lease of the west half of the ground floor including the banking facilities formerly occupied by Wells Fargo Bank. The lease runs for five years with two five-year renewal options. Southwest Bank has completely refurbished this 8,057 square foot space. As of 5-31-02 the 2222 East Camelback Road building is 100% occupied.

The office building at 4808 North 22nd Street was leased to Alliance Investors, LLC. for a five year term commencing in February, 2001 and WRG Design for a three year term commencing in February, 2002. Now fully occupied, this building is currently producing approximately $407,900 in annual revenues.

Management does not anticipate needing additional capital during the next twelve months and believes that it has sufficient captial to fund any capital expenditures.

Management believes that the completion of these "clean up" activities this year will put Princeton a major step closer to attracting potential investors and merger prospects (in particular those that can take advantage of the Company's $14,000,000 tax loss carry forward). Armed with a fundamentally sound financial statement, management intends to pursue all available opportunities for strategic alliances and potential acquisitions, with a view toward enhancing shareholder value. While there can be no assurance that the Company will be successful in doing so, Princeton has applied to the NASD to have its securities qualify for trading on the OTC Bulletin Board.

ITEM 7. FINANCIAL STATEMENTS

The full text of the Company's audited, consolidated financial statements for the fiscal years ended May 31, 2002 and 2001 begins on page F-1 of this Report and is incorporated herein by reference.

ITEM 8. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

The Directors and Executive Officers of the Company as of May 31, 2002 were:

NAME	AGE	POSITION	DATE ELECTED (*)
William C. Taylor	70	Chairman, CEO & Director	December 20, 1997
Roderick W. McKinnon III	55	Secretary, Treasurer & Director	December 20, 1997
Scott E. Bird	78	Director	December 20, 1997

(*) Pursuant to Article III Section 3.9 of the Plan of Reorganization, the Directors took office on the "Effective Date" of the Plan.

On May 1, 2001 Mr. Bird resigned as Treasurer and CFO of the Company. Mr. McKinnon assumed that office on the same date.

RESUMES

Scott E. Bird is the Managing Consultant of SASolutions, LLC, an integrated business and information technology consulting group and President of Pacific Aviation Services, an international aviation procurement and support company. Mr. Bird served as Director and Chief Financial Officer of the Company until his resignation as CFO in May, 2001. His term as a director will expire on the date of the next Annual Shareholder's Meeting.

William C. Taylor served the Company as Executive Vice-President from July 1991 to April 1995 and as a Director from August 1994 to April 1995. Mr. Taylor is a member (inactive) of the State Bar of Arizona and is a licensed realtor. He is a managing partner in several real estate development companies. Mr. Taylor has served as Chairman and Chief Executive Officer of the Company since its reorganization. His term of office will expire on the date of the next Annual Shareholders Meeting.

Roderick W. McKinnon III has been a Director and Secretary of the Company since 1997. He assumed the additional office of Treasurer on May 1, 2001. Since 1974, Mr. McKinnon has been President of R.W. McKinnon & Co., Inc., an investment banking and development service company. He graduated from Northern Arizona University with a degree in Political Science and serves on several boards of directors. His term of office will expire on the date of the next Annual Shareholders Meeting.

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth information concerning the compensation received for the fiscal year ended May 31, 2002 for services rendered to the Company in all capacities by the Company's Chief Executive Officer and other executive officers.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	ANNUAL CASH COMPENSATION	OTHER (1)	SECURITIES OPTIONS	ALL OTHER COMPENSATION
William C. Taylor Chairman CEO and Director	$96,000	$ 1,200	-0-	-0-
Roderick W McKinnon Secretary Treasurer Director	-0-	$ 1,200	-0-	-0-
Scott E Bird (2) Director	-0-	$ 1,200	-0-	-0-

(1) Directors are compensated at the rate of $200 for each formal meeting of the Board of Directors. There were six meetings in fiscal year 2002. These fees are unpaid as of May 31, 2002.

(2) Mr. Bird is a shareholder of SASolutions, L.L.C. a financial consulting firm which received approximately $3,150.00 through May 31, 2002 for consulting services to the company.

(3) Mr. McKinnon is associated with a real estate brokerage company that assisted Princeton with the leasing of several of its Suites. In connection with these services this firm will be paid $67,793.26 in real estate leasing commissions. As of May 31, 2002 $45,000 of this amount had been paid.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as to shares of common stock owned by (i) each person known to beneficially own more than 5% of the outstanding common stock , (ii) each director and named executive officer of the Company, and (iii) all executive officers and directors of the Company as a group.

NAME	TITLE	COMMON SHARES	PERCENT OF CLASS
William C. Taylor 2222 East Camelback Road	Chairman & CEO	4,502,529	(1) 41.22%

Suite 105
Phoenix, Arizona 85016

(1) Includes 132,962 shares which Mr. Taylor owned prior to the Effective Date of the Plan of Reorganization.

The above percentages of ownership are based on 10,923,918 shares of the Company's common stock outstanding based upon the Bankruptcy Court Order dated February 3, 2000. Beneficial ownership has been determined in accordance with rule 13d-3 of the Securities and Exchange Act of 1934. Pursuant to the rules of the Securities and Exchange Commission, shares of common stock that each named person and group has the right to acquire within 60 days pursuant to options, warrants, conversion privileges or other rights are deemed outstanding for purposes of computing shares beneficially owned by and the percentage of ownership of each such person and group. However, such shares are not deemed outstanding for purposes of computing the shares beneficially owned by, or percentage of ownership of, any other person or group.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information regarding Princeton's transactions with related parties since November 1996 is included above in: Item 1 "Description of Business - Sales and Transfers Prior to Bankruptcy, and Sales and Transfers of Assets"; Item 3 - "Legal Proceedings"; and Item 5 - "Market for the Registrant's Common Stock and Related Shareholders Matters - Adjustments of Outstanding Shares and Shareholders."

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

8K Dated June 27, 2001 Regarding the Testasecca, Etal vs Princeton American and William C. Taylor litigation

8K dated June 18, 2002 regarding Princeton American's motion to the Bankruptcy Court regarding non responsive claimants and shareholders. The motion asked for the court's permission to cancel shares and claims of non responsive shareholder's after the company made certain efforts to locate each of these people. This motion was granted by the Court on July 31, 2002.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PRINCETON AMERICAN CORPORATION

By: /s/ William C. Taylor

William C. Taylor
Chairman, CEO and Director

Date: 8/28/02

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
By: /s/ William C. Taylor William C. Taylor	Chairman, CEO and Director	8/28/02
By: /s/ Scott E. Bird Scott E. Bird	Treasurer, CFO and Director	8/28/02
By: /s/ Roderick W. McKinnon III Roderick W. McKinnon III	Secretary and Director	8/28/02

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PRINCETON AMERICAN CORPORATION

FINANCIAL STATEMENTS

For the Years Ended

May 31, 2002 and 2001

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Princeton American Corporation

We have audited the accompanying balance sheets of Princeton American Corporation as of May 31, 2002 and 2001, and the related statements of operations and comprehensive loss, changes in stockholders' deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Princeton American Corporation as of May 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 1 to the financial statements, the Company has been involved in litigation and been under supervision of the Bankruptcy Court since 1997. Because of this and other factors, the Company has not been able to generate net income from operations since its reorganization and the Company has a stockholders' deficit of $2,848,199 at May 31, 2002. In April 2002, the Company refinanced its office buildings, which allowed the Company to settle certain litigation and substantially pay its bankruptcy claims. Management's current plans to operate the Company are described in Note 1; however, management has not had adequate time to demonstrate if its plans will be successful. As such, there still exists substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Evers & Company, Ltd.
Phoenix, Arizona
August 6, 2002

PRINCETON AMERICAN CORPORATION
BALANCE SHEETS
MAY 31, 2002 AND 2001

ASSETS

	2002
Current assets:	
Cash and cash equivalents	$ 49,155
Loan retention account	224,605
Accounts receivable, less allowance for doubtful accounts of $30,293 at May 31, 2002	38,477
Investments in marketable securities	45,762
Prepaid expenses	59,377
Other assets	26,365

Total current assets	443,741	1
PREPAID EXPENSES	55,976	
INVESTMENT IN COMMISSION CONTRACT	209,361	2
PROPERTY AND EQUIPMENT, NET	1,394,239	1,3
LOAN COSTS, net of accumulated amortization of $3,143 at May 31, 2002	59,018	
Total assets	$ 2,162,335	1,7

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:		
Mortgage notes payable - current portion	$ 53,990	
Note payable - other	-	1
Notes payable, officers	89,000	1
Accounts payable	21,762	1
Bankruptcy claims	169,773	6
Liabilities in dispute	-	6
Accrued interest	89,380	1
Accrued real estate taxes	43,941	3
Payroll and sales taxes payable	13,076	
Advance rental income and tenant security deposits	35,473	1
Total current liabilities	516,395	2,4
TENANT SECURITY DEPOSITS - LONG TERM	56,163	
MORTGAGE NOTES PAYABLE, NET OF CURRENT PORTION	4,437,976	1,7
	5,010,534	4,2
STOCKHOLDERS' DEFICIT:		
Common stock, par value $.001, 110,000,000 shares authorized see note 7 regarding shares issued and outstanding	15,000	
Additional paid-in-capital	2,460,350	2,4
Accumulated deficit	(5,329,074)	(4,5
	(2,853,724)	(2,0
Net unrealized gain (loss) on marketable securities	5,525	(4
Total stockholders' deficit	(2,848,199)	(2,4
Total liabilities and stockholders' deficit	$ 2,162,335	1,7

See accompanying notes to financial statements

PRINCETON AMERICAN CORPORATION

STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the Years Ended May 31, 2002 and 2001

	2002	2001
REVENUES		
Rental income	$ 983,716	837,326
Parking and other	33,588	90,119
	1,017,304	927,445
COSTS AND EXPENSES		
Building operating costs	337,082	334,956
Professional fees	209,222	166,993
Payroll and payroll taxes	131,053	140,986
Ground lease	125,809	124,972
Depreciation and amortization	109,363	93,472
Consulting	29,256	49,650
Other	64,189	50,912
Total costs and expenses	1,005,974	961,941
INCOME (LOSS) FROM OPERATIONS	11,330	(34,496)
OTHER INCOME (EXPENSE)		
Interest and dividend income	18,904	19,766
Interest expense	(356,849)	(235,928)
Loss on settlement of claims	(44,562)	--
Impairment of marketable securities	(441,800)	--
Other	(9,195)	(12,424)
	(833,502)	(228,586)
NET LOSS BEFORE INCOME TAXES	(822,172)	(263,082)
INCOME TAXES	50	50
NET LOSS	$ (822,222)	(263,132)
NET LOSS PER COMMON SHARE, BASIC AND DILUTED	$ (0.07)	(0.02)
NET LOSS	$ (822,222)	(263,132)
NET UNREALIZED LOSS ON MARKETABLE SECURITIES	(15,724)	(45,360)

COMPREHENSIVE LOSS	$ (837,946)	(308,492)

See accompanying notes to financial statements

PRINCETON AMERICAN CORPORATION
Statement of Changes in Stockholders' Deficit
For the Years Ended May 31, 2002 and 2001

	Common Stock	Additional Paid-in Capital	Accumulate Deficit
Balance at May 31, 2000	$ 15,000	2,460,350	(4,243,720
Net loss for the year ended May 31, 2001	--	--	(263,132
Unrealized loss on marketable securities	--	--	--
Balance at May 31, 2001	15,000	2,460,350	(4,506,852
Net loss for the year ended May 31, 2002	--	--	(822,222
Impairment of marketable securities	--	--	--
Unrealized loss on marketable securities	--	--	--
Balance at May 31, 2002	$ 15,000	2,460,350	(5,329,074

See accompanying notes to financial statements

PRINCETON AMERICAN CORPORATION

STATEMENTS OF CASH FLOWS

For the Years Ended May 31, 2002 and 2001

200

Cash flows from operating activities:	
Net loss	$ (822,2
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	109,3
Interest income on investment contract	(18,4
Rent income allowance in exchange for tenant payment of costs	(121,4
Impairment on marketable securities	441,8
Loss on settlement of claims	44,5
Loss on disposition of assets	
Increase (decrease) in cash due to change in:	
Accounts receivable	(32,4
Prepaid expenses	(9,6
Other assets	(27,8
Accounts payable and accrued expenses	(431,6
Bankruptcy claims	(1,045,8
Accrued interest	(100,5
Rent deposits	8,4
Net cash used in operating activities	(2,005,8
CASH FLOWS FROM INVESTING ACTIVITIES:	
Payments on notes receivable	
Purchase of property and equipment	(91,0
Payments on investment contract	15,4
Net cash used in investing activities	(75,5
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on notes payable	(265,3
Conversion of account payable to note payable	
Proceeds from (payment on) loan from officers	(41,0
Payments on mortgage notes payable	(1,910,2
Payment of loan costs on mortgage notes payable	(62,1
Proceeds from mortgage notes payable, net of retention	4,275,3
Proceeds from bank loans	131,3
Net cash provided by financing activities	2,128,0
NET INCREASE IN CASH AND CASH EQUIVALENTS	46,6
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,5
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 49,1
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION	
CASH PAID DURING THE PERIOD FOR INTEREST	$ 538,4
CASH PAID DURING THE PERIOD FOR INCOME TAXES	$
NON-CASH INVESTING AND FINANCING ACTIVITIES:	

Issuance of rent credits for tenant improvements paid by tenant	$ 30,2

See accompanying notes to financial statements

PRINCETON AMERICAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2002 AND 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The following is a summary of the significant accounting policies followed by Princeton American Corporation (the Company). The policies conform with accounting principles generally accepted in the United States of America and require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as disclosures of contingent assets and liabilities in the financial statements. Actual results could differ from those estimates.

During the years ended May 31, 1998 and 1997, the Company did not have access to adequate records to file audited financial statements, as required by the Securities and Exchange Commission. The Company requested a waiver of its filing requirements for the years ended May 31, 1997 and 1998 and its quarterly filings through February 28, 2000. The Company can not obtain a waiver; however, the Securities and Exchange Commission has indicated that action is unlikely for failure to file missing reports prior to May 31, 2000. The Company included in their February 28, 2001 10Q, reissued May 31, 2000 financial statements, which included an audited balance sheet as of May 31, 1998.

The financial statements of the Company are presented on a historical cost basis. The estimated fair market value of the Company's assets at the time of reorganization exceeded the Company's post-petition liabilities and allowed claims. Consequently, assets and liabilities were not restated to fair market value as provided by SOP 90-7.

As of May 31, 2002 the Company had a stockholders' deficit of $2,848,199. Additionally, the Company has not been able to generate net income from operations since its reorganization. The Company is currently under the jurisdiction of the Bankruptcy Court and is still involved in certain litigation, as described in Notes 7 and 8 to these financial statements. To address these uncertainties, management has taken the following actions.

- Obtained financing for both of its commercial office buildings
- Implemented changes, which it believes will reduce the cost of operating the buildings.
- Settled a substantial portion of litigation, which management expects will reduce legal and professional fees during the year ending May 31, 2003.

PRINCETON AMERICAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2002 AND 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

a. BASIS OF PRESENTATION, CONTINUED

- Expects to be released from the supervision of the Bankruptcy Court, with settlement of the Weiss litigation,
- Intends to pursue listing of the Company's stock on NASDAQ
- Intends to explore the possibility of future mergers and/or acquisitions

b. ORGANIZATION AND OPERATIONS

Princeton American Corporation is organized under the laws of the State of Nevada and currently owns two office buildings in Phoenix, Arizona. The Company was previously engaged in both the real estate and hair care products industries. The Company filed for bankruptcy in December 1996 and subsequently disposed of substantially all its assets during the years ended May 31, 1997 and 1998, except for the two commercial buildings and certain investments. The trustee combined substantially all the Company's operating subsidiaries into Princeton American Corporation. The Court approved the Plan of Reorganization for the Company in November 1997.

c. CASH EQUIVALENTS

Cash equivalents include highly liquid debt instruments and other short-term investments with an original maturity of three months or less.

d. ACCOUNTS RECEIVABLE

Accounts receivable represents rent and other amounts due. An allowance is provided on a specific identification basis for all balances which management estimates may not be fully collectible

e. MARKETABLE SECURITIES, AVAILABLE FOR SALE

Marketable securities available for sale are recorded at their quoted market prices. Unrealized gains and losses on these securities are included as a separate component of comprehensive income and shareholders' equity until realized. Realized gains and losses on securities available for sale are computed based upon the average cost of the investment.

PRINCETON AMERICAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2002 AND 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

f. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and are being depreciated principally on the straight-line method over the estimated useful lives of the assets, which range from three to forty years.

g. STOCK OPTIONS

The Company has elected to follow Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" (APB25) and related interpretations in accounting for its employee stock options and awards. Under APB 25, no compensation expense is recognized when the exercise price of the options equals the fair value (market price) of the underlying stock on the date of grant. The Company has adopted the disclosure provisions of Statement of Financial Accounting Standards No. 123 Accounting for Stock-Based Compensation.

h. INCOME TAXES

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequence attributable to differences between the financial statement carrying amount of existing assets and liabilities; and their respective tax bases, including operating loss and tax credit carryforwards. 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 in deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

i. EARNINGS PER SHARE

The Company has adopted Statement of Financial Accounting Standards No. 128 "Earnings Per Share". The standard simplifies the standards of computing earnings per share and requires presentation of two new amounts, basic and diluted earnings per share. Net loss per share is computed by dividing the loss attributable to common shareholders by the weighted average number of shares outstanding during the period, which was approximately 11,000,000 for the years ended May 31, 2002 and 2001. There is uncertainty regarding the number of shares outstanding. Please read note 7.

PRINCETON AMERICAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2002 AND 2001

2. INVESTMENTS IN MARKETABLE SECURITIES AVAILABLE FOR SALE

Marketable securities consist of the following investments in common stock at May 31, 2002 and 2001:

	2002	2001
Exten Industries	$ 37,857	55,465
Stratford American	3,000	4,000
Other securities	4,905	2,213
	$ 45,762	61,678

The total net unrealized gain at May 31, 2002 was $5,525 and the total net unrealized loss at May 31, 2001 was $420,551. The net unrealized loss increased by $15,724 and $45,360 during the years ended May 31, 2002 and 2001, respectively.

The Company retains investments in Trans Pacific Group and Sgarlato Laboratories; however, management considers these investments to be permanently impaired. The Company recognized a loss of $441,800 on these investments during 2002.

3. INVESTMENT IN COMMISSION CONTRACT

In March 1994, the Company acquired the rights to the commission on a ground lease for a mobile home park in Mesa, Arizona. The commission is based upon a fifty-five (55) year ground lease. Annual payments ranged from $11,750 in 1994 to $27,000 in 2031. For the years ended May 31, 2002 and 2001, the commission contract was valued at $209,361 and $206,161, respectively. The valuation is determined by calculating the net present value of the quarterly payments at an imputed interest rate of twelve percent (12%). The Company recognizes any fluctuation in the investment as interest income or expense in the year of fluctuation.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at May 31, 2002 and 2001:

	2002	2001
Office buildings	$ 1,296,786	1,296,786

Leasehold improvements	697,167	577,950
Office furniture and equipment	6,240	4,140
	2,000,193	1,878,876
Less: Accumulated depreciation	(605,954)	(499,733)
	$ 1,394,239	1,379,143

PRINCETON AMERICAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2002 AND 2001

5. NOTES PAYABLE

During the year ended May 31, 2002 the Company refinanced the 2222 E. Camelback Road office building for $2,825,000 and the 4808 N. 22nd Street office building for $1,675,000. The proceeds from the refinancing were used to payoff the existing mortgage notes, pending legal claims and bankruptcy claims. An escrow account for property taxes was set up using funds from the notes and monthly payments of one-twelfth of the annual property taxes are to be made to this account. A portion of the proceeds to be used for settlement of the various claims has been set aside in a loan retention account. The funds are advanced to the Company as needed to payoff existing liabilities. The mortgage notes are secured by a first deed of trust and an assignment of the rents and related receivables of the respective office buildings.

The terms of the Vanderford note that was paid off have been under dispute since the bankruptcy court modified the terms. The Company reached a settlement with Vanderford of $1,100,000 to cover outstanding principal and interest. This amount was $127,812 in excess of what had been recorded by the Company as a liability, and has been recorded as a loss on settlement.

Mortgage notes payable consist of the following at May 31, 2002 and 2001:

	2
Mortgage note payable, secured by a first deed of trust on the building at 2222 E. Camelback Road, payable in monthly installments of $22,504 including interest at 8.25%, through April 2007	$ 2,8
Mortgage note payable, secured by a first deed of trust on the building at 4808 N. 22nd St., payable in monthly installments of $13,059 including interest at 8%, through April 2004	1,6
Mortgage note payable, secured by a first deed of trust on the building at 4808 N. 22nd St., payable in monthly installments of $6,946 including interest at 8%, repaid in 2002	

PRINCETON AMERICAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2002 AND 2001

5. NOTES PAYABLE, CONTINUED

Mortgage note payable, Vanderford, secured by a first deed of trust on the building at 2222 E. Camelback and a second deed of trust on the building at 4808 N. 22nd St., payable in monthly installments of $7,338 including interest at 8%, repaid in 2002	-----
	4,
Less current portion	

Long-term debt, net of current portion	$ 4,
	===

Notes payable - other consist of the following at May 31, 2002 and 2001:

Line of credit of $200,000, interest accrued at prime plus 2%, repaid in 2002	$
Note due in monthly installments of $3,500 with a balloon payment of $12,821 due in August 2001, interest at 12%, secured by investment in Exten stock, repaid in 2002	

	$
	====

Maturities of long-term debt at May 31, 2002 are as follows:

YEAR ENDED MAY 31,	AMOUNT
2003	$ 53,990
2004	1,689,048
2005	41,626
2006	45,245
2007	2,662,057

	$4,491,966

PRINCETON AMERICAN CORPORATION
NOTES TO FINANCIAL STATEMENTS

MAY 31, 2002 AND 2001

6. NOTES PAYABLE, OFFICERS AND RELATED PARTY TRANSACTIONS

At May 31, 2002, the Company owed an officer $89,000 in principal and $9,774 in accrued interest under the terms of three 12% promissory notes that required payments of $5,000 per month beginning January 2000. The Company has not complied with the repayment terms of these agreements. During the year ended May 31, 2002 the Company made principal payments of $16,000 and interest payments of $20,200 in partial payment of the notes. The Company also paid $25,000 in principal and $5,750 in interest to pay in full a note to a former officer. Interest expense on the officers' notes totaled $14,870 in 2002 and $14,700 in 2001.

During the years ended May 31, 2002 and 2001 the Company paid a director consulting fees of $3,150 and $49,650, respectively.

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 year ended May 31, 2002 payments of $45,000 were made to this firm.

The Company pays each of its three directors $200 for each board meeting attended. During the year ended May 31, 2002 there were six meetings. Accrued directors' fees of $12,700 are due for meetings in the current and prior years.

7. BANKRUPTCY CLAIMS

The Company filed for bankruptcy on December 11, 1996 and is currently operating as a reorganized debtor under a Joint Plan of Reorganization confirmed by the United States Bankruptcy Court for the District of Arizona on November 19, 1997.

Subsequent to the Company's filing in December 1996 and prior to the reorganization in December 1997, the Company was operated by a court-appointed trustee. During that time, the trustee liquidated various assets of the Company other than certain real estate holdings in Phoenix, Arizona and certain investments in marketable securities. William Taylor and the Trustee filed a Joint Plan of Reorganization in November 1997, which was approved in December 1997. Some of the key provisions of the Plan are:

- The Plan classifies various secured, unsecured and non-priority unsecured claims. The Plan also classifies post petition administrative claims. As confirmed, the Plan called for the reorganized debtor to make distributions to unsecured creditors within one year of the Plan's effective date, December 20, 1998. Once distributions were made to unsecured creditors, the Plan would be substantially consummated within the meaning of the Bankruptcy Code.

- Preferred shareholders received common stock of the Company.

NOTES TO FINANCIAL STATEMENTS
MAY 31, 2002 AND 2001

7. BANKRUPTCY CLAIMS, CONTINUED

- Approved common shareholders will retain their interest in the Company. The interest of shareholders with 10,000 shares or less (as listed on the records of American Stock Transfer only) shall be allowed, unless an objection was filed and upheld.

- William Taylor is to receive 40% of the Company's outstanding stock, upon payment of all unsecured claims. Prior to payment, Taylor's stock is to be held in escrow. Taylor's interest is based upon his claim of $990,134 for consulting fees and other costs.

- The Company's wholly owned subsidiaries, 88 Redevelopment and 4808 Corporation, were merged into Princeton American Corporation.

The Plan was subsequently modified in January 1999 to extend certain deadlines of the Plan, including the deadline for making distributions to unsecured creditors. These deadlines were extended to 180 days following the entry of a final, non-appealable order resolving the claim of Harry and Irene Weiss (Note 8).

The deadline for filing proof of ownership interest was also extended several times in an effort to give stockholders ample opportunity to file their proofs of interest. The Company and the Court compiled a final listing of valid proofs of interest. Management currently believes that the number of shares to be issued may be reduced to approximately 11,000,000 shares. The Court initially disallowed approximately 12,000,000 shares in this process primarily because the stockholders, including many brokers, failed to file proofs of interest. Upon completion of this process, stockholders' equity was restated effective to the year ended May 31, 1997 to reflect total capitalization of $2,475,350. Capitalization was computed based upon Taylor's ownership interest of 40% of all common stock in settlement of his claim for $990,134.

On September 15, 2000, the Bankruptcy Court ordered Princeton American and its transfer agent, American Stock Transfer & Trust ("AST") to cancel all outstanding Princeton American share certificates and issue new share certificates reflecting the allowed interest of shareholders under the Plan of Reorganization for Princeton American and the Court's prior orders. The Court further ordered that Princeton American and AST are not subject to any claim based upon the cancellation of outstanding share certificates and the issuance of new certificates in accordance with the Court's orders. The final order became final and non-appealable on September 29, 2000.

Princeton American is in the process of implementing the Court's order, and new share certificates will be issued for the allowed interests as soon as reasonably practicable. As of May 31, 2002, 7,460,893 shares had been issued.

PRINCETON AMERICAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2002 AND 2001

7. BANKRUPTCY CLAIMS, CONTINUED

In connection with the issuance of new certificates, Princeton American has also initiated a process to change its trading symbol. Effective as of October 9, 2000, the trading symbol, PELT, has been officially cancelled, and no further trades will be made under that symbol. After new certificates have been issued to a majority of those shareholders possessing an allowed interest, a new trading symbol will be issued to Princeton American. The company has applied to the NASD to be listed on the Over the Counter Bulletin Board (OTCBB).

In April of 2002 the Company refinanced its office buildings and used a portion of the proceeds to begin settlement of the bankruptcy claims. Payments of $1,033,104 in principal and $253,289 in accrued interest were paid during the year toward the bankruptcy claims and the settlement of litigation (see note 8). Management determined that $9,229 of claims (including principal and accrued interest) was invalid and a gain of $23,646 has been recognized in connection with the cancellations and settlements. At May 31, 2002 the unpaid bankruptcy claims were $169,773 and accrued interest at 8% was $60,269.

8. LITIGATION AND LIABILITIES IN DISPUTE

The Company is involved in litigation arising from actions of the Company prior to the bankruptcy filing.

In September 1993, the Company acquired residential real estate from Harry and Irene Weiss in exchange for 600,000 shares of the Company's restricted common stock, with an agreed upon value of $1.00 per share. As part of the agreement, the Company agreed that it would not sell or offer its stock for two years at a price less than $1.00 per share. However, the Company subsequently violated that agreement.

Weiss filed a proof of claim with the Bankruptcy Court for an unsecured, pre-petition claim of $812,707. The Company objected to both the priority and amount of the claim. The Bankruptcy Court initially upheld the Company's objection and found that the Weiss claim was subordinated to the level of a shareholder claim, rather than an unsecured claim. The Court determined the amount of the claim to be $619,603. The District Court subsequently reversed the Bankruptcy Court and found that the Weiss's were entitled to assert an unsecured non-priority claim in the same amount. The Company appealed this decision.

The Weiss's also applied for an award of attorney's fees, which was denied. They also sought to convert the bankruptcy proceedings to Chapter 7, which would require liquidation of the Company's assets. The Bankruptcy Court denied their motion.

PRINCETON AMERICAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2002 AND 2001

8. LITIGATION AND LIABILITIES IN DISPUTE, CONTINUED

As the result of mediation proceedings, on February 9, 2001 the Company and Weiss agreed to settle their dispute for $560,000 in cash, plus interest at 10%, payable on the earlier of February 9, 2002 or the sale or refinancing of the 4808 Building. A gain of $59,603 was recognized in connection with the settlement. The claim of $560,000 along with accrued interest of $76,823 was paid during the year ended May 31, 2002.

Onset Investments has filed two proofs of claim, totaling $200,713 for damages resulting from securities transactions prior to the bankruptcy filing. The Company has objected to the validity, priority and amount of these claims and intends to defend these claims vigorously. To date, the Company and Onset have been unable to settle the dispute and therefore the claim is currently unresolved and scheduled for a hearing. Legal counsel is unable to determine the outcome and amount of potential loss from this claim, if any.

In May 2001 a group of individuals filed a motion to set aside the Court Order, which canceled all outstanding share certificates and ordered the issuance of new shares. The group of individuals obtained stock in the Company after confirmation of the Plan in November 1997 and asserted that the Company and its president failed to adequately notify them that the stock obtained might not be valid under the plan. On November 8, 2001 the Bankruptcy Court entered an order denying the motion. The ruling was appealed and the District Court issued an order to show cause as to why the appeal should not be dismissed. The group of individuals also filed a separate Complaint asserting claims for equitable relief, securities fraud, breach of fiduciary duty and negligence. The appeal was dismissed on July 8, 2002.

9. LEASE COMMITMENTS

The Company leases office space in its commercial buildings located at 2222 E Camelback and 4808 North 22nd Street in Phoenix, Arizona. Future minimum lease payments required under these leases are as follows:

YEAR ENDED MAY 31,	AMOUNT
2003	$ 975,197
2004	927,337
2005	865,162
2006	440,496
	$ 3,208,192

Effective April 30, 2000, the Company and a former tenant entered into a Lease Termination and Release Agreement, whereby the Company was required to pay the tenant $50,000. In connection with a new five-year lease, the new tenant paid a $75,000 fee to obtain the right to lease the space.

PRINCETON AMERICAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2002 AND 2001

9. LEASE COMMITMENTS, CONTINUED

The office building located at 2222 E. Camelback Road is subject to two ground leases. The first lease was entered into on November 1, 1974. The second lease was entered into on August 1, 1977. Both leases are net leases, with terms of 99 years. On the 15th anniversary and for each succeeding ten-year term, the rent is to be adjusted to an annual rate equal to 8% of the fair market value of the leased premises, excluding improvements. The rate on the first lease was adjusted on November 1, 1999 to a monthly rate of $4,933. The second lease was adjusted to a monthly rate of $3,100 on the 15th anniversary of the lease and will be adjusted in 2002. Rent expense on these two leases for the years ended May 31, 2002 and 2001 was $96,400 for each year.

The office building located at 4808 N. 22nd Street is subject to a ground lease, the term of which extends through July 31, 2031. The lease is a net lease. The rental rate as of May 31, 2002 was $2,462 and is subject to an annual adjustment based on the Consumer Price Index. Rent expense on this lease for the years ended May 31, 2002 and 2001 was $29,409 and $28,572, respectively.

The Company has a limited number of tenants in both buildings. As such, the loss of certain tenants could adversely impact the Company. Additionally, accounts receivable are from a limited number of tenants.

The Company's future minimum lease obligations on the ground leases for the next five years are approximately $126,000 per year, based upon the current valuation.

10. DEFERRED RENTAL INCOME

During the year ended May 31, 2001, the Company negotiated two leases that provided for a tenant improvement allowance and lease commission to be paid by the tenants and then deducted from the rent due during the 3rd through 12th months of the leases. The total amounts of the tenant improvements of $107,225 and the leasing commission of $17,540 were capitalized and are being amortized over the life of the lease. The deferred rental income is being amortized on a straight-line basis over ten months. Deferred rental income of $33,634 was recognized during the year ended May 31, 2001 leaving a balance of $91,131 at May 31, 2001. The remaining balance was recognized during the year ended May 31, 2002.

NOTES TO FINANCIAL STATEMENTS
MAY 31, 2002 AND 2001

11. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments", requires that the Company disclose estimated fair values for its financial instruments. The following summary presents a description of the methodologies and assumptions used to determine such amounts.

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instrument; they are subjective in nature and involve uncertainties, matters of judgment and, therefore, cannot be determined with precision. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular instrument. Changes in assumptions could significantly affect the estimates.

Since the fair value is estimated as of May 31, 2002, the amounts that will actually be realized or paid at settlement of the instruments could be significantly different.

The carrying amount of cash and cash equivalents is assumed to be the fair value because of the liquidity of these instruments. The recorded amount of the investment in marketable securities approximates market based upon quoted market values. The investment in the commission contract has been discounted to its estimated present value using market rates of interest. Accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments. The recorded balance of notes payable and bankruptcy claims are assumed to be the fair value, since the rates specified approximate current market rates.

12. INCOME TAXES

The components of net deferred tax assets at May 31, 2002 and 2001, assuming a federal tax rate of 34% and a 7% state rate, are as follows:

	2002	2001
Net operating and capital loss carryforwards	$ 5,230,000	5,100,000
Depreciation of marketable securities	-	170,000
Difference in basis of property & equipment	100,000	110,000
Accrued real estate taxes	20,000	120,000
Less valuation allowance	(5,350,000)	(5,500,000)
Net deferred tax assets	$ -	-

The expected tax benefit from the net loss before income taxes was offset by a valuation allowance, since the Company has not yet developed a history of profitable operations. During the years ended May 31, 2002 and 2001 the valuation allowance increased (decreased) by approximately ($150,000) and $40,000, respectively.

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12. INCOME TAXES, CONTINUED

At May 31, 2002, the Company has approximately $15,000,000 in unused federal net operating loss carryforwards, which expire from 2003 through 2022. The state net operating loss carryforwards, which approximate $3,000,000, expire from 2003 through 2007.

Due to significant changes in ownership in prior years and changes in the Company's operations, the amount of operating losses available to offset future income taxes may be significantly limited. The Company has not yet completed an evaluation of the amount of losses that are available for utilization by the Company or a prospective merger candidate.