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PRINCETON AMERICAN CORP

Form 10QSB

April 14, 2003

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-QSB

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

For the quarterly period ended February 28, 2003

☐ [] 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
incorporation or organization) 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 ☒ [X] No ☐ []

10,923,918 shares of Common Stock, par value \$.001 per share, (of which 7,460,893 have been issued) were outstanding at February 28, 2003

Transitional Small Business Disclosure Format (Check One):

Yes ☐ [] No ☒ [X]

PRINCETON AMERICAN CORPORATION

FORM 10-QSB

INDEX

Part I Financial Information Page

Item 1 - Financial statements (Unaudited)

Unaudited Condensed Balance Sheet - February 28, 2003 3

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Unaudited Condensed Statements of Operations and Comprehensive Income (Loss) - Three Months and Nine Months ended February 28, 2003 and February 28, 2002	4
Unaudited Condensed Statements of Cash Flows - Nine Months Ended February 28, 2003 and February 28, 2002	5
Unaudited Notes to Financial Statements	6
Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations.	7
PART II Other Information	
Item 5 Other information	9
Item 6 Exhibits and Reports on Form 8-K.	10
Signatures	11

2

PRINCETON AMERICAN CORPORATION

UNAUDITED CONDENSED BALANCE SHEET

FEBRUARY 28, 2003

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 137,520
Accounts receivable	16,893
Investments in marketable securities	40,199
Prepaid expenses	35,595

Total current assets	230,207

PREPAID EXPENSES	66,412
INVESTMENT IN COMMISSION CONTRACT	211,599
PROPERTY AND EQUIPMENT, NET	1,347,992
LOAN COSTS, NET	44,875

	\$ 1,901,085
	=====

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LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:

Notes payable - current portion	\$ 57,505
Notes payable, officers	66,969
Accounts payable	74,456
Bankruptcy claims	88,576
Accrued interest	54,072
Accrued real estate taxes	38,032
Payroll and sales taxes payable	41,685
Advance rental income and tenant security deposits	6,602

Total current liabilities	427,897

TENANT SECURITY DEPOSITS - LONG TERM	61,366
MORTGAGE NOTES PAYABLE, NET OF CURRENT PORTION	4,394,241

	4,883,504

STOCKHOLDERS' DEFICIT:

Common stock	
approximately 15,000,000 shares issued and outstanding	15,025
Additional paid-in-capital	2,460,350
Accumulated deficit	(5,458,258)

	(2,982,883)

Net unrealized gain on marketable securities	464

Total stockholders' deficit	(2,982,419)

Total liabilities and stockholders' deficit	\$ 1,901,085
	=====

See accompanying notes to financial statements

PRINCETON AMERICAN CORPORATION

Unaudited Condensed Statements of Operations and Comprehensive Loss
For the Three Months and Nine Months Ended February 28, 2003 and 2002

Three Months Ended February 28, 2003	Three Months Ended February 28, 2002	N Febr
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REVENUES

Rental income	\$ 273,994	228,576
Parking and other	9,765	8,760
	-----	-----
	283,759	237,336
	-----	-----

COSTS AND EXPENSES

Building operating costs	68,454	72,536
Professional fees	32,007	22,158
Payroll and payroll taxes	46,695	32,036
Ground lease	31,597	31,486
Depreciation and amortization	29,986	24,100
Consulting	39,000	7,500
Other	9,566	12,162
	-----	-----
Total costs and expenses	257,305	201,978
	-----	-----

INCOME (LOSS) FROM OPERATIONS	26,454	35,358
	-----	-----

OTHER INCOME (EXPENSE)

Interest and dividend income	5,327	4,611
Interest expense	(94,209)	(81,563)
Gain on settlement of lawsuit	10,363	--
Other	351	--
	-----	-----
	(78,168)	(76,952)
	-----	-----

NET LOSS BEFORE INCOME TAXES	(51,714)	(41,594)
------------------------------	----------	----------

INCOME TAXES	--	--
	-----	-----

NET LOSS	\$ (51,714)	(41,594)
	=====	=====

NET LOSS PER COMMON SHARE, BASIC AND DILUTED	\$ (0.00)	(0.00)
	=====	=====

NET LOSS	\$ (51,714)	(41,594)
----------	-------------	----------

NET UNREALIZED GAIN (LOSS) ON MARKETABLE SECURITIES	10,453	(1,000)
	-----	-----

COMPREHENSIVE LOSS	\$ (41,261)	(42,594)
	=====	=====

See accompanying notes to financial statements

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Unaudited Condensed Statements of Cash Flows

For the Nine Months Ended February 28, 2003 and 2002

	2003 ----	2002 ----
Cash flows from operating activities:		
Net loss	\$ (129,184)	(285,821)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	89,959	70,780
Interest income on investment contract	(14,051)	(13,842)
Loss on sale of marketable security	--	8,804
Gain on settlement of lawsuit	(81,172)	(59,603)
Increase (decrease) in cash due to change in:		
Accounts receivable	21,584	(11,418)
Prepaid expenses	13,346	17,645
Other receivables	--	4,808
Other assets	26,365	6,009
Accounts payable and accrued expenses	75,394	251,525
Accrued interest	(35,308)	112,404
Rent deposits	(23,668)	(102,241)
	-----	-----
Net cash used in operating activities	(56,735)	(950)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investment	502	--
Purchase of property and equipment	(29,569)	(56,111)
Payments on investment contract	11,813	11,437
	-----	-----
Net cash used in investing activities	(17,254)	(44,674)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loan retention	224,605	--
Payments on notes payable	--	(19,821)
Proceeds from bank loan	--	131,398
Proceeds from (payment on) loan from officers	(22,031)	(30,000)
Payments on mortgage notes payable	(40,220)	(20,100)
	-----	-----
Net cash provided by financing activities	162,354	61,477
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	88,365	15,853
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	49,155	2,541
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 137,520	18,394

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SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION

CASH PAID DURING THE PERIOD FOR INTEREST	\$ 294,678	119,821
CASH PAID DURING THE PERIOD FOR INCOME TAXES	\$ 50	--
NON-CASH INVESTING ACTIVITIES:		
Transfer of marketable securities	\$ --	44,020

See accompanying notes to financial statements

5

PRINCETON AMERICAN CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS FEBRUARY 28, 2003 AND 2002

1. BASIS OF PRESENTATION

The accompanying financial statements have been prepared by the Company, without audit, and reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods. The statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial reporting and Securities and Exchange Commission regulations. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the financial statements reflect all adjustments (of a normal and recurring nature) which are necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. The results of operations for the nine months ended February 28, 2003 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

The Company reached a settlement with Onset Investment Limited on December 27, 2002, which required a payment of \$25,000 and 25,000 shares of stock by February 25, 2003. The settlement of this claim resulted in a gain on settlement of approximately \$10,000 during the three months ended February 28, 2003.

3. RELATED PARTY TRANSACTIONS

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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 nine months ended February 28, 2003, payments of \$36,984 were made to this firm. The Company also paid this related party \$55,000 for consulting services during the nine months ended February 28, 2003.

4. STOCK OPTION PLAN

During the second quarter, the Board of Directors approved the Stock Compensation Program. The plan allows for the issuance of Incentive Stock Options, Nonqualified Stock Options and Restricted Shares. Under the terms of the plan, up to 3,000,000 shares of common stock may be issued. No options have been granted under this plan.

6

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 final determination of creditor's claims 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;
- 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 (other than the real

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estate market) 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.

7

RESULTS OF OPERATIONS:

Since the filing of the 10QSB for the fiscal quarter ended November 30, 2002, Management has focused on:

Concluding the litigation process with Onset Investments, Ltd.

A settlement was reached with the claimant Onset on December 27, 2002. Under the agreement, on or before February 25, 2003, the Company paid Onset Investments \$25,000 in cash and approved the issuance to Onset 25,000 shares of stock in Princeton American Corporation in full payment of its Proofs of Claim aggregating \$200,713.95.

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 required 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 was required to: (1) conduct a national data base search for the current address of all shareholders whose mail was returned as undeliverable or who had not responded to notices 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 no later than May 12, 2003 (six (6) months from the date of the mailing of the notice). Approximately 1800 shareholders are affected by this Order.

Conclusion of the application process with the NASD. In October 2000, the Company applied to the NASD for registration of the Company's shares for trading on the Over the Counter Bulletin Board Market (OTC:BB). On October 17, 2002, the Company was informed by its sponsoring securities broker, Peacock, Hislop, Staley and Given, Inc., that Princeton American Corporation is now eligible for trading on the OTC Bulletin Board. The Company has been assigned the trading symbol: "PAMC".

Managing and upgrading the companys building at 2222 East Camelback Road and 4808 North 22nd Street. Both buildings are fully leased.

Soliciting and evaluating potential business acquisitions and combinations for

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Princeton.

8

THREE MONTHS ENDED FEBRUARY 28, 2003 COMPARED TO THREE MONTHS ENDED FEBRUARY 28, 2002.

We believe that our cash position of \$ 137,520 as of February 28, 2003, coupled with the increased revenues from the leases at 4808 North 22nd Street and 2222 East Camelback Road, will be sufficient to allow Princeton American Corporation to continue operations for the next twelve months under bankruptcy court supervision, if necessary.

ITEM 3. CONTROLS AND PROCEDURES

The Company is operated solely by Roderick W. McKinnon, CEO and William C. Taylor, Chairman and Secretary. In March of 2003 the Board of Directors appointed Mr. James Sell of Phoenix as its Chief Financial Officer and Mr. Scott Bird as Vice President for Shareholder relations. There are no additional 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 senior officers of the Company, management for the Company believes that this joint conference of the officers to discuss the Companys material information and disclosures represents a reasonably efficient method of disclosure controls and procedures to ensure that all material information of the Company is known to them.

9

PART II - OTHER INFORMATION

Item 5 Other information

CERTIFICATION OF OFFICERS

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;

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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: April 14, 2003

/s/ William C. Taylor

William C. Taylor
Chairman and Secretary

10

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

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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: April 14, 2003

/s/ Roderick W. McKinnon

Roderick W. McKinnon, CEO

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: April 14, 2003

PRINCETON AMERICAN CORPORATION

/s/ Roderick W. McKinnon III

Roderick W. McKinnon
President

/s/ William C. Taylor

William C. Taylor
Corporate Secretary