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PRINCETON AMERICAN CORP
Form 10QSB
April 23, 2001

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

FORM 10-QSB

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

For the quarterly period ended February 28, 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 incorporation or organization)	(I.R.S. Employer Identification Number)

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

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

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange
Act of 1934 during the preceding 12 months (or for such shorter periods
that the registrant was required to file such reports), and (2) has
been subject to such filing requirements for the past 90 days.
Yes No

14,148,047 shares of Common Stock, par value \$.001 per share, were
outstanding at February 28, 2001

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

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PRINCETON AMERICAN CORPORATION

FORM 10-QSB

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PRINCETON AMERICAN CORPORATION
Unaudited Condensed Balance Sheet
February 28, 2001

ASSETS

Current assets:

Cash and cash equivalents	\$ 6,205
Accounts receivable	21,833
Investments in marketable securities	68,401
Prepaid expenses	82,199

Total current assets	178,638

Investment in commission contract	205,313
Property and equipment, net	1,259,712

	\$ 1,643,663
	=====

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PRINCETON AMERICAN CORPORATION
Unaudited Condensed Balance Sheet
February 28, 2001

LIABILITIES AND STOCKHOLDERS' DEFICIT

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Current liabilities:	
Notes payable - current portion	\$ 29,955
Notes payable, officers	130,000
Accounts payable	231,986
Bankruptcy claims	679,289
Liabilities in dispute	619,603
Accrued interest	166,647
Accrued real estate taxes	279,644
Payroll and sales taxes payable	14,463
Deferred rental income	63,473
Advance rental income and tenant security deposits	45,209

Total current liabilities	2,260,269
Tenant security deposits - long term	48,016
Mortgage notes payable	1,751,739

	4,060,024

Stockholders' deficit:	
Common stock	
approximately 15,000,000 shares issued and outstanding	15,000
Additional paid-in-capital	2,460,350
Accumulated deficit	(4,477,656)

	(2,002,306)
Net unrealized loss on marketable securities	(414,055)

Total stockholders' deficit	(2,416,361)

Total liabilities and stockholders' deficit	1,643,663
	=====

See accompanying notes to financial statements

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PRINCETON AMERICAN CORPORATION
 Unaudited Condensed Statements of Operations and Comprehensive Income (Loss)
 For the Three Months and Nine Months Ended February 28, 2001 and
 February 29, 2000

	Three Months Ended February 28, 2001	Three Months Ended February 29, 2000	
	-----	-----	-----
Revenues			
Rental income	\$ 198,091	213,091	\$
Parking and other	3,545	2,660	

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	----- 201,636 -----	----- 215,751 -----
Costs and expenses		
Building operating costs	76,045	86,740
Professional fees	24,982	65,979
Payroll and payroll taxes	36,051	35,261
Ground lease	31,201	29,621
Depreciation	34,939	21,050
Consulting	17,900	21,950
Other	11,029	7,953
	-----	-----
Total costs and expenses	232,147	268,554
	-----	-----
Loss from operations	(30,511)	(52,803)
	-----	-----
Other income (expense)		
Interest and dividend income	5,101	5,420
Interest expense	(52,076)	(56,392)
Other	-	(920)
	-----	-----
	(46,975)	(51,892)
	-----	-----
Net loss before income tax	(77,486)	(104,695)
Income taxes	-	-
	-----	-----
Net loss	\$ (77,486)	(104,695)
	=====	=====
Net loss per common share, basic and diluted	\$ (0.01)	(0.01)
	=====	=====
Net loss	\$ (77,486)	(104,695)
Net unrealized gain (loss) on marketable securities	(5,286)	266,482
	-----	-----
Comprehensive income (loss)	\$ (82,772)	161,787
	=====	=====

See accompanying notes to financial statements

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PRINCETON AMERICAN CORPORATION
Unaudited Condensed Statements of Cash Flows
For the Nine Months Ended February 28, 2001 and February 29, 2000

2001

Cash flows from operating activities:

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Net loss	\$ (233,936)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:	
Depreciation	100,115
Interest income on investment contract	(13,620)
Rent abatement	(7,052)
Gain on sale of real estate	-
Decrease (increase) in receivables	(21,833)
Decrease (increase) in prepaid expenses	(62,032)
Increase in accounts payable and accrued expenses	173,563
Increase (decrease) in rent deposits	35,836

Net cash provided by (used in) operating activities	(28,959)

Cash flows from investing activities:	
Payments on notes receivable	18,149
Purchase of property and equipment	(5,567)
Payments on investment contract	11,063

Net cash provided by investing activities	23,645

Cash flows from financing activities:	
Refund of deposit	-
Proceeds from sale of real estate	-
Proceeds from (payments on) loan from officers	30,000
Payments on mortgage notes payable	(20,131)

Net cash provided by (used in) financing activities	9,869

Net increase in cash and cash equivalents	4,555
Cash and cash equivalents, beginning of year	1,650

Cash and cash equivalents, end of period	\$ 6,205
	=====
Supplementary Disclosure of Cash Flow Information	
Cash paid during the period for interest	\$ 105,426
	=====
Cash paid during the period for income taxes	\$ -
	=====
Noncash Investment Activities	
Assets acquired in return for rent abatement	\$ 70,525
	=====

See accompanying notes to financial statements

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PRINCETON AMERICAN CORPORATION
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS
FEBRUARY 28, 2001 AND FEBRUARY 29, 2000

1. BASIS OF PRESENTATION

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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 generally accepted accounting principles for interim financial reporting and Securities and Exchange Commission regulations. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles 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 three months and nine months ended February 28, 2001 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, 2000.

2. CANCELLATION OF OUTSTANDING SHARES AND ISSUANCE OF NEW SHARES

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. 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.

3. CHANGES IN LITIGATION AND LIABILITIES IN DISPUTE

As the result of mediation proceedings on February 9, 2001 the Company and Weiss agreed to settle their dispute for \$560,000. The claim must be paid on February 9, 2002 or when the Company sells or refinances the 4808 N. 22nd Street office building. The Weisses' claim will be secured by a third-position deed of trust against the 4808 Property. Interest will accrue at a rate of 10% from February 9, 2001 until payment of the claim. The Company is currently negotiating settlement documents, after which the documents will be submitted to the

3. CHANGES IN LITIGATION AND LIABILITIES IN DISPUTE, CONTINUED

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Bankruptcy Court for approval. As part of the settlement with the Weisses, the Company will ask the Court to enter an order establishing the amount and priority of the Weisses' claim according to the settlement. The Company will have six months from the date of

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the order to settle all bankruptcy claims.

As part of the settlement, the Weisses will renounce and release their shareholder interests in the Company.

4. SIGNIFICANT CHANGES IN TENANT LEASES

The Company signed a five-year agreement to lease approximately 10,000 square feet at average annual rates of approximately \$20.40 per square foot in the building located at 4808 N. 22nd Street. The Company is required under the terms of the lease to provide approximately \$70,000 of tenant improvements in the form of reduced rent over a period of ten months. This tenant formerly occupied approximately 8,600 square feet in the building at 2222 E. Camelback Road.

The Company also signed two five-year lease agreements of approximately 5,000 square feet each at average annual rates of approximately \$23.00 per square foot. The Company is required under the terms of the leases to provide approximately \$12,000 and \$37,000 in tenant improvements in the form of reduced rents during a portion of the first year of the leases.

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

SPECIAL NOTE REGARDING FORWARD - LOOKING STATEMENTS

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

- a downturn in the Phoenix, Arizona real estate market, particularly one which would adversely affect commercial lease rates;
- an adverse result in the Weiss or other litigation referred to in this report;
- any change in tax laws which would change the Company's ability to utilize its tax loss carryforward or the inability under existing tax laws for the full utilization of such tax loss carryforward;
- an inability of the Company to regain listed or trading status on the Over-the-Counter Bulletin Board, NASDAQ, the American Stock Exchange, or some other recognized market or exchange;
- certain operations of the Company, including the formation of 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

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the expiration of existing leases;

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

RESULTS OF OPERATIONS:

Since the filing of the 10QSB for the second quarter ended November 30, 2000, Management has focused on:

- + Continuing 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 are presently drafting settlement documents and expect to complete this task within the next several weeks. Assuming that these negotiations are successful, the parties will ask the Bankruptcy Court to approve the terms of the settlement and enter an order establishing the amount and priority of the Weisses' claim. This settlement is contingent on Bankruptcy Court Approval.

Under the agreement, Princeton will recognize that 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 will be secured by a third-position deed of trust against the 4808 Property.

The Weisses will renounce and release their shareholder interest in Princeton American Corp. The parties will provide mutual releases of all claims relating to the Company's bankruptcy case and will dismiss all pending appeals relating to the Weisses' claim and their motion to convert the case from a Chapter 11 to a Chapter 7 proceeding.

As part of the settlement with the Weisses, the Company will petition the Court for an order establishing the amount and priority of the Weisses' claim according to the settlement. Upon entry of this order and, assuming it is not stayed or appealed, the Company will have six months from entry of the order to pay unsecured creditors pursuant to the Plan as modified.

- + Leasing of suite 200 at 4808 North 22nd Street, Phoenix, Arizona. A lease of the second floor (10,000 square feet) of this office building was entered into with Alliance Investors, LLC, a residential development company on December 5, 2000. Alliance has 420 employees (with 44 in the Phoenix office) and over a billion dollars of real estate under management. The lease is for five years at an average annual rate of \$20.44 per square foot for a total of \$1,046,960 in revenues to Princeton over the term of the lease. The Company is obligated to

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provide approximately \$70,000 of tenant improvements in the form of

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reduced rent over a period of ten months commencing May 1, 2001. This office building is now fully occupied.

- + Leasing of vacant spaces at 2222 East Camelback Road, Phoenix, Arizona. The Company has executed a lease of suites 200 and 210 to United Title Company. United Title moved into these spaces on February 1, 2001. The lease is for five years at an average annual rate of \$23.00 per square foot for a total of \$ 607,430 in revenues to the Company over the term of the lease. Princeton is required under the terms of the lease to provide approximately \$12,000 in tenant improvements in the form of reduced rent during a portion of the first year of the lease.

Suite 250 was originally configured to provide 6911 square feet of rentable space. On February 26, 2001, the Company entered into a lease with Nationwide Vision Center for 5084 square feet of this space (including a portion of Company occupied storage space adjoining the suite) for a period of five years commencing on March 15, 2001. With an average annual rate of \$23.00 per square foot, the Company will receive \$584,660 in revenues over the term of this lease. Princeton American Corp. is required under the terms of the lease to provide \$36,700 of tenant improvements in the form of reduced rent over a period of ten months commencing with the third month of the lease.

The remaining portion of this space (redesignated Suite 260) and Suite 112 (recently vacated by Southwest Bank's move into its new spaces in the building) are currently being marketed.

With the 4808 building fully occupied and occupancy at the 2222 building at just under 90%, combined scheduled annual revenues from these buildings are approximately \$960,000.

- + In anticipation of a settlement of the Weiss claim, the Company has made preliminary inquiries with several financial institutions regarding the refinancing of its two office buildings in order to pay off the Vanderford mortgage loan and to generate sufficient funds to satisfy creditors claims aggregating \$679,289 (but not including the Weiss claim), and to establish an operating capital fund. There is no assurance that the Company will be able to raise the necessary funds to accomplish these objectives.

- + Implementing the adjustments of outstanding shares and shareholders. On September 15, 2000, The Bankruptcy Court entered its Order: (1) Approving Cancellation Of Outstanding Share Certificates and Issuance Of New Certificates, and (2) Barring Claims. A copy of the Order is contained in the Form 8-K set forth in Item 6 of the November 30, 2000 Form 10QSB.

Pursuant to the Order, American Stock Transfer & Trust was directed to cancel all outstanding shares of the Company. As of October 9, 2000, Princeton's trading symbol "PELT" was officially cancelled by NASD. No further trades will be made under that symbol and no shares of stock can be issued until trading is allowed to resume pursuant to the Order. On October 10, 2000, notice was mailed to those shareholders possessing an allowed interest, requesting that the cancelled share certificates be returned to the Company to be replaced by new certificates as authorized by the Order. Once this process is completed, Princeton will

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have approximately 15,000,000 shares issued and outstanding. The Company has applied to the NASD for registration of the Company's shares for trading on the Over the Counter Bulletin Board Market (OTCBB). It is anticipated that a new trading symbol will be issued by the NASD if Princeton's application is approved.

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THREE MONTHS ENDED FEBRUARY 28, 2001 COMPARED TO THREE MONTHS ENDED
FEBRUARY 29, 2000

We believe that our cash position of \$6,205 as of February 28, 2001, coupled with the increased revenues resulting from the lease-up of 4808 North 22nd Street, and the leasing to United Title and Nationwide Vision Centers of the spaces at 2222 East Camelback Road will be sufficient to continue operations for the next twelve months (if necessary) under bankruptcy court supervision.

The Company is required to pay all unsecured and administrative claims (aggregating \$679,289, but not including the Weiss claim) in order to emerge from bankruptcy proceedings. In order to raise the capital necessary to accomplish this, we plan to either: (1) sell 4808 North 22nd Street or (2) refinance both office buildings. Either of these alternatives (or a combination thereof) should produce sufficient funds to discharge these obligations. Efforts are ongoing to sell the 4808 building. We have had a tentative commitment from a lender to refinance both buildings, pending resolution of outstanding bankruptcy issues.

PART II - OTHER INFORMATION

Item 5 Other information

Filing of Audited Balance Sheet for the year ended
May 31, 1998

Subsequent to the filing of the Company's Annual Report on Form 10KSB for the years ended May 31, 1999 and 2000 the Commission requested that the Company file its audited balance sheet for the year ended May 31, 1998. Audited Financial Statements for the years ended May 31, 2000, 1999 and as of May 31, 1998 which included that balance sheet are filed herewith as a part of this Report on Form 10QSB.

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 16, 2001

PRINCETON AMERICAN CORPORATION

/s/ William C. Taylor

William C. Taylor
President

/s/ Roderick W. McKinnon III

Roderick W. McKinnon III
Corporate Secretary

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PRINCETON AMERICAN CORPORATION

FINANCIAL STATEMENTS

For the Years Ended
May 31, 2000 and 1999
And as of May 31, 1998

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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, 2000, 1999 and 1998, and the related statements of operations and comprehensive loss, changes in stockholders' deficit, and cash flows for the years ended May 31, 2000 and 1999. 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 generally accepted auditing standards. 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, 2000, 1999 and 1998, and the results of its operations and its cash flows for the years ended May 31, 2000 and 1999 in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Notes 1, 9 and 10 to the financial statements, the Company is involved in litigation and is also operating under a Joint Plan of Reorganization following a bankruptcy filing in December 1996, which raise substantial doubt about its ability to continue as a going concern. Management's plans with regard to these matters are also discussed in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Plan of Reorganization will not be substantially consummated until payment of unsecured creditors. Prior to that time, the Company is under the supervision of the Bankruptcy Court. The Company is involved in litigation, which is being overseen by the Bankruptcy Court. The Bankruptcy Court may exert significant influence over the operations of the Company, which may result in changes to the estimates described in the accompanying financial statements. Please read note 9; it describes certain aspects and uncertainties of the bankruptcy filing.

Evers & Company Ltd.

Phoenix, Arizona

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February 28, 2001

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PRINCETON AMERICAN CORPORATION
Balance Sheets
May 31, 2000, 1999 and 1998

ASSETS

	2000 ----	1999 ----
Current assets:		
Cash and cash equivalents	\$ 1,650	5,820
Notes receivable, current portion	947	1,970
Accounts receivable - trade	-	448
Investments in marketable securities	107,265	27,298
Prepaid expenses	20,167	41,240
	-----	-----
Total current assets	130,029	76,776
	-----	-----
Notes receivable, net of current portion	17,202	41,483
Investment in commission contract	202,756	199,162
Property and equipment, net	1,283,735	1,344,408
Investment in real estate	-	12,500
Deposits	-	9,930
	-----	-----
	\$ 1,633,722	1,684,259
	=====	=====

See accompanying notes to financial statements

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PRINCETON AMERICAN CORPORATION
Balance Sheets
May 31, 2000, 1999 and 1998

LIABILITIES AND STOCKHOLDERS' DEFICIT

	2000 ----	1999 ----
Current liabilities:		
Notes payable - current portion	\$ 28,284	26,000
Notes payable, officers	100,000	70,000
Accounts payable	161,152	39,000
Bankruptcy claims	679,289	741,000
Liabilities in dispute	619,603	619,000
Accrued interest	122,163	71,000
Accrued real estate taxes	222,690	157,000
Payroll and sales taxes payable	13,172	14,000

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Advance rental income and tenant security deposits	30,773	88
	-----	-----
Total current liabilities	1,977,126	1,829
Tenant security deposits - long term	26,616	26
Mortgage notes payable	1,773,541	1,801
	-----	-----
	3,777,283	3,658
	-----	-----
Commitments, contingencies and subsequent events (see notes)		
Stockholders' deficit:		
Common stock, par value \$.001, 100,000,000 shares authorized approximately 15,000,000 shares issued and outstanding	15,000	15
Additional paid-in-capital	2,460,350	2,460
Accumulated deficit	(4,243,720)	(3,996)
	-----	-----
	(1,768,370)	(1,521)
Net unrealized loss on marketable securities	(375,191)	(452)
	-----	-----
Total stockholders' deficit	(2,143,561)	(1,973)
	-----	-----
Total liabilities and stockholders' deficit	\$ 1,633,722	1,684
	=====	=====

See accompanying notes to financial statements

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PRINCETON AMERICAN CORPORATION
Statements of Cash Flows
For the Years Ended May 31, 2000 and 1999

	2000	1999
	----	----
Cash flows from operating activities:		
Net loss	\$ (247,325)	
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	107,046	
Interest income on investment contract	(17,844)	
Loss (gain) on investment	(2,440)	
Gain on sale of real estate	(8,481)	
Non-cash gain on settlement of claim	(62,524)	
Decrease in receivables	448	
Decrease in prepaid expenses	21,073	
Increase in accounts payable and accrued expenses	185,442	
Increase in accrued interest	50,912	
Increase (decrease) in rent deposits	(58,452)	

Net cash used in operating activities	(32,145)	

Cash flows from investing activities:		
Payments on notes receivable	25,304	

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Purchase of property and equipment	(46,373)
Payments on investment contract	14,250

Net cash provided by (used in) investing activities	(6,819)

Cash flows from financing activities:	
Refund of deposit	9,930
Proceeds from sale of real estate	20,981
Repayment of notes payable to officers	(20,000)
Proceeds from loan from officers	50,000
Payments on mortgage notes payable	(26,117)

Net cash provided by financing activities	34,794

Net decrease in cash and cash equivalents	(4,170)
Cash and cash equivalents, beginning of year	5,820

Cash and cash equivalents, end of year	\$ 1,650
	=====
Supplementary Disclosure of Cash Flow Information	
Cash paid during the year for interest	\$ 176,884
	=====
Cash paid during the year for income taxes	\$ 100
	=====

See accompanying notes to financial statements

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PRINCETON AMERICAN CORPORATION
Statements of Operations and Comprehensive Loss
For the Years Ended May 31, 2000 and 1999

	2000	1999
	----	----
Revenues		
Rental income	\$ 842,565	913,08
Parking and other	6,710	9,62
	-----	-----
	849,275	922,70
	-----	-----
Costs and expenses		
Building operating costs	354,723	375,12
Professional fees	176,794	147,84
Payroll and payroll taxes	135,425	134,00
Ground lease	123,088	117,83
Depreciation	107,046	140,18
Consulting	83,115	72,75
Other	99,108	51,18

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Total costs and expenses	----- 1,079,299 -----	----- 1,038,92 -----
Loss from operations	----- (230,024) -----	----- (116,21 -----
Other income (expense)		
Interest and dividend income	21,836	23,33
Interest expense	(227,796)	(208,54
Gain on settlement of lawsuits	183,225	-
Other	5,534	(5,75
	----- (17,201) -----	----- (190,96 -----
Net loss before income tax	(247,225)	(307,18
Income taxes	----- 100 -----	----- 21 -----
Net loss	\$ (247,325) =====	(307,39 =====
Net loss per common share, basic and diluted	\$ (0.02) =====	(0.0 =====
Net loss	\$ (247,325)	(307,39
Net unrealized gain (loss) on marketable securities	----- 77,527 -----	----- (8,61 -----
Comprehensive loss	\$ (169,798) =====	(316,01 =====

See accompanying notes to financial statements

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PRINCETON AMERICAN CORPORATION
STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT
For the Years Ended May 31, 2000 and 1999

	Common Stock -----	Additional Paid-in Capital -----	Accumulated Deficit -----
Balance at May 31, 1998	\$ 15,000	\$ 2,460,350	\$ (3,688,996)
Net loss for the year ended May 31, 1999	--	--	(307,399)
Unrealized loss on marketable securities	--	--	--
	-----	-----	-----

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Balance at May 31, 1999	15,000	2,460,350	(3,996,395)
Net loss for the year ended May 31, 2000	--	--	(247,325)
Unrealized gain on marketable securities	--	--	--
	-----	-----	-----
Balance at May 31, 2000	15,000 =====	2,460,350 =====	(4,243,720) =====

See accompanying notes to financial statements

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PRINCETON AMERICAN CORPORATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2000, 1999 AND 1998

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 generally accepted accounting principles 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. However, they have requested that the Company file 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.

At May 31, 2000, the Company had a stockholders' deficit of \$2,143,561 and a working capital deficit of \$1,847,097. Additionally, the Company has been unable to generate net income from operations since its reorganization. The Company is currently under the jurisdiction of the Bankruptcy Court and is involved in litigation, as described in Notes 9 and 10 to these financial statements. Management's plans with regard to these matters are also discussed in Note 9. These financial statements have been prepared assuming the Company will be able to continue operations and do not include any adjustments that might result from the outcome of these uncertainties.

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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. At the date of its last filing with the Securities and Exchange Commission for the year ended May 31, 1996, the Company was engaged in both the real estate and hair care products industries.

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PRINCETON AMERICAN CORPORATION
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

b. ORGANIZATION AND OPERATIONS

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. 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.

e. INVESTMENTS IN REAL ESTATE

Investments in real estate were valued at the lower of cost or market.

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

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Compensation.

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PRINCETON AMERICAN CORPORATION
 NOTES TO FINANCIAL STATEMENTS
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 new 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 assumed to be approximately 15,000,000 for the years ended May 31, 2000 and 1999.

2. NOTES RECEIVABLE

Notes receivable consist of the following at May 31, 2000, 1999 and 1998. No allowance for doubtful accounts is considered necessary.

	2000	1999
	----	----
Note receivable, secured by a first deed of trust on real property, payable in monthly installments of \$282 including interest at 9.5%, paid during the year ended May 31, 2000	\$ -	24,442

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PRINCETON AMERICAN CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 MAY 31, 2000, 1999 AND 1998

2. NOTES RECEIVABLE

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	2000 ----	1999 ----
Note receivable, secured by a first deed of trust on real property, payable in monthly installments of \$219 including interest at 9.5%, remaining principal and interest due August 2001	18,149 -----	19,011 -----
Less current portion	\$ 18,149 (947) -----	43,453 (1,970) -----
Notes receivable, net of current portion	\$ 17,202 =====	41,483 =====

3. INVESTMENTS IN MARKETABLE SECURITIES AVAILABLE FOR SALE

Marketable securities consist of the following investments in common stock at May 31, 2000, 1999 and 1998:

	2000 ----	1999 ----
Exten Industries	\$ 90,241	13,756
Stratford American	14,584	13,542
Other securities	2,440 -----	-- -----
	\$107,265 =====	27,298 =====

Total net unrealized losses at May 31, 2000, 1999 and 1998 were \$375,191, \$452,718 and \$444,099 respectively. The net unrealized loss decreased by \$77,527 during the year ended May 31, 2000 and increased by \$8,619 during the year ended May 31, 1999.

The Company also has an investment in Sgarlato Laboratories, a privately held company, which management estimates has minimal value. As such, the investment has been written down to zero at May 31, 2000, 1999 and 1998.

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PRINCETON AMERICAN CORPORATION
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4. 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 range

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from \$11,750 in 1994 to \$27,000 in 2031. For the years ended May 31, 2000, 1999 and 1998, the commission contract was valued at \$202,756, \$199,162, and \$195,395, 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 market value as interest income or expense in the year of fluctuation.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at May 31, 2000, 1999 and 1998:

	2000 ----	1999 ----	
Office buildings	\$1,296,786	1,296,786	1,
Leasehold improvements	515,686	615,132	
Office furniture and equipment	4,139	4,139	
	-----	-----	---
	1,816,611	1,916,057	1,
Less: Accumulated depreciation	(532,876)	(571,649)	(
	-----	-----	---
	\$1,283,735	1,344,408	1,
	=====	=====	==

6. INVESTMENT IN REAL ESTATE

At May 31, 1999 and 1998 the Company owned a parcel of undeveloped land with a cost of \$12,500. The property was sold during the year ended May 31, 2000 for \$20,981 resulting in a gain of \$8,481 after selling expenses.

7. MORTGAGE NOTES PAYABLE

Mortgage notes payable consist of the following at December 31, 2000, 1999 and 1998:

	2000 ----	1999 ----
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% through January 2020	\$824,846	841,485

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PRINCETON AMERICAN CORPORATION
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7. MORTGAGE NOTES PAYABLE

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	2000 ----	1999 ----
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%, remaining principal and interest due December 2004	976,979 -----	986,457 -----
Less current portion	1,801,825 (28,284) -----	1,827,942 (26,117) -----
Long-term debt, net of current portion	\$1,773,541 =====	1,801,825 =====

The terms of the Vanderford mortgage note payable are being disputed. The original loan, which was made shortly before the bankruptcy filing, called for an interest rate of 15%, with a maturity date of December 1999. The terms of the note were revised by the court to the current terms. The Company and the lender have reached a verbal agreement to modify the terms. The agreement is subject to the approval of the Bankruptcy Court.

Maturities of long-term debt at May 31, 2000 are as follows:

Year ended May 31, -----	Amount -----
2001	\$ 28,284
2002	30,632
2003	33,174
2004	35,928
2005	955,310
Thereafter	718,497

	\$1,801,825 =====

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PRINCETON AMERICAN CORPORATION
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8. NOTES PAYABLE, OFFICERS AND RELATED PARTY TRANSACTIONS

On May 31, 2000, notes payable, officers included two \$25,000 notes, with an interest rate of 12% that are due and payable on or before May 1, 2001. One of the Company's officers also paid a \$50,000 administrative claim directly for the Company. The Company is obligated to repay the officer under the terms of a 12% promissory note that required payments of \$5,000 per month beginning January 2000. The Company has not complied with the repayment terms of this agreement. At May 31, 1999, the outstanding balance was \$70,000, plus accrued interest of \$1,696 at a rate of 18%. Advances totaled \$50,000 and \$90,000 during the years

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ended May 31, 2000 and 1999, respectively. Repayments were \$20,000 in both years. Interest on the notes totaled \$9,876 in 2000 and \$1,253 in 1999.

During the years ended May 31, 2000 and 1999 the Company paid a director consulting fees of \$82,115 and \$72,750, respectively.

9. 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.
- 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. Claims for greater than 10,000 shares required the shareholder to file a proof of interest or their interest would be reduced to 10,000 shares.
- 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.

9. BANKRUPTCY CLAIMS, CONTINUED

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PRINCETON AMERICAN CORPORATION
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- 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 10).

The deadline for filing proof of ownership interest was also extended

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several times in an effort to give stockholders ample opportunity to file their proofs of interest. Currently there are approximately 15,000,000 shares of common stock (including Taylor's 40% interest), which were established by this process. The Court disallowed approximately 12,000,000 shares in this process primarily because the stockholders, including many of those held by 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.

During the year ended May 31, 2000 a settlement was reached with Hyman Center, the Company's former president, for a claim related to compensation due for services rendered prior to the bankruptcy. The settlement called for a cash payment of \$4,300 and an unsecured claim of \$100,000. The claim is to bear interest from January 1, 2000 until paid in full. A gain of \$58,225 has been recorded from this settlement.

The Company has accrued interest at 8% on all unpaid bankruptcy claims since December 1997, with the exception of the Center claim.

Upon resolution of the Weiss claim, management intends to explore the possibility of refinancing the buildings or the viability of merger candidates.

See Note 15 for updated information related to the cancellation and reissuance of stock certificates by the bankruptcy court.

10. 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 & 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.

10. LITIGATION AND LIABILITIES IN DISPUTE, CONTINUED

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

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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

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Court denied their motion. The Weiss's appealed both decisions.

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 was unable to determine the outcome and amount of potential loss from these claims. However, the Company has recorded a liability for the amount of the Weiss claim approved by the Court. See Note 15 for updated information related to the Weiss claim.

During the year ended May 31, 2000, the Company reached a settlement with a former officer and director, which required him to pay the Company \$125,000 in exchange for certain promissory notes, assets received upon his termination from the Company and other claims filed by the Company.

The terms of the mortgage note described in Note 7 are also being contested.

11. ACCRUED REAL ESTATE TAXES

The Company was delinquent on its real estate tax obligations during the years ended May 31, 2000 and 1999, which resulted in tax liens being placed on both its commercial properties. Interest incurred on real estate tax obligations was approximately \$30,000 in 2000 and \$7,000 in 1999.

12. 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:

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PRINCETON AMERICAN CORPORATION
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12. LEASE COMMITMENTS, CONTINUED

Year ended May 31, -----	Amount -----
2001	\$ 476,617
2002	219,680
2003	78,315
2004	11,798

	\$ 786,410
	=====

Effective April 30, 2000, the Company and a former tenant entered into a Lease Termination and Release Agreement, whereby the Company is required to pay the tenant \$50,000 in five equal monthly payments beginning July 1, 2000. In connection with the new five-year lease, the

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tenant paid a \$75,000 fee to obtain the right to lease the space. The Company signed a five-year lease agreement for the space in June 2000, which requires annual payments that range from approximately \$184,000 to \$210,000 over the term of the lease. This lease is not included in the above schedule.

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, 2000 and 1999 was \$95,444 and \$90,744, respectively.

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, 2000 was \$2,311 and is subject to an annual adjustment based on the Consumer Price Index. Rent expense on this lease for the years ended May 31, 2000 and 1999 was \$27,644 and \$27,094, respectively.

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

The Company's future minimum lease obligations on the ground leases for the next five years are approximately \$124,000 per year, based upon the current valuation.

See Note 15 for updated leasing activity.

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13. 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, 2000, 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

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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 rate specified in the mortgage note receivable approximates current market rates. 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.

14. INCOME TAXES

The components of net deferred tax assets at May 31, 2000, 1999 and 1998, assuming an effective tax rate of 40%, are as follows:

	2000 ----	1999 ----
Net operating loss carryforward	\$ 5,730,000	5,780,000
Appreciation of marketable securities	150,000	180,000
Difference in basis of property & equipment	(170,000)	(160,000)
Accrued real estate taxes	90,000	60,000
Less valuation allowance	(5,800,000)	(5,860,000)
	-----	-----
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 year ended May 31, 2000, the valuation allowance decreased by approximately \$60,000. For 1999, it increased by approximately \$60,000.

14. INCOME TAXES, CONTINUED

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At May 31, 2000, the Company has approximately \$14,000,000 in unused federal net operating loss carryforwards, which expire from 2001 through 2020. The state net operating loss carryforwards, which approximate \$8,000,000 expire from 2001 through 2005

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.

15. SUBSEQUENT EVENTS

Cancellation of outstanding shares and issuance of new shares

On September 15, 2000, the Bankruptcy Court ordered Princeton American and its transfer agent, American Stock Transfer & Trust ("AST") to cancel

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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 its agents 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 Company is in the process of implementing the Court's order, and new share certificates will be issued for the allowed interests. 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, management expects that a new trading symbol will be issued to Princeton American and that the Company will be able to trade on the OTC Bulletin Board.

Significant changes in tenant leases

The Company signed a five-year agreement to lease approximately 10,000 square feet at average annual rates of approximately \$20.40 per square foot in the building located at 4808 N. 22nd Street. The Company is required under the terms of the lease to provide approximately \$70,000 of tenant improvements in the form of reduced rent over a period of ten months. This tenant formerly occupied approximately 8,600 square feet in the building at 2222 E. Camelback Road.

The Company also signed two five-year lease agreements of approximately 5,000 square feet each at average annual rates of approximately \$23.00 per square foot. The Company is required under the terms of the leases to provide approximately \$12,000 and \$37,000 in tenant improvements in the form of reduced rents during a portion of the first year of the leases.

15. SUBSEQUENT EVENTS, CONTINUED

Changes in litigation and liabilities in dispute

As the result of mediation proceedings on February 9, 2001 the Company and Weiss agreed to settle their dispute for \$560,000. The claim must be paid on February 9, 2002 or when the Company

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sells or refinances the 4808 N. 22nd Street office building. The Weisses' claim will be secured by a third-position deed of trust against the 4808 Property. Interest will accrue at a rate of 10% from February 9, 2001 until payment of the claim.

The Company is currently negotiating settlement documents, after which the documents will be submitted to the Bankruptcy Court for approval. As part of the settlement with the Weisses, the Company will ask the Court to enter an order establishing the amount and priority of the Weisses' claim according to the settlement. The Company will have six months from the date of the order to settle all bankruptcy claims. The Weisses will also renounce and release their shareholder interest in the Company.