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PRINCETON AMERICAN CORP

Form 10QSB

October 22, 2001

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 August 31, 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

(state or other jurisdiction of
incorporation or organization)

22-1848644

(I.R.S. Employer
Identification Number)

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

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

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15 (d) of the Securities Exchange
Act of 1934 during the preceding 12 months (or for such shorter periods
that the registrant was required to file such reports), and (2) has
been subject to such filing requirements for the past 90 days.

Yes ☒ [X] No ☐ []

10,923,918 shares of Common Stock, par value \$.001 per share, were
outstanding at August 31, 2001

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 - August 31, 2001	5
	Unaudited Condensed Statements of Operations and Comprehensive Income (Loss) - Three Months ended August 31,	7

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2001 and August 31, 2000

Unaudited Condensed Statements of Cash Flows - Three Months ended August 31, 2001 and August 31, 2000	8
Unaudited Notes to Financial Statements	9
Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations.	11
PART II Other Information	
Item 5 Other information	15
Item 6 Exhibits and Reports on Form 8-K.	15
Signatures	16

PRINCETON AMERICAN CORPORATION

FINANCIAL STATEMENTS

August 31, 2001

The Board of Directors
Princeton American Corporation:

The accompanying unaudited condensed balance sheet of Princeton American Corporation as of August 31, 2001, and the related unaudited condensed statements of operations and comprehensive loss, and cash flows for the three months then ended, were not audited by us and, accordingly, we do not express an opinion on them.

Phoenix, Arizona
September 28, 2001

PRINCETON AMERICAN CORPORATION

Unaudited Condensed Balance Sheet

August 31, 2001

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 1,892
Investments in marketable securities	58,537
Prepaid expenses	31,911

Total current assets	92,340

PREPAID EXPENSES	54,683
INVESTMENT IN COMMISSION CONTRACT	207,028
PROPERTY AND EQUIPMENT, NET	1,376,775

	\$ 1,730,826

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See accompanying notes to financial statements

PRINCETON AMERICAN CORPORATION
Unaudited Condensed Balance Sheet
August 31, 2001

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES

Mortgage notes payable -- current	\$ 31,174
Note payable -- other	138,931
Notes payable, officers	130,000
Accounts payable	271,069
Bankruptcy claims	679,289
Liabilities in dispute	619,603
Accrued interest	207,655
Accrued real estate taxes	343,977
Payroll and sales taxes payable	15,450
Deferred rental income and tenant security deposits	94,091

Total current liabilities	2,531,239
---------------------------	-----------

TENANT SECURITY DEPOSITS -- LONG TERM	42,813
MORTGAGE NOTES PAYABLE	1,735,841

	4,309,893

STOCKHOLDERS' DEFICIT

Common stock	
approximately 15,000,000 shares issued and outstanding	15,000
Additional paid-in-capital	2,460,350
Accumulated deficit	(4,630,725)

(2,155,375)

Net unrealized loss on marketable securities	(423,692)
--	-----------

Total stockholders' deficit	(2,579,067)
-----------------------------	-------------

Total liabilities and stockholders' deficit	\$ 1,730,826
---	--------------

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See accompanying notes to financial statements

PRINCETON AMERICAN CORPORATION
UNAUDITED CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED AUGUST 31, 2001 AND 2000

2001

2000

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REVENUES		
Rental income	\$ 239,940	224,478
Parking and other	7,443	77,245
	-----	-----
	247,383	301,723
	-----	-----
COSTS AND EXPENSES		
Building operating costs	111,309	88,512
Professional fees	89,565	60,278
Payroll and payroll taxes	35,912	35,073
Ground lease	31,285	31,035
Depreciation	23,340	32,588
Consulting	--	17,550
Other	12,324	11,461
	-----	-----
Total costs and expenses	303,735	276,497
	-----	-----
INCOME (LOSS) FROM OPERATIONS	(56,352)	25,226
	-----	-----
OTHER INCOME (EXPENSE)		
Interest and dividend income	4,854	4,949
Interest expense	(66,650)	(54,761)
Other	(5,725)	(3,294)
	-----	-----
	(67,521)	(53,106)
	-----	-----
NET LOSS BEFORE INCOME TAX	(123,873)	(27,880)
INCOME TAXES	--	--
	-----	-----
NET LOSS	\$ (123,873)	(27,880)
	=====	=====
NET LOSS PER COMMON SHARE, BASIC AND DILUTED	\$ (0.01)	(0.00)
	=====	=====
NET LOSS	\$ (123,873)	(27,880)
NET UNREALIZED GAIN (LOSS) ON MARKETABLE SECURITIES	(3,141)	(23,976)
	-----	-----
COMPREHENSIVE LOSS	\$ (127,014)	(51,856)
	=====	=====

See accompanying notes to financial statements

PRINCETON AMERICAN CORPORATION
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED AUGUST 31, 2001 AND 2000

	2001	2000
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (123,873)	(27,880)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	23,340	32,588

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Interest income on investment contract	(4,854)	(4,604)
Decrease in receivables	6,068	--
Decrease (increase) in prepaid expenses	6,646	(17,555)
Decrease in other assets	11,009	--
Increase (decrease) in accounts payable and accrued expense	120,110	(10,026)
Increase in accrued interest	17,731	14,228
Increase (decrease) in rent deposits	(37,429)	9,654
	-----	-----
Net cash provided by (used in) operating activities	18,748	(3,595)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments on notes receivable	--	152
Purchase of property and equipment	(20,972)	(873)
Payments on investment contract	3,987	3,688
	-----	-----
Net cash provided by investing activities	(16,985)	2,967
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bank loan	5,000	--
Proceeds from loan from officers	--	30,000
Payments on mortgage notes payable	(7,412)	(6,861)
	-----	-----
Net cash provided by financing activities	(2,412)	23,139
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	(649)	22,511
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,541	1,650
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,892	24,161
	=====	=====
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
CASH PAID DURING THE PERIOD FOR INTEREST	\$ 38,813	40,533
	=====	=====
CASH PAID DURING THE PERIOD FOR INCOME TAXES	\$ --	--
	=====	=====

See accompanying notes to financial statements

PRINCETON AMERICAN CORPORATION NOTES TO CONDENSED FINANCIAL STATEMENTS AUGUST 31, 2001 AND 2000

1. BASIS OF PRESENTATION

The accompanying financial statements have been prepared by the Company, without audit, and reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods. The statements have been prepared in accordance with 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 ended August 31, 2001 are not necessarily indicative of the results to be expected for the entire

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fiscal year.

These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10K-SB for the fiscal year ended May 31, 2001.

2. LITIGATION

Harry and Irene Weiss - On February 9, 2001, the Weisses and the Company concluded a two-day settlement conference before the Hon. Charles G. Case of the United States Bankruptcy Court. The conference culminated in an agreement between the parties to settle the various disputes among them, including the Company's objection to the priority and amount of the Weisses' claim. The parties have agreed on settlement documents and 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 Corporation. 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.

PRINCETON AMERICAN CORPORATION NOTES TO CONDENSED FINANCIAL STATEMENTS AUGUST 31, 2001 AND 2000

2. LITIGATION, CONTINUED

Testasecca, et al v. Princeton American Corporation and William C. Taylor - On May 22, 2001 Lawrence Testasecca and others filed a complaint in an adversary proceeding in the Bankruptcy Court. Among other things, the Plaintiffs allege that they should be recognized as owners of an unspecified number of shares purchased by them after the Bankruptcy Court proceedings began without establishing that these shares were the subject of allowed interests under the Plan of Reorganization. The Plaintiffs asked the Court to vacate its September 15, 2000 order canceling all outstanding Princeton share certificates and issuing new certificates reflecting the allowed interests of shareholders under the Plan of Reorganization for Princeton American and the Court's prior orders. At least three of the Plaintiffs (Lawrence Testasecca, Charles Crehore and Eugene Targosz) had received actual notice of the

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bankruptcy, had filed Proofs of Interest pursuant to the July 1977 order of the Court establishing a deadline for filing Proofs of Interest and had voted in favor of the Plan. The remaining Plaintiffs are relatives of two of them. The matter was heard by the Court commencing on May 31, 2001 with final evidence and closing arguments on August 28, 2001. The Court has not issued its ruling as of the date of this report.

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

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- a downturn in the Phoenix, Arizona real estate market, particularly one which would adversely affect commercial lease rates;
- an adverse result in the Weiss, Testasecca, et al 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 the expiration of existing leases;
- the effect of changing economic conditions; and
- other risks which may be described in our future filings with Securities and Exchange Commission. We do not promise to update forward-looking information to reflect actual results or changes in assumptions or other factors that could affect those

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statements.

RESULTS OF OPERATIONS:

Since the filing of the 10KSB for the fiscal year ended May 31, 2001, 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 have agreed on settlement documents and 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 has petitioned 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. A COPY OF THE ORDER APPEARS AS PART II, ITEM 5 OF THIS REPORT.

- The outcome of litigation in the matter of Testasecca, et al v. Princeton American Corporation and William C. Taylor. On May 22, 2001 Lawrence Testasecca and others filed a complaint in an adversary proceeding in the Bankruptcy report. Among other things, the Plaintiffs allege that they should be recognized as owners of an unspecified number of shares purchased by them after the Bankruptcy Court proceedings began without establishing that these shares were the subject of allowed interests under the Plan of Reorganization. The Plaintiffs asked the Court to vacate its September 15, 2000 order canceling all outstanding

Princeton share certificates and issuing new certificates reflecting the allowed interests of shareholders under the Plan of Reorganization for Princeton American and the Court's prior orders. At least three of the Plaintiffs (Lawrence Testasecca, Charles Crehore and Eugene Targosz) had received actual notice of the bankruptcy, had filed Proofs of Interest pursuant to the July 1977 order of the Court establishing a deadline for filing Proofs of Interest and had voted in favor of the Plan. The remaining Plaintiffs are relatives of Mr. Testasecca and Mr. Targosz. The matter was heard by the Court commencing on May 31, 2001 with final evidence and closing arguments on August 28, 2001. The Court has not issued its ruling as of the date of this report.

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- The filing of a motion for Summary Judgement in the matter of Onset Investment Limited and related court proceedings. The company has requested a hearing with respect to its motion for Summary Judgement. Princeton anticipates its maximum exposure to be approximately \$25,000 in cash and 70,000 shares of its common stock.
- In anticipation of a settlement of the Weiss claim, the Company has submitted an application to a financial institution for 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 plus accrued interest (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 additional shares of stock will be issued until trading is allowed to resume pursuant to the Order. On November 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 have 10,923,918 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 (OTC:BB). It is anticipated that a new trading symbol will be issued by the NASD if Princeton's application is approved.

- Continuing renovation of the office building at 2222 East Camelback Road. The completion of this project had been disrupted by unresolved issues with Phoenix City Planning authorities due to ADA considerations with respect to upgrading of bathroom access. Now

that the company is in compliance with these requirements, it is expected that the improvements will be completed by calendar year end.

- Leasing up of 2222 East Camelback Road. United Title Agency has leased Suite 260 and has committed to occupy Suite 108 commencing on November 1, 2001, at which point this office building will be fully leased. The Company's other office building at 4808 North 22nd Street continues to be fully leased as well.

THREE MONTHS ENDED AUGUST 31, 2001 COMPARED TO THREE MONTHS ENDED AUGUST 31, 2000.

We believe that our cash position of \$1,892 as of August 31, 2001, coupled with the increased revenues resulting from the continued 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 increase in net loss in 2001 was due to two factors: (1) a one-time fee of \$75,000 which was earned in 2000 and (2) increased costs related to the Weiss and Testasecca litigation.

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The Company is required to pay all unsecured and administrative claims (aggregating \$679,289 plus accrued interest, but not including the Weiss claim) in order to emerge from bankruptcy proceedings. In order to raise the capital necessary to accomplish this, the Company plans 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 a tentative commitment from a lender to refinance both buildings.

PART II - OTHER INFORMATION

Item 5 Other information

ORDER AND NOTICE OF HEARING ON MOTION TO APPROVE
SETTLEMENT AND FIX PRIORITY AND AMOUNT OF WEISS CLAIM.

(Lewis and Roca Letterhead)

IN THE UNITED STATES BANKRUPTCY COURT

DISTRICT OF ARIZONA

In Re:)	Chapter 11
)	
PRINCETON AMERICAN)	Case No. 96-13675-PHX-JMM
CORPORATION,)	
)	ORDER AND NOTICE OF
Debtor,)	HEARING ON MOTION TO
)	APPROVE SETTLEMENT AND
EID: 22-1848644)	FIX PRIORITY AND AMOUNT OF
)	WEISS CLAIM
)	
)	

IT IS ORDERED AND NOTICE IS GIVEN that a hearing will be held at the United States Bankruptcy Court, 2929 N. Central Avenue, Phoenix, Arizona, 11th Floor, Courtroom 1 on the 15th day of November at 1:30 o'clock p.m. to consider and act upon:

Motion filed by Princeton American Corporation, the reorganized debtor, to approve a settlement of the claim filed by Harry and Irene Weiss and to fix the priority and amount of the Weiss claim. Princeton and the Weisses have entered into a settlement whereby the Weisses will be deemed to have a creditor's claim in the amount of \$560,000 bearing interest at the rate of 10 percent per annum from February 9, 2001. The claim (1) will be secured by a junior deed of trust against Princeton's property at 4808 N. 22nd Street, Phoenix, Arizona, and (2) must be paid (i) by February 9, 2002 or (ii) upon a sale or refinancing of the 4808 Property, whichever occurs sooner.

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IT IS FURTHER ORDERED that the debtor is directed to provide notice of this hearing by mail to all creditors and to notify stockholders by including the text of this Order and Notice in a 10Q report that Princeton will be filing with the SEC no later than October 15, 2001.

For further information, consult the motion on file in the office of the Clerk of the United States Bankruptcy Court. Any objection must be made in writing and filed five(5) business days prior to the hearing with the Clerk of the Bankruptcy Court, 2929 N. Central Avenue, Phoenix, Arizona, or file by mailing to:

Clerk of the U.S. Bankruptcy Court
P.O. Box 34151
Phoenix, Arizona 85067-4151

with a copies served upon the attorneys for Princeton American Corporation and the Weisses at:

Henk Taylor
Lewis and Roca, LLP
40 N. Central Avenue
Phoenix, Arizona 85004-4429
Attorneys for Princeton American Corporation

Richard M. Lorenzen
BROWN & BAIN, P.A.
2901 North Central Avenue
Phoenix, Arizona 85001-0400
Attorneys for Harry & Irene Weiss

DATED this 10th day of October, 2001.
UNITED STATES BANKRUPTCY COURT

/S/ James M. Marlar

HONORABLE JAMES M. MARLAR
United States Bankruptcy Judge

Item 6 Exhibits and Reports on Form 8-K

Testasecca, et al v. Princeton American Corporation, et al. Filed
June 27, 2001.

SIGNATURES

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

Date: October 22, 2001

PRINCETON AMERICAN CORPORATION

/s/ William C. Taylor

William C. Taylor
President

/s/ Roderick W. McKinnon III

Roderick W. McKinnon III
Corporate Secretary