

Edgar Filing: PACEL CORP - Form 10KSB

PACEL CORP
Form 10KSB
April 15, 2002

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

Form 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-29459

Pacel Corporation

(Name of small business issuer in its charter)

VIRGINIA

54-1712558

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

8870 Rivlew Lane

20109-3795

(Address of principal executive offices)

(Zip Code)

Issuer's telephone number (703) 257-4759

Securities registered under Section 12(b) of the Exchange Act:

Title of each class

Name of each exchange on which registered

(Title of class)

Securities registered under Section 12(g) of the Exchange Act:

Common Stock No Par Value Per Share

(Title of class)

Edgar Filing: PACEL CORP - Form 10KSB

(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period 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

Check if there is no disclosure of delinquent filers in response to is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

State issuer's revenues for its most recent fiscal year. \$1,617,552.00

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days. (See definition of affiliate in Rule 12b-2 of the Exchange Act.)

(ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes No

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

As of April 10, 2002, the aggregate market value of the voting and non-voting common stock of the registrant held by non affiliates of the registrant, computed by reference to the average bid and asked price of such common equity on that date was \$486,351.07

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. 6,484,681 as of 4/10/02.

DOCUMENTS INCORPORATED BY REFERENCE

If the following documents are incorporated by reference, briefly describe them and identify the part of the Form 10-KSB (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) any annual report to security holders; (2) any proxy or information statement; and (3) any prospectus filed pursuant to Rule 424(b) or (c) of the Securities Act of 1933 ("Securities Act"). The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1990). Transitional Small Business Disclosure Format (Check one): Yes ____; No ____

Edgar Filing: PACEL CORP - Form 10KSB

TABLE OF CONTENTS

PART I

- Item 1. Business
- Item 2. Properties
- Item 3. Legal Proceedings
- Item 4. Submission of Matters to a Vote of Security Holders

PART II

- Item 5. Market for Registrant's Common Stock and Related Stockholder Matters
- Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Item 7. Financial Statements and Supplementary Data
- Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosures

PART III

- Item 9. Directors and Executive Officers of the Registrant
 - Item 10. Executive Compensation
 - Item 11. Security Ownership of Certain Beneficial Owners and Management
 - Item 12. Certain Relationships and Related Transactions
 - Item 13. Exhibits, Financial Statement Schedule, and Reports on Form 8-K
- Signatures
Summary of Trademarks
Financial Statements
Financial Statement Schedule

Forward-Looking Statements

In addition to historical information, this Annual Report on Form 10-KSB contains forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations--Factors That May Affect Future Results of Operations." You should carefully review the risks described in other documents we file from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-QSB to be filed in 2002. When used in this report, the words "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," and similar expressions are generally intended to identify forward-looking statements. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this Annual Report on Form 10-KSB. We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

PART I

- Item 1. Business

Edgar Filing: PACEL CORP - Form 10KSB

Business Overview

PACEL Corp is a software applications development company and systems integrator located approximately 30 miles outside of Washington, D.C, in Manassas, VA. We specialize in providing innovative software products for clients in the commercial, industrial and government marketplace. We also offer a full line of Internet services and provide Information Technology consulting services. PACEL has continued to develop Commercial Off the Shelf (COTS) software security programs that are setting the "Pace in Internet Security". These products in conjunction with our Internet business, allow us to provide a full suite of services and products that include secure connectivity to and from the Internet, content design and secure transaction services

In September 2001 PACEL Corp acquired Advantage Systems, Inc., as a wholly owned subsidiary. Advantage Systems, Inc. builds high-quality, adeptly-configured, leading edge computers for corporate networked environments, as well as standalone systems for a wide variety of applications. The company caters to high-growth segments such as small to medium-sized businesses, small offices/home offices and mainstream corporate information technology providers. Advantage Systems is located in San Jose, California. Its website address is www.adv-systems.com.

Fairfax Communications, Limited (FCL) specializes in providing Information Technology consulting services, hardware and COTS software products to industrial and government marketplaces throughout Europe and other NATO allied countries. During fiscal year 2001 the company was reorganized to focus on marketing and sales, and the technology functions were integrated into PACEL's home office functions

Pacel, Corp.'s subsidiary E-Business-Stor.com (EBStor), a web site and e-commerce development and hosting company focuses on clients in the small to medium business arena that have need for high end back-end web databases and data management.

During fiscal 2001 PACEL Corp focused on extending those technologies and capabilities in the production of products to provide secure Internet connectivity and enhanced desktop security for customers in the home and business marketplaces. We have also invested heavily in our infrastructure, both technically and physically and we expect we will need to continue to hire and retain management, sales, and marketing personnel and other employees. Assuming we are successful in our growth, there can be no assurances that we will be able to effectively manage the expansion of our operations, or that our facilities, systems, procedures or control will be adequate to support our expanded operations. Our inability to effectively manage our future growth would have a material adverse effect on our business.

To be successful, we will need to introduce new products and product enhancements that respond to technology changes or evolving industry standards in a timely manner and on a cost effective basis. We cannot assure you that we will successfully develop these types of products and product enhancements or

3

that our products will achieve broad market acceptance. Furthermore, there can be no assurance that competitors will not introduce products incorporating technology as advanced or more advanced than ours, thereby rendering our products or technologies noncompetitive or obsolete. We will attempt to keep

Edgar Filing: PACEL CORP - Form 10KSB

abreast, if not ahead, of new technologies and upgrades in existing technologies.

Our current areas of focus are to provide software application development, systems integration, Internet services, and Information Technology services. However, there is no assurance that we can do so, or even if we can do so, that we can maintain our technology edge in an economic fashion.

Software Applications Development and Systems Integration

ChildWatch(TM) Family of Security Products. A special security and Internet filtering program has been developed in support of providing a family safe PC, including making the Internet a safe and fun place for our children, while also helping to support various non-profit organizations locate and recover missing and abducted children. The ChildWatch(TM) family of products allows parents to block children's access to unsuitable Web sites through connection to a database of family-unfriendly sites selected by a committee of child experts from representatives of non-profit organizations and law enforcement agencies from across the United States. The database of questionable web-sites is updated on a frequent basis and provides parents with the ability to protect their children from unwanted web sites, by allowing them to block inappropriate sites. The software gives parents this ability without the necessity of finding the sites beforehand or relying on a robotic search engine that can limit full utilization of the Internet. This add-on service to allow parents to block non-family-friendly web sites is offered by us for a monthly charge. The program also monitors and records all activities on the computer, leaving an "electronic trail" of web sites visited that is independent of the browser's history file, and cannot be deleted by the user.

"ChildWatch Lite" is the initial component of the ChildWatch family. ChildWatch Lite is distributed through various retail outlets and is also available for download from the ChildWatch.com web-site, which was designed by and is maintained by E-Business-Stor.Com, inc.

JDH(TM) Management Information System. JDH(TM) is a software system that consolidates intake, demographic, facility, staff, and volunteer information for juvenile detention facilities, as well as automating mandatory reports. JDH(TM) software is a flexible, customizable application that was specifically designed for juvenile facilities to help them save time and funds. JDH(TM) uses familiar Windows(TM) conventions in all its data entry and access screens, allowing staff to learn the program quickly and increase their productivity. Users have immediate access to all information about any detainee, past or present, including court appearances, incidents, attorney information, and behavioral flags. PACEL has already been successful with JDH at the local county level, having been awarded a contract by the County of Prince William for enhancing its JDH(TM) automated information system for the tracking and administration of youths under the care of the Juvenile Detention Home.

Data Protector(TM) is our brand new patent pending 3 in 1 security program. This innovative software protects computer data from attacks by blocking hackers, preventing malicious access by computer viruses and provides personal privacy by stopping external attempts to "steal" data. The program works by associating applications with a specific file or file type and prohibits access by any other programs. A patent application is currently pending for this program and its underlying technology, the PACE (Pre-Access Control Element) Module.

Visual Writer System(TM). Visual Writer System(TM) provides users with the ability to create, revise, review and run interactive, electronic documents. Upon completion of the document, users may view and analyze information

Edgar Filing: PACEL CORP - Form 10KSB

collected during implementation. Interactive, electronic documents are computerized documents that are created, viewed and implemented on-screen. They may be used for a number of purposes including training, data collection and

4

inventory control. The documents can be designed in a variety of fashions, from simple checklist to complex multi-page procedures. Automated documents allow users to enter information such as comments, numerical values, initials and electronic signatures.

Zoomer(TM). Internet users, who currently number in the tens of millions and are rapidly growing, enjoy viewing the wide range of images on the countless numbers of accessible web pages. These users enjoy "capturing," saving and manipulating images. Unfortunately, the most common method of accomplishing this task is through an acquisition program which usually requires the launching of another program, Zoomer(TM) is a resident software program that allows users to magnify, acquire and save any part of their computer screen. Zoomer(TM) utilizes click and drag technology to allow the user to enlarge or reduce text or images on the computer screen, save them as BMP files or paste them on the desktop for further use in other software applications.

WinSentry(TM). WinSentry(TM) provides workstation security ensuring that the user's information is secure and protected from unwanted intrusions when the computer is unattended. Most computer users produce and store sensitive and valuable information on desktop systems at work, at home and in the home office. An unattended computer represents a tremendous liability in terms of both privacy and financial risk. While standard operating systems provide some limited protection, even the most casual computer user can circumvent these safeguards by accident or design. WinSentry(TM) has proven to be invaluable for professionals in diverse fields such as law, medicine, accounting and real estate, and anyone else who is concerned with the security of confidential electronic documents. WinSentry(TM) also keeps track of events such as users' log-ins and log-outs as well as start-ups and shutdowns that occur while activated.

PACEL Corp, and it's subsidiary FCL also provides services in all aspects of system integration from requirements analysis to information systems development and implementation including:

- o Business system planning
- o Requirements definition and system specifications
- o Software engineering
- o System design and development
- o System interface functionality
- o Systems testing and implementation
- o Prototyping

Our employees are well recognized within the systems development community for their work in large scale configuration management, records management and engineering database applications. FCL is a ISO-9000 quality software development company.

Internet Services

Through our othersubsidiary, E-Business-Stor.com, Inc., we offer a full

Edgar Filing: PACEL CORP - Form 10KSB

line of web development services including design, graphics creation, database development, layout, search engine registration, domain registration, and hosting and maintenance. We have developed sites for a diverse group of client needs from small business card sites to large-scale e-commerce solutions. We offer quality sites with state-of-the-art technology at affordable prices.

During fiscal 2001, EBStor developed web sites for clients that included e-commerce capabilities for on-line sales of our products. We introduced these e-commerce capabilities including site design and development, shopping cart set-up, database creation and maintenance and consulting services to clients interested in developing an on-line presence. Additionally, we provided e-commerce workshops for specific niche groups to assist them in expanding their sales and marketing efforts to a non-traditional client base.

Custom tools developed for in-house use by EBStor:

Custom Shopping Cart. Our custom shopping cart provides our e-commerce clients a mechanism to display a "catalog" of products and allows online consumers to select and purchase those products online with real-time credit card authorization. Our shopping cart handles the interaction between the client

5

web site and the financial network (authorizing gateways and banks). Our shopping cart also provides email notification to the merchant (our client) and the consumer so each party is made aware of the transaction that took place.

Image Catalog. Our "Image Catalog" allows a client to upload an image to a database of products along with descriptions of the product, including price. The upload process also creates a thumb nail (small) copy of the image for rapid display on the web site. Users can click on the thumb nail image to see the original full-sized image that was uploaded along with other descriptive text entered originally by the client.

Template Builder. Our online Template Builder will allow our customers to select the design they would like for their web site. This is a completely customizable design consisting of multiple selections for color, style, text, and buttons. This tool will greatly reduce the time we spend in the design of a web site. This saving can be passed on to our customers as well as provide a greater profit margin for EBStor.Com, Inc. in the area of web design and development.

Template Builder Plus. A subsequent phase to the Template Builder also includes real-time text (content) editing of an existing customer web site. This allows our clients to maintain the content of their web site without having to task our staff to perform those duties, thus freeing us up to address the more technical issues of the web site design and maintenance.

Information Technology Consulting Services

Fairfax Communications, Ltd. Located in Plymouth, England, provides consulting services and solutions to military and government clients worldwide. It also offers general consulting services in all areas of Information Technology and systems integration to the general business community. FCL upgraded their existing quality management program, and successfully passed an audit by the ISO-9000 Quality Organization to maintain this system. The quality program complies with the internationally recognized BS EN ISO 9001: 1994 under

Edgar Filing: PACEL CORP - Form 10KSB

the TickIT guidelines, for which the company has received registration. Fairfax Communications, Ltd. Also established itself as a Microsoft Authorized Education Reseller, allowing customers to receive academic software quicker, with the assurance that they are receiving legitimate Microsoft academic edition products. These accomplishments provide FCL with the recognized credentials to pursue government and educational contracts.

FCL has an existing Blanket Ordering Agreement with NATO that allows us to provide hardware, software, and consulting services. We are one of only approximately 20 companies qualified to provide equipment and services in the Information Technology area to NATO members. This qualification allows us to provide products and services without the necessity of going through the international bidding process. We reorganized FLC's focus toward sales and marketing efforts to capitalize on existing programs and contracts and to expand our client base to the commercial and general government community.

Hardware

With the acquisition of Advantage Systems, we are now in a position to offer high-quality, adeptly-configured, leading edge computers for corporate networked environments, as well as standalone systems for a wide variety of applications. The company caters to high-growth segments such as small to medium-sized businesses, small offices/home offices and mainstream corporate information technology providers.

Competition

We have historically specialized in the design, development, implementation, service and support of custom software products for the energy, aerospace industry, and government agencies. During fiscal 2001 we expanded our business activities to include off-the-shelf-software products for commercial and consumer use. Through our subsidiaries we also provide computer hardware sales, systems integration, and web-based services. Our traditional competition has been numerous other software development companies in our market areas. We now expect additional competition from established retail software companies for distribution capabilities and retail shelf space. Furthermore, our competitors may combine with each other, and other companies may enter our markets by acquiring or entering into strategic relationships with our competitors. The market for PACEL's products and services is subject to rapid technology change and increased competition from large existing players. Substantially larger companies that have extensive research and development, marketing, financial,

6

and human resources capable of maintaining a high level of competitiveness dominate the industry. There are several companies with which PACEL competes in the software and Internet services industry that have significantly greater assets and longer operating histories. Some of these companies are extremely aggressive. They dominate the marketplace by using costly and protective pricing. If PACEL became a target of focused pricing and counter marketing we might not be able to afford to devote the resources, time, funding, or management necessary to maintain profitability. Some competitors have developed name loyalty, and a following that is international in scope. There is no assurance that PACEL can penetrate this apparent marketplace dominance. Furthermore, PACEL expects future consolidation in the Internet professional services market to create larger, more viable competitors.

Edgar Filing: PACEL CORP - Form 10KSB

Operations

PACEL competes with a variety of software developers and Internet security firms. To enhance our chances of success in this marketplace the company continued to build its infrastructure through hiring of key management personnel and employees with specific technical expertise. Additionally, the company enhanced its facilities through hardware upgrades and additions, and expansions to its operational and developmental software. We also established policies and procedures for software functional and compatibility validation by independent testing facilities.

We regard our software as proprietary, and protect it with copyrights, patents, trademarks, trade secret laws, internal and external non-disclosure precautions and restrictions to disclosure and transfer ability that are incorporated into our employee and software license agreements. We protect the source code of our software applications as trade secrets and make source code available to OEM customers only under limited circumstances and specific security and confidentiality constraints. Our products are generally licensed to end users on a "right to use" basis pursuant to a license that is non-transferable and restricts the use of the products to the customer's internal purposes on a designated number of computers. We also rely on copyright laws and on "shrink wrapped" and electronic licenses that are not signed by the end user. Copyright protection may be unavailable under the laws of certain countries. The enforceability of "shrink wrap" and electronic licenses has not been conclusively determined.

In an effort to protect our intellectual properties (trade secrets) of the ChildWatch suite of retail products we filed copyright and trademark applications with the Patent and Trademark Office. To protect the newly conceived Data Protector(TM) security program a patent application, that is still pending, was also filed with the Patent and Trademark Office.

During its first full year of operation, EBStor implemented procedures for business practices and developmental methodology for web-related products and services. Additionally, the company established security measures such as Secure Socket Layer capabilities for its e-commerce business, and provided a recognized standard of Internet security for its clients. Upgrades to EBStor's hosting facilities were accomplished, as well as establishing the capability to provide email services for its hosting clients. EBStor also established a sales department for Internet related products and services. Efforts in this area resulted in establishment of our initial client base as well as a contractual agreement with a local technology high school to provide educational training through an Intern Program, and assistance in enhancing their on-line capabilities.

PACEL Corp and EBStor established a joint strategic plan to provide customers with a complete package of total security and Internet solutions. The synergy of the two companies utilize expertise from EBStor to create customizable "portals" that conform to the needs of the customer base and include child-friendly, small business, and customized organization applications, with the security experience and software development strength of PACEL to provide an integrated desktop to Internet security system.

EMPLOYEES

As of December 31, 2001, We have 30 employees. We have not experienced work stoppages and believe our employee relations are good. Competition in recruiting personnel in the software industry, especially highly skilled engineers, is intense. We believe our future success will depend in part on our continued ability to recruit and retain highly skilled technical, management and marketing personnel.

Edgar Filing: PACEL CORP - Form 10KSB

7

EXECUTIVE OFFICERS

The executive officers of the Company as of February 16, 2001 are as follows:

Name	Age	Position(s) with PACEL and its Subsidiaries	Ter Dire Exp
David E. Calkins	58	Chairman of the Board, President and Chief Executive Officer of PACEL and Fairfax Communications Limited; Director of E-Business-Stor.Com	20
F. Kay Calkins	43	Director of PACEL; Director, President and Chief Executive Officer of E-Business-Stor.Com; Director of Fairfax Communications Limited	20
Kenneth J. Russman	38	Vice President, Chief Operating Officer, Treasurer and Secretary of E-Business-Stor.Com	
Royce Goble	53	President, Chief Operating Officer, of PACEL	
Khristina McMahon	33	Corporate Controller PACEL and EBStor.Com, Inc. and FCL:	

A biography, including the principal occupations of each of the executive officers and board members, is provided below.

David E. Calkins founded PACEL in 1994 and is its acting Chairman, President and Chief Executive Officer. From 1992 until founding PACEL, Mr. Calkins was the Regional Manager of three divisions of Pacific Nuclear, now known as Vectra Technologies, Inc., an engineering and information services company and a NASDAQ Stock Market listed company. Vectra Technologies provides power plant modifications, maintenance support and nuclear fuel handling to utility companies and the United States Department of Energy. From 1987 to 1993, Mr. Calkins served as Project Manager, Program Director, Vice President-Operations, and Executive Vice President Business Development for PRC Inc., an information systems development and Services Company. PRC provides support services to the Federal government and the utility industry. Mr. Calkins served from 1981 to 1986 as Manager of Engineering and Construction for the Zack Company, a Chicago, Illinois mechanical contractor to the utility industry. Mr. Calkins was also a Manager of Quality Engineering, and Startup Engineer for Westinghouse. From 1972 to 1981, Mr. Calkins served as an Executive Engineer and Consultant for NUS Corporation, a consulting firm for domestic and international utilities, The United States Nuclear Regulatory Commission and Department of Energy. Mr. Calkins is the spouse of F. Kay Calkins.

F. Kay Calkins is currently a Director of PACEL and was Chief Operating Officer, Treasurer and Secretary until September 1, 2000, positions she held since 1996. Ms. Calkins is also a Director and the President and Chief Executive Officer of PACEL's 80 percent-owned subsidiary, E-Business-Stor.Com. Prior to joining PACEL, Ms. Calkins was the President and Chief Executive Officer of CMC

Edgar Filing: PACEL CORP - Form 10KSB

Services, Inc., a consulting company offering consulting services on marketing, training, proposal development and information systems analysis to industry and 8(a) firms from 1993 to 1996. Ms. Calkins is the spouse of David E. Calkins.

8

Keith P. Hicks has been a director of PACEL since January 1999. He is a retired Captain of the U.S. Army with over 20 active years of service. Mr. Hicks served as an Ordinance Advisor to the British and French Free Army during World War II. He was a Squadron Commander in Korea in 1955 and 1956, and served in the Executive Office to the Inspector General and the Office of Special Investigations in 1960 and 1961. Upon retiring from the military in 1961, Mr. Hicks started a private investigation business in the Commonwealth of Virginia, which became one of the top investigative firms in the state with over 60 agents. Mr. Hicks also served as the Chief Deputy Sheriff of Fairfax County from 1962 to 1969. Mr. Hicks has owned and managed Hicks Cattle Company since 1962, running over 200 head of beef cattle. In 1972 he formed and continues to manage Hicks Bonding Company and has been the owner/operator of Hick's Auctioning Company since 1991. Mr. Hicks is also a 25-year co-owner in a successful real estate company, C&H Properties Investments. He has been on the Board of Directors of Xybernaut, Inc. a high technology computer manufacturer of body worn, voice activated computers since July 1994. He is a graduate of the University of Denver, BA 1954, and LaSalle University School of Law, LL.B. 1969.

Corey M. LaCross is currently an Industrial Engineer Manager for United Parcel Service. Mr. LaCross joined UPS in 1984 where he has held various operation assignments. His most recent assignment has been as the Southeast Region Industrial Engineer Planning Manager. In this position he is in charge of managing the corporate and region cost initiatives for all production elements. This job also involves planning, technology training, vehicle management, and logistics. In 1987, Mr. LaCross received his BS degree in Business from Francis Marion University. In 1996 he received an A.T. degree from ICS College in Industrial Engineering Technology. In 1998 he began working on his MBA at Charleston Southern University. He is also an active member on the Institute of Industrial Engineers and was recently nominated to the Lexington Who's Who of executive employees. Mr. LaCross is the grandson of Keith Hicks, a director of PACEL.

Kenneth J. Russman was appointed Vice President, Chief Operating Officer, Treasurer and Secretary of E-Business-Stor.Com, an 80%-owned subsidiary of PACEL, in September 2000. Prior to his position with E-Business-Stor.Com, Mr. Russman served as Technical Manager for PACEL from April 1999 to September 2000. Mr. Russman was a software engineer for Interactive Media Corp., a computer-based training firm located in McLean, Virginia, from November 1996 until April 1999. As a software engineer at Interactive Media Corp., his duties included computer programming and project management responsibilities. Mr. Russman also served as a research and design engineer for Analysis and Technology, Inc., an engineering services firm located in Arlington, Virginia from May 1993 to November 1996. His responsibilities included the design, development, implementation, management and documentation of logistics models and information management systems for the Navy Logistics Office. From June 1985 to May 1993, Mr. Russman worked as a system test software engineer for Martin Marietta Corporation in Orlando, Florida. His responsibilities at Martin Marietta included coordinating the buildup, testing and evaluation of electro-optical and servo systems and software testing. Mr. Russman received his Bachelors of Science degree in Electrical Engineering from Michigan Technological University in 1985 and his Masters of Science degree in information systems from George Washington University in 1998.

Edgar Filing: PACEL CORP - Form 10KSB

Item 2. Properties

PACEL. is located in Manassas, Virginia with offices at 8870 Rixlew Lane, Suites 201 and 204. We lease approximately 8200 square feet of a stone constructed office building for a cost of \$10,200.00 per month. Our lease is a full service lease and continues until December of 2004. In the opinion of management we have adequate property, business liability and optional insurance coverage provided through the year 2002. In general, all facilities are in good condition and are operating at capacities that range from 75% to 100%. Pacel Corp. also has offices in Santa Clara, California at 415 Nelo Street, Santa Clara, Ca. We lease approximately 5,525 square feet for a cost of \$4,696.00 per month.

9

Item 3. Legal Proceedings

None

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

PART II

Item 5. Market for Registrant's Common Stock and Related Stockholder Matters

Our common stock is traded on over-the-counter Electronic Bulletin Board under the symbol "PCEL." On December 31, 2001 there were 194 holders of record of our common stock. Because many of such shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders. The following table sets forth the high and low sales price per share of our common stock, for the periods indicated, all of which are adjusted for to give effect to a 4-for-1 stock split, in April of 1998 and a 1-for-4 reverse stock split that became effective on December 31, 1998. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not represent actual transactions.

Price Range

	High	Low
2001:		
First Quarter	\$0.1250	\$0.0312
Second Quarter	0.0900	0.0300
Third Quarter	0.0200	0.00100
Fourth Quarter	0.0100	0.0021
Year	0.0900	0.0021
2000:		
First Quarter	\$1.0000	\$0.0900

Edgar Filing: PACEL CORP - Form 10KSB

Second Quarter	0.6562	0.1260
Third Quarter	0.1800	0.0710
Fourth Quarter	0.1100	0.0260
Year	1.0000	0.0260

1999:		
First Quarter	\$0.6000	\$0.0800
Second Quarter	1.4360	0.2500
Third Quarter	1.0300	0.3500
Fourth Quarter	0.3000	0.0625
Year	1.4360	0.0625

10

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis of results of operations and financial condition, include a discussion of liquidity and capital resources. The following discussion (presented in hundreds, except per share amounts) should be read in conjunction with the consolidated financial statements and notes thereto.

Overview

PACEL's mission is to provide consumers and businesses with a full suite of products and services that provide secure connectivity to and from the Internet, including e-commerce transactions and personnel and company data security. To that end PACEL and its subsidiaries have been developing products and methods that meet that need for both families and companies. The ChildWatch software suite of programs puts the controls for family computer usage, including internet filtering, access controls and community support for finding missing and abducted children in the hands of the parents and is readily available at Zany Brany and Electronic Boutique stores nationally. "e-Centurion" our latest technology advancement (patent pending) software product will provide complete file and data security. This new software is designed to guard both the Inner Door (full protection on your PC from existing and new viruses), i.e., the Love Bug, and someone trying to penetrate your PC and by-pass your password, and the Outer Door (full Intruder protection from Internet data collection devices and programs or hackers). Our current goal is to utilize and extend these technologies in the production of derivative products to provide secure Internet connectivity and enhanced desktop security for customers in the home and business marketplaces.

SELECTED CONSOLIDATED FINANCIAL DATA

	For the Years Ended	
	December 31,	
	2001	2000
Consolidated Statement of Operations Data:		
Net Sales.....	\$1,617,552	\$ 244,971
Operating Costs and Expenses.....	4,367,524	3,355,223
Net Income (loss).....	(3,580,546)	(3,337,285)
Basic and Diluted net income (loss)		
per common share.....	(.04)	(0.14)
Weighted average common shares outstanding- basic and		

Edgar Filing: PACEL CORP - Form 10KSB

diluted..... 865,034 246,097

	At December 31, 2001	At December 31, 2000
Consolidated Balance Sheet Data:		
Cash and Cash Equivalents.....	\$ 65,761	\$ 36,356
Working capital (deficit).....	(2,772,718)	(547,057)
Total assets.....	1,118,960	360,758
Stockholders' equity (deficit).....	(2,855,874)	(848,369)

11

RESULTS OF OPERATIONS

The following table presents, for the periods indicated, the relative composition of revenue and selected statements of operations data as a percentage of revenue:

	At and For Twelve Months Ended December 31,	
	2001	2000

Consolidated Statement of Operations		
Data:		
Revenues.....	100.00%	100.00%
Operating expenses:		
Research and development.....	27%	396%
Depreciation.....	2%	12%
Interest Expense.....	20%	25%
Financing		
Expenses.....	16%	100%
Sales & Marketing.....	19%	-0-%
General and administrative.....	186%	836%
Total operating costs and expenses.....	270%	1,370%
Net (loss).....	(221)%	(1,362)%

Twelve Months Ended December 31, 2001 Compared to Twelve Months Ended December 31, 2000

Revenues increased 660% to \$1,617,552 in 2001 compared to \$244,971 in 2000. The increase in revenues is directly attributed to the sales generated from existing NATO contracts of Fairfax Communication Limited (FCL) and the sales generated from Advantage Systems. FCL accounted for 50% of sales. Advantage 42% of Sales and E-Bstore 8% of sales. E-Bstore continue to look for it's nitch in a

Edgar Filing: PACEL CORP - Form 10KSB

very competitive market. The Company is focusing it's efforts on expanding it's hardware sales in the United States as well as through existing NATO contracts. The Company continues to believe that the Child Watch software has sales potential when we can obtain adequate financing for the marketing.

Cost of Goods Sold increased 359% to \$834,302 in 2001 compared to \$232,126 in 2000. The increase is directly attributed to the Advantage division. The sale of hardware generates a smaller gross profit than our other services.

Research and Development expenses consist principally of salaries for software developers, outside consulting, related facilities costs, and expenses associated with computer equipment used in software development. Research and development expenses decreased 54% to \$443,369 in 2001 compared to \$969,971 2000. Our lack of funding through the year has forced us to cut further research and development on E-Centurion and as well as development of new products and enhancements. The Company believes that research and development activities are crucial to maintaining a competitive edge in markets characterized by rapid rates of technological advancements. Without adequate financing we may not be able to stay on the cutting edge of technology.

Sales and marketing expenses include salaries and benefits, sales commissions, travel expenses, and related facilities costs for our sales, marketing, customer support, and distribution consultants. Sales and marketing expenses also include the costs of programs aimed at increasing revenue, such as

12

advertising, trade shows, public relations, and other market development programs. Sales and marketing expenses increased 7% to \$261,750 in 2001 compared to \$244,524 in 2000. The increase is attributed to the normal increases in salaries

General and administrative expenses consist principally of salaries and benefits, travel expenses, and related facilities costs for finance and administration, human resources, legal, information services, and executive personnel of E-Business-Stor.Com, Inc. and PACEL. General and administrative expenses also include outside legal and accounting fees, and expenses associated with computer equipment and software used in the administration of the business. General and administrative expenses increased 46% to \$3,006,409 in 2001 compared to \$2,048,731, in 2000. The increase in administrative expenses is directly related to the acquisition of Advantage Systems administrative salaries and overhead expenses.

Interest Expense and Financing costs

Interest expense Increased 514% to \$316,220 in 2001 Compared to \$61,467 in 2000. Interest For the year ended December 31, 2001 we recognized \$316,220 in 2001 which includes \$232,272 related to the recognition of debt discount resulting from a beneficial conversion feature embedded in the \$816,666 convertible notes issued in 2001. Per Emerging Issues Task Force (EITF) Number 98-5, "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Rations", this beneficial conversion feature was assigned an intrinsic value of \$232,272, as calculated under the provisions of the EITF. This amount was immediately expensed, as the Notes were convertible into common shares of the Company at the time of the signing of the Agreement. The remaining interest expense is interest paid and accrued on the Convertible Notes and Notes payable.

Edgar Filing: PACEL CORP - Form 10KSB

Financing costs were \$311,417 compared to -0- in 2000. The costs were related to fees related to obtaining various loans through the year.

LIQUIDITY AND CAPITAL RESOURCES

	2001 -----	% Change	2000 ----- Total
	Total		Total
Cash, cash equivalents, and short-term investments	\$65,761	181%	36,356
Working capital	(\$2,772,718)	(507%)	(\$547,057)
Total assets	\$1,118,960	310%	\$360,758
Stockholders' equity	(\$2,855,874)	(337%)	(\$848,369)

Twelve Months Ended December 31, 2001 Compared to Twelve Months Ended December 31, 2000

Net cash used from operating activities for the year ended December 31, 2001 and 2000 \$1,415,763 and \$2,989,979 respectively. The use of cash in operating activities for the year ended December 31, 2001 resulted primarily from the short fall in sales.

Net cash used in investing activities for the year ended December 31, 2001 and 2000 was \$13,622 and \$120,704 respectively. This decrease was due to lack of funds available for investing activities.

Net cash provided by financing activities for the year ended December 31, 2001 and 2000 was \$1,458,957 and 3,057,434. respectively. The decrease in financing activities was attributable to inability to file an SB-2 in 2001.

At December 31, 2001, we had \$65,761 in cash and cash equivalents compared to \$36,356 at December 31, 2000. We will continue to have significant capital requirements due to expected increases in our capital expenditures and sales and marketing commitments consistent with our anticipated growth in operations, infrastructure and personnel. We currently anticipate that we will continue to experience significant growth in our operating expenses for the foreseeable future and that our operating expenses will be a material use of our cash.

In February 2001 we secured a \$50,000 line of credit with the bank, an interest rate of Wall Street Journal Prime Rate plus 1.00% to be renewed yearly. To date we have used the entire line.

The Company also entered into a \$250,000 convertible debenture. The notes bear an interest rate of 5% and are payable quarterly. In December, 2001 these convertible debentures were converted into a short term loan at an interest rate of 9% and is due 120 days after the approval from the \$5,000,000 equity line agreement.

In September, 2001 in connection with the acquisition of Advantage Systems Inc. We Issued two convertible debentures, in the amount of \$666,666 and \$300,000. We have used \$666,666 and \$150,000 respectively, for the working capital necessary to make this a profitable division of Pacel. These notes bear an interest rate of 8%. The conversion rate of the \$300,000 debenture is 70% of the average 5 trading days prior to conversion. The conversion rate of the

\$666,666 debenture is 40% of average 5 trading days prior to conversion for the first \$450,000 and 70% of average 5 trading days prior to conversion for the balance of \$216,666.

We have also entered into a short-term note collateralized by NATO receivables in the amount of \$133,750. This was a one time financing arrangement.

We also entered into a \$5,000,000 Equity line of Credit arrangement. Under the terms of the equity line agreement, the Company will have the right to sell up to \$5 million of its common stock. The Company has sole discretion, subject to certain volume limitations and conditions, to draw down upon such funds, as its capital needs dictate. We are in the process of filing an SB-2 to register the stock. There are no guarantees that the \$5,000,000 will be available to us when we need it. The terms and conditions set fourth in the agreement we may not be able to meet, or the available credit due to those terms and conditions may not be sufficient to cover our immediate cash flow needs.

Our cash requirements for funding our operations have greatly exceeded cash flows from operations. We continually satisfy our capital needs through equity financing. Our liabilities consist of over extended accounts payable, payroll taxes, loans from officers and officers compensation.

We continually look for strategic relationships that will enhance our products and services. Due to the present economic conditions in technology and our lack of available cash flow it is becoming harder to develop these relationships. If we do not develop these relationships and find additional sources of financing will hinder our ability to continue as a going concern.

We expect to continue our investing activities, including expenditures for computer systems for research and development, sales and marketing, product support, and administrative staff.

Item 7. Financial Statements and Supplementary Data

Our financial statements required by this item are submitted as a separate section of this Form 10-K. See Item 13 (a) 1 for a listing of financial statements provided in the section titled "FINANCIAL STATEMENTS".

Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

There were no disagreements on any matter of accounting principles, financial statement disclosure, or auditing scope or procedure to be reported under this item.

PART III

Item 9. Directors and Executive Officers of the Registrant

DIRECTORS

The table below sets forth information regarding our board of directors,

Edgar Filing: PACEL CORP - Form 10KSB

including their age, position with PACEL and term of office.

Name	Age as of the Record Date	Position(s) Held	Elected Director	Term Expires
----- Nominees -----				
David E. Calkins	58	Chief Executive Officer	1994	2002
F. Kay Calkins	43	President EBStor	1998	2002
Keith P. Hicks	76	Director	1998	2002
Corey Michael LaCross	36	Director	2000	2002

You will find additional information regarding our Directors in "Item 1." Business of this report in the section titled "Executive officers".

14

EXECUTIVE OFFICERS

You will find information with respect to executive officers in "Item 1." Business of this report.

Item 10. Executive Compensation

Name and Principal Position	Annual Compensation			Long Term Compensation
	Fiscal Year	Salary (\$)	Bonus (\$)	Securities Underlying Options (#)
DAVID E. CALKINS Chief Executive Officer	2001	\$ 0	\$ ---	---
	2000	124,996	\$ ---	13,991
	1999	94,250	---	6,250
F. KAY CALKINS President E-Business-Stor.Com, Inc.	2001	\$ 40,000	\$ ---	---
	2000	115,415	---	13,991
	1999	90,500	---	6,250

Item 11. Security Ownership of Certain Beneficial Owners and Management

Edgar Filing: PACEL CORP - Form 10KSB

Name of Beneficial Owner	Amount and Nature of Common Stock Beneficially Owned	
	Number of Shares Beneficially Owned(1)	Percent of Class
Directors:		
David E. Calkins(1)	40,241	1%
F. Kay Calkins(1)	40,241	1%
Keith P. Hicks(2)	3,201	
Corey M. LaCross	290	

(1) David E. Calkins and F. Kay Calkins are husband and wife. In the aggregate they beneficially own 80,482 shares of PACEL common stock. Included in their individual amounts is the right of each of Mr. and Ms. Calkins to acquire 5,000 shares of common stock upon conversion of their 5,000 shares of 1997 Class A preferred stock and the right to acquire 20,241 shares upon exercise of outstanding stock options.

(2) Includes 44 shares held solely by Mr. Hick's spouse.

15

Item 12. Certain Relationships and Related Transactions

Item 13. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) Documents filed as part of this report

- 1 Financial statements
 - * Management's Report
 - * Independent Auditors' Report
 - * Consolidated Balance Sheets December 31, 2001 and December 31, 2000
Consolidated Statements of Income Years Ended December 31, 2001, 2000,
and 1999
 - * Consolidated Statements of Stockholders' Equity December 31, 2001,
2000, and 1999
 - * Consolidated Statements of Cash Flows Years Ended December 31, 2001,
2000, 1999
 - * Notes to Consolidated Financial Statements 2 Exhibits

(b) Index to Exhibits

Edgar Filing: PACEL CORP - Form 10KSB

16

SIGNATURES

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

PACEL, CORP.

BY: /s/ David F. Calkins

CEO/Chairman of the Board

DATED: April 15, 2002

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

Signature	Title	Date
-----	-----	-----
BY: /s/ David F. Calkins ----- David F. Calkins	CEO Chairman of the Board	April 15, 2002

17

Item 13(a)1:

As required under Item 7. Financial Statements and Supplementary Data, the consolidated financial statements of the Company are provided in this separate section. The consolidated financial statements included in this section are as follows:

Financial Statement Description	PAGE
Management's Report	II
Independent Auditors' Report	III
Consolidated Balance Sheets December 31, 2001 and December 31, 2000	IV
Consolidated Statements of Operations Years Ended December 31, 2001, and 2000	V

Edgar Filing: PACEL CORP - Form 10KSB

Consolidated Statements of Stockholders' Equity (Deficit) December 31, 2001, and 2000	VI
Consolidated Statements of Cash Flows Years Ended December 31, 2001, and 2000	VII
Notes to Consolidated Financial Statements	VIII

MANAGEMENT'S REPORT

Management is responsible for all the information and representations contained in the consolidated financial statements and other sections of this Form 10-KSB. Management believes that the consolidated financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances to reflect, in all material respects, the substance of events and transactions that should be included, and that the other information in this Form 10-KSB is consistent with those statements. In preparing the consolidated financial statements, management makes informed judgments and estimates of the expected effects of events and transactions that are currently being accounted for.

In meeting its responsibility for the reliability of the consolidated financial statements, management depends on the Company's system of internal accounting controls. This system is designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization, and are recorded properly to permit the preparation of consolidated financial statements in accordance with generally accepted accounting principles. In designing control procedures, management recognizes that errors or irregularities may nevertheless occur. Also, estimates and judgments are required to assess and balance the relative cost and expected benefits of the controls. Management believes that the Company's accounting controls provide reasonable assurance that errors or irregularities that could be material to the consolidated financial statements are prevented or would be detected within a timely period by employees in the normal course of performing their assigned functions.

The Board of Directors pursues its oversight role for these consolidated financial statements through the Audit Committee, which is comprised, solely of Directors who are not officers or employees of the Company. The Audit Committee meets with management periodically to review their work and to monitor the discharge of each of their responsibilities. The Audit Committee also meets periodically with Peter C. Cosmas Co., CPAs, the independent auditors, who have free access to the Audit Committee or the Board of Directors, without management present, to discuss internal accounting control, auditing, and financial reporting matters.

Peter C. Cosmas Co., CPAs is engaged to express an opinion on our consolidated financial statements. Their opinion is based on procedures believed by them to be sufficient to provide reasonable assurance that the consolidated financial statements are not materially misleading and do not contain material errors.

Edgar Filing: PACEL CORP - Form 10KSB

By /s/ DAVID CALKINS CFO

DAVID CALKINS CFO, PRESIDENT

(Principal Financial and Accounting Officer)

April 15, 2002

II

INDEPENDENT AUDITORS' REPORT

To The Board of Directors
PACEL Corp.

We have audited the accompanying consolidated balance sheet of Pacel Corp. and Subsidiaries as of December 31, 2001 and 2000 and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit 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 audit provides 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 Pacel Corp. and subsidiaries as of December 31, 2001 and 2000, and results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1(p) to the financial statements, the Company has had minimal revenues since inception and requires additional capital to continue operations. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1(p). The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Peter C. Cosmas Co., CPAs

/s/Peter C. Cosmas Co., CPAs

370 Lexington Ave.
New York, NY 10017

Edgar Filing: PACEL CORP - Form 10KSB

April 5, 2002

III

PACEL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

ASSETS

	December 31, 2001

Current assets:	
Cash and cash equivalents	\$ 65,761
Accounts receivable, net of allowance for doubtful accounts of \$4,326 and \$5,155 respectively	336,006
Inventory	63,029
Other receivables	36,684
Escrow Deposits	-
Prepaid expenses	-

Total current assets	501,480

Property and equipment, net of accumulated depreciation of \$91,726 and \$65,531 respectively	129,309

Non-current assets:	
Note receivable	71,000
Goodwill	407,049
Security deposits	10,122

Total non-current assets	488,171

Total assets	\$ 1,118,960
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current liabilities:	
Accounts payable	\$ 1,596,581
Accrued expense	185,588
Loans payable officers-Stockholders	259,686
Notes payable	1,182,343
Notes payable bank	50,000

Total current liabilities	3,274,198

Long Term liabilities:	
Convertible debentures	700,636

Total long term liabilities	700,636

Total liabilities	3,974,834
	=====
Minority interest	

Edgar Filing: PACEL CORP - Form 10KSB

Commitments:

Stockholders' equity (deficit)	
Preferred stock, no par value, no liquidation value, 5,000,000 shares authorized, issued 1,000,000 shares 1997 class A convertible preferred stock	11,320
Common stock - no par value, 650,000,000 and 150,000,000 shares authorized in 2001 and 2000, respectively. 2,470,644 and 393,485 shares outstanding in 2001 and 2000, respectively	6,729,122
Cumulative currency translation adjustment	(11,000)
Deficit	(9,585,316)

Total stockholders' equity (deficit)	(2,855,874)

Total liabilities and stockholders' equity	\$ 1,118,960
	=====

See accompanying notes to consolidated financial statements.

IV

PACEL CORP. AND SUBSIDIARIES CONSOLIDATED STATEMENT OF OPERATIONS

	Twelve months Ended December 31, 2001	Twelve months Ended December 31, 2000	Three months Ended December 31, 2001
	-----	-----	-----
Sales	\$ 1,617,552	\$ 244,971	\$ 1,100,293
Direct Cost of Goods Sold	834,302	232,126	507,573
	-----	-----	-----
Gross Profit	783,250	12,845	592,720
	-----	-----	-----
Operating costs and expenses:			
Research and development	443,369	969,971	138,221
Depreciation & Amortization	28,359	30,530	15,318
Interest expense	316,220	61,467	316,576
Sales and Marketing	261,750	244,524	142,589
Financing Expenses	311,417	-	218,894
	-----	-----	-----
General and Administrative	3,006,409	2,048,731	1,729,418
	-----	-----	-----
Total operating costs and expenses	4,367,524	3,355,223	2,561,016
	-----	-----	-----
Other Income	3,728	5,093	932
Net (loss)	\$ (3,580,546)	\$ (3,337,285)	\$ (1,967,364)
	=====	=====	=====

Edgar Filing: PACEL CORP - Form 10KSB

Net (loss) per common share			
Basic	(4.14)	(13.56)	(0.02)
Diluted	(4.14)	(13.56)	(0.02)
Weighted Average shares outstanding			
Basic	865,034	246,097	86,503,351
Diluted	865,034	246,097	86,503,351

See accompanying notes to consolidated financial statements.

V

PACEL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE TWO YEARS ENDED DECEMBER 31, 2001

	Preferred Stock		Common Stock		Retained Earnings (Deficit)
	Shares	Amount	Shares	Amount	
Balance, December 31, 1999	1,000,000	\$ 11,320	139,903	2,394,129	(2,667)
Issuance of common stock and warrants net of expenses			215,065	2,527,721	
Issuance of restricted common stock for Professional Services			14,500	116,629	
Issuance of common stock of professional services			23,667	110,435	
Conversion of Employee common stock options			350	7,000	
Effect of currency translation					
Net loss					(3,337)
Balance, December 31, 2000	1,000,000	\$ 11,320	393,485	\$ 5,155,914	\$ (6,004)
Issuance of common stock, options and warrants net of expenses			1,343,282	584,950	
Issuance of restricted common stock for professional services			136,822	368,738	
Issuance of restricted common stock Held In Escrow			55,556	-	
Issuance of common stock for professional services			541,500	619,520	
Effect of currency translation					
Net loss					(3,580)
Balance, December 31, 2001	1,000,000	\$ 11,320	2,470,644	6,729,122	\$ (9,585)

Edgar Filing: PACEL CORP - Form 10KSB

See accompanying notes to consolidated financial statements.

VI

PACEL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 31,

	2001	2000
	-----	-----
Cash flows from operating activities:		
Net (loss)	\$ (3,580,546)	\$ (3,337,285)
Adjustments to reconcile net (loss) to net cash (used in) provided by operating activities:		
Depreciation	28,359	27,702
Provision for Bad Debts	(829)	2,819
Other non cash items	1,064,741	237,904
Increase (Decrease) in Cash from changes in:		
Accounts receivable	(325,301)	28,875
Other receivables	28,076	(64,760)
Inventory	(45,816)	(3,533)
Other assets	0	0
Security deposits	(1,033)	(1,104)
Prepaid expenses	2,469	9,398
Accounts payable	1,104,655	200,114
Accrued expense	112,517	(138,850)
Loans Payable Officers-Stockholders	196,945	48,741
	-----	-----
Net cash (used in) operating activities	(1,415,763)	(2,989,979)
	-----	-----
Cash flows from investing activities:		
Purchase of property and equipment	(13,622)	(120,704)
Net cash used in investing activities	(13,622)	(120,704)
	-----	-----
Cash flows from financing activities:		
Notes payable convertible debenture	777,985	481,389
Notes payable	350,000	50,000
Proceeds from sale of common stock	330,972	2,526,045
Net cash provided by financing activities	1,458,957	3,057,434
	-----	-----
Effect of exchange rates on cash	(167)	(6,026)
	-----	-----
Net increase (Decrease) in cash and cash equivalents	29,405	(59,275)
Cash and cash equivalents at beginning of year	36,356	95,631
	-----	-----
Cash and cash equivalents at end of period	\$ 65,761	\$ 36,356
	=====	=====

SUPPLEMENTAL DISCLOSURE OF CASH FLOW

Edgar Filing: PACEL CORP - Form 10KSB

INFORMATION

Cash paid for interest	2,380	4,835
------------------------	-------	-------

See accompanying notes to consolidated financial statements.

VII

PACEL CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2001 AND 2000

1. Summary of Significant Accounting Policies:

a) Nature of the business

PACEL Corp. (the "Company") was incorporated on May 3, 1994 under the laws of the State of Virginia. The Company was formed for the purpose of developing and marketing its own computer software programs. To date, the Company has developed and is marketing several versions of its interactive electronic procedure software to be used with Microsoft Windows. These products include the "Visual Writer System", "Win Sentry", "Zoomer" and the latest software product family suites of "ChildWatch" and now "e-Centurion" are preparing to come to the market.

The Company has completed research and development and testing activities on the ChildWatch Suite of Programs, including "ChildWatch Lite (a freeware program) and ChildWatch (a retail program to be released in the second quarter of 2001) and has funded the development of these software programs through management contributions of money, time and materials, investor financing and limited sales of software. It has hired personnel and developed consulting relationships to position itself with the move into retail marketing and sales of its software programs.

b) Principles of consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries in which a controlling interest is maintained. All significant inter-company accounts and transactions have been eliminated in consolidation. For those consolidated subsidiaries where Company ownership is less than 100%, the minority stockholders' interest are shown as a minority interest. Investments in affiliates over which the Company has significant influence but not a controlling interest are carried on the equity basis.

c) Cash and cash equivalents

Cash equivalents consist of liquid investments, with a maturity of three months or less at the time of purchase. Cash equivalents are stated at cost, which approximate market value.

d) Inventories

Inventories are stated at the lower of cost or market, which approximates actual cost, using the first in, first out method.

Edgar Filing: PACEL CORP - Form 10KSB

e) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is determined using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of 24 to 36 months are used on computer equipment and related software, five years for office equipment, furniture, and fixtures. Depreciation and amortization of leasehold improvements is computed using the shorter of the remaining lease term or five years. Maintenance and repairs are charged against income and betterments are capitalized.

f) Reclassification

Certain prior year amounts have been reclassified to conform to current year's presentation.

VIII

g) Revenue recognition

Revenue is recognized when earned. The Company's revenue recognition policies are in compliance with American Institute of Certified Public Accountants Statement of Position 97-2. Software Revenue Recognition. Revenue from products licensed to original equipment manufacturers is recorded when the manufacturers ship licensed products while revenue from organization license programs are recorded when the software has been delivered and the customer is invoiced. Revenue from packaged product sales to distributors and resellers is recorded when related products are shipped. Maintenance and subscription revenue is recognized ratably over the contract period. Revenue attributable to significant support is based on the price charged or derived value of the undelivered elements and is recognized ratably on a straight-line basis over the producer's life cycle. Costs related to insignificant obligations, which include telephone support for certain products, are accrued. Provisions are recorded from returns and bad debts.

h) Advertising Costs

The Company expenses all advertising costs as incurred.

i) Research and Development Expenses

Costs incurred in the product development of new software products are expensed as incurred until technological feasibility has been established. Software development costs, which are required to be capitalized pursuant to Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed," have not been material to date. To date, the establishment of technological feasibility of the Company's products and general release substantially coincide. As a result, the Company has not capitalized any software development costs.

j) Use of Estimates

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the Consolidated Financial Statements and accompanying notes.

Edgar Filing: PACEL CORP - Form 10KSB

k) Impairment of long-lived Assets

Effective January 1, 1996, the Company adopted SFAS NO. 121, "Accounting for the Impairment of long-lived Assets and for long-lived Assets to be Disposed of." SFAS 121 required the Company to review the recoverability of the carrying amounts of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of the asset might not be recoverable.

Long-lived assets and certain identifiable intangible assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of discounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets and certain identifiable intangible assets that management expects to hold and use are based on the fair value of the asset. Long-lived assets and certain identifiable intangible assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

l) Foreign Currency Translation

The financial statements of the Company's foreign subsidiaries are measured using the local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at exchange rates as of the balance sheet date with the resulting translation adjustments recorded directly to a separate component of shareholders' equity. Income and expense accounts are translated at average exchange rates during the year. The resulting cumulative translation adjustments are included in the consolidated and combined statements of operations and were not material for any periods presented herein.

IX

m) Segment Information

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" establishes standards for reporting information about operating segments in financial statements. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or chief decision making group, in deciding how to allocate resources and in assessing performance. The Company operates in one segment.

n) Fair Value Disclosures

The carrying amounts reported in the balance sheets for cash and cash equivalents, accounts receivable, inventories, accounts payable and accrued expenses, approximate fair value because of the immediate or short-term maturity of these financial instruments.

o) Stock Options

The Company accounts for its stock options in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price.

Edgar Filing: PACEL CORP - Form 10KSB

On January 1, 1996, the Company adopted the disclosure requirements of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-based Compensation. Had the Company determined compensation cost based on fair value at the grant date for stock options under SFAS No. 123 the effect would have been immaterial.

p) Basis of Financial Statement Presentation

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has generated minimal revenues since inception to December 31, 2001. These factors indicate that the Company's continuation, as a going concern is dependent upon its ability to obtain adequate financing. See Note 14 detailing equity financing arrangements.

q) Impact of Recently Issued Accounting Standards

The financial Accounting Standards Board (FASB) recently issued SFAS 141, "Business Combinations," SFAS 142, "Goodwill and Intangible Assets," SFAS 143, "Accounting for Asset Retirement obligations" and SFAS 144, "Accounting for the impairment or Disposal of Long -Lived Assets." SFAS 141 requires companies to account for acquisitions entered into after June 30, 2001 using the purchase method and establishes criteria to be used in determining whether acquired intangible assets are to be recorded separately from goodwill. Statement 142 sets forth the accounting for goodwill and intangible assets after the completion of a business acquisition and for goodwill and intangible assets already recorded. Goodwill will no longer be amortized beginning January 1, 2002. Rather, goodwill will be tested for impairment by comparing the asset's fair value to its carrying value. The Company will adopt Statement 142 on January 1, 2002.

SFAS 143 requires the fair value of a liability for asset retirement obligations to be recorded in the period in which it is incurred. The statement applies to a company's legal or contractual obligation associated with the retirement of a tangible long-lived asset that resulted from the acquisition, construction or development of through the normal operation of a long-lived asset. The statement is effective for the Company beginning January 1, 2003. SFAS 144 addresses the accounting and reporting for the impairment or disposal of long-lived assets. The statement provides a consistent method to value long-lived assets to be disposed of. New criteria must be met to classify the asset as a asset held-for-sale. This statement also changes the rules for reporting the effects of a disposal of a segment of a business. This statement will be adopted January 1, 2002.

X

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" and in June 2000 issued SFAS 138, accounting for certain Derivative Instruments and Certain Hedging Activities, an amendment of SFAS 133. These new standards require companies to record derivative financial instruments on the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the fair value of those derivatives would be accounted for based on the use of the derivative and whether the instrument qualified for hedge accounting, as defined in SFAS 133 and 138. The Company is required to

Edgar Filing: PACEL CORP - Form 10KSB

implement these statements in the first quarter of fiscal 2001. The company has not used derivative instruments and believes the impact of adoption of this statement will not have a significant effect on the financial statements.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101, as amended, summarizes certain of the SEC's views in applying generally accepted accounting principles to revenue recognition in financial statements. At this time, management does not expect the adoption of SAB 101 to have a material effect on the Company's operations or financial position.

In March 2000, the Financial Accounting standards Board, released FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation, an interpretation of APB Opinion No. 25," which provides clarification of Opinion No. 25 for certain issues, such as the determination of who is an employee, the criteria for determining whether a plan qualifies as a non-compensatory plan, the accounting consequence of various modifications to the terms of a previously fixed stock option or award, and the accounting for an exchange of stock compensation award in a business combination. The Company believes that its practices are in conformity with this guidance, and therefore Interpretation No. 44 will have no impact on its financial statements.

2) Business Combinations:

On September 4, 2001 PLRP Acquisitons Corp. a wholly owned subsidiary acquired all of the outstanding stock 90,000 shares of Advantage Systems Inc. a wholly owned subsidiary of Advantage Technologies for \$70,000 and assumption of \$739,523 of debt. The acquisition was accounted for as a purchase under Accounting Principles Board opinion No. 16 (APB no. 16). In accordance with APB No. 16, the Company allocated the purchase price based on the fair value of the assets acquired and liabilities assumed. Good will resulting from the purchase of \$541,107 is recognized and is not being amortized.

On October 22, 1999 PACEL Corp. acquired all of the outstanding stock 29,055 shares of Fairfax Communications Limited for \$30,000, which included \$57,774 of assumed debt. The acquisition was accounted for as a purchase under Accounting Principles Board Opinion No. 16 (APB no. 16). In accordance with APB No. 16, the Company allocated the purchase price based on the fair value of the assets acquired and liabilities assumed. Good will resulting for the purchase of \$10,811 was recognized and will be amortized over a five-year period \$2,164 and \$541 were charged to amortization expense respectively in 2000 and 1999.

In July 1999, the Company formed an eighty- percent owned subsidiary, E-Business Store.Com Inc. for the purpose of expanding its Internet business. The 20% minority interest is owned equally by David and F. Kay Calkins. The subsidiary operated at a loss, the minority's 20% share of the loss of \$163,823 is not reflected in the statement of operations.

XI

3) Property and Equipment:

Property and equipment consist of the following:

Edgar Filing: PACEL CORP - Form 10KSB

	December 31,	
	2001	2000
	-----	-----
Computers and office Equipment	\$210,035	\$210,240
Less accumulated depreciation	91,726	68,359
	-----	-----
	\$129,309	\$141,881

4) Notes Receivable

The company extended a long-term note to CTM Automated Systems, Inc. in the amount of \$75,000 at an interest rate of 5.25% payable monthly with a balloon payment October 2002. 1,000 shares of CTM stock collateralize the loan. The balance of the loan was \$71,000 at December 31, 2001 and December 31, 2000.

5) Short-Term Notes Payable

a) Note payable bank

The Company borrowed \$50,000 from the bank in the from of a short-term note due February 20,2001 at an interest rate of 8.5%.

b) Notes payable - Other

The Company has issued five short term notes payable amounting to \$873,750 that bear an interest rate of 9% and are due 180 from the approval of a \$5,000,000 SB-2 filing. See subsequent events for details.

The Company has issued a short-term note in the amount of \$133,750 with interest of \$3,750 secured by receivables of FCL.

The Company assumed a note in the amount of \$205,548 during the acquisition of Advantage Systems Inc. This note is being paid through the additional discount being taken on the \$666,666 8% convertible debenture. To date \$30,705 has been paid through conversion of the note. The balance at December 31, 2001 is \$174,843.

c) Convertible Notes payable

The Company had convertible notes of \$700,636 and \$531,389 December 31, 2001 and 2000 respectively. The notes bear an interest rate of 8% and 11% in 2001 and 2000 respectively. Two debentures were issued in 2001 in connection with the acquisition of Advantage Systems Inc. For \$666,666 and \$300,000 the conversion price for the \$666,666 convertible debentures is 40% of the average of the 5 trading days prior to conversion for the first \$450,000. The remaining \$216,666 has a conversion price of 70% of the average of the 5 trading days prior to conversion. The \$300,000 has a conversion price of 70% of the average of the 5 trading days prior to conversion.

Under the terms of the warrant agreements, the exercise price of the warrants and the number of shares purchasable with each warrant are adjusted when converted. On the conversion date, the exercise price of the warrant is 70%-40% of the average market price of the stock for the five days prior to conversion. Per Emerging Issues Task Force (EITF) Number 98-5, "Accounting for Convertible Securities with Beneficial Conversion

Edgar Filing: PACEL CORP - Form 10KSB

Features or Contingently Adjustable Conversion Ratios", this beneficial conversion feature was assigned an intrinsic value of \$232,272 and \$175,000 as of December 31, 2001 and 2000 respectively, as calculated under the provisions of the EITF. This amount was immediately expensed, at the time the Company signs the Agreement.

XII

6) Income Taxes

The Company provides for the tax effects of transactions reported in the financial statements. The provision if any, consists of taxes currently due plus deferred taxes related primarily to differences between the basis of assets and liabilities for financial and income tax reporting. The deferred tax assets and liabilities, if any, represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. As of December 31, 2001 and 2000 the Company had no material current tax liability, deferred tax assets, or liabilities respectively. The Company has available a net operating loss carry forward of approximately \$6 million for tax purposes to offset future taxable income. The net operating loss carryforwards expire in 2012-2020.

7) Earning (Loss) Per Share:

In February 1997, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards ("SFAS") No. 128. "Earnings Per Share" applicable for financial statements issued for periods ending after December 15, 1997. As required the Company adopted "SFAS" No. 128 for the year ended December 31, 1997 and restated all prior period earnings per share figures. The Company has presented basic earnings per share. Basic earnings per share exclude potential dilution and are calculated by dividing income available to common stockholders by the weighted average number of outstanding common shares. Diluted earnings per share incorporate the potential dilutions from all potentially dilutive securities that would have reduced earnings per share. Since the potential issuance of additional shares would reduce loss per share they are considered anti-dilutive and are excluded from the calculation.

Basic net income per common share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per common share is computed using the weighted-average number of common and dilutive common equivalent shares outstanding during the period. Dilutive common equivalent shares consist of stock options. Share and per-common share data for all periods presented reflect the effect of a 4-for-1 stock split, in April of 1998 and a 1-for-4 reverse stock split that became effective on December 31, 1998 and April 2002 100 to 1 reverse stock split.

The weighted average number of shares used to compute basic earnings (loss) per share was 865,034 and 246,097 at December 31, 2001 and 2000 respectively.

8) Commitments and Contingencies:

Operating Leases

Future annual minimum lease payments under all non-cancelable operating

Edgar Filing: PACEL CORP - Form 10KSB

leases as of December 31, 2001 are as follows:

	2002	\$213,986
	2003	201,021
	2004	90,561
	2005	67,920

Total Minimum Lease Payments		\$573,488

Rent expense for December 31, 2001 and 2000 was \$160,577 and \$143,496 respectively

XIII

9) Stockholders' Equity:

a) Preferred Stock:

The Company's Amended Certificate of Incorporation authorizes 5,000,000 shares of no par, no liquidating value preferred stock, of which 1,000,000 shares have been designated the 1997 class A Convertible Preferred Stock. The number of shares of the 1997 Class A shall be limited to 1,000,000. The Board of Directors of the Company has the authority to establish and designate any shares of stock in series or classes and to fix any variations in the designations, relative rights, preferences and limitations between series as it deems appropriate, by a majority vote.

The shares of the 1997 Class A Convertible Preferred Stock shall have no liquidation value, and shall be entitled to receive, out of any funds of the Company at the time legally available for the declaration of dividends, a per share participating dividend equivalent to that declared and or paid with respect to a share of Common Stock.

At any time after June 30, 2000, the Company, at the option of the Board of Directors, may redeem the whole of or part of, the 1997, Class A Convertible Preferred Stock by paying in cash \$.001 per share and in addition an amount equal to all unpaid dividends.

b) Common Stock:

On November 7, 2001, the shareholders of the Company approved an increase to the authorized number of shares of common stock from 150 million to 650 million shares, on December 5, 2001; the Board of Directors approved the increase.

The authorized common stock of the Company consists of 650,000,000 and 150,000,000 shares at December 31, 2001 and 2000 respectively without par value. In April of 1998 the Company effected a forward recapitalization of the number of shares of common stock outstanding in a ratio of 4 to 1 restating the number of shares of common stock outstanding from 4,410,000 to 18,825,200 shares of common stock without par value. In May, 1997 the Company effected a forward recapitalization of the number of shares of

Edgar Filing: PACEL CORP - Form 10KSB

common stock outstanding in a ratio of 30,000 to 1 restating the number of shares of common stock outstanding from 147 shares, \$1.00 par value per share to 4,410,000 shares of common stock without a value. In October 1999, the Company effected a one-for-four reverse split restating the number of common shares as of December 31, 1998 from 23,337,298 to 5,834,325. In April 2002, the Company effect a one-for-one hundred reverse split restating the number of common shares as of December 31, 2000 from 39,348,500 to 393,644. All references to average number of shares outstanding and prices per share have been restated retroactively to reflect the split.

10) Related Party Transactions:

a) Issuance of Common Stock

The Company sold an aggregate of 100 shares to David and F. Kay Calkins for \$2,000. These shares were split in May 1997 in a ratio of 30,000 to 1 restating the number of common shares owned by David and F. Kay Calkins from 100 to 3,000,000 after adjustment for splits reverse splits.

b) Officers Loans

The Company recorded a liability to David and F. Kay Calking in the amount of \$259,686 and \$62,741 at December 31, 2001 and 2000 respectively, for accrued payroll, loans and unreimbursed business expenses.

On September 30, 1999 the Company issued an Option to David and F. Kay Calkins to purchase 6,250 shares of common stock at \$1,600per share in lieu of \$50,000 of compensation owed. The market price of the shares at the grant date was \$32. As a result, additional compensation expenses was recorded in the amount of \$100,000 on September 30, 1999

c) Employment Agreements

In 2000 the Company entered into employment agreements with David and F. Kay Calkins. At base salaries of \$175,000 and \$160,000 per year respectively, effective January 1, 2001 and are eligible for retroactive increases based on earnings per share of the Company.

XVI

11) Business and Credit Concentrations:

The amount reported in the financial statements for cash, trade accounts receivable and investments approximates fair market value. Because the difference between cost and the lower of cost or market is immaterial, no adjustment has been recognized and investments are recorded at cost. Financial instruments that potentially subject the company to credit risk consist principally of trade receivables. Collateral is generally not required

12) Comprehensive Income:

At December 31, 2001 and 2000 net income and comprehensive income were the same.

13) Stock Option Plan:

a) Key Employee Stock Option Plan

Edgar Filing: PACEL CORP - Form 10KSB

In June 1998 the Company adopted the Key Employees Stock Option Plan. 2,500 shares were reserved under the Plan. The Board of Directors administers the Plan. Options are granted at market price the date of the grant and vest 20% per year. Options for 2,150 shares have been issued under the plan, with an exercisable price between \$17 and \$20 per share, and a five year vesting period" Options for 4,000 shares have vested. In 2000 3,500 shares were exercised at a price of \$20. per share.

b) 1999 Stock Option and Incentive Plan

In November 2000 the Company adopted 1999 Stock Option and Incentive Plan. The maximum number of shares under the 1999 Plan is 50,00 shares of PACEL common stock.

Although the Board of Directors has the authority to set other terms, The committee may grant options to directors, advisory directors, officers and employees of PACEL and its subsidiaries. The committee will select persons to receive options among the eligible participants and determine the number of shares underlying the options to be granted. Under the terms of the stock option plan, the committee may grant options to purchase shares of PACEL common stock at a price which may not be less than the fair market value of the common stock, as determined by the mean between the closing bid and asked quotations on the NASDAQ Stock Market on the date the option is granted.

Generally, options under the stock option plan may not be exercised later than 15 years after the grant date. Subject to the limitations imposed by the provisions of the Internal Revenue Code, certain of the options granted under the stock option plan may be designated "incentive stock options." Incentive stock options may not be exercised later than ten years after the grant date. Options, which are not designated and do not otherwise qualify as incentive stock options in this document, are referred to as "non-qualified stock options."

The Company is required under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), to disclose pro forma information regarding option grants made to its employees based on specified valuation techniques that produce estimated compensation charges. These amounts have not been reflected in the Company's Consolidated Statements of Operations because to date no options have been granted under this plan.

c) Warrants:

On February 14, 2000 the board of directors granted options to David and F. Kay Calkins to purchase 13,990 shares each of the Company's common stock at an exercise price of \$21.

14) Subsequent Events

On April 5, 2002 the Company effected a one-for-one hundred reverse split restating the number of common shares as of December 31, 2000 from 39,348,486 to 393,485. All references to average number of shares outstanding and prices per share have been restated retroactively to reflect the split.