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PACEL CORP  
Form 10QSB  
November 19, 2002

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2002

OR

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

Commission File Number: 0-29459

PACEL CORP.

-----  
(Exact name of registrant as specified in its charter)

VIRGINIA  
-----  
(State or other jurisdiction of  
incorporation or organization)

54-1712558  
-----  
(I.R.S. Employer  
Identification Number)

8870 RIXLEW LANE, SUITE 201  
MANASSAS, VIRGINIA  
-----  
(Address of principal executive offices)

20109-3795  
-----  
(ZIP Code)

Registrant's telephone number, including area code: (703) 257-4759

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 period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 day:

Yes  No

Transitional Small Business Disclosure Format (check one)

Yes  No

State the number of Shares outstanding of each of the issuer's classes of common equity, as of the latest date:

As of November 14, 2002, there were 353,037,735 shares of the Registrant's common stock outstanding.

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## PACEL CORP. AND SUBSIDIARIES

### PART I. FINANCIAL INFORMATION (unaudited)

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### Pacel Corp. Consolidated Balance Sheet

	Septmeber 30, 2002 Unaudited	De
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 14,110	\$
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$1,311 respectively	626	
Inventory		
Other receivables	105	
Total current assets	14,841	
Property and equipment, net of accumulated depreciation of \$85,172 and \$73,946 respectively	63,963	
Non-current assets:		
Note receivable		-
Goodwill		-
Security deposits	25,359	
Total non-current assets	25,359	
Total assets	\$ 104,164	

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

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Current liabilities:		
Accounts payable		\$ , 458,165
Accrued expense		184,262
Loans payable officers-Stockholders		896,211
Notes payable		864,750
Notes payable bank		50,000
Net liabilities of discontinued operations		-
		-----
Total current liabilities		3,453,388
		-----
Long Term liabilities:		
Convertible debentures		647,279
		-----
Total long term liabilities		647,279
		-----
Total liabilities		4,100,667
		-----
Minority interest		
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 650,000,000 shares authorized in 2002 and 2001, respectively. 270,537,735 and 2,470,644 shares outstanding in 2002 and 2001, respectively		8,369,822
Cumulative currency translation adjustment		(18,720)
Deficit		(12,358,925)
		-----
Total stockholders' equity (deficit)		(3,996,503)
		-----
Total liabilities and stockholders' equity		\$ 104,164
		=====

The accompanying notes are an integral part of the financial statements

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Pacel Corp.  
Consolidated Statements of Income of Operations

Nine Months Ended September 30, 2002	Nine months Ended September 30, 2001	Three Months Ended September 30, 2002
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Sales	\$	435,218	\$	874,091	\$	118,2
Direct Cost of Goods Sold		403,702		665,275		90,8
		-----		-----		-----
Gross Profit		31,516		208,816		27,3
		-----		-----		-----
Operating costs and expenses:						
Research and development		254,657		306,806		21,83
Depreciation & Amortization		11,246		9,133		3,76
Interest expense		122,808		52,581		52,50
Sales and Marketing		218,133		76,227		11,88
Financing Expenses		50,397		276,273		14,89
General and Administrative		2,053,535		868,833		383,34
		-----		-----		-----
Total operating costs and expenses		2,710,775		1,589,853		488,23
		-----		-----		-----
Other Income		-		2,796		2,79
Loss before extraordinary items ( including discontinued operations and the effect of an accounting change)		(2,679,259)		(1,378,241)		(458,06
Write-off of loan receivable		(71,000)				(71,00
Gain on write-off of extinguishment of debt		426,150				426,15
Discontinued operations (Note 3)						
Loss from operations of discontinued E-Bstore business		(220,268)		(404,357)		
Gain on disposal of E-Bstore business		177,817		-		
Cumulative effect of accounting change		(407,049)		-		
		-----		-----		-----
Net (loss)	\$	(2,773,609)	\$	(1,782,598)	\$	(102,91
		=====		=====		=====
Net (loss) per common share						
Basic		(0.04)		(2.56)		
Diluted		(0.04)		(2.56)		
Weighted Average shares outstanding						
Basic		68,243,593		696,065		148,155,12
Diluted		68,243,593		696,065		148,155,12

The accompanying notes are an integral part of the financial statements

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## Pacel Corp. Consolidated Statements of Cash Flows

	2002
Cash flows from operating activities:	
Net (loss)	\$ (2,773,609)
Adjustments to reconcile net (loss) to net cash (used in) provided by operating activities:	
Cumulative effect of accounting change	407,049
Depreciation	11,246
Provision for Bad Debts	(1,311)
Other non cash items	1,309,112
Gain on sale of EB-Store	(177,817)
Increase (Decrease) in Cash from changes in:	
Accounts receivable	324,819
Other receivables	36,579
Inventory	61,306
Other assets	0
Security deposits	(15,237)
Prepaid expenses	0
Accounts payable	34,186
Accrued expense	8,751
Loans Payable Officers-Stockholders	752,358
Net cash (used in) operating activities	(22,569)
Cash flows from investing activities:	
Purchase of property and equipment	
Notes Receivable	(71,000)
Net cash used in investing activities	(71,000)
Cash flows from financing activities:	
Repayment of loans payable	(125,362)
Notes payable convertible debenture	25,000
Proceeds from sale of common stock	150,000
Net cash provided by financing activities	49,638
Effect of exchange rates on cash	(7,720)
Net increase (Decrease) in cash and cash equivalents	(51,651)
Cash and cash equivalents at beginning of year	65,761
Cash and cash equivalents at end of period	\$ 14,110
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for interest	6,298

The accompanying notes are an integral part of the financial statements

PACEL CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
UNAUDITED  
SEPTEMBER 30, 2002

1. Basis of Presentation

The unaudited financial statements included in the Form 10-QSB have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Item 310(b) of Regulation SB. The financial information furnished herein reflects all adjustments, which in the opinion of management are necessary for a fair presentation of the Company's financial position, the results of operations and cash flows for the periods presented.

Certain information and footnote disclosures normally contained in financial statements prepared in accordance with generally accepted accounting principles have been omitted, pursuant to such rules and regulations.

These interim statements should be read in conjunction with the audited December 31, 2001 consolidated financial statements and related notes included in the Company's year ended certified financial statements. The results of operations for the periods ended September 30, 2002 are not necessarily indicative of the operating results for the year. The Company presumes that users of the interim financial information herein have read or have access to the audited financial statements for the preceding fiscal year and that the adequacy of additional disclosure needed for a fair presentation may be determined in that context. The results of operations for any interim period are not necessarily indicative of the results for the full year.

2. Accounting for Business Combinations

In July 2001, the FASB issued Statements of Financial Accounting Standards ("Statement") No. 141, "Business Combinations" and No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"). These standards change the accounting for business combinations by, among other things, prohibiting the prospective use of pooling-of-interests accounting and requiring companies to stop amortizing goodwill and certain intangible assets with an indefinite useful life. Instead, goodwill and intangible assets deemed to have an indefinite useful life will be subject to an annual review for impairment. The new standards generally were effective for Pacel in the first quarter of 2002 and for purchase business combinations consummated after September 30, 2001. Upon adoption of FAS 142 in the first quarter of 2002, Pacel recorded a one-time, non-cash charge of \$407,049 to reduce the carrying value of its goodwill. Such charge is non-operational in nature and is reflected as a cumulative effect of an accounting change in the accompanying consolidated statement of operations.

3. Discontinued Operations

On May 31, 2002, the Company completed an agreement to sell E-BStor an 80% owned subsidiary to F. Kay Calkins a director. The Company recorded a gain on the sale of \$177,817. Ms. Calkins assumed all of the assets and liabilities on the books as of May 31, 2002. There is an inter-company receivable of \$1,568,815 which we have taken a 100% reserve against, due to our inability to determine when they will have cash flow to start repayment of this loan. The Consolidated Financial

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Statements have been restated, where applicable, to reflect the E-BStor discontinued operations. .

### 4. Subsequent events

a. In April 2002, David Calkins president, director and F. Kay Calkins director of Pacel were granted a noncash option to purchase 100,000,000 shares of the company's common stock in exchange for the a loan made to the company in 1999 amounting to \$124,000 and securing and loaning to the Company, a personal line of credit of up to \$3,000,000 using the stock as collateral. Our ability to draw on this line is based on the volume of the Common Stock multiplied by the VWAP (volume weighted average price) for the thirty days preceding funding which must be a minimum of \$75,000. The maximum amount of collateral at any closing may not exceed 4.9% of the issued and outstanding shares of the Company. Loan to value is 35%. The interest rate is prime+2% payable quarterly in cash plus financing expense of 9% of the draws. The Company will pay these expenses directly. The terms and conditions set forth in the agreement we may not be able to meet.

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### 4. Subsequent events (continued)

b. On April 5, 2002 the Company affected a one-for-one hundred reverse split restating the number of common shares as of March 31, 2002 from 648,462,600 to 6,484,626 and December 31, 2001 from 247,064,400 to 2,470,644. All references to average number of shares outstanding and prices per share have been restated retroactively to reflect the split.

c. In September, 2002 FCL a wholly owned subsidiary was discharged from bankruptcy. We have recorded a gain of \$426,150 on the write off of the deficit capital account.

d. In October, 2002 the Company wrote off a long term receivable of \$71,000 from CTM. The note was due October 15,2002. We have begun foreclosure of the collateral, 100% of outstanding stock of CTM.

e. In October 2002, we acquired 100% of the assets of Bene Corp. Business Services Inc. a human resource support company, for \$720,000 to be paid over the next six months in equal monthly payments of \$180,000. We have an agreement with High Desert Capital for funding of this acquisition. In connection with the acquisition we signed two, two year employment agreements with the officers of Bene Corp. for \$75,000 per year.

### FORWARD-LOOKING STATEMENTS

When used in this document and in our filings with the Securities and Exchange Commission, in our press releases or other public or shareholder communications, and in oral statements made with the approval of an authorized executive officer, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to certain risks and uncertainties, which could cause our actual results to differ materially from our historical results and those we presently anticipate

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or project. You should not place undue reliance on any forward-looking statements, which speak only as of the date made. Various factors could affect our financial performance and could cause our actual results for future periods to differ materially from any opinions or statements we express with respect to future periods in any current statement. These factors include, but are not limited to, the following: increases in our operating expenses outpacing our revenues; our inability to expand our sales and distribution channels; the failure of strategic relationships to implement and promote our software products; the failure of third parties to develop software components necessary for the integration of applications using our software; and the use of our intellectual property by others.

We do not undertake--and we specifically decline any obligation--to publicly release the result of any revisions which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

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

#### GENERAL BUSINESS

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 in the process of being revised; to reflect the change to a business to business marketing and sales methodology and away from the retail sales arena. The company has entered the PEO human resources business, which is one of the fastest growing markets, while still intending to provide businesses with a full suite of products and services for software and hardware. To that end PACEL has consolidated its subsidiaries into the pacel software division and has established a new wholly owned subsidiary in Nevada that will be the PEO branch of the company. The existing software products will be modified to meet the needs of businesses and the existing software products for consumer sales will be handled exclusively through the internet.

"Data Protector" 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 small business market places like those established in the PEO marketplace.

#### RESULTS OF OPERATIONS



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Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2001

Revenues decreased to \$435,218 in 2002 compared to \$874,091 in 2001. The decrease in revenues is directly attributed to sales generated from Advantage Systems hardware sales. Hardware sales is a very competitive market with very little profit. Advantage's sales were concentrated in one customer which is now using a new supplier. With the loss of this customer we have shut down the California manufacturing site and shifted all manufacturing to the Virginia offices. In addition the sales from Nato contracts fell sharply in the nine months ended September 30, 2002 compared to 2001. We have not received any new

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RFP's from Nato for the last quarter of 2002. We had sales for human resource services of \$125,500 for the period. The Company is refocusing it's efforts on expanding into the Human resource service markets. We believe that these companies will provide us with distribution channels for our hardware and software packages. The Company continues to believe that the Child Watch software, Data Protector has sales potential if we can obtain adequate financing for the marketing.

Cost of Goods Sold decreased to \$403,702 in 2002 compared to \$665,275 in 2001. The decrease is directly attributed to the decrease in sales.

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 decrease to \$254,657 in 2002 compared to \$306,806 in 2001. The decrease is attributed the lack of funds available for the development of new and enhanced products. 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 advertising, trade shows, public relations, and other market development programs. Sales and marketing expenses increased to \$218,133 in 2002 compared to \$76,227 in 2001. The increase is attributed to focusing more efforts on developing markets for our products and the increase in salaries, and commission expenses related to the sales in Advantage as well as the hiring of additional sales personal.

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 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 to \$2,053,535 in 2002 compared to \$868,833 in 2001. Is attributable to the increase in services and legal fees..

Interest expense and financing cost increased to \$122,808 in 2002 Compared to \$52,581 in 2001. The increase in interest expense is due the convertible notes not being converted into common stock because of the low price of our common stock. In addition we continue to borrow short term money at high interest rates, instead of obtaining financing from equity.

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Net (Loss) from continuing operations

Pacel's net loss before the cumulative effect of an accounting change increased to \$2,679,259 in 2002, compared to \$1,378,241 in 2001. Pacel's net loss before the cumulative effect of an accounting change increase is due to the decrease in sales, the cost of legal and consulting services being paid in stock, instead of cash, increased interest and financing costs

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Three Months Ended September 30, 2002 Compared to Three Months Ended September 30, 2001

Revenues decreased to \$118,261 in 2002 compared to \$630,397 in 2001. The decrease in revenues is directly attributed to the loss of sales from Advantage Systems and Nato contracts..

Cost of Goods Sold decreased to \$90,890 in 2002 compared to \$424,460 in 2001. The decrease is directly attributed to the decrease in sales.

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 decrease to \$21,831 in 2002 compared to \$87,521 in 2001. The decrease is attributed to the decrease in staff.

Sales and marketing expenses increased to \$11,889 in 2002 compared to \$27,939 in 2001. The decrease is attributed to cut backs due to limited cash flow.

General and administrative expenses increased to \$383,345 to in 2002 compared to \$239,239, in 2001. The increase in administrative expenses is directly related to the increase in services and legal fees.

Interest expense and financing cost increased to \$52,500 in 2002 Compared to \$29,563 in 2001. The increase in interest expense is due the convertible notes not being converted into common stock because of the low price of our common stock and additional borrowing of short term money at high interest rates.

Net (Loss) from continuing operations

Net loss before the cumulative effect of an accounting change increased to \$458,063 in 2002, compared to \$372,025 in 2001. Pacel's net loss before the cumulative effect of an accounting change increase is due to the cost of legal and consulting services being paid in stock, instead of cash, increased interest and financing costs.

Liquidity

Nine Months Ended September 30, 2002 Compared to Nine Months Ended September 30, 2001

Net cash used from operating activities for the nine months ended September 30, 2002 and 2001 was \$93,569 and \$1,095,486 respectively. The use of cash in operating activities for the nine months ended September 30, 2002 resulted primarily from the short fall in sales off set by the reduction in of accounts receivable and the increase in accounts payable and loans from stockholders.

Net cash used in investing activities for the nine months ended September 30, 2002 and 2001 was \$0 and \$13,856 respectively.

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Net cash provided by financing activities for the six months ended September 30, 2002 and 2001 was \$49,638 and \$1,253,138, respectively. The decrease in financing activities was attributable to repayment of notes payable of \$125,362 and our inability to file an Sb-2.

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At September 30, 2002, we had \$14,110 in cash and cash equivalents compared to \$175,247 at September 30, 2001. We will continue to have significant capital requirements due to limited sales projections as well as expected increases in expenditures for sales and marketing. In July 2002 we laid off all non essential administrative staff to reduce our cash requirements until significant sales are projected and we can secure adequate financing.

In April 2002, David Calkins president, director and F. Kay Calkins director of Pacel were granted a noncash option to purchase 100,000,000 shares of the company's common stock in exchange for the a loan made to the company in 1999 amounting to \$124,000 and securing and loaning to the Company, a personal line of credit of up to \$3,000,000 using the stock as collateral. Our ability to draw on this line is based on the volume of the Common Stock multiplied by the VWAP (volume weighted average price) for the thirty days preceding funding must be a minimum of \$75,000. The maximum amount of collateral at any closing may not exceed 4.9% of the issued and outstanding shares of the Company. Loan to value is 35%. The interest rate is prime+2 payable in cash quarterly and financing expense of 9% of the draws. The Company will pay these expenses directly. The terms and conditions set fourth in the agreement we may not be able to meet. To date we have drawn approximately \$850,000. Due to the low price of the stock additional proceeds from this line of credit maybe limited. We intend to repay this loan over the next six months.

In September 2002, we entered in an Equity line of credit for \$5,000,000 from High Desert Capital at a discount rate of 12% . We can borrow up to \$500,000 per month. The line will be used for the acquisition of BeneCorp. , Staff Leasing and working capital. . Restricted stock of 45,000,000 for \$180,000 as been until a filing is complete.

Our cash requirements for funding our operations have greatly exceeded cash flows from operations. We continually satisfy our capital needs through equity financing which has become difficult due to the current investment environment. Our liabilities consist of over extended accounts payable, payroll taxes, loans from officers and officer's 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 it 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, as funds become available.

On August 1, 2002 , we formed a wholly owned subsidiary, Entremetrix. The company has started a human resource support company, out of our California offices. The company has been granted various contracts. We believe that development of this business will provide us with a direct marketing channel for our IT consulting, System Security, hardware and Web based technologies.

In October 2002, Pacel, Corp. and NeoTactix have come to an agreement to sever their relationship. Neotactix has was instrumental in bringing Bene Corp. and several other acquisitions to Pacel. To restore each party back to hole Pacel Corp. has released the corporate name and any clients brought by NeoTactix to the organization. In turn NeoTactix has agreed to waive any fees for the BeneCorp or future acquisitions introduced to Pacel, Corp.

In October 2002, we acquired 100% of the assets of Bene Corp. Business Services Inc. a human resource support company, for \$720,000 to be paid over the next six months in equal monthly payments of \$180,000. We believe that this acquisition will expand the Entremetrix business. We have an agreement with High Desert Capital for funding of this acquisition. In connection with the acquisition we signed two, two year employment agreements with the officers of Bene Corp. for \$75,000 per year.

In October 2002, we signed definitive agreement to acquire Staff Leasing Inc. for \$2,000,000 paid over the next two years depending upon the retention of clients as well as profitability. We have an agreement with High Desert Capital for the funding of this acquisition.

In September, 2002 FCL a wholly owned subsidiary was discharged from bankruptcy. We have recorded a gain of \$426,150 on the write off of the deficit capital account.

In May 31, 2002, we sold our 80% ownership in EB-Store to F Kay Calkins. F. Kay Calkins assumed all of the assets and all of the liabilities of record on May 31, 2002. There is an inter-company receivable of \$1,568,815. We have taken a 100% percent reserve against the receivable due to our inability to determine when EB-Store will be able to start repayment if at all. The Company recorded a gain on the sale of \$177,817. or \$0.0064 per share-diluted and reflected this business as a discontinued operation in September 2002.

## Part II

### Item 1. Legal Proceedings.

The Company knows of no legal proceedings to which it is a party or to which any of its property is the subject which are pending, threatened or contemplated or any unsatisfied judgments against the Company. However, the Company has responded to subpoenas addressed to the Company from the Securities and Exchange Commission and the United States Attorney's Office requesting documents involving transactions between the Company and Suburban Capital Corporation, North Coast Investments, Inc., Frank Custable and certain other individuals. The Company has been advised that it has not been identified as a target of the investigation by the U.S. Attorney's Office.

### Item 2. Changes in Securities and Use of Proceeds

None.

### Item 3. Defaults in Senior Securities

None.

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

None.

Item 5. Other Information

During the quarter, the following directors resigned due to personal reasons: Keith P. Hicks and Corey M. LaCross. Neither furnished the Registrant with a letter requesting that any matter be disclosed.

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SIGNATURES

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

Pacel Corporation

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(Registrant)

Date: November 14, 2002

/s/ David F. Calkins

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David F. Calkins, CEO & Chairman

CERTIFICATIONS

I, David F. Calkins, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Pacel Corp. ;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

Date: November 14, 2002

/s/ David F. Calkins

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David F. Calkins

Chief Executive Officer (or equivalent thereof)

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I, David F. Calkins, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Pacel Corp.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

Date: November 14, 2002

/s/ David F. Calkins

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David F. Calkins  
Chief Financial Officer (or equivalent thereof)