

Edgar Filing: PACEL CORP - Form DEF 14C

PACEL CORP
Form DEF 14C
December 27, 2004

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

SCHEDULE 14C INFORMATION STATEMENT

PURSUANT TO SECTION 14(C)
of the
SECURITIES EXCHANGE ACT OF 1934

PACEL CORPORATION

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

VIRGINIA

(State or other jurisdiction of incorporation or organization.)

69372L 702

(CUSIP Number)

54-1712558

(IRS Employer Identification Number)

10108 Industrial Drive, Prineville, NC 28134

(Address of principal executive offices.)

(704) 643-0676

(Registrant's telephone number, including area code.)

Check the appropriate box:

- Preliminary Information Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2))
- Definitive Information Statement

Payment of Filing Fee (Check the appropriate box.):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14(c)-5(g) and 0-11.

- 1) Title of each class of securities to which transaction applies:
- 2) Aggregate number of securities to which transaction applies:
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:
- 4) Proposed maximum aggregate value of transaction:
- 5) Total fee paid: \$ -0-

- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- 1) Amount Previously Paid:
- 2) Form, Schedule or Registration No.:

Edgar Filing: PACEL CORP - Form DEF 14C

- 3) Filing Party:
4) Date Filed:

-1-

PACEL CORPORATION
10108 Industrial Drive
Prineville, NC 28134

Notice of Proposed Action by Written Consent
of a
Two-Thirds of the Outstanding Common Stock
to be taken on or about January 15, 2005.

To the Stockholders of PACEL CORPORATION

Notice is hereby given that upon written consent by the holders of two-thirds (2/3) of the outstanding shares of common and preferred stock of the Company, the Company intends to take certain actions as more particularly described in this Information Statement. The actions will be effected on or after 20 days from the date this Information Statement is mailed to stockholders which is expected to be on or about January 15, 2004.

Only stockholders of record at the close of business on October 26, 2004 will be given Notice of the Action by Written Consent. The Company is not soliciting proxies.

By Order of the Board of Directors

/s/ GARY MUSSELMAN
President

WE ARE NOT ASKING YOU FOR A PROXY AND
YOU ARE REQUESTED NOT TO SEND US A PROXY.

-2-

Edgar Filing: PACEL CORP - Form DEF 14C

PACEL CORPORATION
10108 Industrial Drive
Prineville, NC 28134
Telephone (704) 643-0676

INFORMATION STATEMENT

CONSENT ACTION BY A MAJORITY OF STOCKHOLDERS WITHOUT A MEETING

This Information Statement is furnished to all holders of the common and preferred stock of the Company in connection with proposed action by holders of two-thirds (2/3) of the issued and outstanding shares of common and preferred stock of the Company to take the following actions:

- o Increase the authorized capital stock from 2 billion to 10 billion shares of common stock;
- o The change of the Company's state of incorporation from Virginia to Nevada;
- o The approval of the Employment Agreement of David Calkins;
- o The election of Gary Musselman; Joseph Amato; and Thorn Auchter as directors;

The actions are proposed to occur on or about January 15, 2005. This Information Statement is first being mailed to stockholders on or about December 27, 2004.

Only stockholders of record at the close of business on October 26, 2004 are entitled to notice of the action to be taken. There will be no vote on the matters by the shareholders of the Company because the proposed action will be accomplished by the written consent of two-thirds (2/3) of the shareholders of the Company as allowed by Section 13.1-657 of the Virginia Stock Corporation Act. Persons holding two-thirds (2/3) of the outstanding voting securities of the Company have unanimously adopted, ratified and approved resolutions to effect the actions described. No other votes are required or necessary. See the caption "Vote Required for Approval," below.

WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY

DISSENTER'S RIGHTS OF APPRAISAL

The Virginia Stock Corporation Act ("Virginia Law") does not provide for dissenter's rights of appraisal in connection with the corporate actions to be taken.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Board of Directors has fixed the close of business on October 26, 2004 as the record date for the determination of the common shareholders entitled to notice of proposed action by written consent. At the record date, the Company had outstanding 484,667,610 shares of no par value common stock. and 1,000,000 shares of Class "A" Convertible Preferred Stock . The Company's shareholders who hold in the aggregate 326,666,667 shares of the issued and outstanding shares of Common on the record date have signed a consent to the taking of the corporate actions described. This consent will be sufficient, without any further action, to provide the necessary stockholder approval of the action.

Edgar Filing: PACEL CORP - Form DEF 14C

CORPORATE ACTIONS TO BE TAKEN

INCREASE IN THE AUTHORIZED CAPITAL STOCK

The Company's current authorized capital stock consists of 2,000,000,000 shares of no par common stock, of which 484,667,610 shares are issued and outstanding, and 5,000,000 shares of preferred stock, of which 1,000,000 shares of Class "A" Convertible Preferred Stock are issued and outstanding. Management believes that it is in the best interests of the Company and its shareholders that the authorized common stock be increased to 10,000,000,000 shares. The increase in the authorized common stock will provide the Company with needed stock to enable it to undertake financing transactions in which the Company may employ the common stock, including transactions to raise working capital through the sale of common stock. Since the Board of Directors believes that the currently authorized number of shares may be not be sufficient to meet anticipated needs in the immediate future, the Board considers it desirable that the Company has the flexibility to issue an additional amount of Common Stock without further stockholder action, unless otherwise required by law or other regulations. The availability of these additional shares will enhance the Company's flexibility in connection with any possible acquisition or merger, stock splits or dividends, financings and other corporate purposes and will allow such shares to be issued without the expense and delay of a special stockholders' meeting, unless such action is required by applicable law or rules of any stock exchange on which the Company's securities may then be listed. At the present time, the Company has no plans, proposals or arrangement, written or otherwise, to issue any additional authorized shares of common stock.

In certain circumstances, a proposal to increase the authorized capital stock may have an anti-takeover effect. The authorization of classes of preferred or common stock with either specified voting rights or rights providing for the approval of extraordinary corporate action may be used to create voting impediments or to frustrate persons seeking to effect a merger or otherwise gain control of the Company by diluting the stock ownership of any persons seeking to obtain control of the Company. Management of the Company might use the additional authorized capital stock to resist or frustrate a third-party transaction which might provide an above-market premium that is favored by a majority of the independent shareholders. Management of the Company has no present plans to adopt any proposals or to enter into other arrangements that may have material anti-takeover consequences. There are no anti-takeover provisions in the Company's Articles of Incorporation, Bylaws or other governing documents.

CHANGE OF CORPORATE DOMICILE TO NEVADA

Management believes that it is in the best interests of the Company and its shareholders the Company change its corporate domicile from Virginia to Nevada. There are several reasons for the recommended change:

- o Nevada does not impose any corporate income tax;
- o There are no taxes on corporate shares;
- o There is no annual franchise tax;
- o The annual fees are nominal;

In order to accomplish change in corporate domicile, the Company will be in effect re-incorporated in Nevada through Articles and Agreement of Merger whereby the Company will be merged into a newly formed Nevada corporation having the identical corporate structure as the Company, after which the Nevada corporation will be the surviving corporation with all of the same assets, liabilities, shareholders and corporate identity as the Company. Attached to this Information Statement as Exhibit "A" is the proposed Articles and Agreement of Merger. The Company's transfer agent will act as the exchange agent for the purposes of

Edgar Filing: PACEL CORP - Form DEF 14C

-4-

implementing any exchange of stock certificates. As soon as practicable after the completion of the change to Nevada, shareholders will receive a letter of transmittal requesting them to surrender old stock certificates for new certificates reflecting the change. Persons who hold their shares in brokerage accounts or in street name will not be required to take any further action to effect the exchange of certificates. Shareholders should not destroy any stock certificates and should not submit any certificates until they received a letter of transmittal.

The common stock of the Company after the completion of the change of domicile to Nevada will have the same rights and preferences as currently exists. The Bylaws and Articles of Incorporation of the Company after the completion of the change of domicile will be identical in substance to the Company's current Bylaws and Articles of Incorporation, after the amendment disclosed in this Information Statement becomes effective.

The following is a summary description of the material differences and similarities between the Virginia Stock Corporation Act and the Nevada Business Corporation Act with respect to matters involving corporate governance by shareholders.

SHAREHOLDER ACTION -----	VIRGINIA -----	NEVADA -----
o Shareholder vote for amendments to Articles of Incorporation	Approval of 2/3 of shares entitled to vote.	Majority
o Consent action of shareholders without a meeting	Same vote required as if action taken at a meeting.	Majority
o Election and removal of Directors	Majority vote.	Majority
o Quorum required for shareholder meetings	Majority of issued and outstanding shares. However, bylaws may provide for not less than 1/3.	Majority issued outstanding voting
o Right of shareholders to call special meeting of the shareholders	Current bylaws permit holders of not less than 10% of issued and outstanding voting securities to call a special meeting.	Same by provisions apply.
o Inspection rights of shareholders	Must be shareholder for at least six months or the holder of at least 5% of all of the outstanding shares.	Same as

-5-

SHAREHOLDER ACTION -----	VIRGINIA -----	NEVADA -----
o Corporate records to be inspected	Meeting minutes;	Same as

Edgar Filing: PACEL CORP - Form DEF 14C

		accounting records; shareholder ledger.	but no minutes account records
o	Approval of Plan of Merger or Share Exchange	Approval of 2/3 of shares entitled to vote	Majorit
o	Sale of corporate assets not in the ordinary course of business	Approval of 2/3 of shares entitled to vote.	Majorit

As a consequence of the differences between the Virginia Stock Corporation Act and the Nevada Business Corporation Act, management of the Company believes there will be greater flexibility in the management of corporate affairs. This would include a lesser shareholder vote required in Nevada for the approval of amendments to the Articles of Incorporation; for consent action of shareholders without a meeting; for approval of Plans of Merger or Plans of Share Exchange; and the sale of corporate assets not in the ordinary course of business. The consequence to the Company's independent shareholders of the differences in applicable corporate governance between Virginia and Nevada is that many corporate actions can be taken by the holders of a simple majority of the outstanding shares without the need for a shareholders' meeting.

APPROVAL OF EMPLOYMENT AGREEMENT

Attached as Exhibit "B" is the Employment Agreement for David Calkins. The Board of Directors recommends the approval of this Employment Agreement. The Company seeks shareholder approval of Mr. Calkins' Employment Agreement because Mr. Calkins and his wife, F. Kay Calkins, were the only directors of the Company as of the date of the execution of the Employment Agreement. Consequently, there was no review and approval of the terms of the Employment Agreement by independent directors. The material provisions of the Employment Agreement are summarized as follows:

- o The term of the agreement is ten (10) years.
- o Base compensation is \$300,000 per year, subject to adjustment, plus an Incentive Bonus in an amount equal to 25% of the base compensation in each of the first two(2) years that the Company's earnings before income tax, depreciation and amortization ("EBITDA") is not less than one dollar (\$1.00). In addition, the Company will pay an Incentive Bonus in an amount equal to five percent (5%) of EBITDA for each fiscal year that EBITDA is at least \$200,000, but not greater than \$500,000. The Company will pay an Incentive Bonus in an amount equal to seven percent (7%) of EBITDA for each year that EBITDA is greater than \$500,000 but no greater than \$1 million. For any fiscal year during which EBITDA is greater than \$1 million, the Company will pay an Incentive Bonus in an amount equal to ten percent (10%) of EBITDA.
- o In the event of termination of employment by the Company, Mr. Calkins will be entitled to receive severance payments as follows:
 - o If termination occurs prior to September 9, 2005, he will be paid an amount equal to three (3) years of the then base compensation and Incentive Bonuses;

Edgar Filing: PACEL CORP - Form DEF 14C

- o If termination occurs between September 9, 2005 and September 9, 2006, he will be paid an amount equal to five (5) years of the then base compensation and Incentive Bonuses;
- o If termination occurs between September 9, 2006 and September 9, 2007, he will be paid an amount equal to seven (7) years of the then base compensation and Incentive Bonuses.
- o The Employment Agreement can be terminated upon ninety (90) days written notice. However, the Company can terminate the Employment Agreement for cause upon ten (10) written notice.

-7-

ELECTION OF DIRECTORS

The Company's current Board of Directors consists of two members, who are standing for election: David Calkins and F. Kaye Calkins. In addition, the following persons are nominated to serve as directors: Gary Musselman; Joseph

Edgar Filing: PACEL CORP - Form DEF 14C

Amato; and Thorn Auchter.

The Board of Directors has approved these nominees and their business experience is summarized below. The nominees have consented to their nomination and have agreed to serve.

NAME	AGE	BUSINESS EXPERIENCE DURING THE LAST FIVE (5) YEARS & OTHER INFORMATION
-----	-----	-----
David Calkins	60	Mr. Calkins founded the Company in 1994. He served as President, Chief Executive Officer and Chief Financial Officer of the Company until December 2003. From 1992 until the founding of the Company, Mr. Calkins was the regional manager of three divisions of Pacific Nuclear Corporation, now known as Vectra Technologies, Inc. From 1987 to 1993, Mr. Calkins served as Project Manager, Program Director, Vice President of Operations and Executive Vice President for Business Development for Pacific Nuclear Corporation.
F. Kay Calkins	45	Mrs. Calkins was the President of EBStor.com, Inc, an Internet and web development company until late 2003, when EBStor.com, Inc. ceased operations. Prior to her position with EBStor.com, Inc., Mrs. Calkins was Vice-President and Chief Operating Officer of the Company. Prior to her positions with the Company, she was President of CMC Services, a marketing and consulting firm based in Virginia.
Gary Musselman	49	Mr. Musselman was President/CEO of ECS Financial Management Services, LLC, a national call center business, from 1998 to late 2000. From late 2000 until June 2002, he served as a mergers and acquisitions consultant in the Washington, DC area. From June 2002 until March 2004, Mr. Musselman was the Chief Financial Officer of Grace Global US, an international media company.
Joseph Amato	47	Mr. Amato was a Managing Director of American Express Tax and Business Services specializing in commercial finance from June 1998 until late 2000. From late 2000 until July 2003, Mr. Amato was the Senior Vice President of Southern Financial Bank in the metropolitan Washington, DC area. Since July 2003, he serves as the principal in JGA Associates, LLC a consulting firm specializing in commercial finance, mergers and acquisitions. Mr. Amato is the past recipient of the US Small Business Administration Financial Services Advocate of the Year.
Thorn Auchter	62	Mr. Auchter has been the President of

Edgar Filing: PACEL CORP - Form DEF 14C

Auchter, Inc., a business and regulatory consulting firm in Washington, DC since 1996. Mr. Auchter is the former US Department of Labor-Assistant Secretary of Labor for Occupational Safety and Health Administration in the Reagan administration. He is a former member of the National Commission on Risk Assessment and Management, appointed by President George H.W. Bush.

=====

Family Relationships; Board Meetings; Committees

David Calkins and F. Kay Calkins are husband and wife. There are currently no audit, nominating or compensation committees of the Board.

-8-

SECURITY OWNERSHIP OF EXECUTIVE OFFICERS, DIRECTORS

AND FIVE PERCENT STOCKHOLDERS

The following table sets forth certain information concerning the ownership of the Company's Common Stock as of October 26, 2004, with respect to: (i) each person known to the Company to be the beneficial owner of more than five percent of the Company's Common Stock; (ii) all directors; and (iii) directors and executive officers of the Company as a group. To the knowledge of the Company, each shareholder listed below possesses sole voting and investment power with respect to the shares indicated.

TITLE OF CLASS	NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP
Common Stock	Gary Musselman 10108 Industrial Dr. Prineville, NC 28134	-0-
Common Stock	David Calkins 10108 Industrial Dr. Prineville, NC 28134	6,002
Common Stock	F. Kay Calkins 10108 Industrial Dr. Prineville, NC 28134	6,001
Common Stock	Compass Capital Group (a) 813 Shades Creek Rd. Ste. 100B Birmingham, AL 35209	35,000,000
Common Stock	Kentan Ltd. (b) 813 Shades Creek Rd. Ste 100B Birmingham, AL 35209	35,000,000
Common Stock	Reef Holdings Ltd. (c) 813 Shades Creek Rd. Ste 100B Birmingham, AL 35209	35,000,000

Edgar Filing: PACEL CORP - Form DEF 14C

Common Stock	Yanzu, Inc. (d) Cape Building Leeward Highway Providencials Turks & Caicos British Indies	221,666,667
-----	-----	-----
Common Stock	All Executive Officers and Directors as a Group (3 persons)	12,003
-----	-----	-----

-9-

- (a) Mark Lefkowitz has the voting and dispositive power with respect to the shares held by Compass Capital Group.
- (b) (d) Hugh O'Neil has the voting and dispositive power with respect to the shares held by Kentan Ltd. and Yanzu, Inc., respectively;
- (c) Dale Peters has the voting and dispositive power with respect to the shares held by Reef Holdings Ltd.

DESCRIPTION OF CAPITAL STOCK AND VOTING RIGHTS

The Company's authorized capital consists of 2,000,000,000 shares of Common Stock, no par value and 5,000,000 shares of Preferred Stock, no par value. As of October 26, 2004, there were 484,667,610 shares of Common Stock outstanding and 1,000,000 shares of Class "A" Convertible Preferred Stock outstanding. The holders of Common Stock and the holders of the Class "A" Convertible Preferred Stock are each entitled to vote on all matters to come before a vote of the stockholders of the Company.

VOTE REQUIRED FOR APPROVAL

Section 13.1-707 of the Virginia Stock Corporation Act provides an outline of the scope of the amendments of the Articles of Incorporation allowed a Virginia Corporation. This includes the amendment discussed in this Information Statement. The procedure and requirements to effect an amendment to the Articles of Incorporation of a Virginia corporation are set forth in Section 13.1-710 provides that proposed amendments must first be adopted by the Board of Directors and then submitted to stockholders for their consideration at an annual or special meeting and must be approved by two-thirds (2/3) of the outstanding voting securities.

Section 13.1-657 of the Virginia Stock Corporation Act provides that any action required to be taken at a special or annual meeting of the stockholders of a Virginia corporation may be taken by written consent, in lieu of a meeting, if the consent is signed by stockholders owning not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting at which all shareholders entitled to vote were present and voted.

The Board of Directors of the Company and persons owning and having voting power in excess of two-thirds of the outstanding voting securities of the Company have adopted, ratified and approved the amendment to the articles of incorporation increasing the authorized capital stock, and other corporate actions described in this Information Statement. No further votes are required or necessary to effect the proposed amendment, or the other corporate actions to be taken.

The securities that would have been entitled to vote if a meeting was required

Edgar Filing: PACEL CORP - Form DEF 14C

to be held to amend the Company's Articles of Incorporation consist of 484,667,610 shares of the Company's no par value common stock and 1,000,000 shares of Class "A" Convertible Preferred Stock issued and outstanding as of October 26, 2004, the record date for determining stockholders who would have been entitled to notice of and to vote on the proposed amendment to the Articles of Incorporation.

-10-

INTEREST OF CERTAIN PERSONS IN

OR OPPOSITION TO MATTERS TO BE ACTED UPON

No person who has been a director or officer of the Company at any time since the beginning of the last fiscal year, nominee for election as a director of the Company, nor associates of the foregoing persons has any substantial interest, direct or indirect, in proposed amendment to the Company's Articles of Incorporation which differs from that of other stockholders of the Company. No director of the Company opposes the proposed amendment of the Company's Articles of Incorporation or any of the other corporate actions to be taken.

ADDITIONAL INFORMATION

Additional information concerning the Company, including its annual and quarterly reports for the previous twelve months which have been filed with the Securities and Exchange Commission may be accessed through the Securities and Exchange Commission EDGAR archives at www.sec.gov. Upon written request of any stockholder to the Company's President, Gary Musselman, at 10108 Industrial Drive, Prineville, NC 28134, a copy of the Company's Annual Report on Form 10-KSB for the year ended December 31, 2003, will be provided without charge.

Dated: December 24, 2004

By Order of the Board of Directors

/s/ GARY MUSSELMAN
President

-11-

EXHIBIT "A"

ARTICLES AND AGREEMENT OF MERGER

ARTICLES AND AGREEMENT OF MERGER

DATED: _____, 2005

BETWEEN: PACEL CORPORATION
a Virginia corporation ("Pacel-Virginia")

AND: PACEL CORPORATION
a Nevada corporation ("Pacel-Nevada")

WHEREAS, Pacel-Virginia and Pacel-Nevada wish to provide for the terms and conditions upon which a merger of Pacel-Virginia with and into Pacel-Nevada would be consummated for the sole purpose of changing the corporate domicile of Pacel-Virginia from Virginia to Nevada; and

WHEREAS, the Board of Directors of Pacel-Virginia and Pacel-Nevada, respectively, have deemed it desirable and in the best interests of the corporations and their shareholders that the merger should take place, and have approved the merger pursuant to the terms of this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements contained herein, the parties agree as follows:

ARTICLE I

THE MERGER AND RELATED MATTERS

1.01 The Merger

-
- (a) Subject to the terms and conditions of this Agreement, at the Effective Date, as defined in Section 1.01(b), Pacel-Virginia shall be merged with and into Pacel- Nevada in accordance with the provisions of the Business Corporation Acts of the States of Virginia and Nevada, respectively ("Corporation Acts"), and the separate existence of Pacel-Virginia shall cease and Pacel-Nevada shall continue as the surviving corporation under the laws of the State of Nevada under the name "Pacel Corporation". ("Surviving Corporation").
 - (b) The merger shall become effective at the time of filing Articles of Merger under the Corporation Acts. The date when the merger shall become effective is hereinafter referred to as the "Effective Date."
 - (c) On the Effective Date, the Surviving Corporation shall thereafter possess all assets and property of every

Edgar Filing: PACEL CORP - Form DEF 14C

description, and the rights, privileges, powers and authority of Pacel-Virginia and Pacel-Nevada, and all obligations belonging to or due to each of Pacel-Virginia and Pacel-Nevada. The Surviving Corporation shall be liable for all obligations of each of Pacel-Virginia and Pacel-Nevada, including liability to dissenting shareholders as referred to in Section 1.03.

Articles and Agreement of Merger - Page 1

1.02 Exchange of Shares

On the Effective Date, the then issued and outstanding shares of voting common stock of Pacel-Virginia shall be exchanged for an equal number of shares of fully paid and nonassessable voting common stock in the Surviving Corporation. The voting common stock of Pacel-Virginia so exchanged shall be cancelled and returned and shall no longer be considered issued or outstanding. On the Effective Date, there shall be outstanding shares of the common stock of the Surviving Corporation.

10.3 Articles of Incorporation and Bylaws of Surviving Corporation

The Articles of Incorporation and Bylaws of Pacel-Nevada, as in effect on the Effective Date, shall be the Articles of Incorporation and Bylaws of the Surviving Corporation until amended as provided by law.

1.04 Directors and Officers of the Surviving Corporation

The officers and directors of the Surviving Corporation shall be as follows:

NAME	TITLE
----	-----
Gary Musselman	President, Director
David Calkins	Director
F. Kaye Calkins	Director
Joseph Amato	Director
Thorn Auchton	Director

The directors shall hold office subject to the provisions of the Bylaws of the Surviving Corporation until the next annual shareholders' meeting of the Surviving Corporation and until their respective successors have been duly elected or appointed and qualified. Such officers shall hold office subject to the provisions of the Articles of Incorporation and Bylaws of the Surviving Corporation until their respective successors have been duly elected or appointed, and have been duly qualified.

ARTICLE II

WARRANTIES AND REPRESENTATIONS

2.01 Warranties and Representations of Pacel-Virginia

Edgar Filing: PACEL CORP - Form DEF 14C

Pacel-Virginia hereby warrants and represents to Pacel-Nevada as follows:

- (a) Due Organization; Good Standing and Corporate Power. Pacel-Virginia is a corporation duly organized, validly existing and in good standing under the laws of the State of Virginia and has all requisite corporate power and authority to own, lease, and operate its properties and to carry on its business as now being conducted.
- (b) Capitalization. On the Effective Date, the authorized capital stock shall consist of 10,000,000,000 shares of voting common stock, no par value, and 5,000,000 shares of preferred stock. All issued and outstanding shares of common stock have been validly issued and are fully paid and nonassessable. There are 1,000,000 shares of preferred stock issued and outstanding.

Articles and Agreement of Merger - Page 2

- (c) Authorization and Validity of Agreement. Pacel-Virginia has full corporate power and authority to execute and deliver this Agreement, and has obtained the necessary approval of its shareholders, to consummate the merger. The execution, delivery and performance by the Company of this Agreement have been authorized by its Board of Directors. This Agreement is a valid and binding obligation of the Company, enforceable against it in accordance with its terms.
- (d) No Consents or Approvals Required. The execution and delivery of this Agreement will not (i) conflict with, or violate any provision of the Articles of Incorporation or Bylaws of Pacel-Virginia, (ii) conflict with or violate any law, rule, regulation, order, writ, injunction, judgment or decree applicable to Pacel-Virginia or by which any of its properties or assets are found or affected; or (iii) conflict with or result in any breach of or constitute a default under, or give to others any rights of termination or cancellation of or result in the creation of any lien, charge or encumbrance on any of the properties or assets of Pacel-Virginia pursuant to any note, bond, mortgage, indenture, deed of trust, lease, or any other instrument to which Pacel-Virginia is a party.
- (e) Litigation or Administrative Proceedings. There are no suits, actions, legal or administrative proceedings or investigations pending or threatened against Pacel-Virginia of which Pacel-Nevada has not been advised, which, if adversely determined, would materially and adversely affect the financial condition of Pacel-Virginia or the conduct of its business.

2.02

Warranties and Representations of Pacel-Nevada

Pacel-Nevada hereby warrants and represents to Pacel-Virginia as follows:

- (a) Due Organization; Good Standing and Corporate Power. Pacel-Nevada is a corporation duly organized and validly existing and in good standing under the laws of the state

Edgar Filing: PACEL CORP - Form DEF 14C

of Nevada and has all requisite corporate power and authority to own, lease, and operate its properties and to carry on the business as now being conducted.

- (b) Capitalization. The authorized capital stock consists of 10,000,000,000 shares of voting common stock, no par value, and 5,000,000 shares of preferred stock. All issued and outstanding shares of common stock and preferred have been validly issued and are fully paid and nonassessable.
- (c) Authorization and Validity of Agreement. Pacel-Nevada has full corporate power and authority to execute and deliver this Agreement and to consummate the merger. The execution, delivery and performance by Pacel-Nevada of this Agreement have been authorized by the Board of Directors. This Agreement is a valid and binding obligation of Pacel-Nevada, enforceable against it in accordance with its terms.
- (d) No Consents or Approvals Required. Neither the execution nor the delivery of this Agreement will (i) conflict with, violate, or result in a breach of any provision of the Articles of Incorporation or Bylaws of Pacel-Nevada, (ii) conflict with, or violate any law, rule, regulation, order, writ, injunction, judgment or decree applicable to Pacel-Nevada, or by which any of its properties or assets may be found or affected; or (iii) conflict with or result in any breach of or constitute a default under or give to others any rights of termination or cancellation of or result in the creation of any lien, charge or encumbrance on any of the properties

Articles and Agreement of Merger - Page 3

or assets of Pacel-Nevada pursuant to any note, bond, mortgage, indenture, deed of trust, lease or any other instrument to which Pacel-Nevada is a party.

- (e) Litigation or Administrative Proceedings. There are no suits, actions, legal or administrative proceedings or investigations pending or threatened against Pacel- Nevada of which Pacel-Virginia has not been advised, which, if adversely determined, would materially and adversely affect the financial condition of Pacel-Nevada or the conduct of its business.

ARTICLE III

CONDITIONS TO THE MERGER

3.01 Conditions Precedent to Obligations of Pacel-Virginia and Pacel-Nevada

The respective obligations of Pacel-Virginia and Pacel-Nevada to consummate the merger under this Agreement are subject to the satisfaction or waiver of each of the following conditions:

- (a) The approval of the shareholders of Pacel-Virginia shall have been obtained in accordance with the Corporation Acts.

Edgar Filing: PACEL CORP - Form DEF 14C

- (b) No order, statute, regulation, injunction, decree or restraining order shall have been enacted, entered or enforced by any court of competent jurisdiction or governmental authority that prohibits the consummation of the merger.
- (c) All regulatory authorizations necessary to carry out the merger shall have been received.

Pacel-Virginia and Pacel-Nevada each agree to use their best efforts to fulfill all conditions precedent referred to herein and to do all things necessary to consummate the merger.

ARTICLE IV

TERMINATION AND ABANDONMENT

4.01 Termination

This Agreement may be terminated and the merger abandoned, at any time prior to the Effective Date, whether before or after the approval of the merger by the shareholders of Pacel-Virginia and Pacel-Nevada, respectively, by mutual consent of the Board of Directors of Pacel-Virginia and Pacel-Nevada.

4.02 Effect of Termination

In the event of the termination of this Agreement pursuant to Section 4.01, this Agreement shall become void and have no effect and there shall be no liability hereunder on the part of Pacel-Virginia or Pacel-Nevada or any of their respective officers, directors, employees, agents or shareholders.

Articles and Agreement of Merger - Page 4

ARTICLE V

MISCELLANEOUS

5.01 Entire Agreement

This Agreement contains the entire agreement of the parties with respect to the merger and supercedes all prior agreements and understandings oral and written with respect thereto.

5.02 Amendment and Modification

To the extent permitted by applicable law, at or prior to the Effective Date this Agreement may be amended, modified or supplemented by written agreement of the respective Boards of Directors of Pacel-Virginia and Pacel-Nevada, whether before or after the vote of the shareholders of Pacel-Virginia and Pacel-Nevada.

Edgar Filing: PACEL CORP - Form DEF 14C

5.03 Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original.

5.04 Applicable Law

This Agreement and the legal relations between Pacel-Virginia and Pacel-Nevada shall be governed by and construed in accordance with the laws of the State of Nevada

IN WITNESS WHEREOF, Pacel-Virginia and Pacel-Nevada have each caused this Agreement to be executed by their respective officers duly authorized as of the date first above written.

PACEL CORPORATION, a Virginia corporation

By: _____
President

PACEL CORPORATION, a Nevada corporation

By: _____
President

Articles and Agreement of Merger - Page 5

EXHIBIT "B"

EMPLOYMENT AGREEMENT
FOR
DAVID E.CALKINS

EMPLOYMENT AGREEMENT

This Agreement dated and effective as of September 9, 2004, by and between PACEL CORP., a Virginia corporation, hereinafter the "Employer", and DAVID E. CALKINS, hereinafter the "Employee."

1. EMPLOYMENT. Employer hereby employs the Employee and the Employee hereby accepts employment as Chairman of the Board of Directors upon the terms and conditions hereinafter set forth.

2. TERM OF AGREEMENT. Subject to the provisions for termination hereinafter provided, this Agreement shall begin on September 9, 2004 and continue for a ten year period, until September 9, 2014.

3. COMPENSATION AND BENEFITS.

SALARY & BENEFITS. Employer shall pay Employee a salary of \$300,000 per year, which amount may be adjusted from time to time by mutual agreement of Employer and Employee. The employer shall also pay for employee's \$1.1 million dollar retirement insurance program including any and all employee tax payments (a "Gross-Up Payment"), and such other and similar deductions as the law now or may from time to time require.

A. WITHHOLDINGS. Employer shall make deductions from Employee's compensation for federal and state income taxes, social security taxes, and such other and similar deductions as the law now or may from time to time require.

Edgar Filing: PACEL CORP - Form DEF 14C

B. BUSINESS EXPENSES. Employer shall reimburse Employee for expenses reasonably incurred in the course of his employment, in accordance with Employer's policies in effect from time to time.

C. SEVERANCE PAYMENTS UPON TERMINATION OF EMPLOYMENT. In the event Employer terminates this Agreement for any reason other than for Cause (as defined below), then Employee shall be entitled to receive the following severance payments:

(i) if termination of this Agreement occurs prior to September 9, 2005, then Employee shall, upon notice of termination, receive an amount equal to three (3) years of Employee's most recent base annual salary, commissions and benefits. The company shall also make a single payment to complete the retirement insurance package in its entirety

(ii) if termination of this Agreement occurs between September 9, 2005 and September 9, 2006, then Employee shall receive an amount equal to five (5) years of Employee's most recent base annual salary, commissions and benefits. Such sum shall be payable, at Employer's option, either in full on the date Employer terminates this Agreement, or in two (2) equal installments, the first installment on the date Employer terminates this Agreement and the second installment on the first anniversary of the date

Employer terminates this Agreement. The company shall also make a single payment to complete the retirement insurance package in its entirety;

(iii) if termination of this Agreement occurs between September 9, 2006 and September 9, 2007, then Employee shall receive an amount equal to seven (7) years of Employee's most recent base annual salary, commissions and benefits. Such sum shall be payable, at Employer's option, either in full on the date Employer terminates this Agreement, or in two (2) equal installments, the first installment on the date Employer terminates this Agreement and the second installment on the first anniversary of the date Employer terminates this Agreement. The company shall also make a single payment to complete the retirement insurance package in its entirety;

(iv) if termination of this Agreement occurs on or after September 9, 2007, then Employee shall receive an amount equal to seven (7) years of Employee's most recent base annual salary, commissions and benefits and a one time bonus of two years salary . Such sum shall be payable, at Employer's option, either in full on the date Employer terminates this Agreement, or in two (2) equal installments, the first installment on the date Employer terminates this Agreement and the second installment on the first anniversary of the date Employer terminates this Agreement.

In the event any payment by Employer pursuant to the terms of this paragraph 3(D) ("Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, or any interest or penalties are incurred by Employee with respect to such excise tax (collectively, the "Excise Tax"), then the Employee shall be entitled to receive

Edgar Filing: PACEL CORP - Form DEF 14C

an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Employee of all taxes (including any income taxes) and the Excise Tax imposed on the Gross-Up Payment, the Employee retains an amount of the Gross-Up Payment equal to the Excise Tax imposed on the Payment. All determinations required to be made under this section shall be made by the Employer's regular accounting firm and all fees and expenses of such accounting firm shall be borne solely by Employer. Any Gross-Up Payment shall be paid to Employee within ten (10) days of Employer's receipt of the accounting firm's determination.

Notwithstanding any other provisions contained herein, Employee shall not be entitled to the sums above if Employee voluntarily resigns his employment under this Agreement.

For purposes of this paragraph, "Cause" is defined as any of the following: Employee's commission of an act of fraud against Employer; Employee's conviction of a felony adversely affecting the professional reputation or standing of Employer; and Employee's willful failure or refusal to faithfully and diligently perform the usual customary duties of his employment and adhere to the provisions of this Agreement.

2

Employer's obligation to pay severance benefits under this paragraph is expressly conditioned upon Employee's execution and delivery to Employer of a Release Agreement unconditionally releasing all of Employee's rights to any claims, charges, complaints, grievances, known or unknown to Employee against Employer, through the date of Employee's termination from employment; and a representation and warranty that Employee has not filed or assigned any claims, charges, complaints, or grievances against Employer.

E. VACATION AND TIME OFF. Employee shall be entitled to a minimum eight (8) weeks of vacation time in each calendar year. Minimum unused vacation time may be accumulated.

F. BENEFITS. Employee shall be eligible to receive Employer's benefits package offered to other of Employer's executive personnel. Employer agrees to pay 100% of Employee's health and dental premiums for family coverage.

G. INCENTIVE BONUS PLAN. Employer shall provide Employee with an Incentive Bonus Plan ("Plan"). Employer shall pay to Employee a bonus in an amount equal to 25% of Employee's base annual salary in each of the first two (2) fiscal years that Employer's EBITDA is one dollar (\$1.00) or greater.

Additionally, Employer shall pay Employee an amount equal to five percent (5%) of the EBITDA for each fiscal year EBITDA is at least \$200,000 but not greater than \$500,000. Employer shall pay Employee an amount equal to seven percent (7%) of the EBITDA for each fiscal year EBITDA is greater than \$500,000 but not greater than \$1 million. Employer shall pay Employee an amount equal to ten percent (10%) of the EBITDA for each fiscal year EBITDA is greater than \$1 million. Such payments shall be due and payable upon the completion of Employer's year-end audit by an independent auditor.

4. INDEMNIFICATION. Employer shall indemnify and hold Employee harmless

Edgar Filing: PACEL CORP - Form DEF 14C

from and against any and all liability and expense of any kind, including legal costs and reasonable attorney's fees, arising out of or in connection with Employee's acting within the scope of his employment of official duties and in conformity with this Agreement, the Employer's by-laws and the mandates of the Employer's Board of Directors, where such liabilities and expenses are not paid by Employer's liability insurance.

5. DUTIES AND REPORTING STRUCTURE. Employee shall devote such time and attention as is necessary to performance of his duties and pledges his active, industrious and full participation in the Employer's undertakings. Employer agrees that Employee shall report to the Board of Directors. Employer also agrees that Employee shall be appointed to the Employer's Board of Directors by the Chairman of the Board of Directors. Employer further agrees that if Employee is not elected to the Employer's Board of Directors by the Employer's shareholders, then Employee shall serve as an ex officio member of the Board of Directors.

6. NON-SOLICITATION. Employee agrees and covenants that at any time during the term of his employment with Employer and for a period of one (1) year from the last day of employment with the Employer, Employee shall not solicit, or directly or indirectly

3

influence any of Employer's employees to terminate their employment with Employer or accept employment with any of Employer's competitors.

7. CONFIDENTIALITY. Employee recognizes that by virtue of his position with Employer, he will have access to certain confidential information of Employer, such as customer lists, customer information, administrative systems, software, pricing policies, strategic plans and information on new product development (hereinafter referred to as "Confidential Information"). Employee recognizes that the Confidential Information is confidential and highly valuable to Employer and is the source of Employer's original and repeat business. Employee agrees that he will not disclose to any person or corporation any Confidential Information, except pursuant to his employment under this Agreement.

8. TERMINATION. Either the Employer or the Employee may terminate this Agreement upon ninety (90) days written notice to the other party. However, in the event that Employer has sufficient grounds to properly terminate this Agreement for Cause, as defined above, then, at the option of Employer, this Agreement may be terminated upon five (5) days written notice to Employee. Upon termination by Employer, without cause, then Employee shall be entitled to receive the severance payments as described above.

Employee further agrees that upon any termination of employment, all property of the Employer shall be immediately returned in the same condition it was received, less reasonable wear and tear.

9. ENTIRE AGREEMENT. This Agreement contains the entire Agreement of the parties and may be amended at any time, so long as such amendment is in writing and signed by both parties.

10. APPLICABLE LAW AND JURISDICTION. This Agreement shall be governed and construed by and under the substantive and procedural laws of the

Edgar Filing: PACEL CORP - Form DEF 14C

Commonwealth of Virginia. The parties hereby stipulate and agree that the state and federal courts sitting in Washington, Virginia, shall have personal jurisdiction over the parties, and that venue is proper in such courts for all actions or proceedings with respect to this Agreement. Accordingly, the parties waive all objections to such jurisdiction and venue and agree and stipulate that neither party shall, in any action brought with respect to this Agreement, deny or contest jurisdiction in such forums. However, if an action is filed in the Commonwealth of Virginia court, this provision shall not preclude either party from removing the action to the appropriate federal court, if such removal is proper.

11. ATTORNEYS' FEES. The expenses and costs, including, without limitation, attorneys' fees, incurred by the prevailing party with respect to any claim, suit or legal proceeding arising out of, under, or in connection with, this Agreement shall be paid by the non-prevailing party.

4

12. WAIVER. Failure of a party at any time to require performance of any provision of this Agreement shall not limit the party's right to enforce the provision, nor shall any waiver of any breach of any provision be a waiver of any succeeding breach of any provision or a waiver of the provision itself or any other provision.

13. TITLES AND CAPTIONS. All article, section and paragraph titles or captions contained in this Agreement are for convenience only and shall not be deemed part of the context nor affect the interpretation of this Agreement.

14. PRONOUNS AND PLURALS. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons may require.

15. SAVINGS CLAUSE. If any provision of this Agreement, or the application of such provision to any person or circumstance, shall be held invalid, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

16. CONSTRUCTION. This Agreement shall be interpreted without regard to any presumption or rule requiring construction against the party causing this Agreement to be drafted.

17. COUNTERPARTS. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same agreement.

18. NOTICE. Whenever notice is required under this Agreement, it shall be deemed to have been given if sent via certified mail, return receipt requested, or via commercial overnight delivery service to the Employer's president at the Employer's main office, or to Employee at Employee's residence.

Edgar Filing: PACEL CORP - Form DEF 14C

19. INCLUSION OF SUBSIDIARIES. When the term "Employer" is used herein, it shall mean Pacel Corporation and each of its wholly-owned, majority owned and legally controlled subsidiaries.

20. LEGAL COUNSEL. Employee acknowledges that he has been afforded a reasonable opportunity to review this Agreement, to understand its terms, and to discuss it with an attorney of his choice, and that he knowingly and voluntarily enters into this Agreement.

IN WITNESS WHEREOF, each of the parties has executed this Agreement on the respective dates indicated below.

Date: September 9, 2004

/s/ DAVID E. CALKINS

David E. Calkins

5

14048 Lee Highway
Amissville, VA 20106

Date: September 9, 2004

PACEL CORPORATION

By: /s/ DAVID CALKINS

David Calkins

Its Chairman of the Board

