

PACE INDUSTRIAL ENTERPRISES
d/b/a The Delta Trace

CONCEPT AND PROSPECTUS STATEMENT

Pace, Mississippi

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Concept and Prospectus Statement

LOCAL
ECONOMIC
DEVELOPMENT
CONCEPT

The economic dynamic is made up of three broad parts: agriculture, commerce and industry. The concept of local economic development was born out of a response to a growing trend toward urban areas and large, highly technical industrial complexes. Therefore, to a large degree, the focus of economic development needs to be on the rural area. In the rural context, however, the most logical arena of development, that of agriculture, is already a large, highly technical agri-business complex which has outpaced the skills and financial capability of most rural citizens. The next economic arena is the arena of commerce. Stores, banks, service stations and the like were needed support activities to the small farmer and supplied his business and personal needs. The commercial arena keeps money in the community by providing payroll and keeps money in circulation. This function breaks down when the money flow into the community stops. The larger, more technical agri-business of this day and age requires more technical service and a larger capital base than the typical rural town in this country can provide. Therefore, the commercial services previously located in small towns are no longer available, or find themselves severely limited in services they are able to provide. What is needed is a new influx of money into the community. This means the community must invent an "export" industry which sells its product outside the community in order for the existing commercial enterprises to keep the money in the community for as long as possible. Therefore, industrial development at the local level is the focus. A product must be produced which will be sold outside the community to bring new money into the community to be spent on payroll and services. The invention, structure and description of such an industry along the concept of "local economic development" is the subject of this prospectus.

LOCAL
INDUSTRY
FRAMEWORK
AND
STRUCTURE

The establishment of a viable industrial venture in a small town rural context presupposes several things and requires certain legal considerations. These considerations are basic and common when the pre-suppositions are common and do not depend on the product being manufactured nor the size of the operation.

The pre-suppositions are:

1. the industry be owned and controlled locally
2. the industry is designed to make a respectable profit
3. the industry utilize available technology and production methods

4. the industry employ local citizens
5. the industry provide ownership and production incentives to its employees
6. the industry promote broad participation throughout the community
7. the industry limit financial liability and equalize ownership.

With that as a basic framework, the legal structure can be created along the following guidelines:

1. For profit stock company
2. Class "A" voting common stock
3. ~~Class "B" non-voting common stock~~
4. \$10. per share
5. Ownership limited to (Class "A"):
 - a. No more and no less than ten shares per person
 - b. Pace residents
 - c. 50% reserved for employees
 - d. Employee bonus plan designed monthly
6. S.E.C. registration not required.
7. ~~Class "B" reserved for investors outside Pace~~
~~with a maximum of 100 shares~~
8. The Board of Directors may include non-voting members from outside the community.

There are many more structural issues and legal points which will be covered as the specific industry is developed. The specific industry under consideration in Pace does not violate these guidelines and legal structures.

ETCHED
MARBLE
PRODUCT
LINES

Etched marble gift line merchandise is relatively new. It utilizes modern technology and locally available resources. The product is made using marble dust, epoxy resins and an electro-litho calligraphy metal plate molding process. The finished product looks like a picture, scene or portrait carved or etched into the marble surface with a fine knife and takes on a three dimensional appearance due to the depth and thickness of the cut. Once the technology is in place, the production process is labor intensive and uses locally available skills. 100% of the resources needed- raw materials, technology and labor are available within 150 miles of Pace. With these issues out of the way, the focus becomes one of market. What is the product line and how will it be sold? The market, product, volume and sales expense are determined by the market area, product lines, content and vehicle. Our market area will be the "South" and our lines will be sold under the trade name of "The Delta Trace". With this Southern motif, four lines will be developed. The four lines and initial content are as follows:

1. The Classic Heritage Line:
 - a. Plantation home such as Longwood in Natchez
 - b. Mississippi paddle wheeler like the Delta Queen
 - c. The magnolia blossom
 - d. Confederate cannon and flag.

2. The animals of the South line:
 - a. Largemouthed black bass
 - b. White-tail deer
 - c. The state bird- mockingbird
 - d. wild turkey
3. The personalities of Democracy line:
 - a. Andrew Jackson
 - b. Abraham Lincoln
 - c. John F. Kennedy
 - d. Martin Luther King, Jr.
4. The Freedom Papers line:
 - a. The Declaration of Independence
 - b. The Gettysburg Address
 - c. The Bill of Rights
 - d. Service corps creeds

Once the market area, lines and content have been identified, a suitable vehicle must be created. Such vehicles might include:

1. Framed pictures
2. Ink pen desk set holders
3. Book-ends
4. Paper weights
5. Trophy risers
6. Belt buckles
7. Wall plaques
8. Ear-rings
9. Lapel pens
10. Cuff links

Now that the market area, product lines, content and vehicle have been decided, the most crucial arena of business can be addressed. To whom and how do we get our product sold?

MARKETING
TARGETS
AND
SALES
METHODS

The immediate targets appear to be gift shops and jewelry stores. Another target area is chain stores. However, before we choose our market targets, our capability to get the product before the customer must be considered, given our current position in the market place and our sales ability. There are several ways our product can get to our customer. A proper sales method must be selected, and if appropriate, expanded to the next phase. Sales methods fall into several types. Some are:

1. Direct sales using "in house" sales force
2. Sales reps using independent salespeople usually representing several clients and lines of merchandise on a commission basis.
3. Merchandise brokers utilize an established industry or set of customers to serve and handle product lines on a selected basis. They usually have their own sales force and carry their own accounts receivable. Wholesale brokers are generally found in the "commodity" products.

4. Mail order using one or more direct mail magazine promotion methods. Two mail order type marketing methods are bonus stamp catalogues and redemption centers and the gift brochure and magazine publishing industry.

Given our present situation, the latter market method seems most advantageous. The mail order magazine promotion method gets the product "in front" of a mass market. However, we may still wish to target such markets as:

1. Universities
2. Military
3. Corporations
4. National monument tourist centers
5. Service clubs
6. Fraternities
7. State gift shops (flag, bird, animal, flower)
8. Custom orders
9. Church & religious groups
10. Limited editions

START-UP
AND
FINANCING

Due to the research already done over the past several months, the market advantages open for regional marketing, and the development of the production process, we believe the first group of samples can be produced for \$1,000. or less. The D.P.C.A. (Delta Pace Community Association) can loan \$1,000. interest free for six months to P.I.E. (Pace Industrial Enterprises). The legal incorporation of P.I.E. and the sale of stock can repay the D.P.C.A. well within the six month term. After the samples are made and market tested, full production can begin toward a first year goal of \$250,000. to \$500,000. in sales. This sales volume will require about \$25,000. for building repair, alteration, plant lay-out, fixed equipment, plant and office equipment, expenses, salaries, fees, etc. for operations to break even within the first year. A \$25,000. one year irrevokable letter of credit can be obtained to secure a loan for P.I.E. This short-term loan will be refinanced with a permanent loan through one of several institutions, such as:

1. National Rural Development and Finance Corporation
2. Small Business Administration
3. Opportunity funding
4. Community Services Administration
5. State Small Business Loan Guaranty Program
6. State Minority Business Assistance
7. Economic development Administration

The \$25,000 letter of credit can be secured by June 1, 1980 and the refinancing package can be begun by next week.