MACE SECURITY INTERNATIONAL INC.

Moderator: Sarah Din
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2:00 p.m. ET

Operator: Good afternoon. My name is (Melinda) and I'll be your conference operator today. At this time, I would like to welcome everyone to the Mace Rights Offering conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question and answer session. If you would like to ask a question during this time, simply press star then the number one on your telephone keypad. If you would like to withdraw your question, please press the pound key. Thank you.

Sarah Din, you may begin your conference.

Sarah Din: Thank you, (Melinda). Welcome to Mace Security International's Rights Offering conference call. My name is Sarah Din, and I'm the MarCom Manager for Mace. Joining me on this call today is Dennis Raefield, the company's CEO and President, who will be speaking regarding Mace's current operating strategies. We also have Greg Krzemien, the company's Chief Financial Officer who will discuss the terms of the (Right) Offering. And, in addition, we have Richard Barone, a director of the company and chairman of the Ancora Group. Mr. Barone will be commenting on the Rights Offering on behalf of Ancora, the dealer-manager for the offering and Merlin Partners, a significant investor in the company.

Now, before I turn over the call to Greg there, some general housekeeping matters that we want to address. Certain statements and information during this conference call will constitute forward-looking statements within the meaning of the Federal Private Securities Litigation Reform Act of 1995.

When used during a conference call, the words or phrases – will likely result, are expected to, will continue, is anticipated, estimate, projected, and intend to or similar impressions are intended to identify forward-looking statements within the meaning of the Federal Private Securities Litigation Reform Act of 1995. Such statements are subjected to certain risks, known and unknown, and uncertainties, including but not limited to – economic conditions, limit of capital resources and the ability of management to effectively manage the business and integrate required businesses. Such factors could materially adversely affect Mace's financial performance, and cause Mace's actual results for the future periods to differ materially from any opinions or statements expressed during this call. Additional resources for factors that could cause actual results to differ materially from management's projected forecasts, estimates and expectations are contained under the heading Risk Factors in Mace's SEC filings which includes its registration statements and its periodic reports on Forms 10-K and Form 10-Q.

All statements made during the conference call should also be considered in conjunction with the financial statements and notes contained in Mace's Annual Reports on Form 10-K and quarterly reports on Form 10-Q. You can access these reports on Mace.com through the Investor Relations section of the website.

With that, I would like to now turn the call over to Greg Krzemien.

Greg Krzemien: Thank you very much, Sarah. Good afternoon, everybody on the East Coast and Central part of the country. Good morning to those on the West Coast. As Sarah noted, I will provide some comments on the terms of the Rights Offering as part of our conference here today.

We launched the Rights Offering on June 30th with the mailing of our prospectus, which was accompanied by the (S-1) Registration Statement when we filed it. The Registration Statement was declared effective on June 29th by the SEC, as we previously disclosed.

If my comments this morning don't cover all the specific questions that someone may have on the mechanics of the Rights Offering or the terms, please feel free and take the opportunity during our questions and answer session to follow up with any items. Dennis Raefield and Mr. Brown will be making comments shortly, and then we'll have questions and answers after that.

I've also asked a representative from Phoenix Advisory Partners to join us on our call this morning. As you may know from the prospectus, they are the information agent to the Rights Offering and help us with the mechanics of – and the process of the Rights Offering. So, again they will be present if there's a question that stumps us here at Mace.

So, as far as the summary of the Offering, I just want to first mention the key players. Again, I've mentioned or Sarah mentioned that Ancora Securities is the dealer-manager for the Offering. Again, we have Richard Barone with us today. We also have the information agent, Phoenix Advisory Partners. And also, another key player is our transfer agent, American Stock Transfer and Trust, which is a subscription agent of – for the Offering. So (they're) the key parties.

As most of you know from (polling) us the last couple of months and reading our recent press releases – again, we distributed to holders of our (common) stock of the record date, which was set at June 27th at no charge, non-transferable subscription rights to purchase shares of our common stock. Again, this was pursuant to (S-1) Registration Statement that went effective on June 29th. Each of the subscription rights carries with it the ability for the owner of the stock to buy three shares of common stock in Mace at a price of 20 cents per share. So in essence we have outstanding 15,735,725 shares on the record date, June 27th, so that's the number of subscription rights that were issued. And those subscription rights could turn into a total of 47,207,175 shares of common stock, which again was registered with the (S-1) Registration Statement.

With each subscription right shareholder actually has two privileges: a (basis) subscription privilege and an oversubscription privilege. So, a basis subscription privilege again is being able to buy three shares for every share of stock they own. And then from an oversubscription privilege, if a shareholder would like to purchase more shares than three shares for every share that they own, they may choose to request to buy additional shares in the oversubscription process. That which I'll talk about more in a few moments.

The expiration date for the Rights Offering, which is key for all shareholders to know, is on Monday, July 25th, 2011. And another thing I'd like to point out that some brokers and bankers who may actually hold shares per shareholders, they may request a date earlier, a business day or so, prior to that date. So again, that's just key dates to keep an eye on.

As far as the oversubscription rights – again, everyone has the opportunity to ask for additional shares in the oversubscription. What we would recommend that you put in a request for as much as you would like. And it's critical that you send the money in also by that deadline for their shares. And obviously if we (can't) accommodate the (forwarded) subscription request, the additional monies that we cannot accommodate would be returned to the stockholder as promptly as possible at the conclusion of the Rights Offering.

The way the oversubscription will work is that we will look at the total amount of shares requested and we will try to fulfill those to best of our ability. We mentioned in the prospectus that the dealer-manager on the company reserves the right to maintain the – or limit a shareholder from accumulating more than 5 percent interest in the company, to watch our (annual care) report opportunities in the future. So again, that's kind of a general rule that, you know, we're going to look to as we come to the conclusion of the Rights Offering.

What I will mention (though) – is that if the amount of over-requested subscriptions exceeds the amount available, that haven't been subscribed on by original shareholders, we will allocate the available shares to each person exercised no subscription in an amount that will maintain the shareholder's percentage of ownership immediately prior to the Rights Offering. And then if there's still some remaining unsubscribed shares, then we'll go through an allocation process based on the amount of basic subscription rights exercised. And we'll keep going through it – a cycle (and manage) so we use up all our unsubscribed shares. So, (there's a) calculation that will take place that the information agent and transfer agent will assist us with as we approach the ending date for the Rights Offering.

A couple of things I want to point out, there is no minimum subscription. Depending on how many shares you own, you can exercise as many as you like or the full amount. The prospectus also addresses additional stock and selling shareholders that we've disclosed in the past, that we've entered into a Securities Purchase Agreement with Merlin Partners. And again, Richard will speak a little bit more about Merlin Partners in a moment here. Merlin partners and two assignees of Merlin will be purchasing 4 million dollars of common stock in conjunction with the Rights Offering. And again, I'll have Richard speak to that more in a few moments.

As far as the use of proceeds, Dennis will speak to that in a little bit more detail, but we are raising the money for general corporate purposes including working capital, expansion of our current operations, with marketing efforts, and we will look at potential acquisitions in the future. And again, I'll have Dennis and Richard speak to that in a little bit more detail.

A couple of things mentioned from housekeeping, there is no (revocation). So the extent that someone does request the exercise of the subscription rights, once the decision is made and the money is sent, you must follow through with the Rights Offering. So I just want to point that out.

As far as process and procedures, depending on whether you're a record-holder or if your shares are held by a broker, a custodian bank or some other nominee, if you are a record-holder you will be receiving a subscription certificate and a prospectus directly from our transfer agent, American Stock Transfer. If your shares are held in (street name) through a broker, a custodian bank, we have asked them and we have provided information for that mailing to be made to you. If you have not yet received that, hopefully you will very shortly. You could always just feel free, too, to just call your broker directly and ask them about your subscription and ask them about your privileges and exercise through that method. So I did want to point that out.

One last thing, obviously the prospectus outlines all the terms, in addition to what I've mentioned. So I think everyone who is interested should make sure they read the complete prospectus. They focus on all the items in it including all the risk factors which are an integral part of the prospectus.

And with that, I'm going to turn over the call to Dennis. Thank you.

Dennis Raefield: Good morning, everyone. Thank you for joining us this morning. I'm only going to spend a few minutes just to bring everyone up to speed where we are.

As you know, we spent the latter part of 2010 trying to clean up the company. We had a tremendous amount of issues in front of us and we did use a significant amount of our cash to clean up what we have cleaned up. Very many of the open issues, the Ex-CEO Arbitration was settled, our EPA issue in Vermont was settled, and we are – continue to divest a (non-core) assets that we have; carwashes, we have our warehouse building for sale. We are down to two owned and one leased carwash and one – I'm pleased to note this morning that one of our carwashes is back in contract this morning. So we're continuing to focus the company towards a new strategy. There will be, hopefully, a new board elected. Some new board members elected this week at our shareholder meeting in New York City and that Board, I think, is going to send us in the direction that is in (pairing) with this Rights Offering.

And what is that direction? I think the use of the funds is going to be clearly focused on two areas. One will be our very successful Wholesale Central Station Monitoring Business. We bought a company called CSSS in Anaheim, California. Renamed it (Main) Central Station. And then recently, in March 31st of this year, we bought a second central station also in Southern California called The Command Center. That integration will be complete in the next two weeks. The integration has gone well. It's a business that has a steady revenue, recurring revenue base, and the Board wants to continue going in that direction with the additional acquisitions.

So, some of the funds will be used for that Wholesale Central Station Business. We are staying in that business. In addition, we want to take and do something that hasn't been done in the company since its inception, which is to spend some significant marketing money on expanding the Mace Pepper Spray Division, beyond pepper spray and interpersonal safety. And really trying to command the leadership position in personal safety starting with the pepper spray and getting that into more places and – rather than the limited (places) that we've been doing it. But, in addition, things like GPS Services that are locators, panic buttons, which we'd previously announced that we are rolling out to Mace Buddy Unit, which will roll out in the early fall. And that will be part of this whole personal safety expansion of the Board.

Obviously, the third part will be to do – to fund continuing operations. But the current Board has made it clear that we are to get the continued (money-losing) division, which was the major security products to get it to breakeven and do not use those funds to further fund losses in that division. And that division has been right-sized just recently and is starting to perform again but in a much smaller scale so that it is not draining the company.

So those are the three general uses of the funds and we're very excited that we've settled a lot of issues, to clean the slate. And, of course, now we have to have new funding, which is what this Rights Offering is for, to focus on a much narrower strategy, which is Central Stations and Personal Safety. And bring the products along from our Mace Security Products Division that add (RMR) to the Central Stations or expand on our personal safety direction.

So, with that– that's all I wanted to say today, to make sure it was clear where we're going and we're excited about that new direction. And I wanted to turn the call over to Mr. Richard Barone who's been a Board Member brought on from Ancora Group, who is a significant shareholder and is also the leader in Merlin Group, which has helped to do a lot of our transition funding and helped us to acquire Central Stations and to settle a lot of our past issues. Richard.

Richard Barone: Good morning and good afternoon, everyone. As Sarah, Greg and Dennis mentioned, I am a member of the Board and have been, I guess, going on three years now. I got involved as a Board Member when the company was at – in its deepest problems. So I've seen the worst. And now I'm really looking forward to the best.

But I want to address everyone this morning not so much as a Board Member, but from an investor perspective. As Dennis mentioned, I represent what is today called a (hedge bond), essentially a partnership that has assisted Mace in the last six months or so, and will be participating in this Offering to the extent of 4 million dollars. I want to make sure everyone understands that Merlin is committed to this. So, that if this offering terminates, Merlin will be – (when) I mean by terminates, when it ends – Merlin will be a substantial investor. I also represent the underwriter, Ancora Securities, and finally represent Ancora Advisors. In Ancora Advisors, we manage funds for many, many individuals and Mace represents one of the positions that Ancora Advisors has taken. Ancora Advisors and its clients own approximately a little less than 10 percent at the present time. Ancora Securities, in addition, has clients which own approximately another 7 percent of the company.

So, we've been committed and we intend to commit going forward here to this Offer. It looks as if, and I haven't tabulated our numbers, but that we will be in an over subscription position. Now, when we look at Mace, and look at it going forward, the first thing we see is the balance sheet immediately after this Offering. Investors, as yourselves, are going to be able to buy shares for 20 cents a share. And immediately after the Offering, although we haven't made the calculations exactly since we don't know the exact number of shares that are going to be undertaken here, but it looks like the hard, tangible asset value this company will be around 30 cents a share. Most of that will be in the form of cash. In addition, the two operating divisions that we are going to focus on are great even to profitable in each case. So where we are losing money is in the corporate overhead. And so, as a director, I put my director's hat on, I'm committed to making sure that we trim all the expenses that we can, going forward. My expectation is that in the next two or three months that Mace will be close to break-even, I don't think we'll get there without increasing some of our revenues, but we are going to be very close. In other words, the cash burned will not be as significant as it has been in the past.

In addition to all of this, we have a brand, the Mace brand, and so we will get that also as a valuable asset. Now, if you were considering Mace in a private placement, where would you find a company or how could you find a company such as this that's going to have somewhere between 10 and 15 million in sales, a brand and a hard asset value of 30 cents a share, and a company that is expected or looking forward to a break-even position sometime soon?

So, this is what we look at as investors. We're committed to this. We believe the potential is a – very significant. Obviously, there are risks involved, but we believe those risks are manageable by the new Board. We intend to manage those risks. We don't intend to spend this money quickly or frivolously in any way. The new Board Members are individuals who have significant financial background, have background in turn-around situations, acquisitions.

So we're looking forward to a real opportunity here to reassemble a company, so to speak, along the lines of personal security. We think this area is fragmented at the moment. We think the Mace brand will be – with the Mace brand will be able to pull some of those fragments together. And I will also mention that we have no particular agenda here. If, in fact, it looks as if another company would be interested in Mace, we're certainly going to consider any offer. Our job is to work for the shareholders. We are significant shareholders. And we certainly, with this Offering and with this financial commitment in this Offering, certainly want to make money, and want to do it expeditiously, intelligently, and with a great deal of dedication.

So I have no further comments, but certainly would be open to any questions.

Operator: At this time, I'd like to remind everyone, in order to ask a question, please press star then the number one on your telephone keypad. We'll pause for a moment to compile the Q&A roster.

Sarah Din: Again, if you'd like to ask a question, that's star one on your telephone keypad. And our – we have a question from the line of Andrew Shapiro. Your line is now open.

Andrew Shapiro: Hi. I have...

Male: Good morning, Andrew.

Andrew Shapiro: Good morning. I have a few questions that may be addressed to a variety of (you) including your proxy or transfer agent person, as well. The first one is if I could get better clarification from, I think Richard here, regarding what I have read in the (S-1) and on behalf of the various entities that Richard and his organizations represent, the capital commitments that are to be made because I think there was a little – I got some confusion here when 10 percent, 7 percent and then the 4 million was represented. So, right now the Rights Offering is targeted to raise approximately a little over 9 million dollars. And there is also a (back-stop) investment of 4 million dollars that is to be part of the non-, if not enough shares are subscribed for. And if the 9 million somewhat dollars subscription was fully subscribed, this 4 million (back-stop) would be on top of it to raise a total of approximately 13.X million dollars. So, first, is that understanding correct?

Richard Barone: That's correct, Andrew.

Andrew Shapiro: OK. And, just for illustration purposes, if only enough Rights were subscribed for, including those who have over-subscribed, that maybe 7 million dollars was raised through the Rights Offering, the 4 million dollar (back-stop) would then include the shares that were otherwise not going to be – that weren't sold or subscribed for, and another 10 million or so shares comprising a total money raised of around 11 million dollars. Am I – is my understanding still correct?

Richard Barone: That's still correct.

Andrew Shapiro: OK. So, in the event that shareholders' over-subscription requirements or requests exceeded the 9 million of the Offering, does the designation of the 4 million dollar (back-stop), as registered selling shareholders within this prospectus, mean that the (back-stop) group will be or could be selling their shares as part of this Offering to satisfy the over-subscriptions or the over-subscriptions will stop at the 9.x million dollars and the selling shareholder designation is really for a future time and date, basically registering these (back-stop) shares.

Richard Barone: Yes, I think that the term selling shareholders, that term in the prospectus, is confusing. You're analysis is correct. If the Rights Offering is fully subscribed, then – and if there's over-subscriptions that will – would ordinarily exceed that, Merlin and others will not be selling shares. We intend to not only buy these shares. We intend to hold them for a significant amount of time. The reason that selling shareholder designation was used, was because these shares are going to be registered. In other words, they could be sold, but there's absolutely no intention of selling these anytime soon.

Andrew Shapiro: Great.

Richard Barone: (Now, we) say that. You know, who knows what the future holds. But...

Andrew Shapiro: Right.

Richard Barone: (As part) of our thought process here, we intend to hold them.

Andrew Shapiro: OK. Thank you for that clarification. I do have additional questions, but I don't want to hog the call or go for these questions until we know others have gotten their questions answered. So please come back to me.

Operator: And again, if you'd like to ask a question, that's star one on your telephone keypad. (And, here) we have the line of Andrew Shapiro. Your line is now open. Well, actually, Mr. Shapiro if you could (queue back up) for a question or do you want to (just drop off there)? Your line is now open.

Andrew Shapiro: All right. No one else has some questions and I'd like to ask a few other things. So you said on this call today that the – I guess it's Arlington, Texas carwash sale is back under contract. Can you give a little bit more color and update as to what that all means? And as to what date the Merlin Loan number one, which is the 2010 loan, when it is due? And when this carwash sale is supposed to close and what incremental capital and assurances have been received to give one comfort that this carwash sale is to take place and when?

Male: Dennis, I'll handle that. Hi, Andrew. The contract, you know, did lapse on May 31st, and we have discussed and have an agreement that we're finalizing with Mr. (Higgins) to extend, (or should I) really say reinstate, the contract. And it's all based on him providing final information to the banker he's been working with in the last couple of months. It is our understanding that he believes he can get the transaction closed by around the end of the first week to the second week of August. So based on that and based on some (diligence) work we've done, you know, that's what we're looking at – is reinstating the contract to that middle of – middle of August.

Andrew Shapiro: And have you or are you going to be receiving – how much non-refundable deposit have you received and collected to date and that this Mr. (Higgins) has already got sunk in here? And how much more are you going to be getting from him in (the door) of the bankers to further increase the probability of this transaction closing and the buyer not walking.

Male: Sure. We've received so far a $100,000's of non-refundable deposit, which is ours at this point. And we've requested for this further extension or reinstatement another 25 thousand dollars of – (that's for) deposit that again, will be turned over to Mace at the end of this reinstatement period if he still does not finalize his closing.

Andrew Shapiro: OK. And the terms of the Merlin Loan Number One or the 2010 loan that was made to bridge the expected proceeds from this, to make the payment to Mr. (Palino) by the end of the year, so he didn't foreclose on these assets. When does that loan now – what are – what are the timing and the expectations for that loan which does carry a pretty high rate of interest.

Male: You know – you know we're working with the Merlin Board on extending that (note to tie in) with the proposed closing of the carwash with Mr. (Higgins).

Andrew Shapiro: OK. You've mentioned in your documents, your (S-1) documents that I believe the IVS money-losing division in Texas was up for a sale. What is the status of jettisoning that money-losing (sub-segment)?

Dennis Raefield: I'll answer that. We are in negotiations waiting for banks to clear from our buyer. It is no – it is not losing money at the present time. We have sized it to – It is generating a small amount of gross profit. So it is – there is no crisis for closing it. It is a diversion from our core securities, a non-security (video) business. For those shareholders that are (on the call), that wouldn't know, IVS is Industrial Video Systems. So we're selling cameras for non-security use. But that is still imminent, although we're waiting for banks who are not anyone's friends these days to finalize the approval of the purchase agreement. But it is not losing money at this stage.

Andrew Shapiro: OK. And – so then the only sub-segment that is currently burning money is the video surveillance sub-segment?

Dennis Raefield: Yes. But we're profitable in the Pepper Spray Division. We're profitable in the Central Station Business. And that one is very close to break-even. We've resized it about 30 days ago to match the revenues that we were getting. And it's very close and that's (where) Richard was saying that that division has its marching orders to break even and not drain the company and it is doing so. It's a very small drain right now and very close to break-even. So the issue as Richard mentioned, is that the corporate overhead, being a public company and with a team in place, is more than the profits generated by the three divisions. And that's the one that's...

Andrew Shapiro: OK.

Dennis Raefield: We'll look forward to – we'll be addressing this week.

Andrew Shapiro: And have there – are there incremental cuts in the – this corporate expense that the management and the Board have identified and are waiting to implement and take actions on?

Dennis Raefield: Yes, and the Board is going to consider additional ideas this week right after our shareholders' meeting on Thursday in New York City to look at, you know – to be in preparation so that when the Rights Offering is funded, then we're already ready with an action plan.

Andrew Shapiro: OK. And I don't know if Richard or you – because you guys are probably prepping the Board for these actions or votes – do you have a general time horizon that you'd expect than the corporate overhead to be reconfigured to a closer to break-even or break-even amount or point (under its) – how long one might expect the burn rate to go on the – albeit at a lower level?

Dennis Raefield: I think it's pretty (immature) to talk about it until the Board – we're getting a Board with this – very interested in this strategic direction.

Andrew Shapiro: Yes.

Dennis Raefield: And until that's finalized, it has three or four different avenues to go for cost-reduction. And I think – I think it will be pretty (immature) to say – I'm not prepping them on any specific one. I think we're getting some new Board members who are – who are – want to see and (ask) a lot of detailed questions about where we can go. And I think we'll know after that Board Meeting.

Andrew Shapiro: OK. Can you comment and discuss and provide greater color than what you have already done on prior conference calls as to acquisitions that you have identified for deployment of these Rights Offering monies. Now that we're (talking) – (Longdale's) a large investor, we may over-subscribe, our monies are going to get deployed and things and now I'm trying to get a feel for the incremental cash flow or cash flow margin percentage that you're targeting in – and these acquisitions that you're going to deploy in, as well as if you have letters of intent in any of these instances all ready to go but can't go definitive, of course, until you have money. Where do you stand and how many in the respective sizes?

Dennis Raefield: OK. As I've previously disclosed on a conference, we have been working with three different acquisitions and the pipeline is now for our own – my pipeline, this has become a major focus of my time, is now about ten companies that we're working on various stages of that pipeline.

I have actually had the tough job of trying to stay engaged while pushing off the date because of the Rights Offering. As you know, we closed one with some help from Merlin by advancing us some funds to close the TCCI acquisition. But it's very difficult to advance discussions when the date has moved because of the SEC and the Rights Offering. This was supposed to be funded by June 30th, and now we're looking at July 31st, roughly, to fund it.

So, I'm doing both ends, but it's difficult to move them towards an LOI until you have money to spend. But there is a pipeline. It is a significant pipeline. I've increased it. There are quality acquisitions out there. There are people who are talking to us. We're in a more than preliminary stage with three of them. And we have just identified another seven, which I'll be presenting to the Board.

So, the idea is to do one in Q4, and right – currently one in Q1 and one in Q2 of the original three, assuming that none of them fall apart. We want to (stagger them) because they do need to be absorbed. Those – to give you some color, those acquisitions are what I call "tuck-in" acquisitions. And where I'm offering to the Board that delivery of (evatal) will be greater than 50 percent of revenue. It's higher, but I'm trying not to over promise. Greater than 50 percent of revenue will fall in as (evatal) because they are tucked in to our existing relatively robust and expandable infrastructure in California. And then some of the other ones are to give us a presence on the East Coast. For redundancy, so one of those acquisitions will not deliver that kind of 50 percent (evatal) because we will keep it open. But that will give us a second base of expansion. So that's where the acquisitions are going.

For Central Station, I'm waiting to meet with the Board this week to talk about what we do in the personal safety space. And we're really saying – to really command that personal safety, we have not identified – we've identified a couple of acquisitions but again, I'm not moving them forward because it's difficult to move when you don't have the funds yet in hand. But (inaudible)...

Andrew Shapiro: Are you finding – are you finding that the prices requested are in line with providing you a rate of return and a pricing that you're willing to pay? In other words, there's not a substantial price hurdle where these deals all go away?

Dennis Raefield: No. The good news about this industry is that the price is relatively obvious. The price of divesting Main Central Stations that we have are – (we'll consider) that. We know what the selling price is. The asking price and selling price are fairly close. No one likes to steal them and nobody overpaid for them, so it's a relatively narrow range. What gives us an advantage is that we're looking at smaller acquisitions than some of the targets – some bigger ones are – there's like a bidding and auction war but still within a narrow range. We're talking to people who aren't for sale, who aren't on the market but see a strategic reason to be part of Mace. And so, these people are – money is not the number one issue. It's more of taking care of their customers and having services to offer they cannot offer.

So I don't see that we're going to have to bid up to high to get them. The hardest part is to find people who want to come to the table at all. Because as you know, the (armoire) business is a – is a lucrative, easy-to-run business for a lot of these owners, and they may just want to continue to turn the crank and stay where they are. But we're finding the ones that want to do something else.

And it is – it is a job. It is a – it is a difficult job. But I think we're doing it because we have something to offer that the other players don't.

Andrew Shapiro: OK. One last (cost) fundamental business question, which may contribute to cost or cost cutting and all that, did you have a manager of the a defense spray business in Vermont who still – who was not part of your settlement with the EPA and is still subject to issues with the U.S. Attorney and the EPA? Can you update us on the status of that? And the, I guess the costs of – for the company on these matters.

Dennis Raefield: Sure. I don't have an update as to – he has still pled not guilty. And we are completely, a 100 percent settled with the EPA and have made two of our three payments (on towards the) last $100,000 that we settled to. We have made two timely payments. We have one to go, on time. So we are a 100 percent finished with them.

Our president of that division, (John Goodrich), is – has still pleaded not guilty. And is defending – I would say that the costs have been relatively minimal. A few thousand dollars a month is not a huge drain to the company. Of course, we can't influence his decision to – how to plead. And we do have – indemnify his (cost). They haven't been a significant issue yet.

Andrew Shapiro: Right. (Are those) costs wouldn't go away, whether he's affiliated with the company or not? He's still heading up the division and on the payroll. Does the ongoing activity or dispute create business growth problems at all for Mace in that division?

Dennis Raefield: I would say it's neutral. I don't think it's taking a significant amount of (John)'s – it's not a distraction to (John) other than the final outcome, of course. It's not – it's not good if he's convicted. But I don't think it's a big distraction because it's (plodding) some course and there's not a lot of – not a lot of strategizing for him to do.

So I'm not aware. We don't talk about it. We review his bills to see if (they're) reasonable and they have been. But we don't talk about his – what his plans are, and his strategy. We stayed out of it on purpose. And as you say, we have to identify him, whether or not he's an employee. I don't see that as a significant issue in the company.

Andrew Shapiro: And does the indemnification include (as) he did a settlement and it was a sizable amount of money that the company has to pick it all up?

Dennis Raefield: I don't know the answer to that for sure, but I believe that we are not involved in fines or things like that (inaudible). Greg do you have any...

(Greg Krzemien): Yes, that's correct. We would only be responsible for advancing the legal fees and we would not be required for payment (inaudible).

Andrew Shapiro: So personal fine, we're not on the hook for. I have some more questions. I'll back out into the queue again and let anyone else ask (them). I have some logistical questions for Merlin and the proxy person, etcetera that may also be of interest to other shareholders, but I need to get these questions answered as well. But I'll back out into the queue first, and...

Operator: Excuse me, Mr. Shapiro?

Andrew Shapiro: Yes.

Operator: There is no other question in queue. Take this (town) if you'd like.

Andrew Shapiro: All right. Then we will – I hear there's no one else, so let me ask. According to the (S-1) as I read it and Richard (inaudible) put on the public record here the answer to this, which I think I know but I just didn't – it's important to address this without having to amend (my Offering). According to the (S-1) as written right now, there is a conditioned precedent to the requirement for Merlin's 4 million dollar (back-stop) investment, and that is the expansion of the Board from five to seven directors which had initially anticipated the additional nominees that Merlin was going to put forth to an expansion of the Board from its former size due to retirements and resignations.

Those vacancies are being filled with your nominees up front, but the (S-1) and the agreement to fund, the requirement to fund – still has language in it right now that requires seven director size, and it's a shame for the Board to have to, you know, be expanded in order to mandate the investment. So, can you help clarify or find a way, maybe be (at this call) to help us know that this condition precedent in some respects is waived and Merlin's 4 million (back-stop)'s coming in regardless?

Richard Barone: Yes, that's true. We are waiving the condition. Merlin is going to invest under the current structure and we are giving the Board, going forward – we're giving the Board the authority to pick additional Board Members, if the Board in fact thinks we need them. So, we are waiving that condition.

Andrew Shapiro: OK, great. So the money's coming in. Now, if you could help clarify, as you mentioned earlier – and I mentioned (some) question and we moved on, we migrated and answered something separately. There's 4 million coming in from Merlin and affiliates as the (back-stop). Ancora slash Merlin and your affiliates also own a certain amount of shares at present, which you mentioned you expected to do some amount, some maybe indeterminate amount of over subscription. Is there a specific dollar amount to which your existing share ownership is targeting with your over subscription? Or is it a specific number of shares and a percentage ownership? Is there a range in which you can say, in addition to the 4 million with Merlin's exercise of its existing options – existing rights and a certain amount of over subscription that you guys will be investing, you know, x millions of dollars, additional to four?

Richard Barone: We haven't made that calculation with any precision. However, as I just take a broad look at the subscription and over subscription situation, it looks like in addition to the 4 million dollars that we will be somewhere in the neighborhood of an additional 2 million dollars. I'm here again. I'm not providing that with any exactness. It could be less than 2 million. It could be more. But I'm using that right now for your – to answer your question, for these purposes.

Andrew Shapiro: Right. Which that amount implies a full subscription to the Rights that you're entitled to plus some amount of over subscription.

Richard Barone: That's correct.

Andrew Shapiro: OK. All right. And in light of that two and then the four etcetera, it seems like the company's going to – going to get a decent amount of money and (we're) likely to exercise then our Rights and may very well over subscribe. I wanted to know logistically if someone on this call can help me to know how does one who holds stock at brokers in (street name) provide for over subscription. Is it by – you know, by amount, by shares? And how does one actually (affect) to do that? We have not received our documents since we hold in (street name) at our broker. We haven't received anything yet, but I'm just wondering how it is that we could not only say that we are in subscribed to our rights but if I want to over subscribe for my funds, how do we go about (affecting) that and getting to a particular number that maintains our ownership percentage or in and around our current 10 percent ownership percentage?

Male: I guess I'll start off that – I mean, obviously – hopefully you will get your information shortly here. As far as maintaining a specific percentage ownership – I mean it's hard to – hard to answer how many shares you need to over subscribe. It obviously all depends on how many people do the (basis) subscription and what's available in the over subscription.

Andrew Shapiro: Exactly. It's a moving target.

Male: It's a moving target. There's no – there's no doubt about it.

Andrew Shapiro: But given my percentage ownership, you guys want to limit our percentage to our current percentage. If I was at 2 percent, you'd let us (on) almost unlimited, oversubscribe up to 5 percent. But since I'm already over 5 percent you have that kind of cap involved. That is where we're trying to get a handle on. Is there a certain – is there a certain form in a line item we're going to do? Or is it a – is it a qualitative response to using – we want to over subscribe up to x percent?

Male: I'll let (John) speak for that, but I believe there's going to be a form that you should be receiving. But (John), why don't you – why don't you address it first and then we'll jump back in (as a company).

(John): Yes. Each broker may handle it a little differently so it's going to depend on your custodian broker. You're going to need to contact the broker. Let them know you'd like to subscribe to your basic amount and then if you want to subscribe to the over subscription, a certain amount above that. And then they would submit that through (DTC) along with the funds to exercise those Rights.

Andrew Shapiro: And then how quickly – so if I just load up the boat, I guess the company would then scale us back to the specified limit.

(John): Correct. Correct. And that – and that happens...

Andrew Shapiro: (Inaudible)...

(John): That should happen, and Greg you can correct me on this – they should have final pro-ration numbers three or four days after the expiration.

Andrew Shapiro: Yes.

(John): You know, and – you know, go through the calculations at that point, and, you know, figure it out, and...

Andrew Shapiro: (Inaudible) I'm not sure it's going to be pro-ration that would scale us back.

(John): No, it may not. In your case it may not because you're over the 5 percent. But you'd be guaranteed your basic subscription...

Andrew Shapiro: Yes.

(John): Which should keep you in line percentage wise.

Andrew Shapiro: No. Not because of the 4 million (back-stop).

(John): But, yes, because of the 4 million. But, you know, that's why some of the – some portion of the over subscription – you know it should be exercisable to keep you at 10 percent. But I'll defer to Greg whether that's going to be the case since you're over 5 percent.

Andrew Shapiro: Right. And then the other question is, how does the potential extension (process) work?

(Greg Krzemien): My understanding is, (John) correct me if I'm wrong, when we hit the July 25th date and as we approach it, we'll have a good feel for where we are with the Rights Offering. From what I've been educated on the Rights Offering, which is my first one, it doesn't have – it (acts in) some similarity to an annual proxy vote where you do get a lot of responses (within) that last day or two. So, from what I understand is, you know, we'll be having a conversation, John, from Phoenix Advisory, the transfer agent, Richard as the dealer-manager and us, myself and Dennis as the company on where we are with the Rights Offering and we would make a decision whether we ride out the 25th, whether, you know, we will be announcing right at the opening of market on the 26th, whether we're extending or not (but, again that's all going to depend) on where we are.

Andrew Shapiro: But if there's an extension...

(Greg Krzemien): I'm sorry.

Andrew Shapiro: And if there's an extension is there a regulatory – you know, if you have an extension of a tender offer there's a regulatory, I think requirement of twenty days if an offer got changed or something. Is there any kind of regulatory required extension time period for which one could, if it was extended, make changes to their over subscription number?

(Greg Krzemien): Yes. I think – you know, to answer that question Andrew, from my understanding, is that we've already provided for in the prospectus a extension for thirty days to August of the 24th. So, you know, with that – you know we shouldn't (or require) (inaudible)...

Andrew Shapiro: No, but it's up to your discretion. You could extend for one day or you could extend for a week or you could extend for a month.

(John): Correct. It should be. You know as long as the terms are not materially changed, you know, you could do anything from a day to a week or a full month.

Andrew Shapiro: OK. All right. And during the extension period, can one make a – I think you guys don't provide for revocation, but can one add to their subscription desires if you extend it?

(John): I think you should be able to, yes.

Andrew Shapiro: Because if someone didn't do it and then you extend it, they would be allowed to exercise their original amount. I was wondering if over subscriptions would also be allowed in that manner.

(Greg Krzemien): (Andrew), I think the answer to that is as (John) had said for Phoenix, yes. I mean, and the logic that you (just said it) is sound and you have to – and the prospectus, let me just clarify, it says up to thirty days. So we, you know, we have the right and I know (inaudible) with Phoenix). We have the right to do five more days, ten more days up to thirty days as what we've disclosed in the prospectus.

Andrew Shapiro: All right. And are you going to make a transcript of this call available and will there be any other – because you have SCC approval and registration. Will there be any other – I don't know what you'd want to call it, road show or communication efforts being made since I'm the only one who's asked questions on this entire call after opening it up three different times? I'm curious – I don't want to use the word "concerned," –but I'm curious to know if there's going to be others who are going to be exercising their Rights and joining Ancora, unlikely, and Merlin unlikely ourselves in – on the incremental investment.

(Greg Krzemien): Richard, would you like to handle that as dealer-manager?

Richard Barone: Well, I guess I can't really address that right now. In my – I'll give you my opinion. I think we're going to come pretty close to fully subscribing to this Offering. I haven't seen any figures at the moment. But I have a certain feeling that there's something compelling about what we're doing here in terms of our initial efforts coming out of the box. So, I'm – my expectation is that this deal will go pretty well.

Andrew Shapiro: Are you meaning that it'll raise the nine or that it would raise the full thirteen?

Richard Barone: I think it'll raise over the nine.

Andrew Shapiro: OK.

Richard Barone: I'm a little hesitant to say that we'll get the thirteen, but I believe we'll be over nine.

Andrew Shapiro: Yes.

Richard Barone: How much, I really can't say at the moment.

Andrew Shapiro: Right. OK. And the – So, there's no other plans for a – the earnings call for this company would normally take place – for the June quarter – would normally take place in the middle of August which would be after the expiration – the current expiration date of this Offering.

(John): That's correct, (Andrew).

Andrew Shapiro: Is there any anticipation or thought of discussing or updating people on the progress made for the June Quarter prior to the expiration date of the Rights Offering?

(Greg Krzemien): Probably not, Andrew. You know, by the time we really get the results reviewed, with, you know, (Grant Bourne) and the Board and everybody for publishing, there's not too much time between the two dates and that will also be after the expiration date.

Andrew Shapiro: OK. And I'm planning on coming in to this annual meeting this week in New York. Is this your plan for you and Dennis or Dennis to make a business segment presentation and kind of road show discussion that has been done in past annual meetings?

Dennis Raefield: Absolutely right, Andrew. That's what I'll be doing.

Andrew Shapiro: OK. All right. Well, thank you very much. I don't have any further questions.

Operator: OK. We do actually have another question from the line of (Bob Taplinger). Your line is now open.

(Bob Taplinger): Hello. I have some questions. I don't want (Andrew) to get lonely. The first question – and I don't mean this as judgmental and I don't mean it with an implication behind it, just a request for some information. That the (Barroun) and Ancora and Merlin Group will receive, I assume some substantial fees for underwriting different broker activities and so forth. Not that they don't deserve – I know that it's expensive to put forth these projects. But I'd like to know that net of their fees. How much they will be paying for their stock of – in other words, if the stocks is twenty cents a share, that they will be paying, taking away the fees that they will earn from the transaction, what will their net cost be per share? That's my first question.

The second question is – and I've been distracted from Mace by some other activities that I'm involved in, but I understand primarily from this call that the Merlin Loan matures at or before this Arlington carwash will be determined. And we'll we get some – I think that Greg said that you're trying to extend the maturity to coincide with when you expect the closing to take place. But my business is real estate, and I know that expected closings are often disappointments or delays. So will we know – will we get an extension of that loan beyond the proposed closing of that carwash sale? And what will the terms be? Will we know the terms of that extension? Not to say that Merlin wouldn't treat Mace fairly but we're sure to (be at) their mercy if this loan, if this carwash doesn't close. And I'd like to (inaudible) Mace would deal with that, perhaps before subscribing to the Rights, if you could comment on it.

And my final question, Andrew touched on a little bit about the mechanics of it, that to subscribe, is it sufficient if I have my stock in (street name) and buying power or (SMA) with my broker, just to tell my broker to subscribe on my behalf and then they will send the money to the – to Corporate Mace to exercise my Rights? Do I merely have to tell them to do it or do I have to do some work in between? And those are my questions and thank you. And good luck with your projects.

Richard Barone: Let me address part of that. This is Richard. We have – I'm talking and speaking on behalf of Merlin. Merlin has extended the carwash loan, I believe already on two occasions. And we are about to do it for a third time. Is that correct, Greg, or is this the second? I can't even remember. And we have not required any additional funds or collateral or anything of that sort. The interest rate, as Greg mentioned, is 12 percent. So this extension that we're entering into at the present time, through August 6th will simply be at that 12 percent rate, annual rate, approximately 1 percent for the month. If in fact it needs to get extended again, I have to gather the Merlin Board together to get their approval to do that. As I've said, we've done it several times here. And I can't speak, you know, definitively, but I can tell you that we're going to be pretty open to just going ahead and just extending it for the necessary time at the current 12 percent annual rate.

(Bob Taplinger): With no fees or costs involved?

Richard Barone: That's right. I mean I – here again, I can't speak for the Merlin Board, but I can just say that certainly is our – from our Board's perspective, we want this – you know we want, obviously, we want the carwash closed. But we simply feel that, as you've mentioned before, that there was always the possibility that we would need to extend it and we did. And I don't see any reason why we should change the terms if we needed to extend it further.

(Bob Taplinger): Well, what do you think would happen if this deal aborts completely and we're back to square one with trying to find a new buyer and enter into a new contract, have them do their due diligence and so forth. Would then the Merlin loan be paid off from the Mace proceeds of this Offering? Or would – How would you think that that would be handled?

Richard Barone: All right, I can give you what I think. As a requirement for extending it this last time, we're required that in the event that the loan was not paid off, that it could – we could demand that it be paid off from the proceeds of the Rights Offering. However, I'm going to give you now what I think.

(Bob Taplinger): I understand.

Richard Barone: What I think is, that we would not do that. That these funds are, in our opinion, should be earmarked for the purposes laid out in the prospectus. And that we would simply extend it for any period that was needed. Again, there's no guarantee that the Merlin Board is going to extend it indefinitely.

But, you know, our interest obviously is in the success of Mace. We have a – relative to all investors, we are certainly the most significant. And on that basis, our desire is to see the company succeed and see the stock price go up. So we're happy with 12 percent. I think on a loan, on a short-term loan it represents a good return. I think it's fair for both sides. And again, I think that we would simply extend it.

(Bob Taplinger): All right. I hear you and that's great. And I guess with another 9 plus million in the bank, your collateral gets that much better so there's a little more inducement for you to do it at that point, anyway. Thank you for that.

Richard Barone: To address the other issue of fees and costs, Ancora Securities has – because I'm a Board Member, Ancora Securities has waived all fees except out of pocket fees and those are not very significant at all. And here again, the reason we did that was due to the fact that I am on the Board and there would be a potential conflict in being on both sides.

However, Merlin is getting a standby fee of $250,000, which is disclosed in the prospectus. To put that in perspective, a normal underwriting fee on a 10 or a 12 million dollar deal would be somewhere in the 6 to 9 percent range. And so, the $250,000 is very close to 2 percent. So, we've kept these – the fees as small as possible. Again, our interest is in seeing the success, not only of the Offering, but the success of the company. And so we've very much limited our fees and hopefully, this job will get done and everybody will be happy in the end.

(Bob Taplinger): Good. That was the answer I was hoping to hear. So your twenty cents a share will be pretty much equal to our twenty cents a share.

Richard Barone: Pretty close, yes.

(Bob Taplinger): OK. That's good. And the third, kind of a mechanical question about subscribing, I don't know if my broker should answer that or you can. But I'd appreciate any input you could give me.

Richard Barone: Well, I'm not sure I can …

(Bob Taplinger): Well, somebody there.

(John): Yes, well, you just need to notify your broker, whether your broker would take it verbally or you need something in writing. That would – you know one way or the other that would be it. And then the broker's back office would handle it and exercise the Rights and send funds through (DTC). And that would go into the subscription agent, American Stock Transfer, you know, as basic subscription or if you also put in for over subscription.

(Bob Taplinger): Perfect.

(John): But you know, it's you dealing with the broker, and then the broker's back office takes it from there.

(Bob Taplinger): Alright, great. And the shares received from the Offering are fully-registered free trading, you know, etcetera, etcetera, etcetera. I assume. Hello?

(John): They should be. Yes.

(Bob Taplinger): Yes. (I'm all good).

Male: Well, good luck with you, (Olsen). Good luck with the company going forward and thank you for your interest.

(John): Thank you, (Robert).

(Bob Taplinger): You're welcome.

Operator: And we do have another question from the line of Andrew Shapiro. Your line is now open.

Andrew Shapiro: Thank you. Hi. I had to ask a question that just didn't get answered with the other questions. Are you going to make a transcript of this call and the questions and the answers available whether it's off the Bloomberg Transcript Service or the (Seeking Out Far), etcetera around your website?

Male: Sarah, is this call set up for transcription if we wanted it?

Sarah Din: Yes, it's set up for transcription and we'll have it on our website by end of today, if we get it or tomorrow, whenever we receive it.

Andrew Shapiro: Great. OK, well that's good because then that's another way – and you might want to let people know that, you know, a call was held and Q&A is available (inaudible). All right. That's all that actually – the only final follow up I had.

Dennis Raefield: Thank you. Do we have any other questions?

Operator: There are no further …

Dennis Raefield: (Inaudible)

Operator: There are no further questions in the queue.

Dennis Raefield: OK. Thank you. With that, we will close this call and we encourage you to review the prospectus and look it over and make your best decision on it. We appreciate your loyalty, those of you that have continued to work with us. And I think the future is very interesting. The direction we're going – we're going to need more and more focus as we go. And thank you very much for your time. That concludes the call.

Operator: This concludes today's conference call. You may now disconnect.

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