MACE SECURITY INTERNATIONAL, INC.

Moderator: John McCann
April 30, 2014
1:00 p.m. ET

Operator: Good afternoon, ladies and gentlemen. My name is (Aaron) and I'll be your operator today. At this time, I'd like to welcome everyone to the First Quarter and Yearend December 31, 2013 and First Quarter ended March 31, 2014 Financial Results Conference Call.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks, we will have a question-and-answer session. If you would like to ask a question at that time, please press star and the number one on your telephone keypad. If you wish to withdraw your question, please press the pound key.

I'd like to turn the call over to CEO, Mr. John McCann. Mr. McCann, you may begin.

John McCann: (Aaron), thanks. Before I begin, I wanted to (direct you) to our Web site where we have two PowerPoint presentations, one, detailing out 2013 and one detailing out the first quarter of 2014. So, if you go to corp.mace.com investor relations, transcripts and presentation. You'll see both presentations available for your review.

Now, I'd like to turn the call over to Carl, our CFO who read the forward-looking statement and go through the fourth quarter and the yearend 2013 and the first quarter of '14. Thanks.

Carl Smith: Good afternoon, everyone. Certain statements and information during this conference call will constitute forward-looking statement and are based on management expectations and information currently in a possession of management.

When used during our conference call, the words or phrases will likely resolved are expected to, will continue, is anticipated estimate, projected and intended to or similar expressions are intended to identify forward-looking statements such statements are subjected to serve and risks known and unknown and uncertainties and including but not limited to economic condition, (limited) capital resources and the ability of management to effectively manage the business and integrate acquired businesses. Such factors can materially adversely affect Mace's financial performance. It could cause Mace's (actual) results for the future periods to differ materially for many opinions or statements expressed during this call.

I will now review our fourth quarter in yearend 2013 financial results in first quarter 2014 financial results. After I'm finished, I'll turn the call back over to John over – over to John. We'll then respond to the questions that will be – that were e-mailed in and lastly go off in the lines for questions.

All right. For the fourth quarter ending December 31, 2013, consolidated fourth quarter net revenues for 2,099,000 compared to 2,146,000 for the fourth quarter of last year. The decrease of 47,000 or 2.2 percent. This decrease by product category was mainly attributed to a 40,000 decrease and TG Guard product, a 23,000 decrease to non-aerosol product. Now, it's offset by 28,000 increase in aerosol or pepper spray net revenues.

Net revenue from surveillance products were down 8,000. Comparative net revenue total for the quarter are as follows, aerosol or defense sprays were 1,411,000 compared to 1,383,000 in Q4 2012, an increase of 28,000 or two percent. Non-aerosol which includes Big Jammer or another non-spray products or 128,000 down 23,000 or 15 percent compared to fourth quarter 2012 net revenues of 151,000. Other which I included TG Guard private label and law enforcement products totaled 198,000 compared 242,000 in the fourth quarter of 2012, a decrease of 44,000 or 18 percent.

The decrease in others mainly attributed to 40,000 decrease in sales of TG guard products which are products geared towards entities and correctional facilities and we attribute this decline to timing. Now, if you – about gross profit. Consolidated gross profit for the fourth quarter 2013 totaled 714,000 with a 34 percent gross margin compared to 802,000 and 37.4 percent gross margins of 2012 A decrease of 88,000 or 11 percent and a decrease of 3.42 margin.

This decrease can be attributed to 47,000 decrease in net revenues for the quarter and 84,000 in one-time charges the cost of revenues related to the overlap of manufacturing and distribution labor during the transition from Bennington, Vermont to Cleveland, Ohio and the 72,000 rate off surveillance inventory.

(SG&A) census for the fourth quarter ended December 31, 2013 over 1,902,000 compared to 1,799,000 in 2012, an increase of 123,000. Both quarters had significant notable one-time expenditures. Fourth quarter notable charges for 2013 were approximately 616,000 including severance, relocation cost for moving manufacturing to Ohio in asset write-offs.

Fourth quarter notable expenditures for 2012 were approximately 478,000 including severance and relocation cost for moving the corporate headquarters from Horsham, Pennsylvania to Cleveland, Ohio in a $200,000 favorable adjustment related account receivable. Discontinued operations for the fourth quarter ended December 31, 2013 had income of 1.9 million compared to $266,000 (loss) for last year. The 1,924,000 in net income was mainly attributed to the $2.2 million gain on the sales of Mace Central Station. As a result, net income for the quarter ended December 31, 2013, with 613,000 compared to a net loss of 1,506,000 an increase in net income of 2,119,000.

Now, I'll go over the 12 months ending December 31, 2013. Revenues for the 12 months ending December 31, 2013 were 8,018,000 compared to 8,690,000 last year a decrease of 672,000 or 7.7 percent. (This – the kind) was mainly attributed to a 663,000 or 31 percent decrease in revenues from our electronic surveillance products. Electronic surveillance revenues totaled 1,462,000 compared to prior year revenues of 2,125,000.

Breaking this down further, aerosol or defense sprays were 5,364,000 compared to 5,181,000 last year up 183,000 or 3.5 percent. Non-aerosol which includes Big Jammer or other non-spray products were 587,000 compared to 652,000 down approximately 65,000 or 10 percent. Other which I included TG Guard once again private label and law enforcement product total of 605,000 compared to 752,000 last year a decrease of 147,000 or approximately 90 percent and this is mainly attributed to a decline of $100,000 and some private label sales.

Gross profit consolidating gross profits for the years ending December 31, 2013 and 2012 a total of 3,087,000 and 3,482,000, (respectfully), a decrease of 395,000 or 11.3 percent. Consolidated gross margins were 38.5 percent compared to 40.1 percent in 2012. The 395,000 decline in gross profit is mainly attributed to 230,000 in loss profit on the $663,000 decline in surveillance products sales and 400,000 in overhead variances mainly attributed to severance and overlap of manufacturing and distribution labor.

Overall, after adjusting for move-related cost, gross margins were slightly better than prior year margin. Gross profit on personal defense and aerosol products were 2,532,000 and 2,513,000 for 2013 and 2012, (respectfully), up 19,000 with 43 percent margins for both 2013 and 2012. Consolidated SG&A expenses for the year ending December 31, 2103 were 6,336,000 compared to 6,127,000 in the prior year, an increase of 209,000 or 3.4 percent. Both years had significant one-time notable expenditures.

2013, one-time notable SG&A expenditures totaled approximately 1.2 million compared to 597,000 in 2012. The following points of communicate material expenditures and increases compared to last year. One-time 2013 expenditures for advertising, trade show, public relations and retail channel consulting total of 287,000 an increase of approximately 196,000 compared 2012. Non-cash expense for stock options totaled 199,000, an increase of 163,000 compared to 2012.

One-time severance and move-related expenditures in 2013 totaled 393,000 for relocating manage – manufacturing from Vermont to Ohio and the revamping of the internal salesforce compared to 698,000 in severance and moving cost of 2012 associated with the relocation of the corporate (offices) to Cleveland and termination of corporate staff in the (Horsham process).

2013 also included a $286,000 write-off or correction of assets. Offsetting 2012 SG&A expenses or $100,000 gain on the sale of an asset and 198,000 favorable adjustment related to receivables. As a result of the (both) net loss from continuing operations for the year ended December 31, 2013 was 3,581,000 compared to a net loss of 3,170,000 last year, an increase loss of 411,000 of 13 percent. Net loss for the year was 2,021,000 in 2013 compared to a loss of 4,023,000 in 2012, a $2,002,000 improvement or 15 percent decrease in net loss compared to 2012.

The improvement in net loss is managed (to the gain) on sales of Mace Central Station. Consolidated EBITDA for the 12 months ended December 31, 2013 after adjusting for one-time notable expenditures of 1,365,000 was a negative 1,892,000 compared to a negative adjusted EBITDA of 2,056,000 last year, an improvement of 174,000 or approximately eight percent.

At this time, I'll make a few comments on your balance sheet of December 31, 2013 and some cash flow items. The company's net book value was 11.9 million at December 31, 2013. Mace had 14.8 million in total assets including 7.6 million of cash (and structure) investment. We have positive working capital of approximately 10.8 million at current ratio of eight compared to 8.5 million at December 31st and a current ratio of 5.6. Total debt at December 31, 2013 remained at approximately 1.1 million existing of our (defense note) with Merlin Partners with maturity date of March 30, 2016. From a cash flow perspective for the 12 months ending December 31, 2013, we used approximately 3.6 million of cash and operating (revenue).

All right. Now, (full concern) of first quarter ending March 31, 2014. Consolidated net revenues for the first quarter ending March 31, 2014 were 1,682,000 compared to 2,192,000 for the first quarter of 2013, a decrease of 510,000 or 23.3 percent. The overall decrease can be attributed to other related sluggishness at retail in timing of some pipeline (fills) quarter to quarter.

The decrease can be summarized by the following product category breakdown. Comparative net revenue totals for the quarter ended March 31, 2014 are as follows. Aerosol or defense sprays with 1,103,000 compared to 1,507,000 in Q1 2013, a decrease of 404,000 or 26.8 percent. Non-aerosol, again, which include our Big Jammer and non-spray product or 118,000 down 99,000 or 45 percent compared to first quarter of 2013 net revenues of 217,000.

Surveillance net revenues for the quarter ended March 31st, with 335,000 compared to 372,000 in Q1 2013, a decrease of 37,000 or 10 percent. Other combining TG Guard Private label and law enforcement product totaled 126,000 compared to 96,000 in first quarter of 2013, an increase of 30,000 or 31 percent.

Now, gross profit, consolidated gross profits for the first quarter ended March 31st, totaled 563,000 with a 34 percent gross margin compared to 981,000 and 44.8 percent gross margin for 2013, a decrease of 418,000 or 43 percent. This decrease in gross profit dollars can be attributed to the 510,000 decrease in net revenues for the quarter. Higher labor cost from January and February attributed to the move which was significantly reduced in March.

Classification of cost is overhead in 2014 but recorded in (G&A) in 2013 in timing of expense three cap – about 40,000 is attributed to reclassification of expenses from (G&A) overhead or cost of good sold. Twenty-five thousand has been attributed to higher labor cost in January and February which have been corrected and lowered in March, and in 30,000 and in favorable overhead variance is attributed to lower January and February production and was about 30,000 in timing of expenditures year-on-year quarter – for the quarters.

So, in general, administrative expenses for the first quarter ended in March 31, 2014 with 1,405,000 compared to 1,460,000 in 2013 a decrease of 55,000 or 3.8 percent. First quarter of 2014 included increase advertising expenditures of 96,000 compared to 2013 offset by lower legal audit and professional fees in selecting a shift in our expenditures to drive sales. Other income of

104,000 for the quarter ended March 31st is related to a gain on sale of investments. As a result, net loss for the quarter ended March 31, 2014 was 794,000 compared to a net loss of 649,000, an increase loss of 145,000 or 22.3 percent.

Now, for some balance sheet comments, for the quarter ending March 31, 2014, the company's net book value was 11.1 million at March 31st, compared to 11.9 million at December 31, 2013. We had 13.8 million in total assets including 7.2 million in cash and short-term investments and this compares to 14.8 million in total assets including 7.6 million of cash and short-term investments of December 31, 2013. We have positive work in capital of 10.2 million and a current ratio of 8.7. Total (debt) of March 31, 2014 remained at approximately 1.1 million. OK. So, that's recap the quarter – fourth quarter 2014 and yearend in the first quarter 2014.

At this time, we're going to the questions now? Yes. All right. At this time, we're going to go to some questions that were submitted, and after that, I'll turn the call back over to John.

John McCain: Right. And so just one quick note, we went through – if you go to the Web site, you'll see a lot of informations for some of the different issues that we've experienced and then as we go through the questions, I think we'll bring the light somehow to questions that you might have at the end of this and we will take a brief section of live questions from the group.

So, what we'll do now is call and I would just read the questions that were submitted and then give our answer, too.

Carl Smith: All right. The first question I'll address comes from Lawndale Capital Management. With the gain on the sale of the central station about the Q1 loss approximately what is the level of Mace's (NOL) tax carry forward balances?

Our (NOLs) are computed at a yearend net quarterly basis. So, comment would be year to the yearend of month. If under the year, 464 from 5,000 (NOLs expire) an 11 – 11,000 – yes, 11,500 were added in 2013. Total

(NOL) at 12/31/13 were 54,255,000 with 1,089,000 scheduled to expire 12/31/2018. So, that's the next time of (lose) or have (NOL) expiring.

So, additionally from Lawndale Capital, you (preferably) says that it's time to consider a variety of strategic alternative. Would you please elaborate on this comment? And we are looking at a variety of options other than say, that we do not want or elaborate at this time, but we will continue and inform shareholders at the proper time.

The next question, you know, we're going to go through all the questions from Lawndale Capital Management first. Notice already debt management OTC (things) – (inaudible) going across going to (staff plan) mornings have been replaced with the yield sign with this week's issuance of Mace's audited financial statements. When (inaudible) get the (yield sign) warning also remove and will Mace take enough (three) measures to achieve that improving listing status.

OK. The staff sign was removed due to the filing of our annual report of first quarter earnings. I anticipate that the (yield sign) will be removed today or in the very near future as I filed all the needed disclosure information become currently have the (yield sign) removed. Most recent communication was from the OTC representative earlier today and she said with the disclosure that we filed yesterday, it would take an additional 24 hours. So, my expectation is before market opens tomorrow that the (yield sign) will be gone.

And in efficient, I don't anticipate having the (yield sign) – (yield sign) in the future as we implemented the closing scheduled which allow for the timely filing which yields…

John McCann: Yes.

Carl Smith: … from the requirements.

Next question, when does restriction on (inflator) stock purchases that has existed for several months go away. According to policy, restricted persons which include members of the board of directors and executive officers are able to trade for 45 days commencing three days after a quarterly release assuming they are not in possession of material non-public information regarding the company.

Next question, will the company timely disclose the details of any site or stock transaction? The company has been in an (alarming) reporting status since July of 2012 and has no SEC requirements or ability for that matter to disclose any insider stock transactions.

All right. So, then here comes some Mace Q4 2013 questions, again, from Lawndale Capital. To help us (get) understand how close we feel you have come toward operating great (even) result, can you please provide a summary description and breakdown of the Q4 chart that you are calling nonrecurring in SG&A and separately in COGS, cost of good sold, in income statement?

I believe these were addressed in my script but to clarify, Q4 nonrecurring re notable expenses total 701,000, 247,000 related to severance and move-related expenses of which 84,000 is in cost of good sold. The following are on SG&A ;60,000 of nonrecurring (professional) expenses of 108,000 in non-cash option expense and 286,000 related to the write-off of an asset.

John, now, a few more question from Lawndale, Mace Q1 2014 questions.

John McCann: Right. So, one question from Lawndale was with the year-to-year revenue decline or function of (loss cash burse) and do you eel Mace has lost market share, and if not, why do you feel this way?

So, in the first quarter, we can confidently say, we lost no customers. We lost no exclusive other than the fact that we had several customers or clients that merged together especially in the office channel through the larger players in the office channel merged together which (then they enacted). They were going to close up to 250 stores which will have an effect on our business with those customers.

Secondly, we had a couple of customer from a year ago that had pipeline (fill), so it’s our first time doing business with them that we didn’t get that same load if you would in a quarter and then the third thing I can say is that the weather conditions based on us talking to many of our retail partners, they feel on a 13-week period of the quarter, they lost at least 10 days business due to either weather closing or in climate weather that didn't allow people to shop in their stores.

One retailer commented that he, at some point, they had more people working in the stores than shopping in the stores and to reiterate. Mace is (Naples) buy. So, we need foot traffic in order to drive some of the impulses that we rely on. Same question, again, on year was, what was the year-to-year trend by month during the Q1 with March not as weak as February and yes, March was much stronger than February and we saw a positive trend, you know, as the – as the period went on.

And then a follow up to that is given this the last of the month, can you share how April year-to-year has shaped up in general every time was great inventory and return to normal increases buy-in levels. April would be much stronger than March and stronger than year go prior. We're seeing a slight (take-up) not as much as we had like to. There's still some reluctance of the load in inventory especially I don't want to talk about weather, again, but the Northeast and the Southeast is getting ahead a little bit with weather and we're still feeling the consolidation of some of our customer throughout there. I can't say that we're pretty pleased with so far April and with everything that we have to (shift). It'll be much better than a year ago.

Have you seen Mace product – I have seen Mace products in Walmart.com, what products do you presently sell through in the Walmart stores? Where effort and prospects expanding Mace sales in the Walmart relationship? So, we are on online with Walmart.com. We are in the process of expanding our online (store man) at the same time we're working on a store relationship that we think will be very fruitful and viable in the future.

Then regarding school systems there, is there predominance of geography in great level i.e. elementary, junior and middle school or high school? Were your school systems' sales had been occurring or broad mix already? So, basically, it's a broad mix. We've attended several trade shows in the school arena that we had in the past. One was in Columbus, Ohio; one was in New Orleans, Louisiana. We had very good success.

We started the ground work in order to initiate the process of Mace being a solution then we regard to where we sell product, it is mostly at the high school level. There's a little bit of the junior high school level and it's been a variety of (face) from Ohio, Texas, California and New York. So, overall, there's no – it's not just one region where you had to (step) across the country and it's a variety of products whether it's surveillance equipment or pepper gun quite honestly is what we had done in Texas and then with the variety of products that we're able to implement in Ohio.

Carl Smith: All right. So, the next question, with several months of solely operating under the new Cleveland manufacturing facility, discuss the unit and overall cost saving you experienced during Q1 and what additional savings do you expect to experience and which should we expect to see these results?

Our response is in Q1 from a production standpoint, we realized manufacturing efficiencies like taking advantage of the warehouse space and increasing our production (last sizes) which minimize downtime which allowed us to implement and adjust new safety stock levels to minimize out of stock situations. Logistically, we are better able to serve our customers with the ability to have multiple next-day delivery pick-ups which is hard to come by in Vermont.

We are working with our small package carriers to review the current (freight) cost. We are also in early phases of working with the national third party (LTL) broker to take advantage of lower (LTL) cost. In January and February, we have higher labor cost in manufacturing as we continue to train and work with the new labor force. In March, we reduce the manufacturing labor force by 30 percent. I believe the second quarter of will reflect these additional savings which will quantify at that time.

Then the next question, your press release didn't make mention of any, so perhaps Mace's restructuring is behind us. To help us better understand how close we feel we have come toward out – I'm sorry, have come toward operating break-even results, can you please provide a summary description and breakdown of the Q1 charges you are calling nonrecurring in SG&A and separately in cost of good sold in the income statement?

There were no – what I would call restructuring cost such as severance or relocation cost in Q1 of 2014 that weren't accrued for in 2013. We did incur higher Q1 cost in certain areas which I would now (refer) as nonrecurring. Q1 had higher advertising cost relative to the total annual budget and prior year advertising. We had higher manufacturing labor cost in January and February and we had some timing charges related to the severe weather and maintenance.

John McCann: (Go on) the next couple of questions that are from private investor, what sales level do you ask (inaudible) generated sufficient gross profit to become positive cash flow generating? Basically, on the current cost structure, we're looking anywhere from 10.5 million to 11.5 million in annualized sales, January positive cash flow obviously everything is based on a mix relationship.

When is the realistic target date you are counting the board – where the board is holding you to generate this break-even sales rate? And our goal as I said before as soon as possible.

Carl Smith: OK. So, then the final question from Lawndale is what is Q1 other income from? That's a realized gain on the sale of a short-term investment. Now, we have questions from Cavaliers Capital. Are there any nonrecurring one-time expenses included in (inaudible) in a Q4 2013 and Q1 2014 financial results? You know, thanks to the question. This was asked and answered just previously.

John McCann: Right. And I think from Cavaliers Capital, what was meant by the phrase consider a variety of strategic alternative and I think that we answered that question under Lawndale. I think we (have tackled) in our third question that Lawndale had asked to sale.

Then this is – and I apologize, all of these – all of prior questions were Lawndale and then Cavaliers. Now these are private investors. During the press conference calls, management stated and implied that one of the added benefits in sale in Mace Central Station business with the (chance) to increase selling other Mace products to security partners' line of dealers. What's the status of this initiative?

(Kind of) as a reminder, through the acquisition, we're able to gain access to 1,700 dealers from our 450 original (base). Three central stations are strategically located in Lancaster, Pennsylvania and San Antonio and in Anaheim, California. We have begun the process of jointly presenting to both dealers and to customers of full array of products. So, for example, we have a lot of dealers now buying Mace pepper spray that – as they leave behind for their clients who are – potential clients.

We attended the franchise show together to give a comprehensive (end-end) solution just - -this was just past week in Las Vegas to say whether it's monitored or unmonitored, you can – you can use Mace products, and then thirdly, we have a major show that we will have exclusive (bam) opportunity to present through the majority of the 1,700 dealers and put together program.

So, we're slowly beginning the process and we've had some success whether it'd be surveillance products or pepper spray products that we've been selling to the security partners dealers.

John, can you give more color to the (degrees) in sales revenue from 2013 versus 2012 and Q1 2014 to 2013? This has been the presentation but really, in 2013, the decrease in sales was almost 100 percent attributed due to our surveillance product where we moved out of a lot of products. We're now still moving three some of the (older) products but into our new products. I can't tell you that in April of this year, we're going to have our best surveillance month but that have come on board.

We now have repeat customers. We have some small franchises and chains that are now used in our products and we have some dealers that have gotten stepped up to the table. The 2014, when you look at the numbers, we had a great tactical. We had some other (optics) that we are a flat in some different areas versus pipeline (fills) a year ago, but when you look at consumer and sporting good, that was the biggest disappointment in the quarter and I think it's in line with what, you know, we see on some of the government statistics that had come out and when I've talked to peer groups, they've experienced the same thing whether consolidation and the stores or the major two reasons.

Another question came in along the same lines (these area are) –is – this is the result of (Mace Lucy) market share. We haven't launched any market share. According to the studies that we have and we've run, we still own 52 percent of market share on the pepper spray side. The surveillance that it's very, very fragmented, nobody really has more than a couple of points but we've held around. It's not ground in that segmentation of it. So, it is really a timing issue or weather-related issue and unfortunate that the quarter was as it was.

John, when can you expect the cash flow break-even quarter and as I said earlier, this was – someone asked earlier retailers that as soon as possible is our (goal). And then, what dollar volume of sales do you think will create that break-even cash flow number and if you put on and on a quarterly basis, we would be looking at net revenues, anywhere from 2.5 to 2.8 million based on the current cross structure and, again, that flows into a little bit of mix. It depends on the product (sale).

Carl Smith: All right. Next question from the private investor, please give the status update on the quantitative and qualitative improvements in the manufacturing mix pepper spray as a result of your move to the new facilities in Ohio and I addressed that question in the previous question.

John McCann: All right. So, in the past year, you've announced initiatives with (MASA) – NASCAR. Do you take (great) press release but I wonder if anything realistic comes from these partnerships in their future. I guess my question as you look in the crystal ball, what benefits do you see for Mace as a result of these partnerships?

Taken the NASCAR, it was a one-time event. We have the added benefit of now they have our material and they continue to show it to different races. It was a brand new race team, circle case board that offered us this opportunity and directly off of that, leading part – on automotive part store called up and said, “Hey, we’d like to meet.” And so now we’re in the process of meeting with them and working on a program which is – which is great.

The second part, on (MESA), we’ve had several meetings and basically, our staff is working with their staff and they’re giving us free engineering time based on a program through (MESA) and the local government here in Ohio and our goal with that is to take our existing products and see how we can some tweaks or improvement. For example on our spray, we’re looking at our existing technologies to say, “Can we – can we continue to do what we’re doing and have our product spray a little bit further than it is today and we’ve seen some positive activity in that area of things that they would say slight tweaks that could help us achieve that goal.

And then lastly, does Mace have any financial obligations regarding this partnership? No, we don’t at this point. The (MESA) is truly a partnership where they get the credit for anything they help us with. The NASCAR was a one-time event then, and as Carl indicated in the financials, we’re a little heavy on our advertising side in the year. We’re staying within our budget range for the entire year on our advertising. We’re trying to take advantage of what in the media world they called remnant or opportunity by that – basically if you with the NASCAR and wanted a car sponsorship, it would be north of $250,000 up to a million. Ours was nowhere near those numbers. So, it was a great opportunity for us to take advantage of a one-time event.

One other item that we took advantage of in that same quarter was a relationship with IMD College which then we were the – one of the sponsors for the basketball tournament for the (MAC) conference and that was – that was great for us because now there’s couple of bookstores, very small volume and yet but there’s couple of bookstores – college bookstores that we’re able to gain distribution then because of that partnership.

So, those were all the written questions we have and we’ll turn it back over to (Aaron) now for some questions from the audience. Yes, (perfect)!

Operator: At this time, if you would like to ask a question, please press star then the number one on your telephone keypad.

Your first question comes from the line of (Thurman Willis), private investor. Your line is now open.

(Thurman Willis): Thank you, John and (Richard). That was excellent report. I applaud you for training the format of the investor call. I think the past calls questions have been way too detailed for most investors and I think that some (sides) were shareholders including myself, have shared some thoughts, probably (ought) had been held on a private call.

I want to apologize for that for myself, and I just want to look at the packs today and say, you know, I know that you said a lot of this but I want to tell you why I feel as an investor you're so much undervalued and I feel that others ought to take a look at this company and I want to applaud you John for what you've done in two years and it's coming to the company and (Richard) for the many changes you've made as chairman over the last 3-1/2 years.

And I think, you know, the investors could go really to your – to your press release and, you know, primarily look at the one main paragraph but let's just focus on what has been done and we know that our stock price has gone down. We know that no one is happy about that, but I have full faith and confidence in the board of directors and in management to know that the right thing will be done to enhance shareholder value. You have never questioned that and I do believe that we're a small company that basically has no debt and the – (the first stock split) was an excellent thing to do, (Richard) and I applaud you for – we have 12 cents in cash. We have 18 cents in book value.

You eliminated all the carwashes something that prior management could not do in many, many months. You have done it and I applaud you. You move your Corporate Headquarters. You closed numerous offices and you consolidated in a great way and I applaud you for that and the expense reduction that will recur over a number of years. I truly applaud and thank you as I requested from your attorney that you get the cross sign removed from your financials which will now allow many investors to buy where they were not and so I applaud you, you know, for that with getting the yield signal also moved. A major item that no one ever thought could be done was getting the EPA to release their ban on Mace.

And John, you were responsible for getting that done and that was tremendous. Also you sold and got an outstanding price for the central station, you know, in California and as you see it, we feel it is an appropriate time to consider a variety of strategic alternatives and many management teams would not look at that but I applaud the fact that you are doing that now.

I don't want to sound like a cheerleader of which sometimes I've been accused of but I don't want to sound like a disgruntled shareholder or I don't want to be a person that asks so many detailed questions that other shareholders lose interest on the call and hang up especially when they last an hour and a half and I think we have been guilty on both sides of that.

Being a large shareholder myself and with numerous others, I do think and I would make one recommendation and then just ask one question and, again, say that I have full faith, I have – I am not disgruntled and I am not a cheerleader. I just simply stated the facts of all that's been done and this stock now trades lower than it did when it had debt. It had carwashes. It had EPA. It had all the many, many problems that had to be solved.

So, if you look at the (NOLs) which were dollar and I think the Mace brand names probably worth 50 cents and the cash we have, you know, maybe the $1.62, you know, for valuation on this company assuming, of course, we got full value on those (NOLs) which I k now they will expire in August and that, of course, will be material because there are many companies they are able to use that.

So, I have asked you in the past to consider (TASER), (MAGOL) systems, (NAPCO) and others for consolidation because I believe the one thing that you need and this is my question, the one thing that you need is a broader sales channel and I think if get example had (TASERs) sale channel and we were affiliated with them in some way, you know, that our stock and I thought – think our revenue would triple overnight.

So, again, thank you and I will above the stock. I have interested people who will be (buying) the stock because I have faith in the – as I said, management and the board. So, I want other shareholders to know exactly where I'm coming from because I've been involved with the company about 10 years and this is the brightest days even though yes, we would love to see a dollar stock price and (still) 36 cents but, (Richard), could you or John respond to the fact not, I know you can't speak specifically about strategic alternatives but ways that we are looking to broaden our penetration relative to partnerships with other companies and I'm sorry I was long winded but I want to get that said.

And I thank you and I will have no other questions or no other comments.

(John McCann): Well, (Thurman), thanks and in regard to that, I think it's prudent at this time just to say where (we had) that earlier. We're looking at a variety of option and we're open minded in our approach both on all sides of the equation.

OK. Well, I think (Aaron), that's all the questions that I see in the queue. So, I want to thank everybody for participating and I think (Aaron) if you want to – if there's any other questions we can take other than that I think I want to just thank everybody for participating in the call.

Operator: We have no questions.

John McCann: OK, well (super). Well, thanks everybody for participating and we're hoping for better results as we move forward. Thanks, (Aaron).

Operator: You're welcome and this concludes today's call. You may now disconnect.

END