MACE SECURITY INTERNATIONAL INC.

Moderator: John McCann
November 16th, 2017
2:00 p.m. ET

Operator: This is conference # 8598484.

Operator: Good afternoon. My name is Jody, and I will be your conference operator today.

At this time, I would like to welcome everyone to the Mace Security International Third Quarter Financial Results 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, press the pound key.

Thank you. John McCann, you may begin your conference.

John McCann: Thanks, Jody. Thanks to all the participants. Sorry about the difficulty in getting in. The conference call company mentioned to us they have mainframe issues that they are working feverishly on to fix. If you can't join, this call will be recorded, and we'll make sure anybody that, when we get the list, has not joined the call, we'll make sure they're available -- the recording's available and also any questions they have.

So first, I'll turn it over to Carl for forward-looking statement, and then the only other words is that we did load a PowerPoint presentation in our Investor Relations section of our website. So Carl?

Carl Smith: OK. Certain statements and information during this conference call will constitute forward-looking statements and are based on management expectations and information currently in the possession of management. When used during our conference call, the words or phrases, will likely result, 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 subject to the 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 acquired businesses. Such factors could materially adversely affect Mace's financial performance. It could cause Mace's actual results for the future periods to differ materially from any opinions or statements expressed during this call.

I will now comment on the third quarter and year-to-date financial results, and then I'll turn the call back over to John McCann, our CEO.

Third quarter net sales were $2,828,000 compared to $2,706,000 last year, an increase of $112,000 or 4.5 percent. Net sales associated with the acquisition were $478,000 for the quarter with sales reflected in our Consumer, Tactical and International sales channels.

Consumer channel net sales for the third quarter totaled $2,420,000 compared to $2,391,000 last year, an increase of $29,000 or 1.2 percent. International channel net sales totaled $219,000 for the quarter compared to $206,000 last year, an increase of $13,000 or 6.3 percent. This increase is primarily attributed to distribution of animal repellent products in Canada, partially offset by reduced demand in Europe. Tactical channel net sales totaled $145,000 compared to $79,000 for the third quarter last year, an increase of $66,000 or 83.5 percent. This increase is attributed to new distribution and increased sales to existing customers. Net sales classified as Other totaled $44,000 for the third quarter compared to $30,000 last year.

Gross profits for the third quarter 2017 totaled $1,293,000, with a 45.7 percent gross margin compared to $1,166,000 and 43.1 percent gross margin in 2016, an increase of $127,000 or 10.9 percent. The increase in gross profit dollars is mainly attributed to the $122,000 increase in sales and better margins. Gross profit margins were 2.6 points higher quarter-to-quarter. The margin improvement can be attributed to lower freight out expense, as the company increased its case-pack quantities with some key accounts. We also had favorable overhead absorption as a result of increased production and this was offset slightly by unfavorable mix.

Selling, general and administrative expenses for the third quarter ended September 30, 2017, were $942,000 or 33.3 percent of sales compared to $940,000 or 34.7 percent of sales in 2016, an increase of $2,000. There's a nice table in our supplemental quarterly report with OTCQX summarizing the change in SG&A, of which I'll highlight the points.

Salaries and related employee benefit expenses increased $67,000 for the quarter compared to last year due to the hiring of additional sales personnel. Advertising expense increased about $19,000, primarily related to higher Internet advertising expenditures. And then these increases were offset by a $33,000 decrease in commission expense attributed to lower commissionable sales and lower commission rates paid to some of our reps. Other expenses accounted for a decrease of $23,000.

Depreciation expense in the 3 months ended September 30, increased $9,000 to $49,000 compared to $40,000 in the 3 months ended September 30, 2016, and this due primarily to the March 2017 acquisition of Property, Plant & Equipment. Operating income for the third quarter 2017 totaled $302,000 compared to $186,000 in the third quarter of 2016, a $116,000 or 62.4 percent improvement due to the factors as I just highlighted.

Other expense net for the quarter was $106,000 compared to other income net of $18,000 in Q3 of 2016. The $124,000 increase in expense is primarily attributed to amortization of intangible assets associated with the company's March 2017 acquisition as well as a decrease in investment income due to liquidation of a portion of the company's short-term investments to fund the 2017 acquisition.

As a result of the above, the company reported net income of $196,000 for the quarter compared to $250,000 in 2016. EBITDA for the quarter was $351,000 compared to $226,000 in 2016, a $125,000 or 55.3 percent improvement.

I'll now highlight some of the 9 months year-to-date, September 30 financial information. Year-to-date net sales was $7,048,000 compared to $6,816,000 last year, an increase of $232,000 or 3.4 percent. Year-to-date net sales associated with the acquisition were $1,289,000 with sales being reflected in our Consumer, Tactical and International sales channels.

Consumer channel net sales totaled $5,712,000 compared to $5,610,000 last year, an increase of $102,000 or 1.8 percent. International channel net sales totaled $743,000 compared to $827,000 last year, a decrease of $84,000 or 10.2 percent. This decrease is primarily attributed to reduced demand in Europe, offset by distribution of the animal repellent product in Canada. Capital channel net sales for the 9 months ending September 30, 2017, totaled $505,000 compared to $299,000 last year, an increase of $206,000 or 68.9 percent. This increase is attributed to new distribution and increased sales to existing customers.

Gross profit -- year-to-date 2017 gross profit totaled $2,980,000 with a 42.3 percent gross margin compared to $2,822,000 and a 41.4 percent gross margin in 2016, an increase of $158,000 or 5.6 percent. The increase in gross profit dollars is mainly attributed to the $232,000 increase in sales and slightly higher margins.

The margin improvement can be also attributed to the lower freight out expense we've experienced through the year as we increased case quantities with some key accounts. And again, for the year, we're having favorable overhead absorption as a result of increased production.

Some comments on selling, general and administrative expenses. For the 9 months ended were $2,773,000 or 39.3 percent of sales compared to $2,772,000 or 40.7 percent of sales in '16, an increase of $1,000. So salaries and related employee benefit expenses increased $133,000 compared to last year due to the hiring of additional sales personnel. Advertising expense increased $25,000 due to higher Internet advertising expenditures. Business travel was up and increased $35,000, and that was due to the travel related to acquisitions, increased customer visits and visits to China to some of our key suppliers.

The company also experienced a $20,000 increase in public company expenses due to the move from the pink sheets to the OTCQX. And then these off -- these increases were offset by a $78,000 decrease in commission expense attributed to lower commissionable sales. And we also had a $125,000 reduction in legal and professional expense, primarily attributed to a decrease in fees paid to a public relations firm.

Year-to-date other expense -- let me stop there. OK. So operating income totaled $68,000 compared to $66,000 loss, a $134,000 improvement due to the factors I just discussed. Year-to-date other expense was $81,000 compared with other income net of $67,000, the $148,000 increase in expenses, again, is primarily attributed to the amortization of the intangible assets associated with the company's March '17 acquisition.

The company reported a $22,000 loss from discontinued operations for the year compared to income from discontinued operations of $129,000 in the prior year, an increase of $151,000 in expense. As a result, the company reported a year-to-date net loss of $35,000 compared to net income of $250,000 in 2016. Noting, however, the $35,000 year-to-date loss included an additional $262,000 of expenses related to the amortization of intangibles and the swing in the discontinued operations.

At this time, I'll have a few comments on our balance sheet as of September 30. The company's net book value was $9.3 million compared to $8.8 million at December 31, 27 -- 2016. Mace had $11.2 million in total assets compared to $9.6 million at December 31, '16. Cash in short-term investments decreased $1.9 million as the company funded the purchase of Washington Labs in the first quarter of 2017. And increased inventory. Inventories at September 30, 2017, totaled $2,051,000 compared to $1,568,000 with $300,000 of the increase attributed to the Washington Labs acquisition.

The company had $586,000 in goodwill and $2,070,000 in intangible assets related to the March 2017 acquisition. And in our footnotes to the financials, you could see the detail underlying the balances underpinning the intangible assets. Total liabilities of -- at 9/30/17 were $1,953,00 compared to the $776,000 at year-end, an increase of $1,177,000. And this increase is mainly attributed to the $1 million note we used to acquire Washington Labs.

We have positive working capital of approximately $4.9 million and a current ratio of 5.0. Net operating losses at September 30 were approximately $60 million with $1.1 million expiring in 2018, $4.5 million in 2019, $3.2 million in 2020, and the last NOL expiring in the year 2036.

At this time, I'd like to thank you for joining us this afternoon. And I'll turn the call over to our President and CEO, John McCann.

John McCann: Thanks, Carl. And again, the presentation on mace.com website under Investor Relations and Presentations. I won't go through the presentation that we loaded on, on the website, but I will show you the progress of the company in the quarter and the year. Also, due to the growth and positive changes in the company, we will have multiple presenters during this conference call. After my brief remarks, I will introduce John McVay, and then David Happe. I'll talk about each gentleman prior to their brief commentaries.

So as I stated in the second quarter, Carl, the great turnaround in the company continues. We've increased our sales and also our net income as well produced positive EBITDA in the quarter. We've expanded our distribution and our reach, both domestically and internationally. In a large part due to the acquisition, we were able to increase our sales in North America, even as Europe continues to be soft.

Domestically, with the exception of our sporting goods channel, which continues to undergo change and consolidation, their traditional retail channel of brick-and-mortar continues to evolve also, where we've benefited from our relations and our strategy through our acquisition to offer a wider variety of price points, product variations to each one of these channels. Additionally, our e-commerce strategy is working, and we continue to see this channel as a great opportunity for future growth and brand development.

Our Tactical channel continues to grow in 2017. The investments we've made in the channel over the past several years is paying off as we continue to win bids and expand the brand as the #1 brand for law enforcement and civilians worldwide. The revenue growth came from the acquisition and organic growth as we implemented the strategies I just discussed on previous calls. We have a multi-brand strategy and multi-brand approaches to the market, so we can fill needs and opportunities more effectively now than ever.

In the quarter, we were able to add 21 new accounts on top of the 16 new accounts we added in the second quarter, which is on top of the 50 new accounts we added in the first quarter. This does not include the expansion of our online retailers, which we'll talk about a little bit later, and where we see some more opportunity for growth for the brand, both for the Mace brand and our partner brand.

However, I would be remiss with not noting that we did lose a major retailer during this period of time. This particular customer went to a low-price, low-quality product, which is unfortunate, but does happen. Additionally, in the quarter, we increased our gross margins due to increased efficiencies. We saw a 10.9 percent increase in gross margins, mostly due to mix and additional factors. Our Tactical Division, we are launching many new products, batons, tactical knives and also handcuffs.

We've been successful with our new products and also our distribution gains. We have made headway in launch ammunitions with more details to follow as we finalize what we need to do to finally launch our products. Timing looks to be early 2018, but more to come on our exciting news with regard to ammunitions in our Tactical Division.

The majority of sales, thus far, has come from our core spray line of products with a small portion related to our TG Guard product line. Again, as we discussed last quarter, we successfully acquired and integrated Washington Labs into Mace. All production sales, marketing and distribution is being handled out at 4400 Carnegie. John McVay will touch on the business as the mandated vision for the company in a couple of minutes.

A couple other notes. Our personal alarm business continues to do well. We place our personal alarms in several retailers, and we have a growing business with the #1 personal alarm in the world. E-commerce is another opportunity for this product line, and we'll speak to that when David Happe talks.

On our partnership with Vigilant; which has been beneficial. So beneficial that we have purchased the company. That did happen in the early part of the Q4, but we were tarred on this transition during Q3. And it's a transformative move, in my opinion, for the company. Not only did we buy the company, we reincreased our talent level as David Happe has joined the company as an EVP.

David will be on in a minute, also to talk about his vision and the mandate for the future. Couple other notes that I'd like to mention is our partnership with Select Security has not produced the desired results. Therefore, we're looking for a new partner to take advantage of this home security opportunity. Our partnership with SecureCheck started out slowly, but seems to be moving along quite nicely now, and we feel that within 2018 and 2019, we'll see some more benefits from that partnership on our surveillance lines of products.

As I mentioned, in the second quarter analysis, we did retour LED-powered products. We've launched this product during the late part of third quarter and nearly fourth quarter. And we're seeing some modest, but nice sell-through with the product. We also are continuing to work on all other product lines where similar programs are in place, which we'll report on in the near-term future.

So thanks, again, for your time. And just as a management time, we continue to be bullish on 2017. We're having a good year. We'd like to be a little even more robust. I think some of the changes that we've made with the company are going to help us and be in a position for more future growth, both domestically and internationally. We have partnered with McCann and company to look at future opportunities. McCann was very helpful in the --

both the acquisition of the Vigilant brand and also with the Washington Labs acquisition, and continues to look for more opportunities for the company. And then lastly, on the banking side, we're very happy with our move to Chemical Bank, not only have they provided us a very good treasury management system that helped with our efficiencies inside. They also have -- we have the support line of credit whenever we need to draw on it, to make sure that we're able to take advantages, both if it's an inventory purchase or an acquisition that comes along that we'd like to look at.

So with thanks, again. And now I'm going to turn the call over to John McVay, who is Vice President in charge of our custom manufacturing business and also assists in company and partnerships, licensing opportunities and also direct sales opportunity. John joins us with a wealth of experience in manufacturing, sales, marketing and partnership. John assisted Mace in the move of the manufacturing from Vermont to Cleveland.

He assisted with the acquisition of Washington Labs and assisted with some of the acquisition work that we needed to do with Vigilant. And just on a personal note, John does great a job. He has shown great leadership with our custom manufacturing. And when we look at sales and some of you that have been with us for a long time, realize that some of our sales that come from new acquisition, that has been on purpose. Where we see an opportunity on a price point or an opportunity where we could not have taken advantage of that in the past, with the assistance of John and partnering with our -- both our Mace brand and some of our other brands, we've been able to take advantage of that.

So at this point, I'd like to turn it over to John, and he's just going to talk a little bit about his role with the company and the future.

John R. McVay: Well, thank you, John. For those of you who don't know, I was put -- I was the project manager for the move from Vermont to Cleveland, the Mace move from Vermont to Cleveland back in late '13. And I have had a -- an extremely strong sense of ownership since those days regarding the company. Last year, when John asked me to assist with the acquisition of Washington Labs, I was excited to be back on the field representing Mace Security International, and John and Carl.

Clearly, that acquisition earlier this year has been a significant step for our organization and toward future diversified growth. When the decision was made to move the assets to 4400 and integrate the new entity, we knew that there were a variety of challenges and opportunities ahead of this, but we knew that this decision was a sound one. It allowed us to maximize operational efficiencies to take advantage of the economies to scale from a purchasing standpoint, improve our profit margins and bring world-class service to our custom manufacturing customers.

Just stepping back for a moment, is the planning and logistics of putting a move like this together caused a variety of departmental and interdepartmental lines. And I must recognize Carl Smith and his floor-level leadership team for making every effort to making the physical accommodations required to integrate an entity like Washington Labs into the Mace family, from rach and shelving, from security areas, from electrical ventilation, air compressure expansion and a various and sundry other engineering and installation-related needs. Say nothing of the prior -- fire prevention and suppression modifications to safeguard our people and to reinforce best practices regarding all of our material handling with respect to our manufacturing production capability.

In addition to the physical integration plan there was also a lot of -- there was thoughtful introduction regarding the introduction of new key staff members from Kent to Cleveland. As the blend of the 2 company cultures began to take place, as you can see that the results were absolutely beneficial and was a absolute reconfirmation of our faith of our -- regarding our people and their ability to adjust to a new situation like that, adapt, be patient and be productive.

And as I mentioned a little bit earlier, some of those improvements were basically from -- with our mixing and fill room efficiencies. Those operating improvements and economies of scale, certainly are assembling and fulfillment efficiencies where we blended some of the best practices for both groups, and have certainly improved margins and have certainly improved our customer service since we've been taking -- since we've been carrying for those Washington Labs' customers. But the committed cooperation and patience through this process was impressive and attribute to our most valuable assets, and those assets are our people.

On the technical and accounting side of things, our mass, our ERP system. Now -- it is now in full possession of all the inventory items, cost of goods sold, build materials and so forth. And I want to just take a moment to acknowledge Rem Belzinskas and Ken Kittelberger for their knowledge, their patience and their commitment to getting the job done. There was a lot of data to handle, that's for sure. So I want to recognize those guys, because this is -- they just represent the epitome of a team effort.

I'd also like to say that on the marketing and sales side of things, we're excited about the ability to work with our custom manufacturing partners. Because it provides us with some unique opportunities. From a dual-branded branding approach that provides us with more selling options to a variety of channels of distribution, and the capability to get competitive, to create a competitive advantage, when wholesale pricing was extremely competitive. And it almost always is.

Dual-branding initiatives are currently underway with Sam's on the retail side, and amazon.canada in cooperation with David Happe, on the e-commerce side. And Dave, of course, will be speaking in a few moments.

But just pretty much in closing, I'd just like to say that the custom manufacturing business has many segments, many opportunities. Products that fit into traditional retail channels of distribution, law enforcement and on an international basis. Our commitment to quality, competitive pricing and customer service are the keys to our success, and we'll continue to make Mace the leader in the industry.

And a few things that I want to -- I really can't get into at this point, but we have several initiatives we're working on. Very excited about some opportunities that we have with licensing, some partnerships, some new products and product development initiatives that are going on, and we're very excited about what kind of results we're going to be able to achieve with the fruition of some of those activities.

So I'll just close with that, and say thank you. And I'm absolutely delighted to be part of the Mace team.

John McCann: So thanks, John. And once again, we'll get John's bio up on our website, so everybody can see how talented John is, and how much we have respect for his and his ability and looking forward to the future.

Lastly, like -- before I leave this subject, it was a big acquisition for the company to do. And I -- and as John credited a lot of people within the organization, we were able to seamlessly integrate this company. We did it so well that it led to another acquisition within the same year, which is a lot for a small company like Mace is. But this integration happened both from a board level support, all the way down to our shipping, supervisory support to make sure that we did what we had to do. Because quality, pricing, customer service are the keys to the continued growth and the leadership that Mace has in the market.

We're constantly leveraging our abilities to do more and see more and be more in the marketplace. So we're really excited about John coming onboard. He can talk a little bit more about -- we'll post his -- sorry, we'll post his bio so you can see more of what he's been able to do in the past and how we're excited about the future with John onboard.

With that, as I mentioned, we have another speaker that's going to be talking in a minute. I'm just going to do a quick intro. David Happe and I met probably over 3 years ago when I took over Mace, and David had started a company called Vigilant Personal Protection System. We met in a Minneapolis airport. We started talking about his vision for what he wanted to do and what I want to do at Mace. At that point, we said, "Hey, great, good luck. Let's build out a little bit. Let's get some initiatives on and then let's talk in the future."

Fast-forward to about a year ago this time or maybe 15 months ago, we signed a licensing deal with Vigilant to do more online marketing, to bring in some of his great, well-designed, well-thought-out, well-engineered alarms, and we started that way. Lo and behold, the opportunity came to actually then acquire the company, not only acquire the company we're excited about, but acquiring David as well. David brings a lot of energy, brings a lot of knowledge, brings a lot of enthusiasm to the market. I won't go through his full background, because I'd like him to do it. But he will tell you why we're excited about where we're going, what we're doing and how we're doing it.

So with that, I'd like to introduce David Happe, EVP of Mace Security International. David?

David Happe: Thanks, John. And as I was listening to the other speakers speak, I was on Amazon.com. And I saw the most recent feedback that Mace has received on Amazon.com and it says, "Thinking of buying them as Christmas presents for 8." And that's exactly what we're about.

As John mentioned, my name is David Happe. I am the newest member to the team. I can't be any more bullish or excited about Mace. I joined Mace when they acquired my company, Vigilant Personal Protection Systems, but I told John that I'd give you a snapshot of my history, so you can kind of understand why this marriage was a perfect marriage for both Mace and for Vigilant. My career started at Best Buy, where I was one of the youngest buyers in the history of Best Buy Company. I was then recruited and went down to Walmart in Bentonville, Arkansas. At Walmart, I was the national consumer electronics buyer of -- at that time was about $700 million category with full P&L responsibility for their electronics products at Walmart's Sam's Club division.

After Walmart, I went on to Amazon.com. I was the lead consultant for Amazon.com when they had no consumer electronics, and we opened -- I was on Amazon's payroll when we opened Amazon's consumer electronics store on Amazon.com.

I then went into a sourcing role and I stepped in as a VP of Sales & Marketing we created outside of Amazon, but Amazon was one of our -- one of our first customers. We created the Akai television product line. We took Akai from $0 million to $100 million in about 1.5 years. For the same client, I was also the Vice President of Sales for a division of Samsung CCTV, and we sold Samsung CCTV through the wholesale club channel to Costco and BJ's and Sam's Club. And we saw a similar rise with Samsung CCTV to sales of about $100 million over the course of about 3 years.

And I'm here because I see the same potential at Mace. I signed up with Mace because I see the same things, the same dynamic setting up that I saw with both Akai and with Samsung. The dynamic is the same and the upside is the same. And John and I just started talking a long time ago, I didn't need to sell Vigilant. Vigilant was profitable from its first day, and it started generating positive income for Mace also on its first day as a Mace-owned brand.

Vigilant is the #1 most reviewed brand of personal alarms on Amazon. And while I was listening to the call, I was searching on Amazon. If you type in personal alarms into Amazon as a research. Type in personal alarms, you'll see that out of all the thousands of personal alarms that are on Amazon today, Vigilant is #1 and #2. And we're moving Mace up into some of those top positions as well.

It's no surprise that our largest competitors copy us, which is the highest form of flattery. But fortunately for Mace, I learned during my Best Buy days, how we stay ahead of the competition. We're already working on the next generation, while our competitors are busy copying Mace's last generation.

So I didn't need to sell Vigilant, but the company wasn't on the market except to Mace. I had a offer from a much less capable competitor of Mace's to join forces with them, but I hand-selected Mace because of the opportunity and the way that it set up against what I have done in my past. The crossroads we came to was that either Vigilant had to become a viable competitor of Mace or join forces with Mace. I needed for Vigilant the additional distribution, and I had to either build it or find it, and I found it in Mace. So the best way for me to explain to you what we're doing with Vigilant and Mace, how we put these 2 companies together, I'm going to tell you what Vigilant got from Mace and what Mace got from Vigilant.

What I found in a partner and in an acquisition from Mace was shared resources. Vigilant gets to use the accounting, the logistics, the marketing, the distribution that you all as shareholders have already paid for. We use the assets already in place with Mace without having to recreate it, and we have almost a 0 SG&A add, because operationally all the pieces were already in place that I wouldn't need to build externally at Mace. So we gained the advantages of using the big company resources without having to develop them at a added expense, if I were outside of Mace.

Mace has an extremely low operating expense, reminds me of my old Walmart days. For any of you who have ever visited Mace, you know Mace's expenses are kept extremely low. And I can tell you that they're on the same scale and with the same thought process that Walmart runs and all of that comes from John McCann's history within the consumer electronics space.

I got a better brand when I partnered with Mace. 99 percent of consumers know that -- the Mace brand name, but the brand is still underdeveloped from a retail penetration standpoint. We get to take Mace as a brand name into new products, new platforms, new retailers and eventually, new countries; there is really no limit on what we can do with the Mace brand.

And then distribution. What Vigilant really needed was more diversification of distribution to continue the growth on outside of the customers, on the platforms that we're currently using. I'd either build it or find it, and Mace has a better distribution capability and network than Vigilant had.

So Mace was strong where Vigilant was weak and Vigilant filled the gap, where Mace can kill the competition and expand product offerings into new retailers. Here's what Mace and you as shareholders get from vigilant.

You acquire the #1 most reviewed personal alarms on the Internet. You got immediate positive revenue generation. You got our supply side relationships, all of which transferred directly to Mace and are already in place and are already reaping benefits for our new parent company. You got better personal alarms than Mace had and all of Mace's competitors have. If you haven't used a Mace or a Vigilant alarm, I'd encourage you to jump onto Amazon and buy one today, buy a Mace-branded alarm off of Amazon today, so you can really see and feel what we're talking about.

They make awesome Christmas gifts as that last reviewer just posted on Amazon. You've got an in-house e-commerce strategy to take -- change how Mace is going to come to market worldwide on e-commerce, and I'll talk about that in a minute. And you got someone to join John and the rest of the team with Eric Crawford, et cetera, that is nationally known. I've sold easily myself, as a salesperson into the industry, conservatively, over $1 billion in my career to retailers, not including my time working directly for Amazon, Walmart and Best Buy.

So what I was hired to do, my immediate priority is to expand the Mace brand online, to everywhere that you as shareholder -- where you should be able to do in a few months is go online and everywhere you think we should be, Mace is going to be. Over the next few months, you'll see Mace products expanded on all the platforms you'd expect to find us. And as a Mace shareholder that should be a welcome expectation.

When the online business gets repositioned and expanded, I will then join John McCann and Eric Crawford in 2018, expanding our presence in brick-and-mortar retailers. There's only one brand name in Pepper Spray and that's Mace. And what I liked about this Mace deal was Mace is a brand like Kleenex or Coca-Cola, it's a household brand name. We should be in every single retailer across the country. Nobody even knows how to pronounce the name of some of the competitors that sit on the retailer shelves today and that's why their products underperform both in terms of their product performance and their sell-through. And we're about to fix that problem for our retail partners.

So I'm about to turn it back over to John. But before you ask me any specific questions about our online strategy, from which a competitive standpoint, I may or may not be able to comment on. I'm going to give you one of my favorite quotes that Dick Schulze from Best Buy, Sam Walton from Walmart, and Sun Tzu, the author of Art of War and probably John McCann from Mace would all agree with, and that quote goes like this from General George Patton, "I have studied the enemy all my life.

I've read the memoirs of his generals and his leaders. I have even read his philosophers. I've listened to his music. I've studied in detail the account of every damn one of his battles, and I know exactly how he's going to react under any set of circumstances. And the enemy hasn't the slightest idea of what I'm going to do. So when the time comes, we're going to whip the hell out of them." Mace's time is now. You're all welcome to join me on LinkedIn. Add me on LinkedIn and if you add me LinkedIn, please put in your comments that you're a Mace shareholder, so I know who you are and would accept your request.

But you can see on their some industry news as I see it as it comes along. But understand shareholders, that Mace's time is here. In 2018, Mace is the company that competitors have been worried would arrive. Our time is now. There's only one acceptable answer to Mace's market position. And the only acceptable outcome is to win. And that's why they brought me here and that's what we're about to do.

So with that, I'm going to turn it back to Mr. McCann.

John McCann: David, thanks, again. And we're very excited to have David onboard as well as John. And Carl and myself have been working hard, as you guys know, for the past couple of years. Now we really feel this year and 2018, we'll be able to achieve more than we have in the past, even though we feel like we've done a lot. We still feel there's a lot left to do. We have talent level around us that's never been higher or better. We have capacity to build, create and distribute products for safety and security that will answer every need that we can think of.

Lastly, just to touch on our Tactical Division, as I mentioned earlier, we will have some exciting news as we draw closer to the end of the year. And we will keep everybody posted on that. And as we've always talked about, we do have very diverse verticals that we can do business in, and we're looking forward to now be in the time where we can take advantage of each one of these. Whether it'd be brick-and-mortar, e-commerce, International and Tactical, we now have people, products in place to make it happen.

So with that, Jody, we're going to turn it back over to you, so we could do a quick question-and-answer session.

Operator: Certainly. At this time, I would like to remind everyone, in order to ask a question, press star, then the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster. Your first question comes from the line of Thurman Willis, who is a private investor. Please go ahead, your line is open.

Thurman Willis: Gentlemen, good quarter, nice hearing from all of you. Thank you for taking my question.I'll follow the rules, John, with one question and one short follow-up. My initial question refers, and I hope everyone read the Seeking Alpha article that was very positive relative to Mace. And my question relative to that is, even in your presentation today, I noticed that we didn't mention the gel guns. So if you go to Mace and punch up that and key in gel guns, you'll see like 14.

To me, it's your best product. And many people don't like hearing firearms, so you can get this without a permit. And I think we could help in situations like in Texas, if some of those people would had -- would have had a Mace gel gun. So my question is this. John, what are our plans to market the gun and tell others about the gun? We seem to always not have it displayed on our marketing -- key marketing items and seekingalpha.com did not mention the gel Mace at all. It mentioned all the other products, but didn't mention this. So if you could answer that, please?

John McCann: Sure. So as you know, Thurman, we're one of the only companies in the world that has a pepper gun. We have spent quite a bit of time evolving that pepper gun. We went to pepper gun 2.0 last year, with -- which we launched very successfully. Part of David Happe and John McVay's mandate is, is that you will see more of the gun out there. David's working on some strategies with John and myself on a direct selling opportunity to reach people in more of an intimate way to make sure they're aware of the gun, the capabilities of the pepper gun.

It's a replaceable, which means that it comes with 2 cartridges, a water-based cartridge and a live cartridge. So you can practice it. It shoots further than any other product on the marketplace, and a lot of it is, as you'll see more education and a stronger push both in e-commerce and in some direct selling opportunities on the gun.

Thurman Willis: OK. The second part of my question and I'm glad to hear that because, I think, it's potentially our best product. Back to the Seeking Alpha article. The headline was, business moving forward, share price stagnates. So I congratulate the board management for all the fundamental changes, the fact that we're profitable, we've made this seemingly's fantastic changes, excuse me acquisitions, Chairman's letter on inflection, fact that we're now profitable, the acquisitions are going to, I think promote our sales and my question, getting to the question is, about the marketing and education as I said.

I said in a shareholders meeting 3 years ago, when we all commented that we needed fans in the stands. 4 different groups sold about 60 percent of Mace. And fundamentally, everybody has done well and I appreciate the excitement but those of us that are shareholders are looking at the same price we saw 5 years ago. We've got super tax loss carry forwards. We said when we became profitable, our stock would move up. When we made acquisitions, the stock would move up.

We've released great earnings, we have no volume, we see no increase in market cap and we're acquiring companies that scare me to death with such depressed value. So here we stand 5 years later, and we're at a price no higher then we were 5 years ago even with the tremendous -- tremendous progress in fundamentals that have been made. We do have an overhang (inaudible) we're all familiar with that. I hope that Chairman Barone and I guess, Vice Chairman Dennis -- is on the phone, I understand I know that they're part of Ancora, Ancora owns 30 percent of our stock.

My question is, some plan needs to be developed to promote our company, I don't see the plan, I've not seen the plan I know we've hired 4 PR firms only to let those 4 go. We don't seem to want to put any money in marketing and education. We shareholders are just fed up with being held hostage for poor decision by the board of not putting money into marketing and education -- and I would just say, I would ask Dennis and Richard to take the handcuffs of management.

And let them go Barone and [Armado} I know get upset with me talking about this but I heard it for so long I'm just frustrated to heck about everybody's, all the time excitement but our stock never goes up, we give all these excuses, excuses, excuses but the share price never goes up. And so we shareholders are held hostage to poor decisions by the board. So my question is, would you be very, very, very specific about what the plans are?

And my comments to Armado and Barone, if you cannot enhance shareholder value, which we hired an investor banker to do, get the hell out and let somebody else get on the board that will manage this company. We've done the fundamentals which are difficult, now it's the easy part. And we won't spend a few dollars to hire professional firm that has an Rolodex to get news out to the customer. I'm tired of Richard and I'm tired of Dennis. And that's just where it is. So calm my frustrations and tell me that they're going to do it different this time and expect different results.

John McCann: Well, Thurman, thanks for the -- we can't be...

Thurman Willis: And I hope they are on the call.

John McCann: Thank you very much for your call. Thank you very much for your support. We, as management team will continue to push forward do as much as we can to make sure that we educate the consumers on the great benefits of Mace brand and products whether it's our personal alarms or pepper sprays, our...

Thurman Willis: My question, John, is what's the plan? What's the plan? You've hired 2 great folks. What is the plan? I see no plan to enhance shareholder value that we hired investment banker a year ago to do. We announced all these great things and our stock is stuck and manipulated at $0.38 to $0.40. It's ridiculous. I want to know what the plan is. The board doesn't have a plan, Richard and Dennis doesn't have a plan. That's my point. They don't have a plan. So they need to get out. Because they are not involved and they're not engaged in this company. And we as shareholders, we're tired of being held hostage to their poor decisions. And it's not management, I'm talking about Richard and Dennis.

John McCann: OK. I think, maybe we'll go on to other question because I can't really comment on anything there but (inaudible)

Thurman Willis: I hope they're on the call. I doubt they would even be on the call.

John McCann: No, we know there's several board members on the call but so maybe we'll...

Thurman Willis: Richard...

John McCann: Sorry, Thurman, we need to (get on)...

Operator: I apologize, yes. Your next question comes from the line of Andrew Shapiro of Lawndale Capital.

Andrew Shapiro: Yes, hi, thanks. I have some questions here about the transformative acquisition of Washington Labs. And to get some more information in detail on what I hope also be a further transformative acquisition of Vigilant. So regarding Washington Labs, with a couple more months under your belt, in what ways is Washington Labs acquisition met? And also in what ways, if any, has it disappointed your expectations?

John McCann: So it mostly met our expectations, it gives us a wide variety as John has alluded to before of a multi-brand strategy, with several different retailers, it gives us opportunity both on the taxable side of the business and on the consumer side of our business. In the future, we actually, with (David Happy's) help and that's why it's a great marriage with Vigilant, taken his knowledge and be able to expand what we're doing with some of our partner companies with an online platform.

For example, Canada and some other markets, where we're going to be able to go online. We can't really get into the specifics because we don't want to give away the recipe of the soup. Where we have seen some disappointments, quite honestly, is the softness in Europe is affected some of our key partners, along in this process and then also some general softness of the sporting goods affected some of our partners.

Being able to go into almost any account with a multi-brand strategy gives us the leg up and also like I have to say on the operational side, it's been tremendous. The owners son, Brent [Harris] and Chris (inaudible) , who came over with the acquisition, are hard-working, gentleman that have helped our efficiencies in both the [field role], their leadership and their also abilities have been tremendous. And also little things like logistics now we have greater flexibility with logistics.

We're doing some different things with some incorporation of what they did in their background. And then also in general operating improvements as well as sales and marketing environment.

Andrew Shapiro: OK. And then a more tangible basis, with respect to the Washington Labs acquisition. Remind us here, is the measurement and adjustment potential on the earn out, on the acquisition of Washington Labs, is it both up and down? Or is it only the potential reduction on the seller note?

John McCann: It's only a potential reduction on the seller note.

Andrew Shapiro: No more money otherwise would go out? And it could be reduction. When is the contingent earn out? or adjustment down on the note? When is that measurement occurring and is determined?

John McCann: Year after the acquisition, so March of 2018.

Andrew Shapiro: OK. March of 2018. And has the acquisition so far been achieving your projections and expectations that one should not expect to see reduction in the note?

John McCann: No. Exactly. After 6 months, looking at the run rate of the average sales, I see no issue with them meeting a threshold.

Andrew Shapiro: OK. That will that, that -- that's usually, good, right.

John McCann: That's the good thing.

Andrew Shapiro: Let's move on to Vigilant and the acquisition. You guys have commented pretty nicely in detail and articulated it really well what Mace acquired when it purchased Vigilant and also what David got in terms of partnership. Your financial statement footnotes disclose that $1.2 million was paid for Vigilant subject to some adjustments, including an earn out. So can I ask some questions here about the transaction details to the extent you can share, I hope. Off the $1.2 million, how much was cash and how much equity was issued?

John McCann: So cash at close was $400,000, and then we issued 1 million shares of stock at close. Subject to an earn out, is an additional, based on that contribution margin over the next 6 months, $300,000 -- 0 to $300,000 based on achievements of that. And then another possible earn out of $400,000 options over the course of the next 3 years.

Andrew Shapiro: And all that added together based on Black-Scholes and everything else equals $1.2 million?

John McCann: Yes. That's all combined.

Andrew Shapiro: And the measurement you said on the contribution margin that would be part of the earn out. Is that earn out paid in cash? Or a mixture of cash and shares?

Carl Smith: There was 2 pieces of the earn out. One piece measured after 6 months and would be of note payable to Vigilant, to David, and the other one would be in stock.

Andrew Shapiro: And in more stock. Excellent. OK. And regarding the earn out, I guess, it doesn't really matter, for me to ask about whether it's 2 ways because basically, we're talking about $800,000, kind of value. 1 million shares and 400k and then -- the rest of it only comes in the event that one delivers on the contribution margin, et cetera. OK. And then and you've also elaborated on his role so I think we got that one covered, let me back out to the que I do have other questions on Consumer and Tactical, et cetera. But in case there's others that have been waiting around for [Thurman] and then myself, I want to let them in.

John McCann: Sure.

Operator: (Operator Instructions) Your next question comes from the line of Vijay Marolia of --

Vijay Marolia: This is Vijay of Legal Point Capital. Congratulations on the quarter, gentlemen. It looks like we're moving in the right direction. I do share Thurman's frustration with the speed, but I don't believe that's the fault of what we're doing right now. My question is regarding the tactical trend so to speak. We know trees don't grow to the sky -- how long do you expect this nice growth rate in Tactical to continue, John?

John McCann: Well, (inaudible)

Vijay Marolia: I'll come back.

John McCann: Sure, thanks, Vijay. And we appreciate your support and for disclosure. Vijay and I met at a investor conference and he bought stock and has been tracking the stock and has been very helpful with some other initiatives that he has brought over to the company. On the Tactical side, we think we have a lot of opportunities. We think the growth rate can continue, because today we've launched Tactical knives, which have been very well-received amongst our distributors and our customers.

We are, our defense sprays continue to grow in penetration in the marketplace especially as they see what we're doing and what we're about. John McVay has been working diligently with a couple of our custom manufacturing partners in order to make sure that they have the best offering that they can potentially have available. And then lastly, why I am so bullish on that we'll continue this growth rate is, we have a plan to launch our munitions in early 2018, we're on track.

We just don't feel comfortable enough yet to announce it. But we feel that production, the parameters, the ideas, the protocols and all of the things we need to do that we did not get done in the last time, that we will be able to launch our munitions that will get us deeper into the Tactical Division with double-digit growth potential in 2018 and beyond.

Vijay Marolia: Excellent. On the Tactical business, is it safe to assume it's slightly lower margins? Or am I not thinking about it right?

John McCann: It's slightly lower margins depending on the products. Our goal with munitions will be slightly higher margins. Some of the products that we're able to introduce, we're more commodities style, so we're accepting lower margins knowing that we're penetrating the market with them. Example, the handcuffs, right.

Very good quality, handcuffs -- non DOJ handcuffs that fit a segment in the market after listening to Doug (inaudible), and Eric Crawford, 2 of our sales segments saying I can get these orders if we can do this and we're able to through Carl and couple of other of our sourcing folks, especially our quality insurance team, to producer a very good product and fit the market and fit the spec and also allowed us to be profitable. But slightly below where we weave the defense sprays and a couple of other products.

Vijay Marolia: Of course, and I'm sure that the volume will make up for it. Now, this is a question of curiosity really. Let's say, for example, I saw in the report that we got the new federal agency -- but we're also doing business with the local police and municipalities?

John McCann: We do business on all levels, so whether it's state, local, federal, our goal is to do business with all of them. One of the biggest things 2 years ago, I think, when we finally, got rid of the, that Sam left, that we were able to do business through every segment, whether it's a private security company, all the way to the federal government.

Operator: Your next question comes from the line of Andrew Shapiro.

Andrew Shapiro: Few follow-ups on Vijay's -- on the Tactical, than I have some questions on some of the other segments. You gave us a level of Tactical product sales Q3 versus prior year. But was there any bulk TG Guard sales either in this quarter? Or last year's quarter that influenced your comparison?

John McCann: Not notable. (inaudible)

Carl Smith: Nothing material not like in some of the quarters where we had the 6 figure TG Guard order.

John McCann: The right. We're cautious, Andrew, we're constantly bidding on it, we're qualified with the GSA. Doesn't mean that you're qualified with the GSA that that agencies actually going to order.

Andrew Shapiro: OK. And in the past, you supply products to both U.S., foreign -- and foreign governments and military customers. To what extent is Mace tactical more in the conversation now and you're visibly participating in more RFPs than let's say, just 12 months ago? I don't want to go back to the era when we were barred from because of past management and past EPA issues, et cetera. But just comparing the last year, to what extent are we participating in more or less U.S. and foreign government and military customer RFPs?

John McCann: So -- I would like number if I would tage it a number, I would say between 25 percent and 35 percent more. We now through the different agencies, our distributors and our internal sales force, are almost able to touch every level of law enforcement from prisons as I mentioned earlier, to private security to the federal government. So we see that as a constant increase and the constant opportunity for us to do more in the segment.

Andrew Shapiro: And then typically ...

John McCann: (inaudible) 25 percent to 35 percent.

Andrew Shapiro: Typically, what's the time horizon? OK. They put out an RFP, you make the proposal. What's generally that time horizon until the termination of starting to make an order?

John McCann: With the department that has a non-event. So this is just regular fill business. It's usually 6 to 9 months. They start that RFP process, potentially or year before they're actually going to purchase when they know they have hit levels of inventory that replenishment. And then it's 6 to 9 months process. The only difference that just so you have in the back of your mind, if there is a riot or an incident in the city, or whatnot, then it's an immediate fill opportunity. And now, more than ever most departments are stocking that they can take care of the immediate fills, but that would be the only caveat in there, but I would -- 6 to 9 months process.

Andrew Shapiro: OK. As of the end of Q3, where were you on the ability to store and sell an expanded line of less lethal ammunition and other consumables? And where you stand today? When you talk about the hope of having some tactical announcement in the coming quarter? Is it along the lines of the less lethal munitions and other consumables or something else?

John McCann: No. It's along the lines of less lethal consumable. And where we are today, we're probably at about 70 percent to where we need to be. So as soon as cross over to threshold of 90-ish percent, which means that all the dots and all Ts are crossed and dotted, then we'll announce our plan. But it's been our goal, it's been the priority as we talked about earlier today, at an internal meeting and it continues to be because we think we can bring products to market that will make a difference, the brand will make a difference. Then we have the partnership and the leadership team, now they can fulfill that promise.

Andrew Shapiro: Do you have any major shows planned for Mace Tactical in the upcoming months? And do you list these on your company website? And if so where?

John McCann: They should be listed on the company web site. I will confirm where exactly they are listed. We, this past week, the sales team was at SWAT roundup, down in Florida. Then -- they prior to that they were at IACP, which is the International Association of Chiefs of Police. I believe Doug has one more regional SWAT show which is basically all SWAT leaders are there, they look at products, they test products. They actually do some competition, to keep themselves sharp and ready to protect all citizens. And then the next biggest show for the company will be January 23rd, the Shot Show in Las

Vegas. Where we will have some information, and we'll be doing a lot of meetings with strategic partners on our initiatives.

Andrew Shapiro: OK. Although, that's not Tactical, or it is Tactical? (inaudible)

John McCann: That's everything. SHOT Show is sporting, hunting, outdoor, Tactical. It's really what they use SHOT as an acronym for it. Then obviously, it's a combination of a Walmart buyer might actually be at that show all the way to 5-star general that's protecting America. To your local police officers to your private security.

Andrew Shapiro: My next question is regarding -- I don't know if it is for you or David, but it's kind of regarding the web sales during the quarter, but before I get that I have question regarding defining it. When -- we talk about and ask about web sales, is that web sales just on the Mace site? And that wouldn't be web sales via Amazon because you're selling directly to Amazon. But with the Vigilant acquisition, and the advent of having the Vigilant store, and which may become the Mace store and Amazon. Do you guys consider that and will you be tracking it and considering that as Mace web sales when they're made from like the Mace store on Amazon versus when you sold directly to Amazon? I think you know the nature of the question, but can you kind of elaborate?

John McCann: Sure. Right. So David really can't speak to the past, but internally, we track it several different ways. We tackle e-commerce, then individual e-commerce, so selling to an Amazon would be a separate track then mace.com. mace.com we track it individually because it's different sell. It's us selling our product online. mace.com, we use more educationally, and I think David us some initiatives that him and I have discussed that he will be able to implement on mace.com to increase our revenue transaction not in our conversion.

But today, it's the highest price point, we protect a lot of our other retailers, e-commerce as we're calling it, which would include our online sales, that's where David really is really going to make difference within the organization not only his product ability, his knowledge of that industry and that his past life experience, is where you'll see basically Carl and I still have to talk about because we don't want to give away competitive advantages of how we'll break that out. But today, we allowed that to flow up through our consumer channel.

Because obviously, we're one of the only defense spray companies that is public, and we do know our competitors listen in, they look at what we're doing, they try to mimic us, they follow us. So kind of we have to be very careful about what we talk about, what we do know based on David's talent level and abilities that both brick-and-mortar and e-commerce will become strategic focuses in the near-term future, especially, as Thurman talked about more education to consumer, but making sure that they know it's Mace.

If you don't buy Mace, it doesn't say Mace, it's not Mace, it's just pepper spray. So consequently I think there's lot of opportunity that will be able to take advantage of now more than in the past. We're about 3:15. I think we're about an hour in. Andrew if you got other questions and then maybe we'll be go to back to Vijay and then we might wrap it up.

Andrew Shapiro: So can you discuss International sales? And what is working, what is not working? I notice that Mace brand India, Twitter handle, and the news article coming out of Mace, not of Mace, but out of India, talk of Mace being repped out there by a rep organization for you. What's if any is the timing of having meaningful sales flowing through on the international channel?

John McCann: So on international channel, there's a general softness still in Europe. There's a lot of requirements in labeling that are now being tagged on because of the flow of goods and the immigration crisis that happened about the first quarter of 2016. That really kind of dissipated since then -- but now it is overreaction to product. We're dealing with that successfully. Doug and Eric have been very good about following up and work with our distributors as well as John McVay with our customers to make sure we're responsive to the market.

We're seeing some growth opportunities beyond just essential Europe, if you would, South America, parts of Eastern Europe, Canada has a huge opportunity, especially with our animal repellent and some of the other things we did as Carl mentioned in his commentary. With regard to our international brand strategy, just comment to say that we're exceeding the field, if you would in several different markets to bring to market a completely different strategy than we have had in the past.

Now as I said, we feel very comfortable what they're doing out of 4400 Carnegie facility. We feel that logistically, operationally, distribution and sales and marketing wise, we now are ready for expansion. We also want to parlay that into worldwide expansion of the brand. So in India, you'll see some things. In other parts of the world, you're going to start to see some things, both on the social media and advertising basis. Allow us to see the field in order to be able to do some things that I think will be unique and different and a huge shareholder value down the road. So we're not ready to talk about it. But it's good that you're seeing some of the things that we're doing because it means that it is resonating.

Andrew Shapiro: Or we're digging deep. Can you explain quarter-over-quarter, your raw materials inventory jumped. I mean, it jumped 41 percent. Is this increase versus known orders that are in your pipeline?

John McCann: So this increase in inventory, we capitalized on a couple of key buys with OC, (inaudible) that was at a 3-year low so we stocked up on the OC to lower our cost of goods sold going forward and improve the margin, that was a good portion of it. And then we did bring in, although because we packaged the goods here, the knives, the handcuffs, the Tactical knives the new products that John had mentioned, they come in and are considered raw material and then once we package them they go from raw material to finished goods.

Andrew Shapiro: Got it. OK. And what resources are being developed devoted to your newer products like Mace Alert 911? We obviously, didn't see lot of sales from it. This is something that's been on the burner. And, of course, what remains of your LED safety product line you kind of mentioned, you repackaged or redid that, it sounds like it you may be relaunching that? But what's going on with Mace Alert 911? And what ever LED safety product line you've got?

John McCann: Sure. As we discussed in the second quarter and third quarter, we've done a soft launch was we call it of our LED products, we see some nice success. We're going after some alternative channels with the product and to really hit the core demographic that would use the product and realize the benefit of the value of the product. On Mace Alert 911, we've a couple -- as you know, some fits and stops we haven't had the success that we had, we have a great partner, this is where I think the value of both John and David will come up on board.

David in the midst of negotiating and working on some plans to get some increased distribution on the product both in brick-and-mortar and online and then also working with the patent holder who we'll be meeting with shortly to see what else we can do to make sure that we get this product into retail. So with that, right now we're not sitting on a lot of inventory, but by -- grace of God we have been able to sell the inventory that we had purchased and we're still very bullish on the product and its future within the placement of what we want to do. We just haven't had the success but we have some plans that I think will hopefully change that in the near-term future.

Andrew Shapiro: OK. And lastly, what is -- 2 things, what is the status of gaining access to the New York market? And are there any other states, Canadian provinces and other jurisdictions where legislations or regulations is pending that might better open the market to us?

John McCann: So, in the next board meeting, I will make a presentation about talking about trying to open up the New York market. Because it would be great for us and had some nice conversation with an outside consultant, that I think you referred me to Andrew, so I appreciate that. Washington, D.C., just broke open so we're able to sell pepper and stun gun into that market.

We're pretty excited about that. Canada, there's been no movement. On the reverse side of that, we're concerned with some of the statutes that are happening in Europe. There might be some changes some restrictions being in place, we're working simultaneously on the U.K., to see if we could break open that market. Today we sell it's (inaudible) Stoppa Red which is a red dye irritant we use in the market.

But we're hopeful that potentially if the Brexit happens and Ireland some of the other countries might say, we're going to allow the civilian carry of pepper spray, but those are still down the road. New York would be a unique opportunity that if we can get their archaic laws changed, as we were able to do in Massachusetts -- that would be the biggest benefit to the company in the near term.

Andrew Shapiro: Right. And when you said you guys lost a consumer, a question here, when you said you guys lost, I think it was sporting goods customer you lost customer to low-price and low-quality product, when did you lose them in? In this third quarter reflected some of that lost? Or was it recently? And what was customer sales level in the prior year, so that we kind of know what kind of head win we're facing on year-over-year comparables?

John McCann: Right. So it was probably just under a $1 million customer.

Andrew Shapiro: $1 million year or $1 million a quarter?

John McCann: $1 million a year. And then it was -- late third quarter or fourth quarter of a year ago. The sales team was working very hard because the buyer even has a little bit of remorse butit's a new buyer in a new position, and other buyer just made a mistake and they're recognizing that. So we're hoping that we can reverse that, but (inaudible)

Andrew Shapiro: So you said late third quarter last year that means this quarter, or potentially the first month of Q4 is actually the anniversary of the headwind already and that is behind us?

John McCann: Well, we were able to anniversary through another customer, some of the loss that we've experienced, but like up unfortunately, for the company is that -- late they pulled the promotion that they were going to do, so it what happened is that they we lost the every day placement on the shelf which, is, we're back. Not as much as the additional promotion. Because they put in a low-quality, low-price product, the sales revenue wasn't generating what would amount to allow the buyer to do a off-shelf promotion.

So they canceled their off-self promotion, so that was the big hit, which was late third quarter, which we were able to offset with some increases with some other customers, very nice increases by the way, that we will be able to duplicate in a year from now, again. But then in the early part of fourth quarter but even in our October sales number, we were able to overcome that with some of the things that we're doing. The only reason why I noted in our note, it was a big disappointment, it was a bit of a surprise because it came out of left field to be honest with you.

Andrew Shapiro: OK. And then you guys did a -- last question from me. You guys did a flurry and I thought it seeded the market well. You did a flurry of investor -- non-deal investor roadshows, some of which coincided with what you're doing business, other business development in those particular cities. And then you kind of stopped, going to microcap and other conferences to tell the Mace story.

Now, the story has only gotten better. I mean, this is somewhat Thurman's criticism, but I'm going to try to articulate it differently. The story has only gotten better, but you kind of stopped the bus line, but if you want people to ride the bus, OK. The bus is got to come to the bus stop timely, and on a regular basis or people will not change their behavior or change their habits. So what is on the plate for Investor Relations, non-deal roadshow conference stuff that right now, and if there is nothing on the plate, I kind have to ask the questions since it's been a quite period for so darn long, why is it that the board has stopped resourcing you or giving you the green light to appear and attend at a few of these conferences to tell the story? And to meet different people like Vijay was a new addition.

John McCann: There is nothing on the docket right now. There's ongoing discussions about jumping into a couple of investor conferences. On allocation of resources because we -- we are limited. There is only X amount of us here. We did 2 acquisitions this year, we're in the process of doing a partnership that I think will have a huge long-time benefit to the company as we discussed on our tactical side.

They're also looking at couple of other partnerships, licensing opportunities in the core business that kind of forgo winning, going to investor conferences, I do know a lot of board members are on and the we canmake it a point of discussion at the next board meeting now that we have more resources and dynamic professional resources, just other than Carl and myself, that we can take up a strategy of divide and conquer with confidence that when we go to a confidence that we can the represent the company and the brand and the story well.

Andrew Shapiro: (inaudible) I think that will be good before your give out another one million shares. I'm glad David is a shareholder and he is aligned with me, but ...

John McCann: And he bought shares prior to the acquisition. Just full disclosure when we first met in Minneapolis he had bought shares.

Andrew Shapiro: Good. But the point being is it would be nice said, we have an ongoing -- I'm not saying spend a lot of money but you got to go to Benton, Arkansas, you got to go wherever when you go to those places it's not all that far away from having a presentation at some brokerage firm or doing whatever to add to so it shouldn't be a lot of extra effort, if it's just well thought-out and coordinated, which we're more than happy to help you with?

John McCann: (inaudible) Duly noted. You as a shareholder it's been very good, both on the what would I say, honey and the vinegar.

So Vijay, I think you have one more, and then we're approaching 3:30.

Operator: (inaudible)

Vijay Marolia: I love the way the conversation was going. It was almost as if you guys just teed me up. Because John, you're right. You're only x amount of you guys there and we have our hands full with the acquisition and it's not going to be the last, of course. If you look at where we are selling, where we're making money, of course, the bulk of this is consumers and the bulk of it isn't growing the way we want. It is nothing to with the fact that our product is not a great product. It is.

It has to do with the fact that nobody knows about it, let me tell you why, Tactical grew over 80 percent, I think it's because we've been focusing on every call, every quarter, you guys talked about what you're doing, our board members are getting involved. But from the consumer standpoint and it was almost a joke of the shareholder meeting, our board is out of touch with the consumer. Let me promise you that as a hedge fund manager and I don't like to admit it but apparently I'm a millennial and, although I don't feel like one.

I am in touch with the consumer and the consumer wants to buy something that is cool, OK. Now I have felt very easy solution, very easy painless solution. Our SG&A, if you take like 2 percent of that, talking about less than $25,000, we already own more than 2 percent of the stock. Let me help you spend 2 percent, let me help you direct towards product placement and give me 90 days to move the needle. And if I and my partners don't move the needle, I will bow out. That's what I'm asking you to do all of us a favor. So what do you say, John. We're on the same team here?

John McCann: Yes. Let's do this, I'll set up a conference call with David reengage where we were actually what you talked about becoming that inspiring brand, looking at the people that can help us make that happen to increase our social media and our e-commerce.

As you eloquently stated, we -- my recognition of the company, that with the board's approval and help that we're able to do is transform the company from just brick-and-mortar and e-commerce and now, in ordered to engage those consumers, those millennials and below, right, you have to look at it very differently and looking at the investments and social media and e-commerce in order to make sure you're speaking the language which is a different language that somebody's post 45.

So I will -- I will commit to you that I will have a conference call set up with you between myself and David next, David will be here next week, we'll have a big week of operations in shipping and making things happen before Black Friday. So with that, David is on the line, David and I will follow-up with you, come up with the strategy and the plan that we think will be of effective and I like your idea of kind of if it doesn't happen quick, then we bow out. But I think all the investors would be appreciative of that type of attitude.

Vijay Marolia: David, look forward to meeting with you. I think it's just a stone's throw away. I am in Orlando and I think you might be in Tampa, last question guys sometimes it takes a minor fix, what about [Tiffany Blue]? I was in Dick's

Sporting Goods, my curiosity got the best of me, what's the best selling pepper spray, Tiffany Blue, when can we come out with a Tiffany Blue mace?

John McCann: There's a couple of initiatives that we're coming out with, and lastly to close like I think which Vijay was talking about, we have hired a couple of brand ambassadors one of them being (inaudible) who used to be a former Secret Service agent that is starting now to do some more work for the company she approached us because she loved the brand, based on her skill set and are working with both I believe President Clinton, President Bush, President Obama. She really felt the need for that empowerment.

To Vijay's point. We do have a whole line of Tiffany Blue but bigger than that we have a line of purple products coming out which we feel really is an empowerment. It is to stop domestic use, color, which we are looking to get well behind into the early part of 2018. We are also working with our friends at NRA refuse to be a victim. So we have very many initiatives out there in order to make sure people know that Mace stands for empowerment. And if it doesn't say it's just the can of pepper spray.

So with that, I want to thank everybody for their participation. I apologize in advance. Judy has been lovely and she's been very deal with and it was her fault that they had some technical bridge issues with the fault line but these things do happen and modern era. So with that, (Jody), I'll turn it back to. But I would like to Carl Smith, John McCann and David Happy -- for your participation, your continued support of the company.

Carl Smith: Thanks, all.

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

END