

MACE SECURITY INTERNATIONAL INC.

Moderator: John McCann
March 11, 2015
2:00 p.m. ET

Operator: This is Conference #3887318

Operator: Good afternoon, my name is (Stephanie) and I will be your conference operator today. At this time, I would like to welcome everyone to the fourth quarter 2014 and year-end 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 key pad. If you would like to withdraw your question, press the pound key. Thank you.

Mr. McCann, you may begin your conference.

John McCann: Thank you and good afternoon to everyone. And welcome to the Mace Security International Fourth Quarter and Year End 2014 Earnings conference call. Before we get started, I'm going to turn the call over to Carl Smith, our CFO who's going to read the Safe Harbor Statement.

Carl Smith: 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, as anticipated, estimate, projected, and intended to, or similar expressions are intended to identify forward-looking statements.

Such statements are subject to certain risks, known and unknown, and uncertainties including but not limited to economic conditions, limit of capital resources and the ability of management to effectively manage the business and integrate acquired businesses. Such factors could materially, adversely affect Mace 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 fourth quarter and year-end 2014 financial results. After I'm finished, I'll turn the call back over to John where he will go through his presentation and we will then open the lines for questions. Before Carl begins, there is a PowerPoint presentation that is available on the Mace Web site. So Mace Corp under investor relation shareholder transcripts and presentations. Thanks.

The fourth quarter revenue was \$2,091,000 compared to \$2,099,000 for the fourth quarter of last year, a decrease of \$8,000. The decrease in the fourth quarter was mainly attributed to a \$61,000 decrease in non-aerosol products which include the big jammer and wireless alarm systems, a \$47,000 decrease in tactical product and a \$29,000 decrease in surveillance and other. Offsetting the decreases was \$129,000 increase in aerosol or pepper spray sales mainly through our sporting goods and automotive distribution channels as several large customers added items to their assortment and increased volumes in the fourth quarter.

Gross for fourth quarter 2014 totaled \$807,000 with a 38.6 percent gross margin compared to \$714,000 and a 34 percent gross margin for 2013, an increase of \$93,000 or 13 percent. This increase is mainly attributed to a \$73,000 or 26 percent decrease in direct and indirect labor. Prior year fourth quarter labor was high as a result of the move from Bennington, Vermont to Cleveland, Ohio. And in the fourth quarter of last year we also had a \$52,000 adjustment for the write-down of some surveillance inventory.

Selling general and administrative expenses for the fourth quarter ended December 31, 2014 were \$1,164,000 compared to \$1,902,000 in 2013, 56 percent and 91 percent of net sales respectively, for a decrease of \$738,000 or

39 percent. The improvement can be attributed to cost reductions and one time charges in 2013. Cost reductions for the fourth accounted for approximately \$205,000 and included reduced staff, lower insurance premiums, lower legal accounting and professional fees. Prior year fourth quarter included one time expenses of approximately \$533,000. These one time expenses included severance and relocation cost for moving manufacturing to Ohio.

Interest expense for the quarter was \$58,000 compared to \$55,000 in 2013. This is interest and accretion on the \$1.4 million (Merlin) debt which was paid off in January of 2015. This pay off resulted in a gain of approximately \$322,000.

Discontinued operations for the quarter end of December 31, 2014 was a loss of \$6,000 compared to income of \$1,924,000 in the prior year. The \$1,924,000 in income was mainly attributed to the \$2.2 million gain on the sales of Mace Central Station in the fourth quarter of 2013. As a result, net loss of the quarter ended December 31 was \$393,000 compared to net income of \$613,000, a decrease in net income of \$1,006,000.

(I'll) discuss year-ending December 31, 2014 compared to 2013.

Revenue for the 12-month ending December 31 was \$7,794,000 compared to \$8,018,000 last year, a decrease of \$224,000 or 2.8 percent. Revenue comparisons by product category are as follows: Aerosol or pepper spray which accounts for 69 percent of total revenue was \$5,400,000 compared to \$5,364,000 last year, an increase of \$36,000. Non-aerosol revenue which includes big jammer and other non-spray products was \$356,000 compared to \$587,000, down approximately \$231,000 or 39 percent. Tactical revenue, which includes TG Guard Product and our take down brand of pepper spray product, was \$459,000 compared to \$496,000, down \$37,000 or seven percent. Surveillance revenue for the year was approximately \$1,046,000 for both 2014 and 2013.

Gross profit the years ending December 31, 2014 and 2013 totaled \$2,855,000 and \$3,087,000 respectively, a decrease of \$232,000 or 7.5%

percent with gross profit margins of 36.6 percent compared to 38.5 percent in 2013. This decrease is attributed to the \$224,000 decline in revenue and slightly lower margins as the company increase promotions and advertising at the account level to maintain current accounts and obtain new customers.

SG&A expenses for the year ending December 31, 2014 were \$4,849,000 compared to \$6,336,000 in 2013, a decrease of \$1,487,000 or 23.5 percent. The decrease is attributed to the elimination of approximately \$700,000 in one time charges incurred in 2013, cost cutting efforts initiated in 2013 which continued through 2014, and lower expenses. The cost cutting and lower expenses accounted for approximately \$880,000.

The SG&A cost reductions and lower expenses included reduced staffing, facility costs, we reduced rent at the Vermont sales office and Florida office and we also closed the Florida office at the end of December. Audit fees were lowered as a result of changing audit firms and that accounted for about \$50,000 in the reduction. Insurance premiums; we exited a captive insurance program last year which no longer fit the company and resulted in lower premiums year on year of about \$150,000. Legal expenses down approximately \$90,000, and professional and consulting expenses were approximately \$300,000 lower due to the elimination and or reduction in fees for product design, lobbyist, and other consulting.

As a result, operating loss for the year ended December 31, 2014 was \$2,160,000 compared to an operating loss of \$3,410,000 last year, a \$1,250,000 or 36.7 percent improvement.

Interest expense for the year was \$229,000 compared to \$221,000 in 2013 and as already mentioned, is the interest in accretion of the Merlin debt.

Interest income for the year ending December 31, 2014 was \$240,000 compared to \$60,000. The \$180,000 increase is mainly attributed to interest we received on the note from Security Partners which is the company we sold the Central Station to in 2013. The company also recognized a gain on investments of \$137,000 and a write down of a note receivable from security partners in the amount of \$100,000 in 2014.

As a result net loss from continuing operations for the year was \$2,106,000 in 2014 compared to a loss of \$3,581,000 in 2013, a \$1,475,000 or 41.2 percent improvement.

Income from discontinued operations for the year ended December 31, 2014 was \$402,000 compared to \$1,560,000 in 2013. Both amounts are primarily attributed to gains recognized on the sale of the Central Station which was sold in 2013 and had a subsequent price adjustment in 2014.

As a result net loss for the year ended December 31 was \$1,704,000 compared to \$2,021,000 in 2013, a \$317,000 or 15.7 percent improvement. EBIDTA for the year ended December 31, 2014 was a negative \$1,950,000 compared to negative EBITDA of \$3,258,000 in 2013, an improvement of \$1,308,000 or 40 percent.

At this time I'll make a few comments on our balance sheet at December 31, 2014, cash flow and some other information. The company's net book value was \$10.3 million at December 31, 2014. Mace had \$13 million in total assets including \$6.3 million of cash in short term investments. We had positive working capital of approximately \$8 million and a current ratio of 3.9.

Total debt at December 31, 2014 was approximately \$1.2 million consisting mainly of our debenture note with Merlin which was reported as a current liability due to the January 2015 pay off. From a cash flow perspective for the 12 months ending, December 31, 2014, we used approximately \$1.7 million of cash in operating activities compared to \$3.5 million in 2013. Net operating losses or NOL's at December 31, 2014 totaled \$58.2 million with \$1.1 million expiring in 2018 and the last NOL (expiring) in the year 2034.

At this point, I would 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 thanks for all the information. So quickly I just want to mention that if you can or if you have not had the ability to but if you would please visit our Web site you can see a PowerPoint presentation that will be under investor relations on our Web site.

I'm not going to through the entire presentation but I just wanted to highlight a couple items on the presentation and also expand a little bit upon what Carl said during his brief presentation.

So with that, starting with slide number four, within the presentation, we were blessed to pick up two major accounts at the end of last year that we shipped in the fourth quarter which is Meijers, which is a chain of stores in the Midwest located in Grand Rapids. Additionally we shipped products to Lowe's which is a large US Based DIY retailer, probably the largest retailer in the DIY segment located in North Carolina.

Both of these customers came on board and their POS sales have been strong and we've established great relationships and product development ideas with these accounts. Both of these customers were a result of some new products that we've developed over the past year so some of the spending that Carl referenced in 2013 went to our efforts in 2014 in order to launch some products that made a difference and also hit a sweet spot for these particular customers.

The other thing to note is, if you looked at shipments for 2014 on just our base pepper spray we're actually up three percent even though we looked as we're down in dollars and a lot of that had to do with competitive environment.

So not only are we going after new customers as Carl referenced in his presentation, we're also maintaining exclusivity at some of long term customers. But we did this by working with those customers either through promotions or advertisements or incentives in order to keep those exclusivities at certain customers which we felt was important and in the best interest of the company.

Also briefly reiterating in the presentation on slide five through 14 the result of the spending that we did with regards to product development, understanding our consumer and also knowing how to acquire consumer and what the cost is in order to acquire an end consumer but also a retail consumer, we looked at the metrics that are somewhat standard in the industry

that you look at either three times or five times your revenue, your cost in order to acquire a consumer, can you make that, can you make that back over a brief period of time. And that's what helped us in order to target certain customers gain the end user customer through a retailer, through a direct methodology.

So really just not to focus too much on it but on the next couple of slides, all the way up to slide 24, you will see all the hard work that we went into the research and analysis. And so now when we go to talk to a retailer or direct to a consumer we know exactly what we're going after; the product assortment that works for that customer and also the likes and dislikes of that customer to make sure that we're on the same page with regard to what they feel is important, we're showing them what is important in our minds too.

Slide 15, which I just reiterated because now on our tactical side which is a completely separate side of our business. If you looked at Mace and you said you have your consumer facing side which you know personal protection, home security and personal (defense) for any person, we also have our tactical side which is what we sell to our law enforcement, state departments and agencies. They once again reiterate what Carl had said, our TG Guard solution is somewhat of a (seasonal) business and it's a very hard to forecast business that we're looking at the metrics of how we can do a better job on anticipating sales and customer's needs.

But in last year, our TG Guard sales were down, but our TakeDown Products which is our defense (sprays) we're up significantly in the period. So although when you take our tactical division you looked at it being down, really the TakeDown defense sprays in all categories and all products in our tactical division were up over 36 percent. So we have done a great job with our spray business but we are lacking a little bit in our TG Guard. And our TG Guard really is, it's a big opportunity business that has a long lead time. And we were lucky in 2013, we weren't as lucky as we would like to be in 2014.

But with that being said, our (very) next slide 16 really now we have a full compliment on our tactical side. So we can go from spray to being able to outfit an entire facility and drop tear gas or pepper spray from the ceiling to now we have all the less than lethal products that any department would need is significant because some of the spending we did do in 2014 is for the benefit of 2015.

So these products were launched at the SHOT show but really a soft launched happening in the fourth quarter with the IACP Show which is the International Association of Chiefs of Police which was prior to Christmas in December. And then we did a very great job in a launch at the SHOT show in January and half of our sales team is right now in Germany or headed back from Germany from the IWA Show where we had yet another successful launch of these products.

We paved the way now on our tactical side that we have the solutions that we need; from our shield to our sprays to our less than lethal strategies and products, to being able to outfit an entire department that they can remote control drop tear gas or pepper spray from the ceiling. We've positioned as a company now to be very competitive in this segmentation. There's close to 18,000 law enforcement agencies just in the United States and that employs almost 1.1 million officers; whether they be staff, full-time or part-time officers that per the department of justice statistics. And so we feel now, we're well positioned to compete in that area where in the past we did not have the full complement of products.

Going on to slide 17, at the same time, we've reinforced the brand and the consumer level, both surveillance products, new products and our traditional pepper spray products. And just briefly I'll talk about a couple of our new product and partnerships that we laid the ground work again in 2014 for 2015.

Slide 20, just going backwards, just so I can recap it again, just gives you really a recap of what we're doing with our May tactical solutions, how we've developed a nationwide sales force. We have over 28 sales agencies and sales reps that we have on the road now. They have been trained and they will have additional training coming in April and regular training through the year.

We'll finalize it with the big training session with customers also at the end of April in Kent, Ohio which on the very next slide 21; I'll go through why that's important in the tactical world. And then we also listed a lot of the shows that we will have participating during the year.

This year, more than any year in the past, almost every month on the police officer or the tactical side, we will be participating in a show, interacting with agencies, bringing products and showing the difference between a Mace product and the products that they're currently using. Because as we reentered into this round we made sure that the products we bring to these different departments are different and unique. They're not just me too products.

For example, our flash bang disperses from both sides, right. So a traditional flash bang in the market today will disperse from one side of the device. What we try to do is look at where the market is today and say, "OK can we make something better?" So with ours of flash bang for example – will explode from both sides of the cylinder which gives equal force on both side and then also then is more effective product than some of the products in the market place today.

Page 21 is just talking about our tactical training, whether you're involved in the lethal or not lethal world, training is critical just to make sure they know how to use their products, when to use their products, what safeguards to take is critically important to the success of the product. We were fortunate enough to team up with tactical defense training which actually happened to about an hour outside of our headquarters in Ohio.

There headquartered in Kent, Ohio which is just outside of Cleveland, Ohio and they have training and strategies sessions for many international clients, some domestic clients but we'll be able to use them exclusively and there's a lot of benefits with what they already have build in because they have the necessary licenses, they have the necessary registration, they actually store some of our product out of site, they have a retail, they have classrooms and they have trained former military and former law enforcement gentlemen and

ladies that can help our clients understand better how to use their products and how to be efficient in the use of our products.

So, this was a big second step within the tactical world to make sure that we're aligning ourselves with the right folks. So now our cost of requiring a customer, we cannot only acquire the customer, train the customer and make that customer repeat customer which is the critical element of it and especially on the tactical side.

Then getting back to the consumer side, slide 22, we're really excited about our Nite Beams partnership. Alexander "Tonto" is actually the gentlemen that developed this product. It will be branded Mace brand Nite Beams. We've launched it, as I mentioned before at the IACP Show in December. We previewed the products at that SHOT Show. We also did another launch at the Houseware Show this past weekend. All three went very, very successful. We know we will pick up some new distribution. We picked up some distribution at this past show that by June, we will have these products out and hitting the market place. And they really fit a nice segmentation. Just to talk a little bit about it.

In the United States is a 35 percent increase and people being hit on the side of the road, whether they've stopped to repair their automobile, they have a problem with their automobile, they're walking their dogs, they're jogging or they're just walking for health reasons; there's 35 percent increase. Most of it due to distracted drivers or people not seeing the person on the side of the road for a variety of reasons.

Our products will help prevent those types of situations and also give peace of mind to our customers as we constantly look at making Mace the number one brand in safety and security, it's important to bring products to market that are unique and different and then solve a problem, this solves the problem.

In L.A. County which is one of the largest in the United States, it's a 42 percent increase and now there's some legislation on the books and some legislation that's being proposed that if you get out of our car in L.A. on the side of the road that you have some type of reflective gear on for safety

reasons, it makes Nite Beams vest for example not only has reflective strips on it, it also has built in life pack guaranteed LED lights that can either flash, be constant on or a hard flash depending on the situation.

So your chance to survival now is much greater plus as the laws in California change it will change across the United States. You will be compliant in the law, so we're bringing a product that fits the need and can save lives.

Just as an example, slide 23 is an example of the shoe laces that line up. So even if you're just jogging at night or just jogging, it's a perfect mix and it's an easy fit within a category that's quite large.

Slide 24, I won't really get deep into the details as Carl is gone through all the information but to say disappointed on the sales results but if you look at every other indicator that we've done, we've seen nice increases and everything we've been trying to do and ultimately trying to bring the company into profitability.

Commenting just a little bit about the sales results, the sales results year on year really started with a very bad first quarter of the year, retail in the first quarter of 2014 or the first half of 2014 was only so, so. We had a decent, a very good third quarter, we had a decent fourth quarter, we were flat through a year ago which included a lot of pipeline shipments from new customers from 2013.

We were lucky as I mentioned before, to land Meijers and to land Lowe's in 2014. If you adjusted out some of the advertising spend that you know hit the net sales line, you would actually see a slight increase versus 2014 as I mentioned shipment on just our traditional defense sprays we're up over three percent year on year.

And then the same thing, when we look at the full year results, most of the loss and sales revenue was related to the first quarter. There are several retailers in the United States that are not in the position they'd like to be. We are casting, looking to that cost of acquisition on a retailer and a cost of

maintaining a retailer and balancing in between where we are and where we need to be.

But as Carl's presentation indicated and as the numbers indicate on it expense control side, limiting the law and moving towards less of loss on the EBITDA side we're much closer to where we want to be is what I should say.

And then really the rest of the slides, I won't go through in much detail, they just kind of give an indication of where we are in some of the things that are working and some of the things we need to do a better job on as we go through.

There are only a couple other comments and then we'll turn it over to questions are couple other things that I just want to highlight on the call today are as of last year, there was two significant customers that we had, Dick Sporting Goods and (Autozone) that make up a large percentage of our receivable. It was asked prior to me those customers are in good standing. They do make up a large percentage of our receivable but they are excellent customers and Carl and I can attest to that they're a solid pay – solid paying customers too.

As I mentioned on slide four, Meijers and Lowe's are brand new customers and we're looking at nice growth rates based on the POS sales that we had in the fourth quarter of last year and the first quarter of this year.

I will note through February net sales are up about ten percent versus year ago in the first quarter of this year so we're pretty pleased with that result. We'd like to see a little bit higher but given everything that's happening in the world today, that's a pretty good number. And then the only other note that I wanted to mention is that gun sales, and our pepper gun sales as Carl mentioned in the previous segmentation were a hot item for us in 2013.

They cooled off significantly due to relevant events as everybody can guess in the news and what not and we are relooking at our line of guns and re-evaluating that segmentation to see what we do differently with it. But it was not as successful in 2014 as it was in 2013. and that trend somewhat

continues in this year where our exclusive line which we developed last year has been very, very successful and hit a niche in the marketplace.

Lastly, just talking about some of the partnerships, that we had a partnership with defender, we continue to have that partnership with defender. We're ready on our side as we announce in some of our press releases.

They are a little bit behind schedule where they are with regards to manufacturing and bringing the product to market but we feel that's something will bring the market, that will make sense in the future and we're looking at smart technologies, wearable technologies and some of the other things that in that segmentation that we think are very, very significant investments in the future that we are going to continue to look and evaluate.

So with that just to reiterate, 2014 was a dramatic improvement over 2013. We not only continued our expense reduction, we increased our gross profit, our sales were not exactly where we would like them to be but given the fact that retail was very tough in the first half of the year, we were able to do many things and also given the fact that as we were doing all of these, we launched brand new products, not only in surveillance and in our traditional pepper spray categories and our non-categories, and then we launched which in itself was a feat, an entire tactical division that was rebranded, renamed, SKU's added to the assortment.

So we became the one stop shopping for tactical for law enforcement and for governments and for state and embassies. It's a dramatic year for Mace in general and we're very happy with everything we were able to accomplish in the year.

So with that, maybe we'll just turn it over to questions.

Operator: All right at this time I would like to remind everyone, in order to ask a question press star then the number one on your telephone key pad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from the line of (Therman Willis) private investor.

(Therman Willis): Congratulations on an excellent year of turning the company around and now positioning those with these new products to move forward. I appreciate you taking my call. I think there were a lot of people that thought maybe Mace was the problem (particularly) under prior management could not be turned around but you and your management team have done an outstanding (inaudible) – that two questions that surround – John can you hear me OK?

John McCann: Yes, now we can. Go ahead, sorry.

(Therman Willis): Good. I can't stop – I got two questions surround our new philosophy and secondarily the stock price. I have (hissed) the company twice recently which was at the SHOT Show and then at the conference and also was at the company and saw first hand the new products and the excitement that surrounds those products.

So let me digress just a moment and say that you know in the last three years, I think the companies poised in 2015 to maybe even double the sales and really take off as a company that's just basically known by brand name but not known by product.

It briefly, did you say you sold off all the businesses that were none core related. You sold properties in five stage. You got EPA disbarment removed. You consolidated the company in one location. You sold the (monitoring sift send and receive) what I thought was an excellent at \$8 million. And as you said, you've manufactured these new products. I'm glad that the Chairman owned 40 percent which puts them in the same pocket with shareholders and I would say that you're ready to explode.

Now my question, I just say that to thank you for what you and your team have done. Can you hear me OK?

Carl Smith: Yes. No we're listening and thanks for the same.

(Therman Willis): I would like for you to be very specific and tell us how you will be different going forward now that you have positioned the company, you've cleaned it up, I would like you to address IR and PR because out of several hundred

people that I've asked, the only products they know that Mace has is small pepper spray that ladies may have on their key chains.

The other is how we're going to educate the public to the awareness of our products, especially Nite Beam. I think last year, I can understand maybe why we didn't do this many press releases but I hope that we'll change our philosophy therefore example at the SHOT show you won best in show in one particular item and we didn't even get a product release on that.

I think the hard part is over. You turn the company around and I think it's a small company; it's not a Fortune 500 company. I think things can be done quickly. I'm glad to see we added more salesmen. I think we should add additional salesmen and not depend on distributors or (bot ree tailors) and also use direct sales. And then I want to make sure that the board and management are on the same page relative to the philosophy now and you know I sat at the SHOT Show for hours and watched – there were 70,000 people there. Not all of them came by the booth but watched how excited they were about your new products.

The Nite Beam, everybody wanted to buy but of course they can at this time. So I think you know I first hand have seen why so much enthusiasm. We basically had no press and I don't think everyone knows this is a 45-year-old company with no debt, with new products.

And so to restate briefly, my question is are we now going – I know our plan is to make this a viable dynamic company like Taser, et cetera. However, I want to make sure that we are going to use investor relations, public relations; we're going to educate the average customer of the products that we now sell, now that we have them and that we are small and we can turn it around quickly and we're going to add more salesmen and I just want to have your assurance that we're at that point, an inflection point that says that we're going forward from here and we should really now concentrate on sales with these new measures.

Sorry for such a long question.

John McCann: That's OK. Thanks (Therman). So a couple of the questions that you had in there and thanks for the thanks first off – breaking it down a couple of fold. So one of the things – and I'll get back to IR and PR but to talk about education.

So this year versus any year in the past we've already the Mace Security International group has been at eight individual trade shows or events since the beginning of this year. So if you said the quarter is 13 weeks and we still have three weeks to go in March. In the 10-week period, we've been at almost the trade show per week.

So looking at the segmentations to make sure that we're effectively covering those segmentations, whether it be our tactical division or our consumer products division, we've been very diligent where we had not been in years past.

We increased our trade show budget in 2014 which was almost a non-existent budget in 2013 and we've increased it again in 2015, which speaks to the education and making sure that we're hitting the different consumers. Now with regard to sales people, we're constantly evaluating the cost of acquiring a customer, the cost of talking directly to a customer right.

So an end-user, not just through a retailer. So you make a good point and with that regard we are in the process of – and the board is authorized me to begin interviewing firms with the intent of beginning a more active PR and investor relations effort in the second half of 2015 to coincide with our more prolific new product schedule.

So in 2014, we dabbled in PR but we didn't do it on a consistent basis. Why because some of the products that we had anticipate in launching took a little bit longer to launch than we had anticipated. Even though we are a small company, a lot of time you know the joke is in a lot of different industries that to cut steel you're six months away from a new product on a good day.

That's with nothing going wrong and everything working correctly. If you factor in problems, Murphy's Law and et cetera, launching a new product

sometimes can be a nine month to a 12 month period no matter how big or small you are. For example, we've started working on our tactical division the day I walked into the door at Mace. We are comfortable where we are launching it.

That might have been a little bit longer because of fire arms registrations and other certifications that you have to have on a tactical product versus just a consumer product but it gives you an example of how long sometimes it can take to launch a product. But to your question on education, we've added sales, we've added shows, we've added almost every venue that we can sell to our portfolio to make sure that we are covering all of those avenues of distribution so we can gain greater sales growth within the organization.

Second part of it is we are in the process and I have already interviewed two IR firms to talk to, to work in conjunction with management, the board and our investors to make sure the message that we know gets out to a wider audience. As you'd like to say (Therman) we have a great story, we have a great game, we just don't have fans in the stands or we don't have seats in the orchestra house filled to hear the things we're doing.

So with that you can be assured that it was a topic of a conversation in our March board meeting with full board consent to ramp up the process in order to find the right folks on a PR and IR side to help us tell that story. Now the second part as you had mentioned is, we have more sales agencies, people and products than we ever had in the past.

So we are, we feel we're at that point where we've taken a lot of cost out of the building. Now we really need to look at revenue growth and relationships, partnerships and products in order to make that happen.

So I hope that answers your question but thanks (Therman).

(Therman Willis): (Good John) and I can also assume that where we missed opportunities to get out headlines and press releases in this non-lethal security environment that we will look for reasons to put out press releases, not to hide the stock but to

educate the public about our products. Can I be assured that we'll put out quite a few more press releases relative to our products?

John McCann: We will be putting on more press releases relatives to our product an I have to do clear up a little bit of miscommunication with regard to the SHOT Show. We had a group that was using Twitter for Mace at the SHOT Show and so we were encouraging customers to come in to see our Shield Handle and we were calling it the best product in the show.

There wasn't an award per se that we won. We were using that binocular in order to get people into our booth. And it did work because we – a lot of people came in to our booth and then they saw the depth of the brand and what we were doing. So any confusion with regard to you know when our best in show, that didn't happen but because we were Tweeting it out and we were Tweeting out about a lot of our products, we did get some enhanced visibility that we wouldn't have.

Otherwise but it speaks at a point of not only IR and PR but social media and using Twitter, Facebook and some of the other social mechanisms in order to make sure the message is out there because we do have a message from a police officer to a mother of a child that we have products that can help peace of mind.

(Therman Willis): Well I do hope I've visited most of the venues and I do hope because I said practically everyone that came by and there were hundreds if not thousands of people that came by and everybody wanted – just one of your Nite items and you know there's probably 30 of those Nite Beam items and then I think I counted maybe new products.

So whereas you're known as a pepper spray company, you have all of these products now especially Nite Beam and I said to you before, I thought I could take Nite Beam and go to college campuses and sell \$2 million out of the trunk of my car. And I say that not in jest but on a serious note that I think it's going to be that dynamic of a product.

My second question pertains to our stock and I did some analytic work on Taser, NAPCO, Digital Aid, Digital Ally, et cetera. And in this environment, these stocks are selling at quite a multiple two our stock. For example one of those companies has no sales and has financial needs, has no profits and we sell it 38 to 42 cents and they sell higher than we do.

And I think it's because as I said, if you talk to people about Mace, they just are not going to get the full message from the box retailers and the distributors. And I think and I don't say this to hide the stock but I think our stock, my comparisons came out that we ought to be selling at about a dollar and a half if you compare us to those other four companies.

Also we seem to have a stock overhang of around 38 to 42 cents, there's a seller out there and I was wondering as to your window or insider to just pleasantly experiencing a window and windows that open after earnings.

John McCann: OK. Well now I'll turn it over to Carl because he can explain the window and then I can address the res.

Carl Smith: The window and it's detailed in our corporate governance on the Web site. I believe it's 45 days after earnings release. Like three days after earnings release and then 45 days after that the window opens up. But I would have to look at, I don't know it off the top of my head.

John McCann: So to your point unfortunately and the Chairman of our board has brought this up that we are looking at the end of the year is always the most difficult. You put out your unaudited results earlier in order to allow the windows to open. So you know some of my board members, some of the staff, they did want to buy stock but couldn't because you know we want to be compliant to all the rules and regulations because we need to be and we have to be and we should be.

The second, the first part of your questions, yes there is an overhang out there. We're aware of it, we're trying to work on strategies and methodologies to help alleviate that to you know where the stock price should be or where it's going. The only thing I can do is to make sure that I do a good job at my job

and I do the diligence that I need to on a daily basis and I give my best efforts in order to make the company the best company it can be, the rest should following suite.

But to your point earlier, your question earlier and then maybe we'll put you back into queue after this (Therman) so some other people can ask questions, getting the right IR and PR firm will definitely help make sure that story gets out which should be a benefit to the stock price because the story is a good story.

And if you look at our story versus some of the aforementioned companies that you mention before, we have a great story because we do have 85 percent brand awareness, we have a 91 percent satisfied or very satisfied with our products and then we also have a cross section of the United States from 16 to 66 year old. We have a solution for their needs which is peace of mind, safety and health. So but thanks (Therman) and maybe we'll go back to the queue to see if there's another question.

(Therman Willis): But excuse me for one second while we'll go back and – make understand Carl. If the window opens three days after earnings are released, is that correct Carl?

Carl Smith: Right. It's a 45-day period commencing three days after our quarterly or year ends earnings release. So we have a 40 day window starting three days after earnings release.

(Therman Willis): So there's another 45-days added to the three days?

Carl Smith: No, no. I'll read it to you ...

(Therman Willis): So it's just three days. So I'll take it then John there's a no negotiations going on and we could expect to see insiders buying stock because we'll soon pass the three days. Correct?

John McCann: Their window will open within the period that Carl aforementioned and so then it's up to the individuals, yes. But I would imagine some people that

have been waiting will be purchasing. But there is an overhang there and we are working on it.

(Therman Willis): All right. I will get back in the queue and let someone else and I thank you for taking my question. But I wish Carl would check that because most companies, the window opens one day after earnings, or three days after earnings if there are not negotiations going on that closes the window.

Carl Smith: Three days after the earnings release, the window opens for 45 days.

(Therman Willis): For forty-five days. OK. So we as investors then can count on these changes we have discussed and we should see some insider buying because I remember our Chairman at the conference saying that he felt when the stock was trading at 38 cents that it was an excellent buy down here and again compare it to the others, it's just there's no comparison. It's because the products aren't known. I'll get back in the queue. I'm sorry I abused my time.

John McCann: Thanks (Therman).

Operator: Again if you would like to ask a question, press star then the number one on your telephone keypad at this time. There are no further questions at this time.

John McCann: OK. Could you double check because I think Andrew Shapiro?

Operator: We just had one come in, right, we just had one come in from Andrew Shapiro with Lawndale Capital

John McCann: Perfect. Thank you very much.

Andrew Shapiro: Actually I don't think it just came in. I think it was so long that I forgot I hit the queue 20 minutes ago. I'll ask you some shorter questions and hopefully you can have time to answer them all.

I have several, I'll back out in the queue to give people an opportunity. But if you could, can you – you've added Myer and Lowe's during I think you said the fourth quarter or just 2014? Can you clarify that first?

John McCann: Fourth quarter of 2014.

Andrew Shapiro: OK. So you added them in 2014 and of those added here, have they sold their initial inventory build and what's been your re-order experience from these two new distributors?

John McCann: It's different for each one of them. So with Lowe's it wasn't a full door, full go. We're in 500 at the Lowe's stores and based on their metrics to us that it was a success. I don't have the actual POS sell through because we didn't hit a high enough of a parameter on a dollar amount if you would for them to say we're going to turn on this mechanism which is tracking that. But I can say that March 23, they asked us to come back down to talk about a larger program either repeating what we've currently done or redoing it. So we on Lowe's side, successful program. They have over 1800 doors; we're only in 500 of the doors. Sell through was good. Residual POS sales have been good. No exact numbers to back that up 100 percent but they have been ordering since and now we're meeting them within the next couple of days to do a broader search and program.

With regard to Myers, Myers was an all door program in their sporting goods section. And they have come back very strongly and we have a full year, full go program with all of their retailers. To note though Andrew just on that side, is these have been coming in.

There are certain retailers, Sears, K-Mart that unfortunately their programs were less than successful because their foot traffic has been less than successful. So there was a bit to give and take during the year but we on a go forward basis, we've aligned ourselves with companies that have strong growth potential and fit a need in the marketplace.

Andrew Shapiro: And it was Lowe's how soon or when would it be resolved that you might go from 500 doors closer to their full 1800?

John McCann: Well if all goes well, we would know by the end of March, early April.

Andrew Shapiro: And then if you got the green light for all doors, how soon would you be recording sales in it through basically three times as many doors?

John McCann: Right it depends on their cycle because they go with planogram sets. So it depends on when that planogram set could hit. We, as the manufacturer, we can be ready as soon as they tell us go. So our goal would be ...

Andrew Shapiro: Is it months?

John McCann: Pardon me?

Andrew Shapiro: Is it months or quarters?

John McCann: If I would suggest, I would say that they would look at the October period of ramping it up and doing it because as you can imagine you know right now if you walked into a Lowe's store they have their outdoor seasonal which replaced their Christmas sets and so they've gone to patio furniture in the front of the store where they had Christmas.

And they would look at cycling us in when it made sense when they knew that their store set team as going to go to the stores, the new planograms were launched at the stores. As the same fact would be if like if they say, "Hey this is great. We want to build it out outdoors." Boom, in would – if we're lucky it would be June. If I'm to guess, I'd say October.

Andrew Shapiro: OK. In the sporting segment where competition (you cited) to be fierce. What's our value proposition? The Mace brand maintaining or gaining share and is it more than with price?

John McCann: It's more than with price. So we are reiterating a lot of what we did wasn't 100 percent related to price. There's a couple of customers that we did some price adjustments in order to make sure that we are competitive. The our value is double in my opinion and when we go head to head within a store front, we beat the competitors hands down.

Field & Stream which is division had every pepper spray manufacturer in the world. We outsold everybody. So on a head to head basis, we have no competitor. But in the reality of life today, a lot of buyers want to make a simple solution based on price. We are not the low price leaders, like the low price leaders live in the Mid-west but they're not us.

So we see a great value in our brand. We know that when the customer goes to pick and if you think in your own mind, I'm buying this for my daughter, I'm buying it for safety, I'm buying it for my son, my wife or I'm buying it for myself, do I want some branding.

I don't know or do I want the Mace brand. And we know 60 to 70 percent of the people say I'll pay \$2.00 more for the Mace brand. We do have to struggle with retailers to say well my charges to get the lowest price and blah, blah, blah. So that's where we spend a lot of time in the research. That's why a lot of the researches even in this presentation because we're the better car in the car analogy, right. We have all the features and all the benefits but we're not you know we're not the low priced car. We are a little bit a higher prices than our competitors for a good reason.

Andrew Shapiro: Take down less lethal tactical ammunitions. You have expanded the offerings, I saw them when I was in Cleveland, OK back in November for the site visit or your company you know investor ...

John McCann: Correct.

Andrew Shapiro: OK. And you presented them on at the SHOT Show. But you said on the last conference call that you would see cash flow streams from these in the back half of 2015 but you also mentioned but because of your partners, and your Mace's abilities, it could be quicker than that. Is this still the case and does it look like you will be generating cash flow streams from our less lethal tactical ammunitions prior than I guess it would be the quarter beginning in July?

John McCann: And I'll reiterate what I said before. If we're lucky, we'll see it prior to that but definitely we feel confidently that we will see it at least in that June period. Being a hundred honest with you, I haven't gotten a full report from

the IWA Show which was in Nuremberg, Germany that just ended but all the communications back and forth from the sales representatives, the agencies, everybody, it was – exceeded their expectations with meetings and with conversations.

Now you know it doesn't – it's all a gift until we get an order, right and it's all a gift until it gets paid for. So with that I would stick with what I originally had said that if the gods are with us, we might see it prior to that July period. If not we feel comfortably that we'll see the order, we'll see the water spigot open up, right, and whether it gushes or trickles will be the key. But we will definitely record some orders in the back half of the year.

Andrew Shapiro: OK. Presumably, the sale of the broader line of less lethal ammunitions would be an easier sell for you in those agencies that you've already been selling the pre-existing Mace products and I understand you're in a variety of law enforcement agencies and they would be good, I guess you call them reference points and all that.

Can you list or identify or maybe provide to investors through a release of some sort as we often see from Taser or others, a list of where you are selling your product, whether exclusively or not. So that I guess other agencies were considering it, would know that we are in the space and who are some of those agencies where we're placing our products?

John McCann: Well there are several agencies across the country and to your point some of them are exclusive and some of them are non-exclusive but you know Cleveland is a good example. So starting this year, we were their official provider of defense sprays, right. So regardless ...

Andrew Shapiro: And I saw those guys release that but if you're in like 10 smaller agencies, certainly you're not doing a release on 10 releases on one but if you're in a -

John McCann: No but our goal is kind of maybe – right so our goal and I don't have that list in front of you but what we can do is we can quickly put, compile that list and we've done it in the past, I think mid-year last year. Our goal this year like

looking at our PR and IR and what our needs are is to generate that list on a regularized basis.

What a regularized basis might mean, we have to determine but to your point, if you get five smaller agencies, you put out a release saying now Mace is available you know in Abilene, Texas which I know we sell them and Spokane and et cetera and just make that a little more public information.

To your other point, we are using it as reference point. So it's a big complicated thing like a department might not buy directly from Mace. They buy from a distributor so for example a good agency is the (Neves) Brothers out in Colorado.

Well Colorado Springs, Denver, certain other municipalities in the Colorado area, they get a requisition order that the officer then takes over the (Neves) or the procurement officer will say, "OK (Neves) I'm going to buy this." We'll get that order from that department. What we'll start to do a better job of to say to situations like that where it's outsourced procurement if you would for a department because they're strapped with cash and they don't want to have that type of personnel on hand.

We can get that list to say, "OK, here's where these were shipped through ultimately from you know our distributor; Quartermaster, Galls, (Neves) Brothers are an example of just three or four that actually do the procurement for several departments. But it's a good question and we can be a little more diligent on providing that type of detail.

Andrew Shapiro: Right. I'm sure those distributors would appreciate your broadcasting of them as well but you could ...

John McCann: To be honest with you, some of those guys like to run under the radar scope. They run almost a Costco style warehouse and quite honestly you could be in a neighborhood and not even know that they service that because for them it's a safety insecurity that they don't want people to know that they are stacking Glockes and Rugers and Mace because then it becomes a target for you know for thieves unfortunately.

Andrew Shapiro: OK. Well but you can also always say that our products are being used by the following sources.

John McCann: Exactly and leave out the distributor side.

Andrew Shapiro: I have many more questions – I have many more questions, I hope you will extend the call links. I'll back out in the queue to allow others; hopefully they won't take 20 minutes on a single question.

John McCann: So I think if there's anymore otherwise we can go back to Andrew to make sure we get all of his questions.

Operator: We have (Therman Willis) of Private Investor in the queue again.

John McCann: OK.

(Therman Willis): Quick questions. You said sales were up 20 percent in January and February. From what period were you referring?

John McCann: From January, February from a year prior.

Andrew Shapiro: And you said that inside, if we're interested in buying and if they do buy would you please report that?

John McCann: We can report that. We don't have a mechanism, so what it would be is if we interview IR firms and PR firms, we can come up with the methodology. We can get into the specifics of we are none reporting a pink sheet OTCB company. So the requirement is that we, it's not like we can go on the Web site and load this information, right.

So then we have to create a mechanism in order to provide that information out. We've done it in the past and we can on a regularized basis provide that type of information. Like I can tell you the management team, the majority of the board are all investors and active investors in the company and you know Encore for example is a very active investor.

Not only the board members but also the other willing participants of that organization, so we'll work on a methodology but I just want to stress because it's not an SEC requirement for us that it's just becomes something that we have to figure out how to do it and we've just done it via press releases in the past, now between (Garnet and Carl) we can work on a methodology.

Carl Smith: I guess not only is it not a requirement, we don't have the capabilities of doing it through the SEC. We're just not registered.

John McCann: Right. Well we have to figure out who bought and then put it out and then ask their permission in order to put it out. But it's a good question and we can work on it.

(Therman Willis): Either (too) funded in the past and there's only one reason insiders (fast talk) that's the reason the reason they think it starts going higher and I think you should figure out a way to put that out in a press release. And did I understand you to say that you were looking at methods to get rid of this overhang?

John McCann: Yes, we are. There's no guarantees but we are – we think we know who it is and we are. But to the point (Therman) and like on the insiders side, when you know my Chairman and another Director came up with the methodology of like hey getting rid of the debenture know, it didn't take it but three or four days in order to raise the \$2 million put note between myself, Mondale Capital and in Encore and so that's just even in itself just a good indicator of you know the people that are active in the stock realize the value of it.

OK. Then we'll go back in the queue (Therman) so we can make sure we get all the questions.

Operator: And we're back to Andrew Shapiro with Lawndale Capital.

Andrew Shapiro: OK. I'd like to follow-up on a few year joint ventures and the status on this thing. So can you explain this co-branding in the Mace tactical training partnership, just in brief, how it works and when I'm getting that, when I ask that, I don't want a whole detail saying about oh they're going here and do it.

I just want to know, are there direct revenues for sales and services or is it in the training just sales support via the training that's being offered and what's the timing and roll out milestones for these training programs.

John McCann: OK. So the milestones are and if you refer to the presentation, April, we've had some soft training meetings and put together a handbook and all the things necessary in order to have a very good training program. But then in April, we will have a live training program and Andrew I'll make sure you have the dates and anybody on the call is more than welcome to participate in this activity. That's the one bucket.

The second thing is, is that for Mace there could be a small revenue stream but we're not banking on a revenue stream. They have a retail operation; we can record sales out of it. There are reference points for us to say, if let's say for example they brought in a police department from XYZ County, they're going to recommend that those counties are buying Mace branded products, they'll take down products, they'll have full catalogues. So they'll become a marketing arm for us with that regard.

Then the second part to your point in a sale, we're going to sell the products and the training as one bucket, right. Then we're going to split the revenue and they're going to recover their cost and how much it costs them to train personnel so that's theirs.

On a secondary training or a third training, there's a little bit of a royalty or revenue stream that we will be able to drive off of that. So an officer comes back in and then let's say it's \$150 to get trained, we'll take a small piece of that revenue but Mace tactical training partners, tactical defense training we'll keep the bulk of it.

But so marketing sales possibilities, slight revenue stream, reference possibilities, referral possibilities or new introduction possibilities are all available to us. So it becomes almost a Mace retail outlet and training facility that we'll have no cost.

Andrew Shapiro: So I want to move on because you know the time here. So that's tactical. Now I want to move on to something here in the Nite Beams, slide 22, OK. Can you remind us or explain what the terms of this product arrangement are, we'll be purchasing the product from the partner, do we own exclusive rights and what are those. What markets and uses does Mace have the exclusives in?

John McCann: OK. So it basically have exclusives in on this every market, right. So the inventor (and) the current company has been more than willing to do anything needed to be done. It's a buy sell relationship. So we buy the product, he makes his money right off that, we keep the rest of the revenue and income.

Everything we do will be Mace branded but it will continue to have the Nite Beams name on to it. The other thing is no cost to the company is product development. If you see something that he thinks is unique and different in his travels, this is "Tanto", their inventor he is more than willing to share that information with us.

Ultimately you know we could buy the entire company and roll it in but for us great product development outsource that we don't have that cost, it's a great deal both for retailers, us and "Tanto" and he has the expertise in the product that we're taking advantage of by him making sure and testing the products before we even bring them to market. OK.

Andrew Shapiro: You know what kind of margins are expected on this vis-à-vis like our other products that we're selling?

John McCann: It would be very similar if not a little bit higher.

Andrew Shapiro: OK, some good margins, you summon these products in a variety of markets, you talked about the safety outside of the car I guess constructions crews other work sites, et cetera, you have a slide here shows it around the neck of a dog which seems like a big market in itself.

What I'm getting at is it would seem that the market, the addressable market for Nite Beams is actually far larger than that of pepper spray? Am I correct about that?

John McCann: You're a hundred percent correct and that's why like as we are lining the company and I always start with that we want to be the number one brand in safety and security. Just to highlight that example, the pet market if you would and this is total pet market.

So you understand the philosophy of what we're trying to do is \$58 billion, \$58 billion with a B. So if you said, let's say 50 percent of that or more is food and you said this is a 25-26-24 billion dollar market, right, and you said of that this is a \$10 billion market.

Well it's significantly bigger than pepper spray and that's just one segmentation. Looking at it again, the cycling running world – the estimates are it's between a 10 and 15 billion dollar market. Take out the bikes and the shoes and what not and say it's 10 percent of that. It's still much larger than our market. So what does this alliance do? Well we're doing marathons now which we didn't do. But then it gives us an opportunity to highlight the base brand pepper spray a long with these products that make a hundred percent sense if you're running or just walking at night.

The pet market is as I had mentioned, the automotive market to say not only should have a can of pepper spray in your trunk you should have one of these in your trunk because the battery life on these are over a year, it's a simple camera battery that you put into it and the LED's are guaranteed for life.

So your point, this is, it's a great opportunity for the company, it's a simple solution, it fits into safety and security and our brand name should enhance the value of the proposition. But you are a hundred percent right.

Andrew Shapiro: So have you done any research on what the addressable market sizes are on some of these segments yet?

John McCann: Yes. Well just as I indicated. Like we've looked at the cycling and the running segmentation and the pet segmentation, just those two segmentations alone are in that \$58 billion and \$15 billion. That's all encompassing so you have to take this segmentation.

Then on the other side of it, the statistics that we have on bicycle safety, auto safety, walking are staggering that I don't have it right in front of me but I think it's every 10 seconds, somebody is hit by a car on the side of the road in the United States. In L.A. County, it's a 42 percent increase with cars hitting humans.

Andrew Shapiro: OK. So then can you update us then – what are your roll out plans and the response so far to those roll out plans?

John McCann: So the roll out plans as we indicated, we have rolled this out at four shows just far this year. The SHOT Show, the International Houseware Show and then two sporting goods shows. Then we're doing individual meetings with almost every one of our major retailers or retailers that we currently don't do any business with because they don't want to carry a pepper spray product but love this product you know. For example, I close a catalog account at the houseware show that they're saying great, we have an opening in our June which our June is related outdoors, we'd like to put this in.

Small volume, small catalog but you can see, so on our Gantt Chart of plans it was develop the product, develop the package, develop the messaging, go to the shows, customer contacts, check up customers, go back to customers and then segmentation wise, organizationally we haven't done in pet, we haven't done a lot in cycling, we haven't done a lot in running, now we're reaching out in those segmentations to say, "OK, you have segmentation you do business in.

Now you have new segmentations you can go after and then to the point I think (Therman) was making earlier we are looking at that direct response. Is this something that you can go on television, on radio and sell directly to a consumer? Because it fits the needs, and it hits the price point because price

point wise you're from \$10 to a hundred dollars. You're not talking about stealing somebody's wallet to buy these products.

Andrew Shapiro: Right. So what's the timing of landing and selling these products and collecting cash and booking?

John McCann: Well if you refer to the chart, we're going to have the inventory on hand by the middle of April. We will be reporting sales, let's say May 1 by the latest and then depending on the segmentations on the customer, we will be shipping two customers, depending on their planogram and their needs, we know that we're revising our Web site as we speak, we'll be selling direct to customers within the next two weeks.

Andrew Shapiro: And those of you booked revenues in the next two weeks?

John McCann: Booked revenues.

Andrew Shapiro: So.

John McCann: But like the example was the cataloger that I said their going to shoot the product next week, it'll go live in May, we'll be you know fulfilling orders for them in May and June.

Andrew Shapiro: And in what international markets has a company grown and why and what product lines and new territories are your products you know offered in and like what's been the experience so far with these new offerings and other re-orders?

John McCann: So in the international side, some what it's a little bit event driven. So one of the best let me take it in two buckets; one of the best markets last year was Korea but Korea was definitely response to events in that segmentation. So we did a tremendous job fulfilling orders on almost overnight basis.

But that was a new market had an event, probably bought more products in a shorter period of time than they would otherwise. But now that a customer that continues to come back but the order volume will be a little more stable

than the fluctuations of I need a hundred thousand dollars worth of product overnight.

A good example is Italy, Germany, where you know Germany for example; we are in probably 15 or 20 different retail in law enforcement outlets, Mace branded products that we sell on a regularized basis. So, German gun sport, three or four other retailers in the German market. In Italy we have a great distribution partner that services law enforcement and retail.

So those are good examples of where we're seeing growth. We have a unique product that we've developed Stopper Red that we own the patent on actually through the development of one of our great employees (Bernie Grainy) that it contains no pepper at all but it's a red dye irritant that does extremely well in that market and we're seeing some growth potentials there.

When we look at on a worldwide basis, we see Africa, South America and the Eastern and European countries as tremendous growth targets for us.

Andrew Shapiro: OK. And so what's preventing you and what's the hurdle from ramping up and making more sales there now?

John McCann: Well as you see from our presentation, we actually had a huge increase. Part of it, I think we're over (allowed), so last year you know we're up \$91,000 in sales. It's not as big as – I'm sorry that was just the fourth quarter. We're up about \$186,000, so we did a little over \$600,000 last year internationally. To your point, that number could double or triple.

What we needed to do was we needed to clean up some of the distributors which we did. We needed to have consistent pricing across the board which we implemented. We needed packaging in seven different languages but then also specific to several markets, so we did that.

Now, we're aligned with a deeper line of products if you would. So the Shield, we showed to IWA Show, that we showed it to SHOT Show. Then now we have the distributors in place that we have the contacts place and we have the sales group in place that we feel that this year we should be able to

add to the sales that we're able to do last year which was pretty healthy increase of almost \$186,000 and we feel that we'll definitely continue.

Andrew Shapiro: Still a drop in the bucket to Nite Beams. Do we have the rights to and do we have ...

John McCann: Absolutely and as with my second point was, is that we have three or four products, Nite Beams included that we have 100 percent of the rights to and that was also showed at the show in Germany and across some other meetings.

And we are negotiating as we had mentioned in the past conference call with a large major, it's a German distributor but they service the entire Western Europe on Nite Beams and on Take Down and on Mace spray products, the entire line up.

Andrew Shapiro: Now you also cut a deal with and you have Mace, it's called the Mace pod and the Mace ware, can you update us on the status of that. I think I've seen some of that being offered for sale. Have you been making sales of these and what are the terms or royalties, et cetera that come from it?

John McCann: Right. So we as an organization have not. So but the company first sign has been making all the sales, we get royalty on the use of the brand and we also get a percentage of the monitoring because we set it up through our partners, our security partners that we had sold Mace Central Station to.

So we have two fold revenue, right now it's very small, the revenue that we anticipate in this segmentation but the product is just really getting out there. And like all start ups you know the deal we negotiated with the use of the name instead of a broader deal because we wanted to make sure that it was the right segment and right product. They're still looking for investors and they're looking for you know other capital means. But we want to make sure that the company stays ...

Andrew Shapiro: We get a royalty, we've got no risk and they can use our name. That's something (I can after) this company to do for years. So -

John McCann: Right and it's like you know like we have three or four of these out there, it's just that some of them just have produced no income. Solo Mace for example is another example of Biometrics Company that came to us with something. There is a nice royalty for Mace but unfortunately they have not been able to deliver products into the market place quickly. First time, Defender is another example.

The Defender is very unique in the fact that we would not only be a royalty participant, we would also actually be the pepper spray that they use within it and then we had a mechanism using of the central station to once again share in the (RMR) with the segmentation of it but unfortunately there are a little bit behind schedule on what they would like to be with the launch of the product and I don't anticipate in that launching in 2015 at this point.

Andrew Shapiro: OK. And in that one, you guys had to put, you put some money up on either deposit or invested through Indiegogo, is that already paid and is that risk and gone or where is it on our balance sheet.

John McCann: I'll let Carl adjust it on the balance sheet.

Carl Smith: It's not on the balance sheet, it's \$100,000 as an investment.

John McCann: And the further point because we're in conversations with them maybe we'll hold comment till we finalize some further conversations with them.

Andrew Shapiro: Very good but I my CFO just said it's just an investment but not on the balance sheet, you expensed it or where is it?

Carl Smith: It's on the balance sheet – I have to look to see, its other assets, it's in another asset.

Andrew Shapiro: OK. So it's not ...

John McCann: It's on the balance sheet, so there's no concern there, like we recognize it.

Carl Smith: Fine I guess my comment was more hedged on you know them coming through with ...

John McCann: Correct. I think there's a lot of lose parts, we should probably leave it at that, there's a lot of moving parts within this one Andrew. The big this we can say is they're a little bit behind. But I can't comment on is that we Mace as a company we love this segmentation of smart technologies.

We feel strongly that the company needs to constantly look at this segmentation and I spent a good portion of my time looking at this segmentation, make sure we align the brand with the right players because there's going to be shake out in this segmentation and we want to make sure that the we pick the right horse for the ride.

Andrew Shapiro: OK. Now when the note got paid off in January, I think you made a comment Carl that it's going to result in a gain in Q1?

Carl Smith: Correct.

Andrew Shapiro: OK. And we've gained on the retirement. And with respect to our receivable, we have a receivable from security partners, OK. But there was also a mention of 100,000 note write off. Can you just briefly describe what's that – on the note write off, what was that about and when and then it looks like ...

Carl Smith: That was a renegotiation of the loan agreement with security partners which we reduced the note by 100,000.

Andrew Shapiro: And then the interest rate got raised and then the term was extended?

John McCann: Correct.

Carl Smith: Exactly.

John McCann: The interest rate when up, the term was extended and a mechanism was put in place in the marketing agreement to make the \$100,000 back which I think over the next two years we will.

Andrew Shapiro: OK. And are they allowed to pre-pay early or is there a pre-payment premium?

Carl Smith: No.

Andrew Shapiro: No. OK. And is there any security or seniority with this note?

John McCann: I have, we're behind the bank.

Andrew Shapiro: OK.

John McCann: But we're – based on run rate just to comment on that, based on run rate, we were fully confident that there's not, there's no issues to worry about and I'll second that just one other comment is it could be the singular best thing the organization did because we are in a better position with dealers today than we were when we were in the central station running that.

We are probably selling more cameras and part of the slides like if I just look at my unit sales on surveillance from last year, cameras, surveillance cameras were up over eight percent. So we sold over a couple hundred more cameras and we know a growing percentage of that is coming from dealer base on a Mace branded program that security partners is pushing very, very hard as an exclusive with their group.

And the last thing I'll say is they're opening up a brand new central station in Las Vegas Nevada and quite honestly, there's signs all over saying that we're partners with Mace and so for us it's another great, almost venue for the organization to use while travelling, salesman can use their facilities and have meetings and then we can show the band with them of our partnerships and our alliances with different companies embedded in the safety and security realm.

Andrew Shapiro: And I think I might have caught you off, was there more activity going on with in one of the terms of your deal with (First Sign). They're the ones who have the Mace wearable.

John McCann: Right. There is a more activity and its kind of influx so I should probably not comment till we figured out that segmentation.

Andrew Shapiro: OK. And what is the Mace NOL tax security forwards balance up to now here at your audited fiscal year end (inaudible). It looks like you're in the verge of finally being able to use those tax carry forwards to shield some profits.

Carl Smith: Correct. The NOL at the end of 2014 or \$58.2 million.

Andrew Shapiro: \$58.2 million?

John McCann: Correct.

Andrew Shapiro: OK. And regarding your exquisite line of spray, you had that as of last quarter experienced suppliers stress if that's the right word last quarter. I guess one of the suppliers had shortages because they had a sprain equipment issues and all that. Have those problems been rectified and are you now able to ramp up and are you fulfilling the requested orders for this popular product line?

John McCann: It lingered a little bit at the January period but we're, our fulfilling orders, we have to allocate for the past couple of weeks. Some of it due to Chinese New Years, nothing you know nothing dramatic and then also we've dramatically increased our orders which he needed a little time, he being the factory needed little time to procure the equipment and he also ramped up his abilities to produce more products.

So short term paying, coming to the end, we see no issues moving forward with this supplier.

Andrew Shapiro: Right. And it sounds like if you were making those kind of larger orders, it because you got the demand and you're moving the product.

John McCann: Correct.

Andrew Shapiro: OK.

John McCann: And strategically placed in the product because one of our major retailers, we know already they're going to expand into one of these products so but we

had asked them that we don't feel comfortable doing it for the back half of the year because we didn't want to overpromise and under deliver.

Andrew Shapiro: Last quarter we're starting to soft launch of the new Mace Stun Gun and there were no sales in Q3. Where there sales here in Q4? And if so, were those initial sales above or below your expectations?

John McCann: They were above our expectations. They were direct to consumer. There was very little retail but it's a great opening. We just landed stun guns at a major retailer in the United States and we've seen some healthy orders shippable in March and then order buckets to us all way through June.

We will note just full disclosure, there's one patent issue that we're working through but we think we can successfully solve it with regards to one of the guns. But we don't feel it will be a major issue.

Andrew Shapiro: OK. Well one or two more questions if you (would here). One of them is last quarter you mentioned you were in pretty high level negotiations or you were talking with one of the camera manufacturers in the wearable segments aka camera that could be worn by law enforcement officials regarding maybe joint venture when you're doing things. Where do you stand regarding discussions with in getting a Mace's brand involved in this separately for ...

John McCann: We're in constant – right so we're in progressing nicely and we're working on paper work back and forth to take it to the next level.

Andrew Shapiro: OK. Good. And you had a – your first and only investment conference presentation in your backyard there in Cleveland surrounding your investor day, what are you other investment conference do you see presenting that this year. Is there approval to go ahead and do that? Do you have anything on the horizon yet or where does that stand?

John McCann: So that's an excellent question and part of that falls back to the board meeting that we had in March which several investors had raised the issue of the company position on IR and PR ergo then adding into investor conferences. And to that point as I mentioned earlier the boards authorized me to start

interviewing IR and PR firms with the goal of being much more aggressive in the back half of the year.

So to answer your question specifically there is no conferences that we're signed up for but we're gearing ourselves up to align ourselves with the right PR and IR company, you know, separate segments, right. And then participate at several conferences this year you know especially aligned with IR guy.

Andrew Shapiro: Yes. It's going to take time.

John McCann: Yes. We want to have the right IR team in place so then you go to the conference and then you have the follow-ups and the other chatter and buzz that you need in order to make sure your message isn't just shouting in the wind.

Andrew Shapiro: Correct. Such as this conference call.

John McCann: Correct. But we do enjoy talking to you Andrew.

Andrew Shapiro: OK. Well I enjoy being able to give questions. I'm sorry it took so long.

John McCann: Is that it?

Operator: I'm showing you have a question form (Therman Willis) with Private Investor again.

John McCann: OK.

(Therman Willis): OK. John just one final comment, if, whether it's a long question and an answer or a lot of short questions, my point remains and I hope that the company philosophy people do not know about Mace like Andrew and I do nor have they done research and it's up to you to put out the press releases and do all of the things necessary that we talked about, director sales, et cetera, et cetera.

And then, we'll have fans in the sands and that's the final point I want to make. You don't do it like that and people stay ignorant to our products,

we're not going to increase sales, we're not going to increase profits and we're not going to increase the stock price.

So please, now that we have the products, let's move forward and educate the public. Some of my background information tried to do, because the public totally unaware of previous management, what you have done and the new products and it's up to the company to get that word out. And I hope that you have felt that on this conference call.

John McCann: Absolutely. No we hear you loud and clear and as I indicated from the board meeting and the authorization to start the process of talking to and I've talked to several of IR firms to coincide that with the launch of all the products that you had aforementioned, so got it.

(Therman Willis): Thank you.

John McCann: You got it. OK, I think that's it.

Operator: There are no further questions at this time.

John McCann: Thank you very much. OK. So I guess we can end the conference call. We want to thank everybody for their participation and all the information will be on the Mace corporate Web site. So any additional questions please just feel free to e-mail or call us. Thanks.

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

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