Consolidated Financial Statements and Report of Independent Certified Public Accountants

Mace Security International, Inc.

December 31, 2013 and 2012

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Report of Independent Certified Public Accountants

Board of Directors
Mace Security International, Inc.

We have audited the accompanying consolidated financial statements of Mace Security International, Inc. (a Delaware corporation) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive loss, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Grant Thornton

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mace Security International, Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Cleveland, Ohio
April 25, 2014

Mace Security International, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31, 2013 and 2012
(Amounts in thousands, except share and per share information)

ASSETS	2013	2012
Current assets:		
Cash and cash equivalents	$ 4,923	$ 2,065
Restricted cash	127	440
Short-term investments	2,597	2,397
Accounts receivable, less allowance for doubtful accounts of $478 and $362 in 2013 and 2012, respectively	1,732	1,288
Inventories, less reserve for obsolescence of $209 and $186 in 2013 and 2012, respectively	1,578	2,121
Prepaid expenses and other current assets	1,419	1,242
Current assets of businesses held for sale	-	290
Total current assets	12,376	9,843
Property and equipment:		
Buildings and leasehold improvements	168	396
Machinery and equipment	2,027	2,390
Furniture and fixtures	462	474
Total property and equipment	2,657	3,260
Accumulated depreciation and amortization	(2,092)	(2,890)
Total property and equipment, net	565	370
Other intangible assets	685	685
Other assets	1,148	1,101
Non-current assets of businesses held for sale	-	4,589
Total assets	**$ 14,774**	$ 16,588

The accompanying notes are an integral part of these consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	2013	2012
Current liabilities:		
Current portion of long-term debt and capital lease obligations	$ -	$ 26
Accounts payable	392	753
Income taxes payable	62	62
Deferred revenue	-	15
Accrued expenses and other current liabilities	1,086	981
Total current liabilities	1,540	1,837
Long-term debt, net of current portion	1,106	980
Capital lease obligations, net of current portion	-	1
Other liabilities	230	225
Stockholders' equity:		
Preferred stock, $.01 par value; authorized 10,000,000 shares, no shares issued and outstanding at December 31, 2013 and 2012	-	-
Common stock, $.01 par value; authorized 100,000,000 shares, issued and outstanding shares of 58,946,441 at December 31, 2013 and 2012	589	589
Additional paid-in capital	102,628	102,379
Accumulated deficit	(91,382)	(89,361)
Accumulated other comprehensive loss	84	(12)
	11,919	13,595
Less treasury stock at cost, 18,332 and 218,332 shares in 2013 and 2012, respectively	(21)	(50)
Total stockholders' equity	11,898	13,545
Total liabilities and stockholders' equity	**$ 14,774**	$ 16,588

Mace Security International, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2013 and 2012
(Amounts in thousands)

	2013	**2012**
Net revenue	$ 8,018	$ 8,690
Cost of revenue	4,931	5,208
Gross profit	3,087	3,482
Selling, general, and administrative expenses	6,336	6,127
Depreciation	161	291
Operating loss	(3,410)	(2,936)
Interest expense	(221)	(256)
Interest income	60	59
Other expense	(9)	(18)
Loss from continuing operations before income tax provision	(3,580)	(3,151)
Income tax provision	1	19
Loss from continuing operations	(3,581)	(3,170)
Income (loss) from discontinued operations, net of tax of $5 and $0 in 2013 and 2012, respectively	1,560	(853)
Net loss	**$ (2,021)**	$ (4,023)

The accompanying notes are an integral part of these consolidated financial statements.

Mace Security International, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the Years Ended December 31, 2013 and 2012
(Amounts in thousands)

	2013	2012
Net loss	$ (2,021)	$ (4,023)
Other comprehensive income (loss): unrealized gain (loss) on short-term investments	96	(12)
Total comprehensive loss	**$ (1,925)**	$ (4,035)

The accompanying notes are an integral part of these consolidated financial statements.

Mace Security International, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2013 and 2012

(Amounts in thousands, except share information)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Loss	Total
	Shares	Amount					
Balance at December 31, 2011	58,946,441	$ 589	$ 102,323	$ (85,338)	$ (17)	$ -	$17,557
Stock-based compensation	-	-	56	-	-	-	56
Purchase of treasury stock	-	-	-	-	(33)	-	(33)
Unrealized loss on short-term investments	-	-	-	-	-	(12)	(12)
Net loss	-	-	-	(4,023)	-	-	(4,023)
Balance at December 31, 2012	58,946,441	589	102,379	(89,361)	(50)	(12)	13,545
Stock-based compensation	-	-	**213**	-	-	-	**213**
Sale of treasury stock	-	-	**36**	-	**29**	-	**65**
Unrealized gain on short-term investments	-	-	-	-	-	**96**	**96**
Net loss	-	-	-	**(2,021)**	-	-	**(2,021)**
Balance at December 31, 2013	**58,946,441**	**$ 589**	**$ 102,628**	**$ (91,382)**	**$ (21)**	**$ 84**	**$11,898**

The accompanying notes are an integral part of these consolidated financial statements.

Mace Security International, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2013 and 2012
(Amounts in thousands)

	2013	2012
Cash Flows from Operating activities:		
Net loss	**$ (2,021)**	$ (4,023)
Loss (income) from discontinued operations, net of tax	**(1,560)**	853
Loss from continuing operations	**(3,581)**	(3,170)
Adjustments to reconcile loss from continuing operations to net cash used in operating activities:		
Depreciation	**161**	290
Stock-based compensation	**213**	56
Provision for losses on receivables	**77**	39
Loss (gain) on sale of property and equipment	**56**	40
Amortization of discount on debt	**126**	128
Changes in operating assets and liabilities:		
Accounts receivable	**(647)**	303
Inventories	**543**	280
Prepaid expenses and other assets	**(224)**	360
Accounts payable	**(361)**	(973)
Deferred revenue	**(15)**	(279)
Accrued expenses and other current liabilities	**110**	(891)
Income taxes payable	**-**	(26)
Net cash used in operating activities – continuing operations	**(3,542)**	(3,843)
Net cash used in operating activities – discontinued operations	**(83)**	(71)
Net cash used in operating activities	**(3,625)**	(3,914)
Cash Flows from Investing Activities:		
Purchase of property and equipment	**(353)**	(100)
Purchase of short-term investments, net	**(102)**	(2,409)
Proceeds from sale of property and equipment	**-**	33
Other	**(1)**	(6)
Net cash used in investing activities-continuing operations	**(456)**	(2,482)
Net cash provided by investing activities-discontinued operations	**6,588**	1,716
Net cash (used in) provided by investing activities	**6,132**	(766)
Cash Flows from Financing Activities:		
Payments on long-term debt and capital lease obligations	**(27)**	(5)
Decrease (increase) in restricted cash	**313**	(1)
Sale (purchase) of treasury stock	**65**	(33)
Net cash (used in) provided by financing activities – continuing operations	**351**	(39)
Net cash used in financing activities – discontinued operations	**-**	(648)
Net cash (used in) provided by financing activities	**351**	(687)
Net increase (decrease) in cash and cash equivalents	**2,858**	(5,367)
Cash and cash equivalents at beginning of year	**2,065**	7,432
Cash and cash equivalents at end of year	**$ 4,923**	$ 2,065

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012
(Amounts in thousands, except share and per share amounts)

NOTE 1 – DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

The accompanying consolidated financial statements include accounts of Mace Security International, Inc. and its wholly owned subsidiaries (collectively, the "Company"). All significant intercompany transactions have been eliminated in consolidation.

The Company currently operates in one business segment, the Security Segment, which consists of Mace Personal Defense & Security Inc., which sells consumer safety, personal defense, and electronic surveillance equipment and products. In December 2013, the Company sold its wholesale security monitoring business that was conducted by the Company's Mace CSSS, Inc. subsidiary.

The Company also had a Car Wash Segment which provided complete car care services (including car wash, detailing, lube, and minor repairs). The Car Wash Segment ceased operations in August 2012. See Note 4, Business Divestitures, Assets Held for Sale and Discontinued Operations.

In July 2012, the Company filed Form 15 with the United States Security Exchange ("SEC") to effectively terminate the Company's registration and reporting as a public company under SEC rules and regulations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities at the date of the Company's financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. The Company's critical accounting policies are described below.

Revenue Recognition and Deferred Revenue

The Company recognizes revenue in general when the following criteria have been met: persuasive evidence of an arrangement exists, a customer contract or purchase order exists and the fees are fixed and determinable, no significant obligations remain and collection of the related receivable is reasonably assured. Revenues from the Company's Security Segment are recognized when products are shipped and title has passed. Allowances for sales returns, discounts and allowances are estimated and recorded concurrent with the recognition of revenue and are primarily based on historic experience and contractual obligations.

Revenues from the Company's discontinued Car Wash operations are recognized, net of customer coupon discounts, when services are rendered or fuel or merchandise is sold. The Company recorded a liability for gift certificates, ticket books, and seasonal and annual passes sold at its car care locations but not yet redeemed. The Company estimated these unredeemed amounts based on gift certificate and ticket book sales and redemptions throughout the year, as well as utilizing historic sales and tracking of redemption rates per the car washes' point-of-sale systems. Seasonal and annual passes are amortized on a straight-line basis over the time during which the passes are valid.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

The Company maintains its cash accounts in high quality financial institutions. The Company considers all highly liquid short-term investments with original maturities of three months or less to be cash equivalents. A substantial majority of the Company's cash and cash equivalent balances exceeded insured amounts at December 31, 2013 and 2012.

Restricted Cash

The Company has cash in a restricted bank account. The restricted balance at December 31, 2013 is related to a payment card agreement and a letter of credit. The restricted balance at December 31, 2012 is related to a payment card agreement, letters of credit and a revolving credit facility.

Short Term Investments and Marketable Securities

The Company holds a number of short-term investments. The investments are comprised of marketable equity securities, mutual funds and exchange-traded products. All short-term investments are classified as available for sale and are valued and presented on the Consolidated Balance Sheets at current market prices. Dividends and interest earned and gains and losses realized from the sale of investments are reported in Interest Income in the Consolidated Statements of Operations. Unrealized gains/losses resulting from the increase/decrease in the market value of the investments are reported in Accumulated Other Comprehensive Income/Loss in the Consolidated Balance Sheets.

Accounts Receivable

The Company's accounts receivable are primarily due from trade customers. Credit is extended based on evaluation of customers' financial condition and, generally, collateral is not required. Customer credit terms vary. Amounts due from customers are stated in the financial statements net of an allowance for doubtful accounts. Accounts which are outstanding longer than the credit terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they are deemed uncollectible. Any payments subsequently received on such receivables are credited to the Consolidated Statements of Operations. International credit risk is managed by requiring substantially all international customers to provide payment in advance of shipment.

During fiscal 2013 and 2012, $80 and $13 of accounts receivable were written off against the allowance for doubtful accounts, respectively. Bad debt expense totaled $77 and $39 in fiscal 2013 and 2012, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Concentration of Significant Customers

The Company routinely assesses the financial strength of its customers. As a result, the Company believes that its accounts receivable credit risk exposure is limited and has not experienced significant write-offs of its accounts receivable balances. At December 31, 2013, two customers accounted for 17% and 13% of the total net accounts receivable balance. At December 31, 2012, two customers accounted for 14% and 12% of total net accounts receivable balance. During the years ended December 31, 2013 and 2012, no one customer accounted for 10% or more of the Company's net sales.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in first-out (FIFO) method. Inventories consist of defense sprays, electronic security monitors, cameras and digital recorders, and various other consumer security and safety products. The Company periodically reviews the book value of slow moving inventory items, as well as discontinued product lines, to determine if inventory is properly valued. The Company identifies slow moving or discontinued product lines by a detail review of recent sales volumes of inventory items as well as a review of recent selling prices versus cost and assesses the ability to dispose of inventory items at a price greater than cost. If market value is less than cost, then an adjustment is made to the Company's obsolescence reserve to adjust the inventory to market value. When products are sold at a price less than cost, the difference between cost and selling price is charged against the established obsolescence reserve.

Property and Equipment

The Company leases all of its facilities. Property and equipment are stated at cost. Depreciation is recognized using the straight-line method over the estimated useful lives of the assets, which are generally as follows: leasehold improvements – 7 to 10 years; machinery and equipment – 3 to 10 years; and furniture and fixtures – 3 to 10 years. Significant additions or improvements extending assets' useful lives or their capabilities are capitalized; normal maintenance and repair costs are expensed as incurred. Depreciation expense from continuing operations was approximately $161 and $290 for the years ended December 31, 2013 and 2012, respectively. Maintenance and repairs are charged to expense as incurred and amounted to approximately $27 in both of the years ended December 31, 2013 and 2012.

Impairment of Long-Lived Assets

The Company periodically reviews the carrying value of its (i) long-lived assets held and used and (ii) assets to be disposed of and when events and circumstances warrant such a review. If significant events or changes in circumstances indicate that the carrying value of an asset or asset group may not be recoverable, the Company performs a test of recoverability by comparing the carrying value of the asset or asset group to its undiscounted expected future cash flows. Cash flow projections are sometimes based on a group of assets, rather than a single asset. If cash flows cannot be separately and independently identified for a single asset, the Company determines whether impairment has occurred for the group of assets for which it can identify the projected cash flows. If the carrying values are in excess of undiscounted expected future cash flows, the Company measures any impairment by comparing the fair value of the asset group to its carrying value. If the fair value of an asset or asset group is determined to be less than the carrying amount of the asset or asset group, impairment in the amount of the difference is recorded.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Goodwill

Goodwill represents the excess of the purchase price paid over the fair value of the net assets of an acquired business. Goodwill is subject to annual impairment testing and the Company has selected April 30 as the annual impairment testing date. The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value, including goodwill. If so, then a two-step impairment test is used to identify potential goodwill impairment. The first step of the goodwill impairment test compares the fair value of a reporting unit (as defined) with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered impaired, and the second step of the goodwill impairment test is not required. The second step measures the amount of impairment, if any, by comparing the carrying value of the goodwill associated with a reporting unit to the implied fair value of the goodwill derived from the estimated overall fair value of the reporting unit and the individual fair values of the other assets and liabilities of the reporting unit.

Other Intangible Assets

Other intangible assets consist primarily of non-compete agreements, customer lists, product lists, patent costs, and trademarks. Certain trademarks are considered to have indefinite lives, and as such, are not subject to amortization. These assets are tested for impairment using a discounted cash flow methodology annually and whenever there is an impairment indicator. Estimating future cash flows requires significant judgment and projections may vary from cash flows eventually realized. Several impairment indicators are beyond the Company's control, and determining whether or not they will occur cannot be predicted with any certainty. Customer lists, product lists, trademarks, patents and non-compete agreements are amortized on a straight-line or accelerated basis to closely match expected cash flows over their respective assigned estimated useful lives.

Income Taxes

Deferred income taxes are determined based on the difference between the financial accounting and tax basis of assets and liabilities. Deferred income tax expense (benefit) represents the change during the period in the deferred income tax assets and deferred income tax liabilities. In establishing the provision for income taxes and deferred income tax assets and liabilities, and valuation allowances against deferred tax assets, the Company makes judgments and interpretations based on enacted laws, published tax guidance and estimates of future earnings. Deferred income tax assets include tax loss and credit carryforwards and are reduced by a valuation allowance if, based on available evidence, it is more likely than not that some portion or all of the deferred income tax assets will not be realized.

Advertising and Marketing Costs

The Company expenses advertising costs, including advertising production cost, as the costs are incurred. Advertising expense from continuing operations was approximately $230 and $166 for the years ended December 31, 2013 and 2012, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, trade receivables, trade payables and debt instruments. The carrying values of cash and cash equivalents, trade receivables, and trade payables are considered to be representative of their respective fair values. The carrying value of the Company's debt instruments approximate fair value due to their contractual variable interest rates.

In accordance with the Accounting Standards Codification ("ASC") 820, "Fair Value Measurement and Disclosures", a hierarchy is established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring the fair value. The hierarchy defines three levels of inputs that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets for identical unrestricted assets and liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Inputs other than the quoted prices included within Level 1 that are observable for the asset and liability or can be collaborated with observable market data for substantially the entire contractual term of the asset or liability.

Level 3 – Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in the pricing of asset or liability and are consequently not based on market activity but rather through particular valuation techniques.

The following tables summarize the Company's short term investments recorded at fair value by fair value hierarchy levels as of December 31, 2013 and 2012:

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Short-term investments	**$ 2,241**	**$ 356**	**$ -**	**$ 2,597**
	$ 2,241	**$ 356**	**$ -**	**$ 2,597**

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ 2,397	$ -	$ -	$ 2,397
	$ 2,397	$ -	$ -	$ 2,397

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Impact of Newly Issued Accounting Standards

In July 2012, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2012-2, "Intangibles – Goodwill and Other", which allows an entity to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived asset is impaired for determining whether it is necessary to perform the quantitative impairment test. The ASU is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. As the ASU addresses only the assessment of impairment, adoption of ASU 2012-2 did not have a material effect on the consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, "Comprehensive Income", which provides guidance on disclosure requirements for items reclassified out of Accumulated Other Comprehensive Loss ("AOCL"). This new guidance requires entities to present (either on the face of the statement of operations or in the notes to the financial statements) the effects on the statement of operations of amounts reclassified out of AOCL. The new guidance will be effective for the Company beginning January 1, 2014. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

Reclassifications

Certain 2012 amounts have been reclassified to conform to the current year presentation.

NOTE 3 - SUPPLEMENATARY CASH FLOW INFORMATION

Interest paid on all indebtedness, including discontinued operations, was approximately $94 and $99 for the years ended December 31, 2013 and 2012, respectively.

Income taxes paid totaled approximately $6 and $8 in the years ended December 31, 2013 and 2012, respectively.

NOTE 4 – BUSINESS DIVESTITURES, ASSETS HELD FOR SALE, AND DISCONTINUED OPERATIONS

Car Wash Segment

In 2006, the Company began the divestiture of its Car Wash Segment. By September 2011, all but three of the Company's car wash facilities were sold. The Car Wash Segment ceased operations in August 2012.

With the continued difficulty in selling the remaining Arlington, Texas car wash facility, the Company re-evaluated its strategy to dispose of this property and accordingly recorded impairment charges of $45 during the year ended December 31, 2012. This facility was further impaired prior to its sale in October 2013 in the amount of $66.

On February 29, 2012, the Company completed the sale of an Arlington, Texas car wash facility for a sale price of $2,100. The cash proceeds of the sale were $1,570, net of paying off existing debt of $512 and certain closing costs. The book value of this car wash was approximately $2,000 at February 29, 2012. The sale resulted in a net gain in 2012 of approximately $20 after customary closing costs.

NOTE 4 – BUSINESS DIVESTITURES, ASSETS HELD FOR SALE, AND DISCONTINUED OPERATIONS

August, 2012, the Company, through its wholly owned subsidiary, Colonial Full Service Car Wash, Inc. ("Colonial"), entered into a Lease Assignment and Release Agreement (the "Agreement") with an assignee and the landlord of its full service car wash located in Fort Worth, Texas. The Agreement, effective August 10, 2012, assigns and transfers all of the Company's rights, obligations and liabilities under the car wash and lube facility, and equipment lease agreements (the "Lease Agreements") to an assignee. Consideration to the landlord for the early release from the Lease Agreements included a cash payment of $275 and the transfer of certain inventories and equipment having an approximate book value of $70. The lease agreement, which had an expiration date of March 30, 2016, was at a monthly lease payment of $19.

On October 28, 2013, the Company sold its last remaining car wash facility in Arlington, Texas for a sale price of $175. The net book value of this car wash was $175, net of impairments recognized during 2013 of $66.

Wholesale Security Monitoring Services Business

On December 17, 2013, the Company completed the sale of its wholesale security monitoring services business, excluding cash, accounts receivable, certain prepaid expenses and most liabilities, to Security Partners, LLC, based in Pennsylvania. The Company received cash proceeds, net of customary transaction fees, of $5,058 and two notes receivable totaling $1,747. At December 31, 2013, the current portion of the notes receivable of $770 is in Prepaid Expenses and Other Current Assets, while the non-current portion of $977 is in Other Assets on the Consolidated Balance Sheets. The transaction resulted in a pre-tax gain of $2,340. Under the agreement, the purchase price for the business may be adjusted for revisions to dealer contract values through the period ending six months after the closing date.

Assets Held for Sale

At December 31, 2012, assets held for sale consisted of the assets of the Company's wholesale security monitoring services business and the last remaining car wash facility of the Company's former Car Wash Segment.

NOTE 4 – BUSINESS DIVESTITURES, ASSETS HELD FOR SALE, AND DISCONTINUED OPERATIONS – CONTINUED

There were no assets or liabilities held for sale at December 31, 2013. The table below presents the components of the balance sheet accounts classified as assets and liabilities held for sale at December 31, 2012.

Assets:	
Prepaid expenses and other current assets	$ 59
Property and equipment	231
Total current assets of businesses held for sale	**$ 290**
Property and equipment	$ 682
Goodwill	2,805
Other intangible assets, net of accumulated amortization	1,089
Other assets	13
Total non-current assets of businesses held for sale	**$ 4,589**

Discontinued Operations

The financial results of the wholesale security monitoring services business and the results for the car wash operations included in discontinued operations were as follows:

	Year ended December 31	
	2013	**2012**
Net sales	$ 4,101	$ 4,294
Loss before income tax provision	(775)	(853)
Provision for income tax on operations	5	-
Loss from operations, net of tax	(780)	(853)
Gain on sale of discontinued operations	2,340	-
Provision for income tax on gain on sale	-	-
Gain on sale of discontinued operations, net of tax	2,340	-
Income (loss) from discontinued operations net of tax	**$ 1,560**	**$ (853)**

NOTE 5 – GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill, all of which related to the wholesale security monitoring business, is not amortized, but is subject to an annual impairment test. The Company tests its goodwill for impairment as of April 30 each year, and in interim periods if certain events occur indicating that the carrying amount of goodwill may be impaired. During fiscal 2013 and 2012, the Company performed qualitative assessments of goodwill for impairment. Through these assessments, the Company concluded that no impairment exists.

Goodwill was $0 and $2,805 at December 31, 2013 and 2012, respectively, and was included in Non-current Assets of Businesses Held for Sale on the Consolidated Balance Sheets.

The changes in the carrying amount of goodwill for the years ended December 31, 2013 and 2012 are as follows:

Balance at December 31, 2012	$ 2,805
Sale of wholesale security monitoring services business	(2,805)
Balance at December 31, 2013	**$ -**

Other intangible assets consist of:

		December 31, 2013		December 31, 2012	
	Useful Lives	**Gross Carrying Amount**	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Amortized intangible assets:					
Non-compete agreements	3-5 years	**$ -**	**$ -**	$ 169	$ 142
Customer and product lists	2-15 years	**-**	**-**	2,226	1,176
Trademarks	3 years	**-**	**-**	98	86
Deferred financing costs	5 years	**-**	**-**	26	26
Total amortized intangible assets		**-**	**-**	2,519	1,430
Non-amortized intangible assets:					
Trademarks		**685**	**-**	685	-
Total other intangible assets		**$ 685**	**$ -**	$ 3,204	$ 1,430

Amortized intangible assets were sold with the sale of the wholesale security monitoring business in 2013.

The Company annually performs impairment testing of its intangible assets, consisting primarily of the Company's trademarks. The most recent evaluation was performed as of December 31, 2013. As a result of this evaluation, it was determined that there was no impairment of the Company's intangible assets as of December 31, 2013.

Other intangible asset amortization expense was $112 and $119 for the years ended December 31, 2013 and 2012, respectively, and was included in income (loss) from discontinued operations in the Consolidated Statements of Operations.

NOTE 6 – INVENTORIES

Inventories, net of reserves for obsolete inventory, consist of the following:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Finished goods	$ 711	$ 1,424
Raw materials	867	697
Total inventories	**$ 1,578**	$ 2,121

NOTE 7 – LONG-TERM DEBT, NOTES PAYABLE, AND CAPITAL LEASE OBLIGATIONS

Long-term debt, notes payable and capital lease obligations at December 31, 2013 and 2012, respectively) consist of the following:

	December 31, 2013	December 31, 2012
Debenture note payable to Merlin Partners, LP	$ 1,106	$ 980
Notes payable to Chase, interest rate of prime plus 0.25% (3.50% at December 31, 2012) payable in monthly principal payments totaling $2plus interest maturing March 2013, collateralized by equipment of Mace CSSS, Inc.	-	7
Various capital lease obligations related to equipment at Mace CSSS, Inc. at various interest rates from 9.0% to 13.27%, repayable in monthly installments totaling $6 maturing from August 2012 through February 2014, collateralized by equipment. All capital leases obligations paid in full as of December 31, 2013.	-	16
Note payable to Lyon Financial Services, interest rate of 7.99% due in monthly installments of $1 including interest, through September 2013, collateralized by a vehicle.	-	4
	1,106	1,007
Less: current portion	-	26
Total long-term debt, notes payable and capital lease obligations	**$ 1,106**	$ 981

The Company had outstanding letters of credit in the amount of $86 and $116 at December 31, 2013 and 2012, respectively, all collateralized by deposits in restricted cash accounts.

NOTE 7 – LONG-TERM DEBT, NOTES PAYABLE, AND CAPITAL LEASE OBLIGATIONS – CONTINUED

Debenture note payable at December 31, 2013 consists of a $1,400 note with Merlin Partners, LP. The debenture note bears interest at the rate of 6% and is due March 30, 2016. The debenture note is collateralized by a security interest in the trade name "Mace" and a pledge of the stock of Mace CSSS, Inc. The recorded value of the debenture note amount excludes unamortized discounts for warrants and a conversion option in the amount of $294 and $420 at December 31, 2013 and 2012, respectively. See Note 12, Related Party Transactions for additional information regarding the Merlin note.

NOTE 8 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	December 31	
	2013	**2012**
Accrued employee compensation	$ 219	$ 168
Co-operative advertising and other sales allowances	179	149
Deferred revenue	112	121
Accrued non-income based taxes	132	82
CSSS purchase holdback	-	150
Other	444	311
Total accrued expenses and other current liabilities	**$ 1,086**	**$ 981**

NOTE 9 – STOCK-BASED COMPENSATION

The Company's stock option plans are administered by the Compensation Committee (the "Committee") of the Board of Directors.

In December 1999, the Company's stockholders approved the 1999 Stock Option Plan (the "1999 Plan") providing for the granting of incentive stock options or nonqualified stock options to directors, officers, or employees of the Company. Under the 1999 Plan, 7,500,000 shares of common stock are reserved for issuance. Incentive stock options and nonqualified options have terms which are determined by the Committee with exercise prices not less than the market value of the shares on the date of grant. The options generally expire five to ten years from the date of grant and are exercisable based upon graduated vesting schedules as determined by the Committee. The Plan terminated March 26, 2009. No further options may be awarded under the 1999 plan.

In June 2012, the Company adopted, with shareholder approval, the 2012 Stock Option Plan (the "2012 Plan"). The 2012 Plan provides for the granting of incentive stock options or nonqualified stock options to directors, officers, employees or vendors of the Company. Under the 2012 Plan, 15,000,000 shares of common stock are reserved for issuance. Incentive stock options and nonqualified options have terms which are determined by the Committee, with exercise prices not less than the market value of the shares on the date of grant. The options generally expire five to ten years from the date of grant and are exercisable based upon graduated vesting schedules as determined by the Committee.

NOTE 9 – STOCK-BASED COMPENSATION – CONTINUED

As of December 31, 2013, 6,312,670 nonqualified stock options were outstanding under the 1999 and 2012 Plans.

Activity with respect to these plans is as follows:

	2013		2012	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Options outstanding beginning of period	4,619,665	$ 1.36	3,273,165	$ 1.94
Options granted	2,677,500	$ 0.39	1,500,000	$ 0.19
Options exercised	-	$ -	-	$ -
Options forfeited	(866,328)	$ 1.54	(15,000)	$ 0.78
Options expired	(118,167)	$ 1.74	(138,500)	$ 2.34
Options outstanding end of period	6,312,670	$ 0.92	4,619,665	$ 1.36
Options exercisable	3,907,920	$ 1.30	3,422,333	$ 1.95
Shares available for granting of options	11,358,500		13,900,000	

The Company recognizes compensation expense for all share-based awards on a straight-line basis over the vesting period of the instruments, based upon the grant date fair value of the stock options issued. Total stock compensation expense was $213 and $56 for the years ended December 31, 2013 and 2012, respectively.

The fair values of the Company's options were estimated at the dates of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

	Year Ended December 31,	
	2013	2012
Expected term (years)	5	5
Risk-free interest rate	1.17%	0.83%
Volatility	59.7%	60.2%
Dividend yield	0%	0%
Forfeiture rate	0%	0%

Expected term - The Company's expected life is based on the period the options are expected to remain outstanding. The Company estimated this amount based on historical experience of similar awards, giving consideration to the contractual terms of the awards, vesting requirements and expectations of future behavior.

NOTE 9 – STOCK-BASED COMPENSATION – CONTINUED

Risk-free interest rate – The Company uses the risk-free interest rate of a U.S. Treasury Note with a similar term on the date of the grant.

Volatility – The Company calculates the volatility of the stock price based on historical value and corresponding volatility of the Company's stock price over the prior five years.

Dividend yield – The Company uses a 0% expected dividend yield, as the Company does not have a history of paying dividends and does not anticipate declaring dividends in the near future.

During the years ended December 31, 2013 and 2012, the Company granted 2,677,500 and 1,500,000 stock options, respectively. The weighted-average of the fair value of stock option grants are $0.39 and $0.19 per share for the years ended December 31, 2013 and 2012, respectively. At December 31, 2013, total unrecognized stock-based compensation expense is $422, which has a weighted average period to be recognized of approximately 2.9 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

In 2010, the Company issued warrants to purchase a total of 314,715 shares of the Company's stock at an exercise price of $0.20 per share in connection with a Promissory Note with Merlin Partners, LP. The warrants were accounted for under the equity method at a Black-Scholes' fair value of $0.20 per share or a total value of $63and are classified in equity. No warrants to purchase common stock related to the note have been exercised through December 31, 2013. These warrants were issued with an expiration date of December 28, 2015.

In 2011, the Company issued additional warrants to purchase a total of 1,428,535 shares of the Company's stock at an exercise price of $0.20 per share in connection with the December 2010 Promissory Note with Merlin Partners, LP and a March 2011 Debenture Agreement with Merlin Partners, LLP. The 1,428,535 warrants issued in 2011 included 1,271,178 warrants issued on August 2, 2011 upon completion of the Company's Rights Offering under anti-dilution provisions contained in the original issued warrants. See Note 12, Related Party Transactions. The warrants issued in March 2011 in connection with the Debenture Agreement were accounted for under the equity method at a Black-Scholes' fair value of $0.20 per share or a total value of $47. No warrants to purchase common stock related to the note or debenture have been exercised through December 31, 2013.

During the exercise period, the Company will reserve a sufficient number of shares of its common stock to provide for the exercise of the rights represented by option holders.

NOTE 10 – INCOME TAXES

A reconciliation of income taxes computed at the U.S. federal statutory tax rates to total income taxes applicable to continuing operations expense is as follows:

	Year Ended December 31,	
	2013	**2012**
Tax at U.S. federal statutory rate	$ (1,217)	$ (1,103)
State taxes, net of federal benefit	(94)	13
Nondeductible costs	11	7
Reconcilement of net operating loss, capital loss carryforwards and other	(650)	91
Valuation allowance for deferred tax assets	1,951	1,011
Total income tax (benefit) expense	**$ 1**	$ 19

The components of income tax expense (benefit) from continuing operations are:

	Year Ended December 31,	
	2013	**2012**
Current (principally state taxes)	$ 1	$ 19
Deferred:		
Loss carryforward	(1,706)	(861)
Other deferred tax benefits	(245)	(131)
Valuation allowance	1,951	1,011
	-	-
Total income tax (benefit) expense	**$ 1**	$ 19

NOTE 10 – INCOME TAXES – CONTINUED

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities at December 31, 2013 and 2012 are as follows:

	December 31,	
	2013	**2012**
Deferred tax assets:		
Allowance for doubtful accounts	$ 177	$ 134
Inventories	188	69
Net operating and capital loss carryforwards	23,494	22,717
Vesting stock options	702	624
Other, net	269	78
Total deferred tax assets	24,830	23,622
Valuation allowance for deferred tax assets	(24,571)	(23,071)
Deferred tax asset after valuation allowance	259	551
Deferred tax liabilities:		
Property, equipment and intangibles	259	551
Net deferred tax assets	**$ -**	**$ -**

At December 31, 2013, the Company had U.S. federal net operating loss carryforwards ("NOLs") of approximately $54,200 expiring in 2018 through 2033.

Realization of the future tax benefits related to the deferred tax assets is dependent upon many factors, including the Company's ability to generate taxable income in future years. The Company performed a detailed review of the considerations influencing our ability to realize the future benefit of the NOLs, including the extent of recently used NOLs, the turnaround of future deductible temporary differences, the duration of the NOL carryforward period, and the Company's future projection of taxable income. Utilization of our net operating loss and tax credit carryforwards may be subject to annual limitations due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such an annual limitation could result in the expiration of the net operating loss or tax credits before utilization. The Company increased its valuation allowance against deferred tax assets by $1,500 in 2013 resulting in a total valuation allowance of $24,571 at December 31, 2013 representing the amount of its deferred income tax assets in excess of the Company's deferred income tax liabilities. The valuation allowance was recorded because management was unable to conclude that realization of the net deferred income tax asset was more likely than not. This determination was a result of the Company's continued losses in its fiscal year ended December 31, 2013, and the uncertainty of and the ultimate extent of growth in the Company's Security Segment.

NOTE 10 – INCOME TAXES – CONTINUED

The Company follows the appropriate accounting pronouncements which prescribe a model for the recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on recognition, classification, interest and penalties, disclosure and transition. At December 31, 2013 and 2012, the Company did not have any significant unrecognized tax benefits. The total amount of interest and penalties recognized in the Consolidated Statements of Operations for the years ended December 31, 2013 and 2012 was insignificant and when incurred is reported as interest expense.

The Company is subject to income taxes in the U.S. federal jurisdiction, and various state and local jurisdictions. The Company's federal income tax return for fiscal 2011 is under review by the Internal Revenue Service, the outcome of which is not known at this time. The Company believes it has appropriate support for its federal income tax returns. The Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years prior to 2009.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Company leases buildings and equipment under non-cancelable operating lease agreements expiring at various dates through 2023. Total rent expense was $243 and $400 for the years ended December 31, 2013 and 2012, respectively.

At December 31, 2013, future minimum lease commitments are as follows:

2014	$ 258
2015	225
2016	214
2017	211
2018 and thereafter	1,245
Total	$ 2,153

In the normal course of business, the Company may be involved in ordinary, routine legal actions. The Company cannot reasonably estimate future costs, if any, related to these matters; however, it does not believe any such matters are material to its financial condition or results of operations. The Company maintains various liability insurance policies to protect its assets from losses arising out of or involving activities associated with ongoing and normal business operations; however, it is possible that the Company's future operating results could be affected by future costs of litigation.

NOTE 12 – RELATED PARTY TRANSACTIONS

At December 31, 2013, the Company leases office space in Bennington, Vermont under a lease between Vermont Mill Properties, Inc. and the Company. During 2013, the Company leased manufacturing and office space in Bennington, Vermont under a lease between the Company and Vermont Mill Properties, Inc. The current lease expires on March 31, 2014. Vermont Mill is controlled by Jon E. Goodrich, a former director and former employee of the Company. Rent expense under this lease was $104 and $134 for the years ended December 31, 2013 and 2012, respectively.

NOTE 12 – RELATED PARTY TRANSACTIONS – CONTINUED

On March 30, 2011, the Company borrowed $1,400 with an interest rate of 6% per annum from Merlin Partners, LP ("Merlin") to fund the acquisition of TCCI, a wholesale security monitoring company. The loan is secured by a security interest in the "Mace" name and a pledge of the stock of the Mace CSSS, Inc. (the "Company's wholesale monitoring subsidiary). The loan was originally due March 30, 2013; however, Merlin had the right to call the loan commencing on September 27, 2011, forty trading days after the completion of the Company's Rights Offering and Merlin's purchase of the Additional Stock (the "Call Trigger Event"). Merlin's right to call the loan expired on March 27, 2012, six months from September 27, 2011. As Merlin did not call the loan by March 27, 2012, the maturity date of the loan automatically extended to March 30, 2016 with Merlin continuing its right to convert the loan into common stock through March 30, 2016, the new maturity date. The conversion right is at a per share price of $0.21 which is equal to the ten day average closing sales price of the common stock, starting with September 14, 2011, the trading day which is 30 trading days after the Call Trigger Event. In accordance with ASC 815, "Derivatives and Hedging," the Company determined that the conversion feature of the Debenture met the criteria of an embedded derivative, and therefore the conversion feature of this Debenture needed to be bifurcated and accounted for as a derivative. The conversion option was marked-to-market each reporting period, with future changes in fair value reported in earnings. The fair value of the embedded conversion was estimated at $590 at the date of issuance of the debenture and each subsequent quarter using the Monte Carlo model with the following assumptions: risk free interest rate: 0.16%; expected life of the option to convert of 4.7 years; and volatility: 48%. With the Call Trigger Event occurring and the conversion price and number of conversion shares known, the fair value of the conversion option was estimated at $516 at September 30, 2011 using the Black-Scholes valuation model. Accordingly, for the year ended December 31, 2011, the Company recorded a gain on valuation of derivative of $74 to reflect the reduction in the market value of the derivative. Additionally, with the debenture conversion price and number of conversion shares to be issued upon a conversion known, the initial bifurcated derivative no longer met the criteria to be recorded as a derivative liability. Accordingly, the $516 conversion option at September 30, 2011, was reclassified from a liability to stockholder's equity as additional paid-in-capital and as a discount to the $1,400 Merlin loan. The conversion option is being accreted as a charge to interest expense over a 60 month period with an offsetting credit to the loan balance.

As compensation for the $1,400 loan, Merlin received a five year warrant exercisable into 157,357 shares of common stock at an exercise price of $0.20 per share. The warrant contains an anti-dilution provision that provides that the Company will issue Merlin a warrant equal to 1% percent of any shares issued by the Company for one year after the date the warrant was issued. Any new warrant issued will be exercisable at $0.20 cents per share. On August 2, 2011, after the completion of the Company's Rights Offering, a warrant for 423,726 shares was issued to Merlin under the anti-dilution provision. The conversion features of the loan and the warrant may result in additional dilution to stockholders. The initial warrants were accounted for at a Black-Scholes fair value of the warrant of $47 recorded as a discount to the $1,400 Merlin loan and as additional paid-in capital. The discount is being accreted as a charge to interest expense over the initial 24 month maturity period of the loan with an offsetting credit to the loan balance. Merlin received $84 of interest related to the $1,400 loan in 2013 and 2012. In addition, the Company recognized non-cash interest expense for the accretion of the discounts to the Merlin promissory note and debenture for related warrants and a conversion option of $126 and $128 in 2013 and 2012, respectively.

NOTE 13 – SUBSEQUENT EVENTS

The Company evaluated its December 31, 2013 financial statements for subsequent events through April 25, 2014, the date the financial statements were available to be issued. The Company is not aware of any other subsequent events, which could require recognition or disclosure in the consolidated financial statements.