

**Mace Security International, Inc.**

**Annual Information and Disclosure Statement**

**December 31, 2016**

## **Forward-Looking Statements**

Certain statements and information included in this Annual Information and Disclosure Statement constitute “forward-looking statements” within the meaning of the Federal Private Securities Litigation Reform Act of 1995. When used in this Annual Information and Disclosure Statement, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “projected,” “intend to” or similar expressions are intended to identify “forward-looking statements” within the meaning of the Federal Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to a number of known and unknown risks and uncertainties that may cause our actual results, trends, performance or achievements, or industry trends and results, to differ materially from the future results, trends, performance or achievements expressed or implied by such forward-looking statements. Those risks and uncertainties may include, but are not limited to, (i) general economic and business conditions; (ii) competition; (iii) potential changes in customer spending; (iv) acceptance of our product offerings and designs; (v) the variability of consumer spending resulting from changes in domestic economic activity; (vi) a highly promotional retail environment; (vii) any significant variations between actual amounts and the amounts estimated for those matters identified as our critical accounting estimates, as well as other significant accounting estimates made in the preparation of our financial statements; and (viii) the impact of current and potential hostilities in various parts of the world, as well as other geopolitical concerns. You are urged to consider all such factors. In light of the uncertainty inherent in such forward-looking statements, you should not consider their inclusion to be a representation that such forward-looking matters will be achieved. Mace Security International, Inc. assumes no obligation for updating any such forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements.

## **Part A General Company Information**

### **Item 1 The exact name of the issuer and its predecessors (if any)**

Mace Security International, Inc. (the “Company”)

### **Item 2 The address of the issuer’s principal executive offices**

Mace Security International, Inc.  
4400 Carnegie Avenue  
Cleveland, OH 44103  
Phone: (440) 424-5321  
Fax: (216) 361-9555  
Website: [www.mace.com](http://www.mace.com)

Investor Relations: John J. McCann  
Phone: (440) 424-5322  
Email: [jmccann@mace.com](mailto:jmccann@mace.com)  
Address: Same as above

### **Item 3 The jurisdiction(s) and date of the issuer’s incorporation or organization**

Mace Security International, Inc. is a Delaware corporation incorporated on September 1, 1993.

**Part B Share Structure**

**Item 4 The exact title and class of securities outstanding**

The Company has 60,781,858 shares of Common Stock outstanding at December 31, 2016. The Company's CUSIP number is 554335208. The Company's trading symbol is MACE.

**Item 5 Par or stated value and description of the security**

The par value of Common Stock is \$0.01 per share. No shares of preferred stock are outstanding. Each holder of Common Stock of the Company has one vote in respect to each share of Common Stock held by that holder on all matters voted upon by our stockholders and is entitled to receive dividends only if and as declared by the Company's Board of Directors.

Certain provisions of our certificate of incorporation and our bylaws could delay, defer or prevent a change in control of the issuer including the following:

- (i) Our board of directors has the exclusive right to fill vacancies and set the number of directors; and
- (ii) Cumulative voting by our shareholders is not allowed.

**Item 6 The number of shares or total amount of the securities outstanding for each class of securities authorized**

**Common Stock**

(i) Period end date:	December 31, 2016	December 31, 2015
(ii) Number of shares authorized	100,000,000	100,000,000
(iii) Number of shares outstanding	60,781,858	60,285,370
(iv) Freely tradable (public float)	37,291,139	37,130,539
(v) Total number of shareholders of record	82	80

The number of beneficial shareholders of Mace Security International, Inc. owning at least 100 shares exceeds 50.

**Preferred Stock**

(vi) Period end date:	December 31, 2016	December 31, 2015
(vii) Number of shares authorized	10,000,000	10,000,000
(viii) Number of shares outstanding	-	-
(ix) Freely tradable (public float)	-	-
(x) Total number of shareholders of record	-	-

**Item 7 The name and address of the transfer agent**

American Stock Transfer & Trust Company, LLC  
6201 15<sup>th</sup> Avenue  
Brooklyn, New York 11219  
Phone: (718) 921-8200 x4801 or (800) 9374-5449 x4801

The Company's transfer agent is registered under the Securities Exchange Act of 1934 and is an authorized transfer agent subject to regulation by the U.S. Securities and Exchange Commission.

## **Part C Business Information**

### **Item 8 The nature of the issuer's business**

#### **A. Business Development**

Mace Security International, Inc. was incorporated in the State of Delaware in 1993. The Company is a well known producer and distributor of less-lethal defense sprays, safety and security products, accessories and OC/tear gas deployment systems. The Company, through a partnership with Tactical Defense Training, Inc. also conducts training programs for civilians and professionals who are responsible for the management and control of violent behavior in individuals. These programs encompass basic self defense, proper use of Mace® Brand pepper spray, as well as basic and specialized use of force and weapons training.

The Company believes it is one of the leading manufacturers and distributors of safety and security products to the consumer market. The Company was founded in Vermont in December of 1987 under the name Mark Sport, Inc. by obtaining an exclusive license to produce and market defense sprays under the Mace® Brand trademark to the consumer market within the continental United States, and a non-exclusive license to market defense sprays outside of the continental United States. In 1992, this license was renegotiated to include a purchase option. The Company exercised its option to purchase the Mace® Brand trademark in December 1993, including all rights, title and interest to the Mace® Brand and related trademarks.

The Company changed its name to Mace Security International, Inc. in September 1993. In November 1993, prior to its initial public offering, it merged into a new company incorporated in the state of Delaware.

During the following two decades, the Company acquired various entities in the consumer safety product segment, including electronic surveillance equipment, law enforcement chemical product, and wholesale security monitoring businesses. In 1999, the Company merged with American Wash Services, Inc. and the Company became the first publicly traded national car wash chain.

In 1998, the Company sold its law enforcement chemical product business and the exclusive right to use the Mace® Brand when selling aerosol defense sprays to the law enforcement market.

In 2006, the Company decided to divest 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. By late 2013, the Company had disposed of all former car wash facilities.

In December 2013, the Company completed the sale of its wholesale security monitoring business. In December 2015, the Company exited the electronic surveillance equipment business and in November 2016, the Company completed the sale of its electronic surveillance equipment business.

During the immediately preceding three years:

- a.) The Company has not been involved as a debtor in any bankruptcy, receivership, or any similar proceeding;
- b.) There have not been any material reclassifications, mergers, consolidations or purchase or sale of any significant amount of assets, other than as disclosed above;
- c.) The Company has not defaulted on the terms of any note, loan, lease or other indebtedness or financing arrangement requiring the issuer to make payments;
- d.) There has been no change in control of the Company;

- e.) There has not been any increase of 10% or more in any class of securities of the Company;
- f.) There has not been any past, pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off or reorganization;
- g.) There has not been any delisting of the issuer's securities by any securities exchange or deletion from the OTC Bulletin Board; and
- h.) The Company was not involved in any material or significant litigation.

The Company's securities qualified for trading on the OTCQX Markets and commenced such trading on February 16, 2017.

The Company's fiscal year end is December 31.

## **B. Business of the Issuer**

Mace Security International, Inc., located in Cleveland, Ohio, is a manufacturer and distributor of personal defense and security products to retailers and consumers under the world renowned Mace® Brand. Mace® Brand is the original trusted brand for personal defense sprays. The Company continuously adds high quality security products to the brand line.

The Company distributes and supports its branded products through strategically targeted customer channels, which include mass market retailers, wholesale distributors, independent dealers and e-commerce marketers. The Company also sells its branded products on its website, [www.mace.com](http://www.mace.com).

Defense sprays are sold in the law enforcement market under the TakeDown® Brand.

The Company's SIC Code is 3999, Manufacturing Industrial, not elsewhere classified.

The Company is not a "shell company". For purposes of this disclosure, a "shell company" means an issuer, other than a business combination related shell company, as defined by Securities Act Rule 405, or an asset-backed issuer, as defined by Item 1101(b) of Regulation AB that has:

- (1) No or nominal operations; and
- (2) Either:
  - a. No or nominal assets;
  - b. Assets consisting solely of cash and cash equivalents; or
  - c. Assets consisting of any amount of cash and cash equivalents and nominal other assets.

The Company's subsidiaries are listed below:

<b>Company Name</b>	<b>% of Ownership</b>	<b>State of Incorporation</b>
Mace Trademark Corp.	100%	Delaware
Mace Trademark II, Inc.	100%	Delaware
Mace Tactical Solutions LLC	100%	Ohio

The Company did not spend any material dollar amounts on research and development activities during the last two fiscal years. There is no material effect on us to comply with existing and, to our knowledge, probable applicable governmental regulations of our business, including any governmental approvals, or the costs and effects of compliance with federal, state and local environmental laws.

At December 31, 2016, the Company employed 28 employees, of whom 27 were full-time employees, plus 7 full-time temporary employees provided by an employment service.

## **Item 9 The nature of products or services offered**

### **A. Principal products or services, and their markets**

Mace® Brand pepper spray products are designed to allow one to defend oneself at a safe distance outside the arm's reach of an attacker, giving one the chance to escape with time to reach safety. Pepper spray is commonly referred to as OC spray, since it is made from Oleoresin Capsicum, a natural ingredient derived from hot peppers. Pepper spray is powerful enough to temporarily impair an attacker when coming into contact with their eyes, nose and mouth. Mace® Brand pepper sprays are formulated to be a safe, effective, and less-than-lethal means of personal defense that is legal to use in all 50 states of the United States of America. Pepper spray is packaged in a variety of containers designed for various applications.

The Company's Exquisite line provides pepper spray in a discreet and stylish cosmetic case design that is safe to carry in a purse, pocket or backpack. The very popular Mace® Brand Hot Pink line is a maximum strength pepper spray that comes in a variety of models for those who prefer to carry personal protection in stylish pink. The Mace® Brand KeyGuard pepper Sprays come in a variety of models and colors, all with compact designs and key rings, so the pepper spray can be conveniently kept ready at hand. Most Mace® Brand pepper spray units come with either a hinged safety cap that flips open to reveal the actuator button or a twist-lock safety cap trigger that is quickly locked and unlocked with a simple thumb turn.

Mace® Brand Triple Action combines OC pepper spray, UV dye and tear gas to create a self-defense product that induces profuse tearing, shortness of breath, and disorients the attacker. The advantage of Mace® Brand Triple Action is that the spray does not necessarily have to hit the attacker directly in the face. The tear gas will quickly start to affect the attacker even if the spray hits some other part of the attacker.

Mace® Brand Muzzle® defense sprays are specifically formulated to meet United States EPA regulations for effective and humane defense against dog aggression and threatening bear encounters. Whether one is jogging, bike riding, walking the dog, hiking or camping, Muzzle® defense sprays are the ideal deterrent for fending off animal attacks.

Mace® Brand Pepper Gel® Distance Defense Sprays combine the maximum strength formula of OC Pepper and invisible UV marking dye with the added sticking power of Mace® Brand Gel Stream Technology. This ultimate pepper gel formula outperforms conventional pepper sprays by delivering extreme stopping power that temporarily blinds an attacker from up to 25 feet away. Mace® Brand Pepper Gel® Distance Defense Sprays' unique formula also reduces the risk of cross-contamination and blow back in windy conditions.

The Mace® Brand Pepper Gun® provides distance defense with convenient point-and-shoot accuracy. The advance delivery system sprays a power stream of OC pepper up to 20 feet and from any angle. The Company also manufactures and distributes easy-to-load refill cartridges.

The Company manufactures and distributes the Mace® Brand Water Trainer. Spraying the water trainer at a target or trained professional will simulate spraying actual pepper spray without the effects of pepper spray. The Water Trainer comes in the original Mace® Brand Flip & Grip model, which is designed to be fumble-free, safe and easy to use.

In addition to pepper sprays, the Company distributes a line of portable alarms, safety lights and stun guns for personal protection. Mace® Brand stun guns are compact and powerful. They come in a variety of designs and voltages. Stun guns include bright LED lights, on/off safety switches and charging options. These products are made by Asian suppliers to the Company's specifications.

The Company provides retailers with official point-of-purchase displays and in-store signage to help retailers boost sales of Mace® Brand products. This includes floor displays, header cards and clip strips, and countertop displays.

Take Down® Brand is a line of OC pepper and tear gas sprays manufactured by the Company for law enforcement, military and security personnel. Take Down® sprays are available in canisters using omni-directional technology. Take Down® Omni units will deploy and deliver a consistent stream from any angle. Take Down® Extreme OC is a unique gel formula that outperforms conventional OC sprays. The maximum strength 1.4% capsaicinoids concentration is suspended in a sticky gel that sprays farther and sticks on contact to minimize cross-contamination. When used indoors, there is less chance of contaminating the surrounding areas or affecting bystanders. When used outdoors, it reduces the chance of blowback in windy conditions. The non-flammable formula will not ignite with stun guns or similar electronic devices. Take Down® OC-CS blends are pepper sprays with the added power of CS tear gas in streams or foggers. Stoppa Red products contain a bright red color non-irritant dye that stains skin and clothing that assists with identification. Take Down® inert trainers are available in all spray patterns for training and demonstration purposes. The Company recently introduced the Take Down® Tactical Handle. This is an effective way to deploy OC aerosol spray through virtually any riot or capture shield on the market today. Implementing OC directly onto tactical and riot shields increases the less-lethal force options and provides the user increased flexibility during a disturbance.

The Company's TG Guard Security Protection System is operated through a secure remote console to selectively deploy a tear gas agent in an area where a disruption is occurring. The TG Guard System deploys a powerful tear gas deterrent agent from single or multi-fixture dispensers. The fixtures are tamper resistant and inaccessible to the general population.

## **B. Distribution methods of the products or services**

Mace Security International, Inc. sells its products to customers in North and South America, Europe, Asia and Africa using both in-house salespersons and independent sales representatives. The Company's primary distribution channels are:

- a. Sporting goods retailers, buying groups and distributors,
- b. Mass merchant retailers,
- c. Hardware retailers,
- d. Auto parts retailers,
- e. General merchandise retailers,
- f. On-line store operators,
- g. Tactical product distributors,
- h. Law enforcement, correctional institutions and military markets,
- i. International distributors and dealers, and
- j. The Company's website [www.mace.com](http://www.mace.com).

**C. Status of any publicly announced new product or service**

In December 2014, the Company announced its intention to supply a line of less lethal munitions to its law enforcement, corrections and military customers through its subsidiary Mace Tactical Solutions, LLC. The launch of these products has been delayed due to the Company's supplier encountering changes in regulatory requirements related to storage and certification of such products. The Company anticipates these matters will be resolved in 2017.

In June 2016, The Company announced entering into a partnership with Select Security to sell self-installed security systems under the Mace® brand. The Company expects the program, originally expected to launch in the fourth quarter of 2016, will launch in 2017.

**D. Competitive business conditions, the issuers competitive position in the industry, and methods of competition**

Mace ® Brand is the number one recognized brand in safety and security. In a study done by Balance, Inc. in 2013, just over half (51%) of the consumers participating in the study said they own Mace® Brand pepper spray. Pepper Shot (13%), Sabre (9%) and American Defender (8%) were the next common brands owned. The pepper spray industry is fragmented. A number of companies manufacture pepper spray under their own brands or using their customers' brand names, including Security Equipment Corporation, UDAP Industries, Inc., and Washington Laboratories, LLC. A number of companies distribute pepper spray product produced by others under their brand names including Fox Labs, Sturm, Ruger & Co., Inc., and Tornado Defense Sprays.

**E. Sources and availability of raw materials and the names of principal suppliers**

The Company's defense sprays are made at its Cleveland, Ohio facility, using components provided by both domestic and international suppliers, and by select high-quality manufactures in Asia. In addition to finished pepper spray product, the company sources components such as oleoresin capsicum concentrate, drawn aluminum tubes, valves, plastic components and packing material. The Company does not have any long-term supply contracts with its suppliers. The items that the Company sources from its suppliers are generally available from multiple sources.

**F. Dependence on one or a few major customers**

At December 31, 2016, 3 customers accounted for 20%, 20% and 19% of the net accounts receivable balance. At December 31, 2015, two customers accounted for 36% and 16% of net accounts receivable balance. During the year ended December 31, 2016, one customer accounted for 14% of the Company's net revenue. During the year ended December 31, 2015, one customer accounted for 14% and another for 13% of the Company's net revenue.

**G. Patents, trademarks, licenses, franchises, concessions, royalty arrangements or labor contracts, including their duration**

The Company owns more than two (2) dozen trademarks, including the Mace® brand name, which have an original length of ten (10) years and are generally renewable for additional ten (10) year periods.

We do not own or lease any franchises, and are not subject to any concessions or significant royalty payments.



The Company has entered into agreements with several companies providing for the right to use one or more of the Company's trademarks. To date, such agreements have not generated significant royalty income for the Company.

The Company's workforce is not subject to collective bargaining.

**H. The need for any governmental approval of principal products or services and the status of such of any requested government approvals**

The Company's subsidiary, Mace Tactical Solutions has a Federal Firearms License – Dealer in Destructive Devices. The license expires January 1, 2018 and is renewable. Bear spray manufacturing requires a United States Environmental Protection Agency license. The Company currently does not have such license. The Company procures its bear spray from a supplier that has such license. Alternative sources for bear spray product exist.

**Item 10 The nature and extent of the issuer's facilities**

The Company's operations are conducted in a leased 49,204 square feet building located at 4400 Carnegie Avenue, Cleveland, Ohio 44103. The initial lease term is 10 years and 3 months, with options to renew for three (3) additional five (5) year terms through 2038. The Company also leases a 500 square feet sales office in Bennington, Vermont on a month to month basis.

**Part D Management Structure and Financial Information**

**Item 11 The name of the chief executive officer, members of the board of directors, as well as control persons**

**A. Directors and Executive Officers**

**1. Directors**

The directors of the Company, as well as certain information about them, as of December 31, 2016 are presented in the following table.

<b>Name</b>	<b>Position with Company</b>	<b>Director Since</b>
Denis J. Amato	Director	2011
Richard A. Barone	Director and Chairman	2009
Terrance W. Gainer	Director	2015
Carl J. Grassi	Director	2016
Suzanne M. Hopgood	Director	2014
John J. McCann	Director, President and Chief Executive Officer	2012
Daniel V. Perella	Director	2012

All correspondence to the Company's directors may be mailed to the Company's Corporate Headquarters at 4400 Carnegie Avenue, Cleveland, Ohio 44103.

Biographical information for each director appears below.

*Denis J. Amato*, age 72, is a Director of Microcap Equities for Ancora Advisors LLC since 2013. Mr. Amato is a major shareholder of The Ancora Group, Inc., and has ownership in Merlin Partners, LP and the Ancora Funds. Mr. Amato has also been a Director of the Ancora Group since 2010. He was the Chief Investment Officer of The Ancora Group, Inc. and Ancora Advisors LLC from 2006 to 2012.

*Richard A. Barone*, age 75, is Chairman of the Arch Eagle Group, Inc., which includes America Northcoast Securities, Inc. and the Arch Eagle Foundation. Since 2001, he also is Chairman Emeritus of The Ancora Group, which includes Ancora Advisors, LLC; Investment advisor to Merlin Partners, LLC and the Ancora Funds; and Chairman of the Ancora Trust, which includes The Ancora Mutual Funds. Mr. Barone is an Emeritus Director for the Cleveland State University Foundation; Director of Hospice of the Western Reserve; Director of Brentwood Hospital; Director of Stephan Company and Chairman of Evergreen Expedition Group.

*Terrance W. Gainer*, age 69, is a business development and security consultant for a number of international companies, including EMC Corporation, Thomson Reuters, Underwriters Laboratories and the United States Department of Justice since 2014 to the present. Previously, Mr. Gainer was the Sergeant-at-Arms for the United States Senate from 2006 to 2014. Mr. Gainer also served as the Chief of the United States Capitol Police; Executive Assistant Chief of Police, Metropolitan Police Department, Washington D.C. and Director of the Illinois State Police from 1991 to 2006. Mr. Gainer is a Director of Research Strategies Network; member of the Executive Committee International Association of Chiefs of Police, Youth Leadership Foundation; Director of National Auto Theft Bureau; and Chairman of the Illinois Motor Vehicle Theft Prevention Council.

*Carl J. Grassi*, age 58, is President of McDonald Hopkins, LLC, a Cleveland headquartered full-service law firm. Mr. Grassi has been with the firm since 1992. He is a certified public accountant and a member of the 50 Club of Cleveland. Mr. Grassi serves as corporate counsel and business advisor to middle market and growth companies. He has extensive experience assisting clients in areas of complex mergers and acquisitions, choice of entity planning, business succession planning, financing and structuring ESOPs, executive compensation and tax planning, creation of family limited partnerships, formation and use of limited liability companies and IRS controversies. Mr. Grassi is Chairman of the Board of Trustees of Greater Cleveland Sports Commission; Director of BVU The Center for Nonprofit Excellence; Director of the Greater Cleveland Film Commission; Former Chairman and board member of Lake Erie College and former director of the Cleveland Chapter of ORT America.

*Suzanne M. Hopgood*, age 67, is the founder of The Hopgood Group, LLC, a consulting board and crisis management consulting company founded in 1985. Ms. Hopgood serves as Chairman of the Board of Newport Harbor Corporation, a hospitality and real estate company. She has served as Chair of the Board and Chief Executive Officer of Furr's Restaurant Group (NYSE:FRG); Chief Executive Officer of Houlihan's Restaurant Group, Chair of the Board of Del Global Technologies (NASDAQ:DGTC), on the Audit Committee and Chair of the Nominating and Governance Committees of both PointBlank Solutions, Inc. (PK:PBSO) and Acadia Realty Trust (NYSE:AKR), and as Managing Director of National Corporation of Corporate Directors from 1998 to 2010.

*John J. McCann*, age 54, is President and Chief Executive Officer of the Company since 2012. He has served as President and Chief Executive Officer of Fitness Quest, Inc. (a privately owned company that distributes and markets home exercise and fitness products) from 2009 to 2011. From 2002 to 2009 he was President and Chief Executive Officer of Saeco USA, Inc. (a privately owned company that distributes and markets coffee brewing appliances). Mr. McCann also served as Executive Vice-President of Sales for Delonghi America, Inc. (a distributor and marketer of small appliances) from 1999 to 2002. Mr. McCann currently serves on the Board of Directors of the Northeast Ohio Region of the American Red Cross and The Centers.

*Daniel V. Perella*, age 47, is co-founder and President of IdeaStream Consumer Products, LLC (a privately owned company that develops and markets consumer products such as home and organizational filing products and protective cases for files, CDs, laptop computers and other personal items) since 2002. Prior to that from 1992 to 2002, he was Executive Vice-President of Sales for Manco, Inc. (now known as Shurtech). Mr. Perella currently serves on the Board of Directors of Rising Star Learning Center (dba Rising Star Academy).

## 2. Executive Officers

The executive officers of the Company, as well as certain information about them, as of December 31, 2016 are presented in the following table.

<b>Name</b>	<b>Position with Company</b>	<b>Officer Since</b>
John J. McCann	Director, President and Chief Executive Officer	2012
Carl R. Smith	Senior Vice President Corporate Finance	2012

All correspondence to the Company's executive officers may be mailed to the Company's Corporate Headquarters at 4400 Carnegie Avenue, Cleveland, Ohio 44103.

Biographical information for each executive officer not already described herein appears below.

*Carl R. Smith*, age 55. From 2003 to 2012, Mr. Smith was the Chief Financial Officer, Treasurer, and Secretary of Saeco USA, Inc., a privately owned company that distributes and markets coffee brewing appliances. Mr. Smith also served as VP of Operations for Saeco from 2007 to 2012. Saeco USA was a wholly owned subsidiary of Saeco International Group which was headquartered in Bologna, Italy. From 2001 to 2003, he was Plant Controller for SIFCO Forge Group, a division of SIFCO Industries (NYSE:SIF), a specialized manufacturer of forged components servicing a variety of markets. From 1988 to 2001, Mr. Smith worked for Mr. Coffee, Inc., holding various positions including Assistant Corporate Controller and Division Controller.

## 3. Equity Ownership of Directors and Executive Officers

Please see part D, Item 14 below.

#### 4. Compensation of Directors and Executive Officers

The following table presents information concerning the compensation paid during the year ended December 31, 2016 by the Company to its directors and executive officers as a group.

Name	Year	Salaries (\$)	Bonus (\$)	Stock Option Awards	All Other Compensation (\$) <sup>(2)</sup>
Non-employee Directors (6 in total) <sup>(1)</sup>	2016	-	-	903,377	-
Executive Officers (2 in total) <sup>(3)</sup>	2016	417,895	-	-	23,813

- (1) In 2016, Directors who are employed by the Company do not receive any separate compensation for service on the Board of Directors. Non-employee Directors received a quarterly retainer of 12,500 stock options. In addition, non-employee Directors received an annual 100,000 stock option award. Director compensation is prorated for the period served.
- (2) The Company reimburses directors' travel, lodging and other reasonable out-of-pocket expenses in connection with attendance at Board, Committee and Shareholder meetings. These amounts are not included in the table above.
- (3) The Company has determined that compensation information regarding the executive officers as a group is, given the modest aggregate amounts in every category, sufficient to an understanding of the Company and that providing confidential information as to each individual executive officer would not contribute materially to an understanding of the Company. Both executive officers have Employment Agreements with the Company.

#### B. Legal/disciplinary history

None of the current directors and executive officers of the Company have, in the last five years, been the subject of (1) a conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses); (2) the entry of an order, judgment or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities and banking activities; (3) a finding or judgment by a court of competent jurisdiction (in a civil action), the SEC, the Commodity Futures Trading Commission or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended or vacated, or (4) the entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.

#### C. Disclosure of family relationships

None.

**D. Disclosure of related party transactions**

The information required by this item is included in Note 14 to the Company's December 31, 2016 consolidated financial statements and are incorporated herein by reference from the Company's 2016 Annual Report filed separately through the OTC Disclosure and News Service, and available at [www.otcmarkets.com](http://www.otcmarkets.com).

**E. Disclosure of conflicts of interest**

None.

**Item 12 Financial information for the issuer's most recent fiscal period**

The Company's audited consolidated financial statements for the year ended December 31, 2016 are incorporated herein by reference from the Company's 2016 Annual Report filed separately through the OTC Disclosure and News Service, and available at [www.otcmarkets.com](http://www.otcmarkets.com). The audited consolidated financial statements include the following reports:

1. Independent Auditors' Report
2. Consolidated Balance Sheets
3. Consolidated Statements of Operations
4. Consolidated Statements of Comprehensive Income (Loss)
5. Consolidated Statements of Stockholders' Equity
6. Consolidated Statements of Cash Flows
7. Notes to Consolidated Financial Statements

**Item 13 Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence**

The Company's audited consolidated financial statements for the years ended December 31, 2015 and 2014 are incorporated herein by reference from the Company's 2015 Annual Report filed separately through the OTC Disclosure and News Service, and available at [www.otcmarkets.com](http://www.otcmarkets.com). The audited consolidated financial statements include the following reports:

1. Independent Auditors' Report
2. Consolidated Balance Sheets
3. Consolidated Statements of Operations
4. Consolidated Statements of Comprehensive Loss
5. Consolidated Statements of Stockholders' Equity
6. Consolidated Statements of Cash Flows
7. Notes to Consolidated Financial Statements

**Item 14 Beneficial owners**

The following table sets forth, as of December 31, 2016, the equity ownership of (a) all persons or groups known by the Company to be the beneficial owners of 5% or more of its outstanding Common Stock and (b) all of the Company's directors and executive officers as a group. Because beneficial owners are not required to disclose their ownership interests publicly or to the Company, we may only rely on public sources and reports made directly to us when determining beneficial ownership, and, as a result, there may be other beneficial owner(s) of more than 5% of the Company's Common Stock that are not included in the following table.

Mace Security International, Inc.  
Annual Information and Disclosure Statement  
For the Fiscal Year Ended December 31, 2016

<b>Principal Beneficial Owners of Shares (2)</b>			
<b>Name of Beneficial Owner</b>	<b>Relationship to Issuer</b>	<b>Amount and Nature of Beneficial Ownership (1)</b>	<b>Percent of Class (1)</b>
All Directors and Executive Officers as a Group (8 in total)	Directors and Executive Officers	7,064,481	11.6%
Merlin Partners LP	Shareholder	16,260,417	26.8%

- (1) The Company has determined that beneficial ownership information regarding all directors and executive officers is sufficient to an understanding of the Company and the degree to which management has a stake as shareholders of the Company. 3,846,481 shares for the directors and executive officers as a group represent shares which could be acquired within 60 days after March 15, 2017 by exercise of stock options.
- (2) Represents the Company's reasonable good faith effort to calculate beneficial ownership based on (i) the Company's and transfer agent's records, and (ii) communications with Merlin Partners LP.

**Item 15 The name, address, telephone number, and email address of each of the following outside providers that advise the issuer on matters relating to operations, business, development and disclosures**

**A. Investment Banker**

None

**B. Promoters**

None

**C. Counsel**

Clark Hill PLC  
c/o Cynthia M. Filipovich  
500 Woodward Avenue, Suite 3500  
Detroit, Michigan 48226-3435  
(313) 965-8387  
[cfilipovich@clarkhill.com](mailto:cfilipovich@clarkhill.com)

**D. Auditor**

Preparation of the Company's financial statements is the responsibility of the Company's management. The Company's independent audit firm, Skoda Minotti & Co., is responsible for expressing an opinion on the Company's financial statements based on its audit.

Skoda Minotti & Co. auditing staff holds a wide range of certifications including certified public accountant (CPA) and accredited in business valuation (ABV).

Auditor contact information:

Skoda Minotti & Co.  
c/o Ryan Siebel, Principal  
6685 Beta Drive  
Mayfield Village, Ohio 44143  
(440) 449-6800  
[rsiebel@skodaminotti.com](mailto:rsiebel@skodaminotti.com)

**E. Public Relations Consultant(s)**

None

**F. Investor Relations Consultant**

None

**G. Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement**

None

**Item 16 Management's discussion and analysis or plan of operation**

**A. Plan of operation**

This item is not applicable, as the Company has had revenues in each of the last two fiscal years.

**B. Management's discussion and analysis of financial condition and results of operations (amounts in thousands, except share and per share amounts)**

Mace Security International, Inc. currently operates in one business segment, the Security Segment, which manufactures and distributes consumer safety and personal defense products to retailers, distributors, and individual consumers. The Company also supplies less-lethal tactical munitions and weapons systems for law enforcement, correctional institutions and military markets.

In December 2015, the Company exited the electronic surveillance equipment market. In November 2016, the Company completed the sale of its electronic surveillance equipment business, consisting of inventory and a customer list. The financial results of the electronic surveillance business for the three years ended December 31, 2016, 2015 and 2014 were reported in discontinued operations and, accordingly, have been segregated from the revenues and expenses discussions below.

**Fiscal Year 2016 compared with Fiscal Year 2015**

*Net Sales*

Net sales in fiscal 2016 increased by 26.7% to \$9,054, compared with \$7,145 in fiscal 2015. Net sales comparative information for fiscal 2016 and 2015, respectively, is as follows:

<u>Net Sales by Distribution Channel</u>	<u>Year Ended December 31,</u>		<u>Increase</u>
	<u>2016</u>	<u>2015</u>	<u>(Decrease)</u>
Sporting Goods	\$ 3,397	\$ 3,016	\$ 381
Consumer	3,981	2,684	1,297
Tactical	397	612	(215)
International	908	531	377
Other	371	302	69
Total	<u>\$ 9,054</u>	<u>\$ 7,145</u>	<u>\$ 1,909</u>

The increase in Sporting Goods and Consumer distribution channel net sales is due primarily to increased sales to existing customers and the addition of new customer accounts in 2016. International distribution channel net sales increase is attributable to increased demand in Europe and new international customer accounts in 2016. Tactical distribution channel net sales declined in 2016, compared with 2015 primarily due to (i) decreased demand for OC and tear gas tactical deployment systems and (ii) declines in royalty revenue attributable to decreased demand for product subject to royalty. Overall, the Company added seventy-two (72) new accounts in 2016.

*Cost of goods sold*

Cost of goods sold increased in fiscal 2016 by 22.3% to \$5,369, or 59.3% of net sales, compared with \$4,390, or 61.4% of net sales, in fiscal 2015, primarily due to the 26.7% increase in net sales. The decrease in cost of goods sold as a percentage of net sales was due to manufacturing efficiencies gained from higher sales volumes and cost reduction implemented by the Company in 2016, including new packaging and automation.

*Gross Profit*

Gross profit increased \$930, or 33.8%, to \$3,685, or 40.7% of net sales, during fiscal 2016, compared with \$2,755, or 38.6% of net sales, in fiscal 2015, primarily due to increased revenues and lower cost of goods sold as a percentage of net sales.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses decreased by \$119 to \$3,719, or 41.1% of net sales, during fiscal 2016, compared with \$3,838, or 53.7% of net sales in fiscal 2015. Fiscal 2016 marketing and advertising expenditures were \$216 lower than in fiscal 2015, due primarily to a curtailment of discretionary advertising spending in fiscal 2016. Salaries and related employee benefits expenses decreased in fiscal 2016 \$340, compared with fiscal 2015, due to reductions in



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personnel, including a senior executive officer. This decrease was partially off-set by an increase in legal and other professional services expenses of \$180 in fiscal 2016, compared with fiscal 2015. These expense reductions in 2016 were partially off-set by \$130 additional commission expense due to the higher net sales in 2016, compared with fiscal 2015. Fiscal 2015 also benefited by a \$130 one-time reduction in certain accruals that were deemed to no longer be needed.

*Depreciation*

Depreciation expense in fiscal 2016 increase \$15 to \$155, compared with \$140 in fiscal 2015, due primarily to depreciation related to plant automation that was implemented in 2016 and plastic injection tooling for redesigned products.

*Other income (expense), net*

Other income (expense), net decreased \$300 in fiscal 2016 to net other expense of \$4, compared with net other income of \$296 in fiscal 2015. In 2015, the Company recognized a \$322 gain on the repayment of a \$1,400 note.

*Loss from Continuing Operations*

Loss from continuing operations decreased by \$700 to a loss of \$120 in fiscal 2016, compared to a loss from continuing operations of \$820 in fiscal 2015, due primarily to the factors noted above.

*Income (loss) from Discontinued Operations*

Income from discontinued operations increased \$557 to \$351 in fiscal 2016, compared with loss from discontinued operations of \$206 in fiscal 2015. In 2016, the Company completed the sale of its electronic surveillance equipment business, which resulted in a \$212 gain in 2016. Fiscal 2016 results also reflect the net reduction of \$412 of salaries and employee benefits related to personnel that supported the electronic surveillance equipment business in 2015.

*Net income (loss)*

Net income increased in fiscal 2016 \$1,277 to net income of \$250, compared with a net loss of \$1,027 in fiscal 2015. Net income increased in 2016, compared with fiscal 2015, primarily due to increased net sales and lower cost of goods sold as a percentage of net sales due to automation and packaging redesign.

**Fiscal Year 2015 Compared with Fiscal Year 2014**

*Net Sales*

Net sales in fiscal 2015 increased by 13.8% to \$7,145, compared with \$6,280 in fiscal 2014. Net sales comparative information for fiscal 2015 and 2014, respectively, is as follows:

<u>Net Sales by Distribution Channel</u>	<u>Year Ended December 31,</u>		<u>Increase (Decrease)</u>
	<u>2015</u>	<u>2014</u>	
Sporting goods	\$ 3,016	\$ 2,509	\$ 507
Consumer	2,684	2,368	316
Tactical	612	489	123
International	531	600	(69)
Other	302	314	(12)
 Total	 <u>\$ 7,145</u>	 <u>\$ 6,280</u>	 <u>\$ 865</u>

The increase in Sporting Goods and Consumer distribution channel net sales is due primarily to increased sales to existing customers through product line extensions and new product launches at major national chains. Tactical distribution channel sales increased in 2015, compared with 2014, due to the addition of 28 new customer accounts in this distribution channel in 2015. Overall, the Company added eighty-three (83) new accounts in fiscal 2015.

*Cost of goods sold*

Cost of goods sold increased in fiscal 2015 by 10.6% to \$4,390, or 61.4% of net sales, compared with \$3,968, or 63.2% of net sales, in fiscal 2014, primarily due to the 13.8% increase in net sales. This was partially offset by manufacturing efficiencies gained by higher sales volumes.

*Gross Profit*

Gross profit increased \$443, or 19.2%, to \$2,755, or 38.6% of net sales, during fiscal 2015, compared with \$2,312, or 36.8% of net sales, in fiscal 2014, primarily due to increased revenues and lower cost of goods sold as a percentage of net sales.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses decreased by \$324 to \$3,838, or 53.7% of net sales, during fiscal 2015, compared with \$4,162, or 66.3% of net sales in fiscal 2014. Salaries and related employee benefits expenses decreased in fiscal 2016 \$93, compared with fiscal 2015, primarily due to reductions in accounting personnel. Legal and professional and other professional services expenses decreased \$180 in fiscal 2015, compared with fiscal 2014, primarily due to lower IT consulting expenses and lower audit fees in 2015 compared with 2014 and successful settlement of litigation in 2014. These expense reductions in 2015 were partially off-set by \$38 additional commission expense due to the higher net sales in 2015, compared with fiscal 2014.

*Depreciation*

Depreciation expense in fiscal 2015 was comparable to depreciation expense in fiscal 2014.

*Interest expense*

Interest expense decreased in fiscal 2015 compared with fiscal 2014, due to the repayment of the company's \$1,400 note in January 2015 and CSSS purchase holdback in fiscal 2014. This was partially offset by the payment of \$50 for the Company's Put Option Agreement in fiscal 2015.

*Note receivable write-down*

In October 2014, the Company renegotiated one of its notes receivable with the buyer of its former wholesale security monitoring services business and reduced the principal amount of the note by \$100.

*Other income, net*

In connection with the repayment in January 2015 of the Company's \$1,400 note, the Company recognized a \$322 gain.

*Loss from Continuing Operations*

Loss from continuing operations decreased by \$1,114 to a loss of \$820 in fiscal 2015, compared to a loss from continuing operations of \$1,934 in fiscal 2014, due primarily to the higher sales and gross profit and reduction in selling, general and administrative expenses, and repayment of debt above discussed above.

*Income (loss) from Discontinued Operations*

Income (loss) from discontinued operations decreased \$437 to a loss of \$206 in fiscal 2015, compared with income from discontinued operations of \$231 in fiscal 2014. In 2014, the Company recognized an additional gain of \$409 on the sale of its former wholesale security monitoring services business due to an increase in the purchase price resulting from revisions to dealer contract values, as provided under the asset purchase agreement.

*Net loss*

Net loss decreased in fiscal 2015 \$677 to a net loss of \$1,027, compared with a net loss of \$1,704 in fiscal 2014. Net loss decreased in 2015, compared with fiscal 2014, primarily due to increased net sales and lower cost of goods sold as a percentage of net sales, decreases in selling, general and administrative expenses, lower interest expense and a gain on repayment of a note.

### **Liquidity and Capital Resources**

Cash, cash equivalents and restricted cash increased by \$524 to \$1,030 at December 31, 2016, compared with \$506 at December 31, 2015. The Company's operating activities of continuing operations used \$118 of cash in fiscal 2016, compared with using \$1,527 in fiscal 2015. In fiscal 2016, operating activities of continuing operations less effect of depreciation, equity compensation and other non-cash charges generated \$459. This was offset by a \$577 increase in working capital due primarily to factors resulting from normal business conditions of the Company, including (1) higher accounts receivable due to higher net sales, (2) higher inventory and vendor deposits required to support the higher net sales level, (3) lower accounts payable and accrued liabilities due to the relative timing of (1) payments to suppliers and (2) processing payrolls.

The Company's capital expenditures in fiscal 2016 were \$351, compared with \$114 in fiscal 2015. Capital expenditures in fiscal 2016 were primarily for tooling and for plant automation. The Company anticipates total fiscal 2017 capital expenditures will be less than \$100,000 and will relate principally to manufacturing and production enhancements. The Company anticipates funding future capital expenditures from operating cash flow. There were no commitments for capital expenditures at December 31, 2016.

The Company has not declared or paid any cash dividends within the last two (2) fiscal years and does not anticipate paying any such dividends in the foreseeable future. The Company currently intends to retain all of its earnings for the operation and expansion of its business.

As discussed more fully in Note 14 to the Company's December 31, 2016 consolidated financial statements, at December 31, 2016, the Company had a Put Option Agreement with several investors requiring the investors to make loans to the Company in the aggregate amount of \$2,000 at the Company's discretion. This agreement expired on January 17, 2017 and was not renewed.

The Company believes that funds provided by operations and existing working capital should be sufficient to meet working capital needs for the next 12 months.

#### **C. Off-balance sheet arrangements**

In the ordinary course of business, the Company is party to certain arrangements that are not reflected in the Consolidated Balance Sheets. This includes operating leases as described in Note 13 to the Company's December 31, 2016 consolidated financial statements, which primarily relate to the Company's primary facility in Cleveland, Ohio. The Company does not have any obligations that meet the definition of an off-balance sheet arrangement that have had, or are reasonably likely to have, a material effect on the Company's financial condition or results of operations.

**Part E Issuance History**

**Item 17 List of securities offerings and shares issued for services in the past two years.**

The following table sets forth information regarding the common stock of Mace Security International, Inc. issued during fiscal years ended December 31, 2016 and 2015.

<b>Date</b>	<b>Nature of Offering</b>	<b>Party Shares Issued To</b>	<b>Number of Shares Issued</b>	<b>Trading Status of Shares</b>	<b>Certificates Issued with Restrictive Legends (1)</b>
12-24-15	Warrant Exercise	Merlin Partners LP	1,178,929	Restricted	Yes
3/15/16	Warrant Exercise	Merlin Partners LP	196,488	Restricted	Yes
9/5/2016	Option Exercise	Non-Employee Director	100,000	Restricted	Yes
10/5/2016	Option Exercise	Non-Employee Director	100,000	Restricted	Yes
12/19/2016	Option Exercise	Non-Employee Director	100,000	Restricted	Yes

(1) The certificates evidencing the shares contain a legend stating that the shares have not been registered under the Securities Act of 1933, as amended, and setting forth the restrictions on transferability and sale of the shares under the Security Act of 1933.

The following table sets forth information regarding common stock options issued during fiscal years ended December 31, 2016 and 2015.

<b>Date</b>	<b>Nature of Offering</b>	<b>Party Shares Issued To</b>	<b>Number of Shares Issued</b>	<b>Exercise Price</b>	<b>Purpose</b>
3/5/2015	Stock Option	Non-Employee Director	400,000	\$0.39	Annual Retainer
3/31/2015	Stock Option	Non-Employee Director	25,000	\$0.39	Quarterly Retainer
6/30/2015	Stock Option	Non-Employee Director	25,000	\$0.41	Quarterly Retainer
9/30/2015	Stock Option	Non-Employee Director	35,734	\$0.39	Quarterly Retainer
12/31/2015	Stock Option	Non-Employee Director	37,500	\$0.38	Quarterly Retainer
3/31/2016	Stock Option	Non-Employee Director	62,500	\$0.42	Quarterly Retainer
6/7/2016	Stock Option	Non-Employee Director	571,200	\$0.40	Annual Retainer
7/14/2016	Stock Option	Non-Employee Director	46,600	\$0.38	Annual Retainer
6/30/2016	Stock Option	Non-Employee Director	73,077	\$0.40	Quarterly Retainer
9/30/2016	Stock Option	Non-Employee Director	75,000	\$0.39	Quarterly Retainer
12/31/2016	Stock Option	Non-Employee Director	75,000	\$0.40	Quarterly Retainer

**Part F    Exhibits**

**Item 18    Material Contracts**

- 18.1    Mace Security International, Inc. 1999 Stock Option Plan (incorporated herein by reference to Exhibit 10.98 to the June 30, 1999 Form 10-QSB dated August 13, 1999)
- 18.2    Mace Security International, Inc. 2012 Stock Incentive Plan (incorporated herein by reference to Form DEF 14A filed on May 18, 2012)
- 18.3    Asset Purchase Agreement between Mace Security International, Inc. and SecureCheck LLC dated September 28, 2016
- 18.4    Employment Agreement dated as of November 21, 2012 by and between Mace Security International, Inc. and John J. McCann
- 18.5    Employment Agreement dated as of January 1, 2014 by and between Mace Security International, Inc. and Carl R. Smith

**Item 19    Articles of Incorporation and Bylaws**

Amended and Restated Certificate of Incorporation of Mace Security International, Inc. was previously filed with the Securities and Exchange Commission as Exhibit 3.7 to the Company's Registration Statement on Form S-3 on June 16, 2004, and is incorporated herein by reference.

Amended and Restated Bylaws of Mace Security International, Inc. were previously filed with the Securities and Exchange Commission as Exhibit 3.3 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1999, and is incorporated herein by reference.

**Item 20    Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

None.

**Item 21 Issuer's Certifications**

I, John J. McCann, President and Chief Executive Officer, certify that:

1. I have reviewed this annual disclosure statement of Mace Securities International, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make this statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for the periods presented in this disclosure statement.

Date: March 30, 2017

/s/ John J. McCann

President and Chief Executive Officer

I, Carl R. Smith, Senior Vice President Corporate Finance, certify that:

4. I have reviewed this annual disclosure statement of Mace Securities International, Inc.;
5. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make this statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
6. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for the periods presented in this disclosure statement.

Date: March 30, 2017

/s/ Carl R. Smith

Senior Vice President Corporate Finance