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Operator: Ladies and gentlemen, thank you for standing by, and welcome to the Mace Security International third quarter 2023 earnings call. Currently, all participants are in listen-only mode. After the speaker's presentation, there will be a question and answer session. If you would like to ask a question, please press star one on your telephone keypad. Please be advised that today's conference is being recorded. I would like to hand the conference over to your first speaker, Mr. Rem Belzinskas. Please go ahead, sir.

Remigijus Belzinskas: Thank you, Maddie, and good afternoon. Joining me on the call today is Sanjay Singh, the Chairman and Chief Executive Officer of Mace. Please visit corp.mace.com under newsroom where you can find additional materials including the Q3 2023 financial statements and the OTC quarterly report for the third quarter ended September 30th, 2023, as well as our Q3 2023 financial overview presentation.

Before proceeding, I would like to point out that certain statements and information during this conference call may constitute forward-looking statements and are based on management's expectations and information currently in the possession of management. When used during our conference call, the words or phrases such as will likely result, are expected to, will continue, is anticipated, estimated, projected, and intended to, or similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks known and unknown, and uncertainties including, but not limited to economic conditions, limits of capital resources, and disruptions in domestic international supply chains. Such factors could materially adversely affect Mace's financial performance. It could cause Mace's actual results for the future periods to differ materially from any opinions or statements expressed during this call. I will now turn the call over to Sanjay for some comments about the third quarter.

Sanjay Singh: Thank you, Rem. Good afternoon everyone. The third quarter was very, very challenging. While Q2 2023 sales were slightly higher than Q1 2023 sales, that trend did not continue in Q3. Sales decreased across the base business and retail channels. The feedback that we received is that consumers have scaled back purchases. Net sales declined by approximately 1.7 million, a million dollars or 40.2% when compared with Q3 2022 and 10% when compared to Q2.

Most of the decreases year-over-year were driven by lower revenues from two customers and the remaining decreases from our base business. The decrease versus Q2 were mostly the results of a significant back to school order from one of our customers in that quarter. Net sales for the third quarter of 2023 also reflect the impact of the loss of one significant customer, which accounted for $306,000 of the sales decrease in the third quarter of 2023. Sales increased by 43% on the company's e-commerce platform, which partially offset some of the overall sales decrease.

Over the last couple of quarters in light of the slowness and organic business, we accelerated our focus to drive new business, both from new customers and new products and services. We started our partnership with US Law Shield and Legal Heat earlier this year to provide both online and in-person non-lethal and safety training. The program was officially launched on November 1st, and to date, we have received inquiries from a large city's transportation department that would like to train 1,000 of their employees, head of college campus security, healthcare facilities, as well as inquiries from civilians.

We expect to see a healthy demand for the service. We're running marketing campaigns to move our Mobile Pepper Spray with our F3 Defense Partners. We're also working on a new type of pepper spray design that will be priced in the $70 to $80 range that would be suited for higher price point retailers. Additionally, we are working on another co-branded product that will cater to the hospitality and school and college segment. Lastly, we're in the final stages of launching a new product, which is co-branded that will be in a completely new segment in the non-lethal space.

Back to the financials, the adjusted EBITDA loss was 318,000 for the quarter ended September 30th, 2023 compared with adjusted EBITDA income of 124,000 in the quarter ended September 30th, 2022. We lowered SG&A costs in Q3 2023 by 9% when compared to the same period in the prior year. On October 20th, 2023, we closed a three-year $2 million line of credit with a commercial asset-based lender. Given the drastic drop in sales, we have identified further cost reductions to drive to a breakeven EBITDA as well as to convert excess inventory to cash. I will now turn the call over to Rem, to comment on the third quarter 2023 financial results.

Remigijus Belzinskas: Thank you, Sanjay. Our third quarter 2023 net sales were approximately 1.5 million, a 40% decrease from 2.5 million in our third quarter sales of 2022. Retail sales decreased 67.6%, international sales increased 41%, business-to-business sales decreased 74%, and our e-commerce platform sales increased 43% compared with the same period in 2022. Gross profit for the third quarter 2023 decreased 511,000 or 53% from our third quarter 2022 results. Our margin rate in the third quarter 2023 was 30%, down eight points from margin rate of 38% for the same quarter of 2022. Margins in the third quarter 2023 over the third quarter 2022 due to decreased sales volume, unfavorable channel sales mix, higher component costs due to inflation, and lower plant efficiencies.

SG&A expenses for the third quarter 2023 decreased by 59,000 to approximately 1 million or 69% of net sales. The decrease in SG&A expenses is attributable to a $46,000 reduction in salaries and related benefits, $53,000 decrease in advertising expense, partially offset by $42,000 increase in e-commerce platform fulfillment costs due to higher e-commerce platform sales. Our lower sales volume and higher manufacturing costs resulted in a net loss for the quarter of 771,000, which was down from our net loss of 233,000 in the third quarter of 2022.

Third quarter adjusted EBITDA was a loss of 318,000, down 442,000 from an adjusted EBITDA income of 124,000 in the third quarter of 2022. The decline in the bottom line is primarily attributable to lower revenues. Our line of credit borrowing stayed constant during the third quarter of 2023 at 1.5 million. Cash increased to 754,000 at September 30th, 2023 compared with cash of 62,000 at

December 31st, 2022, primarily due to the closing of a $590,000 convertible debt offering on July 27th, 2023.

As we've mentioned previously with the supply chain delays experienced in 2021 and early 2022, we had inventory orders that were in progress and could not be halted without a financial cost or implications on future inventory order fulfillment. As such, we continue to have a lot of our cash tied up in convertible and saleable inventory. Inventory decreased by 130,000 compared to December 31st, 2022. Inventory increased nominally during the third quarter of 2023 compared with the balance at the end of the second quarter of 2023 due to the company converting components into readily marketable finished goods during the third quarter of 2023. I'll now turn the call back to Sanjay for some additional comments before we take questions.

Sanjay Singh: Thank you, Rem. The results, as you can see are extremely disappointing. However, we are focusing our efforts on new business opportunities and are targeting $13.1 million of new business the next few quarters. For additional details, you can find this in our investor deck on our website on corp. mace. com. Two of those retailers have expressed a very strong interest in carrying our products. The revenues from these new opportunities will be key to our financial results. We're going to be laser-like focused on these initiatives.

A quick reminder, we will not address or respond to any questions pertaining to our ongoing strategic alternatives project. The company has retained financial and legal advisors to assist with this process. At this time, I will stop and open the lines for questions. I would ask each caller to limit themselves to one question with one follow-up, to allow everyone a chance to participate. If we have additional time, we'll try to get you back into the queue. Maddie, please open the line for questions.

Operator: Thank you. Again, if you would like to ask a question, please press star one. We'll take our first question from –

Andrew Shapiro: Hi. I know the board has stopped taking cash compensation a while ago, but I was wondering, in light of what is now the 11th straight quarter, not months, 11th straight quarter of year-over-year revenue declines. Why hasn't management taken a salary cut? Don't you think it's about time to put that on the table?

Sanjay Singh: Andrew, Management has taken a salary cut.

Andrew Shapiro: I guess it's never been disclosed and we don't get to see that, but I appreciate that that has occurred. The last quarter's call in August, you said we should see continued reduction in inventory as the buildup for Dollar General would be further moved out, yet the inventory levels didn't drop and instead slightly increased. So can you expand on what's going on for your day's inventory number to skyrocket due to obviously the sequential sales levels from prior quarter dropping 15% and the inventory being slightly up, and can investors expect to see a reduction of inventory levels in the present Q4, and can you provide some color to support that representation?

Sanjay Singh: Yeah. So inventory reduction is one of our initiatives. There's a couple of factors that drove inventory to go up slightly. One of them was a large private label order that actually shipped out in the fourth quarter. It was produced in the third quarter. I think it shipped in the first week of the fourth quarter. It was a pretty large order. Second, the buildup of Dollar General inventory based on the initial forecast, our incoming orders are not in line with that forecast. So 40% of the stores do not have our products yet and our team is working with the buyers at Dollar General to make that happen. So there's a buildup of Dollar General orders as well. The third is a lot of our production is based on historical demand, and as the demand dropped, it caused another issue for us because the forecasting is not super dynamic just given the lead times. Our lead times can be six to 12 weeks in some cases if components are coming in from China. So you have to plan ahead based on historical demand.

Andrew Shapiro: Okay. I have many other questions. I'll back out. Please come back to me.

Operator: We do not have any – oh, I apologize. We'll take our next question from –

Andrew Shapiro: Okay. Well, I'm going to ask a few more here. Last call in the middle of Q3, you cited early in the year, revenue shortfalls were partially on product SKU expansion delays at two retailers, but that expansion had finally taken place and it was now expanding at a total of four retailers. But here again, we got flat to down sequential quarterly revenues in the consumer sales channel and with such a sizable increase in our e-commerce, it's clearly a substantial drop at retail and highlight at least that there's one big retailer. But can you reconcile and provide accountability in all these mishaps that seem to repeatedly trip you guys up? You said 90 days was sufficient time period for sell-through visibility to materialize, and it's been 90 days. So can you provide sell-through POS experience and if and when you expect the restocking orders on the new SKU supposedly that have been now shipped?

Sanjay Singh: So in terms of the product expansion, those SKUs are seeing – we are seeing orders for the SKUs. In general, if you back out the back to school order, our quarter-over-quarter, Q3 versus Q2 would've been up, but we had a pretty sizable back to school order for Dollar General in Q2 that did not repeat in Q3. In terms of the year-over-year, I mentioned one of the retailers, we lost them. We're trying to get them back with one of our new products. That accounted for 30% of the decrease. It was about $306,000 out of the million dollar decrease.

The second big one was about $400,000. And this particular customer has been – we've been seeing decreases for the last few quarters. They peaked at the end of third quarter of 2021. They've been pairing back inventory since then. With regards to the other retailers, those retailers were down in total. Total orders were down with some of our other retailers like Dick's and Ace and other folks that we do business with. We also saw some of our larger base business customers who were complaining that they had way too much inventory and they were not going to place replenishment orders this quarter. So between the retail and business base business, we saw a dramatic change in sentiment in terms of replenishment orders.

Andrew Shapiro: Okay. So with Dollar General, which is a new one, and you had the sizable back to school order in Q2 and all that. Okay. You said three months ago, your plan is to be initially in 10,000 other 18,000 stores, and the ramp-up was nowhere near the number that you had expected. And you've just said now I think you're only in 40% or 4,000 of the 10,000 you expect, or you have 40% more to go. Please clarify that. And then –

Sanjay Singh: 40% more to go.

Andrew Shapiro: When do you expect to – you have 4,000 more to go, or 6,000 more to go?

Sanjay Singh: 40%. Yeah, 4,000 stores more to go.

Andrew Shapiro: More to go. So you're in six of your initial 10. Okay. And when do you expect to get into the remaining 4,000? And can you provide your general sell-through experience and restocking order experience from the back to school initial stocking you did in the early stores that you got placed in? How is that going?

Sanjay Singh: The restocking orders are nowhere close to our forecast, number one. This was a forecast that we received from Dollar General. Then secondly, what we have found from visits to Dollar General Stores in the Cleveland area, what we found from the store managers is that the inventory is sometimes sitting – it's not even out in the store, it's sitting in boxes because they're understaffed. Third is we received feedback that there are many, many stores that are being reorganized or that have been hit with not being in compliance with hazardous materials and other types of issues. So there's a general focus there with the Dollar General leadership team. They've even had a change right at the top. So that's the feedback that we are receiving from our reps who work very closely with the buyer.

Andrew Shapiro: Okay. All right. And then did the new product videos for walmart.com get accepted and uploaded by its buyer, which is where you were at three months ago, and was there any impact or improvement in their POS sales from that? And additionally, have you presented your new and different product offerings to Walmart buyers, and what was the feedback or status of that?

Sanjay Singh: We have provided all the images, the status remains unchanged since the last quarter. We are – it's still in the hands of the buyer, but there has been a buyer change and we are going to be sitting with the buyer hopefully before the end of the year. We've asked for a meeting before the end of the year.

Andrew Shapiro: Okay. I have more questions. I'll back out, but please come back to me.

Operator: As of right now, there are no other questions in the queue. Again, it is star one to ask a question. We'll take our next question from Andrew Shapiro.

Andrew Shapiro: All right. Okay. I'll ask a few more in here before backing out again. It doesn't look like there are many others speaking out on the call. On this new working capital loan, it's secured by all the assets of the company. I just wanted to confirm there are no personal guarantees or anything else that were needed to secure this new three-year line of credit, is that correct?

Sanjay Singh: That's correct.

Andrew Shapiro: Okay. And what has the – I think that you've mentioned at least as of September 30th you had a one and a half million borrowed under the line. What has the company borrowed under the line at present and given your working capital balances at the same time, what is the total credit available? Do you have the full 2 million and thus 500,000 available or is it some number less than 2 million?

Sanjay Singh: The total availability is 1.5 and then we have the board raised funds. Right.

Andrew Shapiro: Okay. So while it's a $2 million credit line on a three-year term based on your working capital balances right now, you're at the borrowing limit, is that right?

Sanjay Singh: I'm sorry, can you please repeat that?

Andrew Shapiro: It's a $2 million line, but it's based on your working capital balances. So what I'm trying to confirm is while you have a million and a half borrowed, do you have $500,000 available, or based on your working capital balances the availability is somewhere less than $2 million?

Sanjay Singh: The availability is less than 2 million at the moment.

Andrew Shapiro: Okay. And what is the availability? Is it at 1.5, you're fully drawn on what's available right now?

Remigijus Belzinskas: Our availability is day-to-day and there are days –

Andrew Shapiro: Fine. Just give me – yeah. Okay. So give me kind of like a some kind of point, whatever. Is it 200,000, 300,000?

Remigijus Belzinskas: Drawn at any point in time, approximately 1.5 million

Andrew Shapiro: I understand that's what's drawn, but is that what's available as well?

Remigijus Belzinskas: It would be a number that would be similar. Could be a little more.

Andrew Shapiro: Okay. So there's not much room basically.

Remigijus Belzinskas: That's correct.

Andrew Shapiro: There's not much room until you make more sales and thus have real borrowable receivables added to it.

Sanjay Singh: That is correct.

Andrew Shapiro: Okay. That's what I want to get at. All right. What individuals participated in the grant of the 600,000 options that occurred during this recently reported quarter and were management options that were granted performance based?

Sanjay Singh: Rem?

Remigijus Belzinskas: We're being asked to provide a list of the participants and the –

Andrew Shapiro: Well, let's just be more general. Okay. You have – directors don't get paid cash, they get paid equity, but I think that's actual regular stock. So senior management got the bulk of the 600,000, where are we going with this? Is it just one person getting 600,000 new options and were these options vesting over performance or just time vesting?

Remigijus Belzinskas: Our options vest over five years and the recipients of the 600,000 that you're referring to were the board members.

Andrew Shapiro: It's just, that's just the board compensation?

Remigijus Belzinskas: That's correct.

Andrew Shapiro: Okay. Your product roadmap, slide 11, I have a few questions about that. So Project K, which was due in the quarter ended that you've just reported has a $500,000 year-one targeted revenue for the DTC market. It's now Q4. Can you say what Project K is or was?

Sanjay Singh: Yeah, these are our value kits. So we're taking a look at our inventory and we are offering these in three packs, five packs, and 10 packs.

Andrew Shapiro: Okay. Project SG for this quarter has a million dollar year-one target revenue. For the DTC market, it's at $350 unit, big unit price. Can you provide more info on this product? Is this the vehicle perimeter defense unit?

Sanjay Singh: No, it's different. I'll just have to leave it at that since we don't have a finalized agreement yet. We're in the final throws of it but I'd just like to leave it at that.

Andrew Shapiro: Okay. But it's still on target for Q4 that you're having something here?

Sanjay Singh: Yeah. We're targeting a closing of the agreement this quarter. Yes.

Andrew Shapiro: Okay. Then I'll look forward to seeing it when it happens. Project S for this quarter, $250,000 year one target revenue, and this is for the educational market. Can you provide more info on this product?

Sanjay Singh: I cannot, we have not closed that agreement yet either.

Andrew Shapiro: Okay. Is it still expected for this quarter?

Sanjay Singh: Sure is.

Andrew Shapiro: Is it still expected for this quarter?

Sanjay Singh: It is. We're working towards that.

Andrew Shapiro: All right. I'm not going to do all of them, but I do want to do one last one, which is Project 4. Presumably, this being a slide you are presenting here in mid-November. Your Q1 timing projection is fresh, but can you give some more color on the product or the accurate timing of when revenues would start being generated? And all of this in particular are all the components in country or still on a boat or overseas and subject to future supply chain excuses?

Sanjay Singh: I cannot offer any further details on it since we do not have an agreement yet.

Andrew Shapiro: Okay. These are agreements you're hoping

Sanjay Singh: We are targeting a relief of the product in the first quarter. Meaning selling the product online and offering it to very specific retailers in the first quarter.

Andrew Shapiro: Okay. And so this does not have a lot of dependencies for overseas supply.

Sanjay Singh: It does have dependencies on overseas supply

Andrew Shapiro: That one does. Okay. And touching on that issue when your revenue shortfall problem is supply chain, it's really the costly capital limitations on stockpiling inventory of long transit time product – long transit time, product shipments, and frankly, at the rate of interest that our working capital line of credits on it, It'd be damn better, to get that inventory level down converted and get that costly working capital line of credit, which I'm happy mind you that we got a three-year duration on it, but to get that thing paid down because it's not cheap. So what's the status of resolving supply issues and finding alternative sourcing preferably closer to the US and have you achieved any success in onshoring more of the company's supplier and logistics?

Sanjay Singh: A significant amount of time and resources were invested in securing this ABL and to find a new supplier, a domestic supplier would require upfront tooling costs depending on the status of our existing tooling. So I think the first thing we need to do here is increase our cash flow before we can look at moving that in-shore. It is on our list, but we're constrained at the moment to do that.

Andrew Shapiro: So there's a capital investment Mace has to undertake in order to shorten the supply line?

Sanjay Singh: Yes.

Andrew Shapiro: Okay. Just wanting to better understand that. You described in your slide number five that a single current customer accounted for $170,000 or most of the sequential quarterly revenue decline in the retail segment. I think you made comments in your introductory script. Can you again expand on or provide what's going on with this customer and why should we or when should we expect this customer to return to former purchasing levels?

Sanjay Singh: So we've had this customer for a long time. They went with a different option and they were seeking more innovation from us. They didn't like the formerly Pocket Hero introduction. They did not care for that. So having received their feedback the one that is being targeted for a release in the first quarter of 2024 we think that that would be a pretty good candidate for this customer.

Andrew Shapiro: Have they given you feedback on this new product yet?

Sanjay Singh: No, they have not given feedback, but we have provided – we have been provided feedback from our sales rep who has talked to the buyer and that's what I'm basing that on.

Andrew Shapiro: So is this the same sales rep that thought the Pocket Hero was a good idea for AutoZone?

Sanjay Singh: No, the buyer liked it. It just, they placed it in a very different area than we expected. So the sell-through initially was good. They moved it to a different area and then the sell-through declined. So the buyers blessed the product. That's how that product got placed. Yeah.

Andrew Shapiro: Okay. I have some more questions. I don't want to dominate unless there's no one in the queue. Either you can tell me whether that's the case before I get back, go out or I'll go out and just let me back in. I got a few more.

Operator: This is the operator. There are no other questions in the queue.

Andrew Shapiro: All right. I will ask a few more here to get through my list. Let's talk a little bit about some of the new business and new customer stuff. I see the new dog leash with Air Horn product is here, it's arrived and it's being offered for sale on mace. com. When did you start making sales? What's been the response so far, and where and when will you offer the product beyond our e-commerce site?

Sanjay Singh: So the product was on site probably a couple of months ago and that's when we updated our website to reflect that. We have offered it to other retailers as well and a regional retailer in the Cleveland area is very interested in carrying it. We are waiting for their purchase order and then we are also offering it on our store on Amazon.

Andrew Shapiro: Oh, okay. I went there today and I couldn't find it. So maybe I punched in the wrong prompts to find that but it's now being offered on your store on Amazon as well. And how have the sales proceeded on this product versus your expectations and inventory plans?

Sanjay Singh: It's been slow, but that's pretty typical with new products. We don't get the significant amount of sessions online on mace. com. So we didn't expect a significant amount of sales on mace. com, but we do expect a significant amount of sales on our Amazon store and the technical details of all of that was completed just in the last few weeks. So it'll take some time for the campaigns to kick in and for the product to move.

Andrew Shapiro: All right. Well, I mean, when I searched for it today, literally this morning, I didn't see it on Amazon, but I saw it on your website and didn't know if you had it in any retailers yet or what your plans or when you were going to do it. Are you using this also as a potential entree point to get into some of the pet supply verticals as well as offering your Canine Muzzle spray and getting a hook there?

Sanjay Singh: Yes. Yes to both. Yeah.

Andrew Shapiro: Okay. On your last call, your distribution agreement with public company SurgePays and it's huge network of corner stores, bodegas, gas stations, etc., had yet to generate any orders 90 days later here. What's the status of this arrangement so far? Are you now in the catalog? Are catalog pass-through orders coming through?

Sanjay Singh: So they did update their devices to show our products but that just happened a couple of weeks ago and so it's been a pretty delayed implementation but they ran into a technology issue that they've been trying to resolve. But I received feedback from our sales team that that is now resolved and it's being offered.

Andrew Shapiro: Okay. And you seen any orders yet? I mean, we're going to be very –

Sanjay Singh: I've not seen any orders yet.

Andrew Shapiro: Yeah. I mean we're going to be dependent on their promotion, if any, which I doubt will be the case until we are able to generate demand pull-through through whatever digital marketing and other things you guys choose to do. So let's move to some other area where I have seen you try to market it, and that is our US Law Shield Legal Heat training initiative. On the last call, you updated your forecast for timing revenues to be ramping up in the current Q4. We're in the middle of Q4. Has that occurred yet and can you provide color on the ramp up and how the business model and margins will work?

Sanjay Singh: So US Law Shield had an issue with their payment processor and they were not able to add our courses online until November 1st. And the way the workflow is organized is we produce leads and Legal Heat produces leads. Legal Heat offers in-person training. US Law Shield provides online classes and that's their platform that it's seamless. So we have turned over every single lead that we have had over to US Law Shield or to Legal Heat, depending on if it's an online versus classroom and those training classes are being organized. So we should start seeing some reporting of some revenues, but that's kind of where we are at the moment.

Andrew Shapiro: Okay. So it sounds like it'd be high margin revenue when it comes in pass-through to you.

Sanjay Singh: It would be high margin. Yes, about 25% EBITDA.

Andrew Shapiro: Okay. Another co-branding partner, F3. In the last call you summarized delays from initial expected revenues all the way into current Q4. Have you been making sales and delivering now the vehicle perimeter defense product in the current Q4 and you had a meaningful year one goal? Do you still feel the market and goals for the first 12 months selling the product are achievable or they need to be scaled back?

Sanjay Singh: We think the product is we can achieve those targets, but there is quite a bit of work to do. So we are actually having weekly calls with our partners. We have seen sales of our items online and we've had plenty of units sold online, but nowhere close to where we would like it to be. We are now targeting larger buys, so trucking groups folks like that. And we will also be going back to another retailer that we had talked to about a different product, and this is an automotive retailer to gauge their interest on this product.

Andrew Shapiro: Okay. Your press release you always talk about this, you back stuff out and one of the line items is you have transition personnel and temporary labor, except you have transition personnel and temporary labor on a recurring basis. So how transitional and temporary is that SG&A expense and should it really be pulled out?

Sanjay Singh: Well, so the big one in the transitional expense is our controller role has been open for a while and we are aiming to fulfill it because Rem wants to retire. So I mean we're actively looking to fill that role.

Andrew Shapiro: Okay. But arguably, the controller function is an ongoing need and demand and SG&A cost of the company. So if there's anything that's transitional or temporary, it would only be the premium amount I guess you may be paying to Rem versus what you would otherwise staff the position for. It wouldn't be the full salary and transitional.

Sanjay Singh: That is correct. Well, we've also had some strategic alternative type related expenses that are in there as well.

Andrew Shapiro: As part of temporary and transitional personnel. Is that right?

Sanjay Singh: Rem, which line is that on with the strategic alternative costs?

Andrew Shapiro: Well, I know you break that out separately, that's all

Remigijus Belzinskas: That's correct. There are lines broken out

Andrew Shapiro: Anyway. It's more of a point of style and transparency is the question not really the actual amount here. Your NOLs, even after a sizable amount of tax loss carry forward expired this last year. Unfortunately, new losses still have our tax NOL at 50 million or more to shield future income, but it's going to need pre-tax income to monetize and use this asset. What can, and are you doing to create a hundred percent margin royalty streams from monetizing the valuable Mace brand name?

Sanjay Singh: I'm sorry Andrew, can you please repeat that?

Andrew Shapiro: We got a big $50 million tax NOL still. Okay. We got this a big tax NOL. We need pre-tax income to monetize and use the asset. A lot of my questions and a lot of your time and focus here is doing Mace branded activities, selling revenues, going through our factory, manufacturing, doing the things that we do. So what can and are you doing to create the hundred percent pre-tax margin royalty stream that could come in by licensing out our well-known Mace brand name in sectors or areas that we otherwise aren't going to be able to build up and compete in any time in the near term?

Sanjay Singh: Okay. Thank you. So all those, all the new initiatives that I've described, they're all co-branding, licensing deals. Legal Heat, the F3, all the new deals that I talked about in the investor deck, the new product offerings, they're all co-branding deals licensing our name.

Andrew Shapiro: You mean we're getting a hundred percent – we're not getting a hundred percent margin on a revenue dollar collected when you sell a vehicle perimeter defense system?

Sanjay Singh: No, there is a –

Andrew Shapiro: I'm talking about the revenues like real royalties. Yeah, that's fine. But I'm talking like real royalties. For example, unfortunately, the Mace brand name is licensed on a very, very long-term license to someone in the tactical area. That's why we can't use the Mace brand name in the law enforcement market you use TakeDown or some other brand name, you don't use Mace. Now it happens that the buyer or the owner of that Mace brand royalty, that Mace brand license had is a catch and kill operation where they're just sitting on it and they're not selling any products with the Mace brand name and we're not collecting a hundred percent margin royalties.

But presumably, there may be other ways that our Mace brand name could be used in the security industry in areas of the line of business that we have no interest in, whether it's Mace alarms or Mace, whatever, home protection services, that was another area Mace once was in and it was licensed. It sounds like there's nothing on the horizon other than these other type of co-branding items where there's production of a product and we share in the revenue stream, but we bear a bunch of the business costs with it.

Sanjay Singh: That is not correct. We do not, actually.

Andrew Shapiro: We don't have any business costs with the vehicle perimeter defense products?

Sanjay Singh: No. Some of the co-branding deals that are coming up that if the product will not even be –

Andrew Shapiro: Okay. Well, that's great. That's great. Well, then we just need obviously more of those and we frankly, need those products to be marketed and sold. I don't have any other questions for obviously a disappointing quarter and at some point, you'll hit a trough and maybe we'll start executing on these things and not have excuses.

Sanjay Singh: All right. Thanks, Andrew.

Operator: We do not have any further questions in the queue.

Sanjay Singh: All right. Thanks, Maddie. We can end the call then.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.