

MACE SECURITY INTERNATIONAL INC
Form 10-Q
May 12, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2010

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM __ TO __

COMMISSION FILE NO: 0-22810
MACE SECURITY INTERNATIONAL, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

03-0311630
(I.R.S. Employer
Identification No.)

240 Gibraltar Road, Suite 220, Horsham, Pennsylvania 19044
(Address of Principal Executive Offices) (Zip code)

Registrant's Telephone Number, including area code: (267) 317-4009

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of May 10, 2010, there were 15,735,725 Shares of the registrant's Common Stock, par value \$.01 per share, outstanding.

Mace Security International, Inc.
 Form 10-Q
 Quarter Ended March 31, 2010

Table of Contents

	Page
PART I - FINANCIAL INFORMATION	
Item 1 -	Financial Statements
	Consolidated Balance Sheets – March 31, 2010 (Unaudited) and December 31, 2009
	1
	Consolidated Statements of Operations (Unaudited) for the three months ended March 31, 2010 and 2009
	3
	Consolidated Statement of Stockholders' Equity (Unaudited) for the three months ended March 31, 2010
	4
	Consolidated Statements of Cash Flows (Unaudited) for the three months ended March 31, 2010 and 2009
	5
	Notes to Consolidated Financial Statements (Unaudited)
	6
Item 2 -	Management's Discussion and Analysis of Financial Condition and Results of Operations
	16
Item 3 -	Quantitative and Qualitative Disclosures about Market Risk
	31
Item 4T -	Controls and Procedures
	31
PART II - OTHER INFORMATION	
Item 1 -	Legal Proceedings
	32
Item 1A -	Risk Factors
	32
Item 2 -	Unregistered Sales of Securities and Use of Proceeds
	40
Item 6 -	Exhibits
	41
Signatures	42

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

Mace Security International, Inc.
Consolidated Balance Sheets

(in thousands, except share information)

ASSETS	March 31, 2010 (Unaudited)	December 31, 2009
Current assets:		
Cash and cash equivalents	\$ 6,863	\$ 8,289
Short-term investments	990	1,086
Accounts receivable, less allowance for doubtful accounts of \$810 and \$785 in 2010 and 2009, respectively	1,708	1,939
Inventories, net	4,683	5,232
Prepaid expenses and other current assets	1,990	2,078
Assets held for sale	6,319	7,180
Total current assets	22,553	25,804
Property and equipment:		
Land	250	250
Buildings and leasehold improvements	2,215	2,213
Machinery and equipment	3,325	3,177
Furniture and fixtures	497	491
Total property and equipment	6,287	6,131
Accumulated depreciation and amortization	(2,927)	(2,856)
Total property and equipment, net	3,360	3,275
Goodwill	7,869	7,869
Other intangible assets, net of accumulated amortization of \$2,012 and \$1,881 in 2010 and 2009, respectively	3,649	3,780
Other assets	1,625	1,630
Total assets	\$ 39,056	\$ 42,358

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

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 2010 (Unaudited)	December 31, 2009
Current liabilities:		
Current portion of long-term debt and capital lease obligations	\$ 132	\$ 109
Accounts payable	2,554	3,436
Income taxes payable	206	206
Deferred revenue	316	319
Accrued expenses and other current liabilities	7,641	3,028
Liabilities related to assets held for sale	2,009	2,123
Total current liabilities	12,858	9,221
Long-term debt, net of current portion	604	568
Capital lease obligations, net of current portion	108	120
Other liabilities	461	461
Commitments and contingencies – See Note 7		
Stockholders' equity:		
Preferred stock, \$.01 par value: authorized shares-10,000,000; issued and outstanding shares-none	-	-
Common stock, \$.01 par value: authorized shares-100,000,000; issued and outstanding shares of 15,735,725 at March 31, 2010 and 15,913,775 at December 31, 2009, respectively	157	159
Additional paid-in capital	93,797	93,948
Accumulated other comprehensive income	1	-
Accumulated deficit	(68,913)	(62,098)
	25,042	32,009
Less treasury stock at cost, 18,332 shares at March 31, 2010 and 18,200 shares at December 31, 2009	(17)	(21)
Total stockholders' equity	25,025	31,988
Total liabilities and stockholders' equity	\$ 39,056	\$ 42,358

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

Mace Security International, Inc.
Consolidated Statements of Operations
(Unaudited)
(in thousands, except share and per share information)

	Three Months Ended March 31,	
	2010	2009
Revenues:		
Security	\$ 4,267	\$ 4,177
Digital media marketing	2,729	3,047
	6,996	7,224
Cost of revenues:		
Security	3,016	2,943
Digital media marketing	2,269	2,142
	5,285	5,085
Selling, general and administrative expenses	3,515	3,472
Arbitration award	4,500	-
Depreciation and amortization	209	176
Operating loss	(6,513)	(1,509)
Interest (expense) income, net	(10)	13
Other income (expense)	4	(3)
Loss from continuing operations before income taxes	(6,519)	(1,499)
Income tax expense	25	40
Loss from continuing operations	(6,544)	(1,539)
Loss from discontinued operations, net of tax of \$0 in 2010 and 2009	(271)	(59)
Net loss	\$ (6,815)	\$ (1,598)
Per share of common stock (basic and diluted):		
Loss from continuing operations	\$ (0.41)	\$ (0.10)
Loss from discontinued operations	(0.02)	-
Net loss	\$ (0.43)	\$ (0.10)
Weighted average shares outstanding:		
Basic	15,913,775	16,285,377
Diluted	15,913,775	16,285,377

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

Mace Security International, Inc.
 Consolidated Statement of Stockholders' Equity
 (Unaudited)

(in thousands, except share information)

	Common Stock		Accumulated			Treasury Stock	Total
	Shares	Amount	Paid-in Capital	Comprehensive Income (loss)	Accumulated Deficit		
Balance at December 31, 2009	15,913,775	\$ 159	\$ 93,948	\$ -	\$ (62,098)	\$ (21)	\$ 31,988
Stock-based compensation expense (see note 6)	-	-	30	-	-	-	30
Purchase and retirement of treasury stock, net	(178,050)	(2)	-	-	-	-	-