

MACE SECURITY INTERNATIONAL INC
Form 10-Q
May 13, 2009

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, 2009 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 the (" Exchange Act") 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 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

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 11, 2009, there were 16,285,377 Shares of the registrant's Common Stock, par value \$.01 per share, outstanding.

Mace Security International, Inc.
Form 10-Q
Quarter Ended March 31, 2009

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

Mace Security International, Inc.
Consolidated Balance Sheets

(In thousands, except share information)

ASSETS	March 31, 2009 (Unaudited)	December 31, 2008
Current assets:		
Cash and cash equivalents	\$ 7,606	\$ 8,314
Short-term investments	912	1,005
Accounts receivable, less allowance for doubtful accounts of \$660 and \$760 in 2009 and 2008, respectively	1,950	1,852
Inventories	6,632	7,743
Prepaid expenses and other current assets	2,101	1,994
Assets held for sale	11,709	4,680
Total current assets	30,910	25,588
Property and equipment:		
Land	3,154	6,874
Buildings and leasehold improvements	7,863	12,642
Machinery and equipment	4,432	5,332
Furniture and fixtures	520	511
Total property and equipment	15,969	25,359
Accumulated depreciation and amortization	(5,633)	(7,164)
Total property and equipment, net	10,336	18,195
Goodwill	6,887	6,887
Other intangible assets, net of accumulated amortization of \$1,527 and \$1,472 in 2009 and 2008, respectively	3,310	3,449
Other assets	1,628	917
Total assets	\$ 53,071	\$ 55,036

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

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 2009 (Unaudited)	December 31, 2008
Current liabilities:		
Current portion of long-term debt	\$ 352	\$ 2,502
Accounts payable	2,156	2,287
Income taxes payable	334	350
Deferred revenue	119	131
Accrued expenses and other current liabilities	2,714	2,649
Liabilities related to assets held for sale	4,015	1,644
Total current liabilities	9,690	9,563
Long-term debt, net of current portion	1,799	2,306
Commitments		
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 16,285,377 in 2009 and 2008	163	163
Additional paid-in capital	94,211	94,161
Accumulated other comprehensive income (loss)	3	(5)
Accumulated deficit	(52,745)	(51,147)
	41,632	43,172
Less treasury stock at cost, 65,433 shares at March 31, 2009 and 5,532 shares at December 31, 2008	(50)	(5)
Total stockholders' equity	41,582	43,167
Total liabilities and stockholders' equity	\$ 53,071	\$ 55,036

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,	
	2009	2008
Revenues:		
Security	\$ 4,177	\$ 5,287
Digital media marketing	3,047	5,445
Car wash	1,368	1,557
	8,592	12,289
Cost of revenues:		
Security	2,943	3,893
Digital media marketing	2,142	4,043
Car wash	1,220	1,406
	6,305	9,342
Selling, general and administrative expenses	3,677	4,963
Depreciation and amortization	232	286
Operating loss	(1,622)	(2,302)
Interest (expense) income, net	(5)	22
Other income	9	111
Loss from continuing operations before income taxes	(1,618)	(2,169)
Income tax expense	40	25
Loss from continuing operations	(1,658)	(2,194)
Income from discontinued operations, net of tax of \$0 in 2009 and 2008	60	6,168
Net (loss) income	\$ (1,598)	\$ 3,974
Per share of common stock (basic and diluted):		
Loss from continuing operations	\$ (0.10)	\$ (0.13)
Income from discontinued operations	-	0.37
Net (loss) income	\$ (0.10)	\$ 0.24
Weighted average shares outstanding:		
Basic	16,285,377	16,465,253
Diluted	16,285,377	16,465,253

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		Additional		Accumulated	Accumulated	Treasury	Total
	Shares	Amount	Paid-in	Comprehensive	Other	Deficit	Stock	
			Capital	Income (loss)	Income (loss)			
Balance at December 31, 2008	16,285,377	\$ 163	\$ 94,161	\$ (5)	\$ (51,147)	\$ (5)	\$ (5)	\$ 43,167
Stock-based compensation expense (see note 6)	-	-	50	-	-	-	-	50
Purchase of treasury stock	-	-	-	-	-	-	(45)	(45)
Unrealized gain on short-term investments	-	-	-	8	-	-	-	8
Net loss	-	-	-	-	-	(1,598)	-	(1,598)
Total comprehensive loss	-	-	-	-	-	-	-	(1,590)
Balance at March 31, 2009	16,285,377	\$ 163	\$ 94,211	\$ 3	\$ (52,745)	\$ (50)	\$ (50)	\$ 41,582

The accompanying notes are an integral part of this consolidated financial statement.

Mace Security International, Inc.
Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2009	2008
Operating activities		
Net (loss) income	\$ (1,598)	\$ 3,974
Income from discontinued operations, net of tax	60	6,168
Loss from continuing operations	(1,658)	(2,194)
Adjustments to reconcile loss from continuing operations to net cash used in operating activities:		
Depreciation and amortization	232	286
Stock-based compensation (see Note 6)	50	254
Provision for losses on receivables	50	56
Loss on sale of property and equipment	7	2
Gain on short-term investments	-	(125)
Changes in operating assets and liabilities:		
Accounts receivable	(147)	524
Inventories	1,051	(566)
Prepaid expenses and other assets	(26)	90
Accounts payable	(167)	(417)
Deferred revenue	141	-
Accrued expenses	302	1,065
Income taxes payable	(29)	(12)
Net cash used in operating activities-continuing operations	(194)	(1,037)
Net cash used in operating activities-discontinued operations	(204)	(1,061)
Net cash used in operating activities	(398)	(2,098)
Investing activities		
Purchase of property and equipment	(24)	(95)
Proceeds from sale of property and equipment	71	1
Payments for intangibles	(9)	(6)
Net cash provided by (used in) investing activities-continuing operations	38	(100)
Net cash (used in) provided by investing activities-discontinued operations	(16)	7,890
Net cash provided by investing activities	22	7,790
Financing activities		
Payments on long-term debt	(119)	(615)
Payments to repurchase stock	(45)	-
Net cash used in financing activities-continuing operations	(164)	(615)
Net cash used in financing activities-discontinued operations	(168)	(243)
Net cash used in financing activities	(332)	(858)
Net (decrease) increase in cash and cash equivalents	(708)	4,834
Cash and cash equivalents at beginning of period	8,314	8,103
Cash and cash equivalents at end of period	\$ 7,606	\$ 12,937

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

Mace Security International, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

1. Description of Business and Basis of Presentation

The accompanying consolidated financial statements include the accounts of Mace Security International, Inc. and its wholly owned subsidiaries (collectively, the “Company” or “Mace”). All significant intercompany transactions have been eliminated in consolidation. The Company currently operates in three business segments: the Security Segment, producing for sale, consumer safety and personal defense products, as well as electronic surveillance and monitoring products; the Digital Media Marketing Segment, selling consumer products on the internet; and the Car Wash Segment, supplying complete car care services (including wash, detailing, lube, and minor repairs). The Company entered the Digital Media Marketing business with its acquisition of Linkstar Interactive, Inc. (“Linkstar”) on July 20, 2007. See Note 4. Business Acquisitions and Divestitures. The Company’s remaining car wash operations as of March 31, 2009 were located in Texas. As of March 31, 2009, the results for the Arizona, Northeast, Florida, Austin, Texas, San Antonio, Texas and Lubbock, Texas car wash regions and the Company’s truck washes have been classified as discontinued operations in the statement of operations and the statement of cash flows. The statements of operations and the statements of cash flows for the prior years have been restated to reflect the discontinued operations in accordance with Statement of Financial Accounting Standards (“SFAS”) 144, Accounting for the Impairment or Disposal of Long-Lived Assets. See Note 5. Discontinued Operations and Assets Held for Sale.

2. New Accounting Standards

In December 2007, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 141 (revised 2007), Business Combinations. This statement replaces SFAS No. 141, Business Combinations, and requires an acquirer to recognize the assets acquired, the liabilities assumed and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. SFAS No. 141R requires costs incurred to effect the acquisition to be recognized separately from the acquisition as period costs. SFAS No. 141R also requires the acquirer to recognize restructuring costs that the acquirer expects to incur, but is not obligated to incur, separately from the business combination. In addition, this statement requires an acquirer to recognize assets and liabilities assumed arising from contractual contingencies as of the acquisition date, measured at their acquisition-date fair values. Other key provisions of this statement include the requirement to recognize the acquisition-date fair values of research and development assets separately from goodwill and the requirement to recognize changes in the amount of deferred tax benefits that are recognizable due to the business combination in either income from continuing operations in the period of the combination or directly in contributed capital, depending on the circumstances. The Company adopted SFAS 141R as of the required effective date and will apply its provisions prospectively to business combinations that occur after adoption.

In April 2009, the FASB issued FSP FAS 141R-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies, (“FSP FAS 141R-1”), which amends and clarifies SFAS No. 141R. FSP FAS 141R-1 requires that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value if fair value can be reasonably estimated. If fair value cannot be reasonably estimated, the asset or liability would generally be recognized in accordance with FASB Statement No. 5, Accounting for Contingencies, and FASB Interpretation No. 14, Reasonable Estimation of the Amount of a Loss. Further, the FASB decided to remove the subsequent accounting guidance for assets and liabilities arising from contingencies from SFAS 141R, and carry forward without significant revision the guidance in SFAS No. 141, Business Combinations. FSP FAS 141R-1 is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments. This FSP amends SFAS No. 107, Disclosures about Fair Value of Financial Instruments, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion No. 28, Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods. This FSP will be effective for interim reporting periods ending after June 15, 2009. The Company is currently evaluating the disclosure requirements of this new FSP but no significant impact is expected on the determination or reporting of the Company's financial results.

3. Other Intangible Assets

The following table reflects the components of intangible assets, excluding goodwill and other intangibles classified as assets held for sale (in thousands):

	March 31, 2009		December 31, 2008	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Non-compete agreement				