

MACE SECURITY INTERNATIONAL INC

Form DEF 14A

October 31, 2006

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**SCHEDULE 14A**  
**(RULE 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934**

Filed by the Registrant ☒ X

Filed by a Party other than the Registrant ☐ O

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- ☒ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

**Mace Security International, Inc.**

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(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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☐ Fee paid previously by written preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**1000 Crawford Place, Suite 400  
Mt. Laurel, New Jersey 08054  
(856) 778-2300**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**Date: December 8, 2006  
Time: 11:00 AM, Eastern Time  
Location:  
Las Olas City Centre  
401 East Las Olas Blvd.  
Ft. Lauderdale, Florida 33301**

To Mace Security International, Inc. Stockholders:

We invite you to attend our 2006 Annual Meeting of Stockholders. At this meeting, you and the other stockholders will be able to vote on the following proposal, together with any other business that may properly come before the meeting:

Election of five directors to the Board of Directors for one-year terms. The Board has nominated for election Louis D. Paolino, Jr., Mark S. Alsentzer, Constantine N. Papadakis, Ph.D., Matthew J. Paolino, and Burton Segal.

You may vote on this proposal in person by attending the Annual Meeting or by proxy. The attached proxy statement provides details on voting by proxy. If you cannot attend the Annual Meeting, we urge you to complete and return the enclosed proxy promptly in the enclosed self-addressed stamped envelope so that your shares will be represented and voted at the Annual Meeting in accordance with your instructions. Of course, if you attend the Annual Meeting, you may withdraw your proxy and vote your shares.

Only stockholders of record at the close of business on October 27, 2006 can vote at the Annual Meeting and any adjournment or postponement of the Annual Meeting.

By Order of the Board of  
Directors,

/s/ Robert M Kramer

Mt. Laurel, New Jersey  
October 31, 2006

Robert M. Kramer  
*Secretary*

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**1000 Crawford Place, Suite 400  
Mt. Laurel, New Jersey 08054  
(856) 778-2300**

**PROXY STATEMENT**

**INTRODUCTION**

The Board of Directors is soliciting proxies to be used at the 2006 Annual Meeting of Stockholders of Mace Security International, Inc. ( Mace or the Company ) to be held on Friday, December 8, 2006 at 11:00 AM, Eastern Time, at the Las Olas City Centre, 401 East Las Olas Blvd., Ft. Lauderdale, Florida 33301. Mace will begin mailing this proxy statement and the enclosed form of proxy on or about November 2, 2006 to its stockholders entitled to vote at the Annual Meeting.

The Board of Directors is soliciting your proxy to encourage you to vote on the proposal at the Annual Meeting and to obtain your support for the proposal. You are invited to attend the Annual Meeting and vote your shares directly. If you do not attend, you may vote by proxy, which allows you to direct another person to vote your shares at the Annual Meeting on your behalf, using the accompanying proxy card. **Even if you plan to attend the Annual Meeting, it is a good idea to complete, sign and return the proxy card in case your plans change. You can always vote in person at the Annual Meeting, even if you have already returned the proxy card.**

**About This Proxy Solicitation**

This proxy solicitation has two parts: the proxy card and this proxy statement.

**The Proxy Card** The proxy card permits you to vote by proxy, whether or not you attend the Annual Meeting. When you sign the proxy card, you appoint certain individuals as your representatives at the Annual Meeting. They will vote your shares of Mace common stock at the Annual Meeting as you have instructed on the proxy card. If a proposal comes up for a vote that is not on the proxy card, they will vote your shares as they deem appropriate.

**This Proxy Statement** This proxy statement contains important information for you to consider when deciding how to vote on the proposal. Please read it carefully. It is divided into four sections following this Introduction:

<b>Section</b>	<b>Page</b>
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Mace will bear the cost for soliciting these proxies. Mace's directors, officers and employees may solicit proxies, but will receive no special compensation for any solicitation activities. In addition to use of the mails, proxies may be solicited in person, by telephone, facsimile or by other means. Mace will reimburse brokers, nominees, custodians and fiduciaries for their reasonable out-of-pocket expenses in forwarding proxy materials to the beneficial owners of Mace common stock.

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**About the Annual Meeting**

**When And Where** Mace will hold the Annual Meeting on Friday, December 8, 2006, at 11:00 AM, Eastern Time, at the Las Olas City Centre, 401 East Las Olas Blvd., Ft. Lauderdale Florida, 33301.

**Record Date** The Board has fixed the close of business on October 27, 2006 as the record date for the Annual Meeting. All stockholders of record at that time are entitled to notice of and are entitled to vote in person or by proxy at the Annual Meeting.

**Quorum Requirement** Mace's bylaws require that a majority of outstanding shares of Mace common stock must be represented at the Annual Meeting, whether in person or by proxy, constituting a quorum in order to transact business. Abstentions and broker non-votes will be counted in determining whether there is a quorum at the Annual Meeting.

**The Proposal** Stockholders will vote on the election of five directors at the Annual Meeting.

**Other Matters** There were no stockholder proposals submitted for the Annual Meeting. Neither Mace nor its Board intend to bring any other matters before the Annual Meeting. The Board has no present knowledge that any other matters will be presented by others for action at the Annual Meeting. However, if other matters requiring the vote of the stockholders properly come before the Annual Meeting, which under applicable proxy regulations need not be included in this proxy statement, or which the Board did not know would be presented at least 45 days before this solicitation, the persons named in the enclosed proxy will have discretionary authority to vote the proxies held by them with respect to such matters in accordance with their best judgment on such matters.

**Presence of Independent Registered Public Accountants** Representatives of Grant Thornton LLP, Mace's independent registered public accounting firm, will be present at the Annual Meeting. They will have the opportunity to make a statement at the Annual Meeting, if they choose, and they are expected to be available to respond to stockholder questions.

**The Stockholders** As of the record date of October 27, 2006 there were 15,275,382 shares of Mace common stock issued and outstanding. A complete list of stockholders entitled to vote at the Annual Meeting will be available for inspection by any stockholder for any purpose relating to the Annual Meeting for ten days prior to the meeting during ordinary business hours at Mace's headquarters located at 1000 Crawford Place, Suite 400, Mt. Laurel, New Jersey 08054.

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### **Voting at the Annual Meeting**

You are entitled to one vote for each share of Mace common stock that you owned of record at the close of business on October 27, 2006. The presence, in person or by proxy, of the holders of a majority of shares of common stock issued and outstanding and entitled to vote at the Annual Meeting is necessary to constitute a quorum. Abstentions are counted as shares present at the meeting for purposes of determining whether a quorum exists. Abstentions have the effect of a vote against any matter to which they are specified. Proxies submitted by brokers that do not indicate a vote for some or all of the proposals because they do not have discretionary voting authority and have not received instructions as to how to vote on those proposals (so-called broker non-votes) are considered shares present at the meeting for purposes of determining whether a quorum exists. Broker non-votes will not affect the outcome of the vote on any matter unless the matter requires the affirmative vote of a majority of the outstanding shares and in such case will have the effect of a vote against that matter.

The five nominees for director receiving the highest number of affirmative votes shall be elected as directors. Stockholders do not have the right to cumulate their votes in the election of directors.

### **How To Vote Your Shares**

You may vote in one of two ways:

return your completed, signed and dated proxy card before the Annual Meeting; or

cast a written ballot in person at the Annual Meeting (you will need a legal proxy from your stockbroker if you hold your shares in street name).

**Voting By Proxy** The proxy card has simple instructions. By returning a completed proxy card before the Annual Meeting, you will direct the appointed persons (known as proxies) to vote your shares at the Annual Meeting in accordance with your instructions. Gregory M. Krzemien and Robert M. Kramer will serve as your proxies for the Annual Meeting. If you complete the entire proxy card except for the voting instructions, then the proxies will vote your shares for the election of the nominated directors. If any nominee for election to the Board is unable to serve, which is not anticipated, then the designated proxies will vote your shares for any substitute nominee chosen by the Board. If any other matters properly come before the Annual Meeting, then the designated proxies will vote your shares *in their discretion* on such matters.

**How To Revoke Your Proxy** You may revoke your proxy at any time before it is exercised at the Annual Meeting by any of the following means:

notifying Mace's Secretary in writing (notice to be sent to Mace's executive offices, the address for which is located on the first page of this proxy statement);

submitting another proxy card with a later date; or

attending the Annual Meeting and voting by written ballot (mere attendance at the Annual Meeting will not by itself revoke your proxy).

Only the record owner of your shares can vote your shares or revoke a proxy the record owner has given. If your shares are in street name, you will not be able to revoke the proxy sign given by the street name holder.



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**THE PROPOSAL**

Proposal Election of Directors

Election of five directors to the Board of Directors for one-year terms and until their respective successors are duly elected and qualified.

Nominees

Louis D.  
Paolino, Jr.  
Mark S.  
Alsentzer

Constantine N. Papadakis,  
Ph.D.  
Matthew J. Paolino

Burton Segal

**About the Nominees**

Louis D. Paolino, Jr., Mark S. Alsentzer, Constantine N. Papadakis, Ph.D., Matthew J. Paolino, and Burton Segal currently serve on the Board of Directors. Each nominee indicated that he will serve on the Board, if elected. Biographical information for each nominee appears below.

**Louis D. Paolino, Jr.**

<b>Age:</b>	50
<b>Director Since:</b>	May 24, 1999
<b>Principal Occupation:</b>	
May 24, 1999-Present	President and Chief Executive Officer of Mace
July 1, 1999-Present	Chairman of the Board of Mace

**Recent Business Experience:**

June 1996-December 1998	Chairman of the Board, President and Chief Executive Officer of Eastern Environmental Services, Inc. (a waste management company)
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**Mark S. Alsentzer**

<b>Age:</b>	51
<b>Director Since:</b>	December 15, 1999
<b>Principal Occupation:</b>	
January 2006-Present	Chief Executive Officer and Director of Pure Earth, Inc.

**Recent Business Experience:**

December 1996- October 2005	Director, US Plastic Lumber Corporation (a plastic lumber and recycling company)
December 1996- July 2004	President and Chief Executive Officer of U.S. Plastic Lumber Corporation (a plastic lumber and recycling company)
1992-December 1996	Vice President of Republic Environmental System, Inc. (an environmental services company)

**Other Directorships:**

Pure Earth, Inc.

**Involvement in Certain Legal**

**Proceedings:**

On July 23, 2004, U.S. Plastic Lumber Corporation filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code. At the time of the Chapter 11 filing, Mark S. Alsentzer, a director of Mace, was Chairman, President and Chief Executive Officer of U.S. Plastic Lumber Corporation. Mr. Alsentzer is no longer Chairman, a director,

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	President or Chief Executive Officer of U.S. Plastic Lumber Corporation.
<b><u>Constantine N. Papadakis, Ph.D.</u></b>	
<b>Age:</b>	60
<b>Director Since:</b>	May 24, 1999
<b>Principal Occupation:</b>	
1995-Present	President of Drexel University
<b>Recent Business Experience:</b>	
1986-1995	Dean of the College of Engineering at the University of Cincinnati
<b>Other Directorships:</b>	Amkor Technologies, Inc., Aqua America, Inc., CDI, Inc., Met-Pro Corporation, The Philadelphia Stock Exchange, Sovereign Bank, the Judicial Council of the Supreme Court of Pennsylvania, the Opera Company of Philadelphia.
<b><u>Matthew J. Paolino</u></b>	
<b>Age:</b>	42
<b>Director Since:</b>	July 1, 1999
<b>Principal Occupation:</b>	
July 1, 1999-Present	Vice President of Risk Management and Asset Management of Mace
1994-Present	President of Premier Concrete, Inc. (a general contractor)
<b>Recent Business Experience:</b>	
1996-December 1998	Vice President of Risk Management, Asset Management and Special Waste Divisions of Eastern Environmental Services, Inc. (a waste management company)
<b>Other Information:</b>	Mr. Paolino is the brother of Louis D. Paolino, Jr., Mace's Chairman of the Board, President and Chief Executive Officer
<b><u>Burton Segal</u></b>	
<b>Age:</b>	63
<b>Director Since:</b>	October 22, 2003
<b>Principal Occupation:</b>	
1973-Present	Principal in the accounting firm of Segal, Brint & Company, LLC, Certified Public Accountants
<b>The Board of Directors recommends that you vote FOR the election of Louis D. Paolino, Jr., Mark S. Alsentzer, Constantine N. Papadakis, Ph.D., Matthew J. Paolino, and Burton Segal to Mace's Board.</b>	

**Table of Contents****ABOUT THE BOARD OF DIRECTORS AND EXECUTIVE OFFICERS****About the Board and its Committees**

Mace's Board is currently comprised of five directors: Louis D. Paolino, Jr., Mark S. Alsentzer, Constantine N. Papadakis, Ph.D., Matthew J. Paolino, and Burton Segal. Each director position is elected annually for a one-year term.

Mace has Corporate Governance Guidelines, which were adopted by the Board and provide that a majority of the Company's directors should be independent, as established by the rules of the NASDAQ Global Market, and set forth other corporate governance requirements. The Board has determined that Messrs. Segal and Alsentzer and Dr. Papadakis are independent under these rules. In addition, all of the Audit Committee members are independent under the Audit Committee independence standards established by the NASDAQ Global Market and the rules promulgated by the SEC. The Board has an Audit Committee, a Compensation Committee, a Nominating Committee and an Ethics and Corporate Governance Committee. All of the committees of the Board are governed by a charter and such charters, along with the Company's Corporate Governance Guidelines, are posted on the Company's website at [www.mace.com](http://www.mace.com). In addition, the Audit Committee Charter was included as *Appendix B* to our definitive 2003 Proxy Statement filed with the SEC on November 18, 2003.

Mace's Board held six formal meetings, including four meetings of the independent directors, during 2005. During 2005, all directors attended at least 86% of the aggregate of Mace's Board meetings and the meetings of the committees of the Board on which they served. All members of the Audit Committee, Compensation Committee, Nominating Committee, and the Ethics and Corporate Governance Committee are independent directors within the meaning of the rules of the NASDAQ Global Market. In addition to meeting as members of committees, the independent directors held formal meetings in 2005 as independent directors. The Board has determined that Burton Segal is an Audit Committee financial expert as defined in the rules and regulations of the SEC and is financially sophisticated for the purposes of the rules of the NASDAQ Global Market. The following chart describes the composition and functions of the Board committees.

**BOARD COMMITTEES**

<b>Committee</b>	<b>Members</b>	<b>No. of Meetings Held in 2005</b>	<b>Functions</b>
Audit	Burton Segal* Mark S. Alsentzer Constantine N. Papadakis, Ph.D.	11	Selection of independent registered public accounting firm. Confers with independent registered public accounting firm and internal personnel on the scope of registered public accounting firm examinations.  Reviews internal controls and procedures. Reviews related party transactions.
Compensation	Burton Segal  Mark S. Alsentzer Constantine N. Papadakis, Ph.D.*	3	Annually reviews CEO compensation and performance. Annually establishes goals for CEO. Annually reviews COO and CFO compensation.  Annually approves compensation for CEO, COO and CFO. Review and determine Director compensation. Hire compensation consultants. Recommends executive compensation to the Board. Administers Mace's Nonqualified Stock Option Plan. Administers Mace's 1999 Stock Option Plan.

Administers director compensation.

Nominating	Burton Segal Mark S. Alsentzer* Constantine N. Papadakis, Ph.D.	1	<p>Develop and recommend to the Board criteria for the selection of new directors to the Board.</p> <p>Seek candidates to fill vacancies in the Board.</p> <p>Retain and terminate a search firm to be used to identify director candidates.</p> <p>Recommend to the Board a process for evaluating the performance of the Board.</p> <p>Recommend to the Board nominees for election as directors at the annual meeting of shareholders.</p> <p>Recommend to the Board nominees for appointment to committees of the Board.</p> <p>6</p>
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Ethics and Corporate Governance	Burton Segal* Mark S. Alsentzer Constantine N. Papadakis, Ph.D.	<p>Recommends to the Board changes to the Company's Code of Ethics and Business Conduct, Insider Trading Policy and Corporate Disclosure Policy.</p> <p>Monitors employee compliance with the Code of Ethics and Business Conduct Policy, Insider Trading Policy and Corporate Disclosure Policy.</p> <p>Reviews along with the Audit Committee allegations of wrongdoing concerning directors and the Chief Executive Officer.</p> <p>Recommends to the Board concerning responses to inquiries by regulatory authorities relating to the Company's Code of Ethics and Business Conduct, Insider Trading Policy and Corporate Disclosure Policy.</p>
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\* Designates  
Chairman of  
Committee

**Nominating Committee Policies**

The Nominating Committee considers candidates for Board membership suggested by its members, other Board members and management. The Nominating Committee has authority to retain a search firm to assist in the identification of director candidates. In selecting nominees for director, the Nominating Committee considers a number of factors, including, but not limited to:

whether a candidate has demonstrated business and industry experience that is relevant to the Company, including recent experience at the senior management level (preferably as chief executive officer or in a similar position) of a company as large or larger than the Company;

the candidate's ability to meet the suitability requirements of all relevant regulatory agencies;

the candidate's ability to represent interests of the stockholders;

the candidate's independence from management and freedom from potential conflicts of interest with the Company;

the candidate's financial literacy, including whether the candidate will meet the audit committee membership standards set forth in the rules of the NASDAQ Global Market;

whether a candidate is widely recognized for his or her reputation, integrity, judgment, skill, leadership ability, honesty and moral values;

the candidate's ability to work constructively with the Company's management and other directors; and

the candidate's availability, including the number of other boards on which the candidate serves, and his or her ability to dedicate sufficient time and energy to his or her board duties.

During the process of considering a potential nominee, the Committee may request additional information concerning, or an interview with, the potential nominee. Pursuant to our Corporate Governance Guidelines, no director may be nominated to a new term if he or she would be age 70 or older at the time of election.

The Nominating Committee will also consider recommendations by stockholders of nominees for directors to be elected at the Company's annual meeting of stockholders, if they are received on or before September 1 of the year of the meeting. In evaluating nominations received from stockholders, the Committee will apply the same criteria and

follow the same process used to evaluate candidates recommended by members of the Nominating Committee. Stockholders wishing to recommend a nominee for director are to submit such nomination in writing, along with any other supporting materials the stockholder deems appropriate, to the Secretary of the Company at the Company's headquarters at 1000 Crawford Place, Suite 400, Mt. Laurel, New Jersey 08054.

**Table of Contents****Stockholder Access Policy**

Stockholders who wish to communicate with directors should do so by writing to the Company's Secretary, Robert M. Kramer, at the Company's headquarters at 1000 Crawford Place, Suite 400, Mt. Laurel, New Jersey 08054. The Secretary of the Company reviews all such correspondence and regularly forwards to the Board a summary of all such correspondence and copies of all correspondence that, in the opinion of the Secretary, deals with the functions of the Board or Board committees or that he otherwise determines requires their attention. Directors may at any time review all correspondence received by the Company that is addressed to members of the Board and request copies of any such correspondence. Concerns relating to accounting, internal controls or auditing matters will be brought to the attention of the Company's Audit Committee.

**Director Attendance at Annual Meetings**

The Company encourages all of its directors to attend the Company's Annual Meeting of Stockholders. Last year, four directors attended the Company's 2005 annual meeting of stockholders.

**Director Compensation**

Prior to June 30, 2004, Mace did not pay fees to directors, but paid non-employee directors reasonable travel and out-of-pocket expenses relating to their attendance at meetings. On June 29, 2004, the Independent Directors approved a compensation package for the Independent Directors consisting of (a) an annual fee of \$4,000, prorated for partial years of service, (b) a \$750 fee for in-person attendance at each Board meeting, and (c) a \$300 fee for in-person attendance at each committee meeting. On October 6, 2005, the Independent Directors approved an update to the Independent Directors compensation consisting of an annual fee of \$10,000 for 2006 services, prorated for partial years of service, and a \$1,000 per day meeting fee for physical attendance at Board of Director and related Committee meetings.

On October 31, 2005, Mace's directors, Louis D. Paolino, Jr., Matthew J. Paolino, Mark S. Alsentzer, Burton Segal, and Constantine N. Papadakis, Ph.D., were each granted options to purchase 15,000 shares of Mace common stock at \$2.64 per share for their service on the Board of Directors in 2005.

All of the above grants were made under the 1999 Stock Option Plan.

**Executive Officers and Directors**

Set forth below is certain information concerning the executive officers and directors of Mace.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Louis D. Paolino, Jr.	50	Chairman of the Board, President, and Chief Executive Officer
Robert M. Kramer	54	Executive Vice President, General Counsel, and Secretary
Gregory M. Krzemien	47	Chief Financial Officer and Treasurer
Ronald R. Pirollo	47	Chief Accounting Officer, Vice President and Corporate Controller
Matthew J. Paolino	42	Director and Vice President
Mark S. Alsentzer	51	Director
Burton Segal	63	Director
Constantine N. Papadakis, Ph.D.	60	Director

**Compensation of Certain Executive Officers**

The following table provides summary information concerning cash and certain other compensation paid or accrued by Mace to or on behalf of Mace's Chief Executive Officer and each of the other most highly compensated executive officers of Mace whose compensation exceeded \$100,000 (the "Named Executive Officers") for the three years ended December 31, 2005.



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NAME AND	Fiscal Year ended December	Annual Compensation		Long-Term Compensation Awards
		Salary	Bonus	Securities Underlying Options
<b>PRINCIPAL POSITIONS</b>	<b>31,</b>			
Louis D. Paolino, Jr.	2005	\$400,000		15,000
Chairman of the Board,	2004	\$400,000	\$200,000	732,182
President and Chief	2003	\$346,769		150,000
Executive Officer				
Robert M. Kramer	2005	\$210,000		
Executive Vice President,	2004	\$163,438		112,500
Chief Operating Officer of the	2003	\$155,692		150,000
Car and Truck Wash Segment, General Counsel				
and Secretary				
Gregory M. Krzemien	2005	\$200,000		
Chief Financial Officer	2004	\$144,485		50,000
and Treasurer	2003	\$135,492		150,000
Ronald R. Pirollo	2005	\$164,123		
Chief Accounting Officer	2004	\$130,137		25,000
and Corporate Controller	2003	\$118,427		100,000

(1) The columns captioned Annual Compensation Other Annual Compensation, Long-Term Compensation Restricted Stock Awards, Long-Term Compensation-LTIP Payouts, and All Other Compensation have been omitted because none of the Named Executive Officers received other annual compensation except for Mr. Paolino who receives a car at a

lease cost of \$1,500 per month. Additionally, the Company paid legal fees in 2004 to Mr. Paolino's attorney of approximately \$38,800 which were incurred in connection with Mr. Paolino's obligation to file Forms 4 and Schedules D in connection with his ownership of the Company's common stock. During the Company's fiscal year ended December 31, 2005 and the first nine months ending September 30, 2006, Louis D. Paolino, Jr. purchased approximately \$44,500 and \$40,800, respectively of the Company's products at a discount from the prices charged to distributors. The total of the discount given to Mr. Paolino in the Company's fiscal year ended December 31, 2005 and the first nine months ending September 30, 2006 was approximately \$18,200 and \$5,200, respectively. The Company (i) granted no restricted stock awards, and (ii) maintained no long-term incentive

plan for any of the  
Named Executive  
Officers, in each  
case during the three  
fiscal years ended  
December 31, 2005.  
Additionally, the  
Company has not  
issued any stock  
appreciation rights  
(SARs) in any of the  
past three years.

**Equity Compensation Plan Information**

Stock options are issued under the 1999 Stock Option Plan at the discretion of the Compensation Committee to employees at an exercise price of no less than the then current market price of the common stock and generally expire ten years from the date of grant. Allocation of available options and vesting schedules are at the discretion of the Compensation Committee and are determined by potential contribution to, or impact upon, the overall performance of the Company by the executives and employees. Stock options are also issued to members of the Board of Directors at the discretion of the Compensation Committee. These options may have similar terms as those issued to officers or may vest immediately. The purpose of the 1999 Stock Option Plan, which has been approved by the stockholders of the Company, is to provide a means of performance-based compensation in order to provide incentive for the Company's employees. Warrants have been issued in connection with the sale of the shares of the Company's stock, the purchase and sale of certain businesses and to a director. The terms of the warrants have been established by the Board of Directors of the Company. Certain of the warrants have been approved by stockholders.

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The following table sets forth certain information regarding the Company's Stock Option Plan and warrants as of December 31, 2005.

	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
<b>Plan Category</b>			
Equity compensation plans approved by stockholders	3,108,682	\$ 4.00	3,984,382
Equity compensation plans not approved by stockholders	433,000	\$ 8.02	N/A

**Option Grants in Last Fiscal Year**

The following table sets forth certain information concerning individual grants of stock options to the Named Executive Officers during the fiscal year ended December 31, 2005.

**OPTION GRANTS IN LAST FISCAL YEAR (1)**  
(Individual Grants)

Name	Number of Securities Underlying Options Granted (#)	% of Total Options Granted to Employees in Fiscal Year (1)	Exercise Price Per Share(\$)	Expiration Date	Potential Realizable Value at Assumed Rates of Stock Price Appreciation for Option Term
					5%      10%
Louis D. Paolino, Jr.	15,000	5.0%	\$2.64	10/31/15	\$24,900      \$63,150

(1) The Company granted options to employees and directors to purchase a total 300,000 shares of common stock during the fiscal year

ended  
December 31,  
2005. All of  
these grants  
were made at  
exercise prices  
equal to the fair  
market value of  
the common  
stock at the date  
of grant.

**Aggregated Option Exercises in Last Fiscal Year**

The following table sets forth certain information regarding stock options held by the Named Executive Officers during the fiscal year ended December 31, 2005, including the number and value of exercisable and unexercisable stock options as of December 31, 2005. No options were exercised by any of the Named Executive Officers during the fiscal year ended December 31, 2005. In-the-money options are those for which the fair market value of the underlying securities exceeds the exercise price of the option. The closing transaction price of the Company's common stock on December 31, 2005 was \$2.47 per share.

**Table of Contents****AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND YEAR-END OPTION VALUES**

Name	Number of Securities Underlying Unexercised Options/SARs at Fiscal Year End 2005		Value of Unexercised In-the-money Options/SARs at Fiscal Year End 2005	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Louis D. Paolino, Jr.	989,682		\$ 182,215	\$
Gregory M. Krzemien	350,000		\$ 231,375	\$
Robert M. Kramer	455,000		\$ 231,375	\$
Ronald R. Pirollo	200,000		\$ 112,500	\$

**Employment Agreements*****Louis D. Paolino, Jr., Employment Agreement***

Mace currently employs Louis D. Paolino, Jr., as its President and Chief Executive Officer under a three-year employment agreement dated August 21, 2006. The Company obtained a Compensation Study from a third party consulting firm prior to entering into the Employment Agreement. The principal terms of the employment agreement, which expire on August 21, 2009, include:

- (i) an annual salary of \$450,000;
- (ii) three separate option grants for common stock under Mace's 1999 Stock Option Plan at an exercise price equal to the close of market on the date of grant. The first grant issued on August 21, 2006 was an option exercisable into 450,000 shares of common stock, the second option grant ( Second Grant ) is to be awarded within five days of the first yearly anniversary date of the employment agreement and the third option grant ( Third Grant ) is to be awarded within the five days of the second yearly anniversary date of the employment agreement. The amount of shares of the Second Grant and Third Grant ( Option Shares ) shall be exercisable into is to be determined by the Company's Compensation Committee, based on a then current compensation study of the Chief Executive Officer position. The amount of Option Shares, at time of grant, plus \$450,000 annual compensation paid to Mr. Paolino equals no less than the market consensus total direct compensation, amount paid by the comparable companies to their chief executive officers, as set forth in the compensation study to be obtained by the Compensation Committee. The options with respect to each of the grants shall be fully vested on the date of the grant;
- (iii) a bonus of (a) one percent (1%) of the sales price of any car washes sold (excepting only two car washes, one of which has been sold as of the date of this Proxy); and (b) three percent (3%) of the purchase or sales price of any other business sold or purchased, the three percent (3%) amount to be reduced by the amount of any fee paid to an investment banker hired by the Company where the investment banker located the transaction and conducted all negotiations, and no deduction will be made for a fee paid to any investment banker for a fairness opinion or other valuation;
- (iv) a payment of 2.99 times Mr. Paolino's average total compensation (base salary plus any bonuses plus the value of any option award, valued using the Black Scholes method) over the past five years, upon termination of employment under certain conditions or upon a change in control. If Mr. Paolino receives the change of control bonus, his employment agreement can then be terminated without an additional payment;
- (v) provision for Company standard medical and other employee benefits;
- (vi) a car at a lease cost of \$1,500 per month; and

- (vii) prohibition against competing with the Company during employment and for a three-month period following a termination of employment.

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***Other Executive Employment Agreements***

The primary terms of the employment agreements for Robert M. Kramer, Gregory M. Krzemien, and Ronald R. Pirollo expired on March 26, 2003. Messrs. Kramer and Krzemien are working on a month-to-month, at-will basis under the provisions of their employment agreements. Mr. Pirollo or the Company may terminate Mr. Pirollo's employment at any time. The table below discloses the current salary for these executive officers.