

MACE SECURITY INTERNATIONAL INC
Form PRE 14A
November 05, 2003
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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

Filed by a Party other than the Registrant

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 Rule 14a-11(c) or Rule 14a-12

Mace Security International, Inc.

(Name of Registrant as Specified in Its Charter)

(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)(L) and 0-11.

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

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

(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):

(4) Proposed maximum aggregate value of transaction:

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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 19, 2003

Time: 10:00 AM, Eastern Time

Location:

Mace Security International, Inc.

Corporate Headquarters

1000 Crawford Place, Suite 400

Mt. Laurel, New Jersey 08054

To Mace Security International, Inc. Stockholders:

We invite you to attend our 2003 Annual Meeting of Stockholders. At this meeting, you and the other stockholders will be able to vote on the following proposals, together with any other business that may properly come before the meeting:

1. Approval and adoption of an amendment to Mace Security International, Inc.'s (Mace) Amended and Restated Certificate of Incorporation to implement a staggered board of directors, divided into three classes. If this proposal is approved the directors elected at the 2003 Annual Meeting will be divided into three Classes with Class I being elected for one year, Class II being elected for two years and Class III being elected for three years. At elections after the 2003 Annual Meeting, each Class when standing for election would be elected for a three-year term.
2. Election of five directors to the Board of Directors for (a) one-year terms, if Proposal 1 above is not approved or (b) staggered terms of one, two and three years for Class I, Class II and Class III directors, if Proposal 1 is approved. The Board has nominated for election Mark S. Alsentzer, Matthew J. Paolino, Burton Segal, Constantine N. Papadakis, Ph.D, and Louis D. Paolino, Jr.
3. Approval and adoption of an amendment to Mace's Amended and Restated Certificate of Incorporation to decrease the authorized shares of Common Stock from 100,000,000 to 35,000,000 and decrease the number of authorized shares of Preferred Stock from 10,000,000 to 5,000,000.
4. Approval and adoption of an amendment to Mace's Amended and Restated Certificate of Incorporation to provide for a notice requirement that stockholders must satisfy in order to present a proposal for consideration at an annual meeting of stockholders.

5. Ratification of the Board's appointment of Grant Thornton LLP as Mace's independent auditors for fiscal year 2003.

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You may vote on these proposals 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 November 12, 2003, can vote at the Annual Meeting and any adjournment or postponement of the Annual Meeting.

By Order of the Board of Directors,

Mt. Laurel, New Jersey

November 20, 2003

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 2003 Annual Meeting of Stockholders of Mace Security International, Inc. (Mace or the Company). Mace will begin mailing this proxy statement and the enclosed form of proxy to its stockholders on or about November 20, 2003.

The Board of Directors is soliciting your proxy to encourage you to vote on proposals at the Annual Meeting and to obtain your support for the proposals. 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 proposals. Please read it carefully. It is divided into four sections following this Introduction:

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Mace will pay for soliciting these proxies. In addition to use of the mails, Mace's directors, officers and employees may solicit proxies in person, by telephone, facsimile or by other means, in all cases without additional compensation. 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.

About the Annual Meeting

When And Where Mace will hold the Annual Meeting on December 19, 2003, at 10:00 AM, Eastern Time, at Mace Security International, Inc. Corporate Headquarters, 1000 Crawford Place, Suite 400, Mt. Laurel, New Jersey 08054.

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 or not there is a quorum at the Annual Meeting.

The Proposals Stockholders will vote on the following proposals at the Annual Meeting:

amendment of the Mace Amended and Restated Certificate of Incorporation to implement staggered director terms;

election of five directors;

amendment of the Mace Amended and Restated Certificate of Incorporation to decrease the authorized shares of Common Stock and Preferred Stock;

amendment of the Mace Amended and Restated Certificate of Incorporation to require notice of stockholder proposals; and

ratification of the Board's appointment of Grant Thornton, LLP as Mace's independent auditors for fiscal year 2003.

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, stockholders will be able to vote on any other matters that properly come before the Annual Meeting.

Presence of Independent Auditors Representatives of Grant Thornton LLP, Mace's independent auditors, are expected to 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 November 12, 2003, there were _____ shares of Mace common stock issued and outstanding. On December 17, 2002, Mace effected a one-for-two reverse stock split. All stock prices, share amounts, per share information, stock options and stock warrants set forth in this Proxy Statement have been restated to reflect the reverse split, unless otherwise noted. Only stockholders of

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record at the close of business on November 12, 2003, are entitled to vote at the Annual Meeting and any adjournment or postponement of the meeting. 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 November 12, 2003. 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. The other proposals require the approval of a majority of all shares of Mace common stock entitled to vote for such proposal that are represented at the Annual Meeting in person or by proxy.

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 Ronald R. Pirollo will serve as your proxies for the Annual Meeting. If you complete all of the proxy card except for the voting instructions, then the proxies will vote your shares **for** the election of the nominated directors, **for** the ratification of Grant Thornton LLP as Mace's independent auditors, and **for** the approval of the amendments to the Amended and Restated Certificate of Incorporation. 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);

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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).

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THE PROPOSALS

Proposal 1. Amendment of the Amended and Restated Certificate of Incorporation

Approval and adoption of an amendment to Mace's Amended and Restated Certificate of Incorporation to implement a staggered board of directors, divided into three classes. If this proposal is approved the directors elected at the 2003 Annual Meeting will be divided into three Classes with Class I being elected for one year, Class II being elected for two years and Class III being elected for three years. At elections after the 2003 Annual Meeting, each Class when standing for election would be elected for a three-year term.

The Board of Directors has unanimously approved and is proposing for stockholder approval an amendment to Mace's Amended and Restated Certificate of Incorporation. The amendment would add an Article Seventh. The text of Article Seventh is set forth in the Second Restated Certificate of Incorporation of Mace Security International, Inc. which is attached as Appendix A to this Proxy Statement. Article Seventh (a) adopts a staggered board of directors, divided into three classes and serving three-year terms with only one class of directors to be elected at each annual meeting of the stockholders, (b) provides for the filling of any vacancies or new positions on the Board of Directors by a majority of the remaining directors, (c) provides procedures that stockholders must follow in order to nominate directors; and (d) provides that the amendment, repeal or adoption of any provision inconsistent with the new Article Seventh may only occur on the affirmative vote of at least two-thirds (2/3) of the outstanding shares of the common stock.

The directors have approved an amendment of Article 3.01 of the Company's bylaws to be effective upon the approval of Proposal 1. Article 3.01 of the bylaws currently provides for directors to have a one-year term. The amendment of Article 3.01 of the bylaws would provide that each director would have a three-year term, except for directors elected at this 2003 Annual Meeting. The directors elected at this 2003 Annual Meeting would have a one-year term for Class I directors, a two-year term for Class II directors, and a three-year term for Class III directors.

Under existing provisions of the Company's Amended and Restated Certificate of Incorporation and bylaws, directors of the Company are elected annually for terms of one year. The bylaws currently provide that the number of directors shall be established by the Board by resolution, which number may be increased or decreased by Board resolution, and that vacancies on the Board of Directors may be filled by a majority of the directors then in office.

Section 3.03 of the Company's bylaws provide that any director may be removed at any time by the unanimous vote of all other directors or as provided in the Company's Certificate of Incorporation. The Company's current Amended and Restated Certificate of Incorporation and the Second Restated Certificate of Incorporation do not contain a provision regarding the removal of directors. Where there is no classified board of directors, Delaware law provides that shareholders may remove directors with or without cause by a majority vote. Where there is a classified board of directors, Delaware law provides that shareholders may remove directors only for cause, unless the Certificate of Incorporation otherwise provides. The Second Restated Certificate of Incorporation does not have a provision allowing removal of directors other than for cause. The approval of Proposal 1 would eliminate the right of stockholders to remove directors without cause. If Proposal 1 is approved, the Board of Directors, under Section 3.03 of the Company's bylaws would be able to remove a director without cause. Removing a director where cause is required is more difficult, unless cause is readily apparent.

Classified Board and Removal of Directors

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Article Seventh, Paragraph (a) will divide the directors into three approximately equal classes. The directors of each class will serve three-year terms and the term of one class will expire each year.

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To implement the classified board, Article Seventh, Paragraph (a) provides that Class I, Class II and Class III directors to be elected at the 2003 Annual Meeting will have terms of one year, two years and three years, respectively. See Proposal 2, Election of Directors, below. If Proposal 1 is adopted, Class I directors elected at the 2003 Annual Meeting will hold office until the 2004 annual meeting; Class II directors elected at the 2003 Annual Meeting will hold office until the 2005 annual meeting; and Class III directors elected at the 2003 Annual Meeting would hold office until the 2006 annual meeting; and, in each case, until their successors are duly elected and qualified or until earlier death, resignation or removal. At each annual meeting commencing with the 2004 annual meeting, directors elected to succeed those in the class whose terms then expire will be elected for three-year terms so that the terms of one class of directors will expire each year. Thus, after 2003, shareholders will elect only one class of the directors at each annual meeting. Each director will serve until a successor is elected and qualified or until earlier death, resignation or removal. Delaware law provides that the certificate of incorporation of a corporation may provide that the directors be divided into one, two or three classes, the terms of office of the directors initially classified to be as follows: the first class to expire at the annual meeting of shareholders next ensuing, the second class one year thereafter and the third class two years thereafter. The number of directors to be elected at the 2003 Annual Meeting is five. The Board of Directors presently has no plans, arrangements, commitments or understandings with respect to increasing or decreasing the size of the Board or any class of directors.

For information regarding the nominees for election to the Board of Directors at the 2003 Annual Meeting and the class of directors in which each director will initially serve, if Proposal 1 is adopted, see Proposal 2 Election of Directors.

Where there is a classified board of directors, Delaware law provides that shareholders may remove directors only for cause, unless the Certificate of Incorporation otherwise provides. The Second Restated Certificate of Incorporation does not have a provision allowing the removal of directors without cause. The approval of Proposal 1 would have the effect of allowing stockholders to remove directors only for cause.

Advantages of a Classified Board and Removal only for Cause. The Board of Directors believes that dividing the directors into three classes is advantageous to the Company and its stockholders because by providing that directors will serve three-year terms rather than one-year terms, the likelihood of continuity and stability in the policies formulated by the Board will be enhanced. While management has not experienced any problems with continuity in the past, it wishes to ensure that this experience will continue and believes that the staggered election of directors will promote continuity because only one class of the directors will be subject to election each year.

The amendment would significantly extend the time required to make any change in control of the Board and will tend to discourage any hostile takeover bid for the Company. Presently, a change in control of the Board can be made by the holders of a majority of the Company's shares of common stock at a single annual meeting. Under the proposed amendment, it will take at least two annual meetings for such stockholders to make a change in control of the Board, since only a minority of the directors will be elected at each meeting. Staggered terms would guarantee that approximately two-thirds of the directors, or more, at any one time have at least one year's experience as directors of the Company.

One method for a takeover bidder to obtain control is to acquire a majority of the outstanding shares of a company through a tender offer or open market purchases and then using its voting power to remove the existing directors. Requiring cause in order to remove a director would defeat this strategy. Potential takeover bidders will therefore be more likely to negotiate with the existing Board regarding a change of control. The Board believes that the adoption of Article Seventh would properly condition a director's continued service upon his ability to serve rather than his position relative to a dominant stockholder.

Disadvantages of a Classified Board and Removal only for Cause. The Amendment will make it more difficult for stockholders to change the composition of the Board even if stockholders believe such a change would be desirable. Also, because of the additional time required to change control of the Board, the Amendment will tend to perpetuate incumbent management. Since the Amendment will increase the amount of time required for a takeover bidder to obtain control of the Company without the cooperation of the Board, even if the takeover bidder were to

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acquire a majority of the Company's outstanding stock, it will tend to discourage certain tender offers, perhaps including some tender offers which stockholders might feel would be in their best interests. As a result, stockholders may be deprived

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of opportunities to sell some or all of their shares in a tender offer. Tender offers for control usually involve a purchase price higher than the current market price and may involve a bidding contest between competing takeover bidders. The Amendment could also discourage open market purchases by a potential takeover bidder. Such purchases could temporarily increase the market price of the Company's stock, enabling stockholders to sell their shares at a price higher than that which would otherwise prevail. In addition, the Amendment could decrease the market price of the Company's common stock by making the stock less attractive to persons who invest in securities in anticipation of an increase in price if a takeover attempt develops.

Preventing stockholders from removing directors without cause will make the removal of any director more difficult, even if such removal is believed by the stockholders to be in their best interests. If the amendment with respect to classification of the Board is approved, stockholders will not have the ability to remove a director at will. If stockholders could remove directors without cause, directors might be less responsive to stockholders.

The proposed Article Seventh has the effect of permitting removal of directors only for cause. While what constitutes cause has not been conclusively established by the Delaware courts, actions such as embezzlement, disclosure of trade secrets, or other violations of fiduciary duty have been found to constitute cause for removal. Courts have indicated that the desire to take over management of a company or the failure to cooperate in management's plans for a company do not constitute cause for removal.

Stockholders seeking to remove a director for cause could be forced to initiate a lawsuit to clarify the exact meaning of cause, which could be costly and time-consuming. Stockholders should recognize that the Amendment will make more difficult the removal of a director in circumstances which do not constitute a takeover attempt and where, in the opinion of the holders of a majority of the Company's outstanding shares, cause for such removal may exist. Moreover, the proposed Amendment may have the effect of delaying an ultimate change in existing management which might be desired by a majority of the stockholders.

Filling Vacancies

The proposed Article Seventh, Paragraph (b) provides that vacancies on the Board may be filled solely by the affirmative vote of a majority of the remaining directors then in office, although less than a quorum. Persons so elected to fill a vacancy on the Board would hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been elected and qualified. Any decrease in the number of directors constituting the Board of Directors shall not shorten the term of any incumbent director.

Advantages of Provision Concerning Filling Vacancies. Currently, Article 3.02 of the bylaws permits the directors to fill vacancies on the Board of Directors. Directors being empowered to fill vacancies is a deterrent to the strategy of removing existing directors and replacing them with persons chosen by the takeover bidder. The amendment is consistent with, and supportive of, the concept of a classified board in that it tends to moderate the pace of change in the Board of Directors. The Board believes that the amendment will help ensure that the elected directors will serve out their terms. The provision is intended to provide stability within the management and organization of the Company by vesting the power to fill vacant positions solely in the elected representatives of the stockholders. It will prevent a third party seeking majority representation on the Board from obtaining such representation simply by enlarging the Board and then filling the new directorships with its own nominees.

The proposed Amendment is in accordance with the General Corporation Law of the State of Delaware which provides that vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office,

although less than a quorum, unless the Certificate of Incorporation or bylaws provide otherwise.

Disadvantages to Provision Concerning Filling Vacancies. The proposed Amendment eliminates any stockholder power to fill vacancies or newly created positions on the Board of Directors. The proposed Amendment would render more difficult, and may discourage, an attempt to acquire control of the Company without the approval of the Company's management. By allowing the Board to fill vacancies, the proposed Amendment may have the effect of delaying an ultimate change in existing management which might be desired by a majority of the stockholders.

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Notice Requirement for Nominations of Directors by Stockholders

The Proposed Article Seventh, Paragraph (c), provides that, subject to any existing rights of holders of Preferred Stock then outstanding, only persons who are nominated in accordance with the procedures specified in Article Seventh, Paragraph (c) are eligible for election as directors. Such nominations may be made at a meeting of the stockholders by, or at the direction of, the Board of Directors by any nominating committee or person appointed by the Board or by any stockholder of the Company entitled to vote for the election of directors at the meeting, provided such stockholder has complied with the notice procedures. Written notice of a stockholder nomination must be made to the Secretary of the Company not less than 60 days prior to the scheduled meeting, regardless of any postponements, deferrals or adjournments of that meeting to a later date. If, however, less than 70 days' notice or prior public disclosure of the date of the scheduled meeting is given or made, notice by the stockholder, to be timely, must be so delivered or received not later than the close of business on the tenth day following the earlier of the day on which such notice of the date of the scheduled annual meeting was mailed or the day on which such public disclosure was made. This notice must set forth the name, age, business address and residence address of the person being nominated, that person's principal occupation or employment, the class and number of shares of capital stock of the Company which are beneficially owned by that person and any other information required to be disclosed under the rules of the United States Securities and Exchange Commission. The notice must also include the name and the address of the stockholder presenting the nomination and the class and number of shares of the Company's stock which are beneficially owned by that person on the date of the stockholder notice. Other relevant information may also be requested by the Company. The validity of the notice will be determined by the presiding officer at the annual meeting.

Advantages of a Notice Requirement for Nominations of Directors by Stockholders. Without this Amendment, a stockholder could nominate any person for election as a director, without prior notice to the Board or other stockholders, at any meeting called for the purpose of electing directors. The advance notice requirement, by preventing stockholder nominations from the floor at an annual meeting of stockholders, affords the Board a meaningful opportunity to consider the qualifications of the proposed nominees and, to the extent it deems it necessary or desirable, to inform stockholders about such qualifications. This provision, it is believed, will further the objective of the Board to identify candidates who have the character, education, training, experience and proven accomplishments that give promise of significant contribution to the responsible and profitable conduct of the Company's business. The Board believes that it is advantageous to be able to consider in advance the qualification of any proposed nominee, as opposed to being confronted with a surprise nomination at or shortly before a meeting of stockholders.

Disadvantages to a Notice Requirement for Nominations of Directors by Stockholders. Although the Amendment does not give the Board any power to approve or disapprove stockholder nominations for directors, it will preclude stockholder nominations if proper procedures are not followed. Although the Board does not believe that the proposed amendment will have a significant impact on any attempt by a third party to obtain control of the Company, it is possible that it may discourage or deter a third party from conducting a solicitation of proxies to elect its own slate of directors, or otherwise attempting to obtain control of the Company or effect a change in management, without regard to whether this would be beneficial to the Company and its stockholders.

Requirement of a Two-thirds ($\frac{2}{3}$) Shareholder Vote to Amend or Repeal Article Seventh

Proposed Article Seventh, Paragraph (d) requires that in order to amend, repeal or adopt any provision inconsistent with Article Seventh the affirmative vote of at least two-thirds ($\frac{2}{3}$) of the outstanding shares of common stock of the Company shall be required.

Advantages of Provision Concerning Requirement of Two-thirds ($\frac{2}{3}$) Vote. Under the General Corporation Law of the State of Delaware, amendments to the Certificate of Incorporation require the approval of the holders of a majority of the outstanding stock entitled to vote thereon, but the law also permits a corporation to include provisions in its Certificate of Incorporation which require a greater vote than the vote otherwise required by law for any corporate action. With respect to such supermajority provisions, the Delaware law requires that any alteration, amendment or repeal thereof be approved by an equally large stockholder vote.

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Disadvantages to Provision Concerning Requirement of Two-thirds (²/₃) Vote. The requirement of an increased stockholder vote is designed to prevent a person holding or controlling a majority, but less than two-thirds (²/₃), of the shares of the Company from avoiding the requirements of the proposed amendments by simply repealing them.

Existing Anti-Takeover Devices

The current Amended and Restated Certificate of Incorporation authorizes the issuance of up to 10,000,000 shares of preferred stock, par value \$0.01 per share (the *Preferred Stock*). If Proposal 3 is approved the authorized Preferred Stock will be reduced to 5,000,000 shares. Preferred Stock can be issued by the Board in one or more series, none of which has been reserved or issued. The Board of Directors is authorized, without any further action by the stockholders, to determine the powers, preferences, and any other rights, and the qualifications, limitations and restrictions of any series and the designation of the Preferred Stock. Pursuant to the authority granted by this provision, the Board of Directors may designate a series of preferred stock in connection with adopting a stockholders' rights plan commonly known as a "poison pill." Stockholders' rights plans are designed to encourage potential acquirers to negotiate with a company's board of directors to preserve for stockholders the value of a company in the event of a takeover attempt, particularly if the common stock of the company is trading at prices substantially less than the company's long-term value. Rights plans reduce the likelihood that a potential acquirer who is unwilling to pay a market premium that a company's board of directors determines is sufficient will attempt to acquire stock by means of an open market accumulation, front-end loaded tender offer or other coercive or unfair takeover tactics.

The Board of Directors has not adopted a stockholders' rights plan. If the Board does approve and adopt a rights plan, it would discourage unsolicited takeover bids from third parties or efforts to remove incumbent management, or make these actions more difficult to accomplish. A rights plan would have an even greater anti-takeover effect assuming that the Amendment set forth in Proposal 1 is approved. Together with the creation of a staggered board of directors, a rights plan would ensure that in the case of an unsolicited takeover offer, the Company and its stockholders would be protected from takeover attempts, or the acquisition of a substantial block of equity on terms which may be less favorable to its stockholders generally than would be available in transactions negotiated with and approved by the Board of Directors.

Provisions Under Delaware Law. Section 203 of the Delaware General Corporation Law, which is applicable to the Company, may be deemed to have certain anti-takeover effects by prescribing certain voting requirements in instances in which there is a transaction between a publicly held Delaware corporation and an interested stockholder (defined generally as a person owning 15% or more of a corporation's outstanding voting stock) during the three-year period following the time such person became an interested stockholder.

In addition, although Section 214 of the Delaware General Corporation Law provides that a corporation's certificate of incorporation may provide for cumulative voting for directors, Mace's Amended and Restated Certificate of Incorporation does not provide for cumulative voting. As a result, the holders of a majority of the votes of the outstanding shares of Mace's common stock have the ability to elect all of the directors being elected at any annual meeting of stockholders.

Except for the filing of the Amendment to the Amended and Restated Certificate of Incorporation and the adoption of the amendment to the bylaws, both as discussed above, the Board of Directors has no current intention to otherwise adopt any other anti-takeover measures, although the Board of Directors may determine to adopt one or more of such measures at a later date. If the amendments to our Amended and Restated Certificate of Incorporation are not approved, the term of office of our directors will not change and the current provisions of our Amended and Restated Certificate of Incorporation and bylaws will continue to govern.

Effect of Article Seventh

The adoption of Article Seventh would make more difficult or discourage a proxy contest or the assumption of control by a holder of a substantial block of the Company's common stock or a change in control of the Board and could thus have the effect of entrenching incumbent management. At the same time, Article Seventh would serve to ensure that the Board and management, if confronted by a surprise proposal from a third party who has acquired a block of the

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Company's common stock, will have sufficient time to review the proposal and appropriate alternatives to the proposal and to attempt to negotiate a better transaction, if possible, for the stockholders.

The Article Seventh Amendments are being presented to stockholders for their adoption as a single proposal. As discussed above, the Board of Directors believes that Article Seventh, taken together, would, if adopted, effectively reduce the possibility that a third party could effect a sudden or surprise change in majority control of the Company's Board of Directors without the support of the incumbent Board. Adoption of the amendments may have significant effects on the ability of stockholders of the Company to change the composition of the incumbent Board of Directors and to benefit from certain transactions which are opposed by the incumbent Board.

The accumulation of substantial stock positions in public companies by third parties is often a prelude to proposing a takeover or a restructuring or sale of all or part of a company or other similar extraordinary corporate action. Such actions are often undertaken by the third party without advance notice to or consultation with management or the directors of such a company. In many cases, the purchaser seeks representation on the company's board of directors in order to increase the likelihood that its proposal will be implemented by the company. If the company resists the efforts of the purchaser to obtain representation on the company's board, the purchaser may commence a proxy contest to have its nominees elected to the board in place of certain directors, or to obtain control by electing its nominees to a majority of the directorships.

The Board of Directors of the Company believes that if such a purchaser were to purchase a significant or controlling interest in the Company, its ability to remove the Company's directors and obtain control of the Board and thereby to remove the Company's management would severely curtail the Company's ability to negotiate effectively with such purchaser. The threat of obtaining control of the Board would deprive the Board of the time and information necessary to evaluate the proposal, to study alternative proposals and to help ensure that the best price is obtained in any transaction involving the Company which may ultimately be undertaken.

The proposed amendments are intended to encourage persons seeking to acquire control of the Company to initiate such an acquisition through arms-length negotiations with the Company's management and Board of Directors. Article Seventh, if adopted, could also have the effect of discouraging a third party from making a tender offer or otherwise attempting to obtain control of the Company, even though such an attempt might be beneficial to the Company and its stockholders. In addition, since the amendments may discourage accumulations of large blocks of the Company's stock, adoption of the amendments could tend to reduce the temporary fluctuations in the market price of the Company's common stock which are caused by such accumulations. Accordingly, stockholders could be deprived of certain opportunities to sell their shares at a temporarily higher market price. Article Seventh would also make it more difficult for the Company's stockholders to replace the Board or management even if a majority of the stockholders believe such replacement to be in the best interests of the Company. As a result, the amendments, if adopted, would tend to perpetuate the incumbent Board and management.

The Board of Directors of the Company is asking stockholders to consider and adopt Article Seventh in order to discourage the types of transactions described above, which involve an actual or threatened change of control of the Company. The proposed amendments are designed to make it more difficult and time-consuming to change majority control of the Board and thus to reduce the vulnerability of the Company to an unsolicited takeover proposal, particularly a proposal that does not contemplate the acquisition of all of the Company's outstanding shares, or an unsolicited proposal for the restructuring or sale of all or part of the Company. The Board believes that adoption by stockholders of Article Seventh will serve to encourage any person intending to attempt such a takeover or restructuring to first try to negotiate with the Board and management of the Company and that the Board and management will therefore be better able to protect the interest of all stockholders.

Article Seventh is contained in the Second Restated Certificate of Incorporation which is set forth in Appendix A to this proxy statement. If approved by the stockholders of Mace, the Second Restated Certificate of Incorporation will become effective upon its filing with the Secretary of State of the State of Delaware on or about December 19, 2003.

The Board of Directors recommends that you vote FOR Proposal 1.

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Proposal 2. Election of Directors

Election of five directors to the Board of Directors for (a) one-year terms, if Proposal 1 is defeated, or (b) for staggered terms of one year for Class I, two years for Class 2 and three years for Class III directors if Proposal 1 is approved.

Nominees

Class I (one-year term):	Mark S. Alsentzer
Class II (two-year term):	Matthew J. Paolino and Burton Segal
Class III (three-year term):	Louis D. Paolino, Jr. and Constantine N. Papadakis, Ph.D.

About the Nominees

Louis D. Paolino Jr., Mark S. Alsentzer, Matthew J. Paolino, Constantine N. Papadakis, Ph.D, 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.

CLASS I (One-Year Term)

Mark S. Alsentzer

Age:	48
Director Since:	December 15, 1999
Principal Occupation:	Chairman of the Board, President and Chief Executive Officer of US Plastic Lumber Corporation (a plastic lumber and recycling company)
Recent Business Experience:	Vice President of Republic Environmental Systems, Inc. (an environmental services company)
Other Directorships:	US Plastic Lumber Corporation

CLASS II (Two-Year Term)

Matthew J. Paolino

Age:	39
Director Since:	July 1, 1999
Principal Occupation:	Vice President of Risk Management and Asset Management of Mace President of Premier Concrete, Inc. (a general contractor)
Recent Business Experience:	Vice President of Risk Management, Asset Management and Special Waste Divisions of Eastern Environmental Services, Inc. (a waste management company)
Other Information:	Mr. Paolino is the brother of Louis D. Paolino, Jr., Mace's Chairman of the Board, President and Chief Executive Officer

Burton Segal

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Age: 60

Principal Occupation:

1973-Present

Principal in the accounting firm of Burton Segal & Co., Certified Public Accountants

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CLASS III (Three-Year Term)

Louis D. Paolino, Jr.

Age: 47
Director Since: May 24, 1999
Principal Occupation:
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)

Constantine N. Papadakis, Ph.D.

Age: 57
Director Since: May 24, 1999
Principal Occupation:
1995-Present President of Drexel University
Recent Business Experience:
1986-1995 Dean of the College of Engineering, Geier Professor of Engineering Education and Professor of Civil Engineering at the University of Cincinnati
Other Directorships: The Philadelphia Stock Exchange, Corcell, Inc., the Judicial Council of the Supreme Court of Pennsylvania, the Opera Company of Philadelphia, the National Commission for Cooperative Education, the University City Science Center, the Ben Franklin Technology Center and the World Trade Center of Greater Philadelphia

The Board of Directors recommends that you vote FOR the election of Mark S. Alsentzer, Matthew J. Paolino, Burton Segal, Louis D. Paolino, Jr. and Constantine N. Papadakis, Ph.D. to Mace's Board.

Proposal 3. Amendment of the Amended and Restated Certificate of Incorporation

Approval and adoption of an amendment to Mace's Amended and Restated Certificate of Incorporation to decrease the number of authorized shares of Common Stock from 100,000,000 to 35,000,000 and decrease the number of authorized shares of Preferred Stock from 10,000,000 to 5,000,000.

The Board of Directors has unanimously approved and is proposing for stockholder approval an amendment to Mace's Amended and Restated Certificate of Incorporation to decrease the number of authorized shares of Common Stock from 100,000,000 to 35,000,000 and decrease the number of authorized shares of Preferred Stock from 10,000,000 to 5,000,000.

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The Board of Directors is in favor of Proposal 3 for the following reasons:

The Board of Directors does not foresee a need in the near term to issue numbers of shares approaching the amounts that are currently authorized and unissued; and

Reducing the number of authorized shares will significantly reduce the amount of the franchise tax payable by Mace to the state in which it is incorporated.

The approval and adoption of the amendment set forth in the first sentence of Article Fourth in the Second Restated Certificate of Incorporation will not affect in any way the validity of currently outstanding stock certificates and will not require you to surrender or exchange any stock certificates that you currently hold. The rights of the Company's stockholders will not be affected by the decrease in the number of authorized shares of Common Stock and Preferred Stock.

The decrease in the authorized stock is set forth in the first sentence of Article Fourth of the Second Restated Certificate of Incorporation, attached as Appendix A to this proxy statement. If approved by the stockholders of Mace, the change to the first sentence of Article Fourth contained in the Second Restated Certificate of Incorporation will become effective upon its filing with the Secretary of State of the State of Delaware on or about December 19, 2003.

The Board of Directors recommends that you vote FOR Proposal 3.

Proposal 4. Amendment of the Amended and Restated Certificate of Incorporation

Approval and adoption of an amendment to Mace's Amended and Restated Certificate of Incorporation to provide for a notice requirement that stockholders must satisfy in order to present a proposal for consideration at an annual meeting of stockholders.

The Board of Directors recommends that the Company's Amended and Restated Certificate of Incorporation be amended to add an Article Eighth, which provides that the only business that may be conducted at any annual meeting of the stockholders is business that has been brought before the annual meeting by, or at the direction of, the majority of the directors or by any stockholder of the Company who provides timely notice of the proposal in writing to the Secretary of the Company. To be timely, a stockholder's notice must be delivered to, or mailed to and received at, the principal executive offices of the Company not less than 60 days prior to the scheduled annual meeting, regardless of any postponements, deferrals or adjournments of that meeting to a later date. If, however, less than 70 days' notice or prior public disclosure of the date of the scheduled meeting is given or made, notice by the stockholder, to be timely, must be so delivered or received not later than the close of business on the tenth day following the earlier of the day on which such notice of the date of scheduled annual meeting was mailed or the day on which such public disclosure was made. The stockholder's notice to the Secretary must set forth in writing each matter the stockholder proposes to bring before the annual meeting including: a brief description thereof and the reasons for conducting such business at the annual meeting; the names and addresses, as they appear on the corporate books, of stockholders supporting such proposal; the class and number of shares of the Company's stock which are beneficially owned by the supporting stockholders on the date of the presenting stockholder's notice; and any financial interest of the presenting stockholder in such proposal. The determination as to whether the notice provisions have been met will be made by the presiding officer at the annual meeting. This provision applies only to new business and not to other reports of officers, directors, or committees of the Board of Directors.

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At the present time neither the Amended and Restated Certificate of Incorporation nor the bylaws of the Company specify what business may be conducted at an annual meeting. Therefore, any business may be conducted that is specified in the notice of annual meeting or that is properly brought before the meeting. A determination as to whether business (other than as specified in the notice of meeting) is properly before a meeting would generally be made by the Chairman of the meeting at the time any such business was presented.

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Advantages of Provision Concerning Notice Requirements for Shareholder Proposals. The proposed amendment provides an orderly procedure for the notification of the Board of Directors of business which is to be presented at stockholders meetings. This will enable the Board of Directors to plan such meetings and also, to the extent it deems it necessary or desirable, to inform the stockholders, prior to the meeting, of any new business that will be presented at the meeting. The Board will also be able to make a recommendation or statement of its position so as to enable stockholders to better determine whether they desire to attend the meeting or grant a proxy to the Company as to the disposition of any such business. The proposed amendment does not give the Board any power to approve or disapprove the business that stockholders desire to be conducted at the meeting, but it does provide for a more orderly procedure for conducting the meeting.

Disadvantages to Provision Concerning Notice Requirements for Shareholder Proposals. The proposed Amendment may limit to some degree the ability of stockholders to initiate discussion at a stockholders meeting. It will also preclude the conducting of business at a particular meeting if the proper notice procedures have not been followed. Nothing in the proposed amendment precludes discussion by any stockholder o