NAPCO SECURITY TECHNOLOGIES, INC.
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be Held on December 11, 2018

Dear Fellow Stockholder:

The Annual Meeting of the Stockholders of NAPCO Security Technologies, Inc., a Delaware corporation (the "Company"), will be held at the Company's offices at 333 Bayview Avenue, Amityville, New York, on December 11, 2018, at 12:00 p.m., for the following purposes, as more fully described in the accompanying Proxy Statement:

1. Election of three directors to serve for a term of three years and until their respective successors are elected and qualified;

2. Ratification of the selection of Baker Tilly Virchow Krause, LLP as the Company's independent registered public accountants for fiscal 2019;

3. Consideration of approval of adoption of 2018 Non-Employee Stock Option Plan; and

4. Transaction of such other business as may properly come before the Meeting or any adjournments thereof.

Only stockholders of record at the close of business on October 24, 2018 are entitled to notice of, and to vote at, the Annual Meeting or any adjournment thereof.

By order of the Board of Directors,

Richard L. Soloway, Secretary

October 29, 2018

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting To be Held on December 11, 2018

Copies of this proxy statement, form of proxy card and our 2018 annual report are available at www.napcosecurity.com/2018annualmeeting.pdf. The Board recommends a vote FOR the nominated slate of directors (see page 4); FOR the ratification of Baker Tilly Virchow Krause, LLP as the independent registered public accountants for fiscal 2019; and FOR approval of adoption of 2018 Non-Employee Stock Option Plan.

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING WHETHER OR NOT YOU ARE PERSONALLY ABLE TO ATTEND. YOU ARE URGED TO COMPLETE, SIGN AND MAIL THE ENCLOSED PROXY CARD AS SOON AS POSSIBLE.

NAPCO SECURITY TECHNOLOGIES, INC.
333 Bayview Avenue
Amityville, New York 11701

PROXY STATEMENT

FOR ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON DECEMBER 11, 2018

INFORMATION CONCERNING THE SOLICITATION

This Proxy Statement is furnished to the holders of Common Stock, $.01 par value per share ("Common Stock"), of NAPCO Security Technologies, Inc. (the "Company") in connection with the solicitation of proxies on behalf of the Board of Directors of the Company for the Annual Meeting following Fiscal Year 2018, to be held on December 11, 2018, and at any adjournment thereof (the "Meeting"), pursuant to the accompanying Notice of Annual Meeting of Stockholders. Proxies in the enclosed form, if properly executed and returned in time, will be voted at the Meeting. Any stockholder giving a proxy may revoke it prior to its exercise by attending the Meeting and reclaiming the proxy, by executing a later dated proxy or by submitting a written notice of revocation to the Secretary of the Company at the Company's office or at the Meeting. Stockholders attending the Meeting may vote their shares in person. This Proxy Statement and the form of proxy will first be mailed to the stockholders on or about November 5, 2018. A copy of the 2018 Annual Report of the Company, including financial statements, is being mailed herewith.

Only stockholders of record at the close of business on October 24, 2018 (the "Record Date") are entitled to notice of and to vote at the Meeting. The outstanding voting securities of the Company on the Record Date consisted of 18,611,314 shares of Common Stock.

On all matters requiring a vote by holders of the Common Stock, each share of Common Stock entitles the holder of record to one vote. At the Meeting, the holders of record of Common Stock will vote on Item 1, the election of three directors; Item 2, the ratification of the selection of Baker Tilly Virchow Krause, LLP as the independent registered public accountants; Item 3 consideration of approval of adoption of 2018 Non-Employee Stock Option Plan; and Item 4, the transaction of any other business as may properly come before the Meeting and requires a vote of the stockholders.

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of Common Stock authorized to vote will constitute a quorum for the transaction of business at the Meeting.

The affirmative vote of a plurality of the votes cast at the Annual Meeting is required for the election of directors. A properly executed proxy marked "WITHHOLD" with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum. The affirmative vote of a majority of the shares represented in person or by proxy at the meeting and entitled to vote will be required with respect to approval of the adoption of the Company's 2018 Non-Employee Stock Option Plan. A properly executed proxy marked "ABSTAIN" with respect to each of Item 2 and Item 3 will not be voted, although it will be counted for purposes of determining whether there is a quorum.

If you are a record holder of shares and do not specify on your proxy card how you want to vote your shares, we will vote them "FOR" the election of all nominees for director as set forth under "Election of Nominees for Directors" below, "FOR" the ratification of Baker Tilly Virchow Krause, LLP as the Company's independent registered public accountants for fiscal 2019 and "FOR" the approval of the adoption of the 2018 Non-Employee Stock Option Plan.

If you are a beneficial owner of shares and your bank or brokerage firm does not receive instructions from you about how your shares are to be voted, one of two things can happen, depending on the type of proposal. Under stock exchange rules, brokers have discretionary power to vote your shares with respect to "routine" matters, but they do not have discretionary power to vote your shares on "non-routine" matters. Uninstructed brokers have discretionary voting power as to ratification of Baker Tilly Virchow Krause, LLP as our independent registered public accountants (Item 2), which is considered a routine matter. Uninstructed brokers do not have discretionary voting power as to election of the three nominees for director (Item 1) which is considered a non-routine matter or as to Item 3 as to the approval of the adoption of the 2018 Non-Employee Stock Option Plan. A bank or brokerage firm may not vote your shares with respect to the non-routine matters if you have not provided instructions. This is called a "broker non-vote."

THEREFORE, THE COMPANY URGES YOU TO SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD.

Item 1: ***Election of Directors***

The Board of Directors is divided into three classes. At the upcoming Annual Meeting, one class will stand for election for the term ending at the Annual Meeting of Stockholders following Fiscal Year 2021. The terms of the other two classes of continuing directors expire at the Annual Meetings of Stockholders after fiscal year end 2019 and 2020, respectively.

Unless otherwise specified, shares represented by the enclosed proxy will be voted for the election of Paul Stephen Beeber, Randy B. Blaustein and Donna A. Soloway, currently directors, who have been recommended for nomination by the Nominating Committee of the Board of Directors and nominated by the Board of Directors for reelection as a director to serve until the Annual Meeting of Stockholders in 2021 and until his or her successor is elected and qualified.

Each of Messrs. Beeber and Blaustein and Ms. Soloway has consented to serve if reelected. In the event that any nominee becomes unable or unwilling to serve as a director, discretionary authority may be exercised by the proxies to vote for the election of an alternate nominee of the Board of Directors.

The names of, and certain information concerning, the nominees and the continuing directors are set forth below. Also set forth below is a description of the experience, qualifications, attributes or skills that caused the Nominating Committee and Board of Directors to determine that the person should serve as one of our directors.

Name and Age	Principal Occupation	Director Since
Nominees for election to serve until Annual Meeting of Stockholders following Fiscal Year 2021:		
Paul Stephen Beeber (74)	Licensed Attorney in New York State.	2004
Randy B. Blaustein (66)	Principal of R.B. Blaustein & Co., accounting services.	1985
Donna A. Soloway (70)	Columnist for SDM (Security Distribution and Marketing) magazine; member of the Board of Directors of the Alliance of the Guardian Angels; member of the Board of Directors of Lifeline. Ms. Soloway is the wife of Richard L. Soloway, the Chairman and President of the Company.	2001

Directors to serve until Annual Meeting of Stockholders following Fiscal Year 2019:		
Richard L. Soloway (72)	Chairman of the Board of Directors, CEO, President and Secretary of the Company.	1972
Kevin S. Buchel (65)	Senior Vice President of Operations and Finance, CFO, and Treasurer of the Company.	1998
Directors to serve until Annual Meeting of Stockholders following Fiscal Year 2020:		
Arnold Blumenthal (91)	Group Publisher Emeritus, Security Dealer and Locksmith Ledger magazines, Publisher Security Line and Editor of Metropolitan Burglar/Fire Alarm Association ("MBFAA").	2001
Andrew J. Wilder (67)	Officer of Israeloff, Trattner & Co., independent certified public accountants.	1995

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF MESSRS. BEEBER AND BLAUSTEIN AND MS. SOLOWAY

Nominees

Mr. Beeber has been a Licensed Attorney in New York State since 1970, focusing on elder law, estate planning and real estate.

The Company believes Mr. Beeber provides practical and legal guidance, insight and perspective with regard to the operations and strategies of the Company and has a deep understanding of the Company as well as its customer and supplier agreements.

Mr. Blaustein has been has been a Principal in the accounting firm of R.B. Blaustein & Co. since December 2000 and was a Partner in the accounting firm of Blaustein, Greenberg & Co. from July 1991 to November 2000. He has been an attorney since October 1980, specializing in general business and tax matters, and is the author of six books and numerous articles.

The Company believes Mr. Blaustein brings significant tax and financial

expertise, including insight into complex tax issues acquired over his thirty-eight year legal career.

Ms. Soloway has been a columnist for several security industry publications since 1992 including Security Dealer and Security Distribution and Marketing (SDM). She also has served on the Board of Directors for the Security Industry Association (SIA) and several of its committees including the Show Planning Committee, the Awards Committee and the SAINTS Committee (Safety, Awareness and Independent through Security). She is currently a board member of Lifeline as well as the Alliance of the Guardian Angels.

The Company believes Ms. Soloway brings significant experience and knowledge of the security industry, specifically in the areas of customer relations, marketing and sales management.

Continuing Directors

Mr. Soloway has been the Company's Chairman of the Board of Directors since October 1981, President and CEO since 1998, and Secretary since 1975.

The Company believes Mr. Soloway's qualifications to serve as a director include his over forty years' experience in the security industry and his broad knowledge and understanding of the Company and its operations derived from his thirty-seven year service as its Chairman and twenty year service as its President and CEO.

Mr. Buchel has been CFO and Senior Vice President of Operations and Finance since April 1995 and Treasurer since May 1998.

The Company believes Mr. Buchel's qualifications to serve as a director include his understanding of the Company and its operations derived from twenty-three years as our CFO and Senior Vice President of Operations and Finance and twenty years as Treasurer.

Mr. Blumenthal has been Group Publisher Emeritus, Security Dealer and Locksmith Ledger magazines, Publisher Security Line and Editor of MBFAA since 2004, V.P. of Government Security News from 2004 through 2007 and Group Publisher of Security Group of Cygnus Publishing from 1999 through 2003.

The Company believes Mr. Blumenthal brings significant experience and knowledge of the security industry, specifically in the area of sales management, strategic planning and business development acquired during his career in the security business.

Mr. Wilder has been an officer of Israeloff, Trattner & Co., independent certified public accountants, since 1990.

The Company believes Mr. Wilder's qualifications to serve as a director include extensive experience in finance and financial reporting and his corporate governance experience. Our Board of Directors has determined that Mr. Wilder is an audit committee financial expert.

Other Directorships

During the past five years, none of the directors or nominees has been a director of any company (other than the Company) which is subject to the reporting requirements of the Securities Exchange Act of 1934 or which is a registered investment company under the Investment Company Act of 1940.

CORPORATE GOVERNANCE AND BOARD MATTERS

Independence of Directors

The Board currently consists of seven directors, four of whom the Board has affirmatively determined have no relationship with the Company or its subsidiaries which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and are independent as defined by the applicable NASDAQ Listing Standards. The four independent directors are Paul Stephen Beeber, Randy B. Blaustein, Arnold Blumenthal and Andrew J. Wilder.

Board Leadership Structure

The Board does not have a policy as to whether or not the roles of Chief Executive Officer and Chairman of the Board should be separate. The Board believes that it should be free to make a choice on the leadership structure of the Board from time to time in any manner that is in the best interests of the Company and its stockholders. Currently, and since 1998, Mr. Soloway has served as the Chairman of the Board, CEO and President.

The Board of Directors has not elected a Lead Independent Director. Mr. Wilder, an Independent Director and Chair of the Audit Committee, leads the executive sessions of the Independent Directors.

Board Oversight of Risk

The Company faces a variety of risks including strategic and operational risks, financial and liquidity risks, compliance risks and financial reporting risks. The Board exercises its oversight of the Company's risks through regular reports to the Board from the Chief Executive Officer, and other members of management on areas of material risk, actions and strategies to mitigate those risks and the effectiveness of those actions and strategies.

In addition, the Board oversees risk through oversight by the Audit Committee. The Audit Committee discusses with management the Company's policies with respect to risk

assessment and risk management, including the Company's financial risk exposures and the steps management has taken to monitor and control its risks.

Board Structure and Committee Composition

The Board maintains three standing committees: Audit, Compensation, and Nominating. Each Committee is composed entirely of independent directors as defined in the applicable NASDAQ Listing Standards.

During fiscal 2018, the Board held five meetings. Each director attended at least 75% of all Board meetings and meetings of committees of which such director was a member.

Directors are expected to attend the Company's annual meetings of stockholders. All directors attended the last annual meeting of stockholders on December 12, 2017.

NAPCO maintains an "Investors" section on its website, www.napcosecurity.com, setting forth the Company's committee charters for the Audit, Compensation and Nominating Committees.

Audit Committee

The Audit Committee has been established in accordance with Section 3(a)(58)A of the Securities Exchange Act of 1934 as amended. The Audit Committee is responsible for retaining, evaluating and, if appropriate, recommending the termination of the Company's independent auditors. The Audit Committee assists the Board in oversight of (1) the integrity of the Company's financial statements, (2) the Company's independent auditor's qualifications and independence, and (3) the performance of the Company's internal audit function and independent auditors. In addition, the Committee renders its report for inclusion in the Company's annual proxy statement.

The Audit Committee has the authority to obtain advice and assistance from outside legal, accounting or other advisors as the Audit Committee deems necessary to carry out its duties. The Audit Committee held eight meetings in fiscal year 2018. The current members of the Audit Committee are Andrew J. Wilder (Chairman), Paul Stephen Beeber and Arnold Blumenthal, each of whom meets the NASDAQ Listing Standards for the independence of audit committee members. The Board has determined that Andrew Wilder is an audit committee financial expert.

The report of the Audit Committee is included in this proxy statement on page 12.

Compensation Committee

The Compensation Committee assists the Board in discharging its responsibilities relating to compensation of the Company's executive officers. The Compensation Committee determines the compensation of the Company's Chief Executive Officer and the other named executive officers. The Chief Executive Officer makes recommendations on our executive compensation

program and the compensation of our named executive officers. In addition, the Committee determines individuals to be granted options under the 2012 Employee Stock Option Plan, the number of options awarded and the term of the options and interprets provisions of such plan.

The current members of the Compensation Committee are Randy B. Blaustein (Chairman), Andrew J. Wilder, and Arnold Blumenthal, each of whom meets the NASDAQ Listing Standards for independence for Compensation Committee members. The Board considered the payment of $41,000 to Mr. Blaustein for tax related services and determined that such compensation would not impair Mr. Blaustein's ability to make independent judgments about the Company's executive compensation.

The Compensation Committee held two meetings in fiscal year 2018.

The Chief Executive Officer typically attends meetings of the Committee. The Committee's process includes executive sessions where the Committee meets without the presence of the Chief Executive Officer. Neither the Committee nor the Company has engaged a compensation consultant.

Compensation Committee Interlocks and Insider Participation

During fiscal 2018, Messrs. Blaustein, Wilder and Blumenthal served as members of our Compensation Committee. No member of the Compensation Committee was an employee or officer of the Company during 2018, a former officer of the Company, or had any other relationship with us requiring disclosure herein.

During the last fiscal year, none of our executive officers served as a member of the Board of Directors or committee thereof of any other entity.

Nominating Committee

The Nominating Committee reviews and makes recommendation to the Board regarding potential candidates for nomination as director.

The Nominating Committee held one meeting in fiscal year 2018. The current members of the Nominating Committee are Arnold Blumenthal (Chairman), Andrew J. Wilder and Randy B. Blaustein.

Director Nomination Process

In connection with the director selection and nomination process, the Nominating Committee reviews the composition of the Board as a whole and considers the experience, mix of skills and other qualities necessary to assure appropriate Board composition, taking into account the current Board members and specific needs of the Company and the Board. The Nominating Committee considers the requirement that at least a majority of the Board members be independent as required by applicable laws and regulations and also considers any specific expertise necessary for members of Board committees.

The Nominating Committee has adopted a process as follows. It will consider candidates for director nominees proposed by directors, the Chief Executive Officer and stockholders. Potential candidates will be screened and interviewed by the Nominating Committee. All members of the Board may interview the final candidates. The same identifying and evaluating procedures will apply to all candidates for director nomination, including candidates submitted by stockholders.

The Company's general criteria for the nomination of director candidates, include the following:

- the candidates' personal and professional ethics, integrity and values,
- mature judgment,
- management, accounting or finance, industry and technical knowledge,
- demonstrated skills in his/her area of present or past professional or business responsibility,
- an ability to work effectively with others,
- sufficient time to devote to the affairs of the Company and
- freedom from conflicts of interest.

The Nominating Committee and the Board seek to identify nominees for election to the Board who, taken together, create a Board with the collective knowledge and experience, derived from the skills and experience of its individual members in a variety of areas that are important to the Company, including industry knowledge and experience, executive management, finance and strategic planning. The information as to each director set forth above on pages 5-7 includes a description of the experience, qualification, attributes or skills that were considered by the Nominating Committee and Board to determine that the individual nominee should serve as a director of the Company.

The Nominating Committee has not adopted a formal policy with regard to the consideration of diversity in identifying director nominees.

Stockholder Nominees

The Nominating Committee will consider nominations submitted by stockholders. Any stockholder nominations proposed for consideration by the Nominating Committee should include the nominee's name and qualifications for Board membership and should be addressed

to:

Chair - Nominating Committee
NAPCO Security Technologies, Inc.
333 Bayview Ave.
Amityville, NY 11701
Attention: Secretary

Communications with the Board

You can contact any Director by writing to such Director:

c/o NAPCO Security Technologies, Inc.
333 Bayview Ave.
Amityville, NY 11701
Attention: Secretary

The Secretary will promptly forward any communication unaltered to the Director.

Policy With Respect to Related Person Transactions

It is the Company's policy, set forth in writing, not to permit any transaction in which the Company is a party and in which executive officers or directors, their immediate family members, or 5% shareholders have or will have a direct or indirect interest unless approved by the Audit Committee of the Board of Directors, other than

1. transactions available to all employees;

2. transactions involving compensation or business expense reimbursement approved by the Compensation Committee or by disinterested members of the Board of Directors; or

3. transactions involving less than $120,000 when aggregated with all similar transactions.

Any issues as to the application of this policy shall be resolved by the Audit Committee of the Board of Directors. A copy of our Statement of Policy with Respect to Related Person Transactions is available at the Company's website, www.napcosecurity.com, under the "Investors" caption.

AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors hereby reports as follows:

1. The Audit Committee has reviewed and discussed the Company's audited financial statements with the Company's management and representatives of Baker Tilly Virchow Krause, LLP ("Baker Tilly");

2. The Audit Committee has discussed with Baker Tilly the matters required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T; and

3. The Audit Committee has received from Baker Tilly the written disclosures and letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountants' communication with the Audit Committee concerning independence, and has discussed with Baker Tilly, Baker Tilly's independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's annual report on Form 10-K for the fiscal year ended June 30, 2018 filed with the Securities and Exchange Commission.

The Audit Committee:

Andrew J. Wilder, Chairman
Paul Stephen Beeber
Arnold Blumenthal

COMPENSATION OF DIRECTORS

The total fiscal year 2018 compensation of non-employee Directors is shown in the following table.

Director Compensation

Name	Fees Earned or Paid in Cash ($)[1]	Option Awards ($)[2]	All Other Compensation ($)	Total ($)
Paul Stephen Beeber	32,000	7,775	--	39,775
Randy B. Blaustein [3]	32,000	7,775	41,000	80,775
Arnold Blumenthal	32,000	7,775	--	39,775
Donna A. Soloway	28,000	7,775	--	35,775
Andrew J. Wilder	36,000	7,775	--	43,775

(1) Each director who is not an employee, other than Mr. Blaustein, receives $7,000 for each Board of Directors meeting attended. Mr. Blaustein receives $8,000 for each Board of Directors meeting which compensates him for his services as a director as well as for his service as Chair of the Compensation Committee. Mr. Wilder, as Chairman of the Audit Committee, receives $2,000 for each Audit Committee meeting attended and each of Messrs. Beeber and Blumenthal receives $1,000 for each Audit Committee meeting attended.

(2) Amounts reflect the share-based compensation expense recognized by the Company in the year ended June 30, 2018, in accordance with Statement of Financial Accounting Standards No. 123R. Assumptions used in the calculation of these amounts are included in footnote 7 to the Notes to Consolidated Financial Statements contained in the Company's Form 10-K for the year ended June 30, 2018.

At June 30, 2018, each of Messrs. Beeber, Blaustein and Blumenthal held outstanding options to purchase 4,800 shares of Common Stock of the Company, of which 2,000 were vested at June 30, 2018. Ms. Soloway held outstanding options to purchase 3,400 shares of Common Stock of the Company, of which 600 were vested at June 30, 2018. At June 30, 2018, Mr. Wilder held outstanding options to purchase 10,000 shares of Common Stock of the Company, of which 7,200 were vested at June 30, 2018.

(3) During the fiscal year ended June 30, 2018, the Company retained Mr. Blaustein as special counsel for certain general business and tax related matters. Fees for such services were $41,000.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely on a review of the Forms 3, 4 and 5 furnished to the Company with respect to the most recent fiscal year and written representations of the reporting person (as defined below), no person, who at any time during such fiscal year, was an officer, director, beneficial owner of more than ten (10%) percent of any class of equity securities of the Company or any other person subject to Section 16 of the Securities Exchange Act of 1934 ("reporting person"), failed to file on a timely basis one or more reports during such fiscal year except as follows: Paul Stephen Beeber, Randy B. Blaustein, Arnold Blumenthal, Donna Soloway and Andrew J. Wilder, each a Director, each filed one late Form 4 reporting the award of options to purchase 3,000 shares of Common Stock of the Company; Michael Carrieri, Senior Vice President of Engineering, filed three late Forms 4 reporting three exercises of stock options to purchase 5,000, 5,000 and 4,000 shares of Common Stock of the Company, and Mr. Carrieri and Jorge Hevia, Senior Vice President of Corporate Sales and Marketing, each filed one late Form 4 reporting the award of stock options to purchase 5,000 shares of Common Stock of the Company.

INFORMATION CONCERNING EXECUTIVE OFFICERS

Each executive officer of the Company holds office until the annual meeting of the Board of Directors and his successor is elected and qualified, or until his earlier death, resignation, or removal by the Board. The Company has adopted a Code of Ethics for directors and employees, including its executive officers. There are no family relationships between any director or officer of the Company, except Richard L. Soloway and Donna A. Soloway, his wife. The following table sets forth as of the date hereof the names and ages of all executive officers of the Company, all positions and offices with the Company held by them, and the period during which they have served in these positions.

Name and Age	Position and Office with the Company, Term of Office and Five-Year Employment History
Richard L. Soloway ... (72)	Chairman of the Board of Directors since October 1981; President and CEO since 1998; and Secretary since 1975.
Kevin S. Buchel..... (65)	Senior Vice President of Operations and Finance and CFO since April 1995; Treasurer since May 1998.
Jorge Hevia..... (60)	Senior Vice President of Corporate Sales and Marketing since May 1999; Vice President of Corporate Sales and Marketing from October 1998 to May 1999.
Michael Carrieri..... (60)	Senior Vice President of Engineering Development since May 2000; Vice President of Engineering Development from September 1999 to May 2000.

EXECUTIVE COMPENSATION

The Summary Compensation Table below sets forth compensation information for our Chief Executive Officer, our Chief Financial Officer and an additional two of our most highly compensated executive officers during fiscal years 2018 and 2017 of the Company.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Option Awards[1] ($)	All Other Compensation ($)	Total ($)
Richard L. Soloway, [2] Chairman of the Board of Directors, CEO, President and Secretary	2018	741,042	163,320	17,418	78,778	1,000,559
	2017	699,984	81,660	12,000	69,379	863,023
Kevin S. Buchel, [3] Senior Vice President of Operations and Finance, CFO and Treasurer	2018	307,086	40,000	11,744	12,305	371,135
	2017	298,141	20,000	6,160	12,865	337,166
Jorge Hevia, [3] Senior Vice President of Corporate Sales and Marketing	2018	331,175	40,000	11,744	13,752	396,671
	2017	321,529	20,000	6,160	13,529	361,218
Michael Carrieri, [3] Senior Vice President of Engineering Development	2018	298,552	40,000	11,744	11,321	361,617
	2017	289,856	20,000	6,169	11,863	327,888

(1) Amounts reflect the share-based compensation expense recognized by the Company in the fiscal years ended June 30, 2018 and June 30, 2017, in accordance with Statement of Financial Accounting Standards No. 123R. Assumptions used in the calculation of these amounts are included in footnote 7 to the Notes to Consolidated Financial Statements contained in the Company's Form 10-K for the year ended June 30, 2018.

(2) All other compensation for Mr. Soloway for fiscal 2018 includes payment of health and life insurance premiums of $27,033 and automobile expenses of $44,951. All other compensation for Mr. Soloway for fiscal 2017 included payment of health and life insurance premiums of $26,883 and automobile expenses of $39,796.

(3) All other compensation for Messrs. Buchel and Hevia includes payment of life insurance premiums and automobile expenses.

Outstanding Equity Awards at Fiscal Year-End

	Option Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Richard L. Soloway	0	2,000[1]	4.807	10/19/24
	1,000	4,000[2]	9.625	12/14/27
Kevin S. Buchel	0	1,000[3]	4.370	10/19/24
	1,000	4,000[2]	8.75	12/14/27
Michael Carrieri	0	1,000[3]	4.370	10/19/24
	1,000	4,000[2]	8.75	12/14/27
Jorge Hevia	1,000	--	4.88	9/8/23
	1,000	1,000[3]	4.370	10/19/24
	1,000	4,000[2]	8.75	12/14/27

(1) Options as to 2,000 shares vest on October 20, 2018.

(2) Options as to 1,000 shares vest on December 14 in each of 2018, 2019, 2020 and 2021.

(3) Options as to 1,000 shares vest on October 20, 2018.

Employment Agreements and Potential Payments Upon Termination or Change in Control

The Company has an employment agreement with each of Richard L. Soloway, Jorge Hevia and Michael Carrieri. The agreement with Mr. Soloway, entered into on June 26, 2003, is for a five year period, and then year to year unless notice of termination is given at least six months prior to the end of the then applicable term. The Agreement provides for a minimum annual salary to be adjusted for inflation and discretionary annual incentive compensation. Mr. Soloway's agreement contains non-compete restrictions during his employment and for one year after termination for any reason. The agreement also provides for termination payments to Mr. Soloway upon death, disability, termination by the Company other than for Cause, as defined, termination by Mr. Soloway for Good Reason, as defined, and termination by Mr. Soloway in the event of a change in control. In the event of death, the termination payment equals one year's salary payable over one year plus a bonus calculated on a pro rata basis through the end of the fiscal quarter immediately preceding death. In the event of disability, the Company must pay Mr. Soloway an amount equal to 60% of his annual salary through the term of the agreement plus his bonus on a pro rata basis through the end of the fiscal quarter preceding the sixth month of his disability. In the event the Company terminates Mr. Soloway other than for Cause or if Mr. Soloway terminates for Good Reason, the Company must pay Mr. Soloway, in a lump sum, an amount equal to three times his annual salary plus the bonus paid to him for the year prior to his termination. If during the term there should be a change in control, then Mr. Soloway is entitled to terminate his employment, and the Company is required to pay him, an amount equal to 299% of the average of the prior five calendar years' total compensation, subject to certain limitations. The Company's option plans provide for the accelerated vesting of unvested options upon a change in control.

Had Mr. Soloway's employment terminated on June 30, 2018 after a change in control, the Company would have been required to pay him $2,700,538 pursuant to his employment agreement. In addition, assuming a change of control on June 30, 2018, vesting of options to purchase 6,000 shares of Common Stock of the Company would have been accelerated. The value of such accelerated options would have been $39,786 based upon the closing price per share of $14.65 of the Company's Common Stock on the NASDAQ Global Market on June 30, 2018.

Under such agreement, had Mr. Soloway's employment terminated on June 30, 2018 on account of (i) death, (ii) disability or (iii) by the Company other than for Cause, or by Mr. Soloway for Good Reason, the Company would have been required to pay him $904,362, $444,625 and $2,713,087, respectively.

Mr. Hevia's agreement, as amended, terminates in October 2020 and provides for an annual salary of $334,000 and for a bonus arrangement for fiscal 2018 based upon a scale of increased 2018 fiscal year net sales volume over 2017 net sales volume. Mr. Hevia's agreement, as amended, provides for payment equal to nine months of salary and six months of health insurance in the event of a non-voluntary termination of employment without cause or upon a change in control of the Company. Had either of such events occurred on June 30, 2018, the Company would have been required to pay him $331,175.

Mr. Carrieri's agreement, as amended, terminates in August 2020 and provides for an annual salary of $302,000 and for a bonus arrangement for fiscal 2018 based upon a scale of increased 2018 fiscal year net sales volume over 2017 net sales volume. Mr. Carrieri's agreement, as amended, provides for payment equal to nine months of salary and six months of health insurance in the event of a non-voluntary termination of employment without cause or upon a change in control of the Company. Had either of such events occurred on June 30, 2018, the Company would have been required to pay him $298,552.

In addition, the Company has a severance agreement with Kevin S. Buchel providing for payments equal to nine months of salary and six months of health insurance in the event of a non-voluntary termination of employment without cause or upon a change of control of the Company. Had Mr. Buchel's employment been terminated on June 30, 2018 non-voluntarily without cause, the Company would have been required to pay him $307,086 pursuant to such severance agreement. Mr. Buchel's bonus arrangement for fiscal 2018 was based on increased 2018 fiscal year net sales and net income over 2017 fiscal year net sales and net income.

In the event of a change of control on June 30, 2018, vesting of options to purchase 5,000 shares of Common Stock of the Company would have been accelerated for each of Messrs. Hevia, Buchel and Carrieri. The value of such accelerated options would have been $33,880 for each of Messrs. Hevia, Buchel and Carrieri, based upon the closing price per share of $14.65 of the Company's Common Stock on the NASDAQ Global Market on June 30, 2018.

Each of the severance agreements with Mr. Hevia, Mr. Carrieri and Mr. Buchel contains non-compete restrictions for three years after the employee's termination of employment.

Advisory Vote to Approve Named Executive Officer Compensation and on Frequency of Future Votes on Executive Compensation

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") enacted in 2010 and Section 14A of the Securities and Exchange Commission Act of 1934 (the "Exchange Act") require that the Company provide its stockholders with the opportunity to vote to approve, on a nonbinding, advisory basis, the compensation of its named executive officers as disclosed in the Company's proxy statement in accordance with the compensation disclosure rules of the Securities and Exchange Commission.

At the 2013 Annual Meeting, stockholders of the Company voted to conduct future advisory votes on executive compensation pursuant to The Dodd-Frank Wall Street Reform and Consumer Protection Act and Section 14A of the Securities Exchange Act of 1934 every three years. Stockholders will have an opportunity to next vote to approve on a non-binding advisory basis the compensation of the Company's named executive officers and to vote on a non-binding advisory basis on the frequency of future votes on executive compensation at the 2019 Annual Meeting of Stockholders.

BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table, together with the accompanying footnotes, sets forth information as of October 24, 2018, regarding the beneficial ownership (as defined by the Securities and Exchange Commission) of Common Stock of the Company of (a) each person known by the Company to own more than five percent of the Company's outstanding Common Stock, (b) each director of the Company (c) each executive officer named in the Summary Compensation Table, and (d) all executive officers and directors of the Company as a group.

Beneficial Owner	Amount and Nature of Beneficial Ownership [1]	Percent of Common Stock [2]
Richard L. Soloway c/o the Company 333 Bayview Avenue Amityville, NY 11701	6,240,055	33.5%
Alexander Capital Advisors LLC 125 Elm Street New Canaan, CT 06840[3]	1,501,335	8.1%
Kevin S. Buchel	295,787	1.6%
Jorge Hevia	189,955	1.0%
Michael Carrieri	118,626	*
Randy B. Blaustein	108,836	*
Andrew J. Wilder	81,720	*
Donna A. Soloway	36,994	*
Arnold Blumenthal	12,119	*
Paul Stephen Beeber	5,400	*
All executive officers and directors as a group (9 in number)[4]	7,089,492	38.1%

* Less than 1%

[1] This number includes the number of shares that a person has a right to acquire within sixty (60) days (Soloway – 4,600, Buchel – 2,800, Hevia – 4,800, Carrieri – 2,800, Wilder – 7,600, Blaustein – 2,400, D. Soloway – 1,000, Blumenthal – 2,400, and Beeber – 2,400).

[2] Percentages for each person or the group are computed on the basis of 18,611,314 shares of Common Stock outstanding on October 24, 2018, plus the number of shares that such person or group has the right to acquire within sixty (60) days. Except as otherwise noted, persons named in the table and footnotes have sole voting and investment power with respect to all shares of Common Stock reported as beneficially owned by them.

[3] Based on information set forth in Form 13G/A filed with the Securities and Exchange Commission reporting beneficial ownership as of December 31, 2017. According to the filing, Alexander Capital Advisors LLC has sole power to vote or direct the vote of 538,350 shares and the sole power to dispose or direct the disposition of 1,501,335 shares.

[4] This number of shares includes (i) 7,058,692 shares as to which officers and directors have sole voting and investment power, and (ii) 30,800 shares that officers and directors have the right to acquire within sixty (60) days.

Item 2. ***Proposal to Ratify the Selection of Independent Registered Public Accountants***

Baker Tilly served as the Company's independent registered public accountants since fiscal 2013. Subject to ratification by our stockholders at the Annual Meeting, it has been selected to serve as our independent registered public accountants for fiscal 2019. Baker Tilly's predecessor, Holtz Rubenstein Reminick LLP ("HRR"), audited our financial statements from fiscal 2009 to fiscal 2012. A representative of Baker Tilly will be present at the annual meeting, with an opportunity to make a statement if he or she desires to do so, and will be available to respond to appropriate questions.

If the selection of Baker Tilly is not ratified, or if before the next Annual Meeting of Stockholders it declines to act or otherwise becomes incapable of acting, or if its engagement is otherwise discontinued by the Audit Committee, the Audit Committee will appoint other independent registered accountants whose engagement for any period after the next Annual Meeting will be subject to stockholder approval at that meeting.

Principal Accountant Fees

The fees billed for professional services for fiscal years 2018 and 2017 by Baker Tilly for professional services were as follows:

	Fiscal Year 2018	Fiscal Year 2017
Audit Fees [1]	$350,000	$283,750
Audit Related Fees	-	-
Tax Fees	-	-
All Other Fees [2]	17,500	16,500

[1] Includes audit of financial statements, SAS 100 reviews and consultations for 2018 and 2017, and audit of internal controls for 2017 and 2018. The fiscal year 2018 amount includes $50,000 of additional billings as part of the 2017 consolidated financial statement audit.

[2] Includes services related to the audit of the Company's employee benefit plan for the plan years ended December 31, 2018 and 2017, respectively.

The Audit Committee has considered whether the provision of the services described above under the headings "All Other Fees" is compatible with maintaining the auditor's independence and determined that it is. In fiscal years 2018 and 2017, 100% of "All Other Fees" were approved by the Audit Committee.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors

The Audit Committee specifically pre-approves all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. Pre-approval may be provided for up to one year. Each pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent auditors and management are required to periodically report to the Audit Committee regarding the services provided by the independent auditors in accordance with this pre-approval, and the fees for the services performed to date.

Item 3: ***Consideration of Approval of the Adoption of the NAPCO Security Technologies, Inc. 2018 Non-Employee Stock Option Plan***

The Board of Directors recommends the approval of the adoption of the NAPCO Security Technologies, Inc. 2018 Non-Employee Stock Option Plan (the "2018 Non-Employee Plan") under which options to purchase a total of 50,000 shares of the Company's Common Stock will be made available for grants. At this time no additional options are available for grant under the 2012 Non-Employee Stock Option Plan ("2012 Non-Employee Plan"). Currently there are an aggregate of 27,800 shares of Common Stock subject to outstanding options under the 2012 Non-Employee Plan. The Board of Directors believes it to be in the best interest of the Company to adopt the 2018 Non-Employee Plan to have available sufficient options to provide additional incentives for non-employee directors and consultants to the Company or its subsidiaries to promote the success of the business. Accordingly, the Board of Directors has adopted the 2018 Non-Employee Plan, subject to approval by stockholders, and recommends that the stockholders approve its adoption.

The full text of the 2018 Non-Employee Plan is attached to this Proxy Statement as Appendix A. The following is a summary of the major provisions of the 2018 Non-Employee Plan and is qualified in its entirety by the full text of the 2018 Non-Employee Plan.

Purpose of the Plan

The 2018 Non-Employee Plan is intended to encourage ownership of Common Stock of the Company by non-employee directors and consultants of the Company and its subsidiaries and to provide additional incentives for them to promote the success of the Company by permitting the Company to grant to such non-employee directors and consultants options to purchase shares of Common Stock of the Company.

Stock Subject to the Plan

There will be reserved for issuance upon the exercise of options granted under the 2018 Non-Employee Plan an aggregate of 50,000 shares of Common Stock of the Company, par value $.01 per share. If any options granted expire or terminate without being exercised, the shares covered thereby will be added back to the shares reserved for issuance. The 2018 Non-Employee

Plan contains certain anti-dilution provisions relating to the stock dividends, stock splits and the like.

Administration of the Plan

The 2018 Non-Employee Plan will be administered by the Board of Directors. The Board will have the full power to grant options, to determine the persons eligible to receive such options, and to determine the amount, type and terms and conditions of each such option.

Eligibility

Options may be granted to non-employee directors and consultants of the Company or a subsidiary of the Company (presently approximately five (5) in number).

No determination has yet been made as to the non-employee directors and consultants to whom options will be granted in the future or as to the total number of non-employee directors and consultants who may be selected in the future to receive options under the 2018 Non-Employee Plan.

Option Price

The purchase price of each share of Common Stock under any option will be established by the Board provided, however, the exercise price will not be less than the fair market value of the Common Stock at the time of the grant of such option.

The exercise price is to be paid in full at the time of exercise (i) in good funds, or (ii) if the Board determines, by delivery of shares of Common Stock of the Company (valued at their then fair market value), or (iii) if the Board determines and subject to any restrictions or conditions as it deems appropriate, by electing to have the Company withhold from the shares issuable upon exercise of the Option such number of shares of Common Stock as shall have an aggregate fair market value on the date of exercise equal to the exercise price, or (iv) by a combination of (i) and (ii) or (i) and (iii) above.

The last sale price of the Common Stock of the Company reported on the NASDAQ Stock Market, Global Market System on October 24, 2018 was $13.75 per share.

Term of Option

Each Option shall expire as the Board shall determine, provided, that in no event shall an option be exercisable after the expiration of ten (10) years from the grant thereof.

Exercise of Options

Each Option shall be exercisable immediately as to 20% and as to an additional 20% on each of the four anniversary dates of grant. An option granted under the 2018 Non-Employee Plan shall vest in full upon a "change in control" as defined in the 2018 Non-Employee Plan.

Early Termination of Options

If an optionee ceases to be a member of the Board or a consultant to the Company or its subsidiaries other than upon such optionee's death, his or her options terminate immediately. The estate of a deceased optionee may exercise the decedent's options within three months after the death of the optionee, to the extent exercisable at the time of death.

Amendments to the Plan

The Board of Directors may at any time terminate or modify or suspend the 2018 Non-Employee Plan, provided that no such termination, modification or suspension shall adversely affect any rights or obligations of the holder of any then outstanding option, and further provided that no such modification, without the approval of the stockholders shall (i) modify the eligibility requirements for participation, (ii) increase the maximum number of shares as to which options may be granted, (iii) extend the term of the plan beyond October 22, 2028, (iv) permit a repricing (or decrease in exercise price) of outstanding options, or (v) permit any expansion in the types of options provided under the 2018 Non-Employee Plan.

Federal Income Tax Consequences

The following is a brief summary of the Federal income tax aspects of grant and exercise of options, and the disposition of shares of Common Stock purchased pursuant to the exercise of options, under the 2018 Non-Employee Plan. The summary reflects the current provisions of the Code and the regulations thereunder, is not intended to be exhaustive and does not describe state or local tax consequences.

No tax obligation will arise for the optionee or the Company upon the granting of stock options under the Plan. Upon exercise of a stock option, an optionee will recognize ordinary income in an amount equal to the excess, if any, of the fair market value, on the date of exercise, of the stock acquired over the exercise price of the option. Thereupon, the Company will be entitled to a tax deduction in an amount equal to the ordinary income recognized by the optionee. Any additional gain or loss realized by an optionee on disposition of the shares generally will be capital gain or loss to the optionee and will not result in any addition tax deduction to the Company.

Term of the Plan

The 2018 Non-Employee Plan will terminate on October 22, 2028 and no options may be granted under the 2018 Non-Employee Plan after that date.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE PROPOSAL TO ADOPT THE 2018 NON-EMPLOYEE STOCK OPTION PLAN.

EQUITY COMPENSATION PLAN INFORMATION
As of June 30, 2018

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options (A)	Weighted Average Exercise Price of Outstanding Options (B)	Number of Securities Remaining Available for Future Issuance (Excluding Securities Reflected in Column A) (C)
Equity compensation plans approved by security holders			
2012 Employee Stock Option Plan	57,200	$7.09	821,900
2012 Non-employee Stock Option Plan	27,800	6.85	-0-
Equity compensation plans not approved by security holders	-	-	-
Total	85,000	7.01	821,900

Of the stock options granted under the 2012 Employee Stock Option Plan and the 2012 Non-Employee Stock Option Plan that were outstanding as of June 30, 2018, as of the Record Date, 2,500 options were exercised, none had expired or terminated by their terms and options to purchase 20,000 shares were granted under the 2012 Employee Stock Option Plan. With respect to the 102,500 stock options that remained outstanding as of the Record Date, the weighted average exercise price is $9.20 and the weighted average remaining term is 7.7 years.

SUBMISSION OF FUTURE STOCKHOLDER PROPOSALS AND NOMINATION OF DIRECTORS

From time to time stockholders present proposals that may be proper subjects for inclusion in the Proxy Statement and for consideration at an annual meeting. Stockholders who intend to present proposals at the 2019 Annual Meeting, and who wish to have such proposals included in the Company's Proxy Statement for the 2019 Annual Meeting, must be certain that such proposals are received by the Company's Secretary at the Company's executive offices, 333 Bayview Avenue, Amityville, New York 11701, not later than June 29, 2019. Such proposals must meet the requirements set forth in the rules and regulations of the Securities and Exchange Commission in order to be eligible for inclusion in the Proxy Statement. Stockholders who intend to present a proposal at the 2019 Annual Meeting but who do not wish to have such proposal included in the Company's Proxy Statement for such meeting must be certain that notice of such proposal is received by the Company's Secretary at the Company's executive offices not later than September 14, 2019.

Pursuant to the Company's by-laws, any nominations for director by a stockholder must be delivered or mailed to and received by the principal executive offices of the Company not less than sixty (60) days prior to the date of meeting.

EXPENSES OF SOLICITATION

The Company will bear all costs in connection with the solicitation by the Board of Directors of proxies for the Meeting. The Company intends to request brokerage houses, custodial nominees and others who hold stock in their names to solicit proxies from the persons who beneficially own such stock. The Company will reimburse brokerage houses, custodial nominees and others for their out-of-pocket expenses and reasonable clerical expenses. It is estimated that these expenses will be nominal. In addition, officers and employees of the Company may solicit proxies personally or by telephone, telegram or letter; they will receive no extra compensation for such solicitation.

Dated: October 29, 2018

By Order of The Board of Directors

Richard L. Soloway, Secretary

Upon the written request of any stockholder of the Company, the Company will provide to such stockholder a copy of the Company's Annual Report on Form 10-K for 2018, including the financial statements and the schedules thereto, filed with the Securities and Exchange Commission. Any such request should be directed to Secretary, NAPCO Security Technologies, Inc., 333 Bayview Avenue, Amityville, New York 11701. There will be no charge for such report unless one or more exhibits thereto are requested, in which case the Company's reasonable expenses of furnishing such exhibits may be charged.

All stockholders are urged to fill in, sign and mail the enclosed proxy promptly whether or not you expect to attend the meeting. If you are mailing your Proxy, kindly do so sufficiently in advance of the meeting date so that it will be received in time to be counted at the meeting.

Appendix A

NAPCO SECURITY TECHNOLOGIES, INC.

2018 NON-EMPLOYEE STOCK OPTION PLAN

1. Purpose of the Plan. This 2018 Non-Employee Stock Option Plan (hereinafter referred to as the "Plan") is intended to encourage ownership of stock of NAPCO Security Technologies, Inc. (hereinafter referred to as the "Company") by non-employee directors and consultants of the Company and its subsidiaries, if any, and to provide additional incentive for them to promote the success of the Company. As used in the Plan, the term "subsidiary" shall have the same meaning as the term "subsidiary corporation" defined in Section 424(f) of the Internal Revenue Code of 1986, as amended (the "Code"). All options granted under the Plan shall be non-qualified stock options and do not qualify as incentive stock options within the meaning of Section 422 or any successor section of the Code.

2. Scope of the Plan. Fifty Thousand (50,000) shares of the Company's Common Stock, par value $.01 per share (hereinafter referred to as "Common Stock"), shall be available and reserved for issuance under the Plan subject, however, to the provisions of Section 10 hereof. Shares issued under the Plan may be, in whole or in part, as determined by the Board, authorized but unissued shares of Common Stock or treasury shares. If an option should expire or terminate for any reason without having been exercised in full, the unpurchased shares that were subject thereto shall, unless the Plan shall have terminated, become available for other options under the Plan. Common Stock shall not be issued in respect of an option granted under the Plan unless the exercise of such option and the issuance and delivery of shares of Common Stock pursuant thereto shall comply with all relevant provisions of law, including the Securities Act of 1933, as amended, the rules and regulations thereunder, the Securities Exchange Act of 1934, as amended, the rules and regulations thereunder, and the requirements of any stock exchange upon which the Common Stock may then be listed.

3. Administration of the Plan. The Plan shall be administered by the Board of Directors of the Company. The Board of Directors shall have the full power to grant options under the Plan, to construe and interpret the Plan, and to establish rules and regulations and perform all other acts it believes reasonable and proper, including the authority to delegate responsibilities to others to assist in administering the Plan. The determination of those eligible to receive options, and the amount, type and terms and conditions of each stock option shall rest in the sole discretion of the Board of Directors, subject to the provisions of the Plan.

4. Eligibility. Options may be granted only to non-employee directors serving on the Board of Directors of the Company or any subsidiary and to non-employee consultants serving the Company or any subsidiary.

5. Option Price. The purchase price to be paid for Common Stock issued pursuant to the exercise of any option granted under the Plan shall be not less than the fair market value of such stock on the date the option is granted as provided in Section 12 hereof (but in no event less than the par value of the Common Stock), and shall not thereafter be subject to reduction except as provided in Section 10 hereof. For purposes of the Plan, the fair market value of a share of Common Stock on a particular date shall be equal to the last reported sales price of the Common Stock (i) reported by the NASDAQ Stock Market Global Market System on that date or (ii) if the Common Stock is listed on a national stock exchange, reported on the stock exchange composite tape on that date; or, in either case, if no prices are reported on that date, on the last preceding date on which such price of the Common Stock is so reported. If the Common Stock is traded over the counter at the time a determination of its fair market value is required to be made hereunder, its fair market value shall be deemed to be equal to the average between the reported high and low or closing bid and asked prices of Common Stock on the most recent date on which Common Stock was publicly traded. In the event Common Stock is not publicly traded at the time a determination of its value is required to be made hereunder, the determination of its fair market value shall be made by the Board in such manner as it deems appropriate.

6. Term of Options. The Board shall establish the term of any option granted under the Plan provided however that no option shall be exercisable after the expiration of ten (10) years from the date of grant of the option.

7. Non-Transferability of Options. An option granted under the Plan shall by its terms not be transferable and an option may be exercised, during the lifetime of the holder of the option, only by such holder; provided however, an option may be transferred by will or the laws of descent and distribution, to the estate of a deceased option holder, and such option may be exercised by the estate's legal representative within three (3) months of the date of death. More particularly, but without limiting the generality of the foregoing, and subject to the preceding sentence, an option may not be assigned, transferred, pledged, or hypothecated in any way (whether by operation of law or otherwise), and will not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of any option contrary to the provisions of the Plan, and any levy of any attachment or similar process upon an option will be null and void and without effect.

8. Exercise of Options. Except as hereinafter provided in this Section 8 and in Section 9, options may be exercised within the year of grant with respect to no more than twenty percent (20%) of the total number of shares of Common Stock subject to such grant. Thereafter, during each succeeding year beginning on an anniversary date, options with respect to an additional twenty percent (20%) of the total number of shares subject to a grant may be exercised. However, no option shall be exercisable after the expiration of the term of the option. Moreover, except as provided herein, an option shall not be exercisable unless the holder thereof shall, at the time of exercise, be a non-employee director of the Company or a consultant of the Company or a subsidiary.

Notwithstanding anything herein to the contrary, such holder's options will vest and become immediately exercisable in full upon a change in control. For purposes of this Plan, a "change in control" shall mean:

(i) either (x) any merger or consolidation of the Company into or with another corporation, (y) the acquisition by another person, group or entity after the date hereof of beneficial ownership of more than 25% of the Common Stock of the Company (such person, group or entity reporting, or being required to report, the acquisition pursuant to Section 13 of the Securities Exchange Act of 1934), or (z) the commencement of a non-issuer tender offer seeking to acquire more than 25% of the Common Stock of the Company, or

(ii) any sale by the Company of substantially all of the assets and business of the Company for cash, stock, or any combination thereof, unless, immediately after such sale, the holders of Common Stock of the Company immediately prior to such sale own more than 50% or more of the voting capital stock of the acquiring corporation or, if the acquiring person or entity is not a corporation, more than 50% of the voting equity interests of such acquiring person or entity, or

(iii) if a majority of the Company's Board of Directors consists of individuals who were not Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of the Company as of the date hereof, or (B) are elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination.

The purchase price of any shares as to which an option shall be exercised shall be paid in full at the time of exercise. Payment may be made:

(i) in United States dollars by good check, bank draft or money order payable to the order to the Company; or

(ii) at the discretion of the Board as set forth in the option grant or at any time prior to the exercise by an option holder by transfer to the Company of shares of Common Stock owned by the holder of the option having an aggregate fair market value on the date of exercise equal to the purchase price of the portion thereof being paid; or

(iii) at the discretion of the Board and subject to any restrictions or conditions as it deems appropriate (including any restrictions as may be set forth in Rule 16b-3 under the Securities and Exchange Act of 1934), by electing to have the Company withhold from the shares issuable on exercise of the option such number of shares of Common Stock as shall have an aggregate fair market value on the date of exercise equal to the purchase price or the portion thereof being paid; or

(iv) at the discretion of the Board by a combination of (i) and (ii) or (i) and (iii) above.

The Board shall determine the procedures for the use of Common Stock in payment of the purchase price and may impose such limitations and prohibitions on such use as it deems appropriate.

The holder of an option shall not have any of the rights of a stockholder with respect to the shares covered by his option until such shares shall have been issued to him (as evidenced by the appropriate entry on the books of a duly authorized transfer agent of the Company) upon the purchase of such shares upon exercise of the option.

9. Exercise Upon Cessation of Relationship With Company. Except as provided in Sections 7 and 8 above, the right of a non-employee director who holds an option to exercise such option shall terminate immediately upon termination of service as a non-employee director and the right of a consultant who holds an option to exercise such option shall terminate immediately upon termination of service as a consultant to the Company or its subsidiaries upon dismissal, death or otherwise.

10. Adjustments.

(a) In the event of a recapitalization, stock split, stock combination, stock dividend, exchange of shares, or a change in the corporate structure or shares of the Company, or similar event, the Board shall make appropriate adjustments in the kind or number of shares which may be issued upon exercise of options and in the kind or number of shares issuable upon exercise of options theretofore granted and in the exercise price of such options.

(b) If the Board shall be a party to a merger or consolidation or shall sell substantially all its assets, each outstanding option shall pertain and apply to the securities and/or property which a holder of the number of shares of Common Stock subject to the option immediately prior to such merger, consolidation, or sale of assets would be entitled to receive in such merger, consolidation or sale of assets.

11. Effectiveness of the Plan. The Plan shall become effective as of October 23, 2018, but shall be subject to approval by the holders of Common Stock at a meeting of stockholders of the Company duly called and held no later than twelve months after the date of adoption of the Plan by the Board of Directors.

12. Time of Granting Options. The date of grant of an option under the Plan shall, for all purposes, be the date on which the Board makes the determination granting such option; and no grant shall be deemed effective under the Plan prior to such date. Notice of the determination shall be given to each optionee to whom an option is so granted within a reasonable time after the date of such grant.

13. Termination and Amendment of the Plan. The Plan shall terminate ten (10) years from the date on which it is adopted by the Board of Directors. Prior thereto, the Board of Directors may terminate the Plan at any time; provided, however, that any such termination shall not affect any options then outstanding under the Plan. No options under the Plan may be granted after termination of the Plan.

The Board of Directors from time to time may make such modifications or amendments of the Plan and, with the consent of the holder of an option, of the terms and conditions of his option, as it shall deem advisable, but may not, without further approval of the stockholders of the Company, except as provided in Section 10 hereof (a) increase the maximum number of shares which shall be available and reserved for issue under the Plan, (b) change the class of individuals eligible to receive options, (c) extend the term of the Plan beyond the period provided in this Section 13, (d) permit a repricing (or decrease in exercise price) of outstanding options, or (e) expand the types of options or awards provided under the Plan.

Neither the termination nor any modification or amendment of the Plan shall, without the consent of the holder of an option theretofore granted under the Plan, adversely affect the rights of such holder with respect to such option.

14. Section 16 of the Securities Exchange Act of 1934. It is intended that the Plan and any grant of an option made to a person subject to Section 16 of the 1934 Act meet all requirements of Rule 16b-3. If any provision of the Plan or any such option would disqualify the Plan or such option under, or would otherwise not comply with, Rule 16b-3, such provision or option shall be construed or deemed amended to conform to Rule 16b-3.

Important Notice Regarding Internet Availability of Proxy Materials for the Annual Meeting of Stockholders. The 2018 Proxy Statement and the 2018 Annual Report to Stockholders are available at http://www.napcosecurity.com/2018annualmeeting.pdf.

Proxy for the 2018 Annual Meeting of Stockholders of NAPCO SECURITY TECHNOLOGIES, INC.

333 Bayview Avenue, Amityville, New York 11701

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PROXY

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

NAPCO SECURITY TECHNOLOGIES, INC.

333 Bayview Avenue
Amityville, New York 11701

The undersigned appoints Richard L. Soloway and Kevin S. Buchel, and each of them, as proxies, each with the power to appoint his substitute, and authorizes each of them to represent and to vote, as designated on the reverse hereof, all of the shares of common stock of NAPCO Security Technologies, Inc. held of record by the undersigned at the close of business on October 24, 2018 at the Annual Meeting of Stockholders of NAPCO Security Technologies, Inc. to be held on December 11, 2018, or at any adjournment thereof.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS INDICATED. IF NO CONTRARY INDICATION IS MADE, THE PROXY WILL BE VOTED IN FAVOR OF ELECTING THE THREE NOMINEES TO THE BOARD OF DIRECTORS, AND IN FAVOR OF PROPOSALS 2 AND 3, AND IN ACCORDANCE WITH THE JUDGMENT OF THE PERSONS NAMED AS PROXY HEREIN ON ANY OTHER MATTERS THAT MAY PROPERLY COME BEFORE THE ANNUAL MEETING. THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS.

Continued, and to be marked, dated and signed on the reverse side

YOUR VOTE IS IMPORTANT. PLEASE VOTE TODAY

NAPCO® SECURITY TECHNOLOGIES, INC.

2018 Annual Meeting of Stockholders

December 11, 2018
12:00 P.M. local time

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

Please Be Sure To Mark, Sign, Date and Return Your Proxy Card in the Envelope Provided

▲ FOLD HERE • DO NOT SEPARATE • INSERT IN ENVELOPE PROVIDED ▲

PROXY

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSALS 1, 2 AND 3.

Please mark your votes like this **X**

1. ELECTION OF DIRECTORS

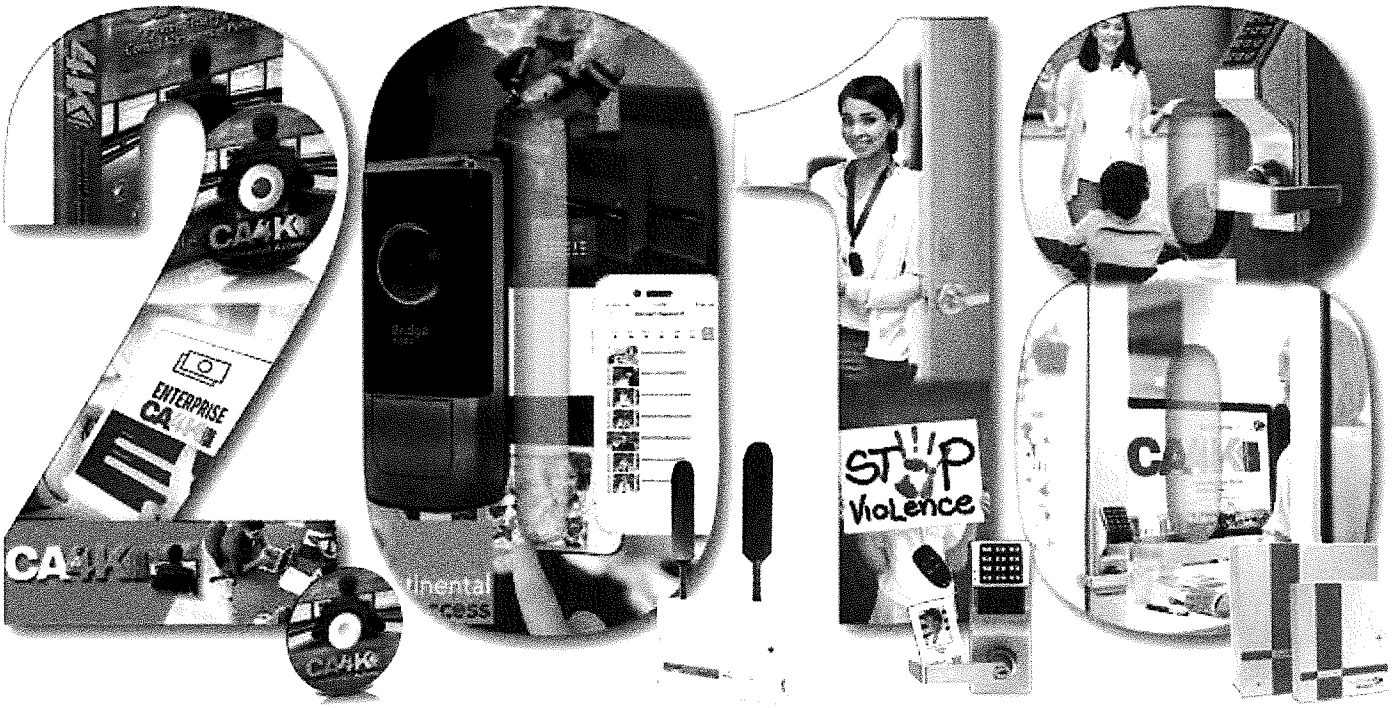
	FOR	WITHHOLD
(1) **Paul Stephen Beeber**	☐	☐
(2) **Randy Blaustein**	☐	☐
(3) **Donna Soloway**	☐	☐

	FOR	AGAINST	ABSTAIN
2. RATIFICATION OF BAKER TILLY VIRCHOW KRAUSE, LLP AS THE COMPANY'S 2019 INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS	☐	☐	☐
3. APPROVAL OF ADOPTION OF THE 2018 NON-EMPLOYEE STOCK OPTION PLAN	☐	☐	☐

CONTROL NUMBER

Signature_____ **Signature, if held jointly**_____ **Date**_____, **2018.**

Note: Please sign exactly as name appears hereon. When shares are held by joint owners, both should sign. While signing as attorney, executor, administrator, trustee, guardian, or corporate officer, please give title as such.



2018 ANNUAL REPORT

Another Record-Breaking Year

Featuring: Recurring Revenue and School Safety Products & Security Growth
80% Commercial Sales

NAPCO
SECURITY TECHNOLOGIES, INC.

NASDAQ:NSSC

NAPCO Security Technologies, Inc.

Total Security Solution for Wireless Locking, Access Control & Alarms

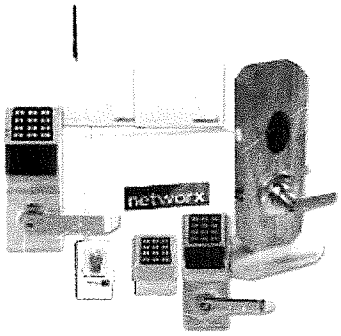
Security & Fire Systems plus Cell/IP Alarm Reporting

NAPCO

Complete Platform: Access, Wireless Locking & Security Management

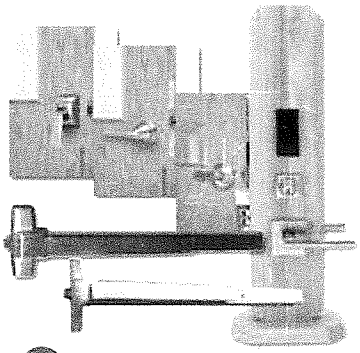
Continental Access

Wireless Locking & Standalone Access & Egress



ALARM LOCK

Architectural Door Hardware, Locks, Lifesafety & Exit Trim



MARKS USA

NAPCO Security Technologies, Inc. provides commercial and residential security through a professional dealer network of more than 10,000 security dealers, integrators, locksmiths and contractors worldwide. Its innovative, synergistic products and technologies, provide solutions in three main categories: alarms and connectivity, locking and access control and surveillance.

One of NAPCO's strong growth drivers is recurring revenue services from its cellular communicator - and connected home/business-brands. Among the fastest growing brands in its class, NAPCO StarLink® Alarm Communicators report alarm signals, now on the LTE® network, universally from any brand of security system, in lieu of telephone landlines and older cell networks, both rapidly disappearing. StarLink® is a proven go-to solution, ideal for all installed and new alarm systems, available for residential, as well as commercial fire alarm reporting. It checks all the boxes, as it is easy to install, economical and dependably uses today's leading cyber-protected networks, protecting security consumers and dealers' account bases and valuation.

Answering the needs of cellular-centric home- & business-owners, StarLink Connect® is a cell communicator/ automation hub, used to update any of the millions of existing alarm systems out there (any brand). It provides iBridge® Connected Services, accessible from any smart phone/tablet via a new iBridge App, integrating security, video and smart automation. Complementary products, include the new matching iBridge Wall-Mount IoT Touchscreen and new iBridge Video Doorbell. All feature integrated Messenger™ SMS/MMS text and video alerts. iBridge offers dealers value-added services to add to any subscriber's system, old and new accounts, providing incremental Recurring Monthly Revenue for both the installer and the Company.

A long-time trusted source in some of the largest school districts and leading colleges and universities across the country, NAPCO and its divisions, Alarm Lock®, Continental Access®, and Marks USA®, continue to evolve and expand their LocDown™ security solutions, to fit any classroom, campus and budget. From enterprise access control systems with integrated access control, locks, alarms, video and visitor-/ threat-management to award-winning wireless networked access locks with built-in ID readers and keyfob-control; or LocDown™ mechanical locks that lock from inside the classroom, the Company makes the scalable solutions needed to safeguard schools, students and staffers. In this same vertical, NAPCO Commercial™ security systems have gained considerable traction providing intrusion and lifesafety protection in new addressable and wireless systems and upgrade applications.

Based on the continued popularity and strengths of Alarm Lock's® Trilogy Networx® Access Lock Platform, teamed with Marks'® wide array of architectural hardware, the Company created the new décor-friendly ArchiTech™ Series Designer Wireless Access Control line, designed with the proven functionality for traditional corporate, healthcare and educational campuses, plus new customizable aesthetics to satisfy even the most discriminating multi-dwelling residential buildings. These locks also offer a smartphone app paired with Bluetooth LE technology, for ultimate keyless user convenience and compromise-free security. Additionally, ArchiTech™ Locks are seamlessly integrated with several top enterprise class platforms, including Continental's® flagship CA4K® system, providing interoperable global control, real-time access, video and visitor management and a host of robust server-based advantages.

(NASDAQ:NSSC)

CEO Letter to Shareholders

Dear Fellow Shareholders,

Fiscal 2018 was another record-breaking year for NAPCO, as the Company continues to transform itself into a highly diversified enterprise, achieving steady and profitable growth with technology-driven solutions embraced by thousands of security professionals.

I am pleased to report record sales of $91.7 million in Fiscal Year (FY) 2018, a 5% increase over $87.4 million in FY 2017. Net income increased 37% to a record $7.6 million in FY 2018, up from $5.6 million in the prior year. Adjusted EBITDA* also grew by 27% to $10 million in FY 2018, increasing from $7.9 million in FY 2017.

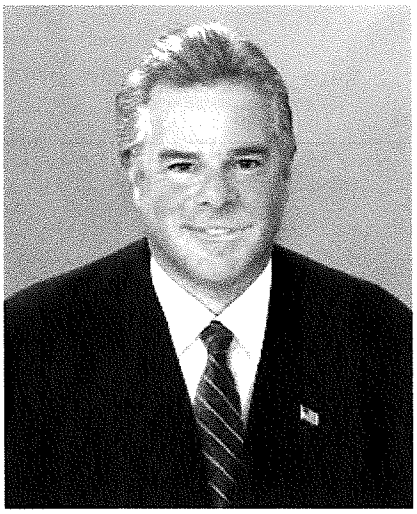
Continued growth is positively reflected in our strong balance sheet. At June 30, 2018, the Company had $5.3 million in cash and cash equivalents as compared to $3.5 million as of June 30, 2017. Working capital (current asset less current liabilities) grew to $44.3 million as of June 30, 2018 as compared to $40.8 million at June 30, 2017. Our current ratio (current assets divided by current liabilities) was 5.7:1 at June 30 versus 4.9:1 at June 30, 2017. NAPCO also has zero debt, down from a high of $35.9 million following the acquisition of Marks USA in August of 2008.

Solely focused on the electronic security industry, NAPCO designs and manufactures comprehensive, end-to-end systems that serve the complex technical requirements of leading security dealers, systems integrators, and locksmiths worldwide. The Company derives roughly 80% of its annual revenues from the commercial market segment.

With the support of a loyal and expanding distribution network, NAPCO is capitalizing on three major paradigm-shifts that are reshaping the global security market: recurring service revenues (RSR) from remote monitoring solutions that interface with 'smart devices' and the Internet 'Cloud'; growing concern over 'active shooter' incidents at schools, colleges, corporate offices, government installations, and public meeting places; and continually expanding demand for intelligent locking devices and access control systems.

A rapid rise in recurring monthly revenue

Sixteen consecutive quarters of Year-Over-Year record sales demonstrates our proven ability to capitalize on major paradigm-shifts. This milestone was achieved in part due to a dramatic rise in Recurring Service Revenues (RSR), which grew by 51%, increasing to $12 million in FY 2018 versus $7.9 million in the prior year. Anticipating the long-term potential for RSR, in FY 2017 NAPCO expanded its in-house Network Operating Center (NOC) to support annual RSR revenues of up to $50 million. The NOC allows us to address the



Richard L. Soloway
Chairman, President, and CEO

U.S. smart home automation market, which is projected to grow to 16 million residences by 2021.

Unlike overly simplistic DIY home security systems, NAPCO offers professional quality solutions that seamlessly integrate advanced security alarms, locks, access control, and advanced home and business automation features that are accessible via the Internet 'Cloud' and virtually any 'smart device'. In addition, we provide cost effective retrofits and upgrades for nearly 30 million currently installed alarm systems, giving our dealers the inside edge in retaining and expanding their customer base.

NAPCO's state-of-the-art RSR products and services create dynamic recurring revenue streams that carry very high profit margins

See table on inside back cover (page 51)

of up to 80%. Recurring monthly revenue also serves to 'level' seasonal swings in revenue to permit more consistent and predictable sales forecasting. RSR has a projected run rate of $14.7 million based on July 2018.

A key contributor to our dynamic RSR business model is the StarLink Connect® controller, a universal cellular solution that integrates with NAPCO's proprietary iBridge® 'Connected Home' services to provide remote control of lighting, HVAC, door locks, security camera video, and two-way voice from any smart device. Starlink Connect is ideal for new installations and provides a highly cost-effective retrofit for previously installed alarm systems, including NAPCO brand products and virtually all major competitors.

Another recent RSR success story involves the launch of the StarLink LTE® fire and intrusion alarm communicator. StarLink LTE allows NAPCO dealers to easily upgrade existing, regular alarm systems into IoT-connected smart home and smart business solutions.

Making school safety a priority

The second major paradigm-shift being addressed by NAPCO is the growing wave of 'active shooter' incidents that have tragically impacted schools and universities, along with corporate, government, and military facilities.

The educational security market, for example, is comprised of more than 100,000 K-12 schools and over 10,000 higher-education institutions and is expected to reach $4.9 billion.** As a major provider of security solutions for colleges, universities, and K-12 schools, NAPCO offers in-depth hardware/software solutions that serve all budgets, from highly affordable wireless locking and ID systems designed for public and private K-12 schools, to fully integrated state-of-the-art solutions for leading colleges and universities, including Stanford, Pepperdine, Columbia University, NYU, and the University of Michigan, to name a few.

NAPCO also offers the School Access-control Vulnerability Index (SAVI), a propriety audit system that rates the security preparedness of K-12 schools. The SAVI index allows school administrators to create a quantifiable benchmark of current weaknesses in security preparedness, then demonstrate measurable improvement by incorporating our robust solutions that are modular, scalable, and interoperable. The comprehensive solutions we offer address the education market and beyond, encompassing Alarm Lock™ and LocDown™ locking/access control solutions, Marks commercial grade locking hardware, Continental access control systems, and NAPCO burglary, intrusion, and fire alarm systems.

Locking devices: a major growth-driver

NAPCO's unrivaled ability to offer keyed, keyless, and remote locking and access control has left us ideally positioned to exploit the third major paradigm-shift: growing demand for advanced locking technologies. Locking devices and access control systems account for a large percentage of our annual revenues. A prime example is NAPCO ArchiTech Series Networx Locks, which experienced vibrant sales growth this past year. The ArchiTech Series offers a unique locking solution that packages advanced, wireless access control technology into aesthetically pleasing locks that are infinitely customizable in a variety of finishes and hardware options.

To successfully convert innovative ideas into commercial success, NAPCO utilizes a dedicated low-cost manufacturing facility in the Dominican Republic. This state-of-the art facility has a relatively fixed cost infrastructure, which serves to maximize capacity utilization and improves overhead absorption. NAPCO combines this ISO-rated manufacturing capability with an accomplished group of product design engineers at our NY headquarters to develop proprietary and patent-protected technologies.

This powerful combination of engineering and manufacturing expertise enables NAPCO to set industry standards for innovation, connectivity, and interoperability. Our enterprise-level solutions encompass access control, electronic and keyed door locking systems, fire and burglary alarm systems, as well as home and business automation technologies.

Holding down R&D and SG&A expenses

FY 2018 saw relatively constant spending for Research and Development (R&D) where we employ more than 50 engineers at our Amityville, NY headquarters. In addition, selling, general, and administrative (SG&A) expenses declined slightly to $23 million or 25% of sales in FY 2018 versus $23.2 million or 27% of sales in the prior year.

These savings contributed to higher earnings, and were accomplished without impacting our ability to launch breakthrough products and services or affecting the strong brand reputation we have earned among leading security professionals. Spending for R&D and SG&A is expected to remain relatively level in FY 2019 to support rising profit margins.

Looking to the future

We look forward to building on the substantial progress that has been made in FY 2018 by further leveraging upon our record-setting performance and our growing financial strength. In addition, we will continue to make prudent investments in R&D and product marketing we feel are needed to deliver steady and sustainable growth in sales and profitability.

NAPCO is rapidly approaching its goal of $100 million in annual revenues. We are seeing growing contributions from very profitable RSR. The world is also becoming increasingly dangerous, presenting numerous avenues for long-term growth. To fully capitalize on these dynamic opportunities, we must continue to maintain our innovative edge in engineering, IT technology, and world-class manufacturing. With 38% of outstanding shares owned by insiders, we are aligned with other investors in support of certain investments that we feel are necessary to achieve these goals.

The major paradigm-shifts I have discussed are still emerging, and thus largely untapped. Firmly grasping these opportunities requires visionary leadership along with an extremely talented and motivated workforce. This team effort results in forward-thinking solutions that energize and empower our loyal network of over 10,000 security dealers and locksmiths along with 2,000 systems integrators.

Armed with the security industry's broadest portfolio of patent- and trademark-protected products and proprietary technologies, NAPCO is uniquely capable of addressing the security industry's three major vertical market segments: locking; access control: and alarms with connectivity. We will continue to leverage our unique capabilities by leading our peers in product innovation, manufacturing, quality assurance, customer service, and technical support.

On the basis of these rock-solid foundations, and our growing financial strength, I feel confident in our ability to attract and motivate thousands of security professionals to sell our award-winning products and services.

Additionally, we maintain strong partnerships with thousand of leading companies who private label NAPCO security alarm panels under their brand names, thus providing another powerful leg of revenue diversification.

By aggressively building upon these core strengths, and by remaining adaptable to change, we will continue our pursuit of sustainable and profitable growth that benefits our Company and its shareholders.

Once again, I would like to thank our customers, employees, channel partners, and investors for their continued confidence and support.

Sincerely,

Richard L. Soloway
Chairman, President and CEO

* Non-GAAP Information. Certain non-GAAP measures are included in this document, including EBITDA, non-GAAP operating income and Adjusted EBITDA. We define EBITDA as GAAP net income plus income tax expense (benefit), net interest expense and depreciation and amortization expense. Non-GAAP operating income does not include impairment of goodwill, amortization of intangibles, restructuring charges, stock-based compensation expense and other infrequent or unusual charges. These non-GAAP measures are provided to enhance the user's overall understanding of our financial performance. By excluding these charges our non-GAAP results provide information to management and investors that is useful in assessing NAPCO's core operating performance and in comparing our results of operations on a consistent basis from period to period. The presentation of this information is not meant to be a substitute for the corresponding financial measures prepared in accordance with generally accepted accounting principles. Investors are encouraged to review the reconciliation of GAAP to non-GAAP financial measures included on page 51 of this document.

** Source: IHS, Inc, an Englewood, Colorado-based research company.

This letter contains statements relating to future results of the Company (including certain projections and business trends) that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those projected as a result of certain risks and uncertainties, including but not limited to, changes in political and economic conditions, demand for and market acceptance of new and existing products, as well as other risks and uncertainties detailed from time to time in the filings of the Company with the Securities and Exchange Commission.

Trademarks of NAPCO: NAPCO, StarLink, StarLink Connect, iBridge, iBridge Messenger, iSee Video, LocDown, Lifesaver, Alarm Lock, ContinentalAccess, Marks USA, NAPCO Commercial, Trilogy, Trilogy Networx, ArchiTech, SAVI

Trademarks of their respective companies: AT&T, Verizon Network Certified, Control4, NASDAQ

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended June 30, 2018

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Transition period from ___ to___

Commission File Number 0-10004

NAPCO SECURITY TECHNOLOGIES, INC.

(Exact name of Registrant as specified in its charter)

Delaware	11-2277818
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer I.D. Number)*
333 Bayview Avenue, Amityville, New York	11701
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code: (631) 842-9400

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value $.01 per share	The NASDAQ Stock Market LLC
(Title of Each Class)	*(Name of each exchange on which registered)*

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes _ No X

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes _ No X

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes X No _

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

Large accelerated filer __ Accelerated filer X Non-accelerated filer __ Smaller reporting company X Emerging growth company__

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes _ No X

As of December 31, 2017, the aggregate market value of the common stock of Registrant held by non-affiliates based upon the last sale price of the stock on such date was $102,996,416.

As of September 12, 2018, 18,731,582 shares of common stock of Registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference from the Registrant's definitive proxy statement to be filed with the Securities and Exchange Commission in connection with the solicitation of proxies for the Registrant's 2018 Annual Meeting of Stockholders.

PART I

ITEM 1: BUSINESS.

NAPCO Security Technologies, Inc. ("NAPCO" or the "Company") was incorporated in December 1971 in the State of Delaware. Its executive offices are located at 333 Bayview Ave, Amityville NY 11701. Its telephone number is (631) 842-9400.

The Company is a diversified manufacturer of security products, encompassing access control systems, door-locking products, intrusion and fire alarm systems and video surveillance products for commercial and residential use. The Company also provides wireless communication service for intrusion and fire alarm systems. These products are used for commercial, residential, institutional, industrial and governmental applications, and are sold worldwide principally to independent distributors, dealers and installers of security equipment.

Website Access to Company Reports

Copies of our filings under the Securities Exchange Act of 1934 (including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to these reports) are available free of charge on our website (www.napcosecurity.com) on the same day they are electronically filed with the Securities and Exchange Commission.

Products

The Company's products ("Products") are comprised of the following:

Access Control Systems. Access control systems consist of one or more of the following: various types of identification readers (e.g. card readers, hand scanners), a control panel, a PC-based computer and electronically activated door-locking devices. When an identification card or other identifying information is entered into the reader, the information is transmitted to the control panel/PC which then validates the data and determines whether or not to grant access by electronically deactivating the door locking device. An electronic log is kept which records various types of data regarding access activity.

The Company designs, engineers, manufactures and markets the software and control panels discussed above. It also buys and resells various identification readers, PC-based computers and various peripheral equipment for access control systems.

Door Security Products. The Company manufactures a variety of door locking devices including microprocessor-based electronic door locks with push button, card reader and bio-metric operation, door alarms, mechanical door locks and simple dead bolt locks. These devices may control a single door or, in the case of some of the Company's microprocessor-based door locks, may be networked with the Company's access control systems and controlled remotely.

Intrusion and Fire Alarm Systems. Alarm systems usually consist of various detectors, a control panel, a digital keypad and signaling equipment. When a break-in occurs, an intrusion detector senses the intrusion and activates a control panel via hard-wired or wireless transmission that sets off the signaling equipment and, in most cases, causes a bell or siren to sound. Communication equipment such as a digital communicator may be used to transmit the alarm signal to a central station or another person selected by a customer.

The Company manufactures and markets the following products for alarm systems:

Automatic Communicators. When a control panel is activated by a signal from an intrusion detector, it activates a communicator that can automatically dial one or more pre-designated telephone numbers utilizing wired ("landline") or cellular communications systems. If programmed to do so, a digital communicator dials the telephone number of a central monitoring station and communicates in computer language to a digital communicator receiver, which signals an alarm message.

Cellular communication devices. A cellular communication device connects to the communicator and is used in lieu of, or in addition to, a landline for communicating with a central monitoring station.

Control Panels. A control panel is the "brain" of an alarm system. When activated by any one of the various types of intrusion detectors, it can activate an audible alarm and/or various types of communication devices.

Combination Control Panels/Digital Communicators and Digital Keypad Systems. A combination control panel, digital communicator and a digital keypad has continued to be the leading configuration in terms of dealer and consumer preference. Benefits of the combination format include the cost efficiency resulting from a single microcomputer function, as well as the reliability and ease of installation gained from the simplicity and sophistication of micro-computer technology.

Fire Alarm Control Panel. Multi-zone fire alarm control panels, which accommodate an optional digital communicator for reporting to a central station, are also manufactured by the Company.

Area Detectors. The Company's area detectors are both passive infrared heat detectors and combination microwave/passive infrared detectors that are linked to alarm control panels. Passive infrared heat detectors respond to the change in heat patterns caused by an intruder moving within a protected area. Combination units respond to both changes in heat patterns and changes in microwave patterns occurring at the same time.

Video Surveillance Systems. Video surveillance systems typically consist of one or more video cameras, a control panel and a video monitor or PC. More advanced systems can also include a recording device and some type of remote communication device such as an internet connection to a PC or browser-enabled cell phone. The system allows the user to monitor various locations at once while recorders save the video images for future use. Remote communication devices can allow the user to view and control the system from a remote location.

Cellular communication services. The Company provides cellular access for the cellular communication devices described above. These services are provided and invoiced on a month to month basis.

The Company designs, engineers, and markets the software and control panels discussed above. It also buys and resells various video cameras, PC-based computers and peripheral equipment for video surveillance systems.

Peripheral Equipment

The Company also markets peripheral and related equipment manufactured by other companies. Revenues from peripheral equipment have not been significant.

Research and Development

The Company's business involves a high technology element. Research and development costs incurred by the Company are charged to expense as incurred and are included in "Operating expenses" in the consolidated statements of operations. These amounts, previously recorded in cost of sales have been reclassified to research and development conform with the current period presentation. During the fiscal years ended June 30, 2018 and 2017, the Company expended approximately $6,630,000 and $6,723,000, respectively, on Company-sponsored research and development activities conducted primarily by its engineering department to develop and improve the Products. The Company intends to continue to conduct a significant portion of its future research and development activities internally.

Employees

As of June 30, 2018, the Company had 1,081 full-time employees.

Marketing

The Company's staff of 53 sales and marketing support employees located at the Company's Amityville offices sells and markets the Products primarily to independent distributors and wholesalers of security alarm and security hardware equipment. Management estimates that these channels of distribution represented approximately 54%, and 49% of the Company's total sales for the fiscal years ended June 30, 2018 and 2017, respectively. The remaining revenues are primarily from installers and governmental institutions. The Company's sales representatives periodically contact existing and potential customers to introduce new products and create demand for those as well as other Company products. These sales representatives, together with the Company's technical personnel, provide training and other services to wholesalers and distributors so that they can better service the needs of their customers. In addition to direct sales efforts, the Company

advertises in technical trade publications and participates in trade shows in major United States and European cities.

In the ordinary course of the Company's business the Company grants extended payment terms to certain customers. The Company had one customer with an accounts receivable balance that comprised 22% and 24% of the Company's accounts receivable at June 30, 2018 and 2017, respectively. Sales to this customer comprised 10% and 13% of net sales in fiscal years ended June 30, 2018 and 2017, respectively. The Company had another customer with an accounts receivable balance that comprised 11% of the Company's accounts receivable at June 30, 2018. Sales to this customer did not exceed 10% for fiscal years ended June 30, 2018 or 2017. For further discussion on Concentration of Credit Risk see disclosures included in Item 1A and Item 7.

Competition

The security products industry is highly competitive. The Company's primary competitors are comprised of approximately 20 other companies that manufacture and market security equipment to distributors, dealers, central stations and original equipment manufacturers. The Company believes that no one of these competitors is dominant in the industry. Most of these companies have substantially greater financial and other resources than the Company.

The Company competes primarily on the basis of the features, quality, reliability and pricing of, and the incorporation of the latest innovative and technological advances into, its Products. The Company also competes by offering technical support services to its customers. In addition, the Company competes on the basis of its expertise, its proven products, its reputation and its ability to provide Products to customers on a timely basis. The inability of the Company to compete with respect to any one or more of the aforementioned factors could have an adverse impact on the Company's business.

Relatively low-priced "do-it-yourself" alarm system products are available to the public at retail stores. The Company believes that these products compete with the Company only to a limited extent because they appeal primarily to the "do-it-yourself" segment of the market. Purchasers of such systems do not receive professional consultation, installation, service or the sophistication that the Company's Products provide.

Seasonality

The Company's fiscal year begins on July 1 and ends on June 30. Historically, the end users of the Company's products want to install its products prior to the summer; therefore sales of its products historically peak in the period April 1 through June 30, the Company's fiscal fourth quarter, and are reduced in the period July 1 through September 30, the Company's fiscal first quarter. In addition, demand is affected by the housing and construction markets. Deterioration of the current economic conditions may also affect this trend.

Raw Materials

The Company prepares specifications for component parts used in the Products and purchases the components from outside sources or fabricates the components itself. These components, if standard, are generally readily available; if specially designed for the Company, there is usually more than one alternative source of supply available to the Company on a competitive basis. The Company generally maintains inventories of all critical components. The Company for the most part is not dependent on any one source for its raw materials. The Company believes that any vendor that is currently the sole source of a component can be replaced without a material impact on the Company.

Sales Backlog

In general, orders for the Products are processed by the Company from inventory. A sales backlog of approximately $2,151,000 and $922,000 existed as of June 30, 2018 and 2017, respectively. The Company expects to fill the entire backlog that existed as of June 30, 2018 during fiscal 2019.

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Government Regulation

The Company's telephone dialers, microwave transmitting devices utilized in its motion detectors and any new communication equipment that may be introduced from time to time by the Company must comply with standards promulgated by the Federal Communications Commission ("FCC") in the United States and similar agencies in other countries where the Company offers such products, specifying permitted frequency bands of operation, permitted power output and periods of operation, as well as compatibility with telephone lines. Each new Product that is subject to such

regulation must be tested for compliance with FCC standards or the standards of such similar governmental agencies. Test reports are submitted to the FCC or such similar agencies for approval. Cost of compliance with these regulations has not been material.

Patents and Trademarks

The Company has been granted several patents and trademarks relating to the Products. While the Company obtains patents and trademarks as it deems appropriate, the Company does not believe that its current or future success is dependent on its patents or trademarks.

Foreign Sales

The revenues and identifiable assets attributable to the Company's domestic and foreign operations for its last two fiscal years are summarized in the following table:

Financial Information Relating to Domestic and Foreign Operations

	Fiscal Year ended June 30,	
	2018	2017
	(in thousands)	
Sales to external customers(1):		
Domestic	$89,490	$84,820
Foreign	2,256	2,554
Total Net Sales	$91,746	$87,374

	As of June 30,	
	2018	2017
Identifiable assets:		
United States	$52,928	$55,550
Dominican Republic (2)	20,341	15,312
Total Identifiable Assets	$73,269	$70,862

(1) All of the Company's sales originate in the United States and are shipped primarily from the Company's facilities in the United States. There were no sales into any one foreign country in excess of 10% of total Net Sales.

(2) Consists primarily of inventories (2018 = $16,592; 2017 = $11,831) and fixed assets (2018 = $3,462; 2017 = $3,233) located at the Company's principal manufacturing facility in the Dominican Republic.

ITEM 1A: RISK FACTORS

The risks described below are among those that could materially and adversely affect the Company's business, financial condition or results of operations. These risks could cause actual results to differ materially from historical results and from any results predicted by any forward-looking statements related to conditions or events that may occur in the future.

Our Business Could Be Materially Adversely Affected as a Result of General Economic and Market Conditions

We are subject to the effects of general economic and market conditions. In the event that the U.S. or international economic conditions deteriorate, our revenue, profit and cash-flow levels could be materially adversely affected in future periods. In the event of such deterioration, many of our current or potential future customers may experience serious cash flow problems and as a result may, modify, delay or cancel purchases of our products. Additionally, customers may not be able to pay, or may delay payment of, accounts receivable that are owed to us. If such events do occur, they may result in our expenses being too high in relation to our revenues and cash flows.

We Are Dependent Upon the Efforts of Richard L. Soloway, Our Chief Executive Officer and There is No Succession Plan in Place

The success of the Company is largely dependent on the efforts of Richard L. Soloway, Chief Executive Officer. The loss of his services could have a material adverse effect on the Company's business and prospects. There is currently no succession plan to address the loss of Mr. Soloway's services.

Competitors May Develop New Technologies or Products in Advance of Us

Our business may be materially adversely affected by the announcement or introduction of new products and services by our competitors, and the implementation of effective marketing or sales strategies by our competitors. The industry in which the Company operates is characterized by constantly improved products. There can be no assurance that competitors will not develop products that are superior to the Company's products. The Company has historically invested approximately 6% to 8% of annual revenues on Research and Development to mitigate this risk. Future success will depend, in part, on our ability to continue to develop and market products and product enhancements cost-effectively. The Company's research and development expenditures are principally targeted at enhancing existing products, and to a lesser extent at developing new ones. Further, there can be no assurance that the Company will not experience additional price competition, and that such competition may not adversely affect the Company's revenues and results of operations.

Our Business Could Be Materially Adversely Affected by the Inability to Maintain Expense Levels Proportionate to Sales Volume

While expense levels relative to current sales levels result in positive net income and cash flows, if sales levels decrease significantly and we are unable to decrease expenses proportionately, our business may be adversely affected.

Our Business Could Be Materially Adversely Affected as a Result of Housing and Commercial Building Market Conditions

We are subject to the effects of housing and commercial building market conditions. If these conditions deteriorate, resulting in declines in new housing or commercial building starts, existing home or commercial building sales or renovations, our business, results of operations or financial condition could be materially adversely affected, particularly in our intrusion and door locking product lines.

Our Business Could Be Materially Adversely Affected as a Result of Lessening Demand in the Security Market

Our revenue and profitability depend on the overall demand for our products. Delays or reductions in spending, domestically or internationally, for electronic security systems could materially adversely affect demand for our products, which could result in decreased revenues or earnings.

The Markets We Serve Are Highly Competitive and We May Be Unable to Compete Effectively

We compete with approximately 20 other companies that manufacture and market security equipment to distributors, dealers, control stations and original equipment manufacturers. Most of these companies may have substantially greater financial and other resources than the Company. The Company competes primarily on the basis of the features, quality, reliability and pricing of, and the incorporation of the latest innovative and technological advances into, its products. The Company also competes by offering technical support services to its customers. In addition, the Company competes on the basis of its expertise, its proven products, its reputation and its ability to provide products to customers on a timely basis. The inability of the Company to compete with respect to any one or more of the aforementioned factors could have an adverse impact on the Company's business.

Our Business Could be Materially Adversely Affected as a Result of Offering Extended Payment Terms to Customers

We regularly grant credit terms beyond 30 days to certain customers. These terms are offered in an effort to keep a full line of our products in-stock at our customers' locations. The longer the terms that are granted, the more risk is inherent in collection of those receivables. We believe that our Bad Debt reserves are adequate to account for this inherent risk.

We Rely On Distributors To Sell Our Products And Any Adverse Change In Our Relationship With Our Distributors Could Result In A Loss Of Revenue And Harm Our Business.

We distribute our products primarily through independent distributors and wholesalers of security alarm and security hardware equipment. Our distributors and wholesalers also sell our competitors' products, and if they favor our competitors' products for any reason, they may fail to market our products as effectively or to devote resources necessary to provide effective sales, which would cause our results to suffer. In addition, the financial health of these distributors and wholesalers and our continuing relationships with them are important to our success. Some of these distributors and wholesalers may be unable to withstand adverse changes in business conditions. Our business could be seriously harmed if the financial condition of some of these distributors and wholesalers substantially weakens.

Members of Management and Certain Directors Beneficially Own a Substantial Portion of the Company's Common Stock and May Be in a Position to Determine the Outcome of Corporate Elections

Richard L. Soloway, our Chief Executive Officer, members of management and the Board of Directors beneficially own approximately 33% of the currently outstanding shares of Common Stock. By virtue of such ownership and their positions with NAPCO, they may have the practical ability to determine the election of all directors and control the outcome of substantially all matters submitted to NAPCO's stockholders.

In addition, NAPCO has a staggered Board of Directors. Such concentration of ownership and the staggered Board could have the effect of making it more difficult for a third party to acquire, or discourage a third party from seeking to acquire, control of NAPCO.

Our Business Could be Materially Adversely Affected by Adverse Tax Consequences of Offshore Operations

We operate on a global basis, with a portion of our operating income generated outside the United States.

We intend to reinvest these earnings in our foreign operations indefinitely, except where we are able to repatriate these earnings to the United States without material incremental tax expense. A significant portion of our assets that result from these earnings remain outside the United States. If these indefinitely reinvested earnings were repatriated into the United States as dividends, we would be subject to additional withholding taxes.

Our Business Could Be Materially Adversely Affected as a Result of the Inability to Maintain Adequate Financing

Our business is dependent on maintaining adequate levels of financing used to fund operations and capital expenditures. The current debt facilities provide for certain financial covenants relating to ratios affected by profit, asset and debt levels. If the Company's profits, asset or cash-flow levels decline below the minimums required to meet these covenants, the Company may be materially adversely affected. Effects on the Company could include higher interest costs, reduction in borrowing availability or revocation of these credit facilities.

If We are Unable to Successfully Remediate any Material Weakness in our Internal Control over Financial Reporting, or Identify any Additional Material Weaknesses, the Accuracy and Timing of our Financial Reporting may be Adversely Affected, We May be Unable to Maintain Compliance with Securities Law Requirements Regarding Timely Filing of Periodic Reports in Addition to Applicable Stock Exchange Listing Requirements, and our Stock Price May Decline Materially as a Result.

In connection with the audit of our consolidated financial statements for the year ended June 30, 2018, our management and independent registered public accounting firm concluded that there was a material weakness in our internal control over financial reporting. A material weakness is a significant deficiency, or a combination of significant deficiencies, in internal control over financial reporting such that it is reasonably possible that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The one material weakness identified related to controls over financial reporting regarding controls related to a lack of supervision and review to ensure proper internal control over financial reporting.

While we expect to take the measures necessary to address the underlying causes of this material weakness, we cannot at this time estimate how long it will take and our efforts may not prove to be successful in remediating this material weakness. While we have not incurred and do not expect to incur material expenses specifically related to the remediation of this material weakness, actual expenses may exceed our current estimates and overall costs of compiling the system and

processing documentation necessary to assess the effectiveness of our internal control over financial reporting may be material.

We cannot assure you that we have identified all, or that we will not in the future have additional, material weaknesses. If we are unable to successfully remediate any material weakness in our internal control over financial reporting, or identify any additional material weaknesses that may exist, the accuracy and timing of our financial reporting may be adversely affected, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to applicable stock exchange listing requirements, and our stock price may decline materially as a result.

Our Business Could Be Materially Adversely Affected by a weakening of the US Dollar against the Dominican Peso

We are exposed to foreign currency risks due to our operations in the Dominican Republic. We have significant operations in the Dominican Republic, which conducts certain transactions in Dominican pesos. We are subject to the risk that currency exchange rates between the United States and the Dominican Republic will fluctuate significantly, potentially resulting in an increase in some of our expenses when US dollars are transferred to Dominican pesos to pay these expenses.

ITEM 1B: UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2: PROPERTIES.

The Company owns executive offices and production and warehousing facilities at 333 Bayview Avenue, Amityville, New York. This facility consists of a fully-utilized 90,000 square foot building on a six acre plot. This six-acre plot provides the Company with space for expansion of office, manufacturing and storage capacities. These facilities are pledged as security in the Company's credit facilities with its primary bank.

The Company's foreign subsidiary located in the Dominican Republic, NAPCO DR, S.A., owns a building of approximately 167,000 square feet of production and warehousing space in the Dominican Republic. That subsidiary also leases the land associated with this building under a 99-year lease expiring in the year 2092 at an annual cost of approximately $288,000. As of June 30, 2018, a majority of the Company's products were manufactured at this facility, utilizing U.S. quality control standards.

Management believes that these facilities are more than adequate to meet the needs of the Company in the foreseeable future.

ITEM 3: LEGAL PROCEEDINGS.

There are no pending or threatened material legal proceedings to which NAPCO or its subsidiaries or any of their property is subject.

In the normal course of business, the Company is a party to claims and/or litigation. Management believes that the settlement of such claims and/or litigation, considered in the aggregate, will not have a material adverse effect on the Company's financial position and results of operations.

ITEM 4: MINE SAFETY DISCLOSURE.

Not Applicable.

PART II

ITEM 5: MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Principal Market

NAPCO's Common Stock is traded on the NASDAQ Stock Market, Global Market System, under the symbol NSSC.

The tables set forth below reflect the range of high and low sales of the Common Stock in each quarter of the past two fiscal years as reported by the NASDAQ Global Market System.

	Quarter Ended Fiscal 2018			
Common Stock	Sept. 30	Dec. 31	March 31	June 30
High	$10.00	$10.50	$11.70	$14.80
Low	$7.50	$7.90	$8.65	$10.50

	Quarter Ended Fiscal 2017			
Common Stock	Sept. 30	Dec. 31	March 31	June 30
High	$7.48	$8.55	$10.70	$10.65
Low	$6.36	$7.00	$8.05	$8.80

Approximate Number of Security Holders

The number of holders of record of NAPCO's Common Stock as of September 11, 2018 was 89 (such number does not include beneficial owners of stock held in nominee name).

Dividend Information

NAPCO has declared no cash dividends during the past two years with respect to its Common Stock.

Equity Compensation Plan Information as of June 30, 2018

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS (a)	WEIGHTED AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS (b)	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE (EXCLUDING SECURITIES REFLECTED IN COLUMN (a) (c)
Equity compensation plans approved by security holders:	85,000	$7.01	821,900 (1)
Equity compensation plans not approved by security holders:	—	—	—
Total	85,000	$7.01	821,900 (1)

(1) In December 2012, the stockholders approved the 2012 Employee Stock Option Plan which authorizes the granting of awards, the exercise of which would allow up to an aggregate of 950,000 shares of the Company's common stock to be acquired by the holders of such awards. In December 2012, the stockholders also approved the 2012 Non-Employee Stock Option Plan which authorizes the granting of awards, the exercise of which would allow up to an aggregate of 50,000 shares of the Company's common stock to be acquired by the holders of such awards.

ITEM 6: SELECTED FINANCIAL DATA.

The table below summarizes selected financial information. For further information, refer to the audited consolidated financial statements and the notes thereto beginning on page FS-1 of this report.

	Fiscal Year Ended and at June 30				
	(In thousands, except share and per share data)				
	2018	2017	2016	2015	2014
Statement of earnings data:					
Net Sales	$91,746	$87,374	$82,513	$77,762	$74,382
Gross Profit (3)	37,995	36,301	33,753	31,429	28,772
Income from Operations	8,414	6,378	6,323	5,281	4,316
Net Income	7,649	5,599	5,773	4,845	3,476
Cash Flow Data:					
Net cash flows provided by operating activities	7,864	2,448	9,160	3,887	4,743
Net cash flows used in investing activities	(1,280)	(1,414)	(693)	(730)	(753)
Net cash flows used in financing activities	(4,730)	(1,385)	(7,008)	(3,294)	(4,736)
Per Share Data:					
Net earnings per common share:					
Basic	$0.41	$0.30	$0.31	$0.25	$0.18
Diluted	$0.41	$0.30	$0.31	$0.25	$0.18
Weighted average common shares outstanding:					
Basic	18,788,000	18,809,000	18,874,000	19,164,000	19,392,000
Diluted	18,825,000	18,854,000	18,894,000	19,169,000	19,428,000
Cash Dividends declared per common share (1)	$.00	$.00	$.00	$.00	$.00
Balance sheet data:					
Working capital (2)	$44,301	$40,798	$36,888	$35,590	$33,436
Total assets	73,269	70,862	64,769	65,037	63,364
Long-term debt	--	3,500	4,500	9,100	10,200
Stockholders' equity	63,453	56,889	51,273	46,504	43,752

(1) The Company has never paid a dividend on its common stock.
(2) Working capital is calculated by deducting Current Liabilities from Current Assets.
(3) Prior period balances have been reclassified to conform with the current period presentation.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Overview

The Company is a diversified manufacturer of security products, encompassing access control systems, door security products, intrusion and fire alarm systems, video surveillance products for commercial and residential use and wireless communication service for intrusion and fire alarm systems. These products are used for commercial, residential, institutional, industrial and governmental applications, and are sold worldwide principally to independent distributors, dealers and installers of security equipment. International sales accounted for approximately 2% and 3% of our revenues for the fiscal years ended June 30, 2018 and 2017, respectively.

The Company owns and operates manufacturing facilities in Amityville, New York and the Dominican Republic. A significant portion of our operating costs are fixed, and do not fluctuate with changes in production levels or utilization of our manufacturing capacity. As production levels rise and factory utilization increases, the fixed costs are spread over increased output, which may contribute to increasing profit margins. Conversely, when production levels decline our fixed costs are spread over reduced levels, which may contribute to decreasing margins.

The security products market is characterized by constant incremental innovation in product design and manufacturing technologies. Generally, the Company devotes 6-8% of revenues to research and development (R&D) on an annual basis. The Company does not expect products resulting from our R&D investments in a given fiscal year to contribute materially to revenue during that same fiscal year, but should benefit the Company over future years. In general, the new products introduced by the Company are initially shipped in limited quantities, and increase over time. Prices and manufacturing costs tend to decline over time as products and technologies mature.

Economic and Other Factors

We are subject to the effects of general economic and market conditions. In the event that the U.S. or international economic conditions deteriorate, our revenue, profit and cash-flow levels could be materially adversely affected in future periods. In the event of such deterioration, many of our current or potential future customers may experience serious cash flow problems and as a result may, modify, delay or cancel purchases of our products. Additionally, customers may not be able to pay, or may delay payment of, accounts receivable that are owed to us. If such events do occur, they may result in our fixed and semi-variable expenses becoming too high in relation to our revenues and cash flows.

Seasonality

The Company's fiscal year begins on July 1 and ends on June 30. Historically, the end users of Napco's products want to install its products prior to the summer; therefore sales of its products historically peak in the period April 1 through June 30, the Company's fiscal fourth quarter, and are reduced in the period July 1 through September 30, the Company's fiscal first quarter. In addition, demand is affected by the housing and construction markets. The timing of any significant deterioration of the current economic conditions may also affect this trend.

Critical Accounting Policies and Estimates

The Company's significant accounting policies are fully described in Note 1 to the Company's consolidated financial statements included in its 2018 Annual Report on Form 10-K. Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Revenue Recognition

The Company recognizes revenue when the following criteria are met: (i) persuasive evidence of an agreement exists, (ii) there is a fixed and determinable price for the Company's product or service, (iii) shipment and passage of title occurs or service has been provided, and (iv) collectability is reasonably assured. Revenues from product sales are recorded at the time the product is shipped or delivered to the customer pursuant to the terms of the sale. Revenues for services are recorded at the time the service is provided to the customer pursuant to the terms of sale. The Company reports its sales on a net sales basis, with net sales being computed by deducting from gross sales the amount of actual

sales returns and other allowances and the amount of reserves established for anticipated sales returns and other allowances.

The Company analyzes sales returns and is able to make reasonable and reliable estimates of product returns based on the Company's past history. Estimates for sales returns are based on several factors including actual returns and based on expected return data communicated to it by its customers. Accordingly, the Company believes that its historical returns analysis is an accurate basis for its allowance for sales returns. Actual results could differ from those estimates.

Concentration of Credit Risk

An entity is more vulnerable to concentrations of credit risk if it is exposed to risk of loss greater than it would have had if it mitigated its risk through diversification of customers. Such risks of loss manifest themselves differently, depending on the nature of the concentration, and vary in significance. The Company had one customer with an accounts receivable balance that comprised 22% and 24% of the Company's accounts receivable at June 30, 2018 and 2017, respectively. Sales to this customer comprised 10% and 13% of net sales in the fiscal years ended June 30, 2018 and 2017, respectively. The Company had another customer with an accounts receivable balance that comprised 11% of the Company's accounts receivable at June 30, 2018. Sales to this customer did not exceed 10% of net sales in any of the fiscal years ended June 30, 2018 and 2017.

In the ordinary course of business, we have established a reserve for doubtful accounts and customer deductions in the amount of $195,000 and $155,000 as of June 30, 2018 and 2017, respectively. Our reserve for doubtful accounts is a subjective critical estimate that has a direct impact on reported net earnings. This reserve is based upon the evaluation of accounts receivable agings, specific exposures and historical or anticipated events.

Inventories

Inventories are valued at the lower of cost or net realizable value, with cost being determined on the first-in, first-out (FIFO) method. The reported net value of inventory includes finished saleable products, work-in-process and raw materials that will be sold or used in future periods. Inventory costs include raw materials, direct labor and overhead. The Company's overhead expenses are applied based, in part, upon estimates of the proportion of those expenses that are related to procuring and storing raw materials as compared to the manufacture and assembly of finished products. These proportions, the method of their application, and the resulting overhead included in ending inventory, are based in part on subjective estimates and actual results could differ from those estimates.

In addition, the Company records an inventory obsolescence reserve, which represents the difference between the cost of the inventory and its estimated market value, based on various product sales projections. This reserve is calculated using an estimated obsolescence percentage applied to the inventory based on age, historical trends, requirements to support forecasted sales, and the ability to find alternate applications of its raw materials and to convert finished product into alternate versions of the same product to better match customer demand. There is inherent professional judgment and subjectivity made by both production and engineering members of management in determining the estimated obsolescence percentage. In addition, and as necessary, the Company may establish specific reserves for future known or anticipated events. The Company also regularly reviews the period over which its inventories will be converted to sales. Any inventories expected to convert to sales beyond 12 months from the balance sheet date are classified as non-current.

Intangible Assets

Impairment of Long-lived Assets– The Company reviews its long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to future net undiscounted cash flows expected to be generated by the asset group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. As of June 30, 2018 and 2017, the Company has determined that no impairment of long-lived assets exists.
The Company evaluates its indefinite Intangible Assets for impairment at least on an annual basis and will evaluate them earlier if there are indicators of a potential impairment. Those intangible assets that are classified as goodwill or as other intangibles with indefinite lives are not amortized. Impairment testing is performed in two steps: (i) the

Company determines if there is impairment by comparing the fair value of a reporting unit with its carrying value, and (ii) if there is impairment, the Company measures the amount of impairment loss by comparing the implied fair value of intangible assets with the carrying amount of the intangible assets. The Company has concluded that no impairment of intangible assets occurred during the years ended June 30, 2018 and 2017.

Income Taxes

The Company has identified the United States and New York State as its major tax jurisdictions. The fiscal 2015 and forward years are still open for examination. In addition, the Company has a wholly-owned subsidiary which operates in a Free Zone in the Dominican Republic ("DR") and is exempt from DR income tax.

For the year ended June 30, 2018, the Company recognized a net income tax expense of $684,000. During the year ending June 30, 2018 the Company increased its reserve for uncertain income tax positions by $38,000. The Company's practice is to recognize interest and penalties related to income tax matters in income tax expense and accrued income taxes. As of June 30, 2018, the Company had accrued interest totaling $0 and $221,000 of unrecognized net tax benefits that, if recognized, would favorably affect the Company's effective income tax rate in any future period. The Company claims research and development ("R&D") tax credits on eligible research and development expenditures. The R&D tax credits are recognized as a reduction to income tax expense.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company measures and recognizes the tax implications of positions taken or expected to be taken in its tax returns on an ongoing basis.

On December 22, 2017, the U.S. federal government enacted comprehensive tax legislation ("the "Tax Act") which significantly revises the U.S. corporate income tax law by, among other things, lowering the U.S. federal corporate income tax rate from 35% to 21%, implementing a territorial tax system, imposing a one-time transition tax on foreign unremitted earnings, and setting limitations on deductibility of certain costs.

Due to the complexities involved in accounting for the Tax Act, the U.S. Securities and Exchange Commission's Staff Accounting Bulletin ("SAB") 118 requires that the company include in its financial statements a reasonable estimate of the impact of the Tax Act on earnings to the extent such estimate has been determined. Accordingly, the company recorded the following reasonable estimates of the tax impact in its earnings for the year ended June 30, 2018.

(a) For the year ended June 30, 2018, the company accrued $381,000 of tax expense for the Tax Act's one-time transition tax on the foreign subsidiaries' accumulated, unremitted earnings.

(b) For the year ended June 30, 2018, the company accrued $136,000 in provisional tax benefit related to the net change in deferred tax stemming from the Tax Act's reduction of the U.S. federal tax rate from 35% to 21%.

The Tax Act also includes a provision to tax global intangible low-taxed income ("GILTI") of foreign subsidiaries. The company will be subject to the GILTI provisions effective beginning July 1, 2018 and is in the process of analyzing their effects, including how to account for the GILTI provision from an accounting policy standpoint.

The final impact on the company from the Tax Act's transition tax legislation may differ from the aforementioned reasonable estimate of $381,000 due to the complexity of calculating and supporting with primary evidence such U.S. tax attributes as accumulated foreign earnings and profits. Such differences could be material, due to, among other things, changes in interpretations of the Tax Act, future legislative action to address questions that arise because of the Tax Act, changes in accounting standards for income taxes or related interpretations in response to the Tax Act, or any updates or changes to estimates the company has utilized to calculate the transition tax's reasonable estimate.

Pursuant to SAB118, the company is allowed a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts. Accordingly, the company accrued the transition tax of

$381,000 and a tax benefit related to the net change in deferred tax liabilities $136,000 for the year ended June 30, 2018 based on a reasonable estimate. The company will continue to calculate the impact of the U.S. Tax Act and will record any resulting tax adjustments during fiscal 2019. Additionally, the company will elect to pay the transition tax in installments over the period of 8 years, pursuant to the guidance of the new Internal Revenue Code Section 965.

Liquidity and Capital Resources

The Company's cash on hand as of June 30, 2017 combined with proceeds from operating activities during fiscal 2018 were adequate to meet the Company's capital expenditure needs and debt obligations during fiscal 2018. The Company's primary internal source of liquidity is the cash flow generated from operations. The primary source of external financing is a revolving credit facility of $11,000,000 (the "Revolving Credit Facility") which expires in June 2021. As of June 30, 2018, $0 was outstanding under this revolving line of credit. As of June 30, 2018, the Company's unused sources of funds consisted principally of $5,308,000 in cash and cash equivalents and $11,000,000 unused balance available under its revolving line of credit.

During the year ended June 30, 2018 the Company utilized its cash on hand at June 30, 2017 ($3,454,000) and a portion of its cash provided by operations ($2,663,000 of $7,864,000) to repay outstanding debt ($3,500,000), repurchase treasury stock ($1,337,000) and purchase property, plant and equipment ($1,280,000).

As of June 30, 2018, long-term debt consisted of a revolving credit facility of $11,000,000 (the "Revolving Credit Facility") which expires in June 2021. The Company's long-term debt is described more fully in Note 6 to the consolidated financial statements.

The Revolving Credit Facility contains various restrictions and covenants including, among others, restrictions on payment of dividends, restrictions on borrowings and compliance with certain financial ratios, as defined in the restated agreement.

Outstanding balances and interest rates as of June 30, 2018 and June 30, 2017 are as follows (dollars in thousands):

	June 30, 2018		June 30, 2017	
	Outstanding	Interest Rate	Outstanding	Interest Rate
Revolving line of credit	$--	--	$3,500	2.2%
Term loans	--	--	--	--
Total debt	$--	--	$ 3,500	2.2%

The Company believes its current working capital, anticipated cash flows from operations and its Revolving Credit Agreement will be sufficient to fund the Company's operations through at least the next twelve months.

The Company takes into consideration several factors in measuring its liquidity, including the ratios set forth below:

	As of June 30,	
	2018	2017
Current Ratio	5.7 to 1	4.9 to 1
Sales to Receivables	4.0 to 1	4.3 to 1
Total debt to equity	0.0 to 1	.06 to 1

As of June 30, 2018, the Company had no material commitments for capital expenditures or inventory purchases other than purchase orders issued in the normal course of business. On April 26, 1993, the Company's foreign subsidiary entered into a 99-year land lease of approximately 4 acres of land in the Dominican Republic, on which the Company's principle manufacturing facility is located, at an annual cost of approximately $288,000.
Working Capital. Working capital increased by $3,503,000 to $44,301,000 at June 30, 2018 from $40,798,000 at June 30, 2017. Working capital is calculated by deducting Current Liabilities from Current Assets.

Accounts Receivable. Accounts Receivable increased by $2,463,000 to $22,738,000 at June 30, 2018 as compared to $20,275,000 at June 30, 2017. The increase in Accounts Receivable was due primarily to an increase in sales for the quarter ended June 30, 2018 as compared to the same quarter a year ago.

Inventories. Inventories, which include both current and non-current portions, decreased by $1,645,000 to $28,934,000 at June 30, 2018 as compared to $30,579,000 at June 30, 2017. The decrease was due primarily to the higher sales levels in the quarter ended June 30, 2018 as compared to the same period a year ago.

Accounts Payable and Accrued Expenses. Accounts payable and accrued expenses, not including income taxes payable, decreased by $1,075,000 to $9,109,000 as of June 30, 2018 as compared to $10,184,000 at June 30, 2017. This increase is primarily due to the decrease in inventory as described above.

Off-Balance Sheet Arrangements

The Company does not maintain any off-balance sheet arrangements.

Results of Operations
Fiscal 2018 Compared to Fiscal 2017

	Fiscal year ended June 30, (dollars in thousands)		
	2018	2017	% Increase/ (decrease)
Net sales	$91,746	$87,374	5.0%
Gross profit (1)	37,995	36,301	4.7%
Gross profit as a % of net sales	41.4%	41.5%	(0.2)%
Research and development (1)	6,630	6,723	(1.4)%
Selling, general and administrative	22,951	23,200	(1.1)%
Selling, general and administrative as a % of net sales	25.0%	26.6%	(6.0)%
Income from operations	8,414	6,378	31.9%
Interest expense, net	81	83	(2.4)%
Provision for income taxes	684	696	(1.7)%
Net income	7,649	5,599	36.6%

(1) Prior period balances have been reclassified to conform with the current period presentation.

Net sales in fiscal 2018 increased by $4,372,000 to $91,746,000 as compared to $87,374,000 in fiscal 2017. The increase in net sales was primarily due to increased sales of the Company's alarm communication services ($4,064,000) and Continental brand access control products ($1,247,000) as partially offset by decreases in NAPCO brand intrusion products ($688,000), Alarm Lock brand door-locking products ($164,000) and Marks brand door-locking products ($87,000).

The Company's gross profit increased by $1,694,000 to $37,995,000 or 41.4% of net sales in fiscal 2018 as compared to $36,301,000 or 41.5% of net sales in fiscal 2017. Gross profit was primarily affected by the increase in net sales as discussed above as partially offset by increased salary and freight expenses.

Research and Development expenses remained relatively constant at $6,630,000 in fiscal 2018 as compared to $6,723,000 in fiscal 2017.

Selling, general and administrative expenses for fiscal 2018 decreased by $249,000 to 22,951,000 as compared to $23,200,000 in fiscal 2017. Selling, general and administrative expenses as a percentage of net sales decreased to 25.0% in fiscal 2018 from 26.6% in fiscal 2017. The decreases in dollars and as a percentage of sales resulted primarily from decreases in advertising and tradeshow expenditures. The decrease as a percentage of sales was also the result of the increase in sales.

Interest expense for fiscal 2018 remained relatively constant at $81,000 as compared to $83,000 for the same period a year ago.

The Company's provision for income taxes for fiscal 2018 remained relatively constant at $684,000 as compared to $696,000 for the same period a year ago. The Company's effective tax rate decreased to 8% for fiscal 2018 as compared to 11% for fiscal 2017. The decrease in the effective tax rate was due primarily to certain provisions in the H. R. 1, Tax Cuts and Jobs Act, enacted on December 22, 2017, which reduced the U. S. Corporate income tax rate to 21%

Net income for fiscal 2018 increased by $2,050,000 to $7,649,000 as compared to $5,599,000 in fiscal 2017. This resulted primarily from the items discussed above.

Forward-looking Information

This Annual Report on Form 10-K and the information incorporated by reference may include "Forward-Looking Statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act of 1934. The Company intends the Forward-Looking Statements to be covered by the Safe Harbor Provisions for Forward-Looking Statements. All statements regarding the Company's expected financial position and operating results, its business strategy, its financing plans and the outcome of any contingencies are Forward-Looking Statements. The Forward-Looking Statements are based on current estimates and projections about our industry and our business. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," or variations of such words and similar expressions are intended to identify such Forward-Looking Statements. The Forward-Looking Statements are subject to risks and uncertainties that could cause actual results to differ materially from those set forth or implied by any Forward-Looking Statements. For example, the Company is highly dependent on its Chief Executive Officer for strategic planning. If he is unable to perform his services for any significant period of time, the Company's ability to grow could be adversely affected. In addition, factors that could cause actual results to differ materially from the Forward-Looking Statements include, but are not limited to, uncertain economic, military and political conditions in the world, our ability to maintain and develop competitive products, adverse tax consequences of offshore operations, the ability to maintain adequate financing and significant fluctuations in the exchange rate between the Dominican Peso and the U.S. Dollar. The Company's Risk Factors are discussed in more detail in Item 1A.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's principal financial instrument is long-term debt (consisting of a revolving credit facility) that provides for interest based on the prime rate or LIBOR as described in the agreement. The Company is affected by market risk exposure primarily through the effect of changes in interest rates on amounts payable by the Company under these credit facilities. At June 30, 2018, an aggregate principal amount of approximately $0 was outstanding under the Company's credit facilities with a weighted average interest rate of approximately n/a%. If principal amounts outstanding under the Company's credit facilities remained at this level for an entire year and the interest rate increased or decreased, respectively, by 1% the Company would pay or save, respectively, an additional $0 in interest that year.

All foreign sales transactions by the Company are denominated in U.S. dollars. As such, the Company has shifted foreign currency exposure onto its foreign customers. As a result, if exchange rates move against foreign customers, the Company could experience difficulty collecting unsecured accounts receivable, the cancellation of existing orders or the loss of future orders. The foregoing could materially adversely affect the Company's business, financial condition and results of operations. We are also exposed to foreign currency risk relative to expenses incurred in Dominican Pesos ("RD$"), the local currency of the Company's production facility in the Dominican Republic. The result of a 10% strengthening or weakening in the U.S. dollar to the RD$ would result in an annual increase or decrease in income from operations of approximately $700,000.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

a. Financial Statements: Financial statements required pursuant to this Item are presented on pages FS-1 through FS-25 of this report as follows:

NAPCO SECURITY TECHNOLOGIES, INC. AND SUBSIDIARIES

	Page
Management Report on Internal Control	FS-1
Reports of Independent Registered Public Accounting Firm	FS-2
Consolidated Financial Statements:	
Consolidated Balance Sheets as of June 30, 2018 and 2017	FS-4
Consolidated Statements of Income for the Fiscal Years Ended June 30, 2018 and 2017	FS-6
Consolidated Statements of Stockholders' Equity for the Fiscal Years Ended June 30, 2018 and 2017	FS-7
Consolidated Statements of Cash Flows for the Fiscal Years Ended June 30, 2018 and 2017	FS-8
Notes to Consolidated Financial Statements	FS-9

Management Report on Internal Control

Management has prepared and is responsible for our consolidated financial statements and related notes. Management is also responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. NAPCO Technologies, Inc. (the "Company") internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with the authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements prepared for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Management identified the following material weakness: A lack of supervision and review to ensure proper internal control over financial reporting.

Management conducted an assessment of the effectiveness of internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* as issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management determined that as of June 30, 2018, the Company did not maintain effective internal control over financial reporting.

The effectiveness of our internal control over financial reporting as of June 30, 2018 has been audited by Baker Tilly Virchow Krause, LLP, an independent registered public accounting firm, as stated in their report included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of NAPCO Security Technologies, Inc. and Subsidiaries:

Adverse Opinion on Internal Control over Financial Reporting

We have audited NAPCO Security Technologies, Inc. and Subsidiaries (the "Company's") internal control over financial reporting as of June 30, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, because of the effect of the material weakness described in the following paragraph on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of June 30, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by COSO.

A material weakness is a control deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment: a material weakness related to the lack of supervision and review to ensure proper internal control over financial reporting. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2018 consolidated financial statements, and this report does not affect our report dated September 13, 2018 on those consolidated financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets and the related consolidated statements of income, stockholders' equity, and cash flows of the Company, and our report dated September 13, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BAKER TILLY VIRCHOW KRAUSE, LLP

New York, New York
September 13, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of NAPCO Security Technologies, Inc. and Subsidiaries:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of NAPCO Security Technologies, Inc. and Subsidiaries (the "Company") as of June 30, 2018 and 2017, the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the two-year period ended June 30, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the two-year period ended June 30, 2018, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (the "PCAOB"), the Company's internal control over financial reporting as of June 30, 2018, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated September 13, 2018, expressed an adverse opinion.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BAKER TILLY VIRCHOW KRAUSE, LLP

We have served as the Company's auditor since 2009.

New York, New York
September 13, 2018

NAPCO SECURITY TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

June 30, 2018 and 2017
(In Thousands)

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$5,308	$3,454
Accounts receivable, net of allowance for doubtful accounts of $195 and $155 at June 30, 2018 and 2017, respectively, and other reserves	22,738	20,275
Inventories	24,533	26,212
Prepaid expenses and other current assets	1,124	1,330
Total Current Assets	53,703	51,271
Inventories - non-current	4,401	4,367
Deferred income taxes	564	644
Property, plant and equipment, net	6,791	6,543
Intangible assets, net	7,545	7,916
Other assets	265	121
TOTAL ASSETS	$73,269	$70,862

See accompanying notes to consolidated financial statements.

NAPCO SECURITY TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

June 30, 2018 and 2017
(In Thousands, Except Share Data)

LIABILITIES AND STOCKHOLDERS' EQUITY

	2018	2017
CURRENT LIABILITIES		
Accounts payable	$4,807	$5,653
Accrued expenses	2,112	2,209
Accrued salaries and wages	2,190	2,322
Accrued income taxes	293	289
Total Current Liabilities	9,402	10,473
Long-term debt, net of current maturities	--	3,500
Accrued income taxes	414	--
Total Liabilities	9,816	13,973
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common Stock, par value $0.01 per share; 40,000,000 shares authorized; 21,204,327 and 21,174,507 shares issued; and 18,729,082 and 18,844,657 shares outstanding, respectively	212	212
Additional paid-in capital	16,890	16,638
Retained earnings	59,420	51,771
Less: Treasury Stock, at cost (2,475,245 and 2,329,850 shares, respectively)	(13,069)	(11,732)
TOTAL STOCKHOLDERS' EQUITY	63,453	56,889
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$73,269	$70,862

See accompanying notes to consolidated financial statements.

NAPCO SECURITY TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

Fiscal Years Ended June 30, 2018 and 2017
(In Thousands, Except Share and Per Share Data)

	2018	2017
Net sales:		
Equipment revenues	$79,744	$79,436
Service revenues	12,002	7,938
	91,746	87,374
Cost of sales:		
Equipment related expenses	50,962	49,102
Service related expenses	2,789	1,971
	53,751	51,073
Gross Profit	37,995	36,301
Research and development	6,630	6,723
Selling, general, and administrative expenses	22,951	23,200
Operating Income	8,414	6,378
Other expense:		
Interest expense, net	81	83
Income before Provision for Income Taxes	8,333	6,295
Provision for Income Taxes	684	696
Net Income	$7,649	$5,599
Income per share:		
Basic	$0.41	$0.30
Diluted	$0.41	$0.30
Weighted average number of shares outstanding:		
Basic	18,788,000	18,809,000
Diluted	18,825,000	18,854,000

See accompanying notes to consolidated financial statements.

NAPCO SECURITY TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Fiscal Years Ended June 30, 2018 and 2017
(In Thousands, Except Share Data)

	Common Stock			Treasury Stock			
	Number of Shares Issued	Amount	Additional Paid-in Capital	Number of Shares	Amount	Retained Earnings	Total
BALANCE June 30, 2016	21,116,743	$211	$16,622	(2,329,850)	$(11,732)	$46,172	$51,273
Stock Options Exercised	57,764	1	(86)	--	--	--	(85)
Stock-based compensation expense	--	--	102	--	--	--	102
Net income	--	--	--	--	--	5,599	5,599
BALANCE June 30, 2017	21,174,507	$212	$16,638	(2,329,850)	$(11,732)	$51,771	$56,889
Repurchase of Treasury Shares	--	--	--	(145,395)	(1,337)	--	(1,337)
Stock Options Exercised	29,820	--	106	--	--	--	106
Stock-based compensation expense	--	--	146	--	--	--	146
Net income	--	--	--	--	--	7,649	7,649
BALANCE June 30, 2018	21,204,327	$212	$16,890	(2,475,245)	$(13,069)	$59,420	$63,453

See accompanying notes to consolidated financial statements.

NAPCO SECURITY TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Fiscal Years Ended June 30, 2018 and 2017 (In Thousands)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$7,649	$5,599
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,409	1,374
Change to inventory obsolescence reserve	788	(457)
Provision for doubtful accounts	40	10
Deferred income taxes	80	361
Non-cash stock based compensation expense	146	102
Changes in operating assets and liabilities:		
Accounts receivable	(2,503)	(1,273)
Inventories	857	(4,785)
Prepaid expenses and other current assets	206	(394)
Tax deficiency from stock-based awards	--	134
Other assets	(151)	--
Accounts payable, accrued expenses, accrued salaries and wages, accrued income taxes	(656)	1,777
Net Cash Provided by Operating Activities	7,865	2,448
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant, and equipment	(1,280)	(1,414)
Net Cash Used in Investing Activities	(1,280)	(1,414)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(3,500)	(2,800)
Proceeds from long-term debt	--	1,500
Proceeds from stock option exercises	106	49
Tax deficiency from stock-based awards	--	(134)
Cash paid for purchase of treasury stock	(1,337)	--
Net Cash Used in Financing Activities	(4,731)	(1,385)
Net Change in Cash and Cash Equivalents	1,854	(351)
CASH AND CASH EQUIVALENTS - Beginning	3,454	3,805
CASH AND CASH EQUIVALENTS - Ending	$5,308	$3,454
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid, net	$82	$88
Income taxes paid	$186	$54
Surrender of Common Shares	11	86

See accompanying notes to consolidated financial statements.

NOTE 1 - Nature of Business and Summary of Significant Accounting Policies

Nature of Business:

NAPCO Security Technologies, Inc. and Subsidiaries (the "Company") is a diversified manufacturer of security products, encompassing access control systems, door-locking products, intrusion and fire alarm systems and video surveillance products for commercial and residential use. The Company also provides wireless communication service for intrusion and fire alarm systems. These products are used for commercial, residential, institutional, industrial and governmental applications, and are sold worldwide principally to independent distributors, dealers and installers of security equipment.

The Company's fiscal year begins on July 1 and ends on June 30. Historically, the end users of the Company's products want to install its products prior to the summer; therefore sales of its products historically peak in the period April 1 through June 30, the Company's fiscal fourth quarter, and are reduced in the period July 1 through September 30, the Company's fiscal first quarter. In addition, demand is affected by the housing and construction markets.

Significant Accounting Policies:

Principles of Consolidation

The consolidated financial statements include the accounts of NAPCO Security Technologies, Inc. and all of its wholly-owned subsidiaries. All inter-company balances and transactions have been eliminated in consolidation. Amounts previously recorded in cost of sales totaling $6,723,000 have been reclassified to research and development from cost of sales to conform with the current period presentation.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent gains and losses at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Critical estimates include management's judgments associated with reserves for sales returns and allowances, concentration of credit risk, inventory reserves, intangible assets and income taxes. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The methods and assumptions used to estimate the fair value of the following classes of financial instruments were: Current Assets and Current Liabilities - The carrying amount of cash and cash equivalents, certificates of deposits, current receivables and payables and certain other short-term financial instruments approximate their fair value as of June 30, 2018 due to their short-term maturities.; Long-Term Debt - The carrying amount of the Company's long-term debt at June 30, 2018 in the amount of $0 approximates fair value.

Cash and Cash Equivalents

Cash and cash equivalents include approximately $460,000 of short-term time deposits at June 30, 2018 and June 30, 2017. The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Company has cash balances in banks in excess of the maximum amount insured by the FDIC and other international agencies as of June 30, 2018 and June 30, 2017. The Company has historically not experienced any credit losses with balances in excess of FDIC limits.

Accounts Receivable

Accounts receivable is stated net of the reserves for doubtful accounts of $195,000 and $155,000 and for returns and other allowances of $1,765,000 and $1,250,000 as of June 30, 2018 and June 30, 2017, respectively. Our reserves for doubtful accounts and for returns and other allowances are subjective critical estimates that have a direct impact on reported net earnings. These reserves are based upon the evaluation of our accounts receivable aging, specific exposures, sales levels and historical trends.

Inventories

Inventories are valued at the lower of cost or net realizable value, with cost being determined on the first-in, first-out (FIFO) method. The reported net value of inventory includes finished saleable products, work-in-process and raw materials that will be sold or used in future periods. Inventory costs include raw materials, direct labor and overhead. The Company's overhead expenses are applied based, in part, upon estimates of the proportion of those expenses that are related to procuring and storing raw materials as compared to the manufacture and assembly of finished products. These proportions, the method of their application, and the resulting overhead included in ending inventory, are based in part on subjective estimates and actual results could differ from those estimates.

In addition, the Company records an inventory obsolescence reserve, which represents any excess of the cost of the inventory over its estimated market value, based on various product sales projections. This reserve is calculated using an estimated obsolescence percentage applied to the inventory based on age, historical trends, requirements to support forecasted sales, and the ability to find alternate applications of its raw materials and to convert finished product into alternate versions of the same product to better match customer demand. In addition, and as necessary, the Company may establish specific reserves for future known or anticipated events. There is inherent professional judgment and subjectivity made by both production and engineering members of management in determining the estimated obsolescence percentage.

The Company also regularly reviews the period over which its inventories will be converted to sales. Any inventories expected to convert to sales beyond 12 months from the balance sheet date are classified as non-current.

Property, Plant, and Equipment

Property, plant, and equipment are carried at cost less accumulated depreciation. Expenditures for maintenance and repairs are charged to expense as incurred; costs of major renewals and improvements are capitalized. At the time property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are eliminated from the asset and accumulated depreciation accounts and the profit or loss on such disposition is reflected in income.

Depreciation is recorded over the estimated service lives of the related assets using primarily the straight-line method. Amortization of leasehold improvements is calculated by using the straight-line method over the estimated useful life of the asset or lease term, whichever is shorter.

Intangible Assets

Intangible assets determined to have indefinite lives are not amortized but are tested for impairment at least annually. Intangible assets with definite lives are amortized over their useful lives. Infinite-lived intangible assets are reviewed for impairment at least annually at the Company's fiscal year end of June 30 or more often whenever there is an indication that the carrying amount may not be recovered.

The Company's acquisition of substantially all of the assets and certain liabilities of G. Marks Hardware, Inc. ("Marks") in August 2008 included intangible assets recorded at fair value on the date of acquisition. The intangible assets are amortized over their estimated useful lives of twenty years (customer relationships) and seven years (non-compete agreement). The Marks trade name was deemed to have an indefinite life.

Changes in intangible assets are as follows (in thousands):

	June 30, 2018			June 30, 2017		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Customer relationships	$9,800	$ (8,155)	$1,645	$9,800	$ (7,784)	$2,016
Trade name	5,900	--	5,900	5,900	--	5,900
	$15,700	$ (8,155)	$7,545	$15,700	$ (7,784)	$7,916

Amortization expense for intangible assets subject to amortization was approximately $371,000 and $441,000 for the fiscal years ended June 30, 2018 and 2017, respectively. Amortization expense for each of the next five fiscal years is estimated to be as follows: 2019 - $313,000; 2020 -$264,000; 2021 - $223,000; 2022 - $188,000; and 2023 $159,000. The weighted average amortization period for intangible assets was 10.1 years and 11.1 years at June 30, 2018 and 2017, respectively.

Long-Lived Assets

Long-lived assets, including indefinite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets in question may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of that asset.

Revenue Recognition

The Company recognizes revenue when the following criteria are met: (i) persuasive evidence of an agreement exists, (ii) there is a fixed and determinable price for the Company's product or service, (iii) shipment and passage of title occurs or service has been provided, and (iv) collectability is reasonably assured. Revenues from product sales are recorded at the time the product is shipped or delivered to the customer pursuant to the terms of the sale. Revenues for services are recorded at the time the service is provided to the customer pursuant to the terms of sale. The Company reports its sales on a net sales basis, with net sales being computed by deducting from gross sales the amount of actual sales returns and other allowances and the amount of reserves established for anticipated sales returns and other allowances.

Sales Returns and Other Allowances

The Company analyzes sales returns and is able to make reasonable and reliable estimates of product returns based on the Company's past history. Estimates for sales returns are based on several factors including actual returns and based on expected return data communicated to it by its customers. Accordingly, the Company believes that its historical returns analysis is an accurate basis for its allowance for sales returns. Actual results could differ from those estimates. As a percentage of gross sales, sales returns, rebates and allowances were 8%, and 7% for the fiscal years ended June 30, 2018 and 2017, respectively.

Advertising and Promotional Costs

Advertising and promotional costs are included in "Selling, General and Administrative" expenses in the consolidated statements of operations and are expensed as incurred. Advertising expense for the fiscal years ended June 30, 2018 and 2017 was $2,011,000 and $2,444,000, respectively.

Research and Development Costs

Research and development costs incurred by the Company are charged to expense as incurred and are included in "Operating expenses" in the consolidated statements of operations. Company-sponsored research and development expense for the fiscal years ended June 30, 2018 and 2017 was $6,630,000 and $6,723,000, respectively. These amounts, previously recorded in cost of sales have been reclassified to research and development conform with the current period presentation.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the

deferred tax assets will not be realized. The Company measures and recognizes the tax implications of positions taken or expected to be taken in its tax returns on an ongoing basis.

Net Income Per Share

Basic net income per common share (Basic EPS) is computed by dividing net income by the weighted average number of common shares outstanding. Diluted net income per common share (Diluted EPS) is computed by dividing net income by the weighted average number of common shares and dilutive common share equivalents and convertible securities then outstanding.

The following provides a reconciliation of information used in calculating the per share amounts for the fiscal years ended June 30 (in thousands, except per share data):

	Net Income		Weighted Average Shares		Net Income per Share	
	2018	2017	2018	2017	2018	2017
Basic EPS	$7,649	$5,599	18,788	18,809	$ 0.41	$ 0.30
Effect of Dilutive Securities:						
Stock Options	--	--	37	45	--	--
Diluted EPS	$7,649	$5,599	18,825	18,854	$ 0.41	$ 0.30

Options to purchase 217 and 0 shares of common stock for the fiscal years ended June 30, 2018 and 2017, respectively, were not included in the computation of Diluted EPS because their inclusion would be anti-dilutive. These options were still outstanding at the end of the respective periods.

Stock-Based Compensation

The Company has established two share incentive programs as discussed in Note 7.

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the vesting period. Determining the fair value of share-based awards at the grant date requires assumptions and judgments about expected volatility and forfeiture rates, among other factors.

Stock-based compensation costs of $146,000 and $102,000 were recognized for fiscal years ended June 30, 2018 and 2017, respectively. The effect on both Basic and Diluted Earnings per share was $0.01 for each of the fiscal years ended June 30, 2018 and 2017.

Foreign Currency

The Company has determined the functional currency of all foreign subsidiaries is the U.S Dollar. All foreign operations are considered a direct and integral part or extension of the Company's operations. The day-to-day operations of all foreign subsidiaries are dependent on the economic environment of the U.S Dollar. Therefore, no realized and unrealized gains and losses associated with foreign currency translation is recorded for the fiscal years ended June 30, 2018 or 2017.

Comprehensive Income

For the fiscal years ended June 30, 2018 and 2017, the Company's operations did not give rise to material items includable in comprehensive income, which were not already included in net income. Accordingly, the Company's comprehensive income approximates its net income for all periods presented.

Segment Reporting

The Company's reportable operating segments are determined based on the Company's management approach. The management approach is based on the way that the chief operating decision maker organizes the segments within an enterprise for making operating decisions and assessing performance. The Company's results of operations are reviewed by the chief operating decision maker on a consolidated basis and the Company operates in only one segment. The Company has presented required geographical data in Note 11, and no additional segment data has been presented.

Shipping and Handling Revenues and Costs

The Company records the amount billed to customers for shipping and handling in net sales ($476,000 and $461,000 in the fiscal years ended June 30, 2018 and 2017, respectively) and classifies the costs associated with these revenues in cost of sales ($988,000 and $947,000 in fiscal years ended June 30, 2018 and 2017).

Recently Issued Accounting Standards

In March 2016, the Financial Accounting Standards Board ("FASB") issued authoritative guidance that changes the way companies account for certain aspects of share-based payments to employees. The most significant impact relates to the accounting for income tax effects of share-based compensation awards. This new guidance is part of the FASB's simplification initiative and requires that all excess tax benefits and tax deficiencies be recorded as income tax expense or benefit in the income statement. In addition, companies are required to treat the tax effects of exercised or vested awards as discrete items in the period that they occur. Other updates include changing the threshold on tax withholding requirements. Under this guidance, an employer can withhold up to the maximum statutory withholding rates in a jurisdiction without tainting the award classification. Additionally, this guidance allows companies to elect a forfeiture recognition method whereby they account for forfeitures as they occur (actual) or they estimate the number of awards expected to be forfeited (current GAAP). Lastly, as it relates to public entities, this guidance also provides requirements for the cash flow classification of cash paid by an employer when directly withholding shares for tax-withholding purposes and excess tax benefits. This guidance becomes effective for the Company's fiscal 2018 first quarter, with early adoption permitted, and the guidance prescribes different transition methods for the various provisions (i.e., retrospective, modified retrospective, or prospective). The Company does not expect this to have a material effect on its consolidated results of operations and financial condition.

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In February 2016, the FASB issued authoritative guidance that requires lessees to account for most leases on their balance sheets with the liability being equal to the present value of the lease payments. The right-of-use asset will be based on the lease liability adjusted for certain costs such as direct costs. Lease expense will be recognized similar to current accounting guidance with operating leases resulting in a straight-line expense and financing leases resulting in a front-loaded expense similar to the current accounting for capital leases. This guidance becomes effective for the Company's fiscal 2020 first quarter, with early adoption permitted. This guidance must be adopted using a modified retrospective transition approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, and provides for certain practical expedients. The Company is currently evaluating the timing, impact and method of applying this guidance on its consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11 "Inventory (Topic 330): Simplifying the Measurement of Inventory" (ASU 2015-11). The amendments in ASU 2015-11 simplify the subsequent measurement of inventory by requiring inventory to be measured at the lower of cost and net realizable value. ASU 2015-11 was effective for the Company's quarter ended September 30, 2017. We have adopted ASU 2015-11 during the quarter ended September 30, 2017.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), which amends the existing accounting standards for revenue recognition. This standard supersedes existing revenue recognition standards and requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard further requires new

expanded disclosures about contracts with customers. The standard permits an entity to apply the standard retrospectively to all prior periods presented, with certain practical expedients, or apply the requirements in the year of adoption, through a cumulative adjustment. The Company will use the latter transition method. The standard is effective for fiscal years beginning after December 15, 2017. As such the standard is effective for the Company in fiscal 2019.

The Company substantially completed its analysis of the impact of the standard on the Company's consolidated financial statements and determined that the Company's revenue recognition will change with regard to the recognition and measurement of certain types of variable consideration. As a result the Company expects to record a cumulative effect charge to retained earnings of as of the adoption date of July 1, 2018. The Company is in the process of finalizing the cumulative effect change and will also expand its disclosures as necessary, as required by the new standard.

NOTE 2 - Business and Credit Concentrations

An entity is more vulnerable to concentrations of credit risk if it is exposed to risk of loss greater than it would have had if it mitigated its risk through diversification of customers. Such risks of loss manifest themselves differently, depending on the nature of the concentration, and vary in significance. The Company had one customer with an accounts receivable balance that comprised 22% and 24% of the Company's accounts receivable at June 30, 2018 and 2017, respectively. Sales to this customer comprised 10% and 13% of net sales in the fiscal years ended June 30, 2018 and 2017, respectively. The Company had another customer with an accounts receivable balance that comprised 11% of the Company's accounts receivable at June 30, 2018. Sales to this customer did not exceed 10% of net sales in any of the fiscal years ended June 30, 2018 and 2017.

NOTE 3 - Inventories

Inventories, net of reserves are valued at lower of cost (first-in, first-out method) or net realizable value. The Company regularly reviews parts and finished goods inventories on hand and, when necessary, records a provision for excess or obsolete inventories. The Company also regularly reviews the period over which its inventories will be converted to sales. Any inventories expected to convert to sales beyond 12 months from the balance sheet date are classified as non-current.

Inventories, net of reserves consist of the following (in thousands):

	June 30,	
	2018	2017
Component parts	$16,495	$16,638
Work-in-process	4,491	4,415
Finished product	7,948	9,526
	$28,934	$30,579
Classification of inventories, net of reserves:		
Current	$24,533	$26,212
Non-current	4,401	4,367
	$28,934	$30,579

NOTE 4 - Property, Plant, and Equipment

Property, plant and equipment consist of the following (in thousands):

	June 30,		
	2018	2017	Useful Life in Years
Land	$904	$904	--
Buildings	8,911	8,911	30 to 40
Molds and dies	7,275	7,058	3 to 5
Furniture and fixtures	2,599	2,570	5 to 10
Machinery and equipment	22,996	22,183	7 to 10
Leasehold improvements	706	485	Shorter of the lease term or life of asset
	43,391	42,111	
Less: accumulated depreciation and amortization	(36,600)	(35,568)	
	$6,791	$6,543	

Depreciation and amortization expense on property, plant, and equipment was approximately $1,031,000 and $920,000 in fiscal 2018 and 2017, respectively.

NOTE 5 - Income Taxes

The provision for income taxes is comprised of the following (in thousands):

	For the Years Ended June 30,	
	2018	2017
Current income taxes:		
Federal	$567	$280
State	37	55
	604	335
Deferred income tax provision	80	361
Provision for income taxes	$684	$696

A reconciliation of the U.S. Federal statutory income tax rate to our actual effective tax rate on earnings before income taxes is as follows for the years ended June 30, (dollars in thousands):

	2018		2017	
	Amount	% of Pre-tax Income	Amount	% of Pre-tax Income
Tax at Federal statutory rate	$2,296	27.6%	$2,140	34.0%
Increases (decreases) in taxes resulting from:				
Meals and entertainment	56	0.6%	68	1.1%
State income taxes, net of Federal income tax benefit	29	0.3%	28	0.4%
Foreign source income not subject to tax	(1,895)	(22.7)%	(1,286)	(20.4)%
R&D Credit	(314)	(3.8)%	(286)	(4.5)%
Transition tax	381	4.6%	--	--
Foreign withholding tax	256	3.1%	--	--
U.S. Federal Tax rate reduction	(136)	(1.6%)	--	--
Other, net	11	0.1%	32	0.5%
Effective tax rate	$684	8.2%	$696	11.1%

Deferred tax assets and deferred tax liabilities at June 30, 2018 and 2017 are as follows (in thousands):

	Deferred Tax Assets (Liabilities)	
	2018	2017
Accounts receivable	$17	$26
Inventories	437	586
Accrued Liabilities	233	453
Stock based compensation expense	15	28
Intangibles	(324)	(258)
R&D credit	781	1,427
Property, plant and equipment	(339)	(579)
Other deferred tax liabilities	(256)	(1,039)
	564	644
Valuation allowance	--	--
Net deferred tax assets	$564	$644

The Company has identified the United States and New York State as its major tax jurisdictions. The fiscal 2015 and forward years are still open for examination. In addition, the Company has a wholly-owned subsidiary which operates in a Free Zone in the Dominican Republic ("DR") and is exempt from DR income tax.

The provision for income taxes represents Federal, Foreign, and State and Local income taxes. The effective rate differs from statutory rates due to the effect of tax rates in foreign jurisdictions, tax benefit of R&D credits, certain nondeductible expenses and by the enactment of H.R. 1, Tax Cuts and Jobs Act (the "Act") on December 22, 2017. The Act reduced the U.S. Corporate income tax rate to 21% and resulted in a $136,000 reduction in the Company's net deferred tax liabilities. As The Company has a June 30 fiscal year-end, the lower corporate income tax rate will be phased in, resulting in a U.S.

federal statutory rate of approximately 27.55% for fiscal 2018 and a 21% U.S. federal statutory rate for subsequent fiscal years. The Company reported $381,000 of provisional expense on its unremitted foreign earnings.

Accounting Standard Codification ("ASC") 740 requires filers to record the effects of tax law changes in the period enacted. However, the SEC issued Staff Accounting Bulletin No. 118 ("SAB 118"), that permits filers to record provisional amounts during a measurement period ending no later than one year from the date of the Act's enactment. As of June 30, 2018, The Company has not completed accounting for the tax effects of enactment of the Act; however, The Company has made a reasonable estimate of the effects on the existing deferred balances as well as the computation of the one-time transition tax. In addition, changes in judgment from the evaluation of new information resulting in the recognition, de-recognition or re-measurement of a tax position taken in a prior annual period is recognized separately in the quarter of the change.

During the year ending June 30, 2018 the Company increased its reserve for uncertain income tax positions by $38,000. The Company's practice is to recognize interest and penalties related to income tax matters in income tax expense and accrued income taxes. As of June 30, 2018, the Company had accrued interest totaling $0 and $221,000 of unrecognized net tax benefits that, if recognized, would favorably affect the Company's effective income tax rate in any future period. The Company does not expect that its unrecognized tax benefits will significantly change within the next twelve months. The Company claims R&D tax credits on eligible research and development expenditures. The R&D tax credits are recognized as a reduction to income tax expense.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	Tax	Interest	Total
Balance of gross unrecognized tax benefits as of July 1, 2016	$148	$--	$148
Increases to unrecognized tax benefits resulting from the generation of additional R&D credits	35	--	35
Balance of gross unrecognized tax benefits as of June 30, 2017	183	$--	183
Increases to unrecognized tax benefits resulting from the generation of additional R&D credits	38	--	38
Balance of gross unrecognized tax benefits as of June 30, 2018	$221	$--	$221

The Company plans to permanently reinvest a substantial portion of its foreign earnings and as such has not provided withholding tax on the permanently reinvested earnings. The Company has accrued $256,000 for withholding taxes on undistributed earnings that are not permanently reinvested. As of June 30, 2018 the Company had approximately $19.7 million of undistributed earnings of foreign subsidiaries.

NOTE 6 - Long-Term Debt

As of June 30, 2018, long-term debt consisted of a revolving line of credit of $11,000,000 ("Agreement") which expires in June 2021.

Outstanding balances and interest rates as of June 30, 2018 and June 30, 2017 are as follows (dollars in thousands):

	June 30, 2018		June 30, 2017	
	Outstanding	Interest Rate	Outstanding	Interest Rate
Revolving line of credit	$--	n/a	$3,500	2.2%

The Agreement also provides for a LIBOR-based interest rate option of LIBOR plus 1.15% to 2.00%, depending on the ratio of outstanding debt to EBITDA, which is to be measured and adjusted quarterly, a prime rate-based option of the prime rate plus 0.25% and other terms and conditions as more fully described in the Agreement. In addition, the Agreement

provides for availability to be limited to the lesser of $11,000,000 or the result of a borrowing base formula based upon the Company's Accounts Receivables and Inventory values net of certain deductions. The Company's obligations under the Agreement continue to be secured by all of its assets, including but not limited to, deposit accounts, accounts receivable, inventory, and the Company's corporate headquarters in Amityville, NY, equipment and fixtures and intangible assets. In addition, the Company's wholly-owned subsidiaries, with the exception of the Company's foreign subsidiaries, have issued guarantees and pledges of all of their assets to secure the Company's obligations under the Agreement. All of the outstanding common stock of the Company's domestic subsidiaries and 65% of the common stock of the Company's foreign subsidiaries has been pledged to secure the Company's obligations under the Agreement.

The Agreement contains various restrictions and covenants including, among others, restrictions on payment of dividends, restrictions on borrowings and compliance with certain financial ratios, as defined in the Agreement.

NOTE 7 - Stock Options

The Company follows ASC 718 ("Share-Based Payment"), which requires that all share based payments to employees, including stock options, be recognized as compensation expense in the consolidated financial statements based on their fair values and over the requisite service period. For the fiscal years ended June 30, 2018 and 2017, the Company recorded non-cash compensation expense of $146,000 ($0.01 per basic and diluted share) and $102,000 ($0.01 per basic and diluted share), respectively, relating to stock-based compensation

2012 Employee Stock Option Plan

In December 2012, the stockholders approved the 2012 Employee Stock Option Plan (the 2012 Employee Plan). The 2012 Employee Plan authorizes the granting of awards, the exercise of which would allow up to an aggregate of 950,000 shares of the Company's common stock to be acquired by the holders of such awards. Under this plan, the Company may grant stock options, which are intended to qualify as incentive stock options (ISOs), to valued employees. Any plan participant who is granted ISOs and possesses more than 10% of the voting rights of the Company's outstanding common stock must be granted an option with a price of at least 110% of the fair market value on the date of grant.

Under the 2012 Employee Plan, stock options may be granted to valued employees with a term of up to 10 years at an exercise price equal to or greater than the fair market value on the date of grant and are exercisable, in whole or in part, at 20% per year beginning on the date of grant. An option granted under this plan shall vest in full upon a "change in control" as defined in the plan. At June 30, 2018, 57,200 stock options were granted, 30,400 stock options were exercisable and 821,900 stock options were available for grant under this plan.

The fair value of each option granted during fiscal 2018 and 2017 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2018	2017
Risk-free interest rates	2.4%	2.4%
Expected lives	10 years	10 years
Expected volatility	52%	52%
Expected dividend yields	0%	0%

The Company uses a weighted-average expected stock-price volatility assumption that is a combination of both current and historical implied volatilities of the underlying stock. The implied volatilities were obtained from publicly available data sources. For the weighted-average expected option life assumption, the Company considers the exercise behavior of past grants. The average risk-free interest rate is based on the U.S. Treasury Bond rate for the expected term of the options and the average dividend yield is based on historical experience.

The following table reflects activity under the 2012 Plan for the fiscal years ended June 30,:

	2018		2017	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	70,600	$5.84	112,500	$5.54
Granted	25,000	9.01	5,000	8.15
Terminated	(4,000)	9.15	(11,400)	6.10
Exercised	(34,400)	5.68	(35,500)	5.13
Outstanding, end of year	57,200	$7.09	70,600	$5.84
Exercisable, end of year	30,400	$6.55	38,700	$5.98
Weighted average fair value at grant date of options granted	$5.61		$5.22	
Total intrinsic value of options exercised	$187,000		$152,000	
Total intrinsic value of options outstanding	$324,000		$252,000	
Total intrinsic value of options exercisable	$246,000		$132,000	

The following table summarizes information about stock options outstanding under the 2012 Employee Plan at June 30, 2018:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$4.29-$9.63	57,200	7.4	$7.09	30,400	$6.55
	57,200	7.4	$7.09	30,400	$6.55

As of June 30, 2018, there was $129,000 of unearned stock-based compensation cost related to share-based compensation arrangements granted under the 2012 Employee Plan. 25,000 and 5,000 options were granted during the fiscal years ended June 30, 2018 and 2017, respectively. 18,000 of the 34,400 stock options exercised during the fiscal year ended June 30, 2018 were settled by exchanging 7,940 shares of the Company's common stock which were retired and returned to unissued status upon receipt. The total fair value of the options vesting during the fiscal years ended June 30, 2018 and 2017 under this plan was $86,000 and $79,000, respectively. $106,000 and $10,000 was received from option exercises for the fiscal years ended June 30, 2018 and 2017, respectively, and the actual tax benefit realized for the tax deductions from option exercises was $0 for each of these periods.

2012 Non-Employee Stock Option Plan

In December 2012, the stockholders approved the 2012 Non-Employee Stock Option Plan (the 2012 Non-Employee Plan). This plan authorizes the granting of awards, the exercise of which would allow up to an aggregate of 50,000 shares of the Company's common stock to be acquired by the holders of such awards. Under this plan, the Company may grant stock options to non-employee directors and consultants to the Company and its subsidiaries.

Under the 2012 Non-Employee Plan, stock options may be granted with a term of up to 10 years at an exercise price equal to or greater than the fair market value on the date of grant and are exercisable in whole or in part at 20% per year beginning on the date of grant. An option granted under this plan shall vest in full upon a "change in control" as defined in the plan. At June 30, 2018, 27,800 stock options were granted, 13,800 stock options were exercisable and no further stock options were available for grant under this plan.

The fair value of each option granted during fiscal 2018 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2018
Risk-free interest rates	2.4%
Expected lives	10 years
Expected volatility	52%
Expected dividend yields	0%

The following table reflects activity under the 2012 Non-Employee Plan for the fiscal years ended June 30,:

	2018		2017	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	14,200	$4.69	35,000	$4.73
Granted	15,000	8.70	--	--
Terminated	--	--	--	--
Exercised	(1,400)	4.73	(20,800)	4.76
Outstanding, end of year	27,800	$6.85	14,200	$4.69
Exercisable, end of year	13,800	$5.61	5,200	$4.76
Weighted average fair value at grant date of options granted	$5.55		n/a	
Total intrinsic value of options exercised	$14,000		$96,000	
Total intrinsic value of options outstanding	$217,000		$67,000	
Total intrinsic value of options exercisable	$125,000		$24,000	

The following table summarizes information about stock options outstanding under the 2012 Non-Employee Plan at June 30, 2018:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$4.37 - $8.70	27,800	7.7	$6.85	13,800	$5.61
	27,800	7.7	$6.85	13,800	$5.61

As of June 30, 2018, there was $72,000 of unearned stock-based compensation cost related to share-based compensation arrangements granted under the 2012 Non-Employee Plan. 15,000 and 0 options were granted during the fiscal years ended June 30, 2018 and 2017, respectively. The 1,400 stock options exercised during the fiscal year ended June 30, 2018 were settled by exchanging 452 shares of the Company's common stock which were retired and returned to unissued status upon receipt. The total fair value of the options vesting during each of the fiscal years ended June 30, 2018 and 2017 under this plan was $39,000 and $22,000, respectively.

2002 Employee Stock Option Plan

In December 2002, the stockholders approved the 2002 Employee Stock Option Plan (the 2002 Employee Plan). This plan expired in October 2012. This plan authorized the granting of awards, the exercise of which would allow up to an aggregate of 1,836,000 shares of the Company's common stock to be acquired by the holders of such awards. Under this plan, the Company may have granted stock options, which were intended to qualify as incentive stock options (ISOs), to key employees. Any plan participant who was granted ISOs and possessed more than 10% of the voting rights of the Company's outstanding common stock must have been granted an option with a price of at least 110% of the fair market value on the date of grant.

Under the 2002 Employee Plan, stock options have been granted to key employees with a term of 10 years at an exercise price equal to the fair market value on the date of grant and are exercisable in whole or in part at 20% per year from the date of grant. At June 30, 2018, no stock options were granted or exercisable and no further stock options were available for grant under this plan after the plans expiration in October 2012.
The following table reflects activity under the 2002 Employee plan for the fiscal years ended June 30,:

	2018		2017	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	5,000	$5.35	102,500	$6.04
Granted	--	--	--	--
Terminated/Lapsed	--	--	(10,500)	6.02
Exercised	(5,000)	5.35	(87,000)	6.08
Outstanding, end of period	--	$--	5,000	$5.35
Exercisable, end of period	--	$--	5,000	$5.35
Weighted average fair value at grant date of options granted	n/a		n/a	
Total intrinsic value of options exercised	$47,000		$289,000	
Total intrinsic value of options outstanding	n/a		$20,000	
Total intrinsic value of options exercisable	n/a		$20,000	

As of June 30, 2018, there was no unearned stock-based compensation cost related to share-based compensation arrangements granted under the 2002 Non-Employee Plan. 5,000 and 87,000 stock options were exercised during the fiscal years ended June 30, 2018 and 2017, respectively. The 5,000 stock options exercised during the fiscal year ended June 30, 2018 were settled by exchanging 2,815 shares of the Company's common stock which were retired and returned to unissued status upon receipt. 80,500 of the 87,000 stock options exercised during the fiscal year ended June 30, 2017 were settled by exchanging 59,418 shares of the Company's common stock which was included in Treasury Stock upon receipt. $0 was received from option exercises for each of the fiscal years ended June 30, 2018 and 2017, respectively, and the actual tax benefit realized for the tax deductions from option exercises was $0 for each of these periods.

NOTE 8 – Stockholders' Equity Transactions

On September 16, 2014 the Company's board of directors authorized the repurchase of up to 1 million of the approximately 19.4 million shares of the Company's common stock outstanding. The repurchase will be made from time to time in the open market or in privately negotiated transactions subject to market conditions and the market price of the common stock. Relative to the loan agreement described in Note 6, the Company's lender gave its consent to this stock repurchase plan. During the fiscal year ended June 30, 2018 the Company repurchased 145,395 shares of its outstanding common stock at a weighted average price of $9.19. Shares repurchased through June 30, 2018 are included in the Company's Treasury Stock as of June 30, 2018.

During fiscal 2018, certain employees and Directors exercised incentive stock options under the Company's 2012 and 2002 Plans totaling 40,800 shares. 24,400 of these exercises were completed as cashless exercises as allowed for under the Plans, where the exercise shares are issued by the Company in exchange for shares of the Company's common stock that are owned by the optionees. The number of shares surrendered by the optionees was 11,207 and was based upon the per share price on the effective date of the option exercise.

During fiscal 2017, certain employees and Directors exercised incentive stock options under the Company's 2012 and 2002 Plans totaling 143,300 shares. 135,300 of these exercises were completed as cashless exercises as allowed for under the Plans, where the exercise shares are issued by the Company in exchange for shares of the Company's common stock that are owned by the optionees. The number of shares surrendered by the optionees was 85,536 and was based upon the per share price on the effective date of the option exercise.

NOTE 9 - 401(k) Plan

The Company maintains a 401(k) plan ("the Plan") that covers all U.S. non-union employees with one or more years of service and is qualified under Sections 401(a) and 401(k) of the Internal Revenue Code. Company contributions to this plan are discretionary and totaled $132,000 and $118,000 for the years ended June 30, 2018 and 2017, respectively.

NOTE 10 - Commitments and Contingencies

Leases

The Company is committed under various operating leases, not including the land lease discussed below, which do not extend beyond fiscal 2023. Minimum lease payments through the expiration dates of these leases, with the exception of the land leases referred to below, are as follows:

Year Ending June 30,	Amount
2019	$39,000
2020	24,000
2021	23,000
2022	21,000
2023	9,000
Total	$116,000

Rent expense, with the exception of the land lease referred to below, totaled approximately $35,000 and $23,000, for the fiscal years ended June 30, 2018 and 2017, respectively.

Land Lease

On April 26, 1993, one of the Company's foreign subsidiaries entered into a 99 year lease, expiring in 2092, for approximately four acres of land in the Dominican Republic at an annual cost of $288,000, on which the Company's principal production facility is located.

Litigation

In the normal course of business, the Company is a party to claims and/or litigation. Management believes that the settlement of such claims and/or litigation, considered in the aggregate, will not have a material adverse effect on the Company's financial position and results of operations.

Employment Agreements

As of June 30, 2017, the Company was obligated under three employment agreements and one severance agreement. The employment agreements are with the Company's CEO, Senior Vice President of Sales and Marketing ("the SVP of Sales") and the Senior Vice President of Engineering ("the SVP of Engineering"). The employment agreement with the CEO provides for an annual salary of $752,000, as adjusted for inflation; incentive compensation as may be approved by the Board of Directors from time to time and a termination payment in an amount up to 299% of the average of the prior five calendar year's compensation, subject to certain limitations, as defined in the agreement. The employment agreement renews annually in August unless either party gives the other notice of non-renewal at least six months prior to the end of the applicable term. The employment agreement with the SVP of Sales expires in October 2020 and provides for an annual salary of $334,000, a bonus arrangement for fiscal 2018 and, if terminated by the Company without cause, severance of nine months' salary and continued company-sponsored health insurance for six months from the date of termination. The employment agreement with the SVP of Engineering expires in August 2018 and provides for an annual salary of $302,000,

a bonus arrangement for fiscal 2018 and, if terminated by the Company without cause, severance of nine month's salary and continued company-sponsored health insurance for six months from the date of termination. The severance agreement is with the Senior Vice President of Operations and Finance and provides for, if terminated by the Company without cause or within three months of a change in corporate control of the Registrant, severance of nine month's salary, continued company-sponsored health insurance for six months from the date of termination and certain non-compete and other restrictive provisions.

NOTE 11 - Geographical Data

The Company is engaged in one major line of business: the development, manufacture, and distribution of security products, encompassing access control systems, door-locking products, intrusion and fire alarm systems and video surveillance products for commercial and residential use. The Company also provides wireless communication service for intrusion and fire alarm systems. These products are used for commercial, residential, institutional, industrial and governmental applications, and are sold worldwide principally to independent distributors, dealers and installers of security equipment. Sales to unaffiliated customers are primarily shipped from the United States. The Company has customers worldwide with major concentrations in North America.

Financial Information Relating to Domestic and Foreign Operations

	Fiscal Year ended June 30,	
	2018	2017
	(in thousands)	
Sales to external customers(1):		
Domestic	$89,490	$84,820
Foreign	2,256	2,554
Total Net Sales	$91,746	$87,374

	As of June 30,	
	2018	2017
Identifiable assets:		
United States	$52,928	$55,550
Dominican Republic (2)	20,341	15,312
Total Identifiable Assets	$73,269	$70,862

(1) All of the Company's sales originate in the United States and are shipped primarily from the Company's facilities in the United States. There were no sales into any one foreign country in excess of 10% of total Net Sales.

(2) Consists primarily of inventories (2018 = $16,592; 2017 = $11,831) and fixed assets (2018 = $3,462; 2017 = $3,233) located at the Company's principal manufacturing facility in the Dominican Republic.

NOTE 12 – Subsequent Events

The Company has evaluated subsequent events occurring after the date of the consolidated financial statements for events requiring recording or disclosure in the consolidated financial statements

b. Supplementary Financial Data

QUARTERLY RESULTS

The following table sets forth unaudited financial data for each of the Company's last eight fiscal quarters (in thousands except for per share data):

	Fiscal Year Ended June 30, 2018 (1).			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales	$21,174	$21,112	$22,200	$27,260
Gross Profit	8,486	8,479	8,892	12,138
Operating Income	1,059	1,166	1,912	4,277
Net Income	890	1,233	1,829	3,697
Net Income Per Share				
Basic EPS	.05	.07	.10	.20
Diluted EPS	.05	.07	.10	.20

	Fiscal Year Ended June 30, 2017 (1).			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales	$20,168	$20,715	$20,807	$25,684
Gross Profit	8,080	8,226	8,361	11,634
Operating Income	716	1,064	1,136	3,462
Net Income	568	857	952	3,222
Net Income Per Share(1):				
Basic EPS	.03	.05	.05	.17
Diluted EPS	.03	.05	.05	.17

(1) Certain prior period balances have been reclassified to conform with the current period presentation.

Seasonality

The Company's fiscal year begins on July 1 and ends on June 30. Historically, the end users of the Company's products want to install its products prior to the summer; therefore sales of its products historically peak in the period April 1 through June 30, the Company's fiscal fourth quarter, and are reduced in the period July 1 through September 30, the Company's fiscal first quarter. In addition, demand is affected by the housing and construction markets. Deterioration of the current economic conditions may also affect this trend.

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None

ITEM 9A: CONTROL AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. At the conclusion of the period ended June 30, 2018, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of June 30, 2018.

Management's Annual Report on Internal Control Over Financial Reporting. Management's Report on Internal Control over Financial Reporting is set forth on page FS-1.

Audit Opinion on Internal Control over Financial Reporting. The effectiveness of the Company's internal control over financial reporting has been audited by Baker Tilly Virchow Krause, LLP an independent registered public accounting firm, as stated in their report, which is included herein on page FS-2.

Limitations on Internal Control. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Board of Directors of the Company has an Audit Committee comprised of three non-management directors. The Committee meets periodically with financial management and the independent auditors to review accounting, control, audit and financial reporting matters. Baker Tilly Virchow Krause, LLP has full and free access to the Audit Committee, with and without the presence of management.

Changes in Internal Control over Financial Reporting. During the quarterly period ending June 30, 2018, we identified a material weakness in our internal control over financial reporting regarding controls related to a lack of supervision and review to ensure proper internal control over financial reporting. During the quarter ending September 30, 2018, we initiated a process to remediate that material weakness. As a result, we plan to implement changes in our internal controls over financial reporting that would materially affect or are likely to materially affect our internal controls over financial reporting. We are improving the design and effectiveness of our controls through strengthening our approval and review processes. We are implementing enhancements to our reviews to increase their level of detail and precision and incorporated validation of the information used in the control as part of the review. Additionally, we will document these reviews and maintain the documented evidence of the review.

Previously Reported Material Weaknesses Relating to Revenue

As previously reported, we did not have effective policies and procedures and effective reviews by the appropriate personnel related to the existence and completeness of product shipments and services as well as the accuracy of the extended pricing of goods and services sold to customers.

With the oversight of our Audit Committee, we took corrective steps during 2018 to remediate the underlying causes of the material internal control weaknesses relating to the existence and completeness of product shipments and services as well as the accuracy of the extended pricing of goods and services sold to customers. The corrective steps we have taken, which are intended to ensure that we have effective policies and procedures and effective reviews by personnel at an appropriate level pertaining to the existence and completeness of product shipments and services as well as the accuracy of the extended pricing of goods and services sold to customers, include:

We improved the design and effectiveness of our controls surrounding shipping operations and scoped in shipments which had not been previously included while undergoing warehouse transitions. We assessed pricing for subscription-based service revenue to ensure it was properly authorized and configured in the system to ensure proper extension when calculating revenue. We instituted additional, documented, management-level reviews of pricing on all products at the order level.

ITEM 9B: OTHER INFORMATION

None

PART III

ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information about our directors appearing in the Company's Definitive Proxy Statement for the 2018 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K ("Proxy Statement") under the heading "Election of Directors", is incorporated herein by reference.

We have adopted a Code of Ethics which applies to our senior executive and financial officers, among others. The Code is posted on our website, www.napcosecurity.com, under the "Investors – Other" caption. We intend to make all required disclosures regarding any amendment to, or waiver of, a provision of the Code of Ethics for senior executive and financial officers by posting such information on our website.

The information appearing in the Proxy Statement relating to the members of the Audit Committee and the Audit Committee financial expert under the headings "Corporate Governance and Board Matters – Board Structure and Committee Composition" and "Corporate Governance and Board Matters – Board Structure and Committee Composition – Audit Committee" and the information appearing in the Proxy Statement under the heading "Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated herein by this reference.

The information set forth in the Proxy Statement under the heading "Information Concerning Executive Officers" is incorporated herein by reference.

ITEM 11: EXECUTIVE COMPENSATION

The information appearing in the Proxy Statement under the heading "Executive Compensation" and the information appearing in the Proxy Statement relating to the compensation of directors under the caption "Compensation of Directors" is incorporated herein by this reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information appearing in the Proxy Statement under the heading "Beneficial Ownership of Common Stock" is incorporated herein by this reference.

Information regarding Equity Compensation Plan Information as of June 30, 2018 is included in Item 5.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information appearing in the Proxy Statement under the headings "Corporate Governance and Board Matters – Independence of Directors," "Corporate Governance and Board Matters – Board Structure and Committee Composition," "Corporate Governance – Policy with Respect to Related Person Transactions," and "Executive Compensation – Certain Transactions" is incorporated herein by this reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information appearing in the Proxy Statement under the headings "Principal Accountant Fees" and "Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors" is incorporated herein by this reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENTS

Omitted.

Upon written request of any stockholder of the Company, the Company will provide such shareholder a copy of the Company's Annual Report on Form 10-K for 2018, including the financial statements, schedules thereto and exhibits, filed with the Security and Exchange Commission. Any such request should be directed to Secretary, NAPCO Security Technologies, Inc., 333 Bayview Avenue, Amityville, N.Y. 11701. There will be no charge for such report unless one or more exhibits thereto are requested, in which case the Company's reasonable expenses of furnishing such exhibits requested may be charged.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

September 13, 2018

NAPCO SECURITY TECHNOLOGIES, INC.
(Registrant)

By: /s/RICHARD SOLOWAY
Richard Soloway
Chairman of the Board of
Directors, President and Secretary
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and the dates indicated.

Signature	Title	Date
/s/RICHARD SOLOWAY Richard Soloway	Chairman of the Board of Directors, President and Secretary and Director (Principal Executive Officer)	September 13, 2018
/s/KEVIN S. BUCHEL Kevin S. Buchel	Senior Vice President of Operations and Finance and Treasurer and Director (Principal Financial and Accounting Officer)	September 13, 2018
/s/PAUL STEPHEN BEEBER Paul Stephen Beeber	Director	September 13, 2018
/s/RANDY B. BLAUSTEIN Randy B. Blaustein	Director	September 13, 2018
/s/ARNOLD BLUMENTHAL Arnold Blumenthal	Director	September 13, 2018
/s/DONNA SOLOWAY Donna Soloway	Director	September 13, 2018
/s/ANDREW J. WILDER Andrew J. Wilder	Director	September 13, 2018

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NAPCO SECURITY TECHNOLOGIES, INC. AND SUBSIDIARIES

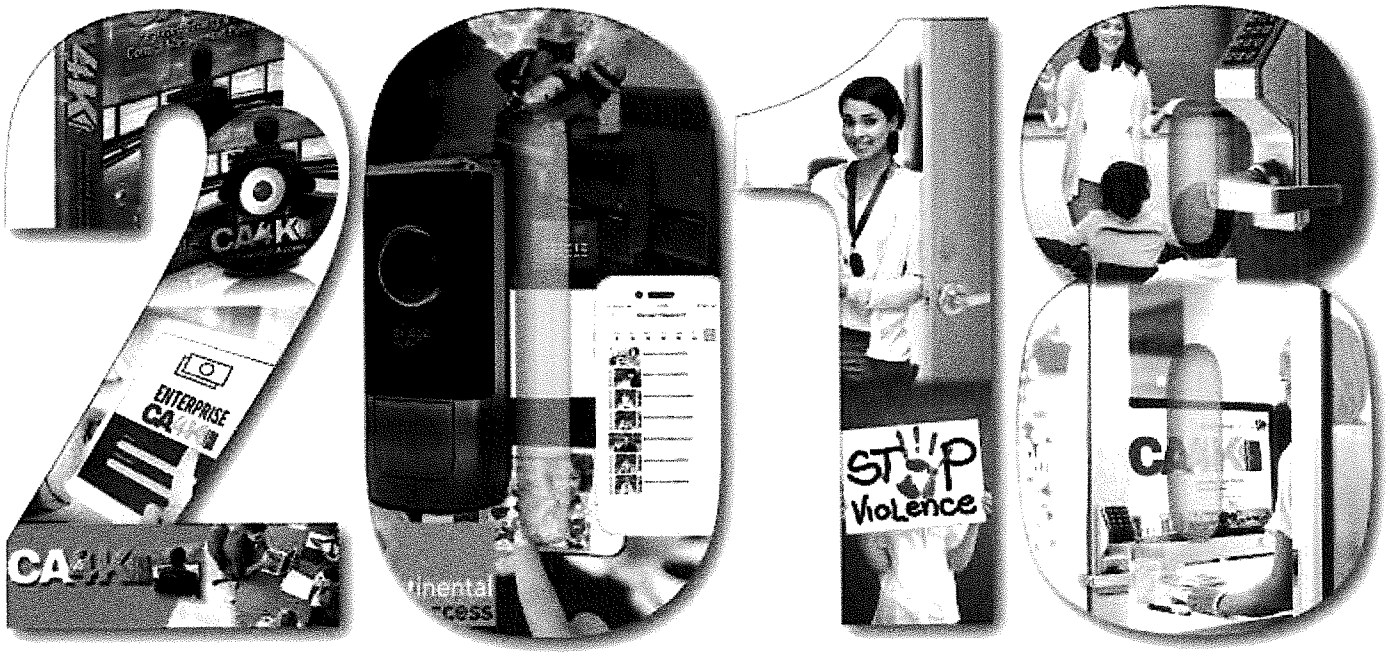
NON-GAAP MEASURES OF PERFORMANCE* (unaudited)

(In thousands, except for shares)

	Three months ended June 30,		Twelve months ended June 30,	
	2018	2017	2018	2017
Net income	$3,697	$3,222	$7,649	$5,599
Add back income tax expense	566	216	684	696
Add back interest expense	14	17	81	83
Operating income (GAAP)	4,277	3,455	8,414	6,378
Adjustments for non-GAAP measures of performance:				
Add back amortization of acquisition-related intangibles	93	110	371	441
Add back stock-based compensation expense	4	4	145	101
Adjusted non-GAAP operating income	4,374	3,569	8,930	6,920
Add back depreciation and other amortization	291	233	1,039	934
Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization)	$4,665	$3,802	$9,969	$7,854
Adjusted EBITDA* per Diluted Share	$0.25	$0.20	$0.53	$0.42
Weighted average number of Diluted Shares outstanding	18,764,000	18,884,000	18,825,000	18,854,000

*** Non-GAAP Information**

Non-GAAP Information. Certain non-GAAP measures are included above, including EBITDA, non-GAAP operating income and Adjusted EBITDA. We define EBITDA as GAAP net income plus income tax expense (benefit), net interest expense, non-cash stock-based expense and depreciation and amortization expense. Non-GAAP operating income does not include amortization of intangibles or stock-based compensation expense. These non-GAAP measures are provided to enhance the user's overall understanding of our financial performance. By excluding these charges our non-GAAP results provide information to management and investors that is useful in assessing NAPCO's core operating performance and in comparing our results of operations on a consistent basis from period to period. The presentation of this information is not meant to be a substitute for the corresponding financial measures prepared in accordance with generally accepted accounting principles. Investors are encouraged to review the reconciliation of GAAP to non-GAAP financial measures included in the above.



NAPCO SECURITY TECHNOLOGIES, INC. NASDAQ:NSSC

Officers

Richard L. Soloway
Chairman, President
and C.E.O.

Kevin S. Buchel
Senior Vice President of
Operations and Finance,
Treasurer and C.F.O.

Jorge D. Hevia
Senior Vice President
of Sales
and Marketing

Michael Carrieri
Senior Vice President
of Engineering

Alfred DePierro
Vice President
of Engineering
Microcomputer Applications

George R. Marks
President, Marks USA

Common Stock Listing

Nasdaq Global
Market System®
(Symbol—"NSSC")

Directors

Richard L. Soloway
Chairman, President and C.E.O.

Paul Stephen Beeber
Attorney

Randy B. Blaustein, Esq.
Tax Attorney

Arnold B. Blumenthal
Group Publisher Emeritus,
Security Dealer, Locksmith Ledger;
Publisher, Security Line

Kevin S. Buchel
Senior Vice President of
Operations and Finance,
Treasurer and C.F.O.

Donna A. Soloway
Security Industry Publicist

Andrew J. Wilder
Officer of Israeloff,
Trattner & Company
(Certified Public Accountants)

Primary Bank

HSBC Bank USA
534 Broadhollow Road
Melville, NY 11747

Investor Relations

Copies of the Company's Annual Report, Forms 10-K and 10-Q and other information filed with the Securities and Exchange Commission may be obtained directly from the Corporation by contacting:

NAPCO
Security Technologies, Inc.
333 Bayview Avenue
Amityville, NY 11701
Attention: Corporate Secretary

Independent Accountants

Baker Tilly Virchow Krause, LLP
125 Baylis Road
Melville, NY 11747-3823

Legal Counsel

Forman & Shapiro LLP
1345 Avenue of the Americas
New York, NY 10105

Transfer Agent

Continental Stock
Transfer & Trust Co.
1 State Street
New York, NY 10004

www.napcosecurity.com