LOWE JOHN E
Form 4
January 18, 2018

FORM 4

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

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
LOWE JOHN E

(Last) (First) (Middle)

2331 CITYWEST BLVD.

(Street)

HOUSTON, TX 77042

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Phillips 66 [PSX]

3. Date of Earliest Transaction (Month/Day/Year)
01/16/2018

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock (1)	01/16/2018		A		1,923 (1)	A	$ 104.03 (2)	20,657.3335 (3)	D	
Common Stock								30,000	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
								Date Exercisable	Expiration Date	Title	Amount or Number of Shares		
				Code	V	(A)	(D)						

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
LOWE JOHN E 2331 CITYWEST BLVD. HOUSTON, TX 77042	X			

Signatures

Amanda K. Maki, by power of attorney filed on January 18, 2018	01/18/2018
**Signature of Reporting Person	Date

Explanation of Responses:

*	If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
**	Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
(1)	Annual grant to non-employee directors of restricted stock units that convert to Phillips 66 common stock on a 1-for-1 basis. The restrictions on the RSUs lapse on the retirement, disability or death of the non-employee director.
(2)	The price reflected above is the average of the high and the low price of the Company's stock on the date of the award.
(3)	Includes shares acquired through routine dividend transactions that are exempt under Rule 16a-1.

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Total intrinsic value of options exercised	$1,301,000	n/a
Total intrinsic value of options outstanding	$578,000	$1,259,000
Total intrinsic value of options exercisable	$578,000	$1,259,000

729,000 options were exercised during the nine months ended March 31, 2013 and no options were exercised during the nine months ended March 31, 2012. These exercises were paid for with 399,790 shares of the Company's common stock, 27,900 of which were retired upon receipt. Cash received from option exercises for each of the nine months ended March 31, 2013 and 2012 was $0 and the actual tax benefit realized for the tax deductions from option exercises totaled $114,000 and $0 for these periods, respectively.

The following table summarizes information about stock options outstanding under the 2002 Plan at March 31, 2013:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding at March 31, 2013	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at March 31, 2013	Weighted average exercise price
$1.62 - $4.00	285,390	0.8	$ 1.97	285,390	$ 1.97
$4.01 - $7.50	328,250	3.8	5.29	328,250	5.29
$7.51 - $11.16	37,500	3.0	11.16	37,500	11.16
	651,140	2.4	$ 4.18	651,140	$ 4.18

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As of March 31, 2013, there was no unearned stock-based compensation cost related to non-vested share-based compensation arrangements granted under the 2002 Plan. All options outstanding under the 2002 Plan were vested as of the beginning of the current period; therefore, the total fair value of the options vested during the nine months ended March 31, 2013 under the 2002 Plan was $0.

In September 2000, the stockholders approved a 10 year extension of the already existing 1990 non-employee stock option plan (the 2000 Plan) to encourage non-employee directors and consultants of the Company to invest in the Company's stock. This plan expired in September 2010. No further options may be granted under the 2000 Plan. The 2000 Plan provided for the granting of non-qualified stock options, the exercise of which would allow up to an aggregate of 270,000 shares of the Company's common stock to be acquired by the holders of the stock options. The 2000 Plan provided that the option price will not be less than 100% of the fair market value of the stock at the date of grant. Outstanding options are exercisable at 20% per year and expire five years after the date of grant. Compensation cost was recognized for the fair value of the options granted to non-employee directors and consultants as of the date of grant.

The following table reflects activity under the 2000 Plan for the nine months ended March 31,

	2013		2012	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of period	30,000	$5.03	30,000	$5.03
Granted	--	--	--	--
Terminated	--	--	--	--
Exercised	--	--	--	--
Outstanding, end of period	30,000	$5.03	30,000	$5.03
Exercisable, end of period	30,000	$5.03	30,000	$5.03
Weighted average fair value at grant date of options granted	n/a		n/a	
Total intrinsic value of options exercised	n/a		n/a	
Total intrinsic value of options outstanding	$0		$0	
Total intrinsic value of options exercisable	$0		$0	

As of March 31, 2013, there was no unearned stock-based compensation cost related to non-vested share-based compensation arrangements granted under the 2000 Plan. All options outstanding under the 2000 Plan were vested as of the beginning of the current period; therefore, the total fair value of the options vested during the nine months ended March 31, 2013 under the 2000 Plan was $0.

NOTE 8 – Stockholders' Equity Transactions

During the first nine months of fiscal 2013 certain employees exercised incentive stock options under the Company's 2002 Plan totaling 729,000 shares. No incentive stock options were exercised during the three months ended March 31, 2013. The exercises were completed as cashless exercises as allowed for under the 2002 Plan, 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 are based upon the per share price on the effective date of the option exercise. In addition, the Company repurchased 128,588 shares of its Common Stock from its Chief Executive Officer, Richard Soloway. The purchase price was $3.38 per share, the previous business day's closing price on NASDAQ, for an aggregate purchase price of $434,627. The repurchase was to fund Mr. Soloway's tax liability associated with the exercise of 675,000 options granted to him under the 2002 Plan. The repurchase was approved by the Board of Directors of the Company, including all of the independent directors. Mr. Soloway's exercises resulted in a tax benefit to the Company of $114,000 which is included in Additional Paid-in Capital.

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The following table reflects the activity of these equity transactions for the nine months ended March 31, 2013 (dollars in thousands):

	Common Stock			Treasury Stock	
	Number of Shares Issued	Amount	Additional Paid-in Capital	Number of Shares	Amount
BALANCE June 30, 2012	20,095,713	$201	$14,080	(1,000,000)	$(5,615)
Options exercised	729,000	7	1,364	--	--
Shares surrendered and cancelled under option exercise	(27,900)	--	--	--	--
Shares surrendered and held in Treasury under option exercise	--	--		(371,890)	(1,257)
Shares repurchased and held in Treasury	--	--	--	(128,588)	(435)
BALANCE March 31, 2013	20,796,813	$208	$15,444	(1,500,478)	$(7,307)

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 $27,000 and $19,000 and $73,000 and $19,000 for the three and nine months ended March 31, 2013 and 2012, respectively.

NOTE 10 - Commitments and Contingencies

Leases

The Company is committed under various operating leases. Rent expense, with the exception of the land lease referred to below, totaled approximately $14,000 and $12,000 for the three months ended March 31, 2013 and 2012, respectively and $37,000 and $38,000 for the nine months ended March 31, 2013 and 2012, 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 March 31, 2013, the Company was obligated under two employment agreements and one severance agreement. The employment agreements are with the Company’s Chief Executive Officer (“the CEO”) and Senior Vice President of Sales and Marketing (“the SVP”). The employment agreement with the CEO provides for an annual salary of $587,000, 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 provides for an annual salary of $274,400 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.

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NOTE 11 - Geographical Data

The Company is engaged in one major line of business: the development, manufacture, and distribution of security alarm products and door security devices for commercial and residential use. Sales to unaffiliated customers are primarily shipped from the United States. The Company has customers worldwide with major concentrations in North America, Europe, and South America.

The following represents selected consolidated geographical data:

	Three Months ended March 31,		Nine Months ended March 31,	
	2013	2012	2013	2012
Sales to external customers(1):				
Domestic	$16,174	$16,423	$46,543	$48,330
Foreign	989	813	3,048	2,726
Total Net Sales	$17,163	$17,236	$49,591	$51,056

	As of	
	March 31, 2013	June 30, 2012
Identifiable assets:		
United States	$47,105	$50,838
Dominican Republic (2)	12,761	13,912
Total Identifiable Assets	$59,866	$64,750

(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 (March 31, 2013 = $8,962,000; June 30, 2012 = $9,866,000) and fixed assets (March 31, 2013 = $3,675,000; June 30, 2012 = $3,936,000) located at the Company's principal manufacturing facility in the Dominican Republic.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q 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, the uncertain economic, military and political conditions in the world, the ability to maintain adequate financing, our ability to maintain and develop competitive products, adverse tax consequences of offshore operations, significant fluctuations in the exchange rate between the Dominican Peso and the U.S. Dollar, distribution problems, unforeseen environmental liabilities, and the successful integration of Marks into our existing operations.

Overview

The Company is a diversified manufacturer of security products, encompassing electronic locking devices, intrusion and fire alarms and building access control 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 6% of our revenues for both of the nine month periods ended March 31, 2013 and 2012.

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 should improve profit margins. Conversely, when production levels decline our fixed costs are spread over reduced levels, thereby 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 fiscal 2013 to contribute materially to revenue during this 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. Since October 2008, the U.S. and international economies have experienced a significant downturn and continue to be at depressed levels. In the event that the U.S. or international financial markets erode further, our revenue, profit and cash-flow levels could be materially adversely affected in future periods. If the worldwide economic downturn worsens, 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. Furthermore, the ongoing downturn and economic uncertainty makes it difficult for us to forecast our revenues.

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. Further 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 2012 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, (iii) shipment and passage of title occurs, 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. 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.

Inventories

Inventories are valued at the lower of cost or fair market 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.

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. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. 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.

Results of Operations

	Three months ended March 31, (dollars in thousands)			Nine months ended March 31, (dollars in thousands)		
	2013	2012	% Increase/ (decrease)	2013	2012	% Increase/ (decrease)
Net sales	$ 17,163	$ 17,236	(0.4)%	$ 49,591	$ 51,056	(2.9)%
Gross profit	4,652	5,064	(8.1)%	13,429	14,115	(4.9)%
Gross profit as a % of net sales	27.1 %	29.4 %	(2.3)%	27.1 %	27.6 %	(0.5)%
Selling, general and administrative	4,394	4,375	0.4 %	13,216	12,673	4.3 %
Selling, general and administrative as a percentage of net sales	25.6 %	25.4 %	0.2 %	26.6 %	24.8 %	1.8 %
Operating income	258	689	(62.6)%	213	1,442	(85.2)%
Interest expense, net	122	287	(57.5)%	440	889	(50.5)%
Other expense	3	15	(80.0)%	10	42	(76.2)%
Provision (benefit) for income taxes	22	84	(73.8)%	(49)	66	(174.2)%
Net income (loss)	111	303	(63.4)%	(188)	445	(142.2)%

Sales for the three months ended March 31, 2013 remained relatively constant at $17,163,000 as compared to $17,236,000 for the same period a year ago. Sales for the nine months ended March 31, 2013 decreased by 3% to $49,591,000 as compared to $51,056,000 for the same period a year ago. Sales for the three months reflected decreased sales in the Company’s intrusion ($1,164,000) and access control ($177,000) products as partially offset by an increase in the Company’s door-locking products ($1,268,000). The decrease in sales for the nine months was primarily due to decreased sales in the Company’s intrusion ($2,888,000) and access control ($368,000) products as partially offset by an increase in the Company’s door-locking products ($1,791,000). The decrease in sales of intrusion products for the three and nine months was due primarily to several intrusion customers reducing their inventory levels as well as decreased demand from one of the Company’s large intrusion dealers. Sales for the nine months and to a lesser extent the three months were also negatively impacted by the storm known as Superstorm Sandy, which devastated portions of the Caribbean and the Mid-Atlantic and Northeastern United States with lesser impacts in the Southeastern and Midwestern states and Eastern Canada.

Gross profit for the three months ended March 31, 2013 decreased to $4,652,000 or 27.1% of sales as compared to $5,064,000 or 29.4% of sales for the same period a year ago. Gross profit for the nine months ended March 31, 2013 decreased to $13,429,000 or 27.1% of sales as compared to $14,115,000 or 27.6% of sales for the same period a year ago. The decrease in gross profit for the three and nine months was primarily due to increased expenditures on Research and Development primarily relating to the Company's iBridge tablet-style keypad and related applications as well as a one-time payment by the Company of $175,000 as settlement of a product licensing dispute. The increases in Research and Development were $93,000 and $708,000 for the three and nine months ended March 31, 2013, respectively, as compared to the same periods a year ago. The decrease in gross profit for the nine months was also due to the decrease in sales for the nine months ended March 31, 2013 as compared to the same period a year ago.

Selling, general and administrative expenses for the three months ended March 31, 2013 remained relatively constant at $4,394,000, or 25.6% of sales, as compared to $4,375,000, or 25.4% of sales a year ago. Selling, general and administrative expenses for the nine months ended March 31, 2013 increased by $543,000 to $13,216,000, or 26.6% of sales, as compared to $12,673,000, or 24.8% of sales a year ago.

Selling, general and administrative expenses for the three months reflected increased expenses relating to additional sales personnel and advertising and were offset by the timing of a major tradeshow. Last year this tradeshow occurred during the quarter ended March 31, 2012 while this year the same tradeshow occurred subsequent to March 31, 2013. In addition, the increase in Selling, general and administrative expenses for the nine months was due primarily to these factors as well as to increased expenditures relating to a tradeshow that occurred in the first six months of fiscal years 2013 and 2012.

Interest expense, net for the three months ended March 31, 2013 decreased by $165,000 to $122,000 as compared to $287,000 for the same period a year ago. Interest expense, net for the nine months ended March 31, 2013 decreased by $449,000 to $440,000 as compared to $889,000 for the same period a year ago. The decrease in interest expense for the three and nine months ended March 31, 2013 resulted from lower interest rates charged by the Company's bank as well as lower outstanding debt in the current period.

The Company's provision for income taxes for the three months ended March 31, 2013 decreased by $62,000 to $22,000 as compared to $84,000 for the same period a year ago. The Company's provision for income taxes for the nine months ended March 31, 2013 decreased by $115,000 to a benefit of $(49,000) as compared to a provision of $66,000 for the same period a year ago. The change in the provision (benefit) for income taxes was caused primarily by the changes in consolidated net income as well as the change in the proportion of the income before income taxes being generated by the Company's U.S. operations to the loss being generated by non-taxable foreign operations for the three and nine months ended March 31, 2013 as compared to the same periods a year ago. As a result, the Company's effective rate for income tax was 17% and 22% for the three months ended March 31, 2013 and 2012, respectively, and 21% and 13% for the nine months ended March 31, 2013 and 2012, respectively.

Net income decreased by $192,000 to $111,000 or $0.01 per diluted share for the three months ended March 31, 2013 as compared to $303,000 or $0.02 per diluted share for the same period a year ago. Net income decreased by $633,000 to a loss of $(188,000) or $(0.01) per diluted share for the nine months ended March 31, 2013 as compared to $445,000 or $0.02 per diluted share for the same period a year ago. The changes for the three and nine months ended March 31, 2013 were primarily due to the items as described above.

Liquidity and Capital Resources

During the nine months ended March 31, 2013 the Company utilized all of its cash from operations ($2,971,000) and a portion of its cash on hand at June 30, 2012 ($1,237,000 of $2,979,000) to repay outstanding debt ($3,457,000), purchase treasury stock ($435,000) and purchase property, plant and equipment ($316,000). The Company believes its current working capital, cash flows from operations and its revolving credit agreement will be sufficient to fund the Company's operations through the next twelve months.

Accounts Receivable at March 31, 2013 decreased $1,876,000 to $14,532,000 as compared to $16,408,000 at June 30, 2012. This decrease is primarily the result of the lower sales volume during the quarter ended March 31, 2013 as compared to the quarter ended June 30, 2012, which is typically the Company's highest.

Inventories at March 31, 2013 decreased $854,000 to $22,428,000 as compared to $23,282,000 at June 30, 2012. This decrease is primarily the result of earlier and more accurate forecasting of product demand from the Company's customers. Non-current inventories increased by $1,295,000 to $5,129,000 at March 31, 2013 from $3,834,000 at June

30, 2012. This increase was due to shifts made in the Company’s forecast of demand by product line.

Accounts payable and accrued expenses decreased $868,000 to $5,698,000 as of March 31, 2013 as compared to $6,566,000 at June 30, 2012. This decrease is due primarily to the reduction in inventory discussed above.

As of March 31, 2013, long-term debt consisted of a revolving credit facility of $11,000,000 (the “Revolving Credit Facility”) which expires in June 2017 and two term loans, one for $6,000,000 which expires in June 2019, and one for $6,500,000 which expires in June 2017 (the “Term Loans”). Repayment of the Terms Loans commenced on September 30, 2012. The $6,000,000 Term Loan is being repaid with 28 equal, quarterly payments of $75,000 and the remaining balance of $3,900,000 due on or before the expiration date. The $6,500,000 Term Loan is being repaid in 20 equal, quarterly payments of $325,000. The Company’s long-term debt is described more fully in Note 7 to the condensed consolidated financial statements.

The agreements contain 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.

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As of March 31, 2013 the Company had no material commitments for capital expenditures or inventory purchases other than purchase orders issued in the normal course of business.

ITEM 3: Quantitative and Qualitative Disclosures About Market Risk

The Company's principal financial instrument is long-term debt (consisting of a revolving credit facility and term loans) 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 March 31, 2013, an aggregate principal amount of approximately $16,800,000 was outstanding under the Company's credit facilities with a weighted average interest rate of approximately 2.5%. 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 $168,000 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$"), the local currency of the Company's production facility in the Dominican Republic. The result of a 10% strengthening in the U.S. dollar to our RD$ expenses would result in an annual decrease in income from operations of approximately $600,000.

ITEM 4: Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure. Management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives.

At the conclusion of the period ended March 31, 2013, 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 effective at March 31, 2013.

During the third quarter of fiscal 2013, there were no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II: OTHER INFORMATION

Item 1A. Risk Factors

Information regarding the Company's Risk Factors are set forth in the Company's Annual Report on Form 10-K for the year ended June 30, 2012. There have been no material changes in the risk factors previously disclosed in the Company's Form 10-K for the year ended June 30, 2012 during the three months ended March 31, 2013.

Item 6. Exhibits

31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of Richard L. Soloway, Chairman of the Board and President
31.2	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of Kevin S. Buchel, Senior Vice President of Operations and Finance
32.1	Section 1350 Certifications
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*

* Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for the purposes of section 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

May 13, 2013

NAPCO SECURITY TECHNOLOGIES, INC.
(Registrant)

By:	/s/ RICHARD L. SOLOWAY Richard L. Soloway Chairman of the Board of Directors, President and Secretary (Chief Executive Officer)
By:	/s/ KEVIN S. BUCHEL Kevin S. Buchel Senior Vice President of Operations and Finance and Treasurer (Principal Financial and Accounting Officer)

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Exhibit No.	Title
Ex-31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of Richard L. Soloway, Chairman of the Board and President
Ex-31.2	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of Kevin S. Buchel, Senior Vice President of Operations and Finance
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