

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 100419 / June 25, 2024

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 4511 / June 25, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-21977

In the Matter of

ROBERT J. SCHETTINO,

Respondent.

**ORDER INSTITUTING PUBLIC
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTIONS 4C AND 21C OF THE
SECURITIES EXCHANGE ACT OF 1934
AND RULE 102(e) OF THE COMMISSION’S
RULES OF PRACTICE, MAKING
FINDINGS, AND IMPOSING REMEDIAL
SANCTIONS AND A CEASE-AND-DESIST
ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that public administrative and cease-and-desist proceedings be, and hereby are, instituted against Robert J. Schettino (“Schettino” or “Respondent”) pursuant to Sections 4C¹ and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 102(e)(1)(iii) of the Commission’s Rules of Practice.²

¹ Section 4C provides, in relevant part, that:

The Commission may censure any person, or deny, temporarily or permanently, to any person the privilege of appearing or practicing before the Commission in any way, if that person is found . . . (1) not to possess the requisite qualifications to represent others; (2) to be lacking in character or integrity, or to have engaged in unethical or improper professional conduct; or (3) to have willfully violated, or willfully aided and abetted the violation of, any provision of the securities laws or the rules and regulations issued thereunder.

² Rule 102(e)(1)(iii) provides, in pertinent part, that:

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Sections 4C and 21C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds³ that:

Summary

This matter involves insider trading by Schettino in the securities of Napco Security Technologies, Inc. (“NAPCO”) in advance of the February 3, 2020 announcement of NAPCO’s financial results for its fiscal quarter ended December 31, 2019 (the “Announcement”). Schettino obtained material nonpublic information (“MNPI”) about NAPCO’s financial results through his role as NAPCO’s Vice President of Finance and Controller. On January 17, 2020, in violation of his duties to NAPCO, Schettino sold 20,975 shares of NAPCO stock, while aware of and on the basis of that MNPI. When NAPCO’s stock price dropped by approximately 22% following the Announcement, Schettino avoided losses of \$198,566.

Respondent

1. Schettino, age 63, resides in Ronkonkoma, New York. During the relevant period, Schettino was employed at NAPCO as Vice President of Finance and Controller.

Relevant Entity

2. NAPCO is a Delaware corporation headquartered in Amityville, New York. NAPCO manufactures and designs electronic security devices, cellular communication services for

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³ The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

intrusion and fire alarm systems, and school safety solutions. During the relevant period, NAPCO's common stock was listed on NASDAQ under the symbol "NSSC."

Facts

3. Schettino has been employed at NAPCO since 1991. Since 1991, he has been Controller, and since 2018 has also served as Vice President of Finance. Throughout Schettino's time at NAPCO, he has been responsible for overseeing the process of finalizing the accounting records for each quarter and the preparation of NAPCO's financial reports. During that time, Schettino was subject to NAPCO's policies and procedures concerning non-public information. Under NAPCO's Code of Ethics, Schettino owed NAPCO a duty to "[t]ake all reasonable measures to protect the confidentiality of non-public information about NAPCO or its subsidiaries and their customers obtained or created in connection with employee's activities and to prevent the unauthorized disclosure of such information unless required by applicable law or regulation or legal or regulatory process."

4. NAPCO's primary revenue stream is from equipment sales of security devices. NAPCO's other revenue stream is recurring services revenues for certain of its equipment products.

5. NAPCO's second quarter for fiscal year 2020 ended December 31, 2019. By early January 2020, Schettino was in possession of key data concerning NAPCO's financial results, such as sales revenue data and expense information, by virtue of his position as Controller and role in overseeing the finalization of NAPCO's accounting records for each quarter and preparation of its financial reports. Among other things, on January 1, 2020, he and the company's executive officers received an email from the Chief Financial Officer that attached detailed sales revenue results for equipment sales and recurring services revenues and stated, in bold: "**Attached information is strictly confidential and is not to be disclosed with anyone until earnings are released in February.**" These results showed a decline in net revenue from equipment sales from the prior-year's second fiscal quarter. NAPCO's sales figures were essentially final in the first week in January, and did not substantially vary from the results Schettino received on January 1, 2020.

6. Prior to the second fiscal quarter of 2020, NAPCO had not reported a quarter-over-quarter decline in equipment revenues in recent years. Moreover, NAPCO's consolidated revenues for the quarter were below analyst consensus figures.

7. On January 17, 2020, while Schettino was overseeing NAPCO's finalization of its accounting records and the preparation of its financial reports, he sold all of the 20,975 shares of NAPCO stock in his brokerage account at the time. Schettino did not consult anyone else at the company about the information he had prior to trading. Prior to these sales on January 17, 2020, Schettino had not traded in NAPCO stock, either buying or selling, over the preceding 5 years. Schettino made these sales while in possession of and on the basis of MNPI he obtained in his

role as Controller, in breach of his duty of trust and confidence and duty of confidentiality owed to NAPCO.

8. NAPCO issued the Announcement on February 3, 2020. Following the Announcement, the price of NAPCO shares decreased by approximately 22% from the prior day's close on significantly higher volume. Analysts' reports around that time noted revenues had missed expectations and the decrease in equipment sales. As a result of his trades, Schettino avoided losses of \$198,566.

9. Schettino knew, consciously avoided knowing, or was reckless in not knowing that the information he possessed concerning NAPCO's financial results as of January 17, 2020 was material and nonpublic. Schettino also knew, consciously avoided knowing, or was reckless in not knowing that by trading while in possession of the confidential information about NAPCO's financial results that he learned in the course of his employment, he breached his duty of trust and confidence and duty of confidentiality owed to NAPCO.

Violations

10. As a result of the conduct described above, Schettino willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities.

Findings

11. Based on the foregoing, the Commission finds that Schettino willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

Disgorgement and Civil Penalties

12. The disgorgement and prejudgment interest ordered in paragraph IV.D. is consistent with equitable principles, does not exceed Respondent's net profits from his violations, and returning the money to Respondent would be inconsistent with equitable principles. Therefore, in these circumstances, distributing disgorged funds to the U.S. Treasury is the most equitable alternative. The disgorgement and prejudgment interest ordered in paragraph IV.D. shall be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Schettino's Offer.

Accordingly, it is hereby ORDERED, effective immediately, that:

A. Schettino shall cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. Schettino is prohibited from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78I] or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

C. Schettino is denied the privilege of appearing or practicing before the Commission as an accountant.

D. Schettino shall, within 30 days of the entry of this Order, pay disgorgement of \$198,566, prejudgment interest of \$38,815, and a civil money penalty in the amount of \$198,566 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment of disgorgement and prejudgment interest is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. If timely payment of a civil money penalty is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Robert J. Schettino as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Thomas P. Smith, Jr., Division of Enforcement, Securities and Exchange Commission, 100 Pearl Street, Suite 20-100, New York, NY 10004-2616.

E. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To

preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary