



THE DEWEY ELECTRONICS CORPORATION

27 MULLER ROAD, OAKLAND, NEW JERSEY 07436 • TEL: (201) 337-4700 • FAX: (201) 337-3976

To our Fellow Shareholders,

We are pleased to report our results for the Fiscal Year '18, ending June 30, 2018.

As Dewey Electronics is no longer an SEC registered company, I wanted to write this letter to give shareholders a better sense of the last fiscal year.

First, as seen in our audited financial results, the Company returned to profitable operations in FY18. Earnings were roughly 18c per share. This was achieved through an increase in revenues and a corresponding increase in margin, combined with the benefit of significant cost reductions implemented in the previous fiscal year, FY17. Revenue growth came from significant increases in the number and size of orders from the Department of Defense. Cost cuts are never easy, especially when they impact employees or result in deregistering with the SEC. However, Dewey's management and Board believe they were necessary to ensure that Dewey Electronics would be profitable.

Our backlog at the end of FY18 was stronger than it has been in years, at approximately \$4,250,000. Since then it has held steady and we are busy delivering to our customers.

Longer-term predictions beyond the ongoing fiscal year are difficult to make. Considering the current political and international situation, it is unlikely the higher rate of federal defense spending will continue unmodified. However, management believes there is reason for optimism for the remaining half of FY19 and for FY20. As of this writing, the Company already has approximately \$1,800,000 in orders scheduled for delivery in the upcoming fiscal year, FY20, starting July 2019.

With our more consistent business of spare part sales, our cyclical business in military power products, and our lowered cost structure, Dewey has returned to profitability and is making great strides towards the goal of providing our shareholders with solid returns through all types of defense procurement cycles.

Dewey also has achieved and is pursuing other actions to strengthen the Company and benefit shareholders.

First, and most importantly, subsequent to the end of FY18 the Company entered into a loan and security agreement with Crestmark Financial, a division of MetaBank, for an asset-based credit facility with a maximum borrowing of \$1,650,000. This credit facility greatly expands our financial capacity by with borrowing against our receivables, inventory, machinery, and against material costs on certain larger Government production contracts.

Second, we froze our pension plan in January 2018. This should allow us to better manage the plan's liability growth. While we do not think at this time it is cost effective to buy out the members of our pension plan, the Company will continue to pursue ways to minimize our pension expenses. As of 6/30/2018 our pension liability was \$1,037,049.



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Lastly, the Company has been quite actively marketing its 49,000 square foot building and approximately 65 acres of excess land. While nothing is guaranteed, we believe our building and land are attractive assets and will be sold within the next twelve months. Thus, those assets are now listed in 'assets held for sale' on our 6/30/2018 balance sheet. We note that the amount listed on the balance sheet is 'the lower of cost or market' and is inclusive of depreciation. The Company does not provide an estimate of sales value; however, it is considerably greater than what is on the balance sheet.

We are excited about our prospects. We are focused on converting our backlog into cash flow and pursuing projects that will help us refresh that backlog.

If our building and/or land is sold in FY '19, the Company plans to relocate in the immediate area. The long term stated goal of the Board is to return excess value to the shareholders.

I would like to thank everyone at Dewey Electronics for their hard work and persistence, as well as our customers, vendors and especially our Shareholders.



John Dewey

CEO and President

December 10, 2018