

Edgar Filing: NAPCO SECURITY SYSTEMS INC - Form DEF 14A

NAPCO SECURITY SYSTEMS INC
Form DEF 14A
October 28, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only
(as permitted by Rule 14a-6(a)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-2

NAPCO SECURITY TECHNOLOGIES, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11

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

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

(3) Per unit price or other underlying value of transaction computed pursuant
to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is
calculated and state how it was determined): _____

(4) Proposed maximum aggregate value of transaction: _____

(5) Total fee paid: _____

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act
Rule 0-11(a)(2) and identify the filing for which the offsetting fee was
paid previously. Identify the previous filing by registration statement
number, or the Form or Schedule and the date of its filing.

(1) Amount previously Paid:

(2) Form, Schedule or Registration Statement No.:

Edgar Filing: NAPCO SECURITY SYSTEMS INC - Form DEF 14A

(3) Filing Party:

(4) Date Filed:

NAPCO SECURITY TECHNOLOGIES, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be Held on December 1, 2009

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 Tuesday, December 1, 2009, at 11:00 a.m., for the following purposes, as more fully described in the accompanying Proxy Statement:

1. to elect three directors to serve for a term of three years and until their successors are elected and qualified; and
2. to transact 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 30, 2009 are entitled to notice and to vote at the Meeting or any adjournment thereof.

By order of the Board of Directors,

Richard L. Soloway, Secretary

October 30, 2009

Important Notice Regarding the Availability of
Proxy Materials for the Stockholder Meeting
To be Held on December 1, 2009

Copies of this proxy statement, form of proxy card and our 2009 annual report are available at www.napcosecurity.com/2009annualmeeting.pdf. The Board recommends a vote FOR the nominated state of directors (see page 3).

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

Edgar Filing: NAPCO SECURITY SYSTEMS INC - Form DEF 14A

FOR ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON DECEMBER 1, 2009

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 2009, to be held on December 1, 2009, 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 2, 2009. A copy of the 2009 Annual Report of the Company, including financial statements, is being mailed herewith.

Only stockholders of record at the close of business on October 30, 2009 (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 19,092,473 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; and Item 2, the transaction of any other business as may properly come before the Meeting and require 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.

If you hold your shares in "street name" through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to certain matters. Thus, if you do not give your broker or nominee specific instructions, your shares may not be voted on those matters. Shares represented by such "broker non-votes" will, however, be counted in determining if there is a quorum.

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

- 2 -

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 2012. The terms of the

Edgar Filing: NAPCO SECURITY SYSTEMS INC - Form DEF 14A

other two classes of continuing directors do not expire until the Annual Meetings of Stockholders after fiscal year end 2010 and 2011, respectively.

Unless otherwise specified, shares represented by the enclosed proxy will be voted for the election of Messrs. Paul Steven Beeber and Randy B. Blaustein and Ms. 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 2012 and until his or her successor is elected and qualified.

Each of Messrs. Beeber and Blaustein and Ms. Soloway have 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:

Name and Age -----	Principal Occupation; Five-Year Employment History -----
-----------------------	--

Nominees for election to serve until Annual Meeting of Stockholders following Fiscal Year 2012:

Paul Stephen Beeber..... (65)	Licensed Attorney in New York State since 1980, focusing on elder law, estate planning and probate.
Randy B. Blaustein..... (57)	Principal of R.B. Blaustein & Co. since December 2000; Partner of Blaustein, Greenberg & Co. July 2000 to December 2000; Attorney since October 1980, specializing in general business and tax matters and author of six books and numerous articles.
Donna A. Soloway..... (61)	Member of the Board of Directors of Security Industry Association (SIA); Chair of Awards Committee since 1993 and Secretary of SAINTS (Safety, Awareness, Independence Now Through Security) Foundation; Monthly Columnist for SECURITY DEALER magazine since 1992; and Columnist for SECURITY SALES & INVESTMENT magazine since 2004. Ms. Soloway is the wife of Richard L. Soloway, the Chairman and President of the Company.

- 3 -

Name and Age -----	Principal Occupation; Five-Year Employment History -----
-----------------------	--

Directors to serve until Annual Meeting of Stockholders following Fiscal Year 2010:

Richard L. Soloway.....	Chairman of the Board of Directors since October 2004.
-------------------------	--

Edgar Filing: NAPCO SECURITY SYSTEMS INC - Form DEF 14A

(63)		President since 1998; Secretary since 1975.
Kevin S. Buchel.....	(56)	Senior Vice President of Operations and Finance since April 1995; Treasurer since May 1998.

Directors to serve until Annual Meeting of Stockholders following Fiscal Year 2011:

Andrew J. Wilder.....	(58)	Officer of Israeloff, Trattner & Co., independent certified public accountants, since 1990.
Arnold Blumenthal.....	(82)	Group Publisher Emeritus, Security Dealer Ledger, Publisher Security Line and Editor since 2004; V.P. of Government Security News through 2007; Group Publisher of Security Group Cygnus Publishing, 1999 through 2003.

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

Other Directorships

Except as set forth below none of the directors or nominees is 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.

Name	Director of
Andrew J. Wilder	YTB International, Inc.

- 4 -

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 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 2009, 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 9, 2008.

NAPCO maintains an "Investors" section on its website,

Edgar Filing: NAPCO SECURITY SYSTEMS INC - Form DEF 14A

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 five meetings in fiscal year 2009. 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 8.

Compensation Committee

The Compensation Committee assists the Board in discharging its responsibilities relating to compensation of the Company's Chief Executive Officer and other executives. The Committee determines individuals to be granted options under the Employee Stock Option Plans and Non Employee Stock Option Plan, the number of options awarded and the term of the options and interprets provisions of such plans. The current members of the Compensation Committee are Randy B. Blaustein (Chairman), Andrew J. Wilder, and Arnold Blumenthal.

- 5 -

The Compensation Committee held one meeting in fiscal year 2009.

The Compensation Committee's process and procedures for considering and determining executive compensation are as follows. Messrs. Soloway, Hevia, Carreri and Marks have employment agreements which provide for a minimum base salary and a minimum annual cost-of-living adjustment. For fiscal 2009, Messrs. Soloway, Hevia, Carreri and Mark's salaries were determined pursuant to such employment agreements. Mr. Buchel's salary for the 2009 fiscal year was in an amount recommended by the CEO. The considerations entering into the determination by the CEO of the salary recommendation for Mr. Buchel were the CEO's subjective evaluations of the ability and past performance of Mr. Buchel and the CEO's judgment of Mr. Buchel's potential for enhancing the Company's profitability.

The Compensation Committee's policy is that named executive officers, other than the CEO, should receive short term incentive compensation in the form of bonuses based, in part, on targeted sales and earnings recommended by the CEO. For fiscal 2009, the Company did not achieve the targeted sales and earnings levels so recommended. The Committee's policy is generally to grant options to the named executive officers other than the CEO under the Company's stock option plans after consideration of the awards recommended by the CEO. In connection

Edgar Filing: NAPCO SECURITY SYSTEMS INC - Form DEF 14A

with the acquisition of G. Marks Hardware, Inc. in August 2008, Mr. Marks was granted options to purchase 100,000 shares of Common Stock of the Company at an exercise price of \$4.25 per share.

The Committee's process includes executive sessions where the Committee meets without the presence of management.

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 2009. The current members of the Nominating Committee are Arnold Blumenthal (Chairman), Andrew J. Wilder and Randy B. Blaustein.

Nomination of Directors

The Nominating Committee considers candidates for director nominees proposed by directors, the Chief Executive Officer and stockholders. Potential candidates are screened and interviewed by the Nominating Committee. All members of the Board may interview the final candidates. The same identifying and evaluating procedures 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.

- 6 -

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: Kevin Buchel

Communications with the Board

You can contact any Director by writing to such Director:

c/o Napco Security Technologies, Inc.
333 Bayview Ave.

Edgar Filing: NAPCO SECURITY SYSTEMS INC - Form DEF 14A

Amityville, NY 11701
Attention: Kevin Buchel

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.

- 7 -

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 Holtz Rubenstein Reminick LLP ("HRR");
2. The Audit Committee has discussed with HRR 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 the written disclosures and letter from HRR 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 HRR, HRR'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, 2009 filed with the Securities and Exchange Commission.

Date: October 13, 2009

The Audit Committee:

Andrew J. Wilder, Chairman

Edgar Filing: NAPCO SECURITY SYSTEMS INC - Form DEF 14A

Paul Stephen Beeber
Arnold Blumenthal

- 8 -

COMPENSATION OF DIRECTORS

The total fiscal year 2009 compensation of non-employee Directors is shown in the following table.

Director Compensation

Name	Fees Earned or Paid in Cash (\$)(1)	Option Awards (\$)(2)(3)	All Other Compensation (\$)	To (
Paul Stephen Beeber	\$22,000	\$3,800	-	\$25
Randy B. Blaustein (4)	\$18,500	\$3,800	\$10,000	\$32
Arnold Blumenthal	\$22,000	\$3,800	-	\$25
Donna A. Soloway	\$14,500	\$3,800	-	\$18
Andrew J. Wilder	\$27,000	\$3,800	-	\$30

- (1) Each director who is not an employee receives \$5,000 for each Board of Directors meeting attended, an increase from \$2,500 per meeting effective May 2009. 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. Mr. Blaustein receives \$4,000 for serving as Chairman of the Compensation Committee.
- (2) Amounts reflect the share-based compensation expense recognized by the Company in the year ended June 30, 2009, in accordance with Statement of Financial Accounting Standards No. 123R. Assumptions used in the calculation of these amounts are included in footnote 9 to the Notes to Consolidated Financial Statements contained in the Company's Form 10-K for the year ended June 30, 2009.
- (3) At June 30, 2009, each of Messrs. Beeber, Blaustein, Blumenthal and Wilder and Ms. Soloway held outstanding options to purchase 30,000 shares of Common Stock of the Company, of which options to purchase 18,000 shares were vested and options to purchase 6,000 shares will vest on the anniversary date of grant in each of fiscal 2010 and 2011.
- (4) During the fiscal year ended June 30, 2009, the Company retained Mr. Blaustein as special counsel for certain general business and tax related matters. Fees for such services were \$10,000.

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 that George Marks filed one late Form 4 reporting one grant of options on August 18, 2008.

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, the period during which they have served in these positions and, where applicable, their positions in any other organizations during the last five years.

Name and Age -----	Position and Office with the Company, Term of Office and Five-Year Employment History -----
Richard L. Soloway..... (63)	Chairman of the Board of Directors since October 1981; President since Secretary since 1975.
Kevin S. Buchel..... (56)	Senior Vice President of Operations and Finance since April 1995; T May 1998.
Jorge Hevia..... (51)	Senior Vice President of Corporate Sales and Marketing since May 19 President of Corporate Sales and Marketing since October 1998.
Michael Carrieri..... (51)	Senior Vice President of Engineering Development since May 2000; Vi Engineering Development from September 1999 to May 2000.
George Marks..... (73)	President, Marks USA since August 2008; President of G. Marks Hardw prior to 2004 to August 2008.

EXECUTIVE COMPENSATION

The Summary Compensation Table below sets forth compensation information for our Chief Executive Officer, our Chief Financial Officer and our three other most highly compensated executive officers during fiscal years 2009 and 2008 of the Company.

Summary Compensation Table

Name and Principal Position -----	Fiscal Year -----	Salary (\$) -----	Bonus (\$) -----	Option Awards (\$)(1) -----	A Comp -----
Richard L. Soloway, Chairman(2) of the Board of Directors, President	2009	\$572,946	-	\$106,611	

Edgar Filing: NAPCO SECURITY SYSTEMS INC - Form DEF 14A

and Secretary	2008	549,861	\$48,225	115,969
Kevin S. Buchel, (3) Senior Vice President of Operations and Finance and Treasurer	2009	249,776	-	26,555
	2008	245,712	25,630	35,216
Jorge Hevia, (3) Senior Vice President of Corporate Sales and Marketing	2009	271,392	-	26,555
	2008	266,042	15,630	35,216
Michael Carrieri, (3) Senior Vice President of Engineering Development	2009	245,472	-	26,555
	2008	241,113	10,941	35,216
George Marks, (4) President of Marks USA	2009	258,125	-	123,382

- (1) Amounts reflect the share-based compensation expense recognized by the Company in the fiscal years ended June 30, 2009 and June 30, 2008, in accordance with Statement of Financial Accounting Standards No. 123R. Assumptions used in the calculation of these amounts are included in footnote 9 to the Notes to Consolidated Financial Statements contained in the Company's Form 10-K for the year ended June 30, 2009.
- (2) All other compensation for Mr. Soloway for fiscal 2009 includes payment of health and life insurance premiums of \$17,101, automobile expenses of \$28,861, and 401(k) match of \$3,195. All other compensation for Mr. Soloway for fiscal 2008 includes payment of health and life insurance premiums of \$16,886, automobile expenses of \$20,732 and 401K match of \$5,273.
- (3) All other compensation for Messrs. Buchel, Hevia and Carrieri includes payment of life insurance premiums, automobile expenses and 401K matches and for Mr. Carrieri, includes payment of health insurance premiums.
- (4) Mr. Marks was elected President of Marks USA on August 18, 2008. All other compensation for Mr. Marks for fiscal 2009 includes payment of health and life insurance premiums of \$7,081, automobile expenses of \$23,100 and 401(k) match of \$2,546.

- 11 -

Grants of Plan-Based Awards

Name	Grant Date	All Other Option Awards: Number of Shares of Stock or Units (#) (1)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Value
Richard L. Soloway	-	-	-	
Kevin S. Buchel	-	-	-	
Jorge Hevia	-	-	-	
Michael Carrieri	-	-	-	
George Marks	08/18/08	100,000	\$4.25	\$19

- (1) Vest as to one third upon grant and as to an additional one third on the first two annual anniversary dates of grant.
- (2) See footnote (1) to the Summary Compensation Table

Edgar Filing: NAPCO SECURITY SYSTEMS INC - Form DEF 14A

Outstanding Equity Awards at Fiscal Year-End

Option Awards				
Name	Number of	Number of	Option	Option
	Securities Underlying	Securities Underlying		
	Unexercised Options	Unexercised Options	Price	Date
	(#)	(#)	(\$)	
	Exercisable	Unexercisable		
Richard L. Soloway	135,000	-	\$1.787	02/27/13
	540,000	-	1.881	06/15/13
	135,000	-	2.091	03/19/14
	56,250	-	5.227	03/15/15
	30,000	7,500 (1)	11.160	03/24/16
	15,000	10,000 (2)	6.620	10/26/16
	10,000	15,000 (3)	5.890	10/09/17
Kevin S. Buchel	27,000	-	1.759	12/20/12
	27,000	-	1.900	03/19/14
	18,000	4,500 (4)	5.733	11/21/15
	3,000	2,000 (5)	6.020	10/26/16
	2,000	3,000 (6)	5.350	10/09/17
Michael Carrieri	27,000	-	1.759	12/20/12
	27,000	-	1.900	03/19/14
	18,000	4,500 (4)	5.733	11/21/15
	3,000	2,000 (5)	6.020	10/26/16
	2,000	3,000 (6)	5.350	10/09/17

- 12 -

Option Awards				
Name	Number of	Number of	Option	Option
	Securities Underlying	Securities Underlying		
	Unexercised Options	Unexercised Options	Price	Date
	(#)	(#)	(\$)	
	Exercisable	Unexercisable		
Jorge Hevia	27,000	-	1.759	12/20/12
	27,000	-	1.900	03/19/14
	18,000	4,500 (4)	5.733	11/21/15
	3,000	2,000 (5)	6.020	10/26/16
	2,000	3,000 (6)	5.350	10/09/17
George Marks	33,334	66,666 (7)	4.250	08/18/13

(1) Options as to 7,500 shares vest on 3/24/10.

Edgar Filing: NAPCO SECURITY SYSTEMS INC - Form DEF 14A

- (2) Options as to 5,000 shares vest on each of 10/26/09 and 10/26/10.
- (3) Options as to 5,000 shares vest on each of 10/9/09, 10/9/10 and 10/9/11.
- (4) Options as to 4,500 shares vest on 3/24/10.
- (5) Options as to 1,000 shares vest on each of 10/26/09 and 10/26/10.
- (6) Options as to 1,000 shares vest on each of 10/9/09, 10/9/10 and 10/9/11.
- (7) Options as to 33,333 shares vest on each of 8/18/09 and 8/18/10.

Option Exercises

None of Messrs. Soloway, Buchel, Carrieri, Hevia or Marks exercised any options to purchase Common Stock in the 2009 fiscal year.

Employment Agreements and Potential Payments Upon Termination or Change in Control

The Company has employment agreements with Richard L. Soloway, Jorge Hevia, Michael Carrieri and George Marks. The agreement with Mr. Soloway, entered into on June 26, 2003 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, 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.

- 13 -

Had Mr. Soloway's employment terminated on June 30, 2009 after a change in control, the Company would have been required to pay him \$2,154,249 pursuant to such agreement. In addition, assuming a change in control on June 30, 2009, vesting of options to purchase 32,500 shares of Company Common Stock would have been accelerated. The closing price per share of the Company's Common Stock on the NASDAQ Global Market on June 30, 2009 (\$1.18) was less than the exercise prices of such accelerated options.

Under such agreement, had Mr. Soloway's employment terminated on June 30, 2009 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 \$572,946, \$343,768, and \$1,718,838, respectively.

Mr. Hevia's agreement terminates in October 2010. The agreement, as amended, provides for annual salaries of \$274,401 and \$288,121 during fiscal

Edgar Filing: NAPCO SECURITY SYSTEMS INC - Form DEF 14A

2009 and 2010, respectively, as well as certain bonus provisions based on sales and profits. Mr. Hevia's agreement 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, 2009, the Company would have been required to pay him \$212,172.

Mr. Carrieri's agreement terminates in August, 2010. The agreement provides for annual salaries of \$248,212 and \$260,623 during fiscal 2009 and 2010, respectively, as well as certain bonus provisions based on sales and profits. Mr. Carrieri's agreement provided 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. Had Mr. Carrieri been terminated non-voluntarily without cause on June 30, 2009, the Company would have been required to pay him \$192,531.

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. Had Mr. Buchel's employment been terminated on June 30, 2009 non-voluntarily without cause, the Company would have been required to pay him \$197,203 pursuant to such severance agreement.

In the event of a change in control on June 30, 2009, vesting of options to purchase 9,500 shares would have been accelerated for each of Messrs. Hevia, Carrieri and Buchel, and options to purchase 33,333 shares would have been accelerated for Mr. Marks. The closing price per share of the Company's Common Stock on the NASDAQ Global Market on June 30, 2009 (\$1.18) was less than the exercise prices of such accelerated options.

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

The agreement with Mr. Marks, entered into on August 18, 2008 for a five-year period, unless earlier termination after the third anniversary by either party on ten days' notice, provides for an annual salary of \$295,000. At any time after the second anniversary date of the agreement, the Company or Mr. Marks may elect to convert Employee's employment to that of consultant for which Mr. Marks shall receive compensation equal to \$118,200. The agreement contains non-compete restrictions for seven years after employee's termination of employment.

- 14 -

Certain Transactions

On August 18, 2008, pursuant to an Asset Purchase Agreement, the Company acquired all of the assets and business of G. Marks Hardware, Inc. for \$25 million, the repayment of \$1 million of bank debt and the assumption of current liabilities. George Marks, currently a named executive officer of the Company, owned all of the outstanding capital stock of G. Marks Hardware, Inc.

BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table, together with the accompanying footnotes, sets forth information as of October 30, 2009, 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)

Edgar Filing: NAPCO SECURITY SYSTEMS INC - Form DEF 14A

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	6,917,660	34.6%
Epoch Investment Partners, Inc. 640 Fifth Avenue New York, NY 10019(3)	989,291	5.2%
Kevin S. Buchel	362,183	1.9%
Jorge Hevia	268,750	1.4%
Michael Carrieri	191,000	1.0%
Andrew J. Wilder	114,720	*
Randy B. Blaustein	109,350	*
Donna A. Soloway	32,760	*
Paul Stephen Beeber	10,000	*
Arnold Blumenthal	8,175	*
George Marks	66,666	*
All executive officers and directors as a group (10 in number)	8,081,264(4)	42.3%

* Less than 1%

- (1) This number includes the number of shares that a person has a right to acquire within sixty (60) days (Soloway - 920,000, Buchel - 83,500, Hevia - 83,500, Carrieri - 83,500, Marks - 66,666, Wilder - 3,600, Blaustein - 3,600, D. Soloway - 3,600, Beeber - 3,600, and Blumenthal - 3,600).
- (2) Percentages for each person or the group are computed on the basis of 19,095,713 shares of Common Stock outstanding on October 30, 2009, 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 13F filed with the Securities and Exchange Commission reporting as of June 30, 2009.
- (4) This number of shares includes (i) 6,826,098 shares as to which officers and directors have sole voting and investment power, and (ii) 1,255,166 shares that officers and directors have the right to acquire within sixty (60) days.

Edgar Filing: NAPCO SECURITY SYSTEMS INC - Form DEF 14A

THE COMPANY'S INDEPENDENT PUBLIC ACCOUNTANTS

The consolidated financial statements of the Company included in the Annual Report to Stockholders for the 2009 fiscal year were examined by Holtz Rubenstein Reminick LLP ("HRR"). A representative of HRR will be present at the Annual Meeting to make a statement if he desires and to respond to appropriate questions presented at the Meeting. The Company has retained HRR as its independent registered public accounting firm for fiscal year 2010.

On December 15, 2008, the Company engaged Holtz Rubenstein Reminick LLP ("HRR") as the independent registered public accounting firm for the Company and its subsidiaries replacing Marcum LLP, formerly Marcum & Kliegman LLP ("M&K"), who were dismissed on the same day. The change was approved by the Audit Committee of Board of Directors of the Company. The Company had not consulted with HRR during its two most recent fiscal years nor during any subsequent interim period prior to its appointment as auditor for the fiscal year 2009 regarding the application of accounting principles to a specified transaction either completed or proposed, or the type of audit opinion that might be rendered on the Company's consolidated financial statement or regarding any matter that was either the subject of a disagreement, within the meaning of Item 304(a)(1)(iv) of Regulation S-K, or any "reportable event," as that term is defined in Item 304(a)(1)(v) of Regulations S-K.

M&K was engaged as the Company's independent accountants on December 15, 2003. M&K's reports on the Company's financial statements for fiscal 2007 and 2008 did not contain any adverse opinion or disclaimer of opinion and was not qualified as to uncertainty, audit scope or accounting principles.

During the Company's fiscal year ended June 30, 2008, and any subsequent interim period, there were no disagreements between the Company and M&K on any matter of accounting principles or practices, financial statement disclosures or auditing scope or procedures.

During the Company's fiscal year ending June 30, 2007, there were disagreements between the Company and M&K relating to Management's estimate of the reserve required for slow-moving or obsolete inventory, reclassification of certain inventories to non-current and Management's estimates used to capitalize certain indirect labor costs into inventory. All of the foregoing disagreements were resolved to M&K's satisfaction.

As reported in the Auditors Report on Internal Controls over Financial Reporting included in the Company's Forms 10-K for the fiscal years ended June 30, 2007 and 2008, M&K advised the Company that certain of its internal controls over financial reporting were not effective.

The Company's Audit Committee discussed the subject matter of each of the above with M&K.

The Company authorized M&K to respond fully to HRR concerning the subject matter of each of the above.

Each of HRR and M&K has informed the Company that it does not believe that the statements made by the Company with respect to the change in accountants are incomplete or incorrect.

Edgar Filing: NAPCO SECURITY SYSTEMS INC - Form DEF 14A

The fees billed for professional services for fiscal year 2009 by HRR and by Marcum & Kliegman LLP ("M&K"), the Company's former independent auditors, and for fiscal year 2008 by M&K for professional services were as follows:

	Fiscal Year 2009	Fiscal Year 2008
	-----	-----
Audit Fees (1)	\$209,625	\$377,250
Audit Related Fees (2)	20,000	-
Tax Fees	-	-
All Other Fees (3)	63,500	14,000

- (1) Includes audit of financial statements, SAS 100 reviews and consultations for 2009 and 2008 and fees for audit of internal controls for 2008.
- (2) Includes consent of M&K for inclusion of their audit opinion for fiscal 2008 in the Form 10-K for fiscal 2009.
- (3) Includes services related to the audit of the Company's employee benefit plan for the plan years ended December 31, 2009 and 2008, review of the Company's Form 8-K filings in for its Marks acquisition in the first quarter of fiscal 2009 and review of the Company's Form 8-K for the change in accountants in the second quarter of fiscal 2009.

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 year 2009, 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.

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 2010 Annual Meeting, and who wish to have such proposals included in the Company's Proxy Statement for the 2010 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 July 2, 2010. 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 2010 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 15, 2010.

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.

- 17 -

EXPENSES OF SOLICITATION

The Company will bear all costs in connection with the solicitation by the Board of Directors of proxies of 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 30, 2009

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 2009, 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.

- 18 -

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

PROXY

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned stockholder of NAPCO SECURITY TECHNOLOGIES, INC. hereby appoints Messrs. Richard L. Soloway and Kevin S. Buchel, and each or either of them, the proxy or proxies of the undersigned, with full power of substitution, to vote as specified on the reverse side all shares of Common Stock of said Company which the undersigned is entitled to vote at the Annual Meeting of Stockholders of said Company, to be held on Tuesday, December 1, 2009 and at all adjournments of such Meeting, with all powers the undersigned would possess if personally present.

Edgar Filing: NAPCO SECURITY SYSTEMS INC - Form DEF 14A

This Proxy will be voted as specified. IF NO SPECIFICATION IS MADE, THE PROXY WILL BE VOTED FOR THE ELECTION OF THE THREE (3) DIRECTORS (ITEM 1); AND AS TO ANY OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING, THIS PROXY WILL BE VOTED IN THE DISCRETION AND IN THE BEST JUDGMENT OF THE PROXIES. This Proxy may be revoked at any time prior to the voting thereof.

(Please date and sign on the reverse side)

PROXY

The Board of Directors recommends a Vote FOR Item 1.

Item 1. Election of Three Directors:

Paul Stephen Beeber
FOR [] WITHHOLD []

Randy B. Blaustein
FOR [] WITHHOLD []

Donna A. Soloway
FOR [] WITHHOLD []

Dated: _____

Signature or Signatures

Please sign exactly as your name appears at the left. Executors, administrators, trustees, guardians, attorneys and agents should give their full titles and submit evidence of appointment unless previously furnished to the Company or its transfer agent.

Important Notice Regarding the Availability of
Proxy Materials for the Stockholder Meeting
To be Held on December 1, 2009

Copies of the proxy statement, form of proxy card and our 2009 annual report are available at www.napcosecurity.com/2009annualmeeting.pdf.