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NAPCO SECURITY SYSTEMS INC
Form DEF 14A
November 12, 2008

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 SYSTEMS, INC.
(Name of Registrant as Specified In Its Charter)

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

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No fee required

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(1) Amount previously Paid:

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(4) Date Filed:

NAPCO SECURITY SYSTEMS, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be Held on December 9, 2008

Dear Fellow Stockholder:

The Annual Meeting of the Stockholders of Napco Security Systems, Inc., a Delaware corporation (the "Company"), will be held at the Company's offices at 333 Bayview Avenue, Amityville, New York, on Tuesday, December 9, 2008, at 2:00 p.m., for the following purposes, as more fully described in the accompanying Proxy Statement:

1. to elect two directors to serve for a term of three years and until their successors are elected and qualified;
2. to amend the Amended and Restated Certificate of Incorporation to change the name of the Company to "Napco Security Technologies, Inc."; and
3. 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 November 3, 2008 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

November 7, 2008

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 SYSTEMS, INC.
333 Bayview Avenue
Amityville, New York 11701

PROXY STATEMENT

FOR ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON DECEMBER 9, 2008

INFORMATION CONCERNING THE SOLICITATION

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This Proxy Statement is furnished to the holders of Common Stock, \$.01 par value per share ("Common Stock") of Napco Security Systems, 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 2008, to be held on December 9, 2008, 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 12, 2008. A copy of the 2008 Annual Report of the Company, including financial statements, is being mailed herewith.

Only stockholders of record at the close of business on November 3, 2008 (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 two directors; Item 2, amendment of the Amended and Restated Certificate of Incorporation to change the name of the Company to Napco Security Technologies, Inc.; and 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.

The affirmative vote of the holders of a majority of the shares outstanding and entitled to vote on the matter will be required for approval of the amendment to the Company' Amended and Restated Certificate of Incorporation. A properly executed proxy marked "ABSTAIN" with respect to such matter will not be voted, although it will be counted for purposes of determining whether there is a quorum. Accordingly, an abstention will have the effect of a negative vote.

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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.

Item 1: Election of Directors

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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 2011. The terms of the other two classes of continuing directors do not expire until the Annual Meetings of Stockholders after fiscal year end 2009 and 2010, respectively.

Unless otherwise specified, shares represented by the enclosed proxy will be voted for the election of Messrs. Andrew Wilder and Arnold Blumenthal, 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 2011 and until his successor is elected and qualified.

Messrs. Wilder and Blumenthal 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 -----	Director Since -----
Nominees for election to serve until Annual Meeting of Stockholders following Fiscal Year 2011:		
Andrew J. Wilder..... (57)	Officer of Israeloff, Trattner & Co., independent certified public accountants, since 1990.	1995
Arnold Blumenthal..... (81)	Group Publisher Emeritus, Security Dealer Locksmith Ledger, Publisher Security Line and Editor of MBFAA since 2004; V.P. of Government Security News from 2004 through 2007; Group Publisher of Security Group of Cygnus Publishing, 1999 through 2003.	2001

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Directors to serve until Annual
Meeting of Stockholders following
Fiscal Year 2009:

Paul Stephen Beeber..... (64)	Licensed Attorney in New York State since 1970, focusing on elder law, estate planning and real estate.	2004
Randy B. Blaustein..... (56)	Principal of R.B. Blaustein & Co. since December 2000; Partner of Blaustein, Greenberg & Co. July 1991 - November 2000; Attorney since October 1980, specializing in general business and tax matters, and author of six books	1985

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and numerous articles.

Donna A. Soloway..... (60)	Board of Directors of Security Industry Association (SIA); Chair of Awards Committee since 1993; Director and Secretary of SAINTS (Safety, Awareness and Independence Now Through Security) Foundation, Inc.; Monthly Columnist for SECURITY DEALER magazine since 1992; and Columnist for SECURITY SALES & INTEGRATION magazine since 2004. Ms. Soloway is the wife of Richard L. Soloway, the Chairman and President of the Company.	2001
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Directors to serve until Annual Meeting of Stockholders following Fiscal Year 2010:

Richard L. Soloway..... (62)	Chairman of the Board of Directors since October 1981; President since 1998; Secretary since 1975.	1972
Kevin S. Buchel..... (55)	Senior Vice President of Operations and Finance since April 1995; Treasurer since May 1998.	1998

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR"
THE ELECTION OF MR. WILDER AND MR. BLUMENTHAL

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.

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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

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Nominating. Each Committee is composed entirely of independent directors as defined in the applicable NASDAQ Listing Standards.

During fiscal 2008, 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 4, 2007.

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

Audit Committee

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

The Audit Committee has the authority to obtain advice and assistance from outside legal, accounting or other advisors as the Audit Committee deems necessary to carry out its duties. The Audit Committee held five meetings in fiscal year 2008. 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 7.

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 Committee also renders its report for inclusion in the Company's annual proxy statement. The current members of the Compensation Committee are Randy B. Blaustein (Chairman), Andrew J. Wilder, and Arnold Blumenthal.

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The Compensation Committee held one meeting in fiscal year 2008. The report of the Compensation Committee is included in this proxy statement on page 11.

Nominating Committee

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

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The Nominating Committee held one meeting in fiscal year 2008. 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.

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 Systems, 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 Systems, Inc.
333 Bayview Ave.
Amityville, NY 11701
Attention: Kevin Buchel

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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

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1. transactions available to all employees;
2. transactions involving compensation or business expense reimbursement approved by the Compensation Committee or by disinterested members of the Board of Directors; or
3. transactions involving less than \$120,000 when aggregated with all similar transactions.

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

AUDIT COMMITTEE REPORT

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

1. The Audit Committee has reviewed and discussed the Company's audited financial statements with the Company's management and representatives of Marcum & Kliegman LLP ("M&K") ;
2. The Audit Committee has discussed with M&K 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 M&K 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 M&K, M&K'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, 2008 filed with the Securities and Exchange Commission.

Date: September 29, 2008

The Audit Committee:

Andrew J. Wilder, Chairman
Paul Stephen Beeber
Arnold Blumenthal

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COMPENSATION OF DIRECTORS

The total fiscal year 2008 compensation of non-employee Directors is shown in the following table.

Director Compensation

Name	Fees Earned or Paid in		All Other Compensation	Total
	Cash	Option Awards		
	(\$) (1)	(\$) (2) (3)	(\$)	(\$)
-----	-----	-----	-----	-----

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Paul Stephen Beeber	\$17,500	\$3,792	-	\$21,292
Randy B. Blaustein (4)	17,500	3,792	\$6,000	27,292
Arnold Blumenthal	17,500	3,792	-	21,292
Donna A. Soloway	7,500	3,792	-	11,292
Andrew J. Wilder	22,500	3,792	-	26,292

- (1) Each director who is not an employee receives \$2,500 for each Board of Directors meeting attended. 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, 2008, in accordance with Statement of Financial Accounting Standards No. 123R. Assumptions used in the calculation of these amounts are included in footnote 7 to the Notes to Consolidated Financial Statements contained in the Company's Form 10-K for the year ended June 30, 2008.
- (3) At June 30, 2008, each of Messrs. Beeber, Blaustein, Blumenthal, Wilder and Ms. Soloway held outstanding options to purchase 6,000 shares of Common Stock of the Company, of which options to purchase 2,400 shares were vested and options to purchase 1,200 shares will vest on the anniversary date of grant in each of fiscal 2009, 2010 and 2011.
- (4) During the fiscal year ended June 30, 2008, the Company retained Mr. Blaustein as special counsel for certain general business and tax related matters. Fees for such services were \$6,000.

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 each of Messrs. Soloway, Buchel, Hevia and Carrieri filed one late Form 4 reporting one grant of options on October 9, 2007.

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.

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Name and Age -----	and Five-Year Employment History -----
Richard L. Soloway..... (62)	Chairman of the Board of Directors since October 1981; President since 1998; and Secretary since 1975.
Kevin S. Buchel..... (55)	Senior Vice President of Operations and Finance since April 1995; Treasurer since May 1998.
Jorge Hevia..... (50)	Senior Vice President of Corporate Sales and Marketing since May 1999; Vice President of Corporate Sales and Marketing since October 1998.
Michael Carrieri..... (50)	Senior Vice President of Engineering Development since May 2000; Vice President of Engineering Development from September 1999 to May 2000.
George Marks..... (72)	President, Marks USA since August 2008; President of G. Marks Hardware, Inc. from prior to 2004 to August 2008.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION & ANALYSIS

Compensation Program Objective

The objective of our executive compensation program is to allow us to successfully retain and motivate executives who enable us to achieve short and long term growth and operational excellence.

Oversight of Our Executive Compensation Program

The Compensation Committee of the Board of Directors (the "Committee") assists the Board in discharging its responsibilities relating to compensation of the Chief Executive Officer and other executive officers. The Committee's responsibilities are detailed in its charter, which can be found at www.napcosecurity.com

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

Components of the Executive Compensation Program-Description of Elements and Evaluation Process

The named executive officers, including our Chief Executive Officer, have a compensation program that includes the following components:

- Base salary
- Annual incentives
- Long-term incentives in the form of stock options awards
- Employee benefits
- Perquisites

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Compensation Mix. We do not have policies that define specific percentage allocations for fixed and variable compensation, or cash and non-cash compensation. We do, however, intend to deliver a portion of total compensation in the form of performance-based cash incentives and in awards of stock options, to achieve our objective of offering rewards for successful business results and

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shareholder value creation.

Base Salaries. Base salaries are used to compensate each of our executives for their positions and levels of responsibility. Each of Messrs. Soloway, Hevia and Carreri have employment agreements, which provide for a minimum base salary and a minimum annual cost-of-living adjustment. For fiscal 2008 Messrs. Soloway, Hevia and Carreri's salaries were determined pursuant to such Employment Agreements.

Mr. Buchel's salary for the 2008 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.

Annual Cash Incentives. The 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 2008, the Company did not achieve targeted sales and earnings. Based on the CEO's recommendation, each named executive officer (including the CEO) received a cash bonus determined using a formula comparing actual operating income against budgeted operating income and multiplying that formula by each NEO's targeted bonus. In addition, Mr. Buchel's bonus reflects his work in overseeing the consummation of the successful Marks USA acquisition.

Long-term Incentive Awards. The purpose of the granting of stock options is to retain the services of the named executive officers and our key employees, and encourage them to improve our operating results and to become shareholders of the Company, all of which is intended to result in increased shareholder value.

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 amounts recommended periodically by the CEO. The recommendations of the CEO for option grants reflect the subjective judgment of the CEO of the performance of such executives and the potential benefit to the Company from the grant of this form of incentive compensation. Based upon the recommendation of the CEO, each of Messrs. Hevia, Carreri and Buchel were granted options in fiscal 2008 to purchase 5,000 shares at an exercise price of \$5.35 per share. Mr. Soloway was granted options to purchase 25,000 in fiscal 2008 at an exercise price of \$5.89 per share.

Employee Benefits, Perquisites and Other Personal Benefits. As a general rule, we do not provide special benefits to senior executives and the named executive officers participate in the same plans - including term life insurance, health and disability insurance - available to all salaried employees. We do, however, pay the premiums on additional life insurance policies for the benefit of each of the named executive officers and on additional health insurance policies for the benefit of Messrs. Soloway and Carreri. See footnote to the Summary Compensation Table.

We offer one retirement plan, a qualified profit sharing 401(k) plan to all employees, including the named executive officers.

We have provided certain perquisites to the named executive officers, as summarized in footnote 2 to the "Summary Compensation Table."

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Change in Control, Severance Agreements. Under Mr. Soloway's Employment Agreement, if during its term there should be a change in control, then Mr. Soloway is entitled to terminate his employment and is entitled to receive a termination payment equal to 299% of the average of the prior five calendar years' compensation, subject to certain limitations. If the Company terminates Mr. Soloway's employment other than for Cause, as defined, or if Mr. Soloway terminates his employment with the Company for Good Reason, as defined, the Company shall pay a lump sum payment equal to (i) Mr. Soloway's annual base salary plus the bonus paid for the prior fiscal year multiplied by (ii) the greater of the number of years or portion thereof remaining in the term of the Agreement or three years.

Each of the agreements with Mr. Hevia and Mr. Carrieri provide for payment equal to nine months of salary and six months of health insurance in the event of a non-voluntary termination of employment of the officer without cause. 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.

We believe these changes in control and severance arrangements help to retain these executive talents by providing them with a sense of commitment by the Company to them.

Material Tax Implications

Section 162(m) of the Internal Revenue Code, enacted in 1993, generally disallows a tax deduction to public companies for compensation over \$1,000,000 paid to the CEO and other named executive officers. Because of the range of compensation paid to its executive officers, the Committee has not established any policy regarding annual compensation to such executive officers in excess of \$1,000,000.

COMPENSATION COMMITTEE REPORT

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

1. The Compensation Committee has reviewed, and discussed with Management, the Company's Compensation Discussion & Analysis ("CD&A") appearing on pages 9 - 11 of this proxy statement.
2. Based on the review and discussions referred to in paragraph 1 above, the Compensation Committee recommended to the Board of Directors that the CD&A be included in this proxy statement and incorporated by reference in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2008 filed with the Securities and Exchange Commission.

Date: October 30, 2008

The Compensation Committee:

Randy B. Blaustein
Andrew J. Wilder
Arnold Blumenthal

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The Summary Compensation Table below sets forth compensation information for our Chief Executive Officer, our Chief Financial Officer and our two other most highly compensated executive officers during fiscal year 2008 and 2007 of the Company.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Option Awards (\$) (1)	All Other Compensation (\$) (2) (3)	Total (\$)
Richard L. Soloway, Chairman of the Board of Directors, President and Secretary	2008	\$598,086	\$48,225	\$115,969	\$43,149	\$805,429
	2007	532,171	159,159	227,916	44,265	963,511
Kevin S. Buchel, Senior Vice President of Operations and Finance and Treasurer	2008	245,712	25,630	35,216	9,103	315,661
	2007	228,250	51,585	35,235	9,444	324,514
Jorge Hevia, Senior Vice President of Corporate Sales and Marketing	2008	266,042	15,630	35,216	12,482	329,370
	2007	245,562	51,585	35,235	11,680	344,062
Michael Carrieri, Senior Vice President of Engineering Development	2008	241,113	10,941	35,216	16,096	303,366
	2007	223,610	36,109	35,235	8,710	303,664

- (1) Amounts reflect the share-based compensation expense recognized by the Company in the fiscal years ended June 30, 2007 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 7 to the Notes to Consolidated Financial Statements contained in the Company's Form 10-K for the year ended June 30, 2008.
- (2) All Other Compensation for Mr. Soloway for fiscal 2007 includes payment of health and life insurance premiums of \$17,311, automobile expenses of \$21,599 and 401K match of \$5,322. 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.

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 Date Fair Value of Option Awards (\$) (2)
Richard L. Soloway	10/09/07	25,000	\$5.89	\$101,980
Kevin S. Buchel	10/09/07	5,000	5.35	18,950
Jorge Hevia	10/09/07	5,000	5.35	18,950

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Michael Carrieri 10/09/07 5,000 5.35 18,950

- (1) Vest as to 20% upon grant and as to an additional 20% on the first four annual anniversary dates of grant.
 (2) See footnote (1) to the Summary Compensation Table

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Outstanding Equity Awards

Name	Option Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date
Richard L. Soloway	135,000	-	\$1.787	02/27/13
	540,000	-	1.881	06/15/13
	135,000	-	2.091	03/19/14
	45,000	11,250 (1)	5.227	03/15/15
	22,500	15,000 (2)	11.160	03/24/16
	10,000	15,000 (3)	6.620	10/26/16
	5,000	20,000 (4)	5.890	10/09/17
Kevin S. Buchel	27,000	-	1.759	12/20/12
	27,000	-	1.900	03/19/14
	13,500	9,000 (5)	5.733	11/21/15
	2,000	3,000 (6)	6.020	10/26/16
	1,000	4,000 (7)	5.350	10/09/17
Michael Carrieri	27,000	-	1.759	12/20/12
	27,000	-	1.900	03/19/14
	13,500	9,000 (5)	5.733	11/21/15
	2,000	3,000 (6)	6.020	10/26/16
	1,000	4,000 (7)	5.350	10/09/17
Jorge Hevia	27,000	-	1.759	12/20/12
	27,000	-	1.900	03/19/14
	13,500	9,000 (5)	5.733	11/21/15
	2,000	3,000 (6)	6.020	10/26/16
	1,000	4,000 (7)	5.350	10/09/17

- (1) Options as to 11,250 shares vest on 3/15/09.
 (2) Options as to 7,500 shares vest on each of 3/24/09 and 3/24/10.
 (3) Options as to 5,000 shares vest on each of 10/26/08, 10/26/09 and 10/26/10.
 (4) Options as to 5,000 shares vest on each of 10/9/08, 10/9/09, 10/9/10 and 10/9/11.
 (5) Options as to 4,500 shares vest on each of 3/24/09 and 3/24/10.
 (6) Options as to 1,000 shares vest on each of 10/26/08, 10/26/09 and 10/26/10.
 (7) Options as to 1,000 shares vest on each of 10/9/08, 10/9/09, 10/9/10 and 10/9/11.

Option Exercises

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None of Messrs. Soloway, Buchel, Carrieri or Hevia exercised any options to purchase Common Stock in the 2008 fiscal year.

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Employment Agreements and Potential Payments Upon Termination or Change in Control

The Company has employment agreements with Richard L. Soloway, Jorge Hevia and Michael Carrieri. 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.

Had Mr. Soloway's employment terminated on June 30, 2008 after a change in control, the Company would have been required to pay him \$2,027,279 pursuant to such agreement. In addition, assuming a change in control on June 30, 2008, vesting of options to purchase 72,500 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, 2008 (\$4.53) was less than the exercise prices of such accelerated options.

Under such agreement, had Mr. Soloway's employment terminated on June 30, 2008 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 \$621,171, \$391,993, and \$1,863,513, 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 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, 2008, the Company would have been required to pay him \$202,410.

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

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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, 2008, the Company would have been required to pay him \$183,704.

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, 2008 non-voluntarily without cause, the Company would have been required to pay him \$188,149 pursuant to such severance agreement.

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In the event of a change in control on June 30, 2008, vesting of options to purchase 16,000 shares would have been accelerated for each of Messrs. Hevia, Carrieri and Buchel. The closing price per share of the Company's Common Stock on the NASDAQ Global Market on June 30, 2008 (\$4.53) 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.

Item 2: Amendment of the Amended and Restated Certificate of Incorporation to change the name of the Company to Napco Security Technologies, Inc.

On September 15, 2008, the Board of Directors of the Company unanimously adopted a resolution approving the amendment of the Company's Amended and Restated Certificate of Incorporation to change the name of the Company to Napco Security Technologies, Inc. (the "Amendment"). The Board of Directors further directed that the Amendment be submitted for consideration by stockholders at the Company's 2008 Annual Meeting. In the event the Amendment is approved by stockholders, the Company will thereafter execute and submit to the Delaware Secretary of State for filing a Certificate of Amendment of the Amended and Restated Certificate of Incorporation providing for the Amendment. The Amendment will become effective at the close of business on the date the Certificate of Amendment is accepted for filing by the Secretary of State.

The Board of Directors considers the proposed name change desirable because it more closely identifies its corporate name with its ongoing research and development efforts as well as its recent acquisition of G. Marks Hardware, Inc., which engages in, among other things, the door lock technology business. .

In the event stockholders approve the Amendment, Article First of the Company's Amended and Restated Certificate of Incorporation will be amended to change the name of the Company to Napco Security Technologies, Inc. and will read as follows:

"FIRST: The name of the corporation (hereinafter called the "Company") is Napco Security Technologies, Inc."

Approval of the Amendment will require the affirmative vote of a majority of the outstanding shares entitled to vote thereon. Proxies received in response to the Board's solicitation will be voted "FOR" approval of the Amendment if no specific instructions are included thereon for Item 2.

The Board of Directors believes adoption of the Amendment will be in the best interests of the stockholders and, accordingly, recommends a vote FOR this proposal, which is ITEM 2 on the Proxy Card.

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BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table, together with the accompanying footnotes, sets forth information as of November 3, 2008, regarding the beneficial ownership (as defined by the Securities and Exchange Commission) of Common Stock of the Company of (a) each person known by the Company to own more than five percent of the Company's outstanding Common Stock, (b) each director of the Company (c) each executive officer named in the Summary Compensation Table, and (d) all executive officers and directors of the Company as a group.

Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent of Common Stock (2)
Richard L. Soloway c/o the Company 333 Bayview Avenue Amityville, NY 11701	6,900,160	34.51%
Rutabaga Capital 64 Broad Street, 3rd Floor Boston, MA 02109 (3)	1,281,771	6.71%
Kevin S. Buchel	355,683	1.86%
Jorge Hevia	262,250	1.37%
Michael Carrieri	184,500	0.96%
Andrew J. Wilder	112,020	0.59%
Randy B. Blaustein	108,150	0.57%
Donna A. Soloway	31,560	0.17%
Paul Stephen Beeber	7,800	0.04%
Arnold Blumenthal	3,975	0.02%
George Marks	-	-
All executive officers and directors as a group (10 in number)	7,966,098 (4)	39.36%

- (1) This number includes the number of shares that a person has a right to acquire within sixty (60) days (Soloway - 902,500, Buchel - 77,000, Hevia - 77,000, and Carrieri - 77,000, Wilder - 2,400, Blaustein - 2,400, D. Soloway - 2,400, Beeber - 2,400, Blumenthal - 2,400).
- (2) Percentages for each person or the group are computed on the basis of 19,092,473 shares of Common Stock outstanding on November 3, 2008, 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, 2008.
- (4) This number of shares includes (i) 6,820,598 shares as to which officers

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and directors have sole voting and investment power, and (ii) 1,145,500 shares that officers and directors have the right to acquire within sixty (60) days.

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THE COMPANY'S INDEPENDENT PUBLIC ACCOUNTANTS

The consolidated financial statements of the Company included in the Annual Report to Stockholders for the 2008 fiscal year were examined by Marcum & Kleigman LLP ("M&K"). A representative of M&K 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 not yet retained an independent registered public accounting firm for fiscal year 2009.

Principal Accountant Fees

The fees billed by M&K, the Company's independent auditors for professional services for 2008 and 2007 fiscal years were as follows:

	Fiscal Year 2008 -----	Fiscal Year 2007 -----
Audit Fees (1)	\$377,250	\$228,000
Audit Related Fees	--	--
Tax Fees	--	--
All Other Fees (2)	14,000	12,000

(1) Includes audit of financial statements, SAS 100 reviews and consultations for 2008 and 2007 and fees for audit of internal controls for 2008 and 2007.

(2) Includes services related to the audit of the Company's employee benefit plan for 2008 and 2007.

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 2008 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 2009 Annual

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Meeting, and who wish to have such proposals included in the Company's Proxy Statement for the 2009 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 10, 2009. 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 2009 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 23, 2009.

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

EXPENSES OF SOLICITATION

The Company will bear all costs in connection with the solicitation by the Board of Directors of proxies 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: November 7, 2008

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 2008, 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 Systems, 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.

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

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PROXY

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned stockholder of NAPCO SECURITY SYSTEMS, 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 9, 2008 and at all adjournments of such Meeting, with all powers the undersigned would possess if personally present.

This Proxy will be voted as specified. IF NO SPECIFICATION IS MADE, THE PROXY WILL BE VOTED FOR THE ELECTION OF THE TWO (2) DIRECTORS (ITEM 1); FOR THE AMENDMENT TO CHANGE THE NAME OF THE COMPANY TO NAPCO SECURITY TECHNOLOGIES, INC. (ITEM 2) 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 Items 1 & 2.

Item 1. Election of Two Directors:

Andrew J. Wilder
FOR [] WITHHOLD []

Arnold Blumenthal
FOR [] WITHHOLD []

Item 2. Amendment of the Amended and Restated Certificate of Incorporation to change the name of the Company to Napco Security Technologies, Inc.:

FOR [] AGAINST [] ABSTAIN []

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.