

NAPCO SECURITY TECHNOLOGIES, INC.
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
CHARTER

I. PURPOSE

To fulfill the Board's oversight responsibility to the shareholders, potential shareholders, the investment community, and others relating to: integrity of the Company's financial statements and the financial reporting process; the systems of internal accounting and financial reporting controls; the performance of the Company's independent auditors; the independent auditor's qualifications and independence; annual independent audit of the Company's financial statements, and the Company's compliance with legal and regulatory requirements. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee to maintain free and open communication between the Committee, independent auditors and management of the Company; and To prepare the report for inclusion in the Company's annual proxy statement in accordance with applicable law.

II. STRUCTURE AND OPERATIONS

A. Composition & Qualifications

The Audit Committee shall be comprised of three or more members of the Board of Directors. The members of the Audit Committee shall meet the independence, experience and knowledge requirements of the NASDAQ Stock Market, as finally adopted, and the Sarbanes-Oxley Act of 2002 (the "Act"), as appropriate, including the rules and regulations promulgated by the Securities and Exchange Commission to implement the Act. Audit Committee members shall not simultaneously serve on the audit committees of more than two other public companies.

B. Appointment and Removal

The members of the Audit Committee shall be appointed by the Board on the recommendation of the Nominating Committee and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. Vacancies shall be filled in a similar manner. Audit Committee members may be removed with or without cause by the majority vote of the directors then in office.

C. Chairman

Unless the Chairman is elected by the full Board of Directors, the members of the Committee shall designate a Chairman by the majority vote of the full Committee membership. The Chairman will chair all regular sessions of the Committee and, in consultation with the other Committee members, set the agendas for Committee meetings. The Chairman shall ensure that such agendas are circulated to the other Committee members in advance of each meeting.

D. Delegation to Subcommittees

The Audit Committee may form and delegate authority to subcommittees, including the authority to grant pre-approvals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Audit Committee at its next scheduled meeting. Any subcommittee shall consist of one or more members of the Audit Committee.

III. MEETINGS

The Audit Committee shall meet at least quarterly or more frequently as circumstances dictate. The Chairman of the Committee shall call meetings of the Audit Committee. A majority of the members of the Audit Committee present in person or by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other shall constitute a quorum.

The Audit Committee shall meet periodically with management and the independent auditor in separate executive sessions. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The Audit Committee shall make reports to the Board of Directors after each of its meetings, or as it deems necessary. The report to the Board of Directors may take the form of an oral or written report by the Chairman or any other member of the Audit Committee designated by the Audit Committee to make such report. The Audit Committee shall maintain minutes or other records of meeting and activities of the Audit Committee.

IV. RESPONSIBILITIES AND DUTIES

The functions listed below shall be principal activities of the Audit Committee in carrying out its responsibilities outlined in Section I of this Charter. However the Committee may carry out additional functions and adopt additional policies and procedure as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board of Directors related to its purposes as outlined in this Charter.

The following are within the authority of the Audit Committee:

Independent Auditor

1. Sole authority to appoint and terminate independent auditor and to approve in advance all audit engagement fees and terms.

2. Inform the independent auditor that such firm shall report directly to the Audit Committee.

3. Oversee the work of the independent auditor for the purpose of preparing or issuing an audit report or related work, including resolution of disagreements between management and the independent auditor regarding financial reporting.

4. Review and approve in advance, in its sole discretion, all auditing services and permitted Non-audit services, including fees and terms, to be performed for the Company by its independent auditor, subject to the de minimus exceptions for non-audit services described in Section 10A (i) (1) B of the Exchange Act which are approved by the Audit Committee prior to completion of the audit.

5. Review, at least annually, the qualifications, performances and independence of the independent auditors, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence. The Audit Committee shall present its conclusions with respect to the independent auditor to the Board of Directors of the Company. In conducting its review and evaluation, the Committee should:

(a) Obtain and review a report by the independent auditor describing (i) the independent auditor's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditing firm, and any steps taken to deal with any such issues, and (iii) to assess the auditor's independence, all relationships between the independent auditor and the Company.

(b) Evaluate the lead partner (having primary responsibility for the audit) of the independent audit team.

(c) Ensure the rotation of the lead partner, the audit partner responsible for reviewing the audit, and other audit partners, as required by law, and consider whether there should be regular rotation of the audit firm itself.

(d) Obtain from the independent auditor assurance that (i) the independent auditor is not providing any prohibited non-audit services as provided in the Act and the rules implementing the Act, and (ii) that the independent auditor will be in compliance with the restrictions on audit partner compensation on a timely basis.

(e) Take into account the opinions of management.

6. Meet with independent auditor prior to the audit to review the scope, planning and staffing of the audit.

Financial Reporting

7. Discuss and review with management and the independent auditor the annual audited financial statements and quarterly financial statements, including disclosures made in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

8. Review and discuss with management and the independent auditor:

(a) Major issues regarding accounting principles and financial statement preparation, including any significant changes in the Company’s selection or application of accounting principles, any major issues as to the adequacy of the Company’s internal controls and any special steps adopted in light of material control deficiencies.

(b) Analyses prepared by the independent auditor and/or management setting forth significant reporting issues and judgments made in connection with the preparation of the financial statements, including analysis of the effects of alternative generally accepted accounting principles methods on the financial statements of the company.

9. Prior to filing of the audit report with the Securities and Exchange Commission and more frequently as otherwise may be necessary or desirable and review and discuss reports from the independent auditors on:

(a) All critical accounting policies and practices to be used.

(b) All alternative treatments of financial information within generally accepted accounting principles related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.

(c) Other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.

10. Make recommendations to the Board as to whether the audited financial statements should be included in the Company’s Form 10-K.

11. Review disclosures made to the Audit Committee by the Company’s CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company’s internal controls.

12. Discuss with management and the independent auditor the effect on the Company’s financial statements of off-balance sheet arrangements including contractual obligations and

contingent liabilities and commitments relating to off-balance sheet arrangements and regulatory and accounting initiatives.

13. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit and review with the independent auditor (a) any audit problems or other difficulties encountered by the auditor in the course of the audit process, including any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management and (b) management's responses to such matters. Without excluding other possibilities, the Audit Committee may wish to review with the independent auditor (i) any accounting adjustments that were noted or proposed by the auditor but were "passed" (as immaterial or otherwise), (ii) any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement and (iii) any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditor to the Company.

Compliance/General Responsibilities

14. Obtain from the independent auditor assurance that there are no matters concerning which the Audit Committee needs to be informed by the independent auditor pursuant to Section 10A (b) of the Exchange Act.

15. Review and make decision whether to approve any related party transactions.

16. Recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditor who participated in any capacity in an audit of the Company.

17. Discuss with management the Company's policies with respect to risk assessment and risk management policies and the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

18. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

Evaluation

19. Review and evaluate the adequacy of this Charter annually and recommend to the Board any changes deemed appropriate by the Audit Committee.

20. Review its own performance annually.

V. COMMITTEE RESOURCES

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Audit Committee shall have the sole authority to approve the fees payable to such advisors and any other terms of retention, such fees to be borne by the Company.

VI. LIMITATION OF AUDIT COMMITTEE'S ROLE

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.