

2015 Annual Report

Protecting People & Property with Technology





NAPCO Security Technologies, Inc.

Protecting People & Property with Technology



Mobile Security Apps



Architectural Access Control



Connected Home



Enterprise & Campus Security



School Lock-Down Locks



Commercial Security



Alarm Communicators & Cellular Services

NAPCO Security Technologies, Inc. provides commercial and residential security through a professional dealer network of more than 10,000 security dealers, integrators, locksmiths and contractors worldwide. Its innovative, synergistic products and technologies, provide solutions in three main categories: alarms and connectivity, locking and access control and surveillance.

One of NAPCO's strong growth drivers is recurring revenue services from its cellular communicator - and connected home-brands. Among the fastest growing brands in its class, NAPCO StarLink™ Alarm Communicators report alarm signals universally from any brand of security system, in lieu of telephone landlines and 2G cell networks, both rapidly disappearing. StarLink is a proven go-to solution, ideal for millions of installed and new alarm systems, now available for residential, as well as commercial fire alarm reporting. It checks all the boxes, as it is easy to install, economical and dependably uses today's leading nationwide cellular networks, both AT&T® and Verizon Network Certified®, protecting security consumers and dealers' account bases and valuation.

On-trend for households seeking to bridge their home with increasingly mobile lifestyles, iBridge® Connected Home Services, accessible from any smart phone/tablet via an app, provides security, video and smart home automation and newly features complementary iBridge Messenger™ SMS/MMS text and video notifications. iBridge offers dealers a value-add to their NAPCO Gemini security system, for old and new accounts, providing incremental RMR for both the installer and the Company.

Faced with today's escalating school violence epidemic, as a long-time trusted source in some of the largest school districts and leading colleges and universities across the country, NAPCO's divisions, Alarm Lock®, ContinentalAccess®, and Marks USA®, continue to evolve and expand their LocDown™ security solutions, to fit any classroom, campus and budget. From enterprise access control systems with integrated access control, locks, alarms, video and visitor-/threat-management to wireless networked access locks with built-in ID readers and keyfob-control; or LocDown™ mechanical locks that lock from inside the classroom, the Company makes the scalable solutions needed to safeguard schools,

students and staffers. In this same vertical, NAPCO Commercial™ security systems have gained considerable traction providing intrusion and lifesafety protection in new addressable and wireless systems and upgrade applications.

Based on the continued popularity and strengths of Alarm Lock's Trilogy Network™ Access Lock Platform, teamed with Marks' wide array of architectural hardware, the Company created the new décor-friendly ArchiTech™ Series Designer Wireless Access Control line, designed with the proven functionality for traditional corporate, healthcare and educational campuses, plus new customizable aesthetics to satisfy even the most discriminating multi-dwelling residential buildings. These locks will also offer an all new smartphone app paired with Bluetooth LE technology, for ultimate keyless user convenience and compromise-free security. Additionally, ArchiTech Locks are seamlessly integrated on Continental's enterprise class CA3000 system providing interoperable global control, real-time access, video and visitor management and a host of robust server-based advantages.

CEO Letter to Shareholders



Richard L. Soloway

Chairman, President, and CEO

Dear Fellow Shareholders,

Fiscal 2015 was another highly productive year for NAPCO, highlighted by strong growth in sales and profitability, successful new product introductions, dramatic expansion in annuity-type recurring revenue streams, and further evidence demonstrating how NAPCO's fixed cost manufacturing can increase future profit margins as sales levels increase.

Annual revenues increased to a record \$77.8 million. Gross profit increased to \$26 million or 33.5% of sales compared to \$23.7 million or 31.9% of sales the prior year, a 10% increase. Adjusted EBITDA* rose 13% or \$800,000 to \$7 million or \$0.36 per diluted share as compared to \$6.1 million or \$0.32 per diluted share for the same period a year ago. Net income also grew by 39% to \$4.8 million or \$0.25 per diluted share compared to \$3.5 million or \$0.18 per diluted share for the previous year.

Several years of continually improving financial performance have boosted our working capital to \$35.6 million as of June 30, 2015 versus \$33.4 million at June 30, 2014. Additionally, debt, net of cash was reduced by \$1.1 million last year to \$8.4 million as of June 30, 2015, down from a

high of \$35.9 million following the acquisition of Marks USA in August of 2008.

A strong balance sheet provides NAPCO with the added financial flexibility to support new product R&D, which drives future innovation, and serves to increase capacity utilization and overhead absorption at our in-house manufacturing facility in the Dominican Republic.

Market factors continue to be highly favorable to NAPCO and the entire security industry, as violence-related news stories continue to dominate the headlines. NAPCO is ideally positioned to take maximum advantage of this market opportunity as the only publicly held "pure play" security company, with 100% of revenues coming from alarms, access control, locking systems, and software services. NAPCO also has a powerful sales channel consisting of tens of thousands of highly-qualified security dealers, systems integrators, and locksmiths. NAPCO attracts its extensive dealer network with a comprehensive portfolio of 'connected' products and services, offering vertically integrated, end-to-end, one-stop-shopping solutions that encompass homes, businesses, educational institutions, research facilities, and government agencies worldwide.

One way that NAPCO is reacting to the current security market dynamics is by adjusting our product mix to focus increasingly on products and services that deliver annuity-type recurring revenue streams through software licensing fees and monthly monitoring services. Monthly access fee revenue helps smooth out the seasonal swings in revenue that characterize our industry with services that tend to carry higher gross profit margins with little direct costs. During this past year recurring revenue grew 53% as compared to the previous year.

Among our strongest recurring revenue generating products are the StarLink[®]3G/4G and Verizon[®] CDMA wireless communicators, which replace millions of defunct 2G communicators. StarLink wireless communicators transmit data via cell phone networks and are quickly becoming the best choice for communicating alarm signals to the central station because land line systems are becoming obsolete in homes and businesses.

Another fast growing recurring revenue producer is the innovative iBridge[®] solution, which creates a 'Connected Home' by remotely managing locks, security systems, video cameras, thermostats, lighting, and small appliances with smart phones and devices or PCs via the NAPCO App. iBridge is integrated with iSee Video surveillance products that enable homeowners

and business owners to access high quality, real-time or recorded video through any computer or smart phone. Additionally, iBridge technology offers future scalability as NAPCO is integration certified with leading automation platforms, including Control4, a high-end provider of personalized automation and control systems that are interoperable with over 7,000 third party consumer electronic devices.

NAPCO is staying abreast of tech savvy consumers and business owners by supporting Starlink3, iBridge, and iSee Video products with extensive dealer education, training, and marketing platforms, including an exclusive 'Connected Home' preferred dealer program.

In addition to advanced wireless technology, our core business of providing fully integrated fire, burglary, and access control solutions for the commercial market sector continues to grow in virtually all areas. We maintain a strong focus on the commercial security market because it tends to be far less cyclical than the consumer market and offers higher profit margins.

Another commercial success story has been the NAPCO Commercial GEMC-Series, 24V fire systems that feature 32, 128, or 255 points of analog, addressable, conventional wired or commercial grade wireless hardware. In addition, we are seeing broad acceptance for the innovative

Marks Lifesaver[™] anti-ligature sentinel prevention locks for use in prisons and behavioral health settings. We also recently introduced ArchiTech[™] designer wireless access control and locking systems that offer a choice of many aesthetically pleasing lockset designs while offering technologically advanced remote access solutions for corporate offices, luxury apartments, and other commercial and residential settings.

The recent tragedy at Oregon's Umpqua Community College underscores the importance of the school security market segment, which is projected to reach \$4.9 billion^{**} by 2017. NAPCO has comprehensive product offerings for this market, including LocDown[™] intruder door locking technology, along with advanced solutions that can easily integrate our full line of NAPCO, Alarm Lock, Marks, and Continental Access products and services.

New product innovations continue to drive our top line growth. These products are all manufactured at our state-of-the-art ISO 9001 certified manufacturing facility in the Dominican Republic. This low cost manufacturing facility combines strict quality control with the flexibility to shift production rapidly to meet changing demand, and offers significant room for future expansion.

Equally important, this manufacturing facility also carries a relatively fixed cost structure that permits our gross

margins to accelerate dramatically as capacity utilization and absorption rates rise. This 'hockey stick' effect was especially apparent during the fourth quarter of FY 2015, where NAPCO's business was firing on all cylinders and quarterly revenues hit a record \$23 million. During this time, our gross margin soared 220 basis points to 40.7% as compared to the fourth quarter last year, demonstrating how in-house manufacturing can be effectively leveraged to propel profit margins quickly upward, especially when quarterly revenue exceeds \$20 million.

By all accounts, it was a banner year for NAPCO. Our share price for the first nine months of 2015 outperformed the Dow Jones Industrial, NASDAQ Composite, and S&P 500, rising over 28%

between January 1, 2015 and September 30, 2015. This past fiscal year also provided an exciting glimpse of NAPCO's enormous potential for higher profitability as we strive closer towards our goal of generating over \$100 million in annual revenues along with increased profitability: goals that we feel are achievable on the basis of new product innovation, rising recurring revenue streams, increased capacity utilization and absorption rates at our dedicated manufacturing facility, and growing demand from our global network of distributors, dealers, system integrators, and locksmiths: arguably the largest sales network of its kind in the security industry.

As we enter fiscal 2016, all this positive momentum supports my

ongoing confidence regarding both our short-term and long-term prospects. Rest assured that our Board of Directors and the entire management team will remain vigilant in our stewardship to keep the Company on a steady and sustainable upward path. We will also continue to explore strategic partnerships that further our innovative leadership and create additional growth drivers that support high profit margins, thus enhancing shareholder value.

Once again, I would like to thank our customers, employees, and shareholders for their continued confidence and support.



Richard L. Soloway
Chairman, President and CEO

* Non-GAAP Information. Certain non-GAAP measures are included in this document, including EBITDA, non-GAAP operating income and Adjusted EBITDA. We define EBITDA as GAAP net income plus income tax expense (benefit), net interest expense and depreciation and amortization expense. Non-GAAP operating income does not include impairment of goodwill, amortization of intangibles, restructuring charges, stock-based compensation expense and other infrequent or unusual charges. These non-GAAP measures are provided to enhance the user's overall understanding of our financial performance. By excluding these charges our non-GAAP results provide information to management and investors that is useful in assessing NAPCO's core operating performance and in comparing our results of operations on a consistent basis from period to period. The presentation of this information is not meant to be a substitute for the corresponding financial measures prepared in accordance with generally accepted accounting principles. Investors are encouraged to review the reconciliation of GAAP to non-GAAP financial measures included in the above.

** Source: IHS, Inc, an Englewood, Colorado-based research company.

This letter contains statements relating to future results of the Company (including certain projections and business trends) that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those projected as a result of certain risks and uncertainties, including but not limited to, changes in political and economic conditions, demand for and market acceptance of new and existing products, as well as other risks and uncertainties detailed from time to time in the filings of the Company with the Securities and Exchange Commission.

Trademarks of NAPCO: NAPCO, StarLink iBridge, iBridge Messenger, iSee Video, LocDown, Lifesaver, Alarm Lock, ContinentalAccess, Marks USA, NAPCO Commercial, Trilogy, Trilogy Network, ArchiTech.

Trademarks of their respective companies: AT&T, Verizon Network Certified, Control4, NASDAQ

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended June 30, 2015
or
 Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Transition period from ___ to ___

Commission File Number 0-10004

NAPCO SECURITY TECHNOLOGIES, INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

11-2277818
(I.R.S. Employer I.D. Number)

333 Bayview Avenue, Amityville, New York
(Address of principal executive offices)

11701
(Zip Code)

Registrant's telephone number, including area code: (631) 842-9400

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value \$.01 per share
(Title of Each Class)

The NASDAQ Stock Market LLC
(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "Large accelerated filer", "Accelerated filer" and "Smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of December 31, 2014, the aggregate market value of the common stock of Registrant held by non-affiliates based upon the last sale price of the stock on such date was \$46,623,347.

As of September 09, 2015, 18,966,028 shares of common stock of Registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference from the Registrant's definitive proxy statement to be filed with the Securities and Exchange Commission in connection with the solicitation of proxies for the Registrant's 2015 Annual Meeting of Stockholders.

PART I

ITEM 1: BUSINESS.

NAPCO Security Technologies, Inc. ("NAPCO" or the "Company") was incorporated in December 1971 in the State of Delaware. Its executive offices are located at 333 Bayview Ave, Amityville NY 11701. Its telephone number is (631) 842-9400.

The Company is a diversified manufacturer of security products, encompassing access control systems, door-locking products, intrusion and fire alarm systems and video surveillance products for commercial and residential use. These products are used for commercial, residential, institutional, industrial and governmental applications, and are sold worldwide principally to independent distributors, dealers and installers of security equipment.

Website Access to Company Reports

Copies of our filings under the Securities Exchange Act of 1934 (including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to these reports) are available free of charge on our website (www.napcosecurity.com) on the same day they are electronically filed with the Securities and Exchange Commission.

Products

The Company's products ("Products") are comprised of the following:

Access Control Systems. Access control systems consist of one or more of the following: various types of identification readers (e.g. card readers, hand scanners), a control panel, a PC-based computer and electronically activated door-locking devices. When an identification card or other identifying information is entered into the reader, the information is transmitted to the control panel/PC which then validates the data and determines whether or not to grant access by electronically deactivating the door locking device. An electronic log is kept which records various types of data regarding access activity.

The Company designs, engineers, manufactures and markets the software and control panels discussed above. It also buys and resells various identification readers, PC-based computers and various peripheral equipment for access control systems.

Door Security Products. The Company manufactures a variety of door locking devices including microprocessor-based electronic door locks with push button, card reader and bio-metric operation, door alarms, mechanical door locks and simple dead bolt locks. These devices may control a single door or, in the case of some of the Company's microprocessor-based door locks, may be networked with the Company's access control systems and controlled remotely.

Intrusion and Fire Alarm Systems. Alarm systems usually consist of various detectors, a control panel, a digital keypad and signaling equipment. When a break-in occurs, an intrusion detector senses the intrusion and activates a control panel via hard-wired or wireless transmission that sets off the signaling equipment and, in most cases, causes a bell or siren to sound. Communication equipment such as a digital communicator may be used to transmit the alarm signal to a central station or another person selected by a customer.

The Company manufactures and markets the following products for alarm systems:

Automatic Communicators. When a control panel is activated by a signal from an intrusion detector, it activates a communicator that can automatically dial one or more pre-designated telephone numbers utilizing wired ("landline") or cellular communications systems. If programmed to do so, a digital communicator dials the telephone number of a central monitoring station and communicates in computer language to a digital communicator receiver, which signals an alarm message.

Control Panels. A control panel is the "brain" of an alarm system. When activated by any one of the various types of intrusion detectors, it can activate an audible alarm and/or various types of communication devices.

Combination Control Panels/Digital Communicators and Digital Keypad Systems. A combination control panel, digital communicator and a digital keypad has continued to be the leading configuration in terms of dealer and consumer preference. Benefits of the combination format include the cost efficiency resulting from a single microcomputer function, as well as the reliability and ease of installation gained from the simplicity and sophistication of micro-computer technology.

Fire Alarm Control Panel. Multi-zone fire alarm control panels, which accommodate an optional digital communicator for reporting to a central station, are also manufactured by the Company.

Area Detectors. The Company's area detectors are both passive infrared heat detectors and combination microwave/passive infrared detectors that are linked to alarm control panels. Passive infrared heat detectors respond to the change in heat patterns caused by an intruder moving within a protected area. Combination units respond to both changes in heat patterns and changes in microwave patterns occurring at the same time.

Video Surveillance Systems. Video surveillance systems typically consist of one or more video cameras, a control panel and a video monitor or PC. More advanced systems can also include a recording device and some type of remote communication device such as an internet connection to a PC or browser-enabled cell phone. The system allows the user to monitor various locations at once while recorders save the video images for future use. Remote communication devices can allow the user to view and control the system from a remote location.

The Company designs, engineers, and markets the software and control panels discussed above. It also buys and resells various video cameras, PC-based computers and peripheral equipment for video surveillance systems.

Peripheral Equipment

The Company also markets peripheral and related equipment manufactured by other companies. Revenues from peripheral equipment have not been significant.

Research and Development

The Company's business involves a high technology element. Research and development costs incurred by the Company are charged to expense as incurred and are included in "Cost of Sales" in the consolidated statements of operations. During the fiscal years ended June 30, 2015 and 2014, the Company expended approximately \$5,382,000 and \$5,059,000, respectively, on Company-sponsored research and development activities conducted primarily by its engineering department to develop and improve the Products. The Company intends to continue to conduct a significant portion of its future research and development activities internally.

Employees

As of June 30, 2015, the Company had 1,013 full-time employees.

Marketing

The Company's staff of 54 sales and marketing support employees located at the Company's Amityville offices sells and markets the Products primarily to independent distributors and wholesalers of security alarm and security hardware equipment. Management estimates that these channels of distribution represented approximately 53% of the Company's total sales for each of the fiscal years ended June 30, 2015 and 2014. The remaining revenues are primarily from installers and governmental institutions. The Company's sales representatives periodically contact existing and potential customers to introduce new products and create demand for those as well as other Company products. These sales representatives, together with the Company's technical personnel, provide training and other services to wholesalers and distributors so that they can better service the needs of their customers. In addition to direct sales efforts, the Company advertises in technical trade publications and participates in trade shows in major United States and European cities.

In the ordinary course of the Company's business the Company grants extended payment terms to certain customers. For further discussion on Concentration of Credit Risk see disclosures included in Item 1A and Item 7.

Competition

The security products industry is highly competitive. The Company's primary competitors are comprised of approximately 20 other companies that manufacture and market security equipment to distributors, dealers, central stations and original equipment manufacturers. The Company believes that no one of these competitors is dominant in the industry. Most of these companies have substantially greater financial and other resources than the Company.

The Company competes primarily on the basis of the features, quality, reliability and pricing of, and the incorporation of the latest innovative and technological advances into, its Products. The Company also competes by offering technical support services to its customers. In addition, the Company competes on the basis of its expertise, its proven products, its reputation and its ability to provide Products to customers on a timely basis. The inability of the Company to compete with respect to any one or more of the aforementioned factors could have an adverse impact on the Company's business.

Relatively low-priced "do-it-yourself" alarm system products are available to the public at retail stores. The Company believes that these products compete with the Company only to a limited extent because they appeal primarily to the "do-it-yourself" segment of the market. Purchasers of such systems do not receive professional consultation, installation, service or the sophistication that the Company's Products provide.

Seasonality

The Company's fiscal year begins on July 1 and ends on June 30. Historically, the end users of Napco's products want to install its products prior to the summer; therefore sales of its products historically peak in the period April 1 through June 30, the Company's fiscal fourth quarter, and are reduced in the period July 1 through September 30, the Company's fiscal first quarter. In addition, demand is affected by the housing and construction markets. Deterioration of the current economic conditions may also affect this trend.

Raw Materials

The Company prepares specifications for component parts used in the Products and purchases the components from outside sources or fabricates the components itself. These components, if standard, are generally readily available; if specially designed for the Company, there is usually more than one alternative source of supply available to the Company on a competitive basis. The Company generally maintains inventories of all critical components. The Company for the most part is not dependent on any one source for its raw materials.

Sales Backlog

In general, orders for the Products are processed by the Company from inventory. A sales backlog of approximately \$2,044,000 and \$1,278,000 existed as of June 30, 2015 and 2014, respectively. The increase in the backlog as of June 30, 2015 was due primarily to the Company receiving several large purchase orders for its Marks brand door-locking products towards the end of fiscal 2015. The Company expects to fill the entire backlog that existed as of June 30, 2015 during fiscal 2016.

Government Regulation

The Company's telephone dialers, microwave transmitting devices utilized in its motion detectors and any new communication equipment that may be introduced from time to time by the Company must comply with standards promulgated by the Federal Communications Commission ("FCC") in the United States and similar agencies in other countries where the Company offers such products, specifying permitted frequency bands of operation, permitted power output and periods of operation, as well as compatibility with telephone lines. Each new Product that is subject to such regulation must be tested for compliance with FCC standards or the standards of such similar governmental agencies. Test reports are submitted to the FCC or such similar agencies for approval. Cost of compliance with these regulations has not been material.

Patents and Trademarks

The Company has been granted several patents and trademarks relating to the Products. While the Company obtains patents and trademarks as it deems appropriate, the Company does not believe that its current or future success is dependent on its patents or trademarks.

Foreign Sales

The revenues and identifiable assets attributable to the Company's domestic and foreign operations for its last two fiscal years are summarized in the following table:

	<u>Financial Information Relating to Domestic and Foreign Operations</u>	
	<u>2015</u>	<u>2014</u>
	(in thousands)	
Sales to external customers(1):		
Domestic	\$74,736	\$70,800
Foreign	<u>3,023</u>	<u>3,582</u>
Total Net Sales	<u>\$77,762</u>	<u>\$74,382</u>
Identifiable assets:		
United States	\$50,998	\$49,529
Dominican Republic (2)	<u>14,039</u>	<u>13,835</u>
Total Identifiable Assets	<u>\$65,037</u>	<u>\$63,364</u>

(1) All of the Company's sales originate in the United States and are shipped primarily from the Company's facilities in the United States. There were no sales into any one foreign country in excess of 10% of total Net Sales.

(2) Consists primarily of inventories (2015 = \$10,546; 2014 = \$10,216) and fixed assets (2015 = \$3,347; 2014 = \$3,457) located at the Company's principal manufacturing facility in the Dominican Republic.

ITEM 1A: RISK FACTORS

The risks described below are among those that could materially and adversely affect the Company's business, financial condition or results of operations. These risks could cause actual results to differ materially from historical results and from any results predicted by any forward-looking statements related to conditions or events that may occur in the future.

Our Business Could Be Materially Adversely Affected as a Result of General Economic and Market Conditions

We are subject to the effects of general economic and market conditions. In the event that the U.S. or international economic conditions deteriorate, our revenue, profit and cash-flow levels could be materially adversely affected in future periods. In the event of such deterioration, many of our current or potential future customers may experience serious cash flow problems and as a result may, modify, delay or cancel purchases of our products. Additionally, customers may not be able to pay, or may delay payment of, accounts receivable that are owed to us. If such events do occur, they may result in our expenses being too high in relation to our revenues and cash flows.

We Are Dependent Upon the Efforts of Richard L. Soloway, Our Chief Executive Officer and There is No Succession Plan in Place

The success of the Company is largely dependent on the efforts of Richard L. Soloway, Chief Executive Officer. The loss of his services could have a material adverse effect on the Company's business and prospects. There is currently no succession plan to address the loss of Mr. Soloway's services.

Competitors May Develop New Technologies or Products in Advance of Us

Our business may be materially adversely affected by the announcement or introduction of new products and services by our competitors, and the implementation of effective marketing or sales strategies by our competitors. The industry in which the Company operates is characterized by constantly improved products. There can be no assurance that competitors will not develop products that are superior to the Company's products. The Company has historically invested approximately 6% to 8% of annual revenues on Research and Development to mitigate this risk. Future success will depend, in part, on our ability to continue to develop and market products and product enhancements cost-effectively. The Company's research and development expenditures are principally targeted at enhancing existing products, and to a lesser extent at developing new ones. Further, there can be no assurance that the Company will not experience additional price competition, and that such competition may not adversely affect the Company's revenues and results of operations.

Our Business Could Be Materially Adversely Affected by the Inability to Maintain Expense Levels Proportionate to Sales Volume

While expense levels relative to current sales levels result in positive net income and cash flows, if sales levels decrease significantly and we are unable to decrease expenses proportionately, our business may be adversely affected.

Our Business Could Be Materially Adversely Affected as a Result of Housing and Commercial Building Market Conditions

We are subject to the effects of housing and commercial building market conditions. If these conditions deteriorate, resulting in declines in new housing or commercial building starts, existing home or commercial building sales or renovations, our business, results of operations or financial condition could be materially adversely affected, particularly in our intrusion and door locking product lines.

Our Business Could Be Materially Adversely Affected as a Result of Lessening Demand in the Security Market

Our revenue and profitability depend on the overall demand for our products. Delays or reductions in spending, domestically or internationally, for electronic security systems could materially adversely affect demand for our products, which could result in decreased revenues or earnings.

The Markets We Serve Are Highly Competitive and We May Be Unable to Compete Effectively

We compete with approximately 20 other companies that manufacture and market security equipment to distributors, dealers, control stations and original equipment manufacturers. Some of these companies may have substantially greater financial and other resources than the Company. The Company competes primarily on the basis of the features, quality, reliability and pricing of, and the incorporation of the latest innovative and technological advances into, its products. The Company also competes by offering technical support services to its customers. In addition, the Company competes on the basis of its expertise, its proven products, its reputation and its ability to provide products to customers on a timely basis. The inability of the Company to compete with respect to any one or more of the aforementioned factors could have an adverse impact on the Company's business.

Our Business Could be Materially Adversely Affected as a Result of Offering Extended Payment Terms to Customers

We regularly grant credit terms beyond 30 days to certain customers. These terms are offered in an effort to keep a full line of our products in-stock at our customers' locations. The longer terms that are granted, the more risk is inherent in collection of those receivables. We believe that our Bad Debt reserves are adequate to account for this inherent risk.

We Rely On Distributors To Sell Our Products And Any Adverse Change In Our Relationship With Our Distributors Could Result In A Loss Of Revenue And Harm Our Business.

We distribute our products primarily through independent distributors and wholesalers of security alarm and security hardware equipment. Our distributors and wholesalers also sell our competitors' products, and if they favor our competitors' products for any reason, they may fail to market our products as effectively or to devote resources necessary

to provide effective sales, which would cause our results to suffer. In addition, the financial health of these distributors and wholesalers and our continuing relationships with them are important to our success. Some of these distributors and wholesalers may be unable to withstand adverse changes in business conditions. Our business could be seriously harmed if the financial condition of some of these distributors and wholesalers substantially weakens.

Members of Management and Certain Directors Beneficially Own a Substantial Portion of the Company's Common Stock and May Be in a Position to Determine the Outcome of Corporate Elections

Richard L. Soloway, our Chief Executive Officer, members of management and the Board of Directors beneficially own approximately 39% of the currently outstanding shares of Common Stock. By virtue of such ownership and their positions with NAPCO, they may have the practical ability to determine the election of all directors and control the outcome of substantially all matters submitted to NAPCO's stockholders.

In addition, NAPCO has a staggered Board of Directors. Such concentration of ownership and the staggered Board could have the effect of making it more difficult for a third party to acquire, or discourage a third party from seeking to acquire, control of NAPCO.

Our Business Could be Materially Adversely Affected by Adverse Tax Consequences of Offshore Operations

We operate on a global basis, with a portion of our operating income generated outside the United States.

We intend to reinvest these earnings in our foreign operations indefinitely, except where we are able to repatriate these earnings to the United States without material incremental tax provision. A significant portion of our assets that result from these earnings remain outside the United States. If these indefinitely reinvested earnings were repatriated into the United States as dividends, we would be subject to additional taxes.

Our Business Could Be Materially Adversely Affected as a Result of the Inability to Maintain Adequate Financing

Our business is dependent on maintaining adequate levels of financing used to fund operations and capital expenditures. The current debt facilities provide for quarterly principal debt repayments of approximately \$400,000 plus interest as well as certain financial covenants relating to ratios affected by profit, asset and debt levels. If the Company's profits, asset or cash-flow levels decline below the minimums required to meet these covenants or to make the minimum debt payments, the Company may be materially adversely affected. Effects on the Company could include higher interest costs, reduction in borrowing availability or revocation of these credit facilities.

Our Business Could Be Materially Adversely Affected by a weakening of the US Dollar against the Dominican Peso

We are exposed to foreign currency risks due to our operations in the Dominican Republic. We have significant operations in the Dominican Republic which are denominated in Dominican pesos. We are subject to the risk that currency exchange rates between the United States and the Dominican Republic will fluctuate significantly, potentially resulting in an increase in some of our expenses when US dollars are transferred to Dominican pesos to pay these expenses.

ITEM 1B: UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2: PROPERTIES.

The Company owns executive offices and production and warehousing facilities at 333 Bayview Avenue, Amityville, New York. This facility consists of a fully-utilized 90,000 square foot building on a six acre plot. This six-acre plot provides the Company with space for expansion of office, manufacturing and storage capacities. These facilities are pledged as security in the Company's credit facilities with its primary bank.

The Company's foreign subsidiary located in the Dominican Republic, NAPCO DR, S.A. (formerly known as NAPCO/Alarm Lock Grupo International, S.A.), owns a building of approximately 167,000 square feet of production

and warehousing space in the Dominican Republic. That subsidiary also leases the land associated with this building under a 99-year lease expiring in the year 2092 at an annual cost of approximately \$288,000. As of June 30, 2015, a majority of the Company's products were manufactured at this facility, utilizing U.S. quality control standards.

Management believes that these facilities are more than adequate to meet the needs of the Company in the foreseeable future.

ITEM 3: LEGAL PROCEEDINGS.

There are no pending or threatened material legal proceedings to which NAPCO or its subsidiaries or any of their property is subject.

In the normal course of business, the Company is a party to claims and/or litigation. Management believes that the settlement of such claims and/or litigation, considered in the aggregate, will not have a material adverse effect on the Company's financial position and results of operations.

ITEM 4: MINE SAFETY DISCLOSURE.

Not Applicable.

PART II

ITEM 5: MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Principal Market

NAPCO's Common Stock is traded on the NASDAQ Stock Market, Global Market System, under the symbol NSSC.

The tables set forth below reflect the range of high and low sales of the Common Stock in each quarter of the past two fiscal years as reported by the NASDAQ Global Market System.

Common Stock	<u>Quarter Ended Fiscal 2015</u>			
	<u>Sept. 30</u>	<u>Dec. 31</u>	<u>March 31</u>	<u>June 30</u>
High	\$5.43	\$4.78	\$5.82	\$6.09
Low	\$4.33	\$4.07	\$4.63	\$5.03
Common Stock	<u>Quarter Ended Fiscal 2014</u>			
	<u>Sept. 30</u>	<u>Dec. 31</u>	<u>March 31</u>	<u>June 30</u>
High	\$5.70	\$6.49	\$7.57	\$6.74
Low	\$4.75	\$4.93	\$6.15	\$5.00

Approximate Number of Security Holders

The number of holders of record of NAPCO's Common Stock as of September 08, 2015 was 101 (such number does not include beneficial owners of stock held in nominee name).

Dividend Information

NAPCO has declared no cash dividends during the past two years with respect to its Common Stock. Any cash dividends must be approved by the Company's lenders.

Equity Compensation Plan Information as of June 30, 2015

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS (a)	WEIGHTED AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS (b)	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE (EXCLUDING SECURITIES REFLECTED IN COLUMN (a) (c)
Equity compensation plans approved by security holders:	356,000 (1)	\$6.16	852,500 (2)
Equity compensation plans not approved by security holders:	—	—	—
Total	356,000 (1)	\$6.16	852,500 (2)

- (1) The 2002 Employee Stock Option Plan expired in 2012. 208,500 options are outstanding under the 2002 Plan. No further options may be granted under this plan.
- (2) In December 2012, the stockholders approved the 2012 Employee Stock Option Plan which authorizes the granting of awards, the exercise of which would allow up to an aggregate of 950,000 shares of the Company's common stock to be acquired by the holders of such awards. In December 2012, the stockholders also approved the 2012 Non-Employee Stock Option Plan which authorizes the granting of awards, the exercise of which would allow up to an aggregate of 50,000 shares of the Company's common stock to be acquired by the holders of such awards.

Unregistered Sales of Equity Securities and Use of Proceeds

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publically Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under Plans or Programs
April 1, 2015 – April 30, 2015	35,889	\$5.78	35,889	565,394
May 1, 2015 – May 31, 2015	21,731	\$5.23	21,731	543,663
June 1, 2015 – June 30, 2015	--	\$ --	--	543,663
Total for the Quarter ended June 30, 2015	57,620	\$5.57	57,620	543,663

On September 16, 2014 the Company's board of directors authorized the repurchase of up to 1 million of the approximately 19.4 million shares of the Company's common stock then outstanding. The repurchase will be made from time to time in the open market or in privately negotiated transactions subject to market conditions and the market price of the common stock.

ITEM 6: SELECTED FINANCIAL DATA.

The table below summarizes selected financial information. For further information, refer to the audited consolidated financial statements and the notes thereto beginning on page FS-1 of this report.

	Fiscal Year Ended and at June 30				
	(In thousands, except share and per share data)				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Statement of earnings data:</u>					
Net Sales	\$77,762	\$74,382	\$71,386	\$70,928	\$71,392
Gross Profit	26,047	23,713	21,724	21,152	20,101
Impairment of Goodwill and intangible assets	--	--	--	--	400
Income from Operations	5,281	4,316	3,717	3,761	2,428
Net Income	4,845	3,476	3,021	2,286	1,121
<u>Cash Flow Data:</u>					
Net cash flows provided by operating activities	3,887	4,743	4,899	4,096	4,364
Net cash flows used in investing activities	(730)	(753)	(383)	(606)	(737)
Net cash flows used in financing activities	(3,294)	(4,736)	(4,266)	(3,588)	(6,072)
<u>Per Share Data:</u>					
Net earnings per common share:					
Basic	\$0.25	\$0.18	\$0.16	\$0.12	\$0.06
Diluted	\$0.25	\$0.18	\$0.16	\$0.12	\$0.06
Weighted average common shares outstanding:					
Basic	19,164,000	19,392,000	19,210,000	19,096,000	19,096,000
Diluted	19,169,000	19,428,000	19,362,000	19,303,000	19,176,000
Cash Dividends declared per common share (1)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<u>Balance sheet data:</u>					
Working capital (2)	\$35,590	\$33,436	\$33,221	\$32,205	\$29,185
Total assets	65,037	63,364	63,903	64,750	68,795
Long-term debt	9,100	10,200	14,800	18,657	20,205
Stockholders' equity	46,504	43,752	40,335	37,723	35,429

- (1) The Company has never paid a dividend on its common stock. Any dividends must be approved by the Company's primary lenders.
- (2) Working capital is calculated by deducting Current Liabilities from Current Assets.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Overview

The Company is a diversified manufacturer of security products, encompassing access control systems, door security products, intrusion and fire alarm systems and video surveillance products for commercial and residential use. These products are used for commercial, residential, institutional, industrial and governmental applications, and are sold worldwide principally to independent distributors, dealers and installers of security equipment. International sales accounted for approximately 4% and 5% of our revenues for the fiscal years ended June 30, 2015 and 2014, respectively.

The Company owns and operates manufacturing facilities in Amityville, New York and the Dominican Republic. A significant portion of our operating costs are fixed, and do not fluctuate with changes in production levels or utilization of our manufacturing capacity. As production levels rise and factory utilization increases, the fixed costs are spread over increased output, which should improve profit margins. Conversely, when production levels decline our fixed costs are spread over reduced levels, thereby decreasing margins.

The security products market is characterized by constant incremental innovation in product design and manufacturing technologies. Generally, the Company devotes 6-8% of revenues to research and development (R&D) on an annual basis. The Company does not expect products resulting from our R&D investments in fiscal 2015 or thereafter to contribute materially to revenue during this fiscal year, but should benefit the Company over future years. In general, the new products introduced by the Company are initially shipped in limited quantities, and increase over time. Prices and manufacturing costs tend to decline over time as products and technologies mature.

Economic and Other Factors

We are subject to the effects of general economic and market conditions. In the event that the U.S. or international economic conditions deteriorate, our revenue, profit and cash-flow levels could be materially adversely affected in future periods. In the event of such deterioration, many of our current or potential future customers may experience serious cash flow problems and as a result may, modify, delay or cancel purchases of our products. Additionally, customers may not be able to pay, or may delay payment of, accounts receivable that are owed to us. If such events do occur, they may result in our expenses being too high in relation to our revenues and cash flows.

Seasonality

The Company's fiscal year begins on July 1 and ends on June 30. Historically, the end users of Napco's products want to install its products prior to the summer; therefore sales of its products historically peak in the period April 1 through June 30, the Company's fiscal fourth quarter, and are reduced in the period July 1 through September 30, the Company's fiscal first quarter. In addition, demand is affected by the housing and construction markets. Deterioration of the current economic conditions may also affect this trend.

Critical Accounting Policies and Estimates

The Company's significant accounting policies are fully described in Note 1 to the Company's consolidated financial statements included in its 2015 Annual Report on Form 10-K. Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Revenue Recognition

The Company recognizes revenue when the following criteria are met: (i) persuasive evidence of an agreement exists, (ii) there is a fixed and determinable price for the Company's product or service, (iii) shipment and passage of title occurs or service has been provided, and (iv) collectability is reasonably assured. Revenues from product sales are recorded at the time the product is shipped or delivered to the customer pursuant to the terms of the sale. Revenues for services are recorded at the time the service is provided to the customer pursuant to the terms of sale.

The Company reports its sales on a net sales basis, with net sales being computed by deducting from gross sales the

amount of actual sales returns and other allowances and the amount of reserves established for anticipated sales returns and other allowances.

The Company analyzes sales returns and is able to make reasonable and reliable estimates of product returns based on the Company's past history. Estimates for sales returns are based on several factors including actual returns and based on expected return data communicated to it by its customers. Accordingly, the Company believes that its historical returns analysis is an accurate basis for its allowance for sales returns. Actual results could differ from those estimates.

Concentration of Credit Risk

An entity is more vulnerable to concentrations of credit risk if it is exposed to risk of loss greater than it would have had if it mitigated its risk through diversification of customers. Such risks of loss manifest themselves differently, depending on the nature of the concentration, and vary in significance. The Company had one customer with an accounts receivable balance that comprised 22% of the Company's accounts receivable at June 30, 2015 and 12% of the Company's accounts receivable at June 30, 2014. Sales to this customer comprised 13% of net sales in the fiscal year ended June 30, 2015.

In the ordinary course of business, we have established a reserve for doubtful accounts and customer deductions in the amount of \$175,000 and \$180,000 as of June 30, 2015 and 2014, respectively. Our reserve for doubtful accounts is a subjective critical estimate that has a direct impact on reported net earnings. This reserve is based upon the evaluation of accounts receivable agings, specific exposures and historical or anticipated events.

Inventories

Inventories are valued at the lower of cost or fair market value, with cost being determined on the first-in, first-out (FIFO) method. The reported net value of inventory includes finished saleable products, work-in-process and raw materials that will be sold or used in future periods. Inventory costs include raw materials, direct labor and overhead. The Company's overhead expenses are applied based, in part, upon estimates of the proportion of those expenses that are related to procuring and storing raw materials as compared to the manufacture and assembly of finished products. These proportions, the method of their application, and the resulting overhead included in ending inventory, are based in part on subjective estimates and actual results could differ from those estimates.

In addition, the Company records an inventory obsolescence reserve, which represents the difference between the cost of the inventory and its estimated market value, based on various product sales projections. This reserve is calculated using an estimated obsolescence percentage applied to the inventory based on age, historical trends, requirements to support forecasted sales, and the ability to find alternate applications of its raw materials and to convert finished product into alternate versions of the same product to better match customer demand. There is inherent professional judgment and subjectivity made by both production and engineering members of management in determining the estimated obsolescence percentage. In addition, and as necessary, the Company may establish specific reserves for future known or anticipated events. The Company also regularly reviews the period over which its inventories will be converted to sales. Any inventories expected to convert to sales beyond 12 months from the balance sheet date are classified as non-current.

Intangible Assets

The Company evaluates its Intangible Assets for impairment at least on an annual basis and will evaluate them earlier if there are indicators of a potential impairment. Those intangible assets that are classified as goodwill or as other intangibles with indefinite lives are not amortized. Impairment testing is performed in two steps: (i) the Company determines if there is impairment by comparing the fair value of a reporting unit with its carrying value, and (ii) if there is impairment, the Company measures the amount of impairment loss by comparing the implied fair value of intangible assets with the carrying amount of the intangible assets.

Income Taxes

The Company has identified the United States and New York State as its major tax jurisdictions. The fiscal 2012 and forward years are still open for examination.

For the year ended June 30, 2015, the Company recognized a net income tax expense of \$216,000. During the year ending June 30, 2015 the Company decreased its reserve for uncertain income tax positions by \$67,000. The Company's practice is to recognize interest and penalties related to income tax matters in income tax expense and accrued income taxes. As of June 30, 2015, the Company had accrued interest totaling \$0 and \$102,000 of unrecognized net tax benefits that, if recognized, would favorably affect the Company's effective income tax rate in any future period. The Company uses the flow through method to account for investment tax credits earned on eligible research and development expenditures. Under this method, the investment tax credits are recognized as a reduction to income tax expense.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company measures and recognizes the tax implications of positions taken or expected to be taken in its tax returns on an ongoing basis.

Liquidity and Capital Resources

The Company's cash on hand as of June 30, 2014 combined with proceeds from operating activities during fiscal 2015 were adequate to meet the Company's capital expenditure needs and debt obligations during fiscal 2015. The Company's primary internal source of liquidity is the cash flow generated from operations. The primary source of external financing is a revolving credit facility of \$11,000,000 (the "Revolving Credit Facility") which expires in June 2017. As of June 30, 2015 \$3,000,000 was outstanding under this revolving line of credit. As of June 30, 2015, the Company's unused sources of funds consisted principally of \$2,346,000 in cash and \$8,000,000 unused balance available under its revolving line of credit.

During the year ended June 30, 2015 the Company utilized its cash on hand at June 30, 2014 (\$2,483,000) and a portion of its cash from operations (\$1,541,000 of \$3,887,000) to repay outstanding debt (\$1,100,000), purchase treasury stock (\$2,194,000) and purchase property, plant and equipment (\$730,000).

As of June 30, 2015, long-term debt consisted of a revolving credit facility of \$11,000,000 (the "Revolving Credit Facility") which expires in June 2017 and two term loans, one for \$6,000,000 which expires in June 2019, and one for \$6,500,000 which expires in June 2017 (the "Term Loans"). Repayment of the Terms Loans commenced on September 30, 2012. The \$6,000,000 Term Loan is being repaid with 28 equal, quarterly payments of \$75,000 and the remaining balance of \$3,900,000 due on or before the expiration date. The \$6,500,000 Term Loan is being repaid in 20 equal, quarterly payments of \$325,000. As of June 30, 2015, the Company had \$3,000,000 in outstanding borrowings and \$8,000,000 in availability under the Revolving Credit Facility. The Company's long-term debt is described more fully in Note 6 to the condensed consolidated financial statements.

The agreements contain various restrictions and covenants including, among others, restrictions on payment of dividends, restrictions on borrowings and compliance with certain financial ratios, as defined in the restated agreement.

Outstanding balances and interest rates as of June 30, 2015 and June 30, 2014 are as follows:

	June 30, 2015		June 30, 2014	
	Outstanding	Interest Rate	Outstanding	Interest Rate
Revolving line of credit	\$3,000	1.7%	\$2,500	1.7%
Term loans	7,700	1.7%	9,300	1.7%
Total debt	\$10,700	1.7%	\$11,800	1.7%

The Company believes its current working capital, anticipated cash flows from operations and its revolving credit agreement will be sufficient to fund the Company's operations through at least the next twelve months.

The Company takes into consideration several factors in measuring its liquidity, including the ratios set forth below:

	As of June 30,	
	2015	2014
Current Ratio	4.8 to 1	4.6 to 1
Sales to Receivables	4.3 to 1	4.4 to 1
Total debt to equity	.23 to 1	.27 to 1

As of June 30, 2015, the Company had no material commitments for capital expenditures or inventory purchases other than purchase orders issued in the normal course of business. On April 26, 1993, the Company's foreign subsidiary entered into a 99-year land lease of approximately 4 acres of land in the Dominican Republic, on which the Company's principle manufacturing facility is located, at an annual cost of approximately \$288,000.

Working Capital. Working capital increased by \$2,154,000 to \$35,590,000 at June 30, 2015 from \$33,436,000 at June 30, 2014. Working capital is calculated by deducting Current Liabilities from Current Assets.

Accounts Receivable. Accounts Receivable increased by \$1,090,000 to \$17,994,000 at June 30, 2015 as compared \$16,904,000 at June 30, 2014. The increase in Accounts Receivable was due primarily to a increase in sales for the quarter ended June 30, 2015 as compared to the same quarter a year ago.

Inventories. Inventories, which include both current and non-current portions, increased by \$1,860,000 to \$26,870,000 at June 30, 2015 as compared to \$25,010,000 at June 30, 2014. The increase was due primarily to the Company increasing stock of several of its new products as well as purchasing raw materials to produce products needed to fulfill several large orders that were received at the end of fiscal 2015 for the Company's Marks products.

Accounts Payable and Accrued Expenses. Accounts payable and accrued expenses increased by \$185,000 to \$7,828,000 as of June 30, 2015 as compared to \$7,643,000 at June 30, 2014. This increase is primarily due to increased purchases of raw materials to produce products needed to fulfill several large orders that were received at the end of fiscal 2015 for the Company's Marks products.

Off-Balance Sheet Arrangements

The Company does not maintain any off-balance sheet arrangements.

Contractual Obligations

The following table summarizes the Company's contractual obligations by fiscal year:

Contractual obligations	Payments due by period:				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations	\$10,700,000	\$1,600,000	\$4,900,000	\$4,200,000	\$ --
Land lease (77 years remaining) (1)	22,176,000	288,000	576,000	576,000	20,736,000
Operating lease obligations	32,000	20,000	9,000	3,000	--
Other long-term obligations (employment agreements) (1)	1,005,000	931,000	74,000	--	--
Total	\$33,913,000	\$2,839,000	\$5,559,000	\$4,779,000	\$20,736,000

(1) See footnote 10 to the accompanying consolidated financial statements.

Results of Operations Fiscal 2015 Compared to Fiscal 2014

	Fiscal year ended June 30,		% Increase/ (decrease)
	2015	2014	
Net sales	\$77,762	\$74,382	4.5%
Gross profit	26,047	23,713	9.8%
Gross profit as a % of net sales	33.5%	31.9%	5.0%
Selling, general and administrative	20,766	19,397	7.1%
Selling, general and administrative as a % of net sales	26.7%	26.1%	2.3%
Income from operations	5,281	4,316	22.4%
Interest expense, net	215	295	(27.1)%
Other expense, net	5	14	(64.3)%
Provision for income taxes	216	531	(59.3)%
Net income	4,845	3,476	39.4%

Net sales in fiscal 2015 increased by \$3,380,000 to \$77,762,000 as compared to \$74,382,000 in fiscal 2014. The increase in net sales was primarily due to increased sales of the Company's Alarm Lock brand door-locking products (\$1,077,000), Continental brand access control products (\$326,000) and Marks brand door-locking products (\$232,000) and was partially offset by decreases in the Company's NAPCO brand intrusion products (\$191,000).

The Company's gross profit increased by \$2,334,000 to \$26,047,000 or 33.5% of net sales in fiscal 2015 as compared to \$23,713,000 or 31.9% of net sales in fiscal 2014. Gross profit and gross profit as a percentage of net sales was primarily affected by the increase in net sales as discussed above and a positive shift in product mix in fiscal 2015 as compared to fiscal 2014.

Selling, general and administrative expenses as a percentage of net sales increased to 26.7% in fiscal 2015 from 26.1% in fiscal 2014. Selling, general and administrative expenses for fiscal 2015 increased by \$1,369,000 to \$20,766,000 as

compared to \$19,397,000 in fiscal 2014. The increases in dollars and as a percentage of sales resulted primarily from increases in selling wages and commissions as well as increased advertising and tradeshow expenditures. The Company increased expenditures in these areas in order to generate higher sales.

Interest expense for fiscal 2015 decreased by \$80,000 to \$215,000 from \$295,000 for the same period a year ago. The decrease in interest expense is primarily the result of the decrease in interest rates charged by the Company's primary banks as well as the Company's reduction of its outstanding borrowings under its revolving line of credit and its term loan.

Other expenses remained relatively constant at \$5,000 and \$14,000 for fiscal 2015 and 2014, respectively.

The Company's provision for income taxes for fiscal 2015 decreased by \$315,000 to \$216,000 as compared to \$531,000 for the same period a year ago. The decrease in income taxes from fiscal 2014 to fiscal 2015 resulted primarily from the benefit resulting from R&D Credits and a decrease in certain of the Company's income tax reserves.

Net income for fiscal 2015 increased by \$1,369,000 to \$4,845,000 as compared to \$3,476,000 in fiscal 2014. This resulted primarily from the items discussed above.

Forward-looking Information

This Annual Report on Form 10-K and the information incorporated by reference may include "Forward-Looking Statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act of 1934. The Company intends the Forward-Looking Statements to be covered by the Safe Harbor Provisions for Forward-Looking Statements. All statements regarding the Company's expected financial position and operating results, its business strategy, its financing plans and the outcome of any contingencies are Forward-Looking Statements. The Forward-Looking Statements are based on current estimates and projections about our industry and our business. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," or variations of such words and similar expressions are intended to identify such Forward-Looking Statements. The Forward-Looking Statements are subject to risks and uncertainties that could cause actual results to differ materially from those set forth or implied by any Forward-Looking Statements. For example, the Company is highly dependent on its Chief Executive Officer for strategic planning. If he is unable to perform his services for any significant period of time, the Company's ability to grow could be adversely affected. In addition, factors that could cause actual results to differ materially from the Forward-Looking Statements include, but are not limited to, uncertain economic, military and political conditions in the world, our ability to maintain and develop competitive products, adverse tax consequences of offshore operations, the ability to maintain adequate financing and significant fluctuations in the exchange rate between the Dominican Peso and the U.S. Dollar. The Company's Risk Factors are discussed in more detail in Item 1A.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's principal financial instrument is long-term debt (consisting of a revolving credit facility and term loans) that provides for interest based on the prime rate or LIBOR as described in the agreement. The Company is affected by market risk exposure primarily through the effect of changes in interest rates on amounts payable by the Company under these credit facilities. At June 30, 2015, an aggregate principal amount of approximately \$10,700,000 was outstanding under the Company's credit facilities with a weighted average interest rate of approximately 1.7%. If principal amounts outstanding under the Company's credit facilities remained at this level for an entire year and the interest rate increased or decreased, respectively, by 1% the Company would pay or save, respectively, an additional \$107,000 in interest that year.

All foreign sales transactions by the Company are denominated in U.S. dollars. As such, the Company has shifted foreign currency exposure onto its foreign customers. As a result, if exchange rates move against foreign customers, the Company could experience difficulty collecting unsecured accounts receivable, the cancellation of existing orders or the loss of future orders. The foregoing could materially adversely affect the Company's business, financial condition and results of operations. We are also exposed to foreign currency risk relative to expenses incurred in Dominican Pesos ("RD\$"), the local currency of the Company's production facility in the Dominican Republic. The result of a 10% strengthening or weakening in the U.S. dollar to the RD\$ would result in an annual increase or decrease in income from operations of approximately \$600,000.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

a. Financial Statements: Financial statements required pursuant to this Item are presented on pages FS-1 through FS-25 of this report as follows:

NAPCO SECURITY TECHNOLOGIES, INC. AND SUBSIDIARIES

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Report of Independent Registered Public Accounting Firm	FS-1
Consolidated Financial Statements:	
Consolidated Balance Sheets as of June 30, 2015 and 2014	FS-2
Consolidated Statements of Income for the Fiscal Years Ended June 30, 2015 and 2014	FS-4
Consolidated Statements of Stockholders' Equity for the Fiscal Years Ended June 30, 2015 and 2014	FS-5
Consolidated Statements of Cash Flows for the Fiscal Years Ended June 30, 2015 and 2014	FS-6
Notes to Consolidated Financial Statements	FS-7

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders, Audit Committee and Board of Directors
NAPCO Security Technologies, Inc. and Subsidiaries
Amityville, New York

We have audited the accompanying consolidated balance sheets of NAPCO Security Technologies, Inc. and Subsidiaries (the "Company") as of June 30, 2015 and 2014, and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of its internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NAPCO Security Technologies, Inc. and Subsidiaries as of June 30, 2015 and 2014 and the results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ BAKER TILLY VIRCHOW KRAUSE, LLP

New York, New York
September 10, 2015

NAPCO SECURITY TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

June 30, 2015 and 2014
(In Thousands)

	ASSETS	
	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$2,346	\$2,483
Accounts receivable, net of reserves and allowances	17,994	16,904
Inventories	22,757	21,443
Prepaid expenses and other current assets	1,046	989
Income tax receivable	--	121
Deferred income taxes	880	739
Total Current Assets	45,023	42,679
Inventories - non-current	4,113	3,567
Deferred income taxes	634	1,005
Property, plant and equipment, net	6,234	6,394
Intangible assets, net	8,886	9,552
Other assets	147	167
TOTAL ASSETS	\$65,037	\$63,364

See accompanying notes to consolidated financial statements.

NAPCO SECURITY TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

June 30, 2015 and 2014
(In Thousands, Except Share Data)

LIABILITIES AND STOCKHOLDERS' EQUITY

	2015	2014
CURRENT LIABILITIES		
Current maturities of long term debt	\$1,600	\$1,600
Accounts payable	3,954	4,082
Accrued expenses	1,624	1,737
Accrued salaries and wages	2,250	1,824
Accrued income taxes	5	--
Total Current Liabilities	9,433	9,243
Long-term debt, net of current maturities	9,100	10,200
Accrued income taxes	--	169
Total Liabilities	18,533	19,612
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common Stock, par value \$0.01 per share; 40,000,000 shares authorized; 21,049,243 and 21,049,243 shares issued; and 18,966,028 and 19,419,076 shares outstanding, respectively	210	210
Additional paid-in capital	16,133	16,032
Retained earnings	40,399	35,554
	56,742	51,796
Less: Treasury Stock, at cost (2,083,215 and 1,630,167 shares, respectively)	(10,238)	(8,044)
TOTAL STOCKHOLDERS' EQUITY	46,504	43,752
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$65,037	\$63,364

See accompanying notes to consolidated financial statements.

NAPCO SECURITY TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

Years Ended June 30, 2015 and 2014
(In Thousands, Except Share and Per Share Data)

	2015	2014
Net sales	\$77,762	\$74,382
Cost of sales	51,715	50,669
Gross Profit	26,047	23,713
Selling, general, and administrative expenses	20,766	19,397
Operating Income	5,281	4,316
Other expense:		
Interest expense, net	215	295
Other, net	5	14
	220	309
Income before Provision for Income Taxes	5,061	4,007
Provision for Income Taxes	216	531
Net Income	\$4,845	\$3,476
Income per share:		
Basic	\$0.25	\$0.18
Diluted	\$0.25	\$0.18
Weighted average number of shares outstanding:		
Basic	19,164,000	19,392,000
Diluted	19,169,000	19,428,000

See accompanying notes to consolidated financial statements.

NAPCO SECURITY TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended June 30, 2015 and 2014
(In Thousands, Except Share Data)

	Common Stock			Treasury Stock		Retained Earnings	Total
	Number of Shares Issued	Amount	Additional Paid-in Capital	Number of Shares	Amount		
BALANCE June 30, 2013	20,796,813	208	15,356	(1,500,478)	(7,307)	32,078	40,335
Options exercised	337,600	3	1,024	--	--	--	1,027
Shares surrendered and cancelled under cashless option exercise	(85,170)	(1)	(424)	--	--	--	(425)
Shares surrendered and held in Treasury under cashless option exercise	--	--	--	(129,689)	(737)	--	(737)
Stock-based compensation expense	--	--	76	--	--	--	76
Net income	--	--	--	--	--	3,476	3,476
BALANCE June 30, 2014	21,049,243	\$210	\$16,032	(1,630,167)	\$(8,044)	\$35,554	\$43,752
Repurchase of Treasury Shares	--	--	--	(453,048)	(2,194)	--	(2,194)
Stock-based compensation expense	--	--	101	--	--	--	101
Net income	--	--	--	--	--	4,845	4,845
BALANCE June 30, 2015	<u>21,049,243</u>	<u>\$210</u>	<u>\$16,133</u>	<u>(2,083,215)</u>	<u>\$(10,238)</u>	<u>\$40,399</u>	<u>\$46,504</u>

See accompanying notes to consolidated financial statements.

NAPCO SECURITY TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2015 and 2014 (In Thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$4,845	\$3,476
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,570	1,740
Charge to obsolescence reserve	(472)	(827)
Provision for doubtful accounts	66	(40)
Deferred income taxes	230	424
Non-cash stock based compensation expense	101	76
Changes in operating assets and liabilities:		
Accounts receivable	(1,156)	1,347
Inventories	(1,388)	(2,276)
Prepaid expenses and other current assets	(57)	230
Income tax receivable	121	(57)
Other assets	6	5
Accounts payable, accrued expenses, accrued salaries and wages, accrued income taxes	21	645
Net Cash Provided by Operating Activities	3,887	4,743
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant, and equipment	(730)	(753)
Net Cash Used in Investing Activities	(730)	(753)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(1,600)	(4,600)
Proceeds from long-term debt	500	--
Cash paid for purchase of treasury stock	(2,194)	(285)
Proceeds from exercise of employee stock options	--	25
Tax benefit from stock option exercise	--	124
Net Cash Used in Financing Activities	(3,294)	(4,736)
Net Change in Cash and Cash Equivalents	(137)	(746)
CASH AND CASH EQUIVALENTS - Beginning	2,483	3,229
CASH AND CASH EQUIVALENTS - Ending	\$2,346	\$2,483
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid, net	\$215	\$312
Income taxes paid	\$29	\$24
Surrender of Common Shares	\$ --	\$452

See accompanying notes to consolidated financial statements.

NAPCO SECURITY TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - Nature of Business and Summary of Significant Accounting Policies

Nature of Business:

NAPCO Security Technologies, Inc. and Subsidiaries (the "Company") is a diversified manufacturer of security products, encompassing access control systems, door-locking products, intrusion and fire alarm systems and video surveillance products for commercial and residential use. These products are used for commercial, residential, institutional, industrial and governmental applications, and are sold worldwide principally to independent distributors, dealers and installers of security equipment.

The Company's fiscal year begins on July 1 and ends on June 30. Historically, the end users of the Company's products want to install its products prior to the summer; therefore sales of its products historically peak in the period April 1 through June 30, the Company's fiscal fourth quarter, and are reduced in the period July 1 through September 30, the Company's fiscal first quarter. In addition, demand is affected by the housing and construction markets.

Significant Accounting Policies:

Principles of Consolidation

The consolidated financial statements include the accounts of NAPCO Security Technologies, Inc. and all of its wholly-owned subsidiaries. All inter-company balances and transactions have been eliminated in consolidation.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent gains and losses at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Critical estimates include management's judgments associated with reserves for sales returns and allowances, concentration of credit risk, inventory reserves, intangible assets and income taxes. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The methods and assumptions used to estimate the fair value of the following classes of financial instruments were: Current Assets and Current Liabilities - The carrying amount of cash, certificates of deposits, current receivables and payables and certain other short-term financial instruments approximate their fair value as of June 30, 2015 due to their short-term maturities; Long-Term Debt - The carrying amount of the Company's long-term debt, including the current portion, at June 30, 2015 in the amount of \$10,700,000 approximates fair value.

Cash and Cash Equivalents

Cash and cash equivalents include approximately \$460,000 of short-term time deposits at June 30, 2015 and June 30, 2014. The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Company has cash balances in banks in excess of the maximum amount insured by the FDIC and other international agencies as of June 30, 2015 and June 30, 2014. The Company has historically not experienced any credit losses with balances in excess of FDIC limits

Accounts Receivable

Accounts receivable is stated net of the reserves for doubtful accounts of \$175,000 and \$180,000 and for returns and other allowances of \$1,260,000 and \$1,005,000 as of June 30, 2015 and June 30, 2014, respectively. Our reserves for doubtful accounts and for returns and other allowances are subjective critical estimates that have a direct impact on

reported net earnings. These reserves are based upon the evaluation of our accounts receivable aging, specific exposures, sales levels and historical trends.

Inventories

Inventories are valued at the lower of cost or fair market value, with cost being determined on the first-in, first-out (FIFO) method. The reported net value of inventory includes finished saleable products, work-in-process and raw materials that will be sold or used in future periods. Inventory costs include raw materials, direct labor and overhead. The Company's overhead expenses are applied based, in part, upon estimates of the proportion of those expenses that are related to procuring and storing raw materials as compared to the manufacture and assembly of finished products. These proportions, the method of their application, and the resulting overhead included in ending inventory, are based in part on subjective estimates and actual results could differ from those estimates.

In addition, the Company records an inventory obsolescence reserve, which represents any excess of the cost of the inventory over its estimated market value, based on various product sales projections. This reserve is calculated using an estimated obsolescence percentage applied to the inventory based on age, historical trends, requirements to support forecasted sales, and the ability to find alternate applications of its raw materials and to convert finished product into alternate versions of the same product to better match customer demand. In addition, and as necessary, the Company may establish specific reserves for future known or anticipated events. There is inherent professional judgment and subjectivity made by both production and engineering members of management in determining the estimated obsolescence percentage.

The Company also regularly reviews the period over which its inventories will be converted to sales. Any inventories expected to convert to sales beyond 12 months from the balance sheet date are classified as non-current.

Property, Plant, and Equipment

Property, plant, and equipment are carried at cost less accumulated depreciation. Expenditures for maintenance and repairs are charged to expense as incurred; costs of major renewals and improvements are capitalized. At the time property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are eliminated from the asset and accumulated depreciation accounts and the profit or loss on such disposition is reflected in income.

Depreciation is recorded over the estimated service lives of the related assets using primarily the straight-line method. Amortization of leasehold improvements is calculated by using the straight-line method over the estimated useful life of the asset or lease term, whichever is shorter.

Intangible Assets

Intangible assets determined to have indefinite lives are not amortized but are tested for impairment at least annually. Intangible assets with definite lives are amortized over their useful lives. Intangible assets are reviewed for impairment at least annually at the Company's fiscal year end of June 30 or more often whenever there is an indication that the carrying amount may not be recovered.

The Company's acquisition of substantially all of the assets and certain liabilities of G. Marks Hardware, Inc. ("Marks") in August 2008 included intangible assets recorded at fair value on the date of acquisition. The intangible assets are amortized over their estimated useful lives of twenty years (customer relationships) and seven years (non-compete agreement). The Marks trade name was deemed to have an indefinite life.

Changes in intangible assets are as follows (in thousands):

	June 30, 2015			June 30, 2014		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Customer relationships	\$9,800	\$(6,820)	\$2,980	\$9,800	\$(6,203)	\$3,597
Non-compete agreement	340	(334)	6	340	(285)	55
Trade name	5,900	--	5,900	5,900	--	5,900
	<u>\$16,040</u>	<u>\$(7,154)</u>	<u>\$8,886</u>	<u>\$16,040</u>	<u>\$(6,488)</u>	<u>\$9,552</u>

Amortization expense for intangible assets subject to amortization was approximately \$667,000 and \$782,000 for the fiscal years ended June 30, 2015 and 2014, respectively. Amortization expense for each of the next five fiscal years is estimated to be as follows: 2016 - \$529,000; 2017 - \$441,000; 2018 - \$371,000; 2019 - \$313,000 and 2020 - \$264,000. The weighted average amortization period for intangible assets was 13.1 years and 13.9 years at June 30, 2015 and 2014, respectively.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets in question may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of that asset.

Revenue Recognition

The Company recognizes revenue when the following criteria are met: (i) persuasive evidence of an agreement exists, (ii) there is a fixed and determinable price for the Company's product or service, (iii) shipment and passage of title occurs or service has been provided, and (iv) collectability is reasonably assured. Revenues from product sales are recorded at the time the product is shipped or delivered to the customer pursuant to the terms of the sale. Revenues for services are recorded at the time the service is provided to the customer pursuant to the terms of sale. The Company reports its sales on a net sales basis, with net sales being computed by deducting from gross sales the amount of actual sales returns and other allowances and the amount of reserves established for anticipated sales returns and other allowances.

Sales Returns and Other Allowances

The Company analyzes sales returns and is able to make reasonable and reliable estimates of product returns based on the Company's past history. Estimates for sales returns are based on several factors including actual returns and based on expected return data communicated to it by its customers. Accordingly, the Company believes that its historical returns analysis is an accurate basis for its allowance for sales returns. Actual results could differ from those estimates. As a percentage of gross sales, sales returns, rebates and allowances were 8% for the each of the fiscal years ended June 30, 2015 and 2014.

Advertising and Promotional Costs

Advertising and promotional costs are included in "Selling, General and Administrative" expenses in the consolidated statements of operations and are expensed as incurred. Advertising expense for the fiscal years ended June 30, 2015 and 2014 was \$1,671,000 and \$1,408,000, respectively.

Research and Development Costs

Research and development costs incurred by the Company are charged to expense as incurred and are included in "Cost of Sales" in the consolidated statements of operations. Company-sponsored research and development expense for the fiscal years ended June 30, 2015 and 2014 was \$5,382,000 and \$5,059,000, respectively.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company measures and recognizes the tax implications of positions taken or expected to be taken in its tax returns on an ongoing basis.

Net Income Per Share

Basic net income per common share (Basic EPS) is computed by dividing net income by the weighted average number of common shares outstanding. Diluted net income per common share (Diluted EPS) is computed by dividing net income by the weighted average number of common shares and dilutive common share equivalents and convertible securities then outstanding.

The following provides a reconciliation of information used in calculating the per share amounts for the fiscal years ended June 30 (in thousands, except per share data):

	Net Income		Weighted Average Shares		Net Income per Share	
	2015	2014	2015	2014	2015	2014
Basic EPS	\$4,845	\$3,476	19,164	19,392	\$0.25	\$0.18
Effect of Dilutive Securities:						
Stock Options	--	--	5	36	--	--
Diluted EPS	<u>\$4,845</u>	<u>\$3,476</u>	<u>19,169</u>	<u>19,428</u>	<u>\$0.25</u>	<u>\$0.18</u>

Options to purchase 255,688 and 145,673 shares of common stock for the fiscal years ended June 30, 2015 and 2014, respectively, were not included in the computation of Diluted EPS because their inclusion would be anti-dilutive. These options were still outstanding at the end of the respective periods.

Stock-Based Compensation

The Company has established two share incentive programs as discussed in Note 7.

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the vesting period. Determining the fair value of share-based awards at the grant date requires assumptions and judgments about expected volatility and forfeiture rates, among other factors.

Stock-based compensation costs of \$101,000 and \$76,000 were recognized for fiscal years ended June 30, 2015 and 2014, respectively. The effect on both Basic and Diluted Earnings per share was \$0.01 and \$0.00 for fiscal years ended June 30, 2015 and 2014, respectively.

Foreign Currency

All assets and liabilities of foreign subsidiaries are translated into U.S. Dollars at fiscal period-end exchange rates. Income and expense items are translated at average exchange rates prevailing during the fiscal year. The realized and

unrealized gains and losses associated with foreign currency translation, as well as related other comprehensive income, were not material for the fiscal years ended June 30, 2015 and 2014.

Comprehensive Income

For the fiscal years ended June 30, 2015 and 2014, the Company's operations did not give rise to material items includable in comprehensive income, which were not already included in net income. Accordingly, the Company's comprehensive income approximates its net income for all periods presented.

Segment Reporting

The Company's reportable operating segments are determined based on the Company's management approach. The management approach is based on the way that the chief operating decision maker organizes the segments within an enterprise for making operating decisions and assessing performance. The Company's results of operations are reviewed by the chief operating decision maker on a consolidated basis and the Company operates in only one segment. The Company has presented required geographical data in Note 11, and no additional segment data has been presented.

Shipping and Handling Revenues and Costs

The Company records the amount billed to customers for shipping and handling in net sales (\$515,000 and \$531,000 in the fiscal years ended June 30, 2015 and 2014, respectively) and classifies the costs associated with these revenues in cost of sales (\$945,000 and \$985,000 in fiscal years ended June 30, 2015 and 2014).

Recently Issued Accounting Standards

In July 2015, the FASB issued ASU 2015-11 "Inventory (Topic 330): Simplifying the Measurement of Inventory" (ASU 2015-11). The amendments in ASU 2015-11 simplify the subsequent measurement of inventory by requiring inventory to be measured at the lower of cost and net realizable value. ASU 2015-11 is effective for the Company's quarter ended March 31, 2107. Early application is permitted. We have not early adopted ASU 2015-11. The new guidance must be applied prospectively after the date of adoption. We are in the process of evaluating the adoption of this ASU, and do not expect this to have a material effect on our consolidated results of operations and financial condition.

In May 2014, the FASB issued authoritative guidance that defines how companies should report revenues from contracts with customers. The standard requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It provides companies with a single comprehensive five-step principles-based model to use in accounting for revenue and supersedes current revenue recognition requirements, including most industry-specific and transaction-specific revenue guidance. In August 2015, the FASB deferred the effective date of the new revenue standard by one year. As a result, the new standard would not be effective for the Company until fiscal 2019. In addition, the FASB is allowing companies to early adopt this guidance for the Company's fiscal 2018. The guidance permits an entity to apply the standard retrospectively to all prior periods presented, with certain practical expedients, or apply the requirements in the year of adoption, through a cumulative adjustment. The Company will apply this new guidance when it becomes effective and has not yet selected a transition method. The Company is currently evaluating the impact of adoption on its consolidated financial statements.

In July 2013, the FASB issued authoritative guidance that requires an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss ("NOL") carry-forward, a similar tax loss, or a tax credit carry-forward. If either (i) an NOL carry-forward, a similar tax loss, or tax credit carry-forward is not available as of the reporting date under the governing tax law to settle taxes that would result from the disallowance of the tax position or (ii) the entity does not intend to use the deferred tax asset for this purpose (provided that the tax law permits a choice), an entity should present an unrecognized tax benefit in the financial statements as a liability and should not net the unrecognized tax benefit with a deferred tax asset. This guidance became effective for unrecognized tax benefits that exist as of the Company's fiscal 2015 first quarter. The guidance did not have an impact on the Company's consolidated financial statements.

NOTE 2 - Business and Credit Concentrations

An entity is more vulnerable to concentrations of credit risk if it is exposed to risk of loss greater than it would have had if it mitigated its risk through diversification of customers. Such risks of loss manifest themselves differently, depending on the nature of the concentration, and vary in significance. The Company had one customer with an accounts receivable balance that comprised 22% of the Company's accounts receivable at June 30, 2015 and 12% of the Company's accounts receivable at June 30, 2014. Sales to this customer comprised 13% of net sales in the fiscal year ended June 30, 2015.

NOTE 3 - Inventories

Inventories, net of reserves are valued at lower of cost (first-in, first-out method) or market. The Company regularly reviews parts and finished goods inventories on hand and, when necessary, records a provision for excess or obsolete inventories. The Company also regularly reviews the period over which its inventories will be converted to sales. Any inventories expected to convert to sales beyond 12 months from the balance sheet date are classified as non-current.

Inventories, net of reserves consist of the following (in thousands):

	June 30,	
	2015	2014
Component parts	\$15,037	\$15,268
Work-in-process	4,136	3,632
Finished product	7,697	6,110
	<u>\$26,870</u>	<u>\$25,010</u>
Classification of inventories, net of reserves:		
Current	\$22,757	\$21,443
Non-current	4,113	3,567
	<u>\$26,870</u>	<u>\$25,010</u>

NOTE 4 - Property, Plant, and Equipment

Property, plant and equipment consist of the following (in thousands):

	June 30,		Useful Life in Years
	2015	2014	
Land	\$904	\$904	--
Buildings	8,911	8,911	30 to 40
Molds and dies	7,002	6,906	3 to 5
Furniture and fixtures	2,478	2,427	5 to 10
Machinery and equipment	20,429	19,974	7 to 10
Leasehold improvements	294	288	Shorter of the lease term or life of asset
	<u>40,018</u>	<u>39,410</u>	
Less: accumulated depreciation and amortization	<u>33,784</u>	<u>33,016</u>	
	<u>\$6,234</u>	<u>\$6,394</u>	

Depreciation and amortization expense on property, plant, and equipment was approximately \$890,000 and \$945,000 in fiscal 2015 and 2014, respectively.

NOTE 5 - Income Taxes

The provision for income taxes is comprised of the following (in thousands):

	For the Years Ended June 30,	
	2015	2014
Current income taxes:		
Federal	\$(49)	\$76
State	35	31
	(14)	107
Deferred income tax provision	230	424
Provision for income taxes	<u>\$216</u>	<u>\$531</u>

A reconciliation of the U.S. Federal statutory income tax rate to our actual effective tax rate on earnings before income taxes is as follows for the years ended June 30, (dollars in thousands):

	2015		2014	
	Amount	% of Pre-tax Income	Amount	% of Pre-tax Income
Tax at Federal statutory rate	\$1,721	34.0%	\$1,362	34.0%
Increases (decreases) in taxes resulting from:				
Meals and entertainment	66	1.3%	63	1.6%
State income taxes, net of Federal income tax benefit	21	0.4%	20	0.5%
Foreign source income not subject to tax	(1,069)	(21.1)%	(837)	(20.9)%
R&D Credit refund	(328)	(6.5)%	(144)	(3.6)%
Income tax reserve adjustments	(93)	(1.8)%	--	--
Other, net	(102)	(2.0)%	67	1.7%
Effective tax rate	<u>\$216</u>	<u>4.3%</u>	<u>\$531</u>	<u>13.3%</u>

Deferred tax assets and deferred tax liabilities at June 30, 2015 and 2014 are as follows (in thousands):

	Current Deferred Tax Assets (Liabilities)		Long-term Deferred Tax Assets (Liabilities)	
	2015	2014	2015	2014
Accounts receivable	\$36	\$25	\$ --	\$ --
Inventories	533	406	261	336
Accrued Liabilities	311	308	86	64
Stock based compensation expense	--	--	147	139
Goodwill	--	--	214	1,324
R&D credit	--	--	804	451
Property, plant and equipment	--	--	(512)	(527)
Other deferred tax liabilities	--	--	(366)	(782)
	880	739	634	1,005
Valuation allowance	--	--	--	--
Net deferred tax assets	<u>\$880</u>	<u>\$739</u>	<u>\$634</u>	<u>\$1,005</u>

The Company has identified the United States and New York State as its major tax jurisdictions. The fiscal 2012 and forward years are still open for examination.

During the year ending June 30, 2015 the Company decreased its reserve for uncertain income tax positions by \$67,000. The Company's practice is to recognize interest and penalties related to income tax matters in income tax expense and accrued income taxes. As of June 30, 2015, the Company had accrued interest totaling \$0 and \$102,000 of unrecognized net tax benefits that, if recognized, would favorably affect the Company's effective income tax rate in any future period. The Company uses the flow through method to account for investment tax credits earned on eligible research and development expenditures. Under this method, the investment tax credits are recognized as a reduction to income tax expense.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
Balance of gross unrecognized tax benefits as of July 1, 2014	\$169	\$ --	\$169
Decreases to unrecognized tax benefits resulting from expiring statutes	<u>(67)</u>	<u>--</u>	<u>(67)</u>
Balance of gross unrecognized tax benefits as of June 30, 2015	<u>\$102</u>	<u>\$ --</u>	<u>\$102</u>

The Company plans to permanently reinvest a substantial portion of its foreign earnings and as such has not provided US corporate taxes on the permanently reinvested earnings. As of June 30, 2015, the Company had approximately \$2.6 million of undistributed earnings of foreign subsidiaries.

NOTE 6 - Long-Term Debt

As of June 30, 2015, long-term debt consisted of a revolving credit facility of \$11,000,000 (the "Revolving Credit Facility") which expires in June 2017 and two term loans, one for \$6,000,000 which expires in June 2019, and one for \$6,500,000 which expires in June 2017 (the "Term Loans"). Repayment of the Term Loans commenced on September 30, 2012. The \$6,000,000 Term Loan is being repaid with 28 equal, quarterly payments of \$75,000 and the remaining balance of \$3,900,000 due on or before the expiration date. The \$6,500,000 Term Loan is being repaid in 20 equal, quarterly payments of \$325,000.

Outstanding balances and interest rates as of June 30, 2015 and June 30, 2014 are as follows:

	<u>June 30, 2015</u>		<u>June 30, 2014</u>	
	<u>Outstanding</u>	<u>Interest Rate</u>	<u>Outstanding</u>	<u>Interest Rate</u>
Revolving line of credit	\$3,000	1.7%	\$2,500	1.7%
Term loans	<u>7,700</u>	<u>1.7%</u>	<u>9,300</u>	<u>1.7%</u>
Total debt	<u>\$10,700</u>	<u>1.7%</u>	<u>\$11,800</u>	<u>1.7%</u>

The Revolving Credit Facility and Term Loans (collectively the "Agreement") also provides for a LIBOR-based interest rate option of LIBOR plus 1.5% to 2.75%, depending on the ratio of outstanding debt to EBITDA, which is to be measured and adjusted quarterly, a prime rate-based option of the prime rate plus 0.25% and other terms and conditions as more fully described in the Agreement. In addition, the Agreement provides for availability under the Revolving Credit Facility to be limited to the lesser of \$11,000,000 or the result of a borrowing base formula based upon the Company's Accounts Receivables and Inventory values net of certain deductions. The Company's obligations under the Agreement continue to be secured by all of its assets, including but not limited to, deposit accounts, accounts receivable, inventory, and the Company's corporate headquarters in Amityville, NY, equipment and fixtures and intangible assets. In addition, the Company's wholly-owned subsidiaries, with the exception of the Company's foreign subsidiaries, have issued guarantees and pledges of all of their assets to secure the Company's obligations under the Agreement. All of the

outstanding common stock of the Company's domestic subsidiaries and 65% of the common stock of the Company's foreign subsidiaries has been pledged to secure the Company's obligations under the Agreement.

The Agreement contains various restrictions and covenants including, among others, restrictions on payment of dividends, restrictions on borrowings and compliance with certain financial ratios, as defined in the Agreement.

NOTE 7 - Stock Options

The Company follows ASC 718 ("Share-Based Payment"), which requires that all share based payments to employees, including stock options, be recognized as compensation expense in the consolidated financial statements based on their fair values and over the requisite service period. For the fiscal years ended June 30, 2015 and 2014, the Company recorded non-cash compensation expense of \$101,000 (\$0.01 per basic and diluted share) and \$76,000 (\$0.00 per basic and diluted share), respectively, relating to stock-based compensation

2012 Employee Stock Option Plan

In December 2012, the stockholders approved the 2012 Employee Stock Option Plan (the 2012 Employee Plan). The 2012 Employee Plan authorizes the granting of awards, the exercise of which would allow up to an aggregate of 950,000 shares of the Company's common stock to be acquired by the holders of such awards. Under this plan, the Company may grant stock options, which are intended to qualify as incentive stock options (ISOs), to valued employees. Any plan participant who is granted ISOs and possesses more than 10% of the voting rights of the Company's outstanding common stock must be granted an option with a price of at least 110% of the fair market value on the date of grant.

Under the 2012 Employee Plan, stock options may be granted to valued employees with a term of up to 10 years at an exercise price equal to or greater than the fair market value on the date of grant and are exercisable, in whole or in part, at 20% per year beginning on the date of grant. An option granted under this plan shall vest in full upon a "change in control" as defined in the plan. At June 30, 2015, 112,500 stock options were granted, 27,500 stock options were exercisable and 837,500 stock options were available for grant under this plan.

The fair value of each option granted during fiscal 2015 and 2014 were estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	<u>2015</u>	<u>2104</u>
Risk-free interest rates	2.3%	2.7%
Expected lives	10 years	10 years
Expected volatility	54%	57%
Expected dividend yields	0%	0%

The Company uses a weighted-average expected stock-price volatility assumption that is a combination of both current and historical implied volatilities of the underlying stock. The implied volatilities were obtained from publicly available data sources. For the weighted-average expected option life assumption, the Company considers the exercise behavior of past grants. The average risk-free interest rate is based on the U.S. Treasury Bond rate for the expected term of the options and the average dividend yield is based on historical experience.

The following table reflects activity under the 2012 Plan for the fiscal years ended June 30,:

	2015		2014	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	78,500	\$5.73	--	\$ --
Granted	44,000	4.43	78,500	5.73
Terminated	(10,000)	4.88	--	--
Exercised	--	--	--	--
Outstanding, end of year	<u>112,500</u>	<u>\$5.30</u>	<u>78,500</u>	<u>\$5.73</u>
Exercisable, end of year	<u>27,500</u>	<u>\$5.26</u>	<u>15,700</u>	<u>\$5.73</u>
Weighted average fair value at grant date of options granted	\$2.82		\$3.84	
Total intrinsic value of options exercised	n/a		n/a	
Total intrinsic value of options outstanding	\$73,360		\$14,000	
Total intrinsic value of options exercisable	\$17,946		\$3,000	

The following table summarizes information about stock options outstanding under the 2012 Employee Plan at June 30, 2015:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$4.29-\$6.31	<u>112,500</u>	<u>8.7</u>	<u>\$5.30</u>	<u>27,500</u>	<u>\$5.26</u>
	<u>112,500</u>	<u>8.7</u>	<u>\$5.30</u>	<u>27,500</u>	<u>\$5.26</u>

As of June 30, 2015, there was \$260,000 of unearned stock-based compensation cost related to share-based compensation arrangements granted under the 2012 Employee Plan. 44,000 and 78,500 options were granted during the fiscal years ended June 30, 2015 and 2014, respectively. The total fair value of the options vesting during the fiscal years ended June 30, 2015 and 2014 under this plan was \$41,000 and \$60,000, respectively.

2012 Non-Employee Stock Option Plan

In December 2012, the stockholders approved the 2012 Non-Employee Stock Option Plan (the 2012 Non-Employee Plan). This plan authorizes the granting of awards, the exercise of which would allow up to an aggregate of 50,000 shares of the Company's common stock to be acquired by the holders of such awards. Under this plan, the Company may grant stock options to non-employee directors and consultants to the Company and its subsidiaries.

Under the 2012 Non-Employee Plan, stock options may be granted with a term of up to 10 years at an exercise price equal to or greater than the fair market value on the date of grant and are exercisable in whole or in part at 20% per year beginning on the date of grant. An option granted under this plan shall vest in full upon a "change in control" as defined in the plan. At June 30, 2015, 35,000 stock options were granted, 12,000 stock options were exercisable and 15,000 stock options were available for grant under this plan.

The fair value of each option granted during fiscal 2015 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2015	2104
Risk-free interest rates	2.3%	2.7%
Expected lives	10 years	10 years
Expected volatility	54%	57%
Expected dividend yields	0%	0%

The Company uses a weighted-average expected stock-price volatility assumption that is a combination of both current and historical implied volatilities of the underlying stock. The implied volatilities were obtained from publicly available data sources. For the weighted-average expected option life assumption, the Company considers the exercise behavior of past grants. The average risk-free interest rate is based on the U.S. Treasury Bond rate for the expected term of the options and the average dividend yield is based on historical experience.

The following table reflects activity under the 2012 Non-Employee Plan for the fiscal years ended June 30,:

	2015		2014	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	25,000	\$4.88	--	\$ --
Granted	10,000	4.37	25,000	4.88
Terminated	--	--	--	--
Exercised	--	--	--	--
Outstanding, end of year	35,000	\$4.73	25,000	\$4.88
Exercisable, end of year	12,000	\$4.80	5,000	\$4.88
Weighted average fair value at grant date of options granted	\$2.86		\$3.30	
Total intrinsic value of options exercised	n/a		n/a	
Total intrinsic value of options outstanding	\$35,000		\$14,000	
Total intrinsic value of options exercisable	\$11,000		\$3,000	

The following table summarizes information about stock options outstanding under the 2012 Non-Employee Plan at June 30, 2015:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$4.37 - \$4.88	35,000	8.5	\$4.73	12,000	\$4.80
	35,000	8.5	\$4.73	12,000	\$4.80

As of June 30, 2015, there was \$73,000 of unearned stock-based compensation cost related to share-based compensation arrangements granted under the 2012 Non-Employee Plan. 10,000 and 25,000 options were granted during the fiscal years ended June 30, 2015 and 2014, respectively. The total fair value of the options vesting during the fiscal years ended June 30, 2015 and 2014 under this plan was \$6,000 and \$17,000, respectively.

2002 Employee Stock Option Plan

In December 2002, the stockholders approved the 2002 Employee Stock Option Plan (the 2002 Employee Plan). This plan expired in October 2012. This plan authorized the granting of awards, the exercise of which would allow up to an aggregate of 1,836,000 shares of the Company's common stock to be acquired by the holders of such awards. Under this plan, the Company may have granted stock options, which were intended to qualify as incentive stock options (ISOs), to key employees. Any plan participant who was granted ISOs and possessed more than 10% of the voting rights of the Company's outstanding common stock must have been granted an option with a price of at least 110% of the fair market value on the date of grant.

Under the 2002 Employee Plan, stock options have been granted to key employees with a term of 10 years at an exercise price equal to the fair market value on the date of grant and are exercisable in whole or in part at 20% per year from the date of grant. At June 30, 2015, 1,471,480 stock options had been granted, 208,500 stock options were exercisable and no further stock options were available for grant under this plan after the plans expiration in October 2012.

The following table reflects activity under the 2002 Employee plan for the fiscal years ended June 30,:

	2015		2014	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	265,750	\$6.51	651,140	\$4.18
Granted	--	--	--	--
Terminated/Lapsed	(57,250)	5.24	(47,790)	1.74
Exercised	--	--	(337,600)	2.70
Outstanding, end of period	<u>208,500</u>	<u>\$6.86</u>	<u>265,750</u>	<u>\$6.07</u>
Exercisable, end of period	<u>208,500</u>	<u>\$6.86</u>	<u>265,750</u>	<u>\$6.07</u>
Weighted average fair value at grant date of options granted	n/a		n/a	
Total intrinsic value of options exercised	n/a		\$1,399,000	
Total intrinsic value of options outstanding	\$6,000		\$13,000	
Total intrinsic value of options exercisable	\$6,000		\$13,000	

As of June 30, 2015, there was no unearned stock-based compensation cost related to share-based compensation arrangements granted under the 2002 Non-Employee Plan. 0 and 337,600 stock options were exercised during the fiscal years ended June 30, 2015 and 2014, respectively. 324,100 of the 337,600 stock options exercised during the fiscal year ended June 30, 2014 were settled by exchanging 164,859 shares of the Company's common stock of which 85,170 was retired upon receipt. Cash received from option exercises was \$0 and \$25,650 for the fiscal years ended June 30, 2015 and 2014, respectively, and the actual tax benefit realized for the tax deductions from option exercises was \$0 for each of these periods.

The following table summarizes information about stock options outstanding under the 2002 Employee Plan at June 30, 2015:

Range of exercise prices	Options outstanding and exercisable		
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price
\$5.22-\$6.62	171,000	1.2	\$5.92
\$11.16	37,500	0.7	11.16
	<u>208,500</u>	<u>1.1</u>	<u>\$6.86</u>

NOTE 8 – Stockholders’ Equity Transactions

On September 16, 2014 the Company’s board of directors authorized the repurchase of up to 1 million of the approximately 19.4 million shares of the Company’s common stock outstanding. The repurchase will be made from time to time in the open market or in privately negotiated transactions subject to market conditions and the market price of the common stock. Relative to the Loan Agreement described in Note 6, the Company’s lender gave its consent to this stock repurchase plan. During the fiscal year ended June 30, 2015 the Company repurchased 453,048 shares of its outstanding common stock for a weighted average price of \$4.81 per share. These repurchased shares are included in the Company’s Treasury Stock as of June 30, 2015.

During fiscal 2014, certain employees exercised incentive stock options under the Company’s 2002 Plan totaling 337,600 shares. 324,100 of these exercises were completed as cashless exercises as allowed for under the 2002 Plan, where the exercise shares are issued by the Company in exchange for shares of the Company’s common stock that are owned by the optionees. The number of shares surrendered by the optionees are based upon the per share price on the effective date of the option exercise. In addition, the Company repurchased 50,000 shares of its Common Stock from its Chief Executive Officer (“CEO”). The purchase price was \$5.70 per share, the previous business day’s closing price on NASDAQ, for an aggregate purchase price of \$285,000. The repurchase was to fund the CEO’s tax liability associated with the exercise of 135,000 options granted to him under the 2002 Plan. The repurchase was approved by the Board of Directors of the Company, including all of the independent directors. These exercises resulted in a tax benefit to the Company of \$124,000 which is included in Additional Paid-in Capital.

NOTE 9 - 401(k) Plan

The Company maintains a 401(k) plan (“the Plan”) that covers all U.S. non-union employees with one or more years of service and is qualified under Sections 401(a) and 401(k) of the Internal Revenue Code. Company contributions to this plan are discretionary and totaled \$122,000 and \$103,000 for the years ended June 30, 2015 and 2014, respectively.

NOTE 10 - Commitments and Contingencies

Leases

The Company is committed under various operating leases, not including the land lease discussed below, which do not extend beyond fiscal 2019. Minimum lease payments through the expiration dates of these leases, with the exception of the land leases referred to below, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$20,000
2017	5,000
2018	4,000
2019	<u>3,000</u>
Total	<u><u>\$32,000</u></u>

Rent expense, with the exception of the land lease referred to below, totaled approximately \$30,000 and \$32,000 for the fiscal years ended June 30, 2015 and 2014, respectively.

Land Lease

On April 26, 1993, one of the Company's foreign subsidiaries entered into a 99 year lease, expiring in 2092, for approximately four acres of land in the Dominican Republic at an annual cost of \$288,000, on which the Company's principal production facility is located.

Litigation

In the normal course of business, the Company is a party to claims and/or litigation. Management believes that the settlement of such claims and/or litigation, considered in the aggregate, will not have a material adverse effect on the Company's financial position and results of operations.

Employment Agreements

As of June 30, 2015, the Company was obligated under two employment agreements and one severance agreement. The employment agreements are with the Company's CEO and Senior Vice President of Sales and Marketing ("the SVP"). The employment agreement with the CEO provides for an annual salary of \$670,000, as adjusted for inflation; incentive compensation as may be approved by the Board of Directors from time to time and a termination payment in an amount up to 299% of the average of the prior five calendar year's compensation, subject to certain limitations, as defined in the agreement. The employment agreement renews annually in August unless either party gives the other notice of non-renewal at least six months prior to the end of the applicable term. The employment agreement with the SVP expires in October 2016 and provides for an annual salary of \$306,000, a bonus arrangement for fiscal 2015 and, if terminated by the Company without cause, severance of nine months' salary and continued company-sponsored health insurance for nine months from the date of termination. The severance agreement is with the Senior Vice President of Operations and Finance and provides 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.

NOTE 11 - Geographical Data

The Company is engaged in one major line of business: the development, manufacture, and distribution of access control systems, door security products, intrusion and fire alarm systems and video surveillance products for commercial and residential use. Sales to unaffiliated customers are primarily shipped from the United States. The Company has customers worldwide with major concentrations in North America.

Financial Information Relating to Domestic and Foreign Operations

	<u>2015</u>	<u>2014</u>
	(in thousands)	
Sales to external customers(1):		
Domestic	\$74,736	\$70,800
Foreign	<u>3,023</u>	<u>3,582</u>
Total Net Sales	<u>\$77,762</u>	<u>\$74,382</u>
Identifiable assets:		
United States	\$50,998	\$49,529
Dominican Republic (2)	<u>14,039</u>	<u>13,835</u>
Total Identifiable Assets	<u>\$65,037</u>	<u>\$63,364</u>

(1) All of the Company's sales originate in the United States and are shipped primarily from the Company's facilities in the United States. There were no sales into any one foreign country in excess of 10% of total Net Sales.

(2) Consists primarily of inventories (2015 = \$10,546; 2014 = \$10,216) and fixed assets (2015 = \$3,347; 2014 = \$3,457) located at the Company's principal manufacturing facility in the Dominican Republic.

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None

ITEM 9A: CONTROL AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. At the conclusion of the period ended June 30, 2015, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2015.

Management's Annual Report on Internal Control Over Financial Reporting. Management is responsible for the preparation of NAPCO Security Technologies, Inc. (NAPCO Security Technologies) consolidated financial statements and related information. Management uses its best judgment to ensure that the consolidated financial statements present fairly, in all material respects, NAPCO Security Technologies consolidated financial position and results of operations in conformity with generally accepted accounting principles.

The consolidated financial statements have been audited by an independent registered public accounting firm in accordance with the standards of the Public Company Accounting Oversight Board. Their report expresses the independent accountant's judgment as to the fairness of management's reported operating results, cash flows and financial position. This judgment is based on the procedures described in the second paragraph of their report.

NAPCO Security Technologies management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of management, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and other guidance prepared specifically for smaller public companies. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of June 30, 2015.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, transactions and dispositions of assets; and provide reasonable assurances that: (1) transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States; (2) receipts and expenditures are being made only in accordance with authorizations of management and the directors of our Company; and (3) unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements are prevented or timely detected.

Limitations on Internal Control

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This annual report does not include an attestation report of Baker Tilly Virchow Krause, LLP, our registered public accounting firm, regarding internal control over financial reporting. Management's Report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only Management's Report in this annual report.

The Board of Directors of NAPCO Security Technologies has an Audit Committee comprised of three non-management directors. The Committee meets periodically with financial management and the independent auditors to review accounting, control, audit and financial reporting matters. Baker Tilly Virchow Krause, LLP has full and free access to the Audit Committee, with and without the presence of management.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2015 that has materially affected or is likely to materially affect our internal controls over financial reporting.

ITEM 9B: OTHER INFORMATION

None

PART III

ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information about our directors appearing in the Company's Definitive Proxy Statement for the 2015 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K ("Proxy Statement") under the heading "Election of Directors", is incorporated herein by reference.

We have adopted a Code of Ethics which applies to our senior executive and financial officers, among others. The Code is posted on our website, www.napcosecurity.com, under the "Investors – Other" caption. We intend to make all required disclosures regarding any amendment to, or waiver of, a provision of the Code of Ethics for senior executive and financial officers by posting such information on our website.

The information appearing in the Proxy Statement relating to the members of the Audit Committee and the Audit Committee financial expert under the headings "Corporate Governance and Board Matters – Board Structure and Committee Composition" and "Corporate Governance and Board Matters – Board Structure and Committee Composition – Audit Committee" and the information appearing in the Proxy Statement under the heading "Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated herein by this reference.

The information set forth in the Proxy Statement under the heading "Information Concerning Executive Officers" is incorporated herein by reference.

ITEM 11: EXECUTIVE COMPENSATION

The information appearing in the Proxy Statement under the heading "Executive Compensation" and the information appearing in the Proxy Statement relating to the compensation of directors under the caption "Compensation of Directors" is incorporated herein by this reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information appearing in the Proxy Statement under the heading "Beneficial Ownership of Common Stock" is incorporated herein by this reference.

Information regarding Equity Compensation Plan Information as of June 30, 2015 and Unregistered Sales of Equity Securities and Use of Proceeds is included in Item 5.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information appearing in the Proxy Statement under the headings "Corporate Governance and Board Matters – Independence of Directors," "Corporate Governance and Board Matters – Board Structure and Committee Composition," "Corporate Governance – Policy with Respect to Related Person Transactions," and "Executive Compensation – Certain Transactions" is incorporated herein by this reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information appearing in the Proxy Statement under the headings “Principal Accountant Fees” and “Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors” is incorporated herein by this reference.

PART IV

ITEM 15: EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

Omitted

Upon written request of any shareholder of the Company, the Company will provide such shareholder a copy of the Company’s Annual Report Form 10-K for 2015, including the financial statements and schedules thereto, filed with the Security and Exchange Commission. Any such request should be directed to Secretary, NAPCO Security Technologies, Inc., 333 Bayview Avenue, Amityville, NY 11701. There will be no charge for such reports unless one or more exhibits thereto are requested, in which case the Company’s reasonable expense of furnishing such exhibits may be charged.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

September 10, 2015

NAPCO SECURITY TECHNOLOGIES, INC.

(Registrant)

By: /s/RICHARD SOLOWAY

*Richard Soloway
Chairman of the Board of
Directors, President and Secretary
(Principal Executive Officer)*

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/RICHARD SOLOWAY</u> Richard Soloway	Chairman of the Board of Directors, President and Secretary and Director (Principal Executive Officer)	September 10, 2015
<u>/s/KEVIN S. BUCHEL</u> Kevin S. Buchel	Senior Vice President of Operations and Finance and Treasurer and Director (Principal Financial and Accounting Officer)	September 10, 2015
<u>/s/PAUL STEPHEN BEEBER</u> Paul Stephen Beeber	Director	September 10, 2015
<u>/s/RANDY B. BLAUSTEIN</u> Randy B. Blaustein	Director	September 10, 2015
<u>/s/ARNOLD BLUMENTHAL</u> Arnold Blumenthal	Director	September 10, 2015
<u>/s/DONNA SOLOWAY</u> Donna Soloway	Director	September 10, 2015
<u>/s/ANDREW J. WILDER</u> Andrew J. Wilder	Director	September 10, 2015

NAPCO SECURITY TECHNOLOGIES, INC. AND SUBSIDIARIES

NON-GAAP MEASURES OF PERFORMANCE* (unaudited)

(In thousands)

	Three months ended June 30,		Twelve months ended June 30,	
	2015	2014	2015	2014
Net income	\$ 3,340	\$ 2,335	\$ 4,845	\$ 3,476
Add back provision for income taxes	65	428	216	531
Add back interest and other expense	57	60	202	309
Operating income (GAAP)	3,462	2,823	5,281	4,316
Adjustments for non-GAAP measures of performance:				
Add back amortization of acquisition-related intangibles	166	196	666	782
Add back stock-based compensation expense	–	59	100	76
Adjusted non-GAAP operating income	3,628	3,078	6,047	5,174
Add back depreciation and other amortization	261	267	904	958
Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization)	\$ 3,888	\$ 3,345	\$ 6,951	\$ 6,132
Adjusted EBITDA per Diluted Share	\$ 0.20	\$ 0.17	\$ 0.36	\$ 0.32
Weighted average number of Diluted Shares outstanding	18,989,000	19,431,000	19,169,000	19,428,000

* Non-GAAP Information

Certain non-GAAP measures are included above, including EBITDA, non-GAAP operating income and Adjusted EBITDA. We define EBITDA as GAAP net income plus income tax expense (benefit), net interest expense and depreciation and amortization expense. Non-GAAP operating income does not include impairment of goodwill, amortization of intangibles, restructuring charges, stock-based compensation expense and other infrequent or unusual charges. These non-GAAP measures are provided to enhance the user's overall understanding of our financial performance. By excluding these charges our non-GAAP results provide information to management and investors that is useful in assessing NAPCO's core operating performance and in comparing our results of operations on a consistent basis from period to period. The presentation of this information is not meant to be a substitute for the corresponding financial measures prepared in accordance with generally accepted accounting principles. Investors are encouraged to review the reconciliation of GAAP to non-GAAP financial measures included in the above.



Officers

Richard L. Soloway
Chairman, President and C.E.O.

Kevin S. Buchel
Senior Vice President of Operations
and Finance and Treasurer

Jorge D. Hevia
Senior Vice President of Sales
and Marketing

Michael Carrieri
Senior Vice President of
Engineering

Alfred DePierro
Vice President of Engineering
Microcomputer Applications

Raymond Gaudio
Vice President of Engineering
Software Applications

George R. Marks
President, Marks USA

Common Stock Listing

Nasdaq Global Market System®
(Symbol—"NSSC")

Directors

Richard L. Soloway
Chairman, President and C.E.O.

Paul Stephen Beeber
Attorney

Randy B. Blaustein, Esq.
Tax Attorney

Arnold B. Blumenthal
Group Publisher Emeritus,
Security Dealer, Locksmith Ledger;
Publisher, Security Line

Kevin S. Buchel
Senior Vice President of Operations
and Finance and Treasurer

Donna A. Soloway
Security Industry Publicist

Andrew J. Wilder
Officer of Israeloff,
Trattner & Company
(Certified Public Accountants)

Primary Bank

HSBC Bank USA
534 Broadhollow Road
Melville, NY 11747

Investor Relations

Copies of the Company's Annual
Report, Forms 10-K and 10-Q and
other information filed with the
Securities and Exchange
Commission may be obtained
directly from the Corporation by
contacting:

NAPCO Security Technologies, Inc.
333 Bayview Avenue
Amityville, NY 11701
Attention: Corporate Secretary

Independent Accountants

Baker Tilly Virchow Krause, LLP
125 Baylis Road
Melville, NY 11747-3823

Legal Counsel

Forman & Shapiro LLP
1345 Avenue of the Americas
New York, NY 10105

Transfer Agent

Continental Stock Transfer &
Trust Co.
17 Battery Place
New York, NY 10004

www.napcosecurity.com

(NASDAQ:NSSC)

NAPCO SECURITY TECHNOLOGIES, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be Held on December 9, 2015

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 Wednesday, December 9, 2015, at 12:00 p.m., for the following purposes, as more fully described in the accompanying Proxy Statement:

1. Election of three directors to serve for a term of three years and until their successors are elected and qualified;
2. Ratification of the selection of Baker Tilly Virchow Krause, LLP as the Company's independent registered public accountants for fiscal 2016; and
3. Transaction of 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 5, 2015 are entitled to notice and to vote at the Annual Meeting or any adjournment thereof.

By order of the Board of Directors,

Richard L. Soloway, Secretary

November 5, 2015

**Important Notice Regarding the Availability of Proxy Materials
for the Stockholder Meeting To be Held on December 9, 2015**

Copies of this proxy statement, form of proxy card and our 2015 annual report are available at www.napcosecurity.com/2015annualmeeting.pdf. The Board recommends a vote FOR the nominated slate of directors (see page 4); and FOR the ratification of Baker Tilly Virchow Krause, LLP as the independent registered public accountants for fiscal 2016.

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

**FOR ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON DECEMBER 9, 2015**

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 2015, to be held on December 9, 2015, 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 9, 2015. A copy of the 2015 Annual Report of the Company, including financial statements, is being mailed herewith.

Only stockholders of record at the close of business on November 5, 2015 (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 18,950,893 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; Item 2, the ratification of the selection of Baker Tilly Virchow Krause, LLP as the independent registered public accountants; and Item 3, the transaction of any other business as may properly come before the Meeting and requires 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. Item 2 must be approved by a majority of votes cast on the matter by the holders of the shares present at this meeting and entitled to vote on such matter. A properly executed proxy marked “ABSTAIN” with respect to the ratification of the independent registered public accountants will not be voted, although it will be counted for purposes of determining whether there is a quorum. Abstentions will have no effect on the vote for Item 2.

If you are a record holder of shares and do not specify on your proxy card how you want to vote your shares, we will vote them “FOR” the election of all nominees for director as set forth under “Election of Nominees for Directors” below and “FOR” the ratification of Baker Tilly Virchow Krause, LLP as the Company’s independent registered public accountants for fiscal 2016.

If you are a beneficial owner of shares and your bank or brokerage firm does not receive instructions from you about how your shares are to be voted, one of two things can happen, depending on the type of proposal. Under stock exchange rules, brokers have discretionary power to vote your shares with respect to “routine” matters, but they do not have discretionary power to vote your shares on “non-routine” matters. Uninstructed brokers have discretionary voting power as to ratification of Baker Tilly Virchow Krause, LLP as our independent registered public accountants (Item 2), which is considered a routine matter. Uninstructed brokers do not have discretionary voting power as to election of the three nominees for director (Item 1). A bank or brokerage firm may not vote your shares with respect to the non-routine matters if you have not provided instructions. This is called a “broker non-vote.”

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

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 2018. The terms of the other two classes of continuing directors expire at the Annual Meetings of Stockholders after fiscal year end 2016 and 2017, respectively.

Unless otherwise specified, shares represented by the enclosed proxy will be voted for the election of Paul Stephen Beeber, Randy B. Blaustein and 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 2018 and until his or her successor is elected and qualified.

Each of Messrs. Beeber and Blaustein and Ms. Soloway has 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. Also set forth below is a description of the experience, qualifications, attributes or skills that caused the Nominating Committee and Board of Directors to determine that the person should serve as one of our directors.

Name and Age	Principal Occupation	Director Since
Nominees for election to serve until Annual Meeting of Stockholders following Fiscal Year 2018:		
Paul Stephen Beeber..... (71)	Licensed Attorney in New York State.	2004
Randy B. Blaustein..... (63)	Principal of R.B. Blaustein & Co.	1985
Donna A. Soloway (67)	Columnist for SDM (Security Distribution and Marketing) magazine; member of the Board of Directors of the Alliance of the Guardian Angels; member of the Board of Directors of Lifeline. Ms. Soloway is the wife of Richard L. Soloway, the Chairman and President of the Company.	2001

Name and Age	Principal Occupation	Director Since
Directors to serve until Annual Meeting of Stockholders following Fiscal Year 2016:		
Richard L. Soloway..... (69)	Chairman of the Board of Directors, President and Secretary of the Company.	1972
Kevin S. Buchel..... (62)	Senior Vice President of Operations and Finance and Treasurer of the Company.	1998
Directors to serve until Annual Meeting of Stockholders following Fiscal Year 2017:		
Arnold Blumenthal..... (88)	Group Publisher Emeritus, Security Dealer and Locksmith Ledger magazines, Publisher Security Line and Editor of Metropolitan Burglar/Fire Alarm Association (“MBFAA”).	2001
Andrew J. Wilder..... (64)	Officer of Israeloff, Trattner & Co., independent certified public accountants.	1995

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR”
THE ELECTION OF MESSRS. BEEBER and BLAUSTEIN and MS. SOLOWAY**

Nominees

Mr. Beeber has been a Licensed Attorney in New York State since 1970, focusing on elder law, estate planning and real estate.

The Company believes Mr. Beeber provides practical and legal guidance, insight and perspective with regard to the operations and strategies of the Company and has a deep understanding of the Company as well as its customer and supplier agreements.

Mr. Blaustein has been a Principal in the accounting firm of R.B. Blaustein & Co. since December 2000 and was a Partner in the accounting firm of Blaustein, Greenberg & Co. from July 1991 to November 2000. He has been an attorney since October 1980, specializing in general business and tax matters, and author of six books and numerous articles.

The Company believes Mr. Blaustein brings significant tax and financial expertise, including insight into complex tax issues acquired over his thirty-four year legal career.

Ms. Soloway has been a columnist for several security industry publications since 1992 including Security Dealer and Security Distribution and Marketing (SDM). She also has served on the Board of Directors for the Security Industry Association (SIA) and several of its committees including the Show Planning Committee, the Awards Committee and the SAINTS Committee (Safety, Awareness and Independent through Security). She is currently a board member of Lifeline as well as the Alliance of the Guarding Angels.

The Company believes Ms. Soloway brings significant experience and knowledge of the security industry, specifically in the areas of customer relations, marketing and sales management.

Continuing Directors

Mr. Soloway has been the Company's Chairman of the Board of Directors since October 1981, President since 1998, and Secretary since 1975.

The Company believes Mr. Soloway's qualifications to serve as a director include his over forty years' experience in the security industry and his broad knowledge and understanding of the Company and its operations derived from his thirty-three year service as its Chairman and seventeen year service as its President.

Mr. Buchel has been Senior Vice President of Operations and Finance since April 1995 and Treasurer since May 1998.

The Company believes Mr. Buchel's qualifications to serve as a director include his understanding of the Company and its operations derived from twenty years as our Senior Vice President of Operations and Finance and seventeen years as Treasurer.

Mr. Blumenthal has been Group Publisher Emeritus, Security Dealer and Locksmith Ledger magazines, Publisher Security Line and Editor of MBFAA since 2004, V.P. of Government Security News from 2004 through 2007 and Group Publisher of Security Group of Cygnus Publishing from 1999 through 2003.

The Company believes Mr. Blumenthal brings significant experience and knowledge of the security industry, specifically in the area of sales management, strategic planning and business development acquired during his career in the security business.

Mr. Wilder has been an officer of Israeloff, Trattner & Co., independent certified public accountants, since 1990.

The Company believes Mr. Wilder's qualifications to serve as a director include extensive experience in finance and financial reporting and his corporate governance experience. Our Board of Directors has determined that Mr. Wilder is

an audit committee financial expert.

Other Directorships

During the past five years, none of the directors or nominees has been 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.

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 Leadership Structure

The Board does not have a policy as to whether or not the roles of Chief Executive Officer and Chairman of the Board should be separate. The Board believes that it should be free to make a choice on the leadership structure of the Board from time to time in any manner that is in the best interests of the Company and its stockholders. Currently, and since 1998, Mr. Soloway has served as the Chairman of the Board, CEO and President.

The Board of Directors has not elected a Lead Independent Director. Mr. Wilder, an Independent Director and Chair of the Audit Committee, leads the executive sessions of the Independent Directors.

Board Oversight of Risk

The Company faces a variety of risks including strategic and operational risks, financial and liquidity risks, compliance risks and financial reporting risks. The Board exercises its oversight of the Company's risks through regular reports to the Board from the Chief Executive Officer, and other members of management on areas of material risk, actions and strategies to mitigate those risks and the effectiveness of those actions and strategies.

In addition, the Board oversees risk through oversight by the Audit Committee. The Audit Committee discusses with management the Company's policies with respect to risk assessment and risk management, including the Company's financial risk exposures and the steps management has taken to monitor and control its risks.

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 2015, 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 10, 2014.

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 2015. 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 12.

Compensation Committee

The Compensation Committee assists the Board in discharging its responsibilities relating to compensation of the Company's executive officers. The Compensation Committee determines the compensation of the Company's Chief Executive Officer and the other named executive officers. The Chief Executive Officer makes recommendations on our executive compensation program and the compensation of our named executive officers. In addition, the Committee determines individuals to be granted options under the 2012 Employee Stock Option Plan, the number of options awarded and the term of the options and interprets provisions of such plan. The current members of the Compensation Committee are Randy B. Blaustein (Chairman), Andrew J. Wilder, and Arnold Blumenthal.

The Compensation Committee held one meeting in fiscal year 2015.

The Chief Executive Officer typically attends meetings of the Committee. The Committee's process includes executive sessions where the Committee meets without the presence of the Chief Executive Officer. Neither the Committee nor the Company has engaged a compensation consultant.

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 2015. The current members of the Nominating Committee are Arnold Blumenthal (Chairman), Andrew J. Wilder and Randy B. Blaustein.

Director Nomination Process

In connection with the director selection and nomination process, the Nominating Committee reviews the composition of the Board as a whole and considers the experience, mix of skills and other qualities necessary to assure appropriate Board composition, taking into account the current Board members and specific needs of the Company and the Board. The Nominating Committee considers the requirement that at least a majority of the Board members be independent as required by applicable laws and regulations and also considers any specific expertise necessary for members of Board committees.

The Nominating Committee has adopted a process as follows. It will consider candidates for director nominees proposed by directors, the Chief Executive Officer and stockholders. Potential candidates will be screened and interviewed by the Nominating Committee. All members of the Board may interview the final candidates. The same identifying and evaluating procedures will 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.

The Nominating Committee and the Board seek to identify nominees for election to the Board who, taken together, create a Board with the collective knowledge and experience, derived from the skills and experience of its individual members in a variety of areas that are important to the Company, including industry knowledge and experience, executive management, finance and strategic planning. The information as to each director set forth above on pages 5-7 includes a description of the experience, qualification, attributes or skills that were considered by the Nominating Committee and Board to determine that the individual nominee should serve as a director of the Company.

The Nominating Committee has not adopted a formal policy with regard to the consideration of diversity in identifying director nominees.

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: Secretary

Communications with the Board

You can contact any Director by writing to such Director:

c/o NAPCO Security Technologies, Inc.
333 Bayview Ave.
Amityville, NY 11701
Attention: Secretary

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.

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 Baker Tilly Virchow Krause, LLP ("Baker Tilly");
2. The Audit Committee has discussed with Baker Tilly 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 from Baker Tilly the written disclosures and letter 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 Baker Tilly, Baker Tilly'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, 2015 filed with the Securities and Exchange Commission.

The Audit Committee:

Andrew J. Wilder, Chairman
Paul Stephen Beeber
Arnold Blumenthal

COMPENSATION OF DIRECTORS

The total fiscal year 2015 compensation of non-employee Directors is shown in the following table.

Director Compensation

Name	Fees Earned or Paid in Cash (\$) ⁽¹⁾	Option Awards (\$) ⁽²⁾	All Other Compensation (\$)	Total (\$)
Paul Stephen Beeber	30,000	4,444	-	34,444
Randy B. Blaustein ⁽³⁾	30,000	4,444	6,000	40,444
Arnold Blumenthal	30,000	4,444	-	34,444
Donna A. Soloway	26,000	4,444	-	30,444
Andrew J. Wilder	34,000	4,444	-	38,444

⁽¹⁾ Each director who is not an employee, other than Mr. Blaustein, receives \$5,000 for each Board of Directors meeting attended. Mr. Blaustein receives \$6,000 for each Board of Directors meeting which compensates him for his services as a director as well as for his service as Chair of the Compensation Committee. 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.

⁽²⁾ Amounts reflect the share-based compensation expense recognized by the Company in the year ended June 30, 2015, 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, 2015.

⁽³⁾ During the fiscal year ended June 30, 2015, 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 as follows: Paul Stephen Beeber, a Director, filed one late Form 4 reporting the award of options to purchase 2,000 shares of Common Stock of the Company; Jorge Hevia, Senior Vice President of Corporate Sales and Marketing, filed one late Form 4 reporting the award of options to purchase 5,000 shares of Common Stock of the Company; and Michael Carrieri, Senior Vice President of Engineering, filed one late Form 4 reporting the award of options to purchase 5,000 shares of Common Stock of the Company.

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, and the period during which they have served in these positions.

Name and Age	Position and Office with the Company, Term of Office and Five-Year Employment History
Richard L. Soloway ... (69)	Chairman of the Board of Directors since October 1981; President since 1998; and Secretary since 1975.
Kevin S. Buchel..... (62)	Senior Vice President of Operations and Finance since April 1995; Treasurer since May 1998.
Jorge Hevia..... (57)	Senior Vice President of Corporate Sales and Marketing since May 1999; Vice President of Corporate Sales and Marketing from October 1998 to May 1999.
Michael Carrieri..... (57)	Senior Vice President of Engineering Development since May 2000; Vice President of Engineering Development from September 1999 to May 2000.

EXECUTIVE COMPENSATION

The Summary Compensation Table below sets forth compensation information for our Chief Executive Officer, our Chief Financial Officer and an additional two of our most highly compensated executive officers during fiscal years 2015 and 2014 of the Company.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Option Awards ⁽¹⁾ (\$)	All Other Compensation (\$)	Total (\$)
Richard L. Soloway, ⁽²⁾ Chairman of the Board of Directors, President and Secretary	2015	\$657,392	\$175,000	\$12,000	\$89,416	\$933,808
	2014	619,936	80,500	6,440	88,216	795,092
Kevin S. Buchel, ⁽³⁾ Senior Vice President of Operations and Finance and Treasurer	2015	281,027	70,000	6,160	12,263	369,450
	2014	275,309	28,750	3,300	11,907	319,266
Jorge Hevia, ⁽³⁾ Senior Vice President of Corporate Sales and Marketing	2015	303,072	50,000	6,160	13,126	372,358
	2014	296,906	23,000	3,300	13,708	336,914
Michael Carrieri, ⁽³⁾ Senior Vice President of Engineering Development	2015	271,978	50,000	6,160	9,156	337,294
	2014	268,569	17,250	3,300	9,131	298,250

⁽¹⁾ Amounts reflect the share-based compensation expense recognized by the Company in the fiscal years ended June 30, 2015 and June 30, 2014, 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, 2015.

⁽²⁾ All other compensation for Mr. Soloway for fiscal 2015 includes payment of health and life insurance premiums of \$27,462 and automobile expenses of \$45,736. All other compensation for Mr. Soloway for fiscal 2014 included payment of health and life insurance premiums of \$24,278 and automobile expenses of \$58,575.

⁽³⁾ All other compensation for Messrs. Buchel and Hevia includes payment of life insurance premiums and automobile expenses and for Mr. Carrieri, includes payment of health insurance premiums.

At the 2013 Annual Meeting, stockholders of the Company voted to conduct future advisory votes on executive compensation pursuant to The Dodd-Frank Wall Street Reform and Consumer Protection Act and Section 14A of the Securities Exchange Act of 1934 every three years. Stockholders will have an opportunity to next vote to approve on a non-binding advisory basis the compensation of the Company's named executive officers at the 2016 Annual Meeting of Stockholders.

Outstanding Equity Awards at Fiscal Year-End

Name	Option Awards		Option Exercise Price (\$)	Option Expiration Date
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable		
Richard L. Soloway	37,500	-	11.160	03/24/16
	25,000	-	6.620	10/26/16
	25,000	-	5.890	10/09/17
	4,000	6,000 ⁽¹⁾	5.368	09/09/23
	2,000	8,000 ⁽³⁾	4.807	10/19/24
Kevin S. Buchel	22,500	-	5.733	11/21/15
	5,000	-	6.020	10/26/16
	5,000	-	5.350	10/09/17
	2,000	3,000 ⁽²⁾	4.880	09/09/23
	1,000	4,000 ⁽⁴⁾	4.370	10/19/24
Michael Carrieri	22,500	-	5.733	11/21/15
	5,000	-	6.020	10/26/16
	5,000	-	5.350	10/09/17
	2,000	3,000 ⁽²⁾	4.880	09/09/23
	1,000	4,000 ⁽⁴⁾	4.370	10/19/24
Jorge Hevia	22,500	-	5.733	11/21/15
	5,000	-	6.020	10/26/16
	5,000	-	5.350	10/09/17
	2,000	3,000 ⁽²⁾	4.880	09/09/23
	1,000	4,000 ⁽⁴⁾	4.370	10/19/24

- (1) Options as to 2,000 shares vest on September 9 in each of 2015, 2016 and 2017.
- (2) Options as to 1,000 shares vest on September 9 in each of 2015, 2016 and 2017.
- (3) Options as to 2,000 shares vest on October 20 in each of 2015, 2016, 2017 and 2018.
- (4) Options as to 1,000 shares vest on October 20 in each of 2015, 2016, 2017 and 2018.

Employment Agreements and Potential Payments Upon Termination or Change in Control

The Company has an employment agreement with each of Richard L. Soloway and Jorge Hevia. The agreement with Mr. Soloway, entered into on June 26, 2003, is 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. The Agreement 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, 2015 after a change in control, the Company would have been required to pay him \$2,286,438 pursuant to his employment agreement. In addition, assuming a change of control on June 30, 2015, vesting of options to purchase 14,000 shares of Common Stock of the Company would have been accelerated. The value of such accelerated options would have been \$9,556 based upon the closing price per share of \$5.73 of the Company's Common Stock on the NASDAQ Global Market on June 30, 2015.

Under such agreement, had Mr. Soloway's employment terminated on June 30, 2015 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 \$669,877, \$401,926 and \$2,534,631, respectively.

Mr. Hevia's agreement, as amended, terminates in October 2016 and provides for an annual salary of \$305,813 and for a bonus arrangement for fiscal 2015 based upon increases in net sales. Mr. Hevia's agreement, as amended, 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, 2015, the Company would have been required to pay him \$240,303.

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, 2015 non-voluntarily without cause, the Company would have been required to pay him \$223,619, pursuant to such severance agreement. Mr. Buchel's bonus arrangement for fiscal 2015 was based on increases in each of net sales and net income.

Mr. Carrieri's bonus arrangement for fiscal 2015 was based upon increases in net sales.

In the event of a change of control on June 30, 2015, vesting of options to purchase 7,000 shares of Common Stock of the Company would have been accelerated for each of Messrs. Hevia, Buchel and Carrieri. The value of such accelerated options would have been \$7,990, for each of Messrs. Hevia, Buchel and Carrieri, based upon the closing price per share of \$5.73 of the Company's Common Stock on the NASDAQ Global Market on June 30, 2015.

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

Certain Transactions

On September 17, 2013 the Company repurchased 50,000 shares of its Common Stock from its Chief Executive Officer, Richard L. Solway. The purchase price was \$5.70 per share, the previous business day's closing price on NASDAQ, for an aggregate purchase price of \$285,000. The repurchase was to provide Mr. Solway with the funds for the tax liability associated with the exercise of 135,000 options granted to him under the Company's 2002 Employee Stock Option Plan. The repurchase by the Company was approved by the Board of Directors of the Company, including all of the independent directors.

BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table, together with the accompanying footnotes, sets forth information as of November 5, 2015, 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	6,305,158	33.1%
Alexander Capital Advisors LLC 111 Elm Street New Canaan, CT 06840(3)	2,020,361	10.7%
Kevin S. Buchel	309,420	1.6%
Jorge Hevia	209,736	1.1%
Michael Carrieri	133,044	*
Randy B. Blaustein	109,550	*
Andrew J. Wilder	99,920	*
Donna A. Soloway	32,960	*
Paul Stephen Beeber	4,600	*
Arnold Blumenthal	8,375	*
All executive officers and directors as a group (9 in number) ⁽⁴⁾	7,212,763	37.7%

* Less than 1%

⁽¹⁾ This number includes the number of shares that a person has a right to acquire within sixty (60) days (Soloway – 97,500, Buchel – 15,000, Hevia – 15,000, Carrieri – 15,000, Wilder – 3,800, Blaustein – 3,800, D. Soloway – 3,800, Beeber – 3,800, and Blumenthal – 3,800).

⁽²⁾ Percentages for each person or the group are computed on the basis of 18,950,893 shares of Common Stock outstanding on November 5, 2015, 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 13G/A filed with the Securities and Exchange Commission reporting beneficial ownership as of December 31, 2014. According to the filing, Alexander Capital Advisors LLC has sole power to vote or direct the vote of 791,500 shares and the sole power to dispose or direct the disposition of 2,020,361 shares.

⁽⁴⁾ This number of shares includes (i) 7,051,263 shares as to which officers and directors have sole voting and investment power, and (ii) 161,500 shares that officers and directors have the right to acquire within sixty (60) days.

Item 2. Proposal to Ratify the Selection of Independent Registered Public Accountants

Baker Tilly served as the Company's independent registered public accountants since fiscal 2013. Subject to ratification by our stockholders at the Annual Meeting, it has been selected to serve as our independent registered public accountants for fiscal 2016. Baker Tilly's predecessor, Holtz Rubenstein Reminick LLP ("HRR"), audited our financial statements from fiscal 2009 to fiscal 2012. A representative of Baker Tilly will be present at the annual meeting, with an opportunity to make a statement if he or she desires to do so, and will be available to respond to appropriate questions.

If the selection of Baker Tilly is not ratified, or if before the next Annual Meeting of Stockholders it declines to act or otherwise becomes incapable of acting, or if its engagement is otherwise discontinued by the Audit Committee, the Audit Committee will appoint other independent registered accountants whose engagement for any period after the next Annual Meeting will be subject to stockholder approval at that meeting.

Principal Accountant Fees

The fees billed for professional services for fiscal year 2015 and 2014 by Baker Tilly for professional services were as follows:

	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2014</u>
Audit Fees ⁽¹⁾	\$197,500	\$187,500
Audit Related Fees	-	-
Tax Fees	-	-
All Other Fees ⁽²⁾	15,500	15,000

⁽¹⁾ Includes audit of financial statements, SAS 100 reviews and consultations for 2015 and 2014, respectively.

⁽²⁾ Includes services related to the audit of the Company's employee benefit plan for the plan years ended December 31, 2015 and 2014, respectively.

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 years 2015 and 2014, 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 2016 Annual Meeting, and who wish to have such proposals included in the Company's Proxy Statement for the 2016 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 8, 2016. 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 2016 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 21, 2016.

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 for 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 5, 2015

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 2015, 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.

Notes

**PROXY FOR ANNUAL MEETING OF STOCKHOLDERS
OF
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 hereby appoints Richard L. Soloway and Kevin S. Buchel, or either of them, each with full power of substitution, proxies of the undersigned to vote all shares of common stock of NAPCO Security Technologies, Inc. (the "Company") which the undersigned is entitled to vote at the Annual Meeting of Stockholders of the Company to be held on Wednesday, December 9, 2015 at 12:00 p.m. at the offices of the Company at 333 Bayview Avenue, Amityville, New York, and all adjournments thereof, as fully and with the same force and effect as the undersigned might or could do if personally present thereat.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED. IF NO DIRECTION IS INDICATED, IT WILL BE VOTED IN ACCORDANCE WITH THE BOARD OF DIRECTORS' RECOMMENDATIONS. THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE NOMINEES LISTED IN ITEM 1 ON THE REVERSE SIDE AND A VOTE FOR THE APPROVAL OF ITEM 2.

Continued, and to be marked, dated and signed on the reverse side
Please mail this proxy in the enclosed envelope as promptly as possible.

▲ FOLD HERE • DO NOT SEPARATE • INSERT IN ENVELOPE PROVIDED ▲

Important Notice Regarding Internet Availability of Proxy Materials for the Annual Meeting: The Notice and Proxy Statement, Form of Proxy Card, and 2015 Annual Report are available at www.napcosecurity.com/2015annualmeeting.pdf.

**PROXY FOR THE 2015 ANNUAL MEETING OF STOCKHOLDERS
OF
NAPCO SECURITY TECHNOLOGIES, INC.**

**333 Bayview Avenue
Amityville, New York 11701**

YOUR VOTE IS IMPORTANT. PLEASE VOTE TODAY



**2015 ANNUAL
MEETING OF STOCKHOLDERS**

**DECEMBER 9, 2015
12:00 P.M.**

**THIS PROXY IS SOLICITED ON BEHALF
OF THE BOARD OF DIRECTORS**

**Please Be Sure To Mark, Sign, Date and Return Your Proxy Card
in the Envelope Provided**

▲ FOLD HERE • DO NOT SEPARATE • INSERT IN ENVELOPE PROVIDED ▲

PROXY

Please mark
your votes
like this



The Board Recommends a vote **FOR** item 1 and item 2

1. Election of **THREE** Directors:

1. Paul Stephen Beeber

	FOR	WITHHOLD
	<input type="checkbox"/>	<input type="checkbox"/>

2. Randy B. Blaustein

	FOR	WITHHOLD
	<input type="checkbox"/>	<input type="checkbox"/>

3. Donna A. Soloway

	FOR	WITHHOLD
	<input type="checkbox"/>	<input type="checkbox"/>

2. Ratification of Baker Tilly Virchow Krause, LLP as the
Company's 2016 Independent Registered Public Accountants:

	FOR	AGAINST	ABSTAIN
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

COMPANY ID:

PROXY NUMBER:

3. In accordance with their best judgment with respect to any
other business that may properly come before the Annual Meeting.

ACCOUNT NUMBER:

Signature _____ **Signature** _____ **Date** _____, 2015.

Please sign as name(s) appear(s) hereon. Proxies should be dated when signed. While signing as attorney, executor, administrator, trustee or guardian, the full title of such should be given. Only authorized officers should sign for a corporation. If shares are registered in more than one name, each joint owner should sign.