

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)

/X/

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934 [Fee Required]
For the fiscal year ended June 30, 1995

or

/ /

Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934 [No Fee Required]
For the Transition period from _____ to _____

COMMISSION FILE NUMBER: 0-10004

NAPCO SECURITY SYSTEMS, INC.

(Exact name of Registrant as specified in its charter)

Delaware

11-2277818

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer I.D. Number)

333 Bayview Avenue, Amityville, New York 11701
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:
(516) 842-9400

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

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

Common Stock, par value \$.01 per share

(Title of Class)

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 X No
--- ---

As of September 26, 1995, 4,367,727 shares of Common Stock were
outstanding, and the aggregate market value of the stock (based upon the last
sale price of the stock on such date) held by non-affiliates was approximately
\$10,919,317.

Documents Incorporated by Reference: Portions of the Registrant's
Proxy Statement in connection with its 1995 Annual Meeting of Stockholders are
incorporated by reference in Part III.

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. / /

ITEM 1. BUSINESS.

NAPCO Security Systems, Inc. ("NAPCO") was incorporated in December 1971 in the State of Delaware for the purpose of acquiring National Alarm Products Co., Inc., a New Jersey corporation founded in 1969 ("National"). In December 1971, NAPCO issued an aggregate of 300,000 shares of its common stock, par value \$.01 per share ("Common Stock"), to the stockholders of National in exchange for all of the issued and outstanding capital stock of National, after which National was merged into NAPCO.

NAPCO and its subsidiaries (collectively, the "Company") are engaged in the development, manufacture, distribution and sale of security alarm products and door security devices (the "Products") for commercial and residential installations.

Products

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 predesignated telephone numbers. 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 prints out 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. For marketing purposes, the Company refers to its control panels by the trade name, generally "Magnum Alert(TM)" followed by a numerical designation.

Combination Control Panels/Digital Communicators and Digitkey Systems. A combination control panel, digital communicator and a digital keypad (a plate with push button numbers as on a telephone, which eliminates the need for mechanical keys) has continued to grow rapidly in terms of dealer

and consumer preference. Benefits of the combination format include the cost efficiency resulting from a single micro-computer function, as well as the reliability and ease of installation gained from the simplicity and sophistication of micro-computer technology.

Door Security Devices. The Company manufactures a variety of exit alarm locks ranging from simple dead bolt locks to door alarms.

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 infra-red heat detectors and combination microwave/ passive infra-red detectors that are linked to alarm control panels. Passive infra-red 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.

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. A substantial amount of the Company's efforts are expended to develop and improve the Products. During the fiscal years ended June 30, 1995, 1994 and 1993, the Company expended approximately \$3,252,000, \$2,883,000, and \$2,680,000, respectively, on Company-sponsored research and development activities conducted by its engineering department and outside consultants. Substantially all of the Company's research and development activities during fiscal 1995, 1994 and 1993 were conducted by its engineering department. The Company intends to continue to conduct a significant portion of its future research and development activities internally.

Employees

As of June 30, 1995, the Company had approximately 1,100 full-time employees.

Marketing and Major Customers

The Company's staff of approximately 35 sales and marketing support employees located at the Company's headquarters sells and markets the Products directly to independent distributors and

wholesalers of security alarm and security hardware equipment. Management estimates that these channels of distribution represented approximately 95% of the Company's total sales for the fiscal year ended June 30, 1995. 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 cities. Some of the Company's products are marketed under the "private label" of certain customers.

Sales to A.D.T., Ademco Distribution (A.D.I.), and King Alarm, each unaffiliated with the Company, together accounted for approximately 39% and 37% of the Company's total sales for the fiscal years ended June 30, 1995 and 1994 (see footnote 10 to Notes to Consolidated Financial Statements as to percentage breakdown). The loss of any of these customers could have a material adverse effect on the Company's business.

Competition

The security alarm products industry is highly competitive. The Company's primary competitors are comprised of approximately 30 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. Certain 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 price 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, reputation and its ability to provide Products to customers without delay. 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 have become available in past years and 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.

Raw Materials and Backlog

The Company prepares specifications for component parts used in the Products and purchases the components from outside sources or fabricates the component part 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.

In general, orders for the Products are processed by the Company from inventory. A backlog of approximately \$5,152,000 existed as of June 30, 1995, partially due to several large orders received during the fourth quarter. This compared to a backlog of approximately \$5,764,000 a year ago. This decrease was due to the Company's effort to fill orders more quickly.

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 of the Company 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.

Patents

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.

Foreign Sales

The revenues, operating income and identifiable assets attributable to the foreign and domestic operations of the Company for its last three fiscal years, and the amount of export sales in the aggregate, are summarized in the following tabulation.

Financial Information Relating to Foreign
and Domestic Operations and Export Sales(1)

	1995 ----	1994 ----	1993 ----
	(in thousands)		
Sales to unaffiliated customers:			
United States	\$48,078	\$46,873	\$46,560
Foreign	0	0	0
Operating income:			
United States	\$ 2,331	\$ 2,216	\$ 3,097
Foreign	0	0	0
Sales or transfers between geographic areas:	\$36,023	\$36,507	\$37,936
Identifiable assets:			
United States	\$36,031	\$31,297	\$31,899
Foreign	19,708	22,513	19,334
Export sales:			
United States(2)	\$ 8,865	\$ 7,795	\$ 6,013

ITEM 2. PROPERTIES.

The Company has 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. The Company constructed this facility with the proceeds from an industrial revenue bond financing in 1985.

The Company's foreign subsidiary, NSS Caribe, S.A., is located in the Dominican Republic where it owns a building of approximately 167,000 square feet of production and warehousing space. That subsidiary also leases the land associated with this building under a 99 year lease expiring in the year 2092. The foreign subsidiary also leases one building of approximately

(1) Certain prior year amounts have been reclassified to conform to current year presentation.

(2) Export sales from the United States in fiscal year 1995 included sales of approximately \$5,038,000 and \$1,523,000 to Europe and North America, respectively. Export sales from the United States in fiscal year 1994 included sales of approximately \$3,089,000 and \$2,040,000 to Europe and North America, respectively.

16,000 square feet, which it plans to terminate in fiscal year 1996. As of June 30, 1995, most of the Company's sales related to labor on assemblies, goods and subassemblies at these sites, 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, other than as follows:

C&K Systems, Inc. ("C&K") brought a patent infringement action against the Company, alleging that NAPCO infringes and induces others to infringe upon a patent on a C&K component used in computerized security systems. The Company brought its own action and counterclaims involving the infringement by C&K of NAPCO patents. The parties reached a settlement agreement that permits each company to continue manufacturing and marketing its existing product lines. In the Company's opinion, the settlement does not have a material adverse effect on its financial condition and results of operations.

In May of 1995 the Company was advised of an unexpected Chapter 7 bankruptcy filing of one of its customers. As a result of anticipated cash recoveries, management is confident that the Company's allowance for doubtful accounts at June 30, 1995 is sufficient and that this bankruptcy filing will not have a material adverse effect on the Company.

In August 1995, the Internal Revenue Service informed the Company that it had completed the audit of the Company's Federal tax returns for fiscal years 1987 through 1992. The Internal Revenue Service has issued a report to the Company proposing adjustments that would result in taxes due of approximately \$4.3 million, excluding interest charges. The primary adjustments presented by the Internal Revenue Service relate to intercompany pricing and royalty charges, DISC earnings and charitable contributions. The Company disagrees with the IRS and intends to vigorously appeal this assessment using all remedies and procedural actions available under the law. The Company believes that it has provided adequate reserves at June 30, 1995 to address the ultimate resolution of this matter, so that it will not have a material impact on the Company's consolidated financial statements. (See Note 4 to Consolidated Financial Statements.)

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK
AND RELATED SECURITY HOLDER MATTERS.

Principal Market

NAPCO's Common Stock became publicly traded in the over-the-counter ("OTC") market in 1972. In December 1981, the Common Stock was approved for reporting by the National Association of Securities Dealers Automated Quotation System ("NASDAQ") under the symbol "NSSC", and in November 1984 the Common Stock was designated by NASDAQ as a National Market System Security, which has facilitated the development of an established public trading market for the Common Stock. 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 National Market System.

Quarter Ended				
Fiscal 1995				
	Sept. 30	Dec. 31	March 31	June 30
Common Stock				
High	\$4.00	\$4.00	\$2.95	\$3.13
Low	\$3.00	\$2.63	\$2.25	\$2.13

Quarter Ended				
Fiscal 1994				
	Sept. 30	Dec. 31	March 31	June 30
Common Stock				
High	\$6.88	\$6.88	\$5.00	\$4.75
Low	\$4.75	\$4.00	\$4.25	\$3.13

Approximate Number of Security Holders

The number of holders of record of NAPCO's Common Stock as of September 26, 1995 was 305 (such number does not include beneficial owners of stock held in nominee name).

Dividend Information

NAPCO has declared no cash dividends during the past three years with respect to its Common Stock, and the Company does not anticipate paying any cash dividends in the foreseeable future.

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ITEM 6. SELECTED FINANCIAL DATA.

NAPCO SECURITY SYSTEMS, INC. AND SUBSIDIARIES

	Years Ended June 30				
	1995	1994	1993	1992	1991
	-----	-----	-----	-----	-----
	(in thousands, except for per share data)				
Operations					
Revenue	\$48,078	\$46,873	\$46,560	\$38,816	\$36,193
Gross Profit	11,325	11,068	11,925	9,623	8,839
Provision for (recovery of)					
Income Taxes	532	37	(32)	(796)	(410)
Net Income	512	1,254	2,317	1,406	511
Net Income per Share	.12	.29	.53	.32	.12
Cash Dividends per Share(3)	0	0	0	0	0

	As of June 30				
	1995	1994	1993	1992	1991
	-----	-----	-----	-----	-----
	(in thousands, except for per share data)				
Financial Condition					
Total Assets	\$55,739	\$53,810	\$51,233	\$45,475	\$40,720
Long-term Debt	15,923	13,690	6,567	7,950	2,480
Working Capital	28,660	28,033	19,936	19,038	12,472
Stockholders' Equity	28,560	28,048	26,793	24,474	23,068
Stockholders' Equity per Outstanding Share	6.54	6.42	6.14	5.60	5.28

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

Liquidity and Capital Resources

The Company's cash on hand combined with proceeds from operating and financing activities during fiscal 1995 were adequate to meet the Company's capital expenditure needs. The primary source of financing related to borrowings under a \$2,000,000 short-term line of credit and a \$11,000,000 secured revolving credit and term loan facility with two banks. The Company expects that cash generated from operations and cash available under the Company's bank line of credit will be adequate to meet its short-term liquidity requirements. The Company's primary

(3) The Company has never declared or paid a cash dividend on its common stock. It is the policy of the Board of Directors to retain earnings for use in the Company's business.

internal source of liquidity is the cash flow generated from operations. As of June 30, 1995, the Company's unused sources of funds consisted principally of \$368,000 in cash and approximately \$1,500,000 (after direct borrowings) which represent the unused portion of its secured short-term borrowing facility.

On July 27, 1994, the Company entered into an \$11,000,000 secured revolving credit and term loan facility with two banks, with the Company's primary bank acting as agent. The revolving credit loan, which bears interest based upon a number of options available to the Company and does not require principal payments until conversion, converts to a term loan on June 30, 1997 payable in sixteen (16) equal quarterly installments beginning on September 30, 1997. In addition, on July 28, 1994, the Company entered into a separate \$2,000,000 line of credit with its primary bank to be used in connection with commercial letters of credit and standby letters of credit. As of June 30, 1995 approximately \$589,000 represented the unused portion of this credit line.

In addition, a subsidiary of the Company maintains a \$4,500,000 line of credit with another bank, \$4,050,000 of which was outstanding as of June 30, 1995 (see Note 6 to the Consolidated Financial Statements).

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

	1995 ----	1994 ----	1993 ----
Current Ratio	3.5 to 1	3.3 to 1	2.1 to 1
Sales to Receivables	3.5 to 1	3.2 to 1	3.9 to 1
Total Debt to Equity	1 to 1	.9 to 1	.9 to 1

In fiscal 1988, the Company completed construction of a new manufacturing and administrative facility financed by a \$3.9 million industrial revenue bond issue bearing interest at a variable rate determined weekly by the underwriting bank based upon market conditions. During fiscal 1995, the average interest rate was approximately 3.7% per annum. The bonds have a maturity date of April 1, 2000, subject to quarterly sinking fund payments.

On April 26, 1993, the Company's foreign subsidiary entered into a 99-year land lease of approximately 4 acres of land near its former facility in the Dominican Republic, at an annual cost of approximately \$272,000. The foreign subsidiary has recently relocated to this site after construction of a new facility pursuant to a separate contract dated May 6, 1993.

As of June 30, 1995, the Company had no material commitments for purchases or capital expenditures.

Working Capital. Working capital increased by \$627,000 to \$28,660,000 at June 30, 1995 from \$28,033,000 at June 30, 1994. This was primarily due to a decrease in accounts payable resulting from improved cash flow.

Accounts Receivable. Accounts receivable decreased by \$1,040,000 to \$13,647,000 at June 30, 1995 from \$14,687,000 at June 30, 1994. This decrease is primarily the result of customers receiving payment terms that are more favorable to the Company, as well as an increase in the Company's allowance for doubtful accounts.

Inventory. Inventory increased by \$565,000 to \$24,178,000 at June 30, 1995 as compared to \$23,613,000 at June 30, 1994. This increase is due primarily to the effect of the Company's building up of inventory levels in conjunction with the move to its new production facility. With the move virtually complete by May, 1995, the Company started to reduce inventory during the fourth quarter of Fiscal 1995.

Accounts Payable. Accounts payable decreased by \$1,875,000 to \$4,001,000 at June 30, 1995 from \$5,876,000 at June 30, 1994. This decrease is primarily the result of improved cash flow from accounts receivable collections, as well as increased efforts to reduce its on-hand raw materials inventory requirements.

Results of Operations

Fiscal 1995 Compared to Fiscal 1994

Revenue. Revenue in fiscal 1995 increased \$1,205,000, or approximately 2.6%, to \$48,078,000 from \$46,873,000 in fiscal 1994. This increase is primarily the result of increased export sales. In addition, the Company was able to achieve this increase despite the Chapter 7 bankruptcy filing of one of its major customers.

Gross Profits. The Company's gross profits increased \$257,000 to \$11,325,000 or 23.6% of the sales in fiscal 1995 from \$11,068,000 or 23.6% of sales in fiscal 1994. The increase in gross profit is primarily due to the higher sales as previously discussed.

Expenses. Selling, general and administrative expenses in fiscal 1995 increased 1.6% or \$142,000 to \$8,994,000 or 18.7% of sales from \$8,852,000 or 18.9% of sales in fiscal 1994. This increase is the result of additional legal fees associated with the litigation and settlement between the Company and C&K and additional bad debt expense related to the bankruptcy of one of the Company's major customers. Offsetting these additional expenses were decreases resulting from general cost control procedures established by management.

Other Expenses. Other expenses in fiscal 1995 increased 39.2% to \$1,287,000 from \$925,000 in fiscal 1994. This increase is principally the result of increased interest expense due to increased borrowings attributable to the construction of the Company's manufacturing facility in the Dominican Republic, as well as higher interest rates.

Income Taxes. Provision for income taxes increased \$495,000 to \$532,000 or approximately 51% of income before provision for income taxes during fiscal 1995. This compared to a provision of \$37,000 or 3% of income before provision for income taxes during fiscal 1994. This increase is primarily attributable to the accrual of taxes on previously deferred DISC earnings. (See Item 3 and Note 4 to the Consolidated Financial Statements).

Fiscal 1994 Compared to Fiscal 1993

Revenue. Revenue in fiscal 1994 increased slightly to \$46,873,000 from \$46,560,000 in fiscal 1993. The Company was able to maintain this level of sales despite continued general price erosion in the marketplace.

Gross Profit. The Company's gross profit decreased \$857,000 to \$11,068,000 or 23.6% of sales in fiscal 1994 from \$11,925,000 or 25.6% of sales in fiscal 1993. The change in gross profit is primarily the result of a change in product mix, resulting in part from an industry trend toward lower-priced, higher value-per-dollar products.

Expenses. Selling, general and administrative expenses in fiscal 1994 also remained relatively flat, increasing by \$24,000 to \$8,852,000 from \$8,828,000 in fiscal 1993.

Other Expenses. Other expenses in fiscal 1994 increased by \$113,000 to \$925,000 as compared to \$812,000 in fiscal 1993. This increase is principally the result of increased interest expense, which relates to increased borrowings attributable to capital expenditures.

Income Taxes. The Company had a provision for income taxes of \$37,000 in fiscal 1994 as compared to a recovery of income taxes of \$32,000 in fiscal 1993. The Company's effective income tax rate as a percentage of income before taxes was approximately 2.9% as compared to a recovery of 1.4% in fiscal 1993. The low income tax rate in fiscal 1994 as well as the recovery rate in fiscal 1993 were both principally attributable to the benefit of non-taxable foreign source income and utilization of net operating loss carryforwards. During fiscal 1994 the Company implemented Statement of Financial Accounting Standards (SFAS) No. 109, Accounting For Income Taxes (see Note 4 to Consolidated

Financial Statements). The implementation of SFAS No. 109 did not have a significant impact on the Company's financial condition and results of operations.

Effects of Inflation

During the three-year period ended June 30, 1995, inflation and changing prices did not have a significant impact on the Company's operations.

NAPCO SECURITY SYSTEMS, INC. AND SUBSIDIARIES

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Napco Security Systems, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Napco Security Systems, Inc. (a Delaware corporation) and subsidiaries as of June 30, 1995 and 1994, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended June 30, 1995. These consolidated financial statements and the schedules referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Napco Security Systems, Inc. and subsidiaries as of June 30, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1995 in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the index to consolidated financial statements are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, fairly state in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Melville, New York
October 6, 1995

NAPCO SECURITY SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 1995 AND 1994

ASSETS

1995

1994

(in thousands, except share data)

CURRENT ASSETS:

Cash and cash equivalents	\$ 368	\$ 1,335
Accounts receivable, less allowance for doubtful accounts of \$662 and \$454, respectively	13,647	14,687
Inventories, net	24,178	23,613
Prepaid expenses and other current assets	445	470
Deferred income tax benefits, net of valuation allowance of approximately \$-0- and \$2,200, respectively	1,278	--
	-----	-----
Total current assets	39,916	40,105

PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation and amortization of approximately \$8,013 and \$6,824, respectively

12,503 10,360

EXCESS OF COST OVER FAIR VALUE OF ASSETS ACQUIRED, net of accumulated amortization of approximately \$828 and \$721, respectively

2,913 3,020

DEFERRED FINANCING COSTS, net

70 85

OTHER ASSETS

337 240

\$ 55,739 \$ 53,810
=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Current portion of long-term debt	\$ 2,182	\$ 2,596
Notes payable to bank	500	-
Accounts payable	4,001	5,876
Accrued expenses	772	733
Accrued salaries and wages	593	608
Accrued taxes	3,208	2,259
	-----	-----
Total current liabilities	11,256	12,072

LONG-TERM DEBT

15,275 13,690

DEFERRED INCOME TAXES

648 -

Total liabilities

27,179 25,762

COMMITMENTS (Note 11)

STOCKHOLDERS' EQUITY:

Common stock, par value \$.01 per share; authorized 21,000,000 shares; issued 5,896,602 shares as of both June 30, 1995 and 1994	59	59
Additional paid-in capital	719	719
Retained earnings	27,783	27,271
Less: Treasury stock, at cost (1,528,875 shares)	(1)	(1)
	-----	-----
Total stockholders' equity	28,560	28,048
	-----	-----
	\$ 55,739	\$ 53,810
	=====	=====

The accompanying notes are an integral part of these consolidated balance sheets.

NAPCO SECURITY SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED JUNE 30, 1995, 1994 AND 1993

	1995 (in thousands,	1994 except per share data)	1993
NET SALES	\$ 48,078	\$ 46,873	\$ 46,560
COST OF SALES	36,753 -----	35,805 -----	34,635 -----
Gross profit	11,325	11,068	11,925
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	8,994 -----	8,852 -----	8,828 -----
Operating income	2,331 -----	2,216 -----	3,097 -----
OTHER INCOME (EXPENSE):			
Interest income	14	13	33
Interest expense	(1,412)	(816)	(773)
Other, net	111 -----	(122) -----	(72) -----
	(1,287) -----	(925) -----	(812) -----
Income before provision for (recovery of) income taxes	1,044	1,291	2,285
PROVISION FOR (RECOVERY OF) INCOME TAXES	532 -----	37 -----	(32) -----
Net income	\$ 512 =====	\$ 1,254 =====	\$ 2,317 =====
EARNINGS PER SHARE	\$.12 =====	\$.29 =====	\$.53 =====
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	4,390 =====	4,395 =====	4,406 =====

The accompanying notes are an integral part of these
consolidated statements.

NAPCO SECURITY SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED JUNE 30, 1995, 1994 AND 1993

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
	Number of Shares	Amount				
	-----	-----	-----	-----	-----	-----
			(Dollars in thousands)			
BALANCE AT JUNE 30, 1992	5,895,402	\$59	\$716	\$23,700	\$(1)	\$24,474
Net income for the year ended June 30, 1993	-	-	-	2,317	-	2,317
Exercise of stock option	600	-	2	-	-	2
	-----	---	----	-----	---	-----
BALANCE AT JUNE 30, 1993	5,896,002	59	718	26,017	(1)	26,793
Net income for the year ended June 30, 1994	-	-	-	1,254	-	1,254
Exercise of stock options	600	-	1	-	-	1
	-----	---	----	-----	---	-----
BALANCE AT JUNE 30, 1994	5,896,602	59	719	27,271	(1)	28,048
Net income for the year ended June 30, 1995	-	-	-	512	-	512
	-----	---	----	-----	---	-----
BALANCE AT JUNE 30, 1995	5,896,602	\$59	\$719	\$27,783	\$(1)	\$28,560
	=====	===	====	=====	===	=====

The accompanying notes are an integral part of
these consolidated statements.

NAPCO SECURITY SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 1995, 1994 AND 1993

	1995 -----	1994 ----- (in thousands)	1993 -----
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 512	\$ 1,254	\$ 2,317
Adjustments to reconcile net income to net cash provided by (used in) operating activities-			
Depreciation and amortization	1,357	1,482	1,352
Provision for bad debts	212	77	152
Deferred income taxes	(320)	--	(104)
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable	828	(2,676)	(2,821)
Decrease in income tax receivable	--	--	1,560
Decrease (increase) in inventories	(565)	795	(4,331)
Decrease (increase) in prepaid expenses and other current assets	25	(28)	65
(Increase) in other assets	(97)	(134)	(40)
Increase (decrease) in accounts payable and accrued liabilities	(1,259)	612	1,483
	-----	-----	-----
Net cash provided by (used in) operating activities	693	1,382	(367)
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(3,332)	(1,629)	(1,246)
	-----	-----	-----
Net cash used in investing activities	(3,332)	(1,629)	(1,246)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from short-term notes payable to bank	500	1,650	2,450
Principal payments on notes payable to bank	(8,100)	--	--
Principal payments on capital lease obligation	(21)	(28)	(40)
Principal payments on long-term debt	(1,925)	(2,325)	(1,175)
Proceeds from long-term debt borrowings	11,218	1,413	825
Proceeds from issuance of common stock	--	1	2
	-----	-----	-----
Net cash provided by financing activities	1,672	711	2,062
	-----	-----	-----
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(967)	464	449
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,335	871	422
	-----	-----	-----
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 368	\$ 1,335	\$ 871
	=====	=====	=====
CASH PAID DURING THE YEAR FOR:			
Interest	\$ 1,388	\$ 914	\$ 767
	=====	=====	=====
Income taxes	\$ 61	\$ 42	\$ 4
	=====	=====	=====

The accompanying notes are an integral part of these consolidated statements.

NAPCO SECURITY SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1995, 1994 AND 1993

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Napco Security Systems, Inc. and subsidiaries (the "Company") is engaged principally in the development, manufacture and distribution of security devices for commercial and residential use.

Principles of Consolidation

The consolidated financial statements include the accounts of Napco Security Systems, Inc. and all of its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Company classifies mutual fund investments and other highly liquid investments with original maturities of three months or less as cash equivalents. Cash and cash equivalents are stated at cost which approximates market value.

Inventories

Inventories are valued at the lower of cost or market which is determined by the first-in, first-out (FIFO) method.

Property, Plant and Equipment

Property, plant and equipment is carried at cost. Depreciation is recorded over the estimated service lives of the related assets using primarily the straight-line method. Amortization of leasehold improvements is provided for by the straight-line method over the estimated useful life of the asset or lease term, whichever is shorter.

Excess of Cost Over Fair Value of Assets Acquired

The excess of cost over fair value of assets acquired is being amortized on a straight-line basis over 35 years.

Deferred Financing Costs

Deferred financing costs associated with the issuance of the Industrial Revenue Bonds (see Note 6 (c)), and from obtaining the revolving credit and term loan facility (see Note 6(a)) are being amortized on a straight-line basis over the respective terms of the related debt.

Revenue

Revenue is recognized upon shipment of the Company's products to its customers.

Income Taxes

The Company accounts for the research and development credit as a reduction of income tax expense in the year in which such credits are allowable for tax purposes. The provision for income taxes represents U.S. Federal and State taxes on income generated from U.S. operations. Income generated by the Company's foreign subsidiary is non taxable.

In prior years, the Company did not provide for income taxes on the undistributed earnings of its Domestic International Sales Corporation ("DISC") subsidiary because it was the Company's intent to continue the subsidiary's qualification for tax deferral. Due to the shifting of manufacturing outside the U.S., management determined in fiscal 1995 that the DISC no longer qualified for continued tax deferral. As a result, previously deferred earnings of the DISC totalling \$2,031,000 must now be reported over a ten year period in the Company's future tax returns. This liability has been fully accrued for in fiscal 1995.

The Company does not provide for income taxes on the undistributed earnings of its foreign subsidiary because such earnings are reinvested abroad and it is the intention of management that such earnings will continue to be reinvested abroad. As of June 30, 1995 and 1994, approximately \$16,441,000 and \$15,919,000 in cumulative earnings of the foreign subsidiary are included in consolidated retained earnings.

Earnings Per Share

Earnings per share is computed based upon the weighted average number of common shares and common stock equivalents (options) outstanding. Fully diluted earnings per share does not materially differ from the earnings per share presented in the consolidated statements of income.

Reclassifications

Certain prior year balances have been reclassified to conform with the current year presentation.

2. INVENTORIES:

Inventories, net, at June 30, 1995 and 1994, consist of the following:

	1995	1994
	-----	-----
	(in thousands)	
Component parts	\$ 9,706	\$10,471
Work-in-process	6,539	6,022
Finished products	7,933	7,120
	-----	-----
	\$24,178	\$23,613
	=====	=====

3. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consists of the following:

	June 30,		Depreciation/ amortization- annual rates
	1995	1994	
	(in thousands)		
Land	\$ 904	\$ 904	-
Building	8,595	6,014	3%
Molds and dies	1,971	1,719	20%
Furniture and fixtures	1,005	925	10% to 20%
Machinery and equipment	7,633	7,229	10% to 33%
Leasehold improvements	408	393	Shorter of the lease term or life of asset
	-----	-----	
	20,516	17,184	
Less: Accumulated depreciation and amortization	8,013	6,824	
	-----	-----	
	\$12,503	\$10,360	
	=====	=====	

Depreciation and amortization expense on property, plant and equipment was approximately \$1,189,000, \$1,304,000 and \$1,231,000 for fiscal 1995, 1994 and 1993, respectively.

4. INCOME TAXES:

The Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes", effective July 1, 1993. The implementation of SFAS No. 109 did not have a material impact on the Company's financial statements included in their Form 10-Q filings during fiscal 1994. SFAS No. 109 requires recognition of deferred tax liabilities and assets for the estimated future tax effects of events that have been recognized in the Company's financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse.

In August 1995, the Internal Revenue Service informed the Company that it had completed the audit of the Company's Federal tax returns for fiscal years 1987 through 1992. The Internal Revenue Service has issued a report to the Company proposing adjustments that would result in taxes due of approximately \$4.3 million excluding interest charges. The primary adjustments presented by the Internal Revenue Service relate to intercompany pricing and royalty charges, DISC earnings and charitable contributions. The Company disagrees with the IRS and intends to vigorously appeal this assessment using all remedies and procedural actions available under the law. The Company believes that it has provided adequate reserves at June 30, 1995 to address the ultimate resolution of this matter, so that it will not have a material adverse effect on the Company's consolidated financial statements.

Deferred tax benefits at June 30, 1994 were fully offset by valuation allowances since the Company's U.S. operations had accumulated a significant net operating loss carryforward and realization of these deferred tax benefits was not considered more likely than not at that time. As a result of the U.S. operations generating income in fiscal 1995, management now believes it is more likely than not that the Company will realize the benefit of the net deferred tax assets existing at June 30, 1995. Accordingly, the Company has not reflected any valuation allowance against the deferred tax assets at June 30, 1995. Furthermore, management believes that the existing net deductible temporary differences will reverse during periods in which the Company generates net taxable income. There can be no assurance, however, that the Company will generate taxable earnings or any specific level of continuing earnings in the future.

The deferred tax assets and deferred tax liabilities recorded on the Company's consolidated balance sheet at June 30, 1995 are as follows (in thousands):

	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Asset (Liabilities)
	-----	-----	-----
Current:			
Bad debt reserve	\$ 265	\$ --	\$ 265
Uniform cost capitalization for inventory	431	--	431
Vacation accrual	127	--	127
Inventory reserves	499	--	499
Other	64	108	(44)
	-----	-----	-----
	1,386	108	1,278
	-----	-----	-----
Noncurrent:			
Depreciation	--	648	(648)
	-----	-----	-----
	--	648	(648)
	-----	-----	-----
Total deferred taxes	\$ 1,386	\$ (756)	\$ 630
	=====	=====	=====

Components of income before provision for (recovery of) income taxes are as follows:

	For the Years Ended June 30,		
	-----	-----	-----
	1995	1994	1993
	-----	-----	-----
	(in thousands)		
United States	\$ 522	\$ 244	\$(2,669)
Foreign	522	1,047	4,954
	-----	-----	-----
	\$ 1,044	\$ 1,291	\$ 2,285
	=====	=====	=====

Provision for (recovery of) income taxes consists of the following:

	For the Years Ended June 30,		
	1995	1994	1993
	(in thousands)		
Taxes currently payable (receivable):			
Federal	\$ 35	\$--	\$--
State	48	37	72
	83	37	72
Taxable DISC earnings and other	769	--	--
Federal deferred income tax benefit	(320)	--	(104)
	====	====	====
Provision for (recovery of) income taxes	\$ 532	\$ 37	\$ (32)

For fiscal 1993, the source of the deferred tax benefit, computed in accordance with Accounting Principles Board Opinion No. 11, was the utilization of net operating loss carryforwards.

The following analysis reconciles the statutory Federal income tax rate to the effective tax rate:

	1995		1994		1993	
	Amount	% of pre-tax income	Amount	% of pre-tax income	Amount	% of pre-tax income
	(in thousands, except percentages)					
Tax at Federal statutory rate	\$ 355	34.0%	\$ 439	34.0%	\$ 777	34.0%
Increases (decreases) in taxes resulting from:						
State income taxes, net of Federal income tax benefit	32	3.1	24	1.9	48	2.1
Amortization of excess of cost over fair value of assets acquired	36	3.6	36	2.8	36	1.6
Non-taxable foreign source income	(177)	(17.0)	(356)	(27.6)	(826)	(36.1)
Taxes on previously deferred DISC earnings, net	563	53.9	--	--	--	--
Utilization of net operating loss carryforward	(348)	(33.3)	(70)	(5.4)	(104)	(4.6)
Other, net	71	6.7	(36)	(2.8)	37	1.6
	-----	-----	-----	-----	-----	-----
Provision for (recovery of) income taxes	\$ 532	51.0%	\$ 37	2.9%	\$ (32)	(1.4)%
	=====	=====	=====	=====	=====	=====

Foreign income taxes are not provided on income generated by the Company's subsidiary in the Dominican Republic, as such income is presently exempt from local income tax.

5. NOTES PAYABLE TO BANK:

On March 31, 1995, the Company amended its existing revolving credit and term loan facility to provide for an additional \$2,000,000 secured line of credit. Any borrowings arising from this additional line are to be repaid in full on or before April 1, 1996. As of June 30, 1995, outstanding borrowings under this line amounted to \$500,000. At June 30, 1995, the interest rate on this line was approximately 11.0%. The maximum month-end borrowings outstanding under this line of credit was \$500,000 and the weighted average interest rate was 10.6%.

6. LONG-TERM DEBT:

Long-term debt consists of the following:

	June 30,	
	1995	1994
	(in thousands)	
Revolving credit and term loan facility (a)	\$11,000	\$ 8,100
Notes payable to banks (b)	4,950	6,433
Industrial revenue bonds (c)	1,500	1,725
Capital lease obligation	7	28
	-----	-----
	17,457	16,286
Less: Current portion	2,182	2,596
	-----	-----
	\$15,275	\$13,690
	=====	=====

(a) On July 27, 1994, the Company entered into an \$11,000,000 secured revolving credit and term loan facility with two banks, with the Company's primary bank acting as agent. In conjunction with this agreement, the banks received as collateral all accounts receivable and inventory located in the United States. Under the terms of this agreement, the Company used the proceeds, among other things, to refinance notes payable to its primary bank (\$8,100,000 outstanding at June 30, 1994), finance a temporary increase of inventory and finance the completion of construction in the Dominican Republic. The revolving credit loan, which bears interest based on a number of options available to the Company (weighted average rate of approximately 8.3% and 7.75% at June 30, 1995 and 1994, respectively) and does not require principal payments until conversion, converts to a term loan on June 30, 1997 payable in (16) sixteen equal quarterly installments beginning on September 30, 1997. The agreement contains various restrictions and covenants including, among others, restrictions on payment of dividends, restrictions on borrowings, restrictions on capital expenditures, the maintenance of minimum amounts of tangible net worth, and compliance with certain financial ratios, as defined in the agreement. As of June 30, 1995, the Company was not in compliance with certain of these financial covenants for which they have received appropriate waivers from the banks.

(b) In November 1991, the Company renegotiated the terms of its \$6,000,000 unsecured note payable to the Company's primary bank. Under the terms of the agreement, repayment of the \$900,000 outstanding balance at June 30, 1995 (\$2,600,000 at June 30, 1994), will be made in two remaining installments in September and November 1995.

Interest on the note is payable monthly at a rate determined periodically based on a number of options available to the Company. At June 30, 1995 and 1994, the interest rate on the note was approximately 9.52% and 7.75%, respectively.

Under the terms of the agreement, the Company is limited, among other things, in the amount of capital expenditures and other investments it may make, is restricted from the payment of dividends and is required to maintain certain financial ratios. The Company was not in compliance with certain of these financial covenants at June 30, 1995, for which it received appropriate waivers from the bank.

In addition, in November 1991, a subsidiary of the Company entered into a \$4,500,000 line of credit agreement with another bank in connection with the Company's international operations. The line is secured by a letter of credit from the Company's primary bank. Interest on amounts outstanding under this line is payable quarterly at a rate determined periodically based on a number of options available to the Company. The balance outstanding under the line as of December 31, 1994 automatically converted to a term loan payable in 20 equal quarterly installments commencing on that date. At June 30, 1995 and 1994, the amounts outstanding under this line were \$4,050,000 and \$3,832,500 at interest rates of 6.27% and 4.92%, respectively.

Under the terms of the agreement, all advances under the line must be used to pay for certain specified costs incurred by this subsidiary. In addition, the terms of the agreement limit, among other things, the amount of additional debt or liens that may be incurred and prohibit the payment of dividends by this subsidiary.

On August 27, 1993, the Company entered into an agreement with its primary bank to increase an existing \$2,500,000 letter of credit agreement to \$4,500,000 for the purpose of providing additional collateral for the construction of a manufacturing facility in the Dominican Republic. In conjunction with this agreement, the bank received as collateral a first priority perfected security interest in all accounts receivable of the Company and a second mortgage on the Company's facility located in Amityville, New York with a lien of up to \$1,500,000. This agreement expires on February 28, 1996.

- (c) In 1985, the Company received \$3,900,000 in proceeds from Industrial Revenue Bonds issued by the Town of Babylon (the "Town") to be used for the purchase of land and the construction of a new office and manufacturing facility. Title to the land and building will be held by the Town as security for the bonds, and the Town leases the facility to the Company under an agreement which provides for the repurchase of the facilities for \$1 at the completion of the lease term. For accounting purposes, this lease is accounted for as a capital lease. The bonds bear interest at a variable rate which is determined weekly by the underwriting bank based upon market conditions. At June 30, 1995 and 1994, the interest rate was approximately 3.7% and 2.05%, respectively.

The bonds have a maturity date of April 1, 2000; however, principal repayment is to be accomplished through quarterly payments of \$75,000 made to a sinking fund held by a trustee. On each July 1 through and including July 1, 1999, the bonds shall be redeemed, in part, prior to their maturity, in the amount of \$300,000 from the sinking fund at a price equal to 100% of the principal amount so redeemed.

The Company's primary bank has issued an irrevocable letter of credit, covering the outstanding balance of the bonds plus 50 days of interest cost to the trustee of the bonds as security for the Company's obligations under the various arrangements.

The bonds may be tendered, at any time, at the election of the holder, at a price of 100% of the unpaid principal balance. At the time of notice of tender, the remarketing agent will use its best efforts to remarket the tendered bonds. The bank, as part of the letter of credit arrangement, is obligated through April 12, 2000 to purchase any of the bonds which are not remarketed.

Under the terms of the bond indenture, among other things, the Company is required to maintain certain levels of working capital and tangible net worth, is restricted in the amount of acquisitions of fixed assets and other investments it may make and must maintain certain financial ratios. The Company was not in compliance with certain of these financial covenants at June 30, 1995 for which it has received appropriate waivers from the bank.

Maturities of long-term debt (including sinking fund payments) are as follows (in thousands):

Year ending June 30, -----	
1996	\$ 2,182
1997	1,200
1998	3,950
1999	3,950
2000	3,425
Thereafter	2,750

	\$17,457
	=====

7. STOCK OPTIONS:

In November 1992, the stockholders approved a 10 year extension of the already existing 1982 incentive stock option plan. Shares of common stock are reserved for issuance upon exercise of options granted to officers and key employees under the extended 1982 plan. The plan provides that the option price equal 100% of the fair market value of the stock at the date of grant. Options are exercisable 20% per year and expire five years after the date of grant. Transactions and other information relating to the plan for the three years ended June 30, 1995 are summarized as follows:

	Share available for grant -----	Shares under option -----	
		Shares -----	Price -----
Outstanding at June 30, 1992	727,933	88,000	\$2.25 to \$2.50
Granted	(36,750)	36,750	2.50 to 2.625
Lapsed and terminated	6,650	(6,650)	2.50
Exercised	--	(600)	2.50
	-----	-----	-----
Outstanding at June 30, 1993	697,833	117,500	2.25 to 2.625
Granted	(26,500)	26,500	4.375
Lapsed and terminated	22,400	(22,400)	2.50 to 2.625
Exercised	--	(600)	2.50
	-----	-----	-----
Outstanding at June 30, 1994	693,733	121,000	2.25 to 4.375
Granted	(3,000)	3,000	2.50
Lapsed and terminated	43,000	(43,000)	2.50 to 4.375
	-----	-----	-----
Outstanding at June 30, 1995	733,733	81,000	\$2.25 to \$4.375
	=====	=====	=====

Options representing 50,900 shares were exercisable at June 30, 1995. Subsequent to year end, 34,000 options were terminated.

Effective October 1990, the Company established a non-employee stock option plan to encourage non-employee directors and consultants of the Company to invest in the Company's stock. The plan provides that the option price shall not be less than 100% of the fair market value of the stock at the date of grant. Options are exercisable at 20% per year and expire five years after the date of grant. At June 30, 1995, 50,000 shares of common stock are reserved for issuance under the Plan.

8. RESEARCH AND DEVELOPMENT COSTS:

Research and development costs charged to cost of sales were approximately \$3,252,000, \$2,883,000 and \$2,680,000 for the years ended June 30, 1995, 1994 and 1993, respectively.

9. 401(k) PLAN:

Effective August 31, 1985, the Company established a 401(k) plan covering all employees with one or more years of service as of July 1, 1985, and annually thereafter. The plan is qualified under Sections 401(a) and 401(k) of the Internal Revenue Code. The Company provides for matching contributions of 50% of the first 2% of employee contributions. Company contributions to the plan totaled approximately \$56,000, \$59,000 and \$44,000 for the years ended June 30, 1995, 1994 and 1993, respectively.

10. BUSINESS AND CREDIT CONCENTRATIONS:

The Company is engaged in one major line of business - the development, manufacture, distribution and sale of security alarm products and door security devices for commercial and residential installations. Most of the Company's sales to unaffiliated customers originated in the United States. Most of the Company's customers are located throughout the United States and Europe. Identifiable assets (net of intercompany receivables and payables) relating to the Company's foreign operations were approximately \$19,708,000, \$22,513,000 and \$19,334,000 at June 30, 1995, 1994 and 1993, respectively.

Export sales amounted to \$8,865,000, \$7,795,000 and \$6,013,000 for the years ended June 30, 1995, 1994 and 1993, respectively. At June 30, 1995 and 1994, the Company had three customers with accounts receivable balances that aggregated 51% and 44% of the Company's accounts receivable, respectively. Revenues from significant customers are summarized as follows:

	Percentage of Net Sales		
	For the Years Ended June 30,		
	1995	1994	1993
Customer 1	22%	18%	21%
Customer 2	6%	12%	12%
Customer 3	11%	7%	7%

11. COMMITMENTS:

Leases

The Company is committed under various operating leases which do not extend beyond fiscal 1997. Minimum lease payments through the expiration dates of these leases, with the exception of the land lease referred to below, are as follows:

Year ending June 30,

1996	\$57,139
1997	16,360

	\$73,499
	=====

Rent expense totaled approximately \$369,000, \$357,000 and \$296,000 for the years ended June 30, 1995, 1994 and 1993, respectively.

Land Lease and Construction Contract

On April 26, 1993, the Company's foreign subsidiary entered into a 99 year land lease of approximately four acres of land in the Dominican Republic, at an annual cost of approximately \$272,000. The foreign subsidiary relocated its operations to this site upon completion of a new facility during fiscal 1995.

Letters of Credit

At June 30, 1995, the Company was committed for approximately \$406,000 and \$52,000 under open commercial letters of credit and steamship guarantees, respectively.

NAPCO SECURITY SYSTEMS, INC. AND SUBSIDIARIES

SCHEDULE I - CONDENSED FINANCIAL INFORMATION ON PARENT COMPANY

CONDENSED BALANCE SHEETS

ASSETS -----	As of June 30, ----- 1995 1994 ----- (in thousands)	
CASH AND CASH EQUIVALENTS	\$ 262	\$ 1,063
ACCOUNTS RECEIVABLE, net	11,497	11,903
INVENTORIES, net	11,222	10,307
PREPAID EXPENSES AND OTHER CURRENT ASSETS	343	292
	-----	-----
Total current assets	23,324	23,565
INVESTMENT IN SUBSIDIARIES, on equity basis	23,412	23,973
PROPERTY, PLANT AND EQUIPMENT, net	5,842	5,862
OTHER ASSETS	299	274
	-----	-----
	\$52,877	\$53,674
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES	\$10,510	\$10,950
DUE TO SUBSIDIARIES	1,682	4,244
LONG-TERM DEBT, including capital lease obligation	12,125	10,432
	-----	-----
Total liabilities	24,317	25,626
STOCKHOLDERS' EQUITY	28,560	28,048
	-----	-----
	\$52,877	\$53,674
	=====	=====

This schedule should be read in conjunction with
the accompanying consolidated financial statements and notes thereto.

NAPCO SECURITY SYSTEMS, INC. AND SUBSIDIARIES

SCHEDULE I - CONDENSED FINANCIAL INFORMATION ON PARENT COMPANY

CONDENSED STATEMENTS OF INCOME	For the Years Ended June 30,		
	1995	1994	1993
	(in thousands)		
NET SALES	\$38,547	\$35,954	\$36,638
COST OF SALES	27,938	27,464	27,254
Gross profit	10,609	8,490	9,384
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	7,808	7,562	7,235
Operating income	2,801	928	2,149
EQUITY (LOSS) IN EARNINGS OF SUBSIDIARIES	(561)	1,226	902
OTHER (EXPENSE), net	(1,196)	(863)	(766)
Income before provision for (recovery of) income taxes	1,044	1,291	2,285
PROVISION FOR (RECOVERY OF) INCOME TAXES	532	37	(32)
Net income	\$ 512	\$ 1,254	\$ 2,317

This schedule should be read in conjunction with
the accompanying consolidated financial statements and notes thereto.

NAPCO SECURITY SYSTEMS, INC. AND SUBSIDIARIES
 SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
 (In Thousands)

Column A	Column B	Column C	Column D	Column E
Description -----	Balance at Beginning of Period -----	Charged to Costs and Expenses -----	Deductions Describe (1) -----	Balance at End of Period -----
For the year ended June 30, 1993:				
Allowance for doubtful accounts (deducted from accounts receivable)	\$ 306 =====	\$ 152 =====	\$ 6(1) =====	\$ 452 =====
Reserve for obsolescence (deducted from inventories)	\$ 251 =====	\$ 149 =====	\$ -- =====	\$ 400 =====
For the year ended June 30, 1994:				
Allowance for doubtful accounts (deducted from accounts receivable)	\$ 452 =====	\$ 77 =====	\$ 75(1) =====	\$ 454 =====
Reserve for obsolescence (deducted from inventories)	\$ 400 =====	\$ 145 =====	\$ -- =====	\$ 545 =====
For the year ended June 30, 1995:				
Allowance for doubtful accounts (deducted from accounts receivable)	\$ 454 =====	\$ 212 =====	\$ 4(1) =====	\$ 662 =====
Reserve for obsolescence (deducted from inventories)	\$ 545 =====	\$ 563 =====	\$ 145 =====	\$ 963 =====

(1) Deductions relate to uncollectible accounts charged off to valuation accounts, net of recoveries.

This schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS.

ITEM 11. EXECUTIVE COMPENSATION.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND
MANAGEMENT.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by Part III (Items 10, 11, 12 and 13) is incorporated herein by reference from the Company's definitive proxy statement for the 1995 annual meeting of stockholders which the Company intends to file with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the Company's 1995 fiscal year, and, accordingly, items 10, 11, 12 and 13 are omitted pursuant to General Instruction G(3).

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a)1. Financial Statements

The following consolidated financial statements of Napco Security Systems, Inc. and its subsidiaries are included in Part II, Item 8:

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Report of Independent Public Accountants as of June 30, 1995 and 1994 and for the 3 Year Period Ended June 30, 1995	15
Consolidated Balance Sheets as of June 30, 1995 and 1994	16
Consolidated Statements of Income for the Years Ended June 30, 1995, 1994 and 1993	17
Consolidated Statements of Stockholders' Equity for the Years Ended June 30, 1995, 1994 and 1993	18
Consolidated Statements of Cash Flows for the Years Ended June 30, 1995, 1994 and 1993	19
Notes to Consolidated Financial Statements, June 30, 1995, 1994 and 1993	20

(a)2. Financial Statement Schedules

The following consolidated financial statement schedules of Napco Security Systems, Inc. and its subsidiaries are included in Part II, Item 8:

I: Condensed Financial Information on Parent Company	30
II: Valuation and Qualifying Accounts	32

Schedules other than those listed above are omitted because of the absence of the conditions under which they are required or because the required information is shown in the consolidated financial statements and/or notes thereto.

(a)3 and (c). Exhibits

Exhibit No. - - - - -	Title -----	
Ex-3.(i)	Articles of Incorporation, as amended. .	Exhibit 3a to Report on Form 10-K for fiscal year ended June 30, 1988
Ex-3.(ii)	By-Laws	Exhibit 3b to Report on Form 10-K for fiscal year ended June 30, 1988
Ex-10.A	1982 Amended and Restated Incentive Stock Option Plan (extended 1992) . . .	Exhibit 10b to Report on Form 10-K for fiscal year ended June 30, 1991
Ex-10.B	1990 Non-Employee Stock Option Plan . .	Exhibit 10c to Report on Form 10-K for fiscal year ended June 30, 1991
Ex-10.C	Defined Contribution Pension Plan Basic Plan Document	Exhibit 10d to Report on Form 10-K for fiscal year ended June 30, 1989
Ex-10.D	Defined Contribution Pension Plan 401(k) Profit Sharing Plan Adoption Agreement	Exhibit 10e to Report on Form 10-K for fiscal year ended June 30, 1989

Ex-10.E	Indenture of Mortgage and Trust	Exhibit 10h to Report on Form 10-K for fiscal year ended June 30, 1990
Ex-10.F	Credit Agreement dated as of November 21, 1991 among the Company, certain subsidiaries and Chemical Bank, as agent	Exhibit 10-h to Report on Form 10-K for fiscal year ended June 30, 1992
Ex-10.G	Promissory Note dated as of November 8, 1991 between Citibank, N.A. and the Company	Exhibit 10-i to Report on Form 10-K for fiscal year ended June 30, 1992
Ex-10.H	Credit Agreement dated November 8, 1991 between N.S.S. Caribe S.A. and Citibank, N.A.	Exhibit 10-j to Report on Form 10-K for fiscal year ended June 30, 1992
Ex-10.I	Amendment and Waiver Agreement dated as of August 27, 1993 between Chemical Bank and the Company	Exhibit 10-j to Report on Form 10-K for fiscal year ended June 30, 1993
Ex-10.J	Construction Contract dated June 5, 1993	Exhibit 10-l to Report on Form 10-K for fiscal year ended June 30, 1993

Ex-10.K	Amendment dated July 27, 1994 to Credit Agreement dated November 21, 1991	Exhibit 10-m to Report on Form 10-K for fiscal year ended June 30, 1993
Ex-10.L	Loan Agreement dated as of July 27, 1994 with Chemical Bank and The Bank of New York	Exhibit 10-n to Report on Form 10-K for fiscal year ended June 30, 1993
Ex-10.M	First Amendment dated as of November 5, 1993 to Credit Agreement dated as of November 8, 1991 with Citibank, N.A.	Exhibit 10-o to Report on Form 10-K for fiscal year ended June 30, 1993
Ex-10.N	Amendment and Waiver dated as of September 14, 1993 to Credit Agreement dated as of November 21, 1991.	E-1
Ex-10.O	Amendment dated as of December 7, 1993 to the Credit Agreement dated as of November 21, 1991.	E-4
Ex-10.P	Fifth Amendment and Waiver dated as of October 11, 1994 to the Credit Agreement dated as of November 21, 1991.	E-7
Ex-10.Q	Sixth Amendment and Waiver dated as of March 31, 1995 to the Credit Agreement dated as of November 21, 1991.	E-12
Ex-10.R	First Amendment and Waiver dated as of October 11, 1994 to Loan Agreement dated as of July 27, 1994.	E-20
Ex-10.S	Second Amendment and Waiver dated as of March 31, 1995 to the Loan Agreement dated as of July 27, 1994.	E-25

Ex-10.T	Promissory Notes dated April 3, 1995 and July 3, 1995 between Chemical Bank and the Company.	E-35
Ex-11	Computation of earnings per share . . .	E-41
Ex-12	Computation of ratios	E-42
Ex-21	Subsidiaries of the Registrant	E-43
Ex-27	Financial Data Schedule	E-44

Exhibits have been included in copies of this Report filed with the Securities and Exchange Commission. Stockholders of the registrant will be provided with copies of these exhibits upon written request to the Company.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the three months ended June 30, 1995.

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.

October 12, 1995

NAPCO SECURITY SYSTEMS, INC.
(Registrant)

By: /s/ RICHARD SOLOWAY

Richard Soloway
Chairman of the Board of
Directors and Secretary
(Co-Principal Executive Officer)

By: /s/ KENNETH ROSENBERG

Kenneth Rosenberg
President and Treasurer
(Co-Principal Executive
Officer)

By: /s/ KEVIN S. BUCHEL

Kevin S. Buchel
Senior Vice President of
Operations and Finance
(Principal Financial and Accounting 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.

Signature -----	Title -----	Date ----
/s/RICHARD SOLOWAY ----- Richard Soloway	Chairman of the Board of Directors	October 12, 1995
/s/KENNETH ROSENBERG ----- Kenneth Rosenberg	Director	October 12, 1995
/s/RANDY B. BLAUSTEIN ----- Randy B. Blaustein	Director	October 12, 1995
/s/ANDREW J. WILDER ----- Andrew J. Wilder	Director	October 12, 1995

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

For Fiscal Year Ending June 30, 1995

Commission file number : 0-10004

NAPCO SECURITY SYSTEMS, INC.

EXHIBITS

Index to Exhibits

Ex-10.N	Amendment and Waiver dated as of September 14, 1993 to Credit Agreement dated as of November 21, 1991.	E-1
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Ex-10.Q	Sixth Amendment and Waiver dated as of March 31, 1995 to the Credit Agreement dated as of November 21, 1991.	E-12
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Ex-27	Financial Data Schedule	

AMENDMENT and WAIVER dated as of September 14, 1993 to the CREDIT AGREEMENT dated as of November 21, 1991 (as the same may be further amended, supplemented or modified from time to time in accordance with its terms, the "Credit Agreement"), among NAPCO SECURITY SYSTEMS, Inc., a Delaware corporation (the "Borrower"), the Guarantors signatory hereto, the lenders named in SCHEDULE 2.01 and 2.06 annexed hereto (collectively the "Lenders") and CHEMICAL BANK, as agent for the Lenders (in such capacity, the "Agent").

WHEREAS, the Borrower and the Guarantors wish to amend and waive certain provisions of the Credit Agreement;

WHEREAS, the Lenders and the Agent have consented to amend and waive the Credit Agreement to reflect the requests herein set forth;

NOW, THEREFORE, the parties hereby agree as follows:

1. Waiver of Article VII. NEGATIVE COVENANTS Section 7.10. Current Ratio.

Compliance with Article VII. Section 7.10. of the Credit Agreement is hereby waived for the fiscal year ended June 30, 1993 to permit the Current Ratio of the Borrower and its Consolidated subsidiaries to be less than 2.25 to 1.0 as of the fiscal year ended June 30, 1993 provided, however; such ratio was not less than 2.11 to 1.0 as of such fiscal year end.

2. Waiver of Article VII. COVENANTS Section 7.14. Total Unsubordinated

Liabilities to Tangible Net Worth Ratio.

Compliance with Article VII. Section 7.14. of the Credit Agreement is hereby waived for fiscal year ended June 30, 1993 to permit the ratio of Total Unsubordinated Liabilities of the Borrower and its Consolidated subsidiaries to Tangible Net Worth of the Borrower and its Consolidated subsidiaries plus Consolidated Subordinated Indebtedness to be greater than 1.0 to 1.0 as of the fiscal year ended June 30, 1993 provided, however; such ratio was not greater than 1.04 to 1.0 as of such fiscal year end.

- 2
3. Amendment to Article VII. NEGATIVE COVENANTS Section 7.10. Current

Ratio.

Article VII Section 7.10. of the Credit Agreement is hereby amended by deleting it in its entirety and substituting therefore the following:

"Section 7.10. CURRENT RATIO. Permit the Current Ratio of the Borrower and its Consolidated subsidiaries at any time to be less than (i) 2.0 to 1.0 from July 1, 1993 through and including June 30, 1994 and (ii) 2.25 to 1.0 at any time thereafter."

4. Amendment to Article VII. COVENANTS Section 7.14. Total

Unsubordinated Liabilities to Tangible Net Worth Ratio.

Article VII. Section 7.14. of the Credit Agreement is hereby amended by deleting it in its entirety and substituting therefore the following:

"SECTION 7.14. TOTAL UNSUBORDINATED LIABILITIES TO TANGIBLE NET WORTH RATIO. Permit the ratio of (x) Total Unsubordinated Liabilities of the Borrower and its Consolidated subsidiaries, to (y) Tangible Net Worth of the Borrower and its Consolidated subsidiaries plus Consolidated Subordinated Indebtedness, at any time to be greater than (i) 1.04 to 1.0 from July 1, 1993 through and including June 30, 1994 and (ii) 1.0 to 1.0 at any time thereafter.

This AMENDMENT and WAIVER shall be construed and enforced in accordance with the laws of the State of New York.

Except as expressly amended, waived or consented to hereby, the Credit Agreement shall remain in full force and effect in accordance with the original terms thereof.

This AMENDMENT and WAIVER herein contained is limited specifically to the matters set forth above and does not constitute directly or by implication an amendment or waiver of any other provision of the Credit Agreement or any default which may occur or may have occurred under the Credit Agreement.

The Borrower hereby represents and warrants that, after giving effect to this AMENDMENT and WAIVER, no Event of Default or Default exists under the Credit Agreement or any other related document.

Please be advised that should there be a need for further amendments or waivers with respect to these covenants or any other covenants, those requests shall be evaluated by the Agent and the Lenders when formally requested, in writing, by the Borrower and the Guarantors.

This AMENDMENT and WAIVER may be executed in two or more counterparts, each of which shall constitute an original, but all of which when, taken together shall constitute but one AMENDMENT and WAIVER. The AMENDMENT and WAIVER shall become effective when duly executed counterparts hereof which, when taken together, bear the signatures of each of the parties hereto shall have been delivered to the Agent.

Capitalized terms used herein and not otherwise defined herein shall have the same meanings as defined in the Credit Agreement.

IN WITNESS WHEREOF, the Borrower, the Guarantors and the Agent have caused this AMENDMENT and WAIVER to be duly executed by their duly authorized officers, all as of the day and year first above written.

NAPCO SECURITY SYSTEMS, INC.

By: /s/ K. S. Buchel, VP

Name:
Title:

Guarantors:

NAPCO SECURITY SYSTEMS INTERNATIONAL INC.
UMI MANUFACTURING CORP.
RALTECH LOGIC, INC.
E.E. ELECTRONIC COMPONENTS, INC.
ALARM LOCK SYSTEMS, INC.
DERRINGER SECURITY SYSTEMS, INC.

By: /s/ K. S. Buchel, VP

Name:
Title:

CHEMICAL BANK, as Agent and Lender

By: /s/ Frank L. Arceri

Name: Frank L. Arceri
Title: Vice President

AMENDMENT dated as of December 7, 1993 to the CREDIT AGREEMENT dated as of November 21, 1991 (as the same may be further amended, supplemented or modified from time to time in accordance with its terms, (the "Credit Agreement"), among NAPCO SECURITY SYSTEMS, Inc., a Delaware corporation (the "Borrower"), the Guarantors signatory hereto, the lenders named in SCHEDULE 2.01 and 2.06 annexed hereto (collectively the "Lenders") and CHEMICAL BANK, as agent for the Lenders (in such capacity, the "Agent").

WHEREAS, the Borrower and the Guarantors wish to amend certain provisions of the Credit Agreement;

WHEREAS, the Lenders and the Agent have consented to amend the Credit Agreement to reflect the requests herein set forth;

NOW, THEREFORE, the parties hereby agree as follows:

1. Amendment to Article I. DEFINITIONS.

Article I of the Credit Agreement is hereby amended by deleting the definition of "LETTER OF CREDIT COMMITMENT TERMINATION DATE" in its entirety and substituting therefor the following:

"'LETTER OF CREDIT COMMITMENT TERMINATION DATE' shall mean the earlier of (x) November 8, 1994 and (y) the date on which all "Advances" have been made to Caribe pursuant to the Caribe Loan Agreement."

2. Amendment to Article II. THE LOANS AND LETTER OF CREDIT.

SECTION 2.04 Term Notes

Article II. Section 2.04. of the Credit Agreement is hereby amended by deleting the second sentence thereof in its entirety and substituting therefor the following:

"The principal balance of the Term Notes shall be payable quarterly commencing on the last day of the calender quarter immediately following the Closing Date and on the last day of each March, June, September and December in each year thereafter (each, a "Repayment Date") through and including the Final Maturity Date, in four consecutive quarterly installments each in the amount of \$250,000, then four consecutive quarterly installments each in the amount of \$375,000, then six consecutive quarterly installments in the following order and amounts: \$425,000, \$475,000, \$500,000, \$375,000, \$400,000, \$425,000, then two consecutive quarterly installments each in the amount of \$450,000, with a final installment equal to the remaining unpaid principal balance due and payable on the Final Maturity Date."

This AMENDMENT shall be construed and enforced in accordance with the laws of the State of New York.

Except as expressly amended or consented to hereby, the Credit Agreement shall remain in full force and effect in accordance with the original terms thereof.

The AMENDMENT herein contained is limited specifically to the matters set forth above and does not constitute directly or by implication an amendment or waiver of any other provision of the Credit Agreement or any default which may occur or may have occurred under the Credit Agreement.

The Borrower and the Guarantors hereby represent and warrant that, after giving effect to this AMENDMENT, no Event of Default or Default exists under the Credit Agreement or any other related document.

Please be advised that should there be a need for further amendments or waivers with respect to these covenants or any other covenants, those requests shall be evaluated by the Agent and the Lenders when formally requested, in writing, by the Borrower and the Guarantors.

This AMENDMENT may be executed in one or more counterparts, each which shall constitute an original, but all of which when, taken together shall constitute but one AMENDMENT. The AMENDMENT shall become effective (y) upon the receipt and satisfactory review by the Agent of an amendment to the Caribe Loan Agreement, duly executed by Caribe and Citibank, N.A., amending the definition of "TERMINATION DATE" to read as follows: "the earlier of (i) November 8, 1994 or (ii) the date on which all Advances are made under the Commitment" and (z) when duly executed counterparts hereof which, when taken together, bear the signatures of each of the parties hereto shall have been delivered to the Agent.

Capitalized terms used herein and not otherwise defined herein shall have the same meanings as defined in the Credit Agreement with the exception of the defined terms "Advances" and "Commitment" as used in the immediately preceding paragraph, both of which shall have the meanings ascribed to such terms in the Caribe Loan Agreement.

IN WITNESS WHEREOF, the Borrower, the Guarantors and the Agent have caused this AMENDMENT to be duly executed by their duly authorized officers, all as of the day and year first above written.

NAPCO SECURITY SYSTEMS, INC.

By: /s/ K. S. Buchel, V.P.

Name: Kevin S. Buchel
Title: Vice President of Finance
and Administration

Guarantors:

NAPCO SECURITY SYSTEMS INTERNATIONAL INC.
UMI MANUFACTURING CORP.
RALTECH LOGIC, INC.
E.E. ELECTRONIC COMPONENTS, INC.
ALARM LOCK SYSTEMS, INC.
DERRINGER SECURITY SYSTEMS, INC.

By: /s/ K. S. Buchel, V.P.

Name: Kevin S. Buchel
Title: Vice President of Finance
and Administration

CHEMICAL BANK, as Agent and Lender

By: /s/ Frank L. Arceri

Name: Frank L. Arceri
Title: Vice President

FIFTH AMENDMENT and WAIVER dated as of October 11, 1994 to the CREDIT AGREEMENT dated as of November 21, 1991 (as the same has been amended by the Amendment and Waiver dated as of August 27, 1993, the Amendment and Waiver dated as of September 14, 1993, the Amendment dated as of December 7, 1993, the Amendment and Waiver dated as of July 27, 1994 and as the same may be further amended, supplemented or modified from time to time in accordance with its terms, the "Credit Agreement"), among NAPCO SECURITY SYSTEMS, INC., a Delaware corporation (the "Borrower"), the guarantors signatory hereto (collectively, the "Guarantors"), the lenders named in SCHEDULE 2.01 and 2.06 of the Credit Agreement (collectively, the "Lenders") and CHEMICAL BANK, as agent for the Lenders (in such capacity, the "Agent").

WHEREAS, the Borrower and the Guarantors wish to amend and waive certain provisions of the Credit Agreement;

WHEREAS, the Lenders and the Agent have consented to amend and waive the Credit Agreement to reflect the requests herein set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein contained, the parties hereto agree as follows:

1. Waiver of Article VII. NEGATIVE COVENANTS. Section 7.08. Tangible

Net Worth.

Compliance with Article VII. Section 7.08. of the Credit Agreement is hereby waived for the fiscal year ended June 30, 1994 to permit Tangible Net Worth plus Subordinated Indebtedness of the Borrower and its Consolidated subsidiaries to be less than \$25,566,000 as of the fiscal year ended June 30, 1994 provided, however, Tangible Net Worth plus Subordinated Indebtedness of the Borrower and its Consolidated subsidiaries was not less than \$24,821,000 as of such fiscal year end.

2. Amendment to Article VII. NEGATIVE COVENANTS. Section 7.08.

Tangible Net Worth.

Article VII. Section 7.08. of the Credit Agreement is hereby amended by deleting the number "\$26,000,000" contained in subsection (ii) thereof and substituting therefor the number "\$24,821,000".

3. Waiver of Article VII. NEGATIVE COVENANTS. Section 7.10. Current

Ratio.

Compliance with Article VII. Section 7.10. of the Credit Agreement is hereby waived for the fiscal year ended June 30, 1994 to permit the Current Ratio of the Borrower and its Consolidated subsidiaries to be less than 2.00 to 1.0 as of the fiscal year ended June 30, 1994 provided, however, such ratio was not less than 1.99 to 1.0 as of such fiscal year end.

4. Amendment to Article VII. NEGATIVE COVENANTS. Section 7.10.

Current Ratio.

Section 7.10. of the Credit Agreement is hereby amended by deleting it in its entirety and by substituting the following therefor:

"SECTION 7.10. CURRENT RATIO. Permit the Current Ratio of the Borrower and its Consolidated Subsidiaries (i) to be less than 1.99 to 1.00 from July 1, 1994 until June 29, 1995, (ii) to be less than 2.00 to 1.00 from June 30, 1995 until June 29, 1996 and (iii) to be less than 2.25 to 1.00 at all times from June 30, 1996 and thereafter."

5. Waiver of Article VII. NEGATIVE COVENANTS. Section 7.14. Total

Unsubordinated Liabilities to Tangible Net Worth Ratio.

Compliance with Article VII. Section 7.14. of the Credit Agreement is hereby waived for period commencing on July 1, 1994 and ending on July 26, 1994 to permit the ratio of Total Unsubordinated Liabilities of the Borrower and its Consolidated subsidiaries to Tangible Net Worth of the Borrower and its Consolidated subsidiaries plus Consolidated Subordinated Indebtedness to be greater than 1.00 to 1.0 provided, however; such ratio was not greater than 1.04 to 1.0.

6. Waiver of Article VII. NEGATIVE COVENANTS. Section 7.18. Debt

Service Coverage Ratio.

Compliance with Article VII. Section 7. 18. of the Credit Agreement is hereby waived for the fiscal year ended June 30, 1994 to permit the Debt Service Coverage Ratio of the Borrower and its Consolidated subsidiaries to be less than 1.10 to 1.0 as of the fiscal year ended June 30, 1994 provided, however, such ratio was not less than 1.02 to 1.0 as of such fiscal year end.

7. Amendment to Article VII. NEGATIVE COVENANTS. Section 7.18. Debt

Service Coverage Ratio.

Section 7. 18 of the Credit Agreement is hereby amended by deleting it in its entirety and by substituting the following therefor:

"SECTION 7.18. DEBT SERVICE COVERAGE RATIO. Permit the Debt Service Ratio of the Borrower and its Consolidated subsidiaries to be less than:

(i) 1.02 to 1.00 at all times from July 1, 1994 until June 29, 1995;

(ii) 1.15 to 1.00 at all times from June 30, 1995 until June 29, 1997; and

(iii) 1.10 to 1.00 at all times from June 30, 1997 and thereafter."

8. Amendment to Article VII NEGATIVE COVENANTS. Section 7.19.

Inventory Reliance.

Section 7.19 of the Credit Agreement is hereby amended by deleting it in its entirety and by substituting the following therefor:

"Section 7.19 INVENTORY RELIANCE. Permit the Inventory Reliance of the Borrower and its Consolidated subsidiaries to be more than (i) 18% at all times from July 1, 1994 until June 29, 1995; (ii) 15% at all times from June 30, 1995 until June 29, 1996; and (iii) 10% at all times from June 30, 1996 and thereafter.

This FIFTH AMENDMENT and WAIVER shall be construed and enforced in accordance with the laws of the State of New York.

Except as expressly amended, waived or consented to hereby, the Credit Agreement shall remain in full force and effect in accordance with the original terms thereof.

This FIFTH AMENDMENT and WAIVER herein contained is limited specifically to the matters set forth above and does not constitute directly or by implication an amendment or waiver of any other provision of the Credit Agreement or any default which may occur or may have occurred under the Credit Agreement.

The Borrower hereby represents and warrants that, after giving effect to this FIFTH AMENDMENT and WAIVER, no Event of Default or Default exists under the Credit Agreement or any other related document.

Please be advised that should there be a need for further amendments or waivers with respect to these covenants or any other covenants, those requests shall be evaluated by the Agent and the Lenders when formally requested, in writing, by the Borrower and the Guarantors.

This FIFTH AMENDMENT and WAIVER may be executed in two or more counterparts, each of which shall constitute an original, but all of which when, taken together shall constitute but one FIFTH AMENDMENT and WAIVER. The FIFTH AMENDMENT and WAIVER shall become effective when (i) duly executed counterparts hereof which, when taken together, bear the signatures of each of the parties hereto shall have been delivered to the Agent, (ii) the Agent shall have received copies of (a) the executed Eighth Amendment and Waiver to the Letter of Credit and Bond Purchase Agreement dated as of April 1, 1985 between the Borrower and Chemical Bank, in the form attached hereto as Exhibit A and (b) the executed First Amendment and Waiver to the Loan Agreement dated as of July 27, 1994 among the Company, the Guarantors named therein, Chemical Bank, The Bank of New York and Chemical Bank, as Agent, in the form attached hereto as Exhibit B, and (iii) the Agent shall have received, for its satisfactory review, a "draft" of the Borrower's audited financial statements for the fiscal year ended June 30, 1994.

Capitalized terms used herein and not otherwise defined herein shall have the same meanings as defined in the Credit Agreement.

IN WITNESS WHEREOF, the Borrower, the Guarantors and the Agent have caused this FIFTH AMENDMENT and WAIVER to be duly executed by their duly authorized officers, all as of the day and year first above written.

NAPCO SECURITY SYSTEMS, INC.

By: /s/ K. S. Buchel, VP

Name:

Title:

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Guarantors:

NAPCO SECURITY SYSTEMS
INTERNATIONAL, INC.
UMI MANUFACTURING CORP.
RALTECH LOGIC, INC.
E.E. ELECTRONIC
COMPONENTS, INC.
ALARM LOCK SYSTEMS, INC.
DERRINGER SECURITY
SYSTEMS, INC.

By: /s/ K. S. Buchel, VP

Name:
Title:

CHEMICAL BANK, as Agent and Lender

By: /s/ Frank L. Arceri

Name: Frank L. Arceri
Title: Vice President

SIXTH AMENDMENT and WAIVER dated as of March 31, 1995 to the CREDIT AGREEMENT dated as of November 21, 1991 (as the same has been amended by the Amendment and Waiver dated as of August 27, 1993, the Amendment and Waiver dated as of September 14, 1993, the Amendment dated as of December 7, 1993, the Fourth Amendment Agreement dated as of July 27, 1994, the Fifth Amendment and Waiver dated as of October 11, 1994 and as the same may be further amended, supplemented or modified from time to time in accordance with its terms, the "Credit Agreement"), among NAPCO SECURITY SYSTEMS, INC., a Delaware corporation (the "Borrower"), the guarantors signatory hereto (collectively, the "Guarantors"), the lenders named in SCHEDULE 2.01 and 2.06 of the Credit Agreement (collectively, the "Lenders") and CHEMICAL BANK, as agent for the Lenders (in such capacity, the "Agent").

WHEREAS, the Borrower and the Guarantors wish to amend and waive certain provisions of the Credit Agreement;

WHEREAS, the Agent and the Lenders have consented to amend and waive the Credit Agreement to reflect the requests herein set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein contained, the parties hereto agree as follows:

1. Waiver of Article VII. NEGATIVE COVENANTS. Section 7.10. Current

Ratio.

Compliance with Article VII. Section 7.10. of the Credit Agreement is hereby waived for the interim six (6) months ended December 31, 1994 to permit the Current Ratio of the Borrower and its Consolidated subsidiaries to be less than 1.99 to 1.0 provided, however, such ratio was not less than 1.80 to 1.0 as of such interim period end.

2. Waiver of Article VII NEGATIVE COVENANTS. Section 7.14. Total

Unsubordinated Liabilities to Tangible Net Worth Ratio.

Compliance with Article VII. Section 7.14. of the Credit Agreement is hereby waived for the interim six (6) months ended December 31, 1994 to permit the ratio of Total Unsubordinated Liabilities of the Borrower and its Consolidated subsidiaries to Tangible Net Worth of the Borrower and its Consolidated subsidiaries plus Consolidated Subordinated Indebtedness to be greater than 1.05 to 1.0 provided, however; such ratio was not greater than 1.09 to 1.0.

3. Waiver of Article VII. NEGATIVE COVENANTS. Section 7.18. Debt

Service Coverage Ratio.

Compliance with Article VII. Section 7.18. of the Credit Agreement is hereby waived for the interim six (6) months ended December 31, 1994 to permit the Debt Service Coverage Ratio of the Borrower and its Consolidated subsidiaries to be less than 1.02 to 1.0 provided, however, such ratio was not less than .824 to 1.0 as of such interim period end.

4. Waiver of Article VII NEGATIVE COVENANTS. Section 7.19.

Inventory Reliance.

Compliance with Article VII Section 7. 19. of the Credit Agreement is hereby waived for the interim six (6) months ended December 31, 1994 to permit the Inventory Reliance of the Borrower and its Consolidated subsidiaries to be more than 18% provided, however, the Inventory Reliance of the Borrower and its Consolidated subsidiaries was not greater than 34% as of such interim period end.

5. Amendment to Article VI AFFIRMATIVE COVENANTS. Section 6.05.

Financial Statements. Reports. etc. (b).

Article VI Section 6.05. (b) of the Credit Agreement is hereby amended by (i) inserting the phrase "(i)" immediately preceding the word "within" contained in the first line thereof and (ii) inserting the following phrase immediately preceding the semi-colon at the end of such sub-section as follows:

" and (ii) within forty-five (45) days after the end of each calendar month, a Consolidated balance sheet and a Consolidated income statement of the Borrower and its Consolidated subsidiaries showing the financial condition of the Borrower and its Consolidated subsidiaries as of the close of the immediately preceding calendar month and results of operations of the Borrower and Consolidated subsidiaries for the immediately preceding

calendar month, a Consolidated statement of shareholders' equity of the Borrower and its Consolidated subsidiaries as of the end of the immediately preceding calendar month and a Consolidated statement of cash flow of the Borrower and its Consolidated subsidiaries for the end of the immediately preceding calendar month, all in reasonable detail and setting forth in comparative form (commencing one (1) year from the date of the Sixth Amendment and Waiver to this Credit Agreement) the figures for the comparable month for the previous calendar year, certified by the Financial Officer of the Borrower as presenting fairly the financial condition and results of operations of the Borrower and subsidiaries and as having been prepared in accordance with generally accepted accounting principles consistently applied, in each case subject to normal year-end audit adjustments".

6. Amendment to Article VI AFFIRMATIVE COVENANTS. Section 6.05.

Financial Statements, Reports, etc.

Article VI Section 6.05. of the Credit Agreement is hereby amended by deleting in their entirety all sub-sections following sub-section "(i)" contained therein and substituting therefor the following new sub-sections "(j)", "(k)", "(l)" and "(m)":

"(j) as soon as practicable, copies of all budgets covering non-construction costs, which as to their accuracy must be satisfactory to the Agent;

(k) OTHER REPORTS. (a) As soon as available, but in no event later than forty-five (45) days after the end of each fiscal quarter of the Borrower (i) production output schedules and (ii) schedules of staffing levels in the United States and the Dominican Republic, each in form, substance and detail satisfactory to the Agent and (b) As soon as available, but in no event later than forty-five (45) days after the end of each calendar month (i) accounts receivable aging schedules of the Borrower and its Consolidated subsidiaries, with separate sub-totals for foreign and domestic accounts receivable and (ii) inventory designation schedules of the Borrower and its Consolidated subsidiaries, designating foreign and domestic inventory separately, each in form, substance and detail satisfactory to the Agent.

(l) MONTHLY REPORTS. As soon as available but in no event later than ten (10) days after the end of each month, a schedule of expenses (by type and dollar amount) to be incurred in connection with the completion of the Caribe Building (as defined in the Chemical/BNY Loan Agreement); and

(m) such other information as the Agent or any Lender may reasonably request."

7. Amendment to Article VI AFFIRMATIVE COVENANTS. Section 6.08.

 Maintaining Records: Access to Properties and Inspections.

Article VI Section 6.08. of the Credit Agreement shall be amended by adding the following phrase immediately to the end thereof as follows:

"In addition to the foregoing, commencing at such time as the Borrower is no longer obligated to the Agent pursuant to the Chemical/BNY Loan Agreement, the Agent shall be permitted to conduct a field examination of the books, records, internal accounting and reporting procedures and all assets of the Borrower and its subsidiaries once each calendar year, the costs and expenses of which shall be paid for by the Borrower up to an aggregate amount of \$20,000 (with amounts in excess thereof paid for by the Agent). Such field examination shall be performed by an independent firm (the "Firm") designated by the Agent. The Agent will provide the Borrower with a copy of the invoice rendered by the Firm in connection with the completion of any field examination and the Agent will request that the Firm provide in the invoice a time summary by area and related billing rates charged. Should the Agent desire to conduct more than one field examination during the course of a given calendar year, the costs and expenses of such additional field examinations shall be paid for by the Agent. The Agent agrees that any such field examinations shall not be conducted (i) at any time during the forty-five days immediately following the end of the first, second and third fiscal quarters of any fiscal year of the Borrower nor (ii) at any time during the ninety days immediately following the end of each fiscal year of the Borrower."

8. Amendment to Article VII NEGATIVE COVENANTS. Section 7.04.

 Capital Expenditures.

Article VII Section 7.04. of the Credit Agreement is hereby amended by deleting in its entirety, for the period "Fiscal year ending June 30, 1995", the corresponding requirement set forth under the column heading "MAXIMUM AMOUNT" and substituting therefor the following:

"\$3,800,000, but not more than \$2,500,000 in capital expenditures for the Caribe Building (as defined in the Chemical/BNY Loan Agreement) and not more than \$1,300,000 for all other capital expenditures;"

9. Amendment to Article VII. NEGATIVE COVENANTS. Section 7.10.

 Current Ratio.

Article VII Section 7.10. of the Credit Agreement is hereby amended by deleting it in its entirety and by substituting therefor the following:

"SECTION 7.10. CURRENT RATIO. Permit the Current Ratio of the Borrower and its Consolidated subsidiaries (i) to be less than 1.99 to 1.00 from July 1, 1994 until December 30, 1994, (ii) to be less than 1.70 to 1.00 at all times from December 31, 1994 until December 30, 1995, (iii) to be less than 1.85 to 1.00 at all times from December 31, 1995 until June 29, 1996 and (iv) to be less than 2.25 to 1.00 at all times from June 30, 1996 and thereafter."

10. Amendment to Article VII NEGATIVE COVENANTS. Section 7.14. Total

Unsubordinated Liabilities to Tangible Net Worth Ratio.

Article VII Section 7.14. of the Credit Agreement is hereby amended by deleting it in its entirety and substituting therefor the following:

"SECTION 7.14. TOTAL UNSUBORDINATED LIABILITIES TO TANGIBLE NET WORTH RATIO.

Permit the ratio of (x) Total Unsubordinated Liabilities of the Borrower and its Consolidated subsidiaries to (y) Tangible Net Worth of the Borrower and its Consolidated subsidiaries plus Consolidated Subordinated Indebtedness, (i) to be greater than 1.05 to 1.00 at any time from July 1, 1994 until December 30, 1994, (ii) to be greater than 1.15 to 1.00 at any time from December 31, 1994 until September 29, 1995, (iii) to be greater than 1.10 to 1.00 at any time from September 30, 1995 until December 30, 1995 and (iv) to be greater than 1.00 to 1.00 at any time from December 31, 1995 and thereafter."

11. Amendment to Article VII. NEGATIVE COVENANTS. Section 7.18. Debt

Service Coverage Ratio.

Section 7. 18 of the Credit Agreement is hereby amended by deleting it in its entirety and by substituting therefor the following:

"SECTION 7.18. DEBT SERVICE COVERAGE RATIO. Permit the Debt Service Ratio of the Borrower and its Consolidated subsidiaries to be less than:

- (i) 1.02 to 1.00 at any time from July 1, 1994 until December 30, 1994;
- (ii) .824 to 1.00 at any time from December 31, 1994 until June 29, 1995;
- (iii) .94 to 1.00 at any time from June 30, 1995 until June 29, 1996;
and
- (iv) 1.00 to 1.00 at any time from June 30, 1996 and thereafter."

12. Amendment to Article VII NEGATIVE COVENANTS. Section 7.19.

Inventory Reliance.

Section 7.19 of the Credit Agreement is hereby amended by deleting it in its entirety and by substituting therefor the following:

"Section 7.19 INVENTORY RELIANCE. Permit the Inventory Reliance of the Borrower and its Consolidated subsidiaries to be more than (i) 18% at any time from July 1, 1994 until December 30, 1994, (ii) 37% at any time from December 31, 1994 until June 29, 1995, (iii) 34% at any time from June 30, 1995 until September 29, 1995, (iv) 32% at any time from September 30, 1995 until December 30, 1995, (v) 30% at any time from December 31, 1995 until March 30, 1996, (vi) 20% at any time from March 31, 1996 until June 29, 1996 and (vii) 10% at any time from June 30, 1996 and thereafter."

13. Amendment to Article VII NEGATIVE COVENANTS.

Article VII of the Credit Agreement is hereby amended by adding the following new "SECTION 7.20 INVENTORY TURNOVER DAYS." as follows:

"SECTION 7.20. INVENTORY TURNOVER DAYS. In the case of the Borrower and its Consolidated subsidiaries, permit the number of inventory days in any Test Period, as defined below, to exceed the number of days for the corresponding period set forth below (inventory days shall mean (a) the Consolidated inventory of the Borrower and its Consolidated subsidiaries as of the last day of such Test Period divided by (b) the Consolidated cost of goods sold of the Borrower and its Consolidated subsidiaries for such Test Period, times (c) the number of days in such Test Period):

Period	Number of Days
-----	-----
March 31, 1995 - June 29, 1995	276
June 30, 1995 - September 29, 1995	258
September 30, 1995 - December 30, 1995	246
December 31, 1995 - March 30, 1996	238
March 31, 1996 - June 29, 1996	218
June 30, 1996 and thereafter	208

Test Period shall mean the immediately preceding four fiscal quarters of the Borrower and its Consolidated subsidiaries ending on the date the number of "Inventory Turnover Days" is calculated."

This SIXTH AMENDMENT and WAIVER shall be construed and enforced in accordance with the laws of the State of New York.

Except as expressly amended, waived or consented to hereby, the Credit Agreement shall remain in full force and effect in accordance with the original terms thereof.

This SIXTH AMENDMENT and WAIVER herein contained is limited specifically to the matters set forth above and does not constitute directly or by implication an amendment or waiver of any other provision of the Credit Agreement or any default which may occur or may have occurred under the Credit Agreement.

The Borrower hereby represents and warrants that, after giving effect to this SIXTH AMENDMENT and WAIVER, no Event of Default or Default exists under the Credit Agreement or any other related document.

Please be advised that should there be a need for further amendments or waivers with respect to these covenants or any other covenants, those requests shall be evaluated by the Agent and the Lenders when formally requested, in writing, by the Borrower and the Guarantors.

This SIXTH AMENDMENT and WAIVER may be executed in two or more counterparts, each of which shall constitute an original, but all of which when, taken together shall constitute but one SIXTH AMENDMENT and WAIVER. The SIXTH AMENDMENT and WAIVER shall become effective when (i) duly executed counterparts hereof which, when taken together, bear the signatures of each of the parties hereto shall have been delivered to the Agent and (ii) the Agent shall have received copies of executed waivers and amendments (as appropriate) to (a) the Chemical/BNY Loan Agreement and (b) the Letter of Credit and Bond Purchase Agreement dated as of April 1, 1985 between the Borrower and Chemical Bank.

Capitalized terms used herein and not otherwise defined herein shall have the same meanings as defined in the Credit Agreement.

IN WITNESS WHEREOF, the Borrower, the Guarantors and the Agent have caused this SIXTH AMENDMENT and WAIVER to be duly executed by their duly authorized officers, all as of the day and year first above written.

NAPCO SECURITY SYSTEMS, INC.

By: /s/ K. S. Buchel

Name:

Title: V.P.

Guarantors:

NAPCO SECURITY SYSTEMS
INTERNATIONAL INC.
UMI MANUFACTURING CORP.
RALTECH LOGIC, INC.
E.E. ELECTRONIC
COMPONENTS, INC.
ALARM LOCK SYSTEMS, INC.
DERRINGER SECURITY
SYSTEMS, INC.

By: /s/ K. S. Buchel

Name:

Title: V.P.

CHEMICAL BANK, as Agent and Lender

By: /s/ Robert F. Eisen Jr.

Name: Robert F. Eisen Jr.

Title: V.P.

FIRST AMENDMENT and WAIVER
 dated as of October 11, 1994 to the LOAN
 AGREEMENT dated as of July 27, 1994 (as
 the same may be further amended,
 supplemented or modified from time to time
 in accordance with its terms, the "Loan
 Agreement), among NAPCO SECURITY
 SYSTEMS, INC., a Delaware corporation
 (the "Borrower"), NAPCO SECURITY
 SYSTEMS INTERNATIONAL, INC., UMI
 MANUFACTURING CORP., RALTECH
 LOGIC, INC., E.E. ELECTRONIC
 COMPONENTS, INC., ALARM LOCK
 SYSTEMS, INC., and DERRINGER
 SECURITY SYSTEMS, INC. (individually,
 each a "Guarantor" and collectively, the
 "Guarantors"), CHEMICAL BANK, a New
 York banking corporation ("Chemical"),
 THE BANK OF NEW YORK ("BONY"
 and collectively with Chemical, the
 "Banks") and CHEMICAL BANK, as Agent
 (the "Agent").

WHEREAS, the Borrower and the Guarantors wish to amend and waive certain
 provisions of the Loan Agreement;

WHEREAS, the Banks and the Agent have consented to amend and waive the Loan
 Agreement to reflect the requests herein set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements
 herein contained, the parties hereto agree as follows:

1 Amendment to ARTICLE V. COVENANTS OF THE BORROWER, SECTION

5.01 Affirmative Covenants.

ARTICLE V. SECTION 5.01. of the Loan Agreement is hereby amended by the
 addition of subsection "(n) Projections" as follows:

"(n) PROJECTIONS. The Borrower shall provide to the Agent and the
 Banks no later than December 1, 1994 five (5) year balance sheet,
 income statement and cash flow projections prepared under the
 supervision of and certified by the chief financial officer of the
 Borrower, in form and detail satisfactory to the Agent and the
 Banks."

2. Waiver of ARTICLE V. COVENANTS OF THE BORROWER. SECTION 5.03.

Financial Requirements. (a) Minimum Consolidated Tangible Net Worth.

Compliance with ARTICLE V. SECTION 5.03. (a) of the Loan Agreement is hereby waived for the fiscal year ended June 30, 1994 to permit the Consolidated Tangible Net Worth plus Consolidated Subordinated Debt of the Borrower to be less than \$26,000,000 as of the fiscal year ended June 30, 1994 provided, however, the Consolidated Tangible Net Worth plus Consolidated Subordinated Debt of the Borrower was not less than \$24,821,000 as of such fiscal year end.

3. Amendment to ARTICLE V. COVENANTS OF THE BORROWER. SECTION

5.03. Financial Requirements. (a) Minimum Consolidated Tangible Net Worth.

ARTICLE V. SECTION 5.03. (a) of the Loan Agreement is hereby amended by deleting the number "\$26,000,000" from sub-section (ii) thereof and substituting therefor the number "\$24,821,000".

4. Amendment to ARTICLE V. COVENANTS OF THE BORROWER. SECTION

5.03 Financial Requirements (c) Current Ratio.

Section 5.03 (c) of the Loan Agreement is hereby amended by deleting it in its entirety and by substituting therefor the following:

"(c) The Borrower will maintain a ratio of Consolidated Current Assets CURRENT RATIO to Consolidated Current Liabilities of (i) not less than 1.99 to 1.00 at all times from July 1, 1994 until June 29, 1995;(ii) not less than 2.00 to 1.00 at all times from June 30, 1995 until June 29, 1996 and (iii) not less than 2.25 to 1.00 at all times from June 30, 1996 and thereafter."

5. Amendment to ARTICLE V. COVENANTS OF THE BORROWER. SECTION

5.03. Financial Requirements. (e) Debt Service Ratio.

Section 5.03 (e) of the Loan Agreement is hereby amended by deleting it in its entirety and by substituting the following therefor:

"(e) DEBT SERVICE COVERAGE RATIO. The Borrower will maintain a Debt Service Coverage Ratio of not less than:

- (i) 1.02 to 1.00 at all times from July 1,1994 until June 29,1995;
- (ii) 1.15 to 1.00 at all times from June 30, 1995 until June 29, 1997; and
- (iii) 1.10 to 1.00 at all times from June 30, 1997 and thereafter."

6. Amendment to ARTICLE V. COVENANTS OF THE BORROWER. SECTION

5.03. Financial Requirements. (g) Inventory Reliance.

Section 5.03 (g) of the Loan Agreement is hereby amended by deleting it in its entirety and by substituting the following therefor:

"(g) INVENTORY RELIANCE. The Borrower will maintain an Inventory Reliance of not more than:

- (i) 18% at all times from July 1, 1994 until June 29, 1995;
- (ii) 15% at all times from June 30, 1995 until June 29, 1996: and
- (iii) 10% at all times from June 30, 1996 and thereafter."

This FIRST AMENDMENT and WAIVER shall be construed and enforced in accordance with the laws of the State of New York.

Except as expressly amended or consented to hereby, the Loan Agreement shall remain in full force and effect in accordance with the original terms thereof.

The FIRST AMENDMENT and WAIVER herein contained is limited specifically to the matters set forth above and does not constitute directly or by implication an amendment or waiver of any other provision of the Loan Agreement or any default which may occur or may have occurred under the Loan Agreement.

The Borrower and the Guarantors hereby represent and warrant that, after giving effect to this FIRST AMENDMENT and WAIVER, no Event of Default or Default exists under the Loan Agreement or any other related document.

Please be advised that should there be a need for further amendments or waivers with respect to these covenants or any other covenants, those requests shall be evaluated by the Agent and the Lenders when formally requested, in writing, by the Borrower and the Guarantors.

This FIRST AMENDMENT and WAIVER may be executed in one or more counterparts, each of which shall constitute an original, but all of which when, taken together shall constitute but one FIRST AMENDMENT and WAIVER. The FIRST AMENDMENT and WAIVER shall become effective when (i) duly executed counterparts hereof which, when taken together, bear the signatures of each of the parties hereto shall have been delivered to the Agent, (ii) the Agent shall have received copies of (a) the executed Eighth Amendment and Waiver to the Letter of Credit and Bond Purchase Agreement dated as of April 1, 1985 between the Borrower and Chemical Bank

in the form attached hereto as Exhibit A and (b) the executed Fifth Amendment and Waiver to the Credit Agreement dated as of November 21, 1991 among the Borrower, the Guarantors named therein and Chemical Bank, in the form attached hereto as Exhibit B, and (iii) the Banks shall have received, in each case for their satisfactory review, a "draft" of the Borrower's audited financial statements for the fiscal year ended June 30, 1994.

Capitalized terms used herein and not otherwise defined herein shall have the same meanings as defined in the Loan Agreement.

IN WITNESS WHEREOF, the Borrower, the Guarantors, the Banks and the Agent have caused this FIRST AMENDMENT and WAIVER to be duly executed by their duly authorized officers, all as of the day and year first above written.

NAPCO SECURITY SYSTEMS, INC.

By: /s/ K. S. Buchel, V.P.

Name:

Title:

NAPCO SECURITY SYSTEMS
INTERNATIONAL INC.

By: /s/ K. S. Buchel, V.P.

Name:

Title:

UMI MANUFACTURING CORP.

By: /s/ K. S. Buchel, V.P.

Name:

Title:

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RALTECH LOGIC, INC.

By: /s/ K. S. Buchel, V.P.
-----Name:
Title;E.E. ELECTRONIC COMPONENTS,
INC.By: /s/ K. S. Buchel, V.P.
-----Name:
Title:

ALARM LOCK SYSTEMS, INC.

By: /s/ K. S. Buchel, V.P.
-----Name:
Title:DERRINGER SECURITY SYSTEMS,
INC.By: /s/ K. S. Buchel, V.P.
-----Name:
Title:

CHEMICAL BANK, as Agent and Bank

By: /s/ Frank L. Arceri
-----Name: Frank L. Arceri
Title: Vice President

THE BANK OF NEW YORK, as Bank

By: /s/ KR Braddish
-----Name: Kevin R. Braddish
Title: Vice President

SECOND AMENDMENT and WAIVER
dated as of March 31, 1995 to the LOAN
AGREEMENT dated as of July 27, 1994 (as
the same may be further amended,
supplemented or modified from time to time
in accordance with its terms, the "Loan
Agreement), among NAPCO SECURITY
SYSTEMS, INC. a Delaware corporation
(the "Borrower"), NAPCO SECURITY
SYSTEMS INTERNATIONAL, INC., UMI
MANUFACTURING CORP., RALTECH
LOGIC, INC., E.E. ELECTRONIC
COMPONENTS, INC., ALARM LOCK
SYSTEMS, INC., and DERRINGER
SECURITY SYSTEMS, INC. (individually,
each a "Guarantor" and collectively, the
"Guarantors"), CHEMICAL BANK, a New
York banking corporation ("Chemical"),
THE BANK OF NEW YORK ("BNY" and
collectively with Chemical, the "Banks")
and CHEMICAL BANK, as Agent (the
"Agent").

WHEREAS, the Borrower and the Guarantors wish to amend and waive certain
provisions of the Loan Agreement;

WHEREAS, the Banks and the Agent have consented to amend and waive the Loan
Agreement to reflect the requests herein set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements
herein contained, the parties hereto agree as follows:

1. Waiver of ARTICLE V. COVENANTS OF THE BORROWER. SECTION 5.02.

Negative Covenants. (b) Debt.

Compliance with Article V. Section 5.02. (b) of the Loan Agreement is
hereby waived to permit the Borrower to enter into with Chemical Bank (i)
the ISDA Master Agreement dated as of December 1, 1994 and (ii) the
Schedule to the Master Agreement dated as of December 1, 1994
(collectively, the "Swap Documents"), with respect to a one (1) year
interest rate swap transaction covering a notional principal amount of
\$9,000,000.

2. Waiver of ARTICLE V. COVENANTS OF THE BORROWER. SECTION 5.02.

Negative Covenants. (i) Guarantees.

Compliance with Article V. Section 5.02. (i) of the Loan Agreement is hereby waived to permit each of the Guarantors to guaranty the obligations of the Borrower under the Swap Documents.

3. Waiver of ARTICLE V. COVENANTS OF THE BORROWER. SECTION 5.03.

Financial Requirements. (c) Current Ratio.

Compliance with Section 5.03. (c) of the Loan Agreement is hereby waived for the interim six (6) months ended December 31, 1994 to permit the ratio of Consolidated Current Assets to Consolidated Current Liabilities to be less than 1.99 to 1.00 provided, however, such ratio was not less than 1.80 to 1.00 as of such interim period end.

4. Waiver of ARTICLE V. COVENANTS OF THE BORROWER. SECTION 5.03.

Financial Requirements. (d) Leverage Ratio.

Compliance with Section 5.03. (d) of the Loan Agreement is hereby waived for the interim six (6) months ended December 31, 1994 to permit the ratio of Consolidated Total Unsubordinated Liabilities to Consolidated Tangible Net Worth plus Consolidated Subordinated Debt to be greater than 1.05 to 1.00 provided, however, such ratio was not greater than 1.09 to 1.00 as of such interim period end.

5. Waiver of ARTICLE V. COVENANTS OF THE BORROWER. SECTION 5.03.

Financial Requirements. (e) Debt Service Coverage Ratio.

Compliance with Section 5.03. (e) of the Agreement is hereby waived for the interim six (6) months ended December 31, 1994 to permit the Debt Service Coverage Ratio to be less than 1.02 to 1.00 provided, however, such ratio was not less than .824 to 1.00 as such interim period end.

6. Waiver of ARTICLE V. COVENANTS OF THE BORROWER. SECTION 5.03.

Financial Requirements. (g) Inventory Reliance.

Compliance with Section 5.03. (g) of the Loan Agreement is hereby waived for the interim six (6) months ended December 31, 1994 to permit the Inventory Reliance of the Borrower to be greater than 18% provided, however, the Inventory Reliance of the Borrower was not greater than 34% as of such interim period end.

7. Amendment to ARTICLE V. COVENANTS OF THE BORROWER. SECTION

5.01. Affirmative Covenants. (b) Reporting Requirements. (ii) Quarterly

Financial Statements.

Section 5.01(b) (ii) of the Loan Agreement is hereby amended by (i) deleting the word "Quarterly" in the first line thereof and substituting therefor the word "Interim", (ii) by inserting immediately preceding the word "As" in the first line

thereof the phrase "(a)" and (iii) by inserting the following phrase immediately preceding the period at the end thereof as follows:

"and (b) as soon as available and in any event within forty-five (45) days after the end of each calendar month, a copy of the consolidated financial statements of the Borrower and its Consolidated Affiliates for the immediately preceding calendar month, including a balance sheet with related statements of income and retained earnings and a statement of cash flows, all in reasonable detail and setting forth in comparative form (beginning one (1) year from the date of the Second Amendment and Waiver to this Agreement) the figures for the comparable month for the previous calendar year, prepared by the Chief Financial Officer of the Borrower, all such financial statements to be prepared in accordance with GAAP (subject to normal year-end adjustments)".

8. Amendment to ARTICLE V. COVENANTS OF THE BORROWER. SECTION

 5.01. Affirmative Covenants. (b) Reporting Requirements. (xii) Other

 Quarterly Reports.

Section 5.01.(b) (xii) of the Loan Agreement is hereby amended by deleting it in its entirety and substituting therefor the following:

"(xii) OTHER REPORTS. (a) As soon as available, but in no event later than forty-five (45) days after the end of each fiscal quarter of the Borrower (i) production output schedules and (ii) schedules of staffing levels in the United States and the Dominican Republic, each in form, substance and detail satisfactory to the Agent and (b) As soon as available, but in no event later than forty-five (45) days after the end of each calendar month, (i) accounts receivable aging schedules of the Borrower and the Guarantors, with separate sub-totals for foreign and domestic accounts receivable and (ii) inventory designation schedules of the Borrower and the Guarantors, designating foreign and domestic inventory separately, each in form, substance and detail satisfactory to the Agent."

9. Amendment to ARTICLE V. COVENANTS OF THE BORROWER. SECTION

 5.01. Affirmative Covenants. (g) Visitation.

Section 5.01 (g) of the Loan Agreement is hereby amended by adding the following four new sentences to the end thereof as follows:

"The Banks shall be permitted to conduct a field examination of the books, records, internal accounting and reporting procedures and all assets of the Borrower and its Consolidated Affiliates once each calendar year, the costs and expenses of which shall be paid for by the Borrower up to an aggregate amount of \$20,000 (with amounts in excess thereof paid for by Chemical). Such field examination shall be performed by an independent firm (the "Firm") designated jointly by Chemical and BNY. The Banks will provide the Borrower with a copy of the invoice rendered by

the Firm in connection with the completion of any field examination and the Banks will request that the Firm provide in the invoice a time summary by area and related billing rates charged. Should the Banks jointly agree to conduct more than one field examination per calendar year, the Borrower shall permit the Firm designated by the Banks to conduct additional field examinations during the course of a given calendar year, the costs and expenses of which shall be paid for by Chemical. The Banks agree that any such field examinations shall not be conducted (i) at any time during the forty-five days immediately following the end of the first, second and third fiscal quarters of any fiscal year of the Borrower nor (ii) at any time during the ninety days immediately following the end of each fiscal year of the Borrower."

10. Amendment to ARTICLE V. COVENANTS OF THE BORROWER. SECTION

5.01. Affirmative Covenants.

Section 5.01. of the Agreement is hereby amended by adding the following new sub-section "(o)" immediately following sub-section (n) thereof as follows:

"(o) AMENDMENT FEE: (i) Upon the execution by the Borrower of the Second Amendment and Waiver dated as of March 31, 1995 and (ii) on each of June 15, 1995, September 15, 1995 and December 15, 1995, the Borrower shall pay to Chemical, for its own account, an amount equal to \$11,250, each such payment representing one quarter of an amendment fee in the aggregate amount of \$45,000 (the "Chemical Amendment Fee") to be paid by the Borrower to Chemical in connection with the execution of the Second Amendment and Waiver dated as of March 31, 1995 to the Agreement. The Borrower agrees that in the event that, prior to December 15, 1995, the Commitments are reduced (including upon an Event of Default) to \$0 and the obligations of the Borrower hereunder are accelerated, then there shall be due and payable to Chemical hereunder, and the Borrower shall promptly thereupon pay to Chemical, for its own account, the amount by which \$45,000 exceeds the amount theretofore paid under this Section 5.01. (o)."

11. Amendment to ARTICLE V. COVENANTS OF THE BORROWER. SECTION

5.02. Negative Covenants. (a) Liens, Etc. (i).

Section 5.02. (a) (i) of the Loan Agreement is hereby amended by adding the following phrase immediately preceding the semi-colon in sub-section (i) as follows:

"and Section 5.02 (b) (xi) of this Agreement".

12. Amendment to ARTICLE V. COVENANTS OF THE BORROWER. SECTION

5.02. Negative Covenants. (b) Debt.

Section 5.02 (b) of the Loan Agreement is hereby amended by adding to the end thereof new sub-sections "(x)" and "(xi)" as follows:

"(x) Debt of the Borrower pursuant to the (i) ISDA Master Agreement dated as of December 1, 1994 between the Borrower and Chemical Bank and (ii) Schedule to the Master Agreement dated as of December 1, 1994 between the Borrower and Chemical Bank;"

(xi) Debt owing to Chemical arising out of a secured line of credit issued for the purpose of direct borrowings in the maximum principal amount of \$2,000,000.00, such line of credit to expire April 1, 1996, and any extensions, replacements or renewals thereof, on terms and conditions satisfactory to both Chemical and BNY, provided that any such extensions, replacements or renewals thereof shall not result in the aggregate principal amount of such indebtedness exceeding \$2,000,000.00, all such indebtedness to be secured by the Collateral (subject to an inter-creditor agreement between the Banks) and guaranteed by the Guarantors;"

13. Amendment to ARTICLE V. COVENANTS OF THE BORROWER. SECTION

5.02. Negative Covenants. (i) Guarantees.

Section 5.02. (i) of the Loan Agreement is hereby amended by inserting the following phrase immediately preceding the period at the end thereof as follows:

"; or (iv) guarantees by the Guarantors of the obligations of the Borrower under (i) the ISDA Master Agreement dated as of December 1, 1994 between the Borrower and Chemical Bank and (ii) the Schedule to the Master Agreement dated as of December 1, 1994 between the Borrower and Chemical Bank; or (v) guarantees by the Guarantors of the obligations of the Borrower of the Debt permitted by Section 5.02. (b) (xi) hereof".

14. Amendment to ARTICLE V. COVENANTS OF THE BORROWER. SECTION

5.03. Financial Requirements. (b) Consolidated Capital Expenditures.

Section 5.03. (b) of the Loan Agreement is hereby amended by (i) deleting the number "\$3,500,000.00" contained therein and substituting therefor the number "\$3,800,000.00", (ii) deleting number "\$2,000,000.00" contained therein and substituting therefor the number "\$2,500,000.00" and (iii) deleting the number "\$1,500,000.00" contained in the sixth line thereof and substituting therefor the number "\$1,300,000.00".

15. Amendment to ARTICLE V. COVENANTS OF THE BORROWER. SECTION

5.03. Financial Requirements. (c) Current Ratio.

Section 5.03. (c) of the Loan Agreement is hereby amended by deleting it in its entirety and substituting therefor the following:

"(c) CURRENT RATIO. The Borrower will maintain a ratio of Consolidated Current Assets to Consolidated Current Liabilities of (i) not less than 1.99 to 1.00 at all times

from July 1, 1994 until December 30, 1994; (ii) not less than 1.70 to 1.00 at all times from December 31, 1994 until December 30, 1995; (iii) not less than 1.85 to 1.00 at all times from December 31, 1995 until June 29, 1996; and (iv) not less than 2.25 to 1.00 at all times from June 30, 1996 and thereafter."

16. Amendment to ARTICLE V. COVENANTS OF THE BORROWER. SECTION

5.03. Financial Requirements. (d) Leverage Ratio.

Section 5.03. (d) of the Loan Agreement is hereby amended by deleting such section in its entirety and substituting therefor the following:

"(d) LEVERAGE RATIO. The Borrower will maintain a ratio of (x) Consolidated Total Unsubordinated Liabilities to (y) Consolidated Tangible Net Worth plus Consolidated Subordinated Debt of not more than (i) 1.05 to 1.00 at all times from July 1, 1994 until December 30, 1994; (ii) 1.15 to 1.00 at all times from December 31, 1994 until September 29, 1995, (iii) 1.10 to 1.00 at all times from September 30, 1995 until December 30, 1995 and (iv) 1.00 to 1.00 at all times from December 31, 1995 and thereafter.

17. Amendment to ARTICLE V. COVENANTS OF THE BORROWER. SECTION

5.03. Financial Requirements. (e) Debt Service Coverage Ratio.

Section 5.03. (e) of the Loan Agreement is hereby amended by deleting it in its entirety and substituting therefor the following:

"(e) DEBT SERVICE COVERAGE RATIO. The Borrower will maintain a Debt Service Coverage Ratio of not less than:

- (i) 1.02 to 1.00 at all times from July 1, 1994 until December 30, 1994;
- (ii) .824 to 1.00 at all times from December 31, 1994 until June 29, 1995;
- (iii) .94 to 1.00 at all times from June 30, 1995 until June 29, 1996: and
- (iv) 1.00 to 1.00 at all times from June 30, 1996 and thereafter."

18. Amendment to ARTICLE V. COVENANTS OF THE BORROWER. SECTION

5.03. Financial Requirements. (g) Inventory Reliance.

Section 5.03. (g) of the Loan Agreement is hereby amended by deleting it in its entirety and substituting therefor the following:

"(g) INVENTORY RELIANCE. The Borrower will maintain an Inventory Reliance of not more than:

- (i) 18% at all times from July 1, 1994 until December 30, 1994;
- (ii) 37% at all times from December 31, 1994 until June 29, 1995;
- (iii) 34% at all times from June 30, 1995 until September 29, 1995;
- (iv) 32% at all times from September 30, 1995 until December 30, 1995;
- (v) 30% at all times from December 31, 1995 until March 30, 1996;
- (vi) 20% at all times from March 31, 1996 until June 29, 1996; and
- (vii) 10% at all times from June 30, 1996 and thereafter."

19. Amendment to ARTICLE V. COVENANTS OF THE BORROWER. SECTION

5.03. Financial Requirements.

Section 5.03. of the Loan Agreement is hereby amended by adding the following new sub-section "(h)" as follows:

"(h) INVENTORY TURNOVER DAYS. The Borrower will not permit the number of inventory days in any Test Period, as defined below, to exceed the number of days for the corresponding period set forth below (inventory days shall mean (a) the consolidated inventory of the Borrower and its Consolidated Affiliates as of the last day of such Test Period divided by (b) the consolidated cost of goods sold of the Borrower and its Consolidated Affiliates for such Test Period, times (c) the number of days in such Test Period):

Period	Number of Days
-----	-----
March 31, 1995 - June 29, 1995	276
June 30, 1995 - September 29, 1995	258
September 30, 1995 - December 30, 1995	246
December 31, 1995 - March 30, 1996	238
March 31, 1996 - June 29, 1996	218
June 30, 1996 and thereafter	208

Test Period shall mean the immediately preceding four fiscal quarters of the Borrower ending on the date the number of "Inventory Turnover Days" is calculated."

This SECOND AMENDMENT and WAIVER shall be construed and enforced in accordance with the laws of the State of New York.

Except as expressly amended or consented to hereby, the Loan Agreement shall remain in full force and effect in accordance with the original terms thereof.

The SECOND AMENDMENT and WAIVER herein contained is limited specifically to the matters set forth above and does not constitute directly or by implication an amendment or waiver of any other provision of the Loan Agreement or any default which may occur or may have occurred under the Loan Agreement.

Notwithstanding the provisions of the Security Agreements dated July 27, 1994 and entered into by the Borrower and each of the Guarantors in connection with the closing of the Loan Agreement (the "Security Agreements"), (a) the Borrower's obligations under the Swap Documents and (b) the Guarantors' guaranty of the Borrower's obligations under the Swap Documents (pursuant to the Guaranties dated July 27, 1994 and entered into by each of the Guarantors in connection with the closing of the Loan Agreement), shall not be secured by the Collateral described in the Security Agreements.

The Borrower and the Guarantors hereby represent and warrant that, after giving effect to this SECOND AMENDMENT and WAIVER, no Event of Default or Default exists under the Loan Agreement or any other related document.

Please be advised that should there be a need for further amendments or waivers with respect to these covenants or any other covenants, those requests shall be evaluated by the Agent and the Lenders when formally requested, in writing, by the Borrower and the Guarantors.

This SECOND AMENDMENT and WAIVER may be executed in one or more counterparts, each of which shall constitute an original, but all of which when, taken together shall constitute but one SECOND AMENDMENT and WAIVER. The SECOND AMENDMENT and WAIVER shall become effective when (i) duly executed counterparts hereof which, when taken together, bear the signatures of each of the parties hereto shall have been delivered to the Agent, (ii) the Banks shall have entered into an amendment to the Intercreditor Agreement dated as of July 27, 1994 (the "Intercreditor Agreement"), which such amendment amends Exhibit A thereto to include the Debt permitted under Section 5.02. (b)(xi) of the Loan Agreement as "Chemical Senior Loans" (as such term is defined in the Intercreditor Agreement), (iii) the Agent shall have received copies of executed waivers and amendments (as appropriate) to the Letter of Credit and Bond Purchase Agreement dated as of April 1, 1985 between the Borrower and Chemical Bank and the Credit Agreement dated as of November 21, 1991 among the Borrower, the Guarantors named therein and Chemical Bank, such amendments and waivers reflecting the matters set forth herein and (iv) the Agent shall have received a check in the amount of \$16,250, representing (a) a \$5,000 amendment fee to be paid to BNY and (b) one-quarter of an amendment fee in the aggregate amount of \$45,000 (the "Chemical Amendment Fee") to be paid to the Agent for its own account. The remaining portion of the Chemical Amendment Fee payable to Agent for its own account in the amount of \$33,750 shall be payable as set forth in Section 5.01. (o) of the Agreement.

Capitalized terms used herein and not otherwise defined herein shall have the same meanings as defined in the Loan Agreement.

IN WITNESS WHEREOF, the Borrower, the Guarantors, the Banks and the Agent have caused this SECOND AMENDMENT and WAIVER to be duly executed by their duly authorized officers, all as of the day and year first above written.

NAPCO SECURITY SYSTEMS, INC.

By: /s/ K. Buchel

Name: Kevin Buchel
Title: VP-Finance

NAPCO SECURITY SYSTEMS
INTERNATIONAL INC.

By: /s/ K. Buchel

Name:
Title:

UMI MANUFACTURING CORP.

By: /s/ K. Buchel

Name:
Title:

RALTECH LOGIC, INC.

By: /s/ K. Buchel

Name:
Title:

E.E. ELECTRONIC COMPONENTS,
INC.

By: /s/ K. Buchel

Name:
Title:

ALARM LOCK SYSTEMS, INC.

By: /s/ K. Buchel

Name:
Title:

DERRINGER SECURITY SYSTEMS,
INC.

By: /s/ K. Buchel

Name:
Title:

CHEMICAL BANK, as Agent and Bank

By: /s/ Robert F. Eisen Jr

Name: Robert F. Eisen Jr
Title: VP

THE BANK OF NEW YORK, as Bank

By: /s/ Kevin R. Braddish

Name: Kevin R. Braddish
Title: V.P.

[LOGO]

Chemical Bank

PROMISSORY NOTE

Melville, N.Y.
-----\$ 500,000.00
-----July 3, 1995

On OCTOBER 2, 1995 (insert specific date or "DEMAND") for value received, the undersigned hereby promises to pay to the order of CHEMICAL BANK (hereinafter the "Bank") at its offices at 395 N. SERVICE RD. MELVILLE, N.Y. FIVE HUNDRED THOUSAND AND NO/100***** DOLLARS with interest payable on _____ (specific date) and the _____ day of each _____ (quarter, month, etc.) thereafter (and at maturity) at a per annum rate of 2% above the Bank's Prime Rate (which shall be the rate of interest as is publicly announced at the Bank's principal office from time to time as its Prime Rate), adjusted as of the date of each such change. The foregoing rate shall be computed for the actual number of days elapsed on the basis of a 360-day year, but in no event shall be higher than the maximum permitted under applicable law. Interest on any past due amount, whether at the due date thereof or by acceleration, shall be paid at a rate of one percent per annum in excess of the above stated rate, but in no event higher than the maximum permitted under applicable law. Time for payment extended by law shall be included in the computation of interest.

The undersigned hereby grants to the Bank a lien on, security interest in and right of set-off against all moneys, securities and other property of the undersigned and the proceeds thereof now or hereafter delivered to remain with or in transit in any manner to the Bank, its correspondents or its agents from or for the undersigned, whether for safekeeping, custody, pledge, transmission, collection or for any other purpose, or coming into possession, control or custody of the Bank, Chemical Securities, Inc., or any other affiliate of the Bank in any way, and, also, any balance of any deposit account and credits of the undersigned with, and any other claims of the undersigned against, the Bank, Chemical Securities, Inc., or any other affiliate of the Bank at any time existing (all of which are hereinafter collectively called "Collateral"), as collateral security for the payment of this note and all other liabilities and obligations now or hereafter owed by the undersigned to the Bank, contracted with or acquired by the Bank, whether joint, several, direct, indirect, absolute, contingent, secured, unsecured, matured or unmatured (all of which are hereafter collectively called "Liabilities"), hereby authorizing the Bank at any time or times, without notice or demand, to apply any such Collateral or any proceeds thereof to any of such Liabilities in such amounts as it in its sole discretion may select, either contingent, unmatured or otherwise and whether any other collateral security therefor is deemed adequate or not. Undersigned authorizes the Bank to deliver to others a copy of this note as written notification of the undersigned's transfer of a security interest in the Collateral. The Bank further is authorized at any time or times, without demand or notice to the undersigned, to transfer to or register in the name of its nominee or nominees all or any part of the Collateral and to exercise any and all rights, power and privileges (except that prior to an Event of Default the Bank shall not have the right to vote or to direct the voting of any Collateral). The collateral security and other rights described herein shall be in addition to any other collateral security described in any separate agreement executed by the undersigned.

In the event of: default in the prompt payment of any Liabilities; default in any other indebtedness of the undersigned (which, for the purposes of this sentence, means the undersigned or any guarantor, surety or endorser of, or any person or entity which has pledged any of its property to secure, any Liabilities); complete or partial liquidation or suspension of any business of the undersigned; dissolution, merger, consolidation or reorganization of the undersigned; death or loss of employment by an individual or any member of any partnership (if the undersigned is an individual or a partnership); failure to furnish any financial information or to permit inspection of any books or records at the Bank's request; a representation, warranty or statement of the undersigned proving false in any material respect when made or furnished; general assignment for the benefit of creditors or insolvency of the undersigned; commencement of any proceeding supplementary to any execution relating to any judgment against the undersigned; attachment, distraint, levy, execution or final judgment against the undersigned or against the property of the undersigned; assignment by the undersigned of any equity in any of the Collateral without the written consent of the Bank; appointment of a receiver, conservator, rehabilitator or similar officer for the undersigned, or for any property of the undersigned; tax assessment by the United States Government or any state or political subdivision thereof against the undersigned; the taking of possession of, or assumption of control over, all or any substantial part of the property of the undersigned by the United States Government, or any state or political subdivision thereof, foreign government (de facto or de jure) or any agency of any thereof; calling of a meeting of creditors, assignment for the benefit of creditors or bulk sale or notice thereof; any mortgage, pledge of or creation of a security interest in any assets without the consent of the holder of this note; filing of a petition in bankruptcy, commencement of any proceeding under any bankruptcy or debtor's law (or similar law analogous in

purpose or effect) for the relief, reorganization, composition, extension, arrangement or readjustment of any of the obligations by or against the undersigned; then, and in any of those events (each, an "Event of Default"), all Liabilities, although otherwise unmatured or contingent, shall forthwith become due and payable without notice or demand and notwithstanding anything to the contrary contained herein or in any other instrument. Further, acceptance of any payments shall not waive or affect any prior demand or acceleration of these Liabilities, and each such payment made shall be applied first to the payment of accrued interest, then to the aggregate unpaid principal or otherwise as determined by the Bank in its sole discretion. The undersigned hereby irrevocably consents to the in personam jurisdiction of the federal and/or state courts located within the State of New York over controversies arising from or relating to this note or the Liabilities and IRREVOCABLY WAIVES TRIAL BY JURY and the right to interpose any counterclaim or offset of any nature in any such litigation. The undersigned further irrevocably waives presentment, demand, protest, notice of dishonor and all other notices or demands of any kind in connection with this note or any Liabilities. The undersigned shall be jointly and severally liable hereon.

The Bank may, at its option, at any time when in the judgment of the Bank the Collateral is inadequate or the Bank deems itself insecure, or upon or at any time after the occurrence of an Event of Default, proceed to enforce payment of the same and exercise any of or all the rights and remedies afforded the Bank by the Uniform Commercial Code (the "Code") or otherwise possessed by the Bank. Any requirement of the Code for reasonable notice to the undersigned shall be deemed to have been complied with if such notice is mailed, postage prepaid, to the undersigned and such other persons entitled to notice, at the addresses shown on the records of the Bank at least four (4) days prior to the time of sale, disposition or other event requiring notice under the Code.

The undersigned agrees to pay to the Bank, as soon as incurred, all costs and expenses incidental to the care, preservation, processing, sale or collection of or realization upon any of or all the Collateral or incurred in connection with the enforcement or collection of this note, or in any way relating to the rights of the Bank hereunder, including reasonable inside or outside counsel fees and expenses. Each and every right and remedy hereby granted to the Bank or allowed to it by law shall be cumulative and not exclusive and each may be exercised by the Bank from time to time and as often as may be necessary.

The undersigned shall have the sole responsibility for notifying the Bank in writing that the undersigned wishes to take advantage of any redemption, conversion or other similar right with respect to any of the Collateral. The Bank may release any party (including any partner or any undersigned) without notice to any of the undersigned, whether as co-makers, endorsers, guarantors, sureties, assigns or otherwise, without affecting the liability of any of the undersigned hereof or any partner of any undersigned hereof.

Upon any transfer of this note, the undersigned hereby waiving notice of any such transfer, the Bank may deliver the Collateral or any part thereof to the transferee who shall thereupon become vested with all the rights herein or under applicable law given to the Bank with respect thereto and the Bank shall thereafter forever be relieved and fully discharged from any liability or responsibility in the matter; but the Bank shall retain all rights hereby given to it with respect to any Liabilities and Collateral not so transferred. No modification or waiver of any of the provisions of this note shall be effective unless in writing, signed by the Bank, and only to the extent therein set forth; nor shall any such waiver be applicable except in the specific instance for which given. This agreement sets forth the entire understanding of the parties, and the undersigned acknowledges that no oral or other agreements, conditions, promises, understandings, representations or warranties exist in regard to the obligations hereunder, except those specifically set forth herein.

If the undersigned is a partnership, the agreement herein contained shall remain in force and applicable, notwithstanding any changes in the individuals composing the partnership or any release of any partner or partners and their partners shall not thereby be released from any liability. If this note is signed by more than one party, the terms "undersigned", as used herein, shall include mean the "undersigned and each of them" and each undertaking herein contained shall be their joint and several undertaking, provided, however, that in the phrases "of the undersigned", "by the undersigned", "against the undersigned", "for the undersigned", "to the undersigned", and "on the undersigned", the term "undersigned" shall mean the "undersigned or any of them"; and the Bank may release or exchange any of the Collateral belonging to any of the parties hereto and it may renew or extend any of the liabilities of any of them and may make additional advances or extensions of credit to any of them or release or fail to set off any deposit account or credit to any of them or grant other indulgences to any of them, all from time to time, before or after maturity hereof, with or without further notice to or assent from any of the other parties hereto. Each reference herein to the Bank shall be deemed to include its successors, endorsees and assigns, in whose favor the provisions hereof shall also inure. Each reference herein to the undersigned shall be deemed to include the heirs, executors, administrators, legal representatives, successors and assigns of the undersigned, all of whom shall be bound by the provisions hereof.

The provisions of this note shall be construed and interpreted and all rights and obligations hereunder determined in accordance with the laws of the State of New York, and, as to interest rates, applicable Federal law.

NAPCO SECURITY SYSTEMS, INC.

NAPCO SECURITY SYSTEMS, INC.

/s/ Kevin S. Buchel

/s/ Kenneth Rosenberg

Sr. V.P. of Operations and Finance

President

Address: 333 Bayview Avenue

Address: 333 Bayview Avenue

Amityville, NY 11701

AMITYVILLE, NY 11701

[LOGO]

Chemical Bank

PROMISSORY NOTE

Melville, NY
-----\$ 500,000.00
-----April 3, 1995

On July 3, 1995 (insert specific date or "DEMAND"), for value received, the undersigned hereby promises to pay to the order of CHEMICAL BANK (hereinafter the "Bank") at its offices at 395 N. Service Rd. Melville, N.Y. FIVE HUNDRED THOUSAND AND NO/100***** DOLLARS with interest payable on _____ (specific date) and the _____ day of each _____ (quarter, month, etc.) thereafter (and at maturity) at a per annum rate of 2% above the Bank's Prime Rate (which shall be the rate of interest as is publicly announced at the Bank's principal office from time to time as its Prime Rate), adjusted as of the date of each such change. The foregoing rate shall be computed for the actual number of days elapsed on the basis of a 360-day year, but in no event shall be higher than the maximum permitted under applicable law. Interest on any past due amount, whether at the due date thereof or by acceleration, shall be paid at a rate of one percent per annum in excess of the above stated rate, but in no event higher than the maximum permitted under applicable law. Time for payment extended by law shall be included in the computation of interest.

The undersigned hereby grants to the Bank a lien on, security interest in and right of set-off against all moneys, securities and other property of the undersigned and the proceeds thereof now or hereafter delivered to remain with or in transit in any manner to the Bank, its correspondents or its agents from or for the undersigned, whether for safekeeping, custody, pledge, transmission, collection or for any other purpose, or coming into possession, control or custody of the Bank, Chemical Securities, Inc., or any other affiliate of the Bank in any way, and, also, any balance of any deposit account and credits of the undersigned with, and any other claims of the undersigned against, the Bank, Chemical Securities, Inc., or any other affiliate of the Bank at any time existing (all of which are hereinafter collectively called "Collateral"), as collateral security for the payment of this note and all other liabilities and obligations now or hereafter owed by the undersigned to the Bank, contracted with or acquired by the Bank, whether joint, several, direct, indirect, absolute, contingent, secured, unsecured, matured or unmatured (all of which are hereafter collectively called "Liabilities"), hereby authorizing the Bank at any time or times, without notice or demand, to apply any such Collateral or any proceeds thereof to any of such Liabilities in such amounts as it in its sole discretion may select, either contingent, unmatured or otherwise and whether any other collateral security therefor is deemed adequate or not. Undersigned authorizes the Bank to deliver to others a copy of this note as written notification of the undersigned's transfer of a security interest in the Collateral. The Bank further is authorized at any time or times, without demand or notice to the undersigned, to transfer to or register in the name of its nominee or nominees all or any part of the Collateral and to exercise any and all rights, power and privileges (except that prior to an Event of Default the Bank shall not have the right to vote or to direct the voting of any Collateral). The collateral security and other rights described herein shall be in addition to any other collateral security described in any separate agreement executed by the undersigned.

In the event of: default in the prompt payment of any Liabilities; default in any other indebtedness of the undersigned (which, for the purposes of this sentence, means the undersigned or any guarantor, surety or endorser of, or any person or entity which has pledged any of its property to secure, any Liabilities); complete or partial liquidation or suspension of any business of the undersigned; dissolution, merger, consolidation or reorganization of the undersigned; death of or loss of employment by an individual or any member of any partnership (if the undersigned is an individual or a partnership), failure to furnish any financial information or to permit inspection of any books or records at the Bank's request; a representation, warranty or statement of the undersigned proving false in any material respect when made or furnished; general assignment for the benefit of creditors or insolvency of the undersigned; commencement of any proceeding supplementary to any execution relating to any judgment against the undersigned; attachment, distraint, levy, execution or final judgment against the undersigned or against the property of the undersigned; assignment by the undersigned of any equity in any of the Collateral without the written consent of the Bank; appointment of a receiver, conservator, rehabilitator or similar officer for the undersigned, or for any property of the undersigned; tax assessment by the United States Government or any state or political subdivision thereof against the undersigned; the taking of possession of, or assumption of control over, all or any substantial part of the property of the undersigned by the United States Government, or any state or political subdivision thereof, foreign government (de facto or de jure) or any agency of any thereof; calling of a meeting of creditors, assignment for the benefit of creditors or bulk sale or notice thereof; any mortgage, pledge of or creation of a security interest in any assets without the consent of the

holder of this note; filing of a petition in bankruptcy, commencement of any proceeding under any bankruptcy or debtor's law (or similar law analogous in purpose or effect) for the relief, reorganization, composition, extension, arrangement or readjustment of any of the obligations by or against the undersigned; then, and in any of those events (each, an "Event of Default"), all Liabilities, although otherwise unmatured or contingent, shall forthwith become due and payable without notice or demand and notwithstanding anything to the contrary contained herein or in any other instrument. Further, acceptance of any payments shall not waive or affect any prior demand or acceleration of these Liabilities, and each such payment made shall be applied first to the payment of accrued interest, then to the aggregate unpaid principal or otherwise as determined by the Bank in its sole discretion. The undersigned hereby irrevocably consents to the in personam jurisdiction of the federal and/or state courts located within the State of New York over controversies arising from or relating to this note or the Liabilities and IRREVOCABLY WAIVES TRIAL BY JURY and the right to interpose any counterclaim or offset of any nature in any such litigation. The undersigned further irrevocably waives presentment, demand, protest, notice of dishonor and all other notices or demands of any kind in connection with this note or any Liabilities. The undersigned shall be jointly and severally liable hereon.

The Bank may, at its option, at any time when in the judgment of the Bank the Collateral is inadequate or the Bank deems itself insecure, or upon or at any time after the occurrence of an Event of Default, proceed to enforce payment of the same and exercise any of or all the rights and remedies afforded the Bank by the Uniform Commercial Code (the "Code") or otherwise possessed by the Bank. Any requirement of the Code for reasonable notice to the undersigned shall be deemed to have been complied with if such notice is mailed, postage prepaid, to the undersigned and such other persons entitled to notice, at the addresses shown on the records of the Bank at least four (4) days prior to the time of sale, disposition or other event requiring notice under the Code.

The undersigned agrees to pay to the Bank, as soon as incurred, all costs and expenses incidental to the care, preservation, processing, sale or collection of or realization upon any of or all the Collateral or incurred in connection with the enforcement or collection of this note, or in any way relating to the rights of the Bank hereunder, including reasonable inside or outside counsel fees and expenses. Each and every right and remedy hereby granted to the Bank or allowed to it by law shall be cumulative and not exclusive and each may be exercised by the Bank from time to time and as often as may be necessary.

The undersigned shall have the sole responsibility for notifying the Bank in writing that the undersigned wishes to take advantage of any redemption, conversion or other similar right with respect to any of the Collateral. The Bank may release any party (including any partner or any undersigned) without notice to any of the undersigned, whether as co-makers, endorsers, guarantors, sureties, assigns or otherwise, without affecting the liability of any of the undersigned hereof or any partner of any undersigned hereof.

Upon any transfer of this note, the undersigned hereby waiving notice of any such transfer, the Bank may deliver the Collateral or any part thereof to the transferee who shall thereupon become vested with all the rights herein or under applicable law given to the Bank with respect thereto and the Bank shall thereafter forever be relieved and fully discharged from any liability or responsibility in the matter; but the Bank shall retain all rights hereby given to it with respect to any Liabilities and Collateral not so transferred. No modification or waiver of any of the provisions of this note shall be effective unless in writing, signed by the Bank, and only to the extent therein set forth; nor shall any such waiver be applicable except in the specific instance for which given. This agreement sets forth the entire understanding of the parties, and the undersigned acknowledges that no oral or other agreements, conditions, promises, understandings, representations or warranties exist in regard to the obligations hereunder, except those specifically set forth herein.

If the undersigned is a partnership, the agreement herein contained shall remain in force and applicable, notwithstanding any changes in the individuals composing the partnership or any release of any partner or partners and their partners shall not thereby be released from any liability. If this note is signed by more than one party, the terms "undersigned", as used herein, shall include mean the "undersigned and each of them" and each undertaking herein contained shall be their joint and several undertaking, provided, however, that in the phrases "of the undersigned", "by the undersigned", "against the undersigned", "for the undersigned", "to the undersigned", and "on the undersigned", the term "undersigned" shall mean the "undersigned or any of them"; and the Bank may release or exchange any of the Collateral belonging to any of the parties hereto and it may renew or extend any of the liabilities of any of them and may make additional advances or extensions of credit to any of them or release or fail to set off any deposit account or credit to any of them or grant other indulgences to any of them, all from time to time, before or after maturity hereof, with or without further notice to or assent from any of the other parties hereto. Each reference herein to the Bank shall be deemed to include its successors, endorsees and assigns, in whose favor the provisions hereof shall also inure. Each reference herein to the undersigned shall be deemed to include the heirs, executors, administrators, legal representatives, successors and assigns of the undersigned, all of whom shall be bound by the provisions hereof.

The provisions of this note shall be construed and interpreted and all rights and obligations hereunder determined in accordance with the laws of the State of New York, and, as to interest rates, applicable Federal law.

NAPCO SECURITY SYSTEMS, INC.

/s/ Kevin S. Buchel	/s/ Kenneth Rosenberg
-----	-----
Kevin S. Buchel, Sr. V.P. Operations & Finance	Kenneth Rosenberg, President
Address: 333 Bayview Avenue	Address: 333 Bayview Avenue
-----	-----
Amityville, NY 11707	Amityville, NY 11701

NAPCO SECURITY SYSTEMS, INC.

COMPUTATION OF EARNINGS PER SHARE

	1995 ----	1994 ----	1993 ----	1992 ----	1991 ----
Weighted average number of shares outstanding	4,367,727	4,367,577	4,366,827	4,366,527	4,366,527
Add common stock equivalents	21,904 -----	27,053 -----	39,077 -----	13,472 -----	12,263 -----
Adjusted weighted average shares outstanding	4,389,631 =====	4,394,630 =====	4,405,904 =====	4,379,999 =====	4,378,790 =====
Net Income:	\$ 512,000 =====	\$1,254,000 =====	\$2,317,000 =====	\$1,406,000 =====	\$ 511,000 =====
Earnings per share: primary and fully diluted:	\$.12 =====	\$.29 =====	\$.53 =====	\$.32 =====	\$.12 =====

Earnings per common and common equivalent shares are based upon the weighted average number of shares of common stock and common stock equivalents outstanding during the respective periods. Stock options have been considered to be the equivalent of common stock. Shares issuable upon exercise of stock options, to the extent appropriate, have been added to the average common shares actually outstanding for purposes of this computation, and shares assumed to be purchased at the average market price during the respective periods, with proceeds from the exercise of such options, have been deducted from the average shares outstanding.

NAPCO SECURITY SYSTEMS, INC.

COMPUTATION OF RATIOS

	1995 ----	1994 ----	1993 ----
	(In thousands, except for ratios)		
A. Current Assets	\$39,916	\$40,105	\$37,809
B. Current Liabilities	11,256	12,072	17,873
Current Ratio (Line A / Line B)	3.5 to 1	3.3 to 1	2.1 to 1
C. Sales	\$48,078	\$46,873	\$46,560
D. Receivables	13,647	14,687	12,088
Ratio (Line C / Line D)	3.5 to 1	3.2 to 1	3.9 to 1
E. Total Current Liabilities	\$11,256	\$12,072	\$17,873
F. Long Term Debt	15,275	13,690	6,567
G. Deferred Income Taxes	648	0	0
H. Total Debt	27,179	25,762	24,440
I. Equity	28,560	28,048	26,793
Ratio (Line H / Line I)	1 to 1	.9 to 1	.9 to 1

SUBSIDIARIES OF THE COMPANY

The following are the Company's subsidiaries as of the close of the fiscal year ended June 30, 1995. All beneficial interests are wholly-owned, directly or indirectly, by the Company and are included in the Company's consolidated financial statements.

Name -----	State or Jurisdiction of Organization -----
Alarm Lock Systems, Inc.	Delaware
Derringer Security Systems, Inc.	New York
E.E. Electronic Components Inc.	New York
Napco Security Systems International, Inc.	New York
NSS Caribe, S.A.	Dominican Republic
Raltech Logic, Inc.	New York
UMI Manufacturing Corp.	New York

YEAR	
	JUN-30-1995
	JUL-01-1994
	JUN-30-1995
	368,000
	0
	14,309,000
	662,000
	24,178,000
	39,916,000
	20,516,000
	8,013,000
	55,739,000
11,256,000	
	15,275,000
	59,000
	0
	0
	28,501,000
55,739,000	
	48,078,000
	48,078,000
	36,753,000
	0
	8,994,000
	218,000
1,412,000	
	1,044,000
	532,000
	0
	0
	0
	0
	512,000
	.12
	.12