

**NAPCO SECURITY TECHNOLOGIES, INC.**  
**STATEMENT OF POLICY WITH RESPECT TO RELATED PERSON TRANSACTIONS**

[Adopted by the Board on September 11, 2007]

A. Policy Statement

NAPCO Security Technologies, Inc. (together with its subsidiaries, the “Company”) recognizes that Related Person Transactions (as defined below) can present potential or actual conflicts of interest. Accordingly, it is the Company’s policy not to permit executive officers or directors, or their immediate family members, or 5% shareholders to enter into Related Person Transactions unless approved by the Audit Committee of the Board of Directors.

B. Definitions

For the purposes of this Policy, a “Related Person Transaction” is a transaction between the Company and any Related Person (as defined below), (including any transactions requiring disclosure under Item 404 of Regulation S-K under the Securities Exchange Act of 1934), other than:

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

For the purposes of this Policy, a “Related Person” means:

1. any person who is, or at any time since the beginning of the Company’s last fiscal year was, a director or executive officer (which shall include all Section 16 officers) of the Company or a nominee to become a director of the Company;
2. any person who is known to be the beneficial owner of more than 5% of any class of the Company’s common stock;
3. any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of the director, executive officer, nominee or more than 5% beneficial owner, and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee or more than 5% beneficial owner; and

4. any entity which is controlled by someone listed in 1, 2 or 3 above or an entity in or of which someone listed in 1, 2 or 3 above has more than 5% ownership interest or control.