Rodman & Renshaw

NAPCO Security Technologies (NSSC)

TRANSFER COVERAGE

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TECHNOLOGY

June 8, 2010

Market Outperform / Speculative Risk

Transferring Coverage; Maintain Market Outperform; PT lowered to $2.15 from $2.50

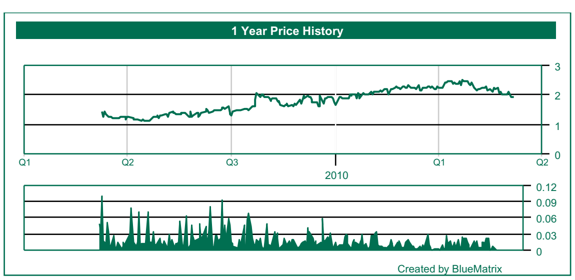
MARKET DATA	6/8/2010
Price	$1.93
Exchange	NASDAQ
Target Price	$2.15
52 Wk Hi - Low	$3.02 - $1.11
EV(MM)	$61.8
Market Cap(MM)	$36.9
Shares Out (MM)	19.1
Public Mkt Float (MM)	12.1
Avg. Daily Vol (000)	17.4

BALANCE SHEET METRICS	
Cash (MM)	$5.8
LTD (MM)	$0.0
Total Debt/Total Equity	85.10%
Debt/Capital	46.0%
Price/Book Value	1.0x
Book Value/Share	$1.89

EARNINGS DATA ($)			
FY - Jun	**2008A**	**2009A**	**2010E**
Q1 (Sep)	0.02	0.02	(0.10)*A*
Q2 (Dec)	0.06	0.02	(0.05)*A*
Q3 (Mar)	0.17	(0.26)	(0.10)*A*
Q4 (Jun)	(0.06)	(0.48)	0.00
Full Year EPS	0.18	(0.71)	(0.24)

VALUATION METRICS			
Price/Earnings	10.7x	NM	NM
Y/Y EPS Growth	NM	NM	NM

INDICES	
DJIA	9,816.5
SP-500	1,050.5
NASDAQ	2,173.9
Russell 2000	618.5



Transferring Coverage of NSSC: We are assuming coverage of Napco Security Technologies (NSSC), and maintaining our Market Outperform/Speculative Risk Rating. We have lowered our price target from $2.50 to $2.15 which reflects more conservative assumptions in our DCF valuation. Napco, through both organic and synthetic growth, continues to its footprint in the security industry. The Company has a track record of consistent profitability and remains positioned to capitalize on the eventual macro recovery.

A niche player with strong brand recognition: NAPCO is a niche player in the electronic security industry with over 30-year market presence, a diversified product portfolio, and customers. Typically, in the security industry, a security systems manufacturer designs and sells intrusion and access control products, or locking products; however, NAPCO has accomplished all the three facets of the security business—alarm & intrusion, access control, and door locking devices—securing a unique position for itself in the industry. In addition to diversification, this also eliminates direct competition.

Targeted acquisitions to boost operating results: NAPCO has successfully added various products to its portfolio by selective acquisitions, evolving into a leading one-stop shop security solutions provider. The acquisition of Marks USA in 2008 has brought the company sales to $100mm by adding $24 million in revenues, and has helped NAPCO achieve the status of a “total solutions” security equipment manufacturer, by diversifying its product mix with the addition of Marks’s products that have higher margins.

Consistent financial record: NAPCO’s revenues were robust even during the period of slowdown in the U.S housing and construction market. Its revenue grew at a 5-year CAGR of 3.7% from $58.1 million in FY2004 to $69.6 million in FY2009. At the same time, the company remained profitable every year except in FY2009 when its earnings were affected by a one-time goodwill impairment charge. Going ahead, we expect the company’s top-line to improve, benefiting from the upturn in the US housing and construction markets.

Attractive long term story: Our DCF valuation methodology assumes that revenue growth will moderate from about 30% in F11 to a perpetual growth rate of 10%. Our EBITDA assumptions are that margins stabilize in the high single digits. For WACC, or cost of equity, we assume a conservative 8%. These assumptions yield a DCF fair value of $2.15.

Risks include fragmented and competitive end markets, leveraged balance sheet and high fixed costs, technology risks, industry cyclicality, customer credit and insider ownership. Money flow and group strength are weak. Near term down side risk to 52- week MA at $1.80.

For definitions and the distribution of analyst ratings, and other disclosures, please refer to pages 16 - 17 of this report.

Investment Summary

NAPCO Security Technologies (NSSC) is a diversified player in the fragmented global electronic security industry. The company manufactures and distributes fully integrated security solutions comprising intrusion and fire alarms, building access control systems, and electronic locking devices used in protecting millions of homes, businesses, institutions and people worldwide. NAPCO enjoys a strong brand recognition with >30 years market presence, especially in the commercial market, which accounts for 80% of the company's revenues. The heightened global level of security consciousness in the post-9/11 era coupled with the deteriorating economic climate has created a greater need and demand for security products. The US government recently passed a $115 billion, 5 year budget by the Department of Homeland Security for strengthening security of aviation, ports, ground transport networks, bio-terrorism, and law enforcement (as per Department of Homeland Security). The compelling need for security has expanded the market opportunity for security products, especially high security applications in the network and video surveillance domains.

NAPCO has a long and consistently profitable history as a public entity, and succeeded in identifying and completing several accretive acquisitions, overtime, that have added incremental growth and earnings in a manner that has always proven accretive to shareholders. The recently completed acquisition of Marks USA should follow the historic pattern, and support the management's growth strategy. We believe that the company has a competitive edge over its peers with a diversified product line, a broad portfolio of security products, and a nation-wide distribution network of more than 15,000 security dealers, integrators, locksmiths, and contractors in 40+ countries.

Company Description

NAPCO Security Technologies (NSSC) is a diversified manufacturer of high performance security products including intrusion and fire alarms, building access control systems, and electronic locking devices. Founded in 1969, the company has established itself as the supplier of the most diversified line of security products, systems, and services for the protection of life and property. A 30-year brand identity includes some of the best-known names such as *NAPCO, Alarm Lock, Continental Instruments,* and *Marks USA.* As a brand reputed for technical excellence, commercial, industrial, institutional, residential, and government applications install the products in over 59 countries. The users range from dealers in security systems to locksmiths, to systems integrators and security specifiers. NSSC markets its products through a network of over 15,000 independent distributors, wholesalers, dealers, and installers of security alarms and security hardware equipment. During FY09, distributors contributed 49% to total revenues, while installers and government institutions accounted for the remainder. International sales accounted for approximately 10% of the revenues for fiscal 2009

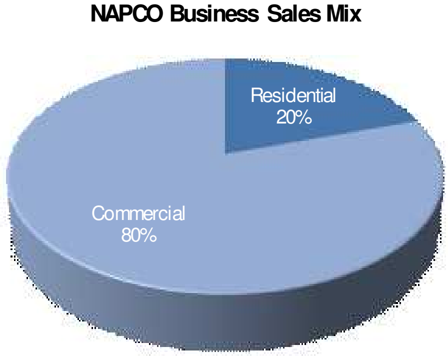
Headquartered in Amityville, New York, the company has offices in UK, the Caribbean, and Dubai. It has owns and operates manufacturing facilities in Amityville, and the Dominican Republic. As of June 30, 2009, the company had ~ 774 full-time employees, with more than three-fourth located in the Dominican Republic facility.

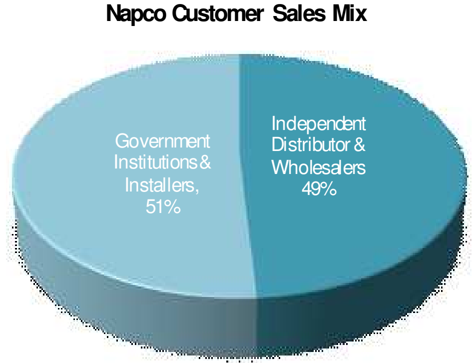
Incorporated in December 1971 in the State of Delaware, NSSC went public in 1972. The stock trades on the NASDAQ under the symbol "NSSC".

Business Mix

Security alarm systems and door security devices sales from commercial market accounted for 80% of revenue during fiscal 2009, while the remainder came from the residential market. This is in contrast with the 2001 earnings, with 60% revenues generated from the residential market, and 40% from the commercial segment. In these challenging economic times, public buildings and institutions are evincing renewed interest in enhancing their security systems for curbing violence and terror attacks, especially after the September 11, World Trade Centre tragedy. Consequently, government institutions and installers have emerged major customers, accounting for nearly 51% of the revenue in FY09 compared to 37% in FY08. Independent distributors and wholesalers accounted for 49% of the sales in FY09 compared to 63% in FY08.

The company has a strong ~50 sales and marketing support staff, located at the Amityville, NY, UK, and Dubai offices to service independent distributors and wholesalers of security alarm and security hardware equipment. The sales staff keeps track of existing and potential customers and updates them on new products, thereby creating a demand for the new products as well as other products.





Source: Company report, Rodman & Renshaw Research

Products and Services

A fully-integrated security solutions provider
Napco provides a complete one-stop shop for security equipment under three product lines: alarm systems, access control systems, and electronic door locking systems. Since all these products find integration in a building, it saves the customer the hassle of sourcing products from different suppliers and improves operational efficiency by avoiding duplication of devices.

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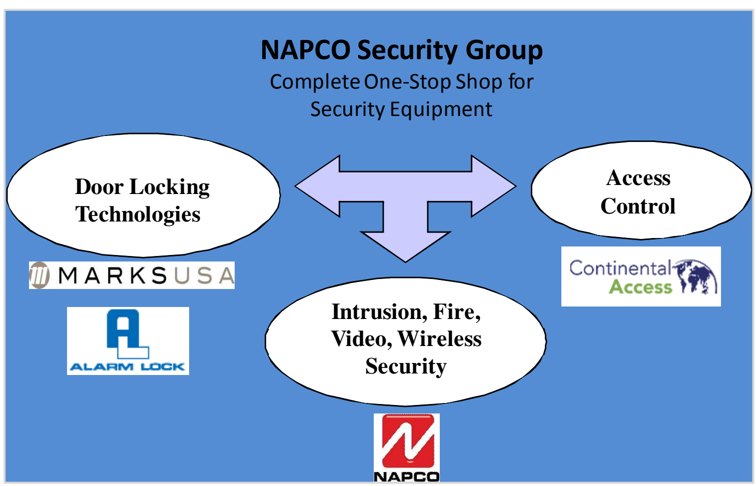


Source: Company report

1. NAPCO Intrusion, Fire and Video Alarm Products:
These products reach customers through the authorized distribution network of over 200 distributors, and over 8,000 dealers worldwide. The increased need for security in residential buildings, commercial establishments, and government institutions provides strong demand for these products.

Alarm Systems: Alarm systems usually consist of a broad range of detectors, a control panel, a digital keypad, and signaling equipment. When a break-in occurs, a detector senses the intrusion and activates a control panel via hardwired, or wireless transmission that sets off the signaling equipment and, in most cases, an alarm triggers via a bell or a siren. Communication equipment such as a digital communicator is used to transmit the alarm signal to a central station, or a person selected by the customer. Images of these products and several others are outlined below.

- **Automatic Communicators**: When a control panel is activated by a signal from an intrusion detector, it activates a communicator that can automatically dial one or more pre-designated telephone numbers. When programmed, a digital communicator dials the telephone number of a central monitoring station and communicates a signal 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 an intrusion detector, it activates an audible alarm and/or various types of communication devices. These products are sold under the trademark "Gemini(TM)" and "Magnum Alert(TM)" followed by a numerical designation.

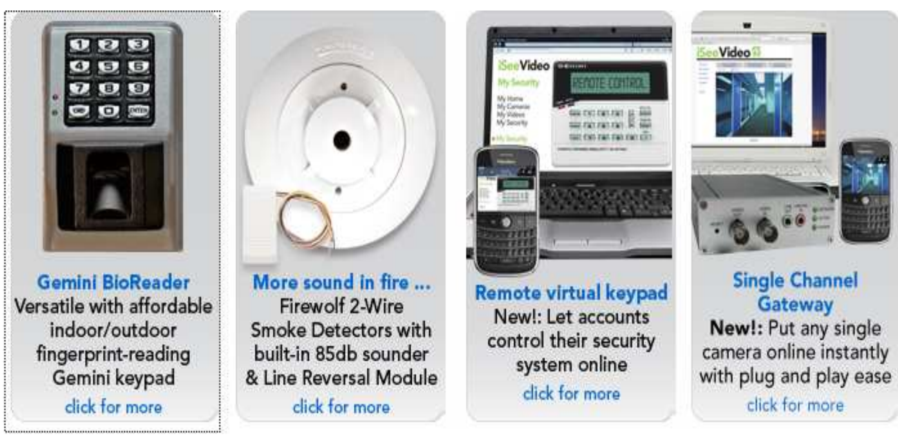
- **Combination Control Panels/Digital Communicators and Digital Keypad Systems**: This is a comprehensive security platform comprising of a combination control panel, digital communicator, and a digital keypad (similar to telephone push button pad, which eliminates the need for mechanical keys). Benefits of the combination format include cost-efficiency resulting from a single microcomputer function, as well as the reliability and ease of installation, gained from the simplicity and sophistication of microcomputer technology. It has continued to grow rapidly in terms of dealer and consumer preference.

- **Door Security Devices**: The Company manufactures a variety of exit alarm locks including simple dead bolt locks, door alarms, and microprocessor-based electronic door locks with push button and card reader operation.

- **Fire Alarm Control Panel**: Multi-zone fire alarm control panels accommodate an optional digital communicator for reporting to a central station.

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

Napco's Intrusion Products



Alarm Products & Smoke Detectors

Source: Company report

2. **Door locking Technologies**
   Alarm Lock - Electronic Locking Products

NAPCO manufactures a complete line of push button and ID card operated electronic locks, door exit alarms, and door security hardware. These products are a cost-effective solution for schools, municipal institutions, military bases, airports, commercial buildings, and government facilities. These products are available to customers through 100 locking distributors, and over 6,000 locksmiths and contractors.

Marks USA

NAPCO expanded its locking product portfolio in 2008 through the acquisition of Marks USA and has emerged a leading provider of industrial/commercial door technology products including mortise, cylindrical, electrified, tubular, electronic access, and custom designed locksets, for industrial and commercial settings. Primarily, these products are sold to commercial and government facilities including a number of high profile buildings such as the White House, the U.S. Senate Building, The Plaza Hotel (NYC), The Visionaire (NYC), Ritz Carleton Residences (MD), The Trump Grande (FL), The Mandalay Bay (NV), Miami Int'l, and the Reagan and Dulles airports.

3. Continental Access Systems - Access Control:

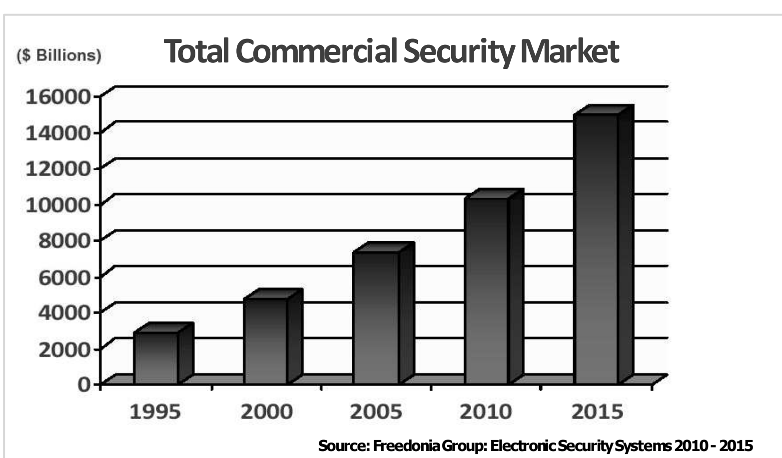
The Company defines an access control system as consisting of one or more of the following: various types of identification readers (e.g. card readers, hand scanners, etc.), a control panel, a PC-based computer, and electronically activated door-locking devices. When an identification card or other credentials are entered into the reader, the information is transmitted to the control panel/PC, which validates the data and determines access grant or denial by electronically deactivating the door-locking device. An electronic log records various types of data regarding access activity.

NAPCO develops, designs, manufactures, and markets the software and control panels discussed above. It also buys and resells various identification readers, PC-based computers, and peripheral equipment for access control systems. These products have a commercial and governmental focus and feature video monitoring stations for security personnel while supporting an array of card and biometric readers, all operating on proprietary software. The company targets these customers through 700 security systems integrators. Subsequently, these integrators are sold to Fortune 1000 companies, federal and state agencies, office buildings, management companies, and airports.

Industry Overview

A Large and Growing Market

NAPCO primarily addresses the global electronic security market worth ~$68 billion, according to Freedonia and McIlrain estimates. The electronic security industry, in line with other industries, experienced a slowdown in 2009, against the common the belief that the security industry is not affected by the economy in general. However, the industry is presently witnessing substantial growth on the declines in the prices of high-end electronic security equipment coupled with renewed public concern about crime. The heightened level of security consciousness globally, post-9/11, coupled with the challenging economic climate has created a greater demand for security products. The US government recently passed a $115 billion, 5-year budget for the Department of Homeland Security for beefing up security at airports, ports, ground transportation networks, public places, and other critical infrastructure, from terror attacks, detecting agents of bio-terrorism, and law enforcement to mitigate attacks (as per Department of Homeland Security). The company envisages robust growth for the security equipment market, particularly in industrial sectors, due to the ongoing concerns over the adequacy of security safeguards.

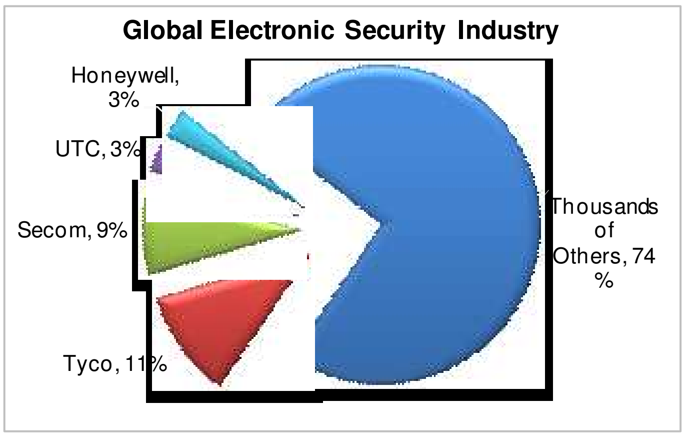


Source: Company Report, Rodman & Renshaw Estimates

The commercial market is the largest segment of the overall security industry, providing protection services for small businesses, large corporations, retail stores and restaurant, industrial buildings, universities and institutions, and government facilities. Customized systems and support services are focused on determining ways to ensure the safety of employees, customers, property, and profitability. Alarm monitoring and access control devices make up 60% of the expenditure on electronic security in the U.S., with approximately 13% spent on CCTV. Surveillance through these cameras has gained importance as governments and domestic intelligence networks employ them to monitor public places for crime detection. Governments and corporations are strengthening access control systems, although usage in the residential sector is yet gain acceptance, with alarms being more popular. Major drivers of this segment are new construction, legislation, and retrofit projects.

Highly Fragmented Industry Structure

The worldwide electronic security industry is highly fragmented and competitive. Large security and technology conglomerates, dominate the industry with four players controlling ~26% of the market, while smaller players hold the rest of the market.



Source: Freedonia, McIlrain, Industry, and Rodman Estimates

The security alarm products industry is highly competitive. NAPCO's primary competitors are comprised of approximately 20 other companies that manufacture and market security equipment through distributor-dealer networks, central stations, and OEMs. The company believes that none of these competitors dominates the industry.

The video surveillance market is estimated at a $6-$7 billion market with a 10-20% annual growth rate, one of the fastest growing segments within the security industry. The segment includes both digital and analog systems, and storage. While this industry is dominated by large security and technology conglomerates, with less than 10 players controlling ~50% market share, no single company has an overriding share. NAPCO believes that the price- competitive iSEE Video (TM) product line should strengthen opportunities for early market acceptance.

Access control systems range from simple card entry equipment to sophisticated electronic monitoring systems; controlling access to facilities, indoor and outdoor, using biometric and electronic card IDs to operate electronically controlled locks. The estimated market size is approximately $4 billion, growing at 10-15% annually. The market for traditional cards, readers, and locks has an expected annual growth rate of less than 5%, while the growth in innovative access control technologies, such as biometrics, smart cards, and RFIDs is projected at nearly 20% per annum.

The U.S. fire detection and monitoring market segment is estimated to be roughly $6 billion in size. Tyco (TYC, Not Rated) is the largest provider of fire services, with other major competitors including Honeywell (HON, Not Rated), Siemens (SI, Not Rated), GE (GE, Not Rated), and Johnson Controls (JCI, Not Rated). Typically, the fire protection industry grows in line with GDP, driven by overall economic strength, new construction, system integration, and legislative changes. Specifically, Argyle looks to offer the intelligent detection of smoke or heat in an indoor facility with local and remote alerting capability, and with optional fire suppression capability.

Company Analysis

A niche player with strong brand recognition

NAPCO is a niche player in the electronic security industry with >30-year market presence, a diversified product portfolio, and customers. Typically, in the security industry, a security systems manufacturer designs and sells intrusion and access control products, or locking products; however, NAPCO has accomplished all the three facets of the security business—alarm & intrusion, access control, and door locking devices—securing a unique position for itself in the industry. In addition to diversification, this also eliminates direct competition.

Dominican Production Facility Creates Low-Cost Advantage

NAPCO's Dominican state-of-the-art production facility is spread over approximately 175,000 sq. ft. and has over 600 employees. This facility accounts for the majority of the company's revenues, operating with only two shifts per day. The substantially low cost of labor and the tax incentives offered by the local government, facilitates production at this center at ~1/10th the cost that would be incurred in a similar facility based in the US. The cost competitive nature of this location creates a significant competitive advantage for Napco. The complete cycle of new product development, engineering, design, and testing are completed at Amityville, and only manufacturing is transferred to the Dominican plant. From a synergy standpoint, the company is to identify future acquisition opportunities that can serve as an expansion of the product portfolio, the production can be shifted to the Dominican centre to create additional cost savings, which should make a potential acquisition more accretive to NAPCO on a go forward basis.

Recent Acquisitions to Boost Operating Results

NAPCO has successfully added various products to its portfolio by selective acquisitions, evolving into a leading one-stop shop security solutions provider. The acquisition of Marks USA in 2008 has brought the company sales to ~$100mm by adding $24 million in revenues, and has helped NAPCO achieve the status of a "total solutions" security equipment manufacturer, by diversifying its product mix with the addition of Marks's products that have higher margins.

Year	Target	Amount Paid	Products added
January, 1980	Raltech Logic	NA	Microcomputerized intrusion system designs
October, 1987	Alarm Lock	$6.6mm	Mechanical door exit alarms and panic devices
July, 2000	Continental Instruments	$9.2mm	Access control systems (software and hardware)
August, 2008	G. Marks Hardware	$26mm	Door-locking devices

Source: Company report, Rodman & Renshaw Research

During 2009, the company started integrating Mark's manufacturing facilities into the Dominican plant to reduce costs and improve operational efficiency. The integration will be completed in 2010 and deliver a cost saving of $2 million per year, which will become effective beginning FY11. Marks's acquisition also opens up new distribution channels for other product offerings and presents the opportunity to penetrate new business areas with very little sales overlap with existing business. This presents numerous cross-selling opportunities. Finally, a broad product offering will provide for higher focus on products with superior margins, besides improving the product mix and overhead absorption, leading to higher gross and operating margins. We expect NAPCO to continue to seek small, immediately accretive acquisitions in the future in order to further diversify its product offerings, and realize additional operational and financial synergies.

New Products & Recurring revenues

NAPCO has demonstrated significant revenue growth and consistent profitability in the past and we expect these trends to sustain. The near term opportunities include the introduction of new products with recurring revenue streams, as well as concentrating on products with higher profit margins.

With the introduction of two new products, iSee Video and StarInc Backup Radio, NAPCO is trying to diversify its revenue stream by incorporating a recurring revenue component. Revenues generated by these new products should help NAPCO to reduce volatility of the total revenues generated by the seasonal and cyclical nature of its business. More importantly, both of these products will not require substantial expenses after installation and, hence, all of the post-installment recurring revenues will fall straight to the bottom-line.

Source: Company report

iSee Video

The iSee Video product is a revolutionary remote system that allows customers to keep track of events at multiple locations such as their business or home through live video surveillance, which can be viewed from an internet-enabled computer or cell phone at any given time. NAPCO plans to charge approximately $300.00 per installation for iSee Video equipment and recurring service revenue of $2.50 per month per account. There are approximately ~25mm consumers in the US currently monitored by alarm companies, all of whom can benefit significantly by adding the iSee Video equipment.

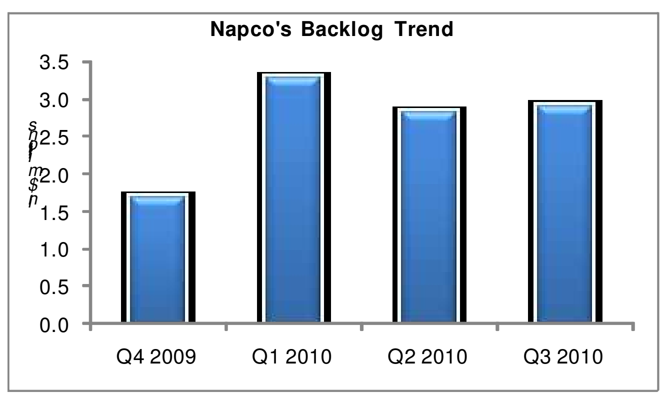
StarLink & NetLink: Two Alternative Alarm Communicators

StarLink™ is Napco's line of long-range wireless communicators, which transmits alarm signals, without phone lines, over GSM mobile cell tower networks. The Company has launched its full-data StarLink Radio that can be used as either a backup radio for alarm reports or a primary wireless alarm communicator. Used as a backup to a telephone failure, StarLink can save money on reporting fees, and eliminates confusion from duplicate reporting; used as a primary communicator, StarLink provides economical full data reporting for use with any alarm panel brand, where the unit will sell for under $200 and the monthly subscriber fee will be under $7.00, paid on a recurring annual basis to NAPCO.

NetLink™ is NAPCOs internet alarm communications offering and provides alarm communications via the Internet or a private LAN//WAN (intranet), for example in a campus setting. In the latter application, this will not only improve the campus' security force response time, given their own direct alarm monitoring capability, but it can also eliminate the need for toll-charge phone line alarm reporting, and provides the facility with dramatic T1 phone charges. NetLink is also available as a UL-compliant TCP/IP UL Receiver, for UL central station operators.

Strong Backlog

NAPCO continues to see a strong backlog over the last three quarters in FY10, indicating the improved demand for security products which were adversely affected during the financial crisis, past year. During 2009, distributors reduced their inventories on the back of the macroeconomic downturn, the credit crunch, and banking pressures, and not because of a drop in primary demand from dealers. However, with the economy showing signs of revival, the de-inventorying process has bottomed out, and we believe that the sales and profits will pick up during the remainder of FY10 and FY11.

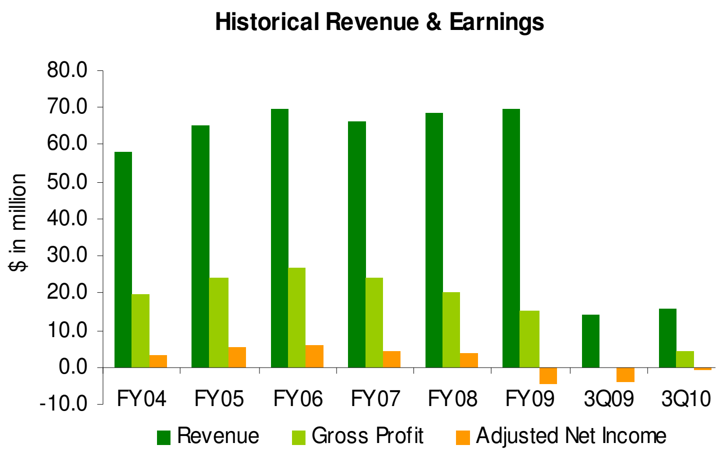


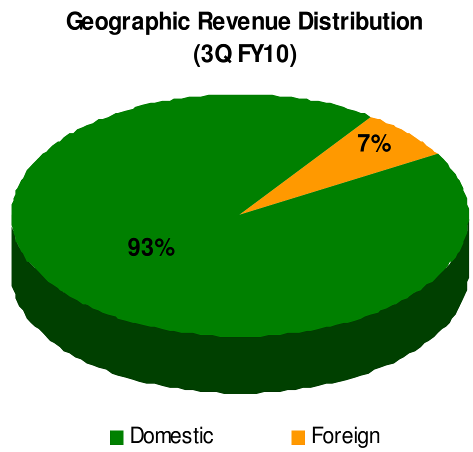
Source: Company report, Rodman & Renshaw Research

At the end of the third quarter ending March 2010, the company's backlog stood at $2.9 million. Currently, intrusion and door locking devices are driving the majority of business, according to the management. As backlogs continue to grow and utilization rates improve, we believe that the company will exhibit improved growth over the next couple of years.

Financial Performance

NAPCO's revenues were robust even during the period of slowdown in the U.S housing and construction market. Its revenue grew at a 5-year CAGR of 3.7% from $58.1 million in FY2004 to $69.6 million in FY2009. At the same time, the company remained profitable every year except in FY2009 when its earnings were affected by a one-time goodwill impairment charge. Going ahead, we expect the company's top-line to improve, benefiting from the upturn in the US housing and construction markets.

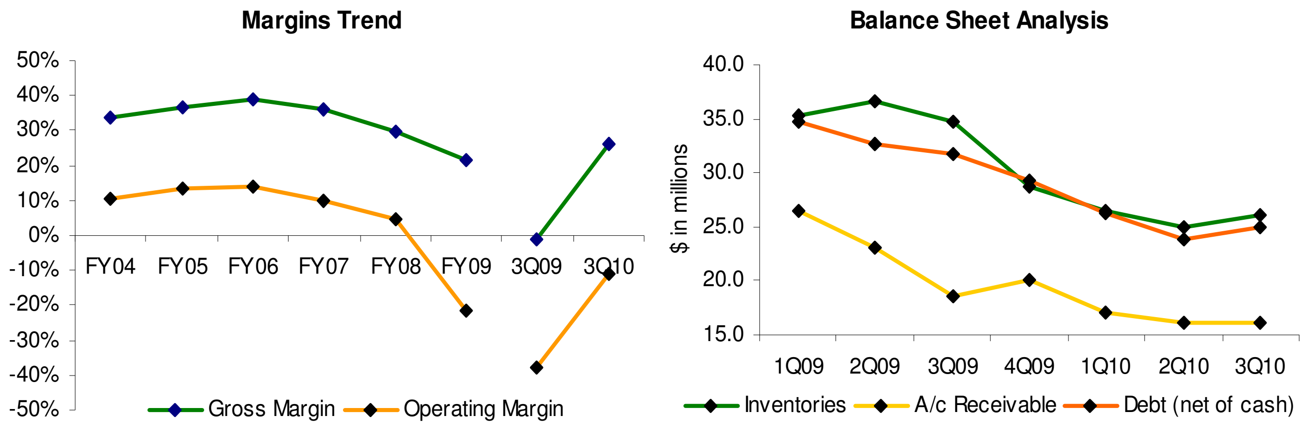




Source: Company report, Rodman & Renshaw Research

Latest Quarter Performance

NAPCO reported sales of $16.0 million in 3Q FY2010, up 14.2% during the comparable quarter a year ago. The key drivers of the revenue growth were higher sales in the intrusion and door-locking devices. NAPCO management expects strong growth during 4Q FY2010 as customers habitually install security products prior to the summer vacation (April-June). Gross margin for the quarter improved significantly to 25.9% from -1.4% a year ago on the back of higher sales and absence of restructuring charges recorded during the previous-year quarter. The incremental revenue growth will likely enhance profitability, as a substantial portion of operating expenses are fixed, and as production levels rise and factory utilization increases, they will be spread over the increased output. Selling, general, and administrative expenses were up marginally to $5.0 million from $4.9 million a year earlier, while as a percentage of revenue it declined to 31.1% from 36.1%. Finally, the Company's adjusted net loss declined to $0.9 million or $0.05 per share from $3.8 million or $0.20 per share.



Source: Company report, Rodman & Renshaw Research

NAPCO ended the quarter with $5.8 million in cash, and $30.7 million in total debt. Total debt comprised of revolver line of credit of $11.1 million, and a term loan of $19.64 million raised in FY2008 for the acquisition of G. Marks Hardware. The company is required to pay the term loan in 19 quarterly installments of approximately $0.9 million each, and a final payment of $8.0 million due in August 2013. Although the company reduced net debt by $6.8 million during the past one year, the net debt to total capital ratio almost remained unchanged at 37.3% as the dip in retained earnings also dragged shareholders' equity. Despite losses, the company managed to generate operating cash flows of $4.6 million during 9M FY10, mainly through the reduction in accounts receivable and inventories. We believe that the current working capital, cash flows from operations, and its revolving credit facility will be sufficient to fund operations through at least the next twelve months.

Capital Structure

At the end of Q3 FY10 NAPCO had 19.1 million shares outstanding (both basic and fully diluted), which translates to a market cap of $38.8 million using the closing price of $2.03 on June 1, 2010. At the end of Q3 FY10, the company had a total debt of $30.7 million and $5.8 million in cash. This translates to net debt to total capital of 37.3%, using book values of equity.

The debt currently carries an interest rate of 7.3% and is secured by accounts receivable, inventory, the Company's headquarters in Amityville, certain other assets, and the common stock of the three subsidiaries. The borrowings of $11.1 million under revolver line of credit expires in August 2012, while outstanding term loan of $19.6 million is payable in 19 quarterly installments of $893 k each, beginning in December 2008, and a final lump-sum payment of $8.0 million due in August 2013. As of the end of 3Q, NAPCO did not comply with the loan covenants relating to ratios associated with maximum leverage, debt service coverage, and a modified quick ratio as defined in the August 2008 agreement. The company is currently re-negotiating certain terms and conditions of its covenants with its banks.

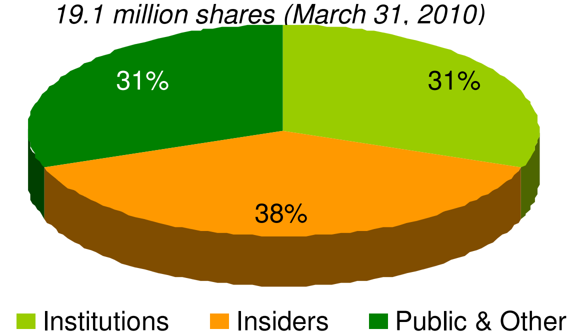
As of October 7, 2009, the number of holders of record of NAPCO's common stock was under 128; however, this number does not include beneficial owners of stock held in nominee name. Throughout its history as a public company, NAPCO had a total of nine stock splits and dividends. The most recent include: 3-for-2 stock split effective June 7, 2006; 3-for-2 stock split effective December 28, 2005; 2-for-1 stock split effective April 27, 2004; and 20% stock dividend effective November 18, 2004. Additionally, the company completed a 1-million shares repurchase program in January 2008 worth $5.6 million. If the company continues to be undervalued by the market, the management should consider initiating another share repurchase.

Significant insider-ownership aligns management with shareholders

According to the most recent investor presentation, all the directors and executive officers as a group own 38.5% of the total outstanding equity. This level of insider ownership ensures that management's interests remain aligned with common shareholders and that efforts remain focused on the creation of shareholder value. Owner/managers tend to have a more measured and cautious approach to building a business, even when the intention is to aggressively acquire smaller companies to rapidly capture market share. The company had funded the acquisition of G. Marks Hardware through a $25.0 million term loan. The fact that no equity was issued indicates the management's view of the intrinsic value of the stock, and the unwillingness to use more dilutive means to complete acquisitions. In fact, there has been no shareholder dilution since the company's IPO in 1972.

NAPCO Ownership Summary

19.1 million shares (March 31, 2010)



Source: Company report, Rodman & Renshaw Research

Institutions own another 30.7% of the company, with the top-five institutional holders being Riverbridge Partners, Epoch Investment Partners, Dimensional Fund Advisors, Hodges Capital Management, and Granahan Investment Management. A high institutional ownership ensures greater visibility and orderly trading, in addition to providing an indirect proof of the company's strong fundamental position.

Napco Security Technologies, Inc.
Income Statement

FYE: Jun ($ in million, except per share data)	Sep-08 1Q09	Dec-08 2Q09	Mar-09 3Q09	Jun-09 4Q09	FY2009	Sep-09 1Q10	Dec-09 2Q10	Mar-10 3Q10	Jun-10 4Q10E	FY2010E	Sep-10 1Q11E	Dec-10 2Q11E	Mar-11 3Q11E	Jun-11 4Q11E	FY2011E
Total Revenue	**17.5**	**19.1**	**14.0**	**19.0**	**69.6**	**14.5**	**16.6**	**16.0**	**20.5**	**67.6**	**19.5**	**21.6**	**20.5**	**25.0**	**86.7**
Cost of Goods Sold	11.9	12.9	13.1	15.5	53.4	11.1	12.6	11.9	15.4	51.0	14.3	15.6	14.3	17.0	61.2
SG&A	4.8	5.4	4.9	5.0	20.2	4.7	4.4	5.0	4.6	18.7	4.7	5.0	4.5	5.0	19.2
Restructuring & Impairment	-	-	1.3	9.7	11.0	-	-	0.9	-	0.9	-	-	-	-	-
Operating Income	0.8	0.8	(5.3)	(11.3)	(14.9)	(1.4)	(0.4)	(1.8)	0.5	(3.0)	0.6	1.1	1.6	3.0	6.3
Interest Income (Expense)	0.3	0.4	0.4	0.5	1.6	0.6	0.6	0.6	0.6	2.4	0.6	0.6	0.6	0.6	2.4
Other income (Expense)	0.1	(0.1)	0.1	0.0	0.1	0.0	(0.0)	0.0	-	(0.0)	-	-	-	-	-
Minority Interest	0.0	0.1	(0.1)	-	0.0	-	-	-	-	-	-	-	-	-	-
Pretax Income	0.5	0.5	(5.9)	(11.7)	(16.7)	(1.9)	(1.0)	(2.4)	(0.1)	(5.3)	(0.0)	0.5	1.0	2.4	3.9
Provision for Income Taxes	0.2	0.1	(0.9)	(2.7)	(3.3)	(0.1)	(0.1)	(0.5)	-	(0.7)	-	0.1	0.2	0.5	0.9
Net Income	0.3	0.3	(5.0)	(9.0)	(13.4)	(1.8)	(0.9)	(1.9)	(0.1)	(4.7)	(0.0)	0.4	0.8	1.9	3.1
EPS	**$ 0.02**	**$ 0.02**	**$ (0.26)**	**$ (0.48)**	**$ (0.71)**	**$ (0.10)**	**$ (0.05)**	**$ (0.10)**	**$ (0.00)**	**$ (0.24)**	**$ (0.00)**	**$ 0.02**	**$ 0.04**	**$ 0.10**	**$ 0.16**
Shares Outstanding	19.5	19.1	19.1	18.7	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1
Margin Analysis															
Gross Margin	32.1%	32.6%	6.5%	18.3%	23.3%	23.1%	24.0%	25.9%	25.0%	24.6%	27.0%	28.0%	30.0%	32.0%	29.4%
R&D	0.0%	0.0%	8.9%	51.1%	15.8%	0.0%	0.0%	5.8%	0.0%	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%
SG&A	27.3%	28.6%	35.1%	26.5%	29.0%	32.4%	26.5%	31.1%	22.5%	27.6%	24.0%	23.0%	22.0%	20.0%	22.1%
Operating Margin	4.7%	4.0%	-37.5%	-59.3%	-21.4%	-9.4%	-2.5%	-10.9%	2.5%	-4.4%	3.0%	5.0%	8.0%	12.0%	7.3%
Pretax Margin	2.7%	2.4%	-41.9%	-61.9%	-24.0%	-13.4%	-5.8%	-14.7%	-0.4%	-7.9%	0.0%	2.3%	5.1%	9.6%	4.6%
Tax Rate	32.6%	28.0%	14.6%	23.2%	19.8%	6.2%	6.3%	20.8%	0.0%	12.6%	0.0%	23.0%	22.0%	22.0%	22.2%
Net Margin	1.8%	1.7%	-35.8%	-47.5%	-19.2%	-12.6%	-5.5%	-11.6%	-0.4%	-6.9%	0.0%	1.7%	4.0%	7.5%	3.5%
Ann. Growth Analysis															
Revenues	26%	18%	-14%	-14%	2%	-17%	-13%	14%	8%	-3%	12%	13%	46%	32%	28%
Gross Profit	-15%	-3%	-81%	0%	-21%	-28%	-26%	298%	37%	5%	-16%	-14%	360%	75%	20%
Operating Income	3%	-40%	-435%	2068%	-576%	-263%	-154%	-67%	-105%	-80%	-29%	41%	-131%	-127%	-310%
Net Income	-14%	-72%	-253%	716%	-460%	-665%	-375%	-63%	-99%	-65%	-102%	14%	-116%	-121%	-166%
Seq. Growth Analysis															
Revenues	-21%	9%	-26%	35%		-24%	15%	-4%	28%		3%	11%	-5%	22%	
Gross Profit	76%	2%	-80%	181%		26%	4%	8%	-4%		48%	4%	7%	7%	
Operating Income	-260%	-8%	-787%	114%		-88%	-70%	327%	-129%		-105%	85%	52%	83%	
Net Income	-129%	3%	-1611%	80%		-80%	-50%	104%	-96%		-100%	-7411%	117%	130%	

Source: Company Reports and Rodman & Renshaw Estimates

Napco Security Technologies, Inc.
Balance Sheet

FYE: Jun	Sep-06	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10
($ in million, except per share data)	**1Q07**	**2Q07**	**3Q07**	**4Q07**	**1Q08**	**2Q08**	**3Q08**	**4Q08**	**1Q09**	**2Q09**	**3Q09**	**4Q09**	**1Q10**	**2Q10**	**3Q10**
Assets															
Cash & Equivs.	1.1	0.7	1.2	1.7	1.9	1.0	2.1	2.8	4.3	5.6	2.6	4.1	6.2	7.8	5.8
Accounts receivable	23.8	22.8	22.3	25.6	22.1	21.3	21.8	25.8	26.5	23.0	18.6	20.0	17.0	16.2	16.2
Incomes Taxes Receivable	-	-	-	-	-	-	0.4	-	-	-	0.8	0.2	0.3	0.2	0.2
Inventories	26.8	30.8	31.8	20.4	23.1	24.5	26.1	19.5	26.9	27.6	26.0	18.9	17.0	17.0	18.0
Deferred income taxes	1.6	1.7	1.7	1.1	1.1	1.2	0.8	0.8	0.8	0.8	0.9	0.5	0.5	0.5	0.6
Prepaid Expenses and Other Current A	0.9	1.2	0.8	1.2	1.2	1.2	1.3	1.1	1.6	1.2	0.7	0.8	0.6	0.7	0.9
Total Current Assets	**54.2**	**57.1**	**57.9**	**49.9**	**49.4**	**49.2**	**52.4**	**50.0**	**60.0**	**58.3**	**49.6**	**44.5**	**41.5**	**42.5**	**41.7**
PP&E	9.0	9.1	9.0	9.1	9.2	9.0	9.0	9.0	9.6	9.5	9.2	9.1	8.8	8.6	8.4
Deferred income taxes	-	-	-	-	-	-	-	-	10.6	10.6	-	1.6	1.7	1.6	1.9
Goodwill	9.7	9.7	9.7	9.7	9.7	9.7	9.7	9.7	8.4	9.1	10.6	0.9	0.9	0.9	-
Inventories-noncurrent, Net	-	-	-	7.8	7.6	8.2	8.6	7.7	0.8	0.4	8.8	9.9	9.4	8.1	8.1
Other Intangible Assets	-	-	-	-	-	-	-	-	-	-	16.1	15.2	14.9	14.5	14.2
Other assets	0.3	0.3	0.3	0.2	0.3	0.4	0.3	0.3	16.0	16.2	0.4	0.3	0.3	0.3	0.3
Total Assets	**73.1**	**76.2**	**76.8**	**76.8**	**76.1**	**76.4**	**80.0**	**76.7**	**105.5**	**104.0**	**94.7**	**81.6**	**77.6**	**76.5**	**74.5**
Liabilities															
Accounts Payable	6.0	6.4	5.6	5.0	5.4	5.0	6.2	4.9	5.9	5.7	4.9	4.0	2.6	3.6	3.9
Accrued Salaries and Wages	2.4	2.4	2.1	2.6	2.2	2.4	2.1	2.5	2.4	2.1	2.0	1.9	1.9	1.3	1.8
Accrued Expenses	1.4	1.3	1.3	1.6	1.7	1.1	1.1	1.3	2.0	1.4	1.6	1.5	1.6	1.7	1.9
Current portion of long-term debt	-	-	-	-	-	-	-	-	3.6	3.6	34.3	14.7	32.5	31.6	30.7
Accrued Restructuring Costs	-	-	-	-	-	-	-	-	-	-	0.4	-	-	-	-
Income Taxes Payable	2.4	0.6	1.1	0.1	0.3	0.3	-	-	-	0.0	-	-	-	-	-
Total Current Liabilities	**12.1**	**10.7**	**10.1**	**9.4**	**9.6**	**8.8**	**9.4**	**8.7**	**13.9**	**12.8**	**43.2**	**22.1**	**38.6**	**38.3**	**38.3**
Long-term debt, less current portion	4.7	7.7	9.2	10.9	10.9	12.4	13.9	12.4	35.5	34.6	-	18.7	-	-	-
Deferred Income Taxes	2.0	2.0	1.9	1.2	1.0	1.0	1.7	1.6	1.6	1.7	1.8	-	-	-	-
Minority Interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-	-	-	-	-
Accrued Income Taxes	2.2	2.2	1.8	1.8	2.6	2.7	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.1
Total Liabilities	**21.2**	**22.8**	**23.2**	**23.5**	**24.3**	**25.0**	**25.4**	**23.2**	**51.5**	**49.6**	**45.2**	**41.1**	**38.8**	**38.6**	**38.4**
Stockholders' Equity	**51.9**	**53.3**	**53.6**	**53.3**	**51.8**	**51.4**	**54.6**	**53.5**	**54.0**	**54.4**	**49.5**	**40.5**	**38.8**	**37.9**	**36.1**
Total Liabilities and Equity	**73.1**	**76.2**	**76.8**	**76.8**	**76.1**	**76.4**	**80.0**	**76.7**	**105.5**	**104.0**	**94.7**	**81.6**	**77.6**	**76.5**	**74.5**
Total Revenues	14.0	16.1	15.6	20.5	13.9	16.2	16.2	22.1	17.5	19.1	14.0	19.0	14.5	16.6	16.0
Cost of Goods Sold	8.5	10.3	10.1	14.0	8.7	10.7	10.7	18.1	11.9	12.9	13.1	15.5	11.1	12.6	11.9
Operating Income	1.6	1.8	1.3	1.8	0.8	1.3	1.6	(0.5)	0.8	0.8	(5.3)	(11.3)	(1.4)	(0.4)	(1.8)
Interest Income	0.1	0.1	0.2	0.3	0.2	0.2	0.2	0.2	0.3	0.4	0.4	0.5	0.6	0.6	0.6
Pretax Income	1.5	1.8	1.1	1.8	0.6	1.1	1.4	(0.8)	0.5	0.5	(5.9)	(11.7)	(1.9)	(1.0)	(2.4)
Tax rate	0.4	0.4	0.0	0.4	0.4	(0.1)	(1.4)	(0.4)	0.3	0.3	0.1	0.2	0.1	0.1	0.2
Net Income	1.0	1.1	1.1	1.0	0.4	1.2	3.3	(1.1)	0.3	0.3	(5.0)	(9.0)	(1.8)	(0.9)	(1.9)
Shares Outstanding	20.8	20.6	20.6	19.8	20.2	19.8	19.6	18.4	19.5	19.1	19.1	18.7	19.1	19.1	19.1
Other															
Depreciation and amortization	188	203	223	85	181	191	196	160	239	214	211	203	196	184	184
NOPAT	1	1	1	1	0	1	4	(1)	1	1	(4)	(9)	(1)	(0)	(1)
Total Capital	57	61	63	64	63	64	68	66	93	93	84	74	71	70	67
Working capital	42	46	48	41	40	40	43	41	46	45	6	22	3	4	3
Working capital, net of cash	43	48	49	41	40	42	43	41	48	46	40	35	31	29	30
EBITDA	190	205	224	87	182	192	198	159	240	215	206	192	195	184	182
Liquidity															
Current ratio	4.5	5.3	5.7	5.3	5.1	5.6	5.6	5.7	4.3	4.6	1.1	2.0	1.1	1.1	1.1
Quick ratio	2.3	2.5	2.6	3.1	2.7	2.8	2.8	3.5	2.4	2.4	0.5	1.2	0.6	0.7	0.6
Cash ratio	0.1	0.1	0.1	0.2	0.2	0.1	0.2	0.3	0.3	0.4	0.1	0.2	0.2	0.2	0.2
Management															
Sales/inventory	0.52	0.52	0.49	1.01	0.60	0.66	0.62	1.13	0.65	0.69	0.54	1.00	0.85	0.98	0.89
Sales/fixed assets	1.56	1.77	1.74	2.25	1.51	1.79	1.81	2.46	1.82	2.02	1.52	2.09	1.64	1.93	1.91
Sales/total assets	0.19	0.21	0.20	0.27	0.18	0.21	0.20	0.29	0.17	0.18	0.15	0.23	0.19	0.22	0.21
DSO	153	127	129	112	143	118	121	105	136	108	119	95	106	88	91
Inventory days-on-hand	285	270	284	131	240	206	219	97	204	193	179	110	137	121	136
Profitability															
Return on assets	5.2%	6.0%	5.9%	5.2%	2.0%	6.1%	16.4%	-5.8%	1.2%	1.3%	-21.2%	-44.2%	-9.4%	-4.8%	-10.0%
Return on equity	7.3%	8.6%	8.4%	7.4%	2.9%	9.1%	24.0%	-8.3%	2.4%	2.4%	-40.6%	-89.1%	-18.8%	-9.6%	-20.7%
Per share data															
Book value/share	$ 2.49	$ 2.59	$ 2.61	$ 2.69	$ 2.57	$ 2.59	$ 2.78	$ 2.91	$ 2.77	$ 2.85	$ 2.59	$ 2.17	$ 2.03	$ 1.99	$ 1.89
Tangible book value/share	$ 2.03	$ 2.12	$ 2.14	$ 2.20	$ 2.09	$ 2.10	$ 2.29	$ 2.38	$ 2.34	$ 2.38	$ 1.19	$ 1.30	$ 1.20	$ 1.18	$ 1.15
Cash/share	$ 0.05	$ 0.04	$ 0.06	$ 0.09	$ 0.10	$ 0.05	$ 0.10	$ 0.15	$ 0.22	$ 0.29	$ 0.13	$ 0.22	$ 0.33	$ 0.41	$ 0.31

Source: Company Reports and Rodman & Renshaw Estimates

PROJECTED CASH FLOWS

(USD in millions, except per share data)

	Fiscal Year Ending June										CAGR	
	2005	2006	2007	2008	2009	2010E	2011E	2012E	2013E	2014E	2010-2014	2015E
Total Revenue	65.2	69.5	66.2	68.4	69.6	67.6	86.7	95.3	104.9	115.4	14.3%	131.8
Annual Growth		*6.6%*	*(4.8%)*	*3.3%*	*1.8%*	*(2.8%)*	*28.2%*	*10.0%*	*10.0%*	*10.0%*		
Cost of Revenue	41.3	42.6	42.2	48.0	53.4	51.9	66.5	73.1	80.4	88.5		101.1
Margin	*63.3%*	*61.2%*	*63.8%*	*70.1%*	*76.7%*	*76.7%*	*76.7%*	*76.7%*	*76.7%*	*76.7%*		*76.7%*
EBITDA	10.1	10.7	7.7	4.3	(1.2)	-1.6	7.6	8.4	9.2	10.2	#NUM!	11.6
Annual Growth		*6.4%*	*(28.1%)*	*(43.8%)*	*(128.4%)*	*31.9%*	*(570.0%)*	*10.0%*	*10.0%*	*10.0%*		
Margin	*15.4%*	*15.4%*	*11.6%*	*6.3%*	*(1.8%)*	*(2.4%)*	*8.8%*	*8.8%*	*8.8%*	*8.8%*		*8.8%*
Less: Depreciatoin and Amortization	1.2	1.2	1.2	1.2	2.7	3.8	4.0	3.4	2.7	1.8	*(16.8%)*	2.1
% of Capital Expenditure	*175.7%*	*71.0%*	*92.8%*	*114.0%*	*420.8%*	*356.7%*	*292.5%*	*228.3%*	*164.2%*	*100.0%*		*100.0%*
EBIT	8.9	9.5	6.5	3.1	-4.0	-5.4	3.7	5.0	6.5	8.3	#NUM!	9.5
Annual Growth		*6.9%*	*(31.7%)*	*(51.7%)*	*(226.1%)*	*36.5%*	*(167.6%)*	*36.2%*	*31.2%*	*27.8%*		
Margin	*13.7%*	*13.7%*	*9.8%*	*4.6%*	*(5.7%)*	*(8.0%)*	*4.2%*	*5.2%*	*6.2%*	*7.2%*		
Less: Income Taxes 38.0%	(3.4)	(3.6)	(2.5)	(1.2)	0.0	0.0	(1.4)	(1.9)	(2.5)	(3.2)		(3.6)
Unlevered Net Income	5.5	5.9	4.0	1.9	-4.0	-5.4	2.3	3.1	4.0	5.2	#NUM!	5.9
Plus: Depreciation and Amortization	1.2	1.2	1.2	1.2	2.7	3.8	4.0	3.4	2.7	1.8		2.1
Less: Capital Expenditure	(0.7)	(1.7)	(1.3)	(1.0)	(0.6)	(1.1)	(1.4)	(1.5)	(1.6)	(1.8)	14.3%	(2.1)
Margin	*(1.0%)*	*(2.4%)*	*(2.0%)*	*(1.5%)*	*(0.9%)*	*(1.6%)*	*(1.6%)*	*(1.6%)*	*(1.6%)*	*(1.6%)*		*(1.6%)*
Less: Additions to Intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Less: Increase in Working Capital	0.3	(7.3)	(9.5)	(2.1)	10.5	(1.7)	(2.2)	(2.4)	(2.6)	(2.9)	14.3%	(3.3)
Margin	*0.4%*	*(10.5%)*	*(14.3%)*	*(3.1%)*	*15.0%*	*(2.5%)*	*(2.5%)*	*(2.5%)*	*(2.5%)*	*(2.5%)*		*(2.5%)*
Unlevered Free Cash Flow	6.3	-1.9	-5.6	0.0	8.6	-4.4	2.7	2.6	2.5	2.3	#NUM!	2.6
Annual Growth		*(129.9%)*	*194.1%*	*(100.0%)*	*#########*	*(150.8%)*	*(162.5%)*	*(3.4%)*	*(5.2%)*	*(7.6%)*		
Discount Factor - End-of-Period Convention						0.07	1.07	2.07	3.07	4.07		
PV of Yearly Cash Flows						-0.3	2.5	2.3	2.0	1.7		

Present Value of Equity @ June 06, 2010

		% of TEV	% of MVE
PV of 2010 Free Cash Flow Stub(1)	(0.3)	(0.4%)	(0.7%)
PV of 2011-2014 Free Cash Flows(1)	8.4	12.7%	20.4%
PV of Terminal Value(1)	58.0	87.7%	140.6%
Enterprise Value	66.2	100.0%	160.4%
Less:			
Total Debt	(30.7)		(74.5%)
Preferred Stock	0.0		0.0%
Minority Interest	0.0		0.0%
Plus:			
Cash and Equivalents	5.8		14.1%
Equity Value	41.3		100.0%
Shares Outstanding	19.1		
Implied Per Share Value	2.16		
Current Price	1.9		
Premium/(Discount) to Current Price	*12.0%*		

DCF Assumptions

Weighted Average Cost of Capital	7.94%
Terminal EBITDA Multiple	7.8x
Implied Perp. Growth Rate of Unlevered Free Cash Flow(2)	4.9%
Tax Rate	38.0%

WORKING CAPITAL SCHEDULE

(USD in millions, except per share data)

	Fiscal Year Ending June											
	2004	2005	2006	2007	2008	2009	2010E	2011E	2012E	2013E	2014E	2015E
Total Revenue	58.1	65.2	69.5	66.2	68.4	69.6	67.6	86.7	95.3	104.9	115.4	131.8
Cost of Revenue	38.6	41.3	42.6	42.2	48.0	53.4	51.9	66.5	73.1	80.4	88.5	101.1
Accounts Receivable	19.9	21.9	25.2	25.6	25.8	20.2	19.6	25.2	27.7	30.4	33.5	38.3
Receivable Days	*125.2*	*122.5*	*132.0*	*141.0*	*137.9*	*105.9*	*105.9*	*105.9*	*105.9*	*105.9*	*105.9*	*105.9*
Inventory	14.6	16.2	18.6	20.4	19.5	18.9	18.4	23.5	25.9	28.5	31.3	35.8
Inventory Days	*138.2*	*143.5*	*159.1*	*176.3*	*148.8*	*129.2*	*129.2*	*129.2*	*129.2*	*129.2*	*129.2*	*129.2*
Other Current Assets	2.5	2.2	1.8	2.2	1.9	1.3	1.3	1.7	1.8	2.0	2.2	2.5
Margin	*4.3%*	*3.3%*	*2.5%*	*3.4%*	*2.8%*	*1.9%*	*1.9%*	*1.9%*	*1.9%*	*1.9%*	*1.9%*	*1.9%*
Total Non-Cash Current Assets	37.0	40.3	45.5	48.2	47.3	40.4	39.3	50.3	55.4	60.9	67.0	76.6
Accounts Payable	3.8	5.2	6.1	5.0	4.9	4.0	3.9	5.0	5.5	6.1	6.7	7.7
Payable Days	*35.9*	*46.4*	*51.9*	*43.6*	*37.0*	*27.7*	*27.7*	*27.7*	*27.7*	*27.7*	*27.7*	*27.7*
Accrued Liabilities	2.9	3.7	4.0	4.3	3.9	3.4	3.3	4.2	4.6	5.1	5.6	6.4
Margin	*4.9%*	*5.6%*	*5.7%*	*6.4%*	*5.7%*	*4.9%*	*4.9%*	*4.9%*	*4.9%*	*4.9%*	*4.9%*	*4.9%*
Other Current Liabilities	0.3	1.5	1.9	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Margin	*0.5%*	*2.4%*	*2.7%*	*0.1%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Total Non-Debt Current Liabilties	6.9	10.5	11.9	9.4	8.7	7.4	7.2	9.3	10.2	11.2	12.3	14.1
Net Working Capital / (Defecit)	30.1	29.8	33.6	38.8	38.5	33.0	32.0	41.1	45.2	49.7	54.7	62.5
(Increase) / Decrease in Working Capital		**0.3**	**(3.7)**	**(5.2)**	**0.3**	**5.6**	**0.9**	**(9.0)**	**(4.1)**	**(4.5)**	**(5.0)**	**(7.8)**

Source: Company Reports and Rodman & Renshaw Estimates

Napco Security Technologies, Inc.

Comparables

(In millions, except per share data)

Ticker	Company Name	Stock Price 6/6/2010	% of 52-Week High	% of 52-Week Low	Shares Out.	Market Cap	Enterprise Value	Revenue LTM	Revenue CY+1	EBITDA LTM	EBITDA CY+1	EPS LTM	EPS CY+1
NasdaqGS:TA	TASER International Inc.	4.28	54.3%	108.6%	62.6	267.8	230.4	103.5	110.9	4.4	13.0	(0.00)	0.09
NasdaqGS:LC	LoJack Corp.	4.00	68.4%	125.0%	18.3	73.3	52.5	138.0	145.0	(4.3)	NA	(1.96)	(0.02)
ENXTPA:GE.	Grenobloise d'Electronique et d'	47.86	92.7%	172.1%	1.2	57.4	21.8	81.1	NA	15.3	NA	8.39	NA
AMEX:ITI	Iteris, Inc.	1.54	68.4%	136.3%	34.3	52.9	47.8	58.1	60.9	4.5	5.8	0.06	0.07
AMEX:RAE	RAE Systems Inc.	0.68	30.3%	104.1%	59.4	40.2	32.6	82.9	83.7	(3.5)	NA	(0.09)	(0.01)
AMEX:VSR	Versar Inc.	3.57	62.6%	145.1%	9.3	33.1	33.0	100.8		1.5		(0.07)	
AMEX:MOC	Command Security Corp.	2.03	58.0%	107.4%	10.9	22.1	37.7	142.5	150.8	4.1	NA	0.12	0.21
AMEX:VII	Vicon Industries Inc.	4.25	56.7%	104.9%	4.5	19.1	3.8	52.5		0.2		(0.06)	
	Max	47.86	92.7%	172.1%	62.6	267.8	230.4	142.5	150.8	15.3	13.0	8.39	0.21
	Median	3.79	60.3%	116.8%	14.6	46.5	35.4	91.8	110.9	2.8	9.4	(0.03)	0.07
	Min	0.68	30.3%	104.1%	1.2	19.1	3.8	52.5	60.9	(4.3)	5.8	(1.96)	(0.02)
	Mean	8.53	61.4%	125.5%	25.1	70.8	57.4	94.9	110.3	2.8	9.4	0.80	0.07
NSSC	**Napco Security Technologies,**	**1.93**	**63.9%**	**173.9%**	**19.1**	**36.9**	**61.8**	**66.1**	**77.6**	**(0.87)**	**2.94**	**(0.71)**	**(0.04)**

Ticker	Company Name	LT Growth Rate (%)	Est. 1 Year Growth (%) Revenue	Est. 1 Year Growth (%) EBITDA	TEV/Revenue LTM	TEV/Revenue CY+1	TEV/Revenue CY+2	TEV/EBITDA LTM	TEV/EBITDA CY+1	TEV/EBITDA CY+2	P/E LTM	P/E CY+1	P/E CY+2
NasdaqGS:TA	TASER International Inc.	30.0	6.9	NA	2.23x	2.08x	1.70x	51.8x	17.7x	8.5x	NM	48.9x	16.7x
NasdaqGS:LC	LoJack Corp.	NA	2.2	NA	0.38x	0.36x	0.32x	NM	NM	5.2x	NM	NM	9.8x
ENXTPA:GE.	Grenobloise d'Electronique et d'	NA	NA	NA	0.33x	NA	NA	1.7x	NA	NA	6.9x	NA	NA
AMEX:ITI	Iteris, Inc.	NA	(16.1)	(42.5)	0.82x	0.78x	0.71x	10.7x	8.3x	6.0x	24.1x	22.0x	14.3x
AMEX:RAE	RAE Systems Inc.	25.0	1.9	NA	0.39x	0.39x	NA	NM	NA	NA	NM	NM	NA
AMEX:VSR	Versar Inc.	NA	NA	NA	0.33x			22.1x			NM		
AMEX:MOC	Command Security Corp.	NA	8.4	NA	0.26x	0.25x	NA	9.2x	NA	NA	17.2x	9.7x	NA
AMEX:VII	Vicon Industries Inc.	NA	NA	NA	0.07x			18.4x			NM		
	Max	30.0	8.4	(42.5)	2.23x	2.08x	1.70x	51.8x	17.7x	8.5x	24.1x	48.9x	16.7x
	Median	27.5	2.2	(42.5)	0.35x	0.39x	0.71x	14.5x	13.0x	6.0x	17.2x	22.0x	14.3x
	Min	25.0	(16.1)	(42.5)	0.07x	0.25x	0.32x	1.7x	8.3x	5.2x	6.9x	9.7x	9.8x
	Mean	27.5	0.7	(42.5)	0.60x	0.77x	0.91x	19.0x	13.0x	6.6x	16.1x	26.9x	13.6x
NSSC	**Napco Security Technologies,**	**NA**	**(1.2)**	**NA**	**0.93x**	**0.80x**	**NA**	**NM**	**21.0x**	**NA**	**NM**	**NM**	**NA**

Ticker	Company Name	5-Year Historical CAGR (%) Revenue	5-Year Historical CAGR (%) EBITDA	5-Year Historical CAGR (%) EPS	LTM Margins (%) Gross	LTM Margins (%) EBIT	LTM Margins (%) EBITDA	Ratios DSO	Ratios DPO	Ratios DIO	Returns (%) ROA	Returns (%) ROE	Returns (%) ROIC
NasdaqGS:TA	TASER International Inc.	9.8	(29.3)	NM	60.16	(0.01)	4.30	49.6	25.9	124.0	(0.0)	(0.0)	(0.0)
NasdaqGS:LC	LoJack Corp.	(2.5)	NM	NM	52.02	(7.86)	(3.09)	87.7	33.1	76.6	(4.2)	(54.3)	(8.5)
ENXTPA:GE.	Grenobloise d'Electronique et d'	7.2	28.3	30.6	44.61	18.25	18.83	91.4	82.6	80.6	13.5	28.3	25.9
AMEX:ITI	Iteris, Inc.	4.6	NM	NM	41.61	5.71	7.69	74.7	40.1	88.8	2.8	3.9	3.3
AMEX:RAE	RAE Systems Inc.	10.6	NM	NM	50.50	(7.87)	(4.20)	88.5	51.7	126.8	(5.4)	(12.7)	(8.0)
AMEX:VSR	Versar Inc.	23.3	(13.9)	NM	9.01	0.49	1.48	103.8	NA	NA	0.7	(2.3)	1.1
AMEX:MOC	Command Security Corp.	12.4	148.3	NM	13.90	2.27	2.89	60.5	1.4	NA	5.3	8.4	6.7
AMEX:VII	Vicon Industries Inc.	(1.0)	NM	NM	43.61	(1.02)	0.40	62.4	44.8	148.9	(0.8)	(0.8)	(1.0)
	Max	23.3	148.3	30.6	60.16	18.25	18.83	103.8	82.6	148.9	13.5	28.3	25.9
	Median	8.5	7.2	30.6	44.11	0.24	2.19	81.2	40.1	106.4	0.3	(0.4)	0.5
	Min	(2.5)	(29.3)	30.6	9.01	(7.87)	(4.20)	49.6	1.4	76.6	(5.4)	(54.3)	(8.5)
	Mean	8.1	33.3	30.6	39.43	1.25	3.54	77.3	40.0	107.6	1.5	(3.7)	2.4
NSSC	**Napco Security Technologies,**	**0.6**	**NM**	**NM**	**22.62**	**(6.26)**	**(1.32)**	**96.0**	**37.3**	**157.0**	**(3.1)**	**(31.8)**	**(3.4)**

Source: Company Reports and Rodman & Renshaw Estimates

TASER International Inc. (NasdaqGS:TASR, Market Perform)
LoJack Corp. (NasdaqGS:LOJN, Not Rated)
Grenobloise d'Electronique et d'Automatismes SA (ENXTPA:GEA, Not Rated)
Iteris, Inc. (AMEX:ITI, Market Perform)
RAE Systems Inc. (AMEX:RAE, Not Rated)
Versar Inc. (AMEX:VSR, Not Rated)
Command Security Corp. (AMEX:MOC, Not Rated)
Vicon Industries Inc. (AMEX:VII, Not Rated)

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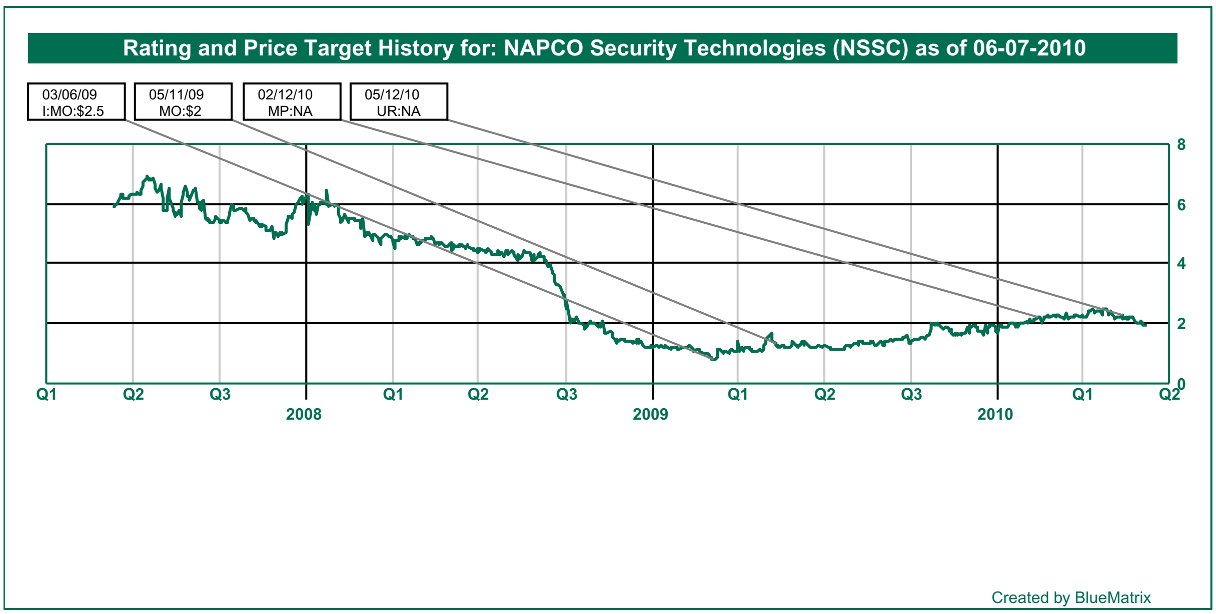
RETURN ASSESSMENT

- Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector, as defined by First Call.
- Market Perform (Hold): The common stock of the company is expected to mimic the performance of a passive index comprised of all the common stock of companies within the same sector, as defined by First Call.
- Market Underperform (Sell): The common stock of the company is expected to underperform a passive index comprised of all the common stock of companies within the same sector, as defined by First Call.

RISK ASSESSMENT

- Speculative - The common stock risk level is significantly greater than market risk. The stock price of these equities is exceptionally volatile.
- Aggressive - The common stock risk level is materially higher than market level risk. The stock price is typically more volatile than the general market.
- Moderate - The common stock is moderately risky, or equivalent to stock market risk. The stock price volatility is typically in-line with movements in the general market.



RATING SUMMARY

Distribution of Ratings Table

Rating	Count	Percent	IB Serv./Past 12 Mos Count	IB Serv./Past 12 Mos Percent
Market Outperform(MO)	123	65.80%	36	29.27%
Market Perform(MP)	42	22.50%	4	9.52%
Market Underperform(MU)	5	2.70%	0	0.00%
Under Review(UR)	17	9.10%	2	11.76%
Total	187	100%	42	100%

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