



FOR IMMEDIATE RELEASE
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**Costar Technologies, Inc. Announces Financial Results for the Third Quarter
Ended September 30, 2012**
(\$ in thousands)

Coppell, Texas – November 12, 2012 – Costar Technologies, Inc., formerly Sielox, Inc. (the “Company”) (OTC Markets Group: CSTI), reported its unaudited financial results for the quarter ended September 30, 2012 that have been compiled by the independent accounting firm Rothstein, Kass & Company, P.C.

Highlights

- The Company posted its sixth consecutive profitable quarter, resulting in net income of \$2, or \$0.00 basic earnings per share, for the three months ended September 30, 2012 and \$651, or \$0.45 basic earnings per share, for the first nine months of 2012.
- Sales increased 27% for the nine month period ended September 30, 2012, as compared to the same period in 2011.

Financial Results, Third Quarter of 2012 Compared to Third Quarter of 2011

Revenue for the third quarter of 2012 totaled \$4,037 compared to revenue of \$4,231 for the third quarter of 2011, a decrease of 5%. Management estimates that the large order in the first quarter of 2012, as disclosed in the press release dated May 15, 2012, pulled forward approximately \$933 in revenue from the third quarter of 2012. Adjusting for the impact of the large order, revenue would have increased 17% year-over-year.

Gross profit for the third quarter of 2012 totaled \$1,193. This compares to gross profit of \$1,096 for the third quarter of 2011, an increase of 9%. The increase in gross profit was attributable, in part, to lighter revenues from the Company’s lower margin industrial

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products division and heavier purchasing of higher margin DVR products from security customers.

Selling, general and administrative expenses from continuing operations for the third quarter of 2012 totaled \$1,177. This compares to selling, general and administrative expenses from continuing operations of \$948 for the third quarter of 2011, an increase of 24%. The increase of \$229 was primarily due to hiring six employees in the last 14 months, including three sales and marketing personnel, to support Company growth and future initiatives.

Other income (expense) for the third quarter of 2012 totaled \$(14). This compares to other income (expense) of \$(30) for the third quarter of 2011. For the third quarter of 2012, interest expense was \$26 compared to interest expense of \$31 for the third quarter of 2011.

Net profit for the third quarter of 2012 was approximately \$2, or \$0.00 basic earnings per share. This compares to a profit for the third quarter of 2011 of \$118, or \$0.08 basic earnings per share.

Financial Results, Nine Months Ended September 30, 2012 Compared to Nine Months Ended September 30, 2011

Revenue from continuing operations for the nine months ended September 30, 2012 totaled \$15,361, an increase of 27% compared to revenue of \$12,052 for the same period last year. The large January order of approximately \$2,800 provided around 38% of the 27% increase. The IVS acquisition provided approximately 16% of the increase and the remaining 46% of the increase was driven by acquiring business from a competitor that failed.

Gross profit for the nine months ended September 30, 2012 totaled \$4,458. This compares to gross profit of \$3,039 for the nine months ended September 30, 2011.

Selling, general and administrative expenses for the nine months ended September 30, 2012 totaled \$3,702. This compares to selling, general and administrative expenses of \$2,964 for the nine months ended September 30, 2011, an increase of 25%. Again, the increase was largely a result of hiring six employees in the last 14 months, including three sales and marketing personnel, to support Company growth and future initiatives. The remainder of the increase was due to increased commissions and other incentive compensation due to the Company's profitable first nine months of the year.

Other income (expense) for the nine months ended September 30, 2012 totaled \$(105). This compares to other income (expense) of \$(72) for the nine months ended September 30, 2011. For the nine months ended September 30, 2012 interest expense was \$125, compared to interest expense of \$88 for the nine months ended September

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30, 2011. Interest expense was elevated due to the Company's higher cost of capital from the Briar Capital facility versus the Compass Bank facility in place in 2011.

Net profit for the nine months ended September 30, 2012 was approximately \$651, or \$0.45 basic earnings per share, compared to \$2 for the same period in 2011, or \$0.00 basic earnings per share.

James Pritchett, President and Chief Executive Officer of the Company, stated, "We are pleased with our year-over-year improvements in a difficult economic environment." As Costar's sales and profits continue to increase, we will continue to strategically hire talented salespeople in order to achieve double digit sales growth. We remain cautiously optimistic about the Company's prospects in the coming year."

The Company's outside independent accountants completed their analysis of the Company's financial condition. The Independent Accountants Compilation Report, including financial statements and applicable footnote disclosures, is available on our website at www.costartechnologies.com.

About Costar Technologies, Inc.

Costar Technologies, Inc. develops, designs and distributes a range of security solution products including surveillance cameras, lenses, digital video recorders and high-speed domes. The Company also develops, designs and distributes industrial vision products to observe repetitive production and assembly lines, thereby increasing efficiency by detecting faults in the production process. Headquartered in Coppell, Texas, the Company's shares currently trade on the OTC Markets Group under the ticker symbol "CSTI".

Cautionary Statement Regarding Forward Looking Statements

This document contains forward-looking statements that involve risks and uncertainties, as well as assumptions, that if they never materialize or prove incorrect, could cause the results of the Company to differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements generally are identified by the words "expects," "anticipates," "believes," "intends," "estimates," "should," "would," "strategy," "plan" and similar expressions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The risks, uncertainties and assumptions include developments in the marketplace for our products, competition, related products and services and general economic conditions, as well as other risks and uncertainties. Accordingly, we cannot give assurance that any of the events anticipated by the forward-looking statements will transpire or occur, or if

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any of them do so, what impact they will have on the results of operations or financial condition of the Company.

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COSTAR TECHNOLOGIES, INC.

COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

(FORMERLY KNOWN AS SIELOX, INC.)

CONSOLIDATED BALANCE SHEETS (AMOUNTS SHOWN IN THOUSANDS)

	September 30, 2012	December 31, 2011
ASSETS		
Current assets		
Cash	\$ 203	\$ 193
Accounts receivable, less allowance for doubtful accounts of \$114 and \$107 in 2012 and 2011, respectively	2,190	2,907
Inventories, net of reserve for obsolescence of \$675 in 2012 and 2011	4,750	6,859
Prepaid expenses	459	483
Total current assets	7,602	10,442
Non-current assets		
Property and equipment, net	110	128
Trade names	925	925
Distribution agreement, net	1,009	1,064
Customer relationships, net	106	255
Covenant not to compete	35	47
Promissory note	409	500
Total assets	\$ 10,196	\$ 13,361
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Current liabilities		
Accounts payable	\$ 706	\$ 2,722
Accrued expenses and other	247	129
Lines of credit	1,142	2,974
Current liabilities, contingent purchase price		100
Total current liabilities	2,095	5,925
Stockholders' Equity		
Common stock	2	2
Additional paid in capital	155,893	155,879
Accumulated deficit	(143,270)	(143,921)
Less common stock held in treasury	(4,524)	(4,524)
Total stockholders' equity	8,101	7,436
Total liabilities and stockholders' equity	\$ 10,196	\$ 13,361

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COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES (FORMERLY KNOWN AS SIELOX, INC.)

CONSOLIDATED STATEMENTS OF OPERATIONS (AMOUNTS SHOWN IN THOUSANDS)

	For the Three Month Periods Ended September 30,		For the Nine Month Periods Ended September 30,	
	2012	2011	2012	2011
Net revenues	\$ 4,037	\$ 4,231	\$ 15,361	\$ 12,052
Cost of revenues	<u>2,844</u>	<u>3,135</u>	<u>10,903</u>	<u>9,013</u>
Gross profit	1,193	1,096	4,458	3,039
Selling, general and administrative expenses	<u>1,177</u>	<u>948</u>	<u>3,702</u>	<u>2,964</u>
Income from operations	<u>16</u>	<u>148</u>	<u>756</u>	<u>75</u>
Other income (expenses)				
Interest expense	(26)	(31)	(125)	(88)
Other income and expense, net	12	1	20	16
Total other income (expense), net	<u>(14)</u>	<u>(30)</u>	<u>(105)</u>	<u>(72)</u>
Net income from continuing operations	<u>2</u>	<u>118</u>	<u>651</u>	<u>3</u>
Net loss from discontinued operations				<u>(1)</u>
Net income	<u>\$ 2</u>	<u>\$ 118</u>	<u>\$ 651</u>	<u>\$ 2</u>
Per share of common stock				
Income from continuing operations	\$ 0.00	\$ 0.08	\$ 0.45	\$ 0.00
Income (loss) from discontinued operations	0.00	0.00	0.00	(0.00)
Net income per share	<u>\$ 0.00</u>	<u>\$ 0.08</u>	<u>\$ 0.45</u>	<u>\$ 0.00</u>
Weighted average shares outstanding	<u>1,447</u>	<u>1,447</u>	<u>1,447</u>	<u>1,437</u>

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