



**FOR IMMEDIATE RELEASE**

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**Costar Technologies, Inc. Announces Financial Results for the Fourth  
Quarter and Year Ended December 31, 2011**  
**(\$ in thousands)**

Coppell, Texas – April 23, 2012 – Costar Technologies, Inc., formerly Sielox, Inc. (the “Company”) (OTC Markets Group: CSTI), reported its unaudited financial results for the years ended December 31, 2010 and 2011 that have been reviewed by the independent accounting firm Rothstein, Kass & Company, P.C.

**Highlights**

- The Company posted its third consecutive profitable quarter, resulting in a profit of \$162 for the year ending December 31, 2011.
- Sales increased 21% for the fourth quarter of 2011 and 16% for the twelve months ended December 31, 2011, after adjusting for intercompany sales in the 2010 period.
- The Company’s Board of Directors selected a ratio of 1:25 for the reverse stock split authorized by stockholders at last year’s annual meeting. The Company anticipates the split to occur in the second quarter of 2012.

**Financial Results, Fourth Quarter of 2011 Compared to Fourth Quarter of 2010**

Revenue from continuing operations for the fourth quarter of 2011, and for the full year of 2011, totaled \$5,289 and \$17,341, respectively. This compares to revenue from continuing operations of \$3,645 for the fourth quarter of 2010, an increase of 45.1%, and revenue of \$12,656 for the full year of 2010, an increase of 37.0%. Revenue for the fourth quarter of 2010, and for the full year of 2010, excludes revenue from discontinued operations of \$1,862 and \$6,963, respectively. Consolidation removes the revenue from Costar for intercompany video sales to Sielox LLC, which was then sold to the Sielox LLC dealer base. In 2010, intercompany sales were \$2,291.

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Gross profit from continuing operations for the fourth quarter of 2011, and for the full year of 2011, totaled \$1,161 and \$4,200, respectively. This compares to gross profit from continuing operations of \$994 for the fourth quarter of 2010, an increase of 16.8%, and gross profit of \$3,368 for the full year of 2010, an increase of 24.7%. Gross profit for the fourth quarter of 2010, and for the full year of 2010, excludes gross profit from discontinued operations of \$612 and \$2,483, respectively.

Selling, general and administrative expenses from continuing operations for the fourth quarter of 2011, and for the full year of 2011, totaled \$1,192 and \$4,156, respectively. This compares to selling, general and administrative expenses from continuing operations of \$1,272 for the fourth quarter of 2010, a decrease of 6.3%, and \$4,051 for the full year of 2010, an increase of 2.6%. The fourth quarter of 2010 includes approximately \$100 of expenses related to the sale of Sielox, LLC. Selling, general and administrative expenses for the fourth quarter of 2010, and for the full year of 2010, exclude selling, general and administrative expenses from discontinued operations of \$667 and \$2,350, respectively.

Other income (expense) for the fourth quarter of 2011, and for the full year of 2011, totaled \$191 and \$119, respectively. This compares to other income (expense) of \$(30) for the fourth quarter of 2010, and other income (expense) of \$(125) for the full year of 2010. In other income for the fourth quarter of 2011, there was a one-time gain of \$260 from unrealized income, related to exchange rates, realized upon the closing of the Company's remaining foreign account. For the full year of 2011, interest expense was \$143 compared to interest expense of \$128 for the full year of 2010. Interest expense remained high due to the Company's reliance on funding from credit lines. In discontinued operations, there was a fourth quarter 2010 gain of \$440 and a full year 2010 gain of \$317. Included in other income in discontinued operations was a \$492 gain on the sale of the Sielox, LLC subsidiary.

Net profit for the fourth quarter of 2011, and for the twelve months ended December 31, 2011, was approximately \$160 and \$162, respectively. This compares to a profit for the fourth quarter of 2010 of \$78 and a loss for the full year 2010 of \$(358).

The Company experienced a year-over-year increase in net cash outflow from operations in 2011, primarily due to a substantial increase in inventory and accounts receivable. The increases were attributable to a year-end purchase order from a large customer, and it is expected that both inventory and accounts receivable balances will return to normal levels in the first quarter of 2012.

At the Company's last annual meeting in October of 2011, the shareholders of the Company authorized the Board of Directors (the "Board") to implement a reverse stock split of the Company's common stock at a ratio to be determined by the Board. The

## **COSTAR TECHNOLOGIES, INC.**

Board elected a ratio of 1:25 and expects the reverse split to occur in the second quarter of 2012.

James Pritchett, President and Chief Executive Officer of the Company, stated, "The Company was able to significantly increase revenue and hold expenses in check in 2011, delivering a profitable year for stockholders. We continued to see our business increase with our existing customer base in a flat to slightly down marketplace, and we expect that trend to continue into 2012."

The Company's outside independent accountants completed their analysis of the Company's financial condition. The Independent Accountants Review Report, including financial statements and applicable footnote disclosures, is available on our website at [www.costartechnologies.com](http://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 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)

December 31,	2011	2010
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 193	\$ 407
Accounts receivable, less allowance for doubtful accounts of \$107 and \$140 in 2011 and 2010, respectively	2,907	2,023
Inventories, net of reserve for obsolescence of \$675 and \$264 in 2011 and 2010, respectively	6,859	4,694
Prepaid expenses	483	335
Current assets of discontinued operations		10
Total current assets	10,442	7,469
<b>Non-current assets</b>		
Property and equipment, net	128	48
Trade names	925	800
Distribution agreement, net	1,064	1,137
Customer relationships, net	255	400
Covenant not to compete	47	
Promissory note	500	500
Total assets	\$ 13,361	\$ 10,354
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 2,722	\$ 1,574
Accrued expenses and other	129	285
Lines of credit	2,974	626
Current liabilities of discontinued operations		75
Current liabilities, contingent purchase price	100	285
Total current liabilities	5,925	2,845
Long term liability, contingent purchase price		9
Total liabilities	5,925	2,854
<b>Stockholders' Equity</b>		
Common stock	42	42
Additional paid in capital	155,839	155,805
Accumulated other comprehensive income		260
Accumulated deficit	(143,921)	(144,083)
Less common stock held in treasury	(4,524)	(4,524)
Total stockholders' equity	7,436	7,500
Total liabilities and stockholders' equity	\$ 13,361	\$ 10,354

**COSTAR TECHNOLOGIES, INC.**

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**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(AMOUNTS SHOWN IN THOUSANDS)

Years Ended December 31,	2011	2010
<b>Net revenues</b>	\$ 17,341	\$ 12,656
<b>Cost of revenues</b>	<u>13,141</u>	<u>9,288</u>
<b>Gross profit</b>	4,200	3,368
<b>Selling, general and administrative expenses</b>	<u>4,156</u>	<u>4,051</u>
<b>Income (loss) from operations</b>	<u>44</u>	<u>(683)</u>
Other income (expenses)		
Interest expense	(143)	(128)
Other income and expense, net	262	3
Total other income (expense), net	<u>119</u>	<u>(125)</u>
Net income (loss) from continuing operations	<u>163</u>	<u>(808)</u>
Net income (loss) from discontinued operations	<u>(1)</u>	<u>450</u>
<b>Net income (loss)</b>	<u>\$ 162</u>	<u>\$ (358)</u>
Per share of common stock		
Income (loss) from continuing operations	\$ 0.00	\$ (0.01)
Income (loss) from discontinued operations	(0.00)	0.00
Net income (loss) per share	<u>\$ 0.00</u>	<u>\$ (0.01)</u>
Weighted average shares outstanding	<u>36,183</u>	<u>35,721</u>

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