



FOR IMMEDIATE RELEASE
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**Costar Technologies, Inc. Announces Financial Results for the First
Quarter Ended March 31, 2012**
(\$ in thousands)

Coppell, Texas – May 15, 2012 – Costar Technologies, Inc., formerly Sielox, Inc. (the “Company”) (OTC Markets Group: CSTI), reported its unaudited financial results for the quarters ended March 31, 2011 and 2012 that have been compiled by the independent accounting firm Rothstein, Kass & Company, P.C.

Highlights

- The Company posted its fourth consecutive profitable quarter, resulting in a profit of \$591 for the three months ended March 31, 2012.
- Sales increased 91% for the first quarter of 2012 versus the same period for 2011.

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

Revenue for the first quarter of 2012 totaled \$6,616 compared to revenue of \$3,462 for the first quarter of 2011, an increase of 91%. Approximately \$2,800 of the \$3,154 increase was due to an existing customer that placed a large order in January for future requirements, May 2012 through January 2013. The timing of the order coincided with the customer’s year end. Excluding the large order, overall revenue increased approximately 10% from the first quarter 2012 versus the first quarter 2011.

Gross profit from the first quarter of 2012 totaled \$1,934. This compares to gross profit of \$857 for the first quarter of 2011, an increase of 126%. Approximately \$1,000 of the \$1,077 increase was a result of the large order. Excluding the large purchase, overall gross profit increased approximately 9% from the first quarter of 2012 as compared to the first quarter of 2011.

COSTAR TECHNOLOGIES, INC.

Selling, general and administrative expenses from continuing operations for the first quarter of 2012 totaled \$1,289. This compares to selling, general and administrative expenses from continuing operations of \$1,035 for the first quarter of 2011, an increase of 25%. The increase of \$254 was related to continued growth initiatives, which included adding sales staff.

Other income (expense) for the first quarter of 2012 totaled \$(54). This compares to other income (expense) of \$(8) for the first quarter of 2011. For the first quarter of 2012, interest expense was \$58 compared to interest expense of \$25 for the first quarter of 2011. Interest expense was high due to the Company's need for increased capital to fund the large January order.

Net profit for the first quarter of 2012 was approximately \$591. This compares to a profit (loss) for the first quarter of 2011 of \$(187).

Our Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income (Loss) was updated to accurately reflect the fact that the 462 share stock-grant from 2011 was provided from treasury shares, not newly issued shares as reported in our year-end filing.

James Pritchett, President and Chief Executive Officer of the Company, stated, "Outside of the early retail order, the business grew at a rate of 10% over the first quarter of last year, compared with the security market that is experiencing low single digit growth. We are also encouraged by the reception of our new digital solutions of IP cameras and network recorders introduced at the 2012 ISC West Show. We are well positioned to continue to outperform the overall industry and continue to gain market share."

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.

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".

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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)

	March 31, 2012	December 31, 2011
ASSETS		
Current assets		
Cash	\$ 90	\$ 193
Accounts receivable, less allowance for doubtful accounts of \$115 and \$107 in 2012 and 2011, respectively	2,260	2,907
Inventories, net of reserve for obsolescence of \$675 in 2012 and 2011	5,426	6,859
Prepaid expenses	438	483
Total current assets	<u>8,214</u>	<u>10,442</u>
Non-current assets		
Property and equipment, net	117	128
Trade names	925	925
Distribution agreement, net	1,046	1,064
Customer relationships, net	183	255
Covenant not to compete	43	47
Promissory note	500	500
Total assets	<u>\$ 11,028</u>	<u>\$ 13,361</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Current liabilities		
Accounts payable	\$ 1,094	\$ 2,722
Accrued expenses and other	261	129
Lines of credit	1,538	2,974
Current liabilities, contingent purchase price	100	100
Total current liabilities	<u>2,993</u>	<u>5,925</u>
Stockholders' Equity		
Common stock	42	42
Additional paid in capital	155,847	155,839
Accumulated deficit	(143,330)	(143,921)
Less common stock held in treasury	(4,524)	(4,524)
Total stockholders' equity	<u>8,035</u>	<u>7,436</u>
Total liabilities and stockholders' equity	<u>\$ 11,028</u>	<u>\$ 13,361</u>

COSTAR TECHNOLOGIES, INC.

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

CONSOLIDATED STATEMENTS OF OPERATIONS (AMOUNTS SHOWN IN THOUSANDS)

For the Three Months Ended March 31,	2012	2011
Net revenues	\$ 6,616	\$ 3,462
Cost of revenues	<u>4,682</u>	<u>2,605</u>
Gross profit	1,934	857
Selling, general and administrative expenses	<u>1,289</u>	<u>1,035</u>
Income (loss) from operations	<u>645</u>	<u>(178)</u>
Other income (expenses)		
Interest expense	(58)	(25)
Other income and expense, net	<u>4</u>	<u>17</u>
Total other income (expense), net	<u>(54)</u>	<u>(8)</u>
Net income (loss) from continuing operations	<u>591</u>	<u>(186)</u>
Net loss from discontinued operations		<u>(1)</u>
Net income (loss)	<u>\$ 591</u>	<u>\$ (187)</u>
Per share of common stock		
Income (loss) from continuing operations	\$ 0.02	\$ (0.01)
Income (loss) from discontinued operations	0.00	(0.00)
Net income (loss) per share	<u>\$ 0.02</u>	<u>\$ (0.01)</u>
Weighted average shares outstanding	<u>36,444</u>	<u>36,213</u>

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