



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

Coppell, Texas – August 14, 2012 – Costar Technologies, Inc., formerly Sielox, Inc. (the “Company”) (OTC Markets Group: CSTI), reported its unaudited financial results for the quarter ended June 30, 2012 that have been compiled by the independent accounting firm Rothstein, Kass & Company, P.C.

Highlights

- The Company posted its fifth consecutive profitable quarter, resulting in net income of \$58, or \$0.04 basic earnings per share, for the three months ended June 30, 2012 and \$649, or \$0.45 basic earnings per share, for the first six months of 2012.
- Sales increased 8% for the second quarter of 2012, as compared to the same period for 2011. Sales increased 45% for the six month period ended June 30, 2012, as compared to the same period in 2011.
- Effective April 27, 2012, the Company executed a 1:25 reverse stock split.

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

Revenue for the second quarter of 2012 totaled \$4,709 compared to revenue of \$4,359 for the second quarter of 2011, an increase of 8%. The increase was notable due to the fact that the large order shipped in the first quarter 2012, as disclosed in the press release dated May 15, 2012, negatively impacted sales in the second quarter. This negative impact was more than offset by business acquired from a competitor that failed and the acquisition of Industrial Vision Source (“IVS”), both in the fall of 2011.

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Gross profit for the second quarter of 2012 totaled \$1,331. This compares to gross profit of \$1,086 for the second quarter of 2011, an increase of 23%. The increase in gross profit was attributable, in part, to customers purchasing a DVR-heavy product mix, improving Company margins.

Selling, general and administrative expenses from continuing operations for the second quarter of 2012 totaled \$1,236. This compares to selling, general and administrative expenses from continuing operations of \$981 for the second quarter of 2011, an increase of 26%. The increase of \$255 was primarily due to hiring four employees in the second half of 2011, including two sales personnel, to support Company growth plus future initiatives. The remainder of the increase was due to increased commissions and other incentive compensation due to the Company's profitable quarter.

Other income (expense) for the second quarter of 2012 totaled \$(37). This compares to other income (expense) of \$(34) for the second quarter of 2011. For the second quarter of 2012, interest expense was \$41 compared to interest expense of \$27 for the second quarter of 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 second quarter of 2012 was approximately \$58, or \$0.04 basic earnings per share. This compares to a profit for the second quarter of 2011 of \$71, or \$0.05 basic earnings per share.

Financial Results, Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011

Revenue from continuing operations for the six months ended June 30, 2012 totaled \$11,325, an increase of 45% compared to revenue of \$7,821 for the same period last year. The large January order of approximately \$2,800 provided around 60% of the 45% increase. The remaining 40% of the increase was driven by taking business from a competitor that failed and the IVS acquisition.

Gross profit for the six months ended June 30, 2012 totaled \$3,265. This compares to gross profit of \$1,943 for the six months ended June 30, 2011.

Selling, general and administrative expenses for the six months ended June 30, 2012 totaled \$2,525. This compares to selling, general and administrative expenses of \$2,016 for the six months ended June 30, 2011, an increase of 25%. Again, the increase was largely a result of hiring four employees in the second half of 2011, including two sales personnel, to support Company growth plus future initiatives. The remainder of the increase was due to increased commissions and other incentive compensation due to the Company's profitable first six months of the year.

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Other income (expense) for the six months ended June 30, 2012 totaled \$(91). This compares to other income (expense) of \$(42) for the six months ended June 30, 2011. For the six months ended June 30, 2012 interest expense was \$99, compared to interest expense of \$52 for the six months ended June 30, 2011.

Net profit for the six months ended June 30, 2012 was approximately \$649, or \$0.45 basic earnings per share, compared to a loss for the same period in 2011 of \$(116), or \$(0.08) basic earnings (loss) per share.

James Pritchett, President and Chief Executive Officer of the Company, stated, “The Company posted its fifth consecutive quarter of profitability in a difficult security industry environment that was deeply impacted by the recession and slow economic recovery in the U.S. As Costar’s sales have picked up, some competitors have failed and the Company has been opportunistic in adding new accounts and the infrastructure to support them. We remain cautiously optimistic about the Company’s prospects in the second half of this year.”

Reverse Stock Split

Effective April 27, 2012, the Company executed a 1:25 reverse stock split of the Company’s common stock. The stockholders of the Company authorized the Board of Directors to implement a reverse stock split of the Company’s common stock at the Company’s 2011 Annual Meeting of Stockholders. The Company’s ticker symbol was appended with a fifth character, the letter “D”, and listed as “CSTID” for the twenty business days following the split. Effective May 25, 2012, the Company’s ticker symbol reverted back to “CSTI”.

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”.

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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)

	June 30, 2012	December 31, 2011
ASSETS		
Current assets		
Cash	\$ 103	\$ 193
Accounts receivable, less allowance for doubtful accounts of \$127 and \$107 in 2012 and 2011, respectively	2,516	2,907
Inventories, net of reserve for obsolescence of \$675 in 2012 and 2011, respectively	5,165	6,859
Prepaid expenses	354	483
Total current assets	8,138	10,442
Non-current assets		
Property and equipment, net	117	128
Trade names	925	925
Distribution agreement, net	1,028	1,064
Customer relationships, net	111	255
Covenant not to compete	39	47
Promissory note	500	500
Total assets	\$ 10,858	\$ 13,361
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Current liabilities		
Accounts payable	\$ 1,190	\$ 2,722
Accrued expenses and other	167	129
Lines of credit	1,403	2,974
Current liabilities, contingent purchase price		100
Total current liabilities	2,760	5,925
Total liabilities	2,760	5,925
Stockholders' Equity		
Common stock	2	2
Additional paid in capital	155,892	155,879
Accumulated deficit	(143,272)	(143,921)
Less common stock held in treasury	(4,524)	(4,524)
Total stockholders' equity	8,098	7,436
Total liabilities and stockholders' equity	\$ 10,858	\$ 13,361

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 June 30,		For the Six Months Ended June 30,	
	2012	2011	2012	2011
Net revenues	\$ 4,709	\$ 4,359	\$ 11,325	\$ 7,821
Cost of revenues	<u>3,378</u>	<u>3,273</u>	<u>8,060</u>	<u>5,878</u>
Gross profit	1,331	1,086	3,265	1,943
Selling, general and administrative expenses	<u>1,236</u>	<u>981</u>	<u>2,525</u>	<u>2,016</u>
Income (loss) from operations	<u>95</u>	<u>105</u>	<u>740</u>	<u>(73)</u>
Other income (expenses)				
Interest expense	(41)	(27)	(99)	(52)
Other income (expense), net	<u>4</u>	<u>(7)</u>	<u>8</u>	<u>10</u>
Total other income (expense), net	<u>(37)</u>	<u>(34)</u>	<u>(91)</u>	<u>(42)</u>
Net income (loss) from continuing operations	<u>58</u>	<u>71</u>	<u>649</u>	<u>(115)</u>
Net loss from discontinued operations				<u>(1)</u>
Net income (loss)	<u>\$ 58</u>	<u>\$ 71</u>	<u>\$ 649</u>	<u>\$ (116)</u>
Per share of common stock				
Income (loss) from continuing operations	\$ 0.04	\$ 0.05	\$ 0.45	\$ (0.08)
Income (loss) from discontinued operations	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(0.00)</u>
Net income (loss) per share	<u>\$ 0.04</u>	<u>\$ 0.05</u>	<u>\$ 0.45</u>	<u>\$ (0.08)</u>
Weighted average shares outstanding	<u>1,447</u>	<u>1,447</u>	<u>1,447</u>	<u>1,438</u>

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