



FOR IMMEDIATE RELEASE
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**Costar Technologies, Inc. Announces Financial Results
for the Fourth Quarter and Year Ended December 31, 2013**
(\$ in thousands)

Coppell, Texas – March 31, 2014 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI), reported its unaudited financial results for the year ended December 31, 2013 that has been reviewed by the independent accounting firm Rothstein, Kass & Company, P.C.

Highlights for the Year Ended December 31, 2013 vs December 31, 2012

- Net income increased by 222%, to \$1,907, from \$592, the third consecutive profitable year.
- Revenue increased 35%, to \$26,476, from \$19,581.
- Earnings per share were \$1.31 (shown in whole amounts) compared to \$0.41 per share.
- The Company increased its cash position to \$1,637 from \$114, and owed \$0 on its line of credit.

Financial Results, Fourth Quarter of 2013 as Compared to Fourth Quarter of 2012

Revenue for the fourth quarter of 2013 totaled \$4,331, as compared to revenue of \$4,220 for the fourth quarter of the prior year, an increase of approximately 3%. The increase was primarily due to the continuation in remodel activity and new store openings by several of the Company’s customers.

Gross profit for the fourth quarter of 2013 totaled \$923. This compares to gross profit of \$1,215 for the fourth quarter of 2012, a decrease of 24%. The Company experienced a one-time write-down of cost of goods sold of \$551 related to the prepayment of inventory. The supplier in question is experiencing serious financial difficulty and there is substantial doubt

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regarding the receipt of the ordered product or the return of the prepaid funds. The Company is exploring its options with respect to this vendor and has qualified a new vendor to provide a substitute product.

Selling, general and administrative expenses for the fourth quarter of 2013 totaled \$1,163. This compares to selling, general and administrative expenses of \$1,285 for the fourth quarter of 2012, a decrease of 9%. The decrease of \$122 was primarily due to a reduction of incentive based compensation and a decline in bank fees.

Net (loss) income for the fourth quarter of 2013 was approximately \$(177), or \$(0.12) earnings per share. This compares to net (loss) for the fourth quarter of 2012 of \$(59), or \$(0.04) earnings per share.

Financial Results, Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenue for the year ended December 31, 2013 totaled \$26,476, an increase of 35% as compared to revenue of \$19,581 for the same period last year. The increase was primarily due to a surge in remodel activity and new store openings by several of the Company's customers.

Gross profit for the year ended December 31, 2013 totaled \$7,467. This compares to gross profit of \$5,673 for the year ended December 31, 2012. The rise is due to a more favorable overall sales and product mix, including increased interest in the Company's higher margin network product line.

Selling, general and administrative expenses for the year ended December 31, 2013 totaled \$5,598. This compares to selling, general and administrative expenses of \$4,987 for the year ended December 31, 2012, an increase of 12%. The increase of \$611 was primarily due to the hiring of four sales and support employees in the latter half of 2012 to stimulate future growth, along with increased commissions and other incentive compensation related to the Company's improved performance.

Net income for the year ended December 31, 2013 was approximately \$1,907, or \$1.31 earnings per share, as compared to net income of \$592, or \$0.41 earnings per share for the year ended December 31, 2012.

James Pritchett, President and Chief Executive Officer of the Company, stated, "The Company's performance in 2013 generated record profits, positively positioning the Company for future opportunities. One of our largest retail customers significantly increased their remodel program in 2013, making up for a limited number of remodels in the prior two years due to a weak economy. We are pursuing additional revenue opportunities in 2014 to offset the temporary increase in sales caused by this "catch up" period, which we estimate increased 2013 revenue by approximately \$3,000 to \$4,000. We are encouraged by our results and are dedicated to delivering on our commitment of strong earnings and averaged double digit sales growth over a multiyear span."

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Rothstein Kass, 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 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. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (AMOUNTS SHOWN IN THOUSANDS)

December 31,	2013	2012
ASSETS		
Current assets		
Cash	\$ 1,637	\$ 114
Accounts receivable, less allowance for doubtful accounts of \$75 and \$67 in 2013 and 2012, respectively	2,136	2,029
Inventories, net of reserve for obsolescence of \$379 and \$675 in 2013 and 2012, respectively	7,180	4,132
Current portion, promissory note	86	151
Prepaid expenses	207	381
Total current assets	11,246	6,807
Non-current assets		
Property and equipment, net	69	105
Trade names	925	925
Distribution agreement, net	918	991
Customer relationships, net	80	101
Covenant not to compete	14	30
Promissory note, less current portion		258
Total assets	\$ 13,252	\$ 9,217
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 2,448	\$ 895
Accrued expenses and other	832	109
Lines of credit		170
Total current liabilities	3,280	1,174
Stockholders' Equity		
Common stock	3	2
Additional paid in capital	155,912	155,893
Accumulated deficit	(141,422)	(143,329)
Less common stock held in treasury	(4,521)	(4,523)
Total stockholders' equity	9,972	8,043
Total liabilities and stockholders' equity	\$ 13,252	\$ 9,217

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COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS (AMOUNTS SHOWN IN THOUSANDS)

	For the Three Months Ended December 31,		For the Years Ended December 31,	
	2013	2012	2013	2012
Net revenues	\$ 4,331	\$ 4,220	\$ 26,476	\$ 19,581
Cost of revenues	<u>3,408</u>	<u>3,005</u>	<u>19,009</u>	<u>13,908</u>
Gross profit	923	1,215	7,467	5,673
Selling, general and administrative expenses	<u>1,163</u>	<u>1,285</u>	<u>5,598</u>	<u>4,987</u>
Income from operations	<u>(240)</u>	<u>(70)</u>	<u>1,869</u>	<u>686</u>
Other income (expenses)				
Interest expense	(1)	(14)	(52)	(139)
Other income and expense, net	65	25	105	45
Current income tax provision	<u>(1)</u>	<u></u>	<u>(15)</u>	<u></u>
Total other income (expenses), net	<u>63</u>	<u>11</u>	<u>38</u>	<u>(94)</u>
Net income	<u>\$ (177)</u>	<u>\$ (59)</u>	<u>\$ 1,907</u>	<u>\$ 592</u>
Per share of common stock				
Net income per share	<u>\$ (0.12)</u>	<u>\$ (0.04)</u>	<u>\$ 1.31</u>	<u>\$ 0.41</u>
Weighted average shares outstanding	<u>1,457</u>	<u>1,447</u>	<u>1,453</u>	<u>1,447</u>

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