



FOR IMMEDIATE RELEASE
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Sielox, Inc. Announces Financial Results
for the Third Quarter Ended September 30, 2010

Runnemede, NJ – December 8, 2010 – Sielox, Inc. (PINK SHEETS: SLXN) today reported its unaudited financial results for the third quarter ended September 30, 2010.

Revenue for the third quarter of 2010 totaled \$5,220,295, a decrease of 4.2% compared to revenue of \$5,451,950 for the same period a year ago. Revenue from the sale of security surveillance products by Costar Video Systems, LLC totaled \$3,402,950, a decrease of 8.9% compared to revenue of \$3,735,168 for the same period a year ago. The principal reason for the decline in revenue from security surveillance products is attributable to the inclusion, in 2009, of revenue from a contract with a large supermarket chain that ended in the fourth quarter of that year.

Revenue from sales made by Sielox, LLC totaled \$1,817,345, an increase of 5.9% compared to revenue of \$1,716,782 for the same period last year. The increase in revenue of Sielox, LLC primarily is attributable to an increase in the sales of Costar Video System products sold through Sielox, LLC's national network of access control business partners to approximately \$744,000 in the third quarter of 2010 from approximately \$544,000 in the third quarter of 2009. Revenue from sales of access control products totaled \$1,073,345, a decrease of 8.5% compared to revenue of \$1,172,782 for the same period last year.

Gross profit for the third quarter of 2010 totaled \$1,559,334, a decrease of 11.4% compared to gross profit of \$1,758,694 for the same period a year ago. The gross profit margin for the third quarter declined to 29.9% from 32.2% for the same period last year. The decrease in gross profit of Sielox, LLC is attributable to declining sales of higher margin access control products and an increase in the sale of lower margin video products. The decrease in gross profit of Costar Video Systems, LLC is attributable to an increase in the cost of ocean freight and air freight shipments from our suppliers in Asia.

Selling, general and administrative expenses for the third quarter totaled \$1,427,174, a decrease of 20.8% compared to selling, general and administrative expenses of \$1,801,851 for the same period a year ago. The decrease in selling, general and administrative expenses is reflective of the cost savings measures implemented in the first quarter and now fully recognized in both the second and third quarters.

Income from operations of \$132,159 for the third quarter represented a significant improvement over the loss of \$(50,331) for the same period in 2009.

Other income, (expense) for the third quarter of 2010 totaled \$(75,888) compared to \$(2,192,416) for the same period last year. In the third quarter of 2009 we wrote off \$2,145,581 in recognition of the impairment of certain intangible assets. Interest expense for the third quarter rose to \$75,888, compared to \$54,010 for the same period a year ago. The increase was due to the Company's greater reliance on funding from its credit lines.

Net income for the third quarter totaled \$56,272, a significant improvement compared to a net loss of \$(2,242,747) for the same period a year ago.

"In the third quarter of 2010 the Company reached a significant milestone," stated James Pritchett, President and CEO of Sielox, Inc. "The Company improved from being close to breaking even in the second quarter to an operational profit in the third quarter. This is the first time in the Company's history that we have achieved a quarterly operating profit. The financial results in the third quarter of 2010 were the result of the difficult steps taken, over the past two years, to align the Company's cost structure with lower sales levels. The Company could not have accomplished this without the sacrifices and hard work of its employees implementing and supporting the changes. Additionally the Company has begun to benefit from increased sales to targeted national accounts which provided a revenue growth of 17.3% and 8.75% for Q1 to Q2, and Q2 to Q3 respectively. The targeted accounts, Diebold and Honeywell-ADI Canada, provided for video sales growth of 15.6% in the third quarter but the Company's overall revenue growth was offset by a slight weakness in the access control market."

James Pritchett added that "traditionally the third quarter is the strongest quarter for the surveillance market with demand increasing as schools and universities prepare for the new school year and retailers prepare for the upcoming selling season. We believe the market remains flat to slightly up for most of our competitors and that our performance is the result of our success with the targeted accounts and the acceptance of our new products. During the past year the Company has developed a family of network video recorders, network cameras, and Enterprise Security Information Management (ESIM) software in response to the movement away from analog to digital solutions. The network or IP market is currently approximately 12-15% of the market and is expected to increase significantly in the years ahead. As we look to the future, we are encouraged by the level of activity we are seeing, and remain confident that the Company is positioned to take advantage of the improving economy and the technical advances within the industry."

About Sielox, Inc.

Sielox, Inc. develops, designs and distributes a range of security solution products such as surveillance cameras, lenses, digital video recorders, high speed domes and access control systems. 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. Founded in 1979 and headquartered in Runnemede, NJ, Sielox's shares currently trade on the Pink Sheets under the ticker symbol "SLXN".

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.

SIELOX, INC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(\$ In thousands)

ASSETS

Current Assets	September, 30	December 31,
	2010	2009
Cash	\$ 169	\$ 234
Accounts receivable, less allowance for doubtful accounts of \$121	3,134	2,565
Inventories, net of reserve for obsolescence of \$325	5,576	5,525
Prepaid expenses	216	234
Total Current Assets	<u>9,095</u>	<u>8,558</u>
Fixed assets, net	222	282
Trade Name - Costar	800	800
Trade mark - Sielox LLC	170	170
Distribution agreement, net	1,156	1,211
Customer relationships, net	466	666
Proprietary technology, net	302	349
Deposits and other assets	65	66
Total Assets	\$ <u>12,276</u>	\$ <u>12,102</u>

LIABILITIES AND STOCKHOLDERS EQUITY

Current Liabilities

Accounts Payable	\$ 1,606	\$ 1,342
Accrued expenses and other	173	162
Contingent purchase price, current portion	273	261
Deferred revenue	70	57
Lines of credit	2,644	2,129
Total Current Liabilities	<u>4,766</u>	<u>3,951</u>
Long term liability, contingent purchase price	88	293
Total Liabilities	<u>4,854</u>	<u>4,244</u>

Stockholders' equity

Common stock	42	42
Additional paid in capital	155,805	155,805
Accumulated other comprehensive income	260	260
Accumulated deficit	<u>(144,162)</u>	<u>(143,725)</u>
	11,945	12,382
Less common stock held in treasury	(4,524)	(4,524)
Total stockholders equity	<u>7,422</u>	<u>7,858</u>

Total liabilities and stockholders' equity	\$ <u>12,276</u>	\$ <u>12,102</u>
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See independent accountants' compilation report and notes to consolidated financial statements.

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SIELOX, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(\$ In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Net revenues	\$ 5,220	5,452	\$ 14,112	\$ 15,338
Cost of revenues	<u>3,661</u>	<u>3,694</u>	<u>9,867</u>	<u>10,653</u>
Gross profit	1,559	1,758	4,245	4,685
Selling, general and administrative expenses	<u>1,426</u>	<u>1,808</u>	<u>4,458</u>	<u>5,881</u>
Profit (Loss) from operations	133	(50)	(213)	(1,196)
Other income (expense)				
Impairment of intangibles		-2,146		-2,146
Interest income	--	1	--	8
Interest expense	<u>(75)</u>	<u>(54)</u>	<u>(222)</u>	<u>(109)</u>
Total other income (expense), net	<u>(75)</u>	<u>(2,199)</u>	<u>(222)</u>	<u>(2,247)</u>
Net Profit (Loss)	<u>\$ 58</u>	<u>(2,249)</u>	<u>\$ (436)</u>	<u>\$ (3,443)</u>
Net loss per share:				
Basic and diluted	<u>\$ --</u>	<u>\$ -0.06</u>	<u>\$ -0.01</u>	<u>\$ -0.1</u>
Weighted average number of common shares outstanding:				
Basic and diluted	<u>\$ 35,982</u>	<u>\$ 35,720</u>	<u>\$ 35,982</u>	<u>\$ 35,720</u>

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SIELOX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(\$ In thousands)

	Nine Months Ended September 30	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (436)	\$ (3,443)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	--	16
Depreciation and amortization	394	447
Provision for doubtful accounts	(133)	56
Changes in cash attributable to changes in operating assets and liabilities:		
Accounts receivable, net	(436)	451
Inventories, net	(51)	(439)
Prepaid expenses	19	204
Deferred revenue, current	13	0
Accounts payable	264	(623)
Accrued expenses and other current liabilities	11	(721)
Impairment of intangibles		2,146
Net cash provided (used) in operating activities	(355)	(1,906)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(32)	(153)
Proceeds from sale or short-term investments, at fair value	--	305
Payment of earnout provision related to Southern Imaging	(193)	(68)
Net cash provided by (used in) investing activities	(225)	84
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt	515	1,840
Deposits	--	0
Net cash provided by financing activities	515	1,840
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-65	18
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	234	249
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 169	267
SUPPLEMENTAL DISCLOSURE CASH FLOW INFORMATION:		
Cash paid during the period for interest	\$ 223	109

SIELOX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF
STOCKHOLDERS' EQUITY (DEFICIT) AND COMPREHENSIVE INCOME (LOSS)
FOR THE NINE MONTH ENDED SEPTEMBER 30, 2010
(\$ In thousands)

	Common Stock		Additional Paid - In Capital	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount		Shares	Amount			
Balances at December 31, 2009	42,017	42	155805	6296	(4,524)	260	(143,725)	7858
Net loss							(436)	(436)
Balances at September 30, 2010	<u>\$42,017</u>	<u>\$42</u>	<u>\$155,805</u>	<u>\$6,296</u>	<u>(\$4,524)</u>	<u>\$260</u>	<u>(\$144,161)</u>	<u>\$7,422</u>

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