



FOR IMMEDIATE RELEASE
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**Costar Technologies, Inc. Announces Purchase of
Innotech Security**

Coppell, Texas – January 4, 2017 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI) announced today that its wholly owned subsidiary, Costar Video Systems, LLC, completed the acquisition of Innotech Security, Inc. (“Innotech”), a Florida corporation, on December 29, 2016.

The purchase price for Innotech was comprised of \$7M in cash at closing, assumption of a \$2.5M three-year interest free subordinated seller note and potential earn out payments of up to \$6M over three years. The Company entered into a debt financing arrangement with Comerica Bank to facilitate the acquisition.

Innotech is a value-added manufacturer of customized video, security surveillance systems and components for major U.S. retailers, restaurant chains and public venues requiring high quality, surveillance security which generated approximately \$8M in revenue during 2016.

James Pritchett, President and Chief Executive Officer of the Company, stated, “This is an excellent fit for Costar as we combine with a highly-regarded brand in the retail video surveillance market. We look forward to welcoming the Innotech team to Costar. The combination will provide significant operational benefits and substantial synergies in many areas, including marketing, sales and product development. Innotech’s product offerings are complementary to Costar’s products and solutions, and because Costar and Innotech serve different integrator and retail customers, the acquisition creates many cross-selling opportunities. We believe our combined sales organization will be able to expand our product penetration in existing markets and promote Innotech’s products in new markets, accelerating the growth of our sales footprint. We anticipate the acquisition to be immediately accretive to earnings beginning the first quarter of 2017.”

Mr. Pritchett went on to say, “The Innotech acquisition is consistent with our strategy of providing high quality solutions to our customers. Our customers will have access to a broader product line while continuing to receive the same high level of sales, service and support that they have come to expect from Costar and Innotech.”

COSTAR TECHNOLOGIES, INC.

Devin Benjamin, Senior Vice President of Innotech, commented, "We are very excited to join the Costar team and carry on Innotech's 10-year history in the video camera market. Our combined resources and expanded product offering will generate additional opportunities for our video cameras in new commercial channels."

DLA Piper LLP advised Costar in connection with the transaction.

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". Costar was ranked 41 in a&s magazine's Security 50 for 2016. Security 50 is an annual ranking of the world's largest security manufacturers in the areas of video surveillance, access control and intruder alarms and is based on financial performance.

Cautionary Statement Regarding Forward Looking Statements

This press release contains forward-looking statements that are subject to substantial risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. You can identify forward-looking statements by words such as "believe," "may," "estimate," "continue," "anticipate," "intend," "plan," "expect," "predict," "potential," or the negative of these terms or other comparable terminology. These forward-looking statements are based on management's current expectations but they involve a number of risks and uncertainties. Actual results and the timing of events could differ materially from those anticipated in the forward-looking statements as a result of risks and uncertainties, which include: the possibility that we do not realize the benefits of the Innotech acquisition or successfully integrate Innotech's business in a timely and cost-efficient manner; the possibility that we do not successfully enter new markets; we do not have extensive operating history in the segments in which Innotech operates; competition; reliance on a small number of large customers; the ability to attract and retain qualified personnel, including those that joined our Company as part of the Innotech acquisition; our ability to keep pace with changes in technology; our ability to adequately protect our intellectual property; our ability to expand and diversify our customer base; and our ability to successfully manage any future acquisitions.

You should not place undue reliance on any forward-looking statements. The Company assumes no obligation to update forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting forward-looking information, except to the extent required by applicable laws.

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