



FOR IMMEDIATE RELEASE
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**Sielox, Inc. Announces Financial Results
for the Second Quarter Ended June 30, 2010**

Runnemede, NJ – September 29, 2010 – Sielox, Inc. (PINK SHEETS: SLXN) today reported its unaudited financial results for the second quarter ended June 30, 2010.

Revenue for the second quarter of 2010 totaled \$4,799,839, a decrease of 7.9% compared to revenue of \$5,210,398 for the same period a year ago. Revenue from the sale of security surveillance products by Costar Video Systems, LLC totaled \$2,954,204, a decrease of 23.6% compared to revenue of \$3,868,368 for the same period a year ago. The principal reason for the decline in revenue 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 the sale of access control products by Sielox, LLC totaled \$1,845,636, an increase of 37.5% compared to revenue of \$1,342,029 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 \$659,000 in the second quarter of 2010 from approximately \$287,000 in the second quarter of 2009.

Gross profit for the second quarter of 2010 totaled \$1,461,058, a decrease of 6.2% compared to gross profit of \$1,558,331 for the same period a year ago. The gross profit margin for the second quarter improved to 30.4% from 29.9% for the same period last year.

Selling, general and administrative expenses for the second quarter totaled \$1,467,962, a decrease of 25.2% compared to selling, general and administrative expenses of \$1,962,481 for the same period a year ago.

Loss from operations of \$(7,071) for the second quarter represented a significant improvement over the loss of \$(404,150) for the same period in 2009.

Other income, (expense) for the second quarter of 2010 totaled \$(73,356) compared to \$(15,490) for the same period last year. Interest expense for the second quarter rose to \$73,356, compared to \$34,198 for the same period a year ago. The increase was due to the Company's greater reliance on funding from its credit lines.

Net loss for the second quarter totaled \$(79,454), a decrease of 81.1% compared to a net loss of \$(420,640) for the same period a year ago.

“The difficult steps taken to align the Company’s cost structure with lower sales levels have significantly improved the operating results of the Company in the second quarter,” stated James Pritchett, President and CEO of Sielox, Inc. “While the economy continues to signal that a slower than expected recovery is underway, our revenues increased 17.3% over the first quarter of 2010 and continue to improve in the third quarter. The Company has been successful in increasing sales through its access business partners and targeted national accounts. Late in 2009, the Company’s video surveillance products were approved by Diebold and sales to Diebold have grown every month since. Furthermore, in the second quarter of 2010, the Company began initial deliveries to Honeywell-ADI Canada as a replacement for the Honeywell Capture digital video recorder and camera product lines.”

James Pritchett added that “we are encouraged by the level of sales activity as we enter the third quarter of 2010 — which traditionally is the security industry’s strongest — with demand increasing as schools and universities prepare for the new school year and retailers get ready for the upcoming selling season. We remain confident that the Company is well positioned to take advantage of the slowly improving economy which should ultimately enable the Company to become profitable.”

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	June 30, 2010	December 31, 2009
Current Assets		
Cash	\$ 300	\$ 234
Accounts receivable, less allowance for doubtful accounts of \$176	3,358	2,565
Inventories, net of reserve of \$289	5,539	5,525
Prepaid expenses	160	234
Total Current Assets	9,357	8,558
Fixed assets, net	261	282
Trade Name - Costar	800	800
Trademark - Sielox LLC	170	170
Distribution agreement, net	1,174	1,211
Customer relationships, net	533	666
Proprietary technology, net	318	349
Deposits and other assets	65	66
Total Assets	\$ 12,678	\$ 12,102
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Accounts Payable	\$ 2,462	\$ 1,342
Accrued expenses and other	122	162
Contingent purchase price, current portion	273	261
Deferred revenue	78	57
Lines of credit	2,224	2,129
Total Current Liabilities	5,159	3,951
Long term liability, contingent purchase price	154	293
Total Liabilities	5,313	4,244
Stockholders' equity		
Common stock	42	42
Additional paid in capital	155,805	155,805
Accumulated other comprehensive income	260	260
Accumulated deficit	(144,218)	(143,725)
	11,889	12,382
Less common stock held in treasury	(4,524)	(4,524)
Total stockholders equity	7,365	7,858
Total liabilities and stockholders' equity	\$ 12,678	\$ 12,102

See independent accountants' compilation report and notes to consolidated financial statements.

1
SIELOX, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(\$ In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net revenues	\$ 4,800	5,210	\$ 8,892	\$ 9,886
Cost of revenues	<u>3,339</u>	<u>3,652</u>	<u>6,206</u>	<u>6,959</u>
Gross profit	1,461	1,558	2,686	2,927
Selling, general and administrative expenses	<u>1,468</u>	<u>1,963</u>	<u>3,032</u>	<u>4,073</u>
(Loss) from operations	(7)	(405)	(346)	(1,146)
Other income (expense)				
Interest income	--	4	--	7
Interest expense	<u>(73)</u>	<u>(19)</u>	<u>(147)</u>	<u>(55)</u>
Total other income (expense), net	<u>(73)</u>	<u>(15)</u>	<u>(147)</u>	<u>(48)</u>
Net (Loss)	<u>\$ (80)</u>	<u>(420)</u>	<u>\$ (493)</u>	<u>\$ (1,194)</u>
Net loss per share:				
Basic and diluted	<u>\$ --</u>	<u>\$ -0.01</u>	<u>\$ -0.01</u>	<u>\$ -0.03</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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2
SIELOX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(\$ In thousands)

	Six Months Ended June 30	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (493)	\$ (1,194)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	--	16
Depreciation and amortization	297	297
Provision for doubtful accounts	(78)	45
Changes in cash attributable to changes in operating assets and liabilities:		
Accounts receivable, net	(715)	864
Inventories, net	(14)	(964)
Prepaid expenses	75	118
Deferred revenue, current	21	0
Accounts payable	1,120	(234)
Accrued expenses and other current liabilities	(40)	(616)
Net cash provided (used) in operating activities	173	(1,668)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(75)	(124)
Proceeds from sale or short-term investments, at fair value	--	305
Payment of earnout provision related to Southern Imaging	(127)	(41)
Net cash provided by (used in) investing activities	(202)	140
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt	95	1,462
Deposits	--	0
Net cash provided by financing activities	95	1,462
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	66	(66)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	235	249
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 300	183
SUPPLEMENTAL DISCLOSURE CASH FLOW INFORMATION:		
Cash paid during the period for interest	\$ 147	55

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SIELOX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF
STOCKHOLDERS' EQUITY (DEFICIT) AND COMPREHENSIVE INCOME (LOSS)
FOR THE SIX MONTH ENDED JUNE 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							(493)	(493)
Balances at June 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>(\$144,218)</u>	<u>\$7,365</u>

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