



December 2009

Dear Shareholders:

We're coming to the end of a very difficult year. Over the past 12 months our two largest customers, Goody's Family Clothing and Steve and Barry's, closed their doors. Despite these setbacks, much has been accomplished and all indications are that 2010 will be profitable for Sentry. Here's why:

1. Fixed costs have been reduced by approximately \$1 million.
2. An OEM agreement was signed to supply SmartTrack™ to the world's largest video products supplier with more than 10,000 employees and customers in more than 100 countries. Deliveries will begin in early 2010. This contract is expected to double our annual sales of SmartTrack™ systems.
3. Other noteworthy video systems sales include the installation of SmartTrack™ in a US distribution center of the world's largest retailer following the successful installation of more than 100 systems in its UK division. SmartTrack™ was also installed in a new concept store for America's fourth largest retailer.
4. In October, an agreement was signed with an engineering firm to assist in the redesign of our SmartTrack™ system. The goal is to reduce production costs while adding significant new features that are specifically designed to complement OVportal™, our operational video software for online business management.
5. In November, a patent was filed to protect newly developed OVportal™ intellectual property in the area of online video audits that will increase sales and decrease the cost of operations for retailers while providing Sentry a recurring revenue software licensing model.
6. Our WAM anti-theft system for bookstores and libraries has been redesigned. WAM-2 will reduce the build cost by approximately 20%.
7. A new RFID security system for libraries has been manufactured and recently installed along with an RFID Work Station to convert barcode data to RFID tags. The Work Station also processes borrowing transactions at the circulation desk. The introduction of these two key products complement our QuickCheck™ self-service station and completes our RFID product offering for libraries. This will enable participation in millions of dollars of publicly financed library business. These products will also be offered to our growing list of hundreds of library customers that are expected to convert to RFID as budgets permit.

We appreciate your continued support and look forward to increasing value for Sentry shareholders in the coming months.

Sincerely,

A handwritten signature in blue ink, appearing to read "Peter L. Murdoch", is written over a faint, larger version of the same signature.

Peter L. Murdoch
President & CEO