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Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

DecisionPoint Systems, Inc.

Neutral

John Nobile
December 4, 2015

DPSI $0.07 — (OTC QB)

	2013A*	2014A*	2015E	2016E
Revenues (millions)	$60.7	$64.5	$36.4	$38.2
Earnings (loss) per share	($0.80)	($0.07)	($0.46)	($0.25)

52-Week range	$0.52 – $0.06	Fiscal year ends:	December
Common shares out as of 11/11/15	12.7 million	Revenue per share (TTM)**	$0.98
Approximate float	8.3 million	Price/Sales (TTM)	0.07X
Market capitalization	$889,000	Price/Sales (FY2016)E	0.07X
Tangible book value/share	NMF	Price/Earnings (TTM)	NMF
Price/tangible book value	NMF	Price/Earnings (FY2016)E	NMF

**Before restatement (includes CMAC subsidiary). **Taglich Brothers fully diluted estimate – YTD2015 annualized*

DecisionPoint Systems, headquartered in Irvine CA, is a provider and integrator of business mobility and wireless systems. The company designs, deploys and supports mobile computing and wireless systems that enable customers to access enterprise data at various locations (i.e. the retail selling floor, warehouse loading dock or on the road making deliveries). (www.decisionpt.com)

Key investment considerations:

Maintaining Neutral rating as we believe shares are adequately valued.

Global enterprise mobility, DPSI's target market, is projected to grow at a CAGR of 36.9% through 2019 (MarketsandMarkets). Employees use of their personal devices such as smart phones, tablets and laptops, to connect with the enterprise network underlie growth potential.

While industry projections suggest high grow potential, we project DPSI's sales will grow modestly (by roughly 5%) in 2016 due to the time it takes to hire competent sales people and improve their productivity.

The company experienced a significant decrease in revenue from continuing operations in 3Q and YTD 2015 results, and as of September 30, 2015, DPSI continues to be in default on certain debt obligations.

DecisionPoint's history of losses, working capital deficit, minimal liquidity and other factors raise substantial doubt about the company's ability to continue as a going concern.

DecisionPoint reported (November 13, 2015) 3Q15 revenue decreased 29% to $8.2 million. The loss per share was ($0.02) versus a loss of ($0.07) per share in 3Q14. We projected 3Q15 sales of $9.3 million and a net loss of $1 million or ($0.08) per share.

****Please view our disclosures on pages 14 - 16.***

Recommendation and Valuation

We are reiterating our **Neutral** rating on DecisionPoint Systems, Inc. (DPSI) as we believe shares are adequately valued.

DPSI currently trades at a multiple of 0.07X TTM sales on a fully diluted basis of 37.2 million shares. A comparison group of 20 business software and services companies with market values of up to $100 million are trading at an average price to sales multiple of 1.2X (excluding outliers). We believe the discount in DPSI's valuation relative to the comparison group's is due to the company's slow revenue growth relative to the industry (average annual growth of 6% for DPSI over the past five years versus 14% for the industry). Applying the current multiple of 0.07X sales to our 2016 sales estimate of $1.03 per share (on a fully diluted basis), values the stock at approximately $0.07 per share.

Business

DecisionPoint Systems, headquartered in Irvine CA, is a provider and integrator of mobility and wireless systems to business organizations. The company designs, deploys and supports mobile computing and wireless systems that enable customers to access employer's data networks at various locations (i.e. the retail selling floor, warehouse loading dock or on the road making deliveries via laptops, tablets, and smart phones).

The company also develops and integrates data capture equipment including bar code scanners and radio frequency identification (RFID) readers.

As a value added reseller (VAR) for many hardware and software suppliers (table at right), DecisionPoint offers professional services such as integration, customization and consulting with the products it offers. DecisionPoint's services include consulting, proprietary and third party software, and software customization. The company's supply chain systems integration offerings include warehouse management systems, transportation management systems, and enterprise resource planning systems.

Hardware Suppliers	Software Suppliers
Apple	AirWatch
Intermec	Verifone GlobalBay Mobile Technologies
Motorola	XRS
Zebra Technologies	Wavelink
Datamax-O'Neil	

DecisionPoint offers businesses improved productivity and operational efficiencies through the implementation of industry-specific, enterprise wireless and mobile computing systems for front-line employees. The company is focused on markets such as retail, manufacturing, distribution, transportation and logistics. DecisionPoint serves customers throughout the US with offices in Irvine CA, Tulsa OK, and Alpharetta, GA.

Strategy

DecisionPoint aims to grow sales by differentiating itself from low-price, discount hardware only sellers by positioning itself as a value-added provider offering its software and services bundled with hardware. The company also aims to effectively compete in a highly competitive systems integration market by partnering with other system integrators to make available its portfolio of services, applications and devices.

The company plans to grow its business by addressing the mobile application needs of customers in the retail, manufacturing, transportation, warehousing, distribution, logistics and other market segments. DecisionPoint continues to invest in building out its capabilities to support these markets and business needs. Toward that end, DecisionPoint acquired wireless mobile work force software provider Apex Systems Integrators in June 2012, and mobile business applications developer and integrator Illume Mobile in July 2012.

The company also aims to extend its mobile device management services from its historical ruggedized mobile computing customer base to supporting the growing use of consumer devices (Bring Your Own Device "BYOD") by clients.

Products and Services

Mobile Applications	*Retail Store*: Stock locator, shelf price marking, markdowns, inventory control, physical inventory, merchandising, customer service and mobile point-of-sale ("POS").
	Warehousing and Distribution: Order shipping, order picking and packing, stock movement and replenishments, product receipt and put-away, labeling, physical inventory and cycle counts.
	Transportation and Logistics: Proof-of-delivery, commercial turn-by-turn directions, route optimization, cross-docking, returns and Department of Transportation driver hours of service and route logging.
	Field Mobility: Field service and repair or wireless work order management, enterprise asset management, inspection, preventative maintenance, surveys, rounds and readings.
Software	*APEXWare Field Service*: Field deployment of wireless handheld devices with integrated bar code scanners.
	APEXWare Merchandising, Sales and Delivery: Automates and streamlines merchandising, sales and delivery business functions.
	APEXWare Warehouse Management System: Transforms current warehouse operations to a paperless, real-time operation.
	Reseller of independent software vendor applications tailored to meet customers' specific needs.
	DecisionPoint provides in-house mobile software tailored to meet customers' unique requirements.
Professional Services	i) business consulting - involves helping customers understand the benefits of implementing mobile computing or supply chain services, ii) technical consulting - helps customers determine the technology to be used and how it is to be implemented, and iii) technical development - software programming and configuration of the mobile computing application.
Supply Chain Services	Supply chain services include managing a customer's project from end-to-end (i.e. from pre-contract ROI targets to post-contract ROI analysis).
Deployment and Support Services	Implementing a solution into the customer's computer systems infrastructure and replicating that implementation through all their operating locations. The company also remotely manages customers' mobile computers and wireless networks as well as offer mobile software on a software as a service (SaaS) subscription basis.
Hardware	By bundling software and services with hardware, the company positions itself as a value-added reseller.
Consumables	The company offers bar code and RFID products such as RFID tags and printer ribbons.

Enterprise Mobility Market

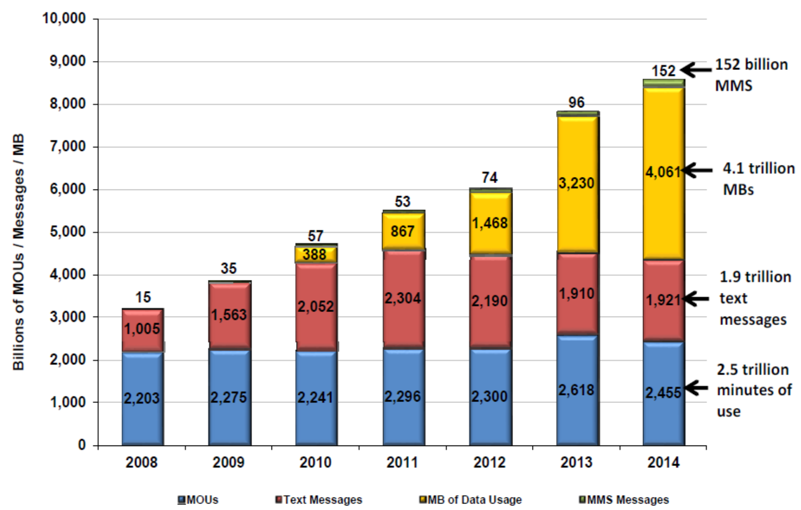
The latest report[1] on the enterprise mobility market by research firm MarketsandMarkets projects the global enterprise mobility management market to grow from $3.2 billion in 2014 to $15.2 billion by 2019, a 36.9% compound annual growth rate. Vendors in this market are continuously innovating and remodeling their present architecture to build more proficient and advanced systems that can allow a more flexible and mobile workforce.

North America was cited by MarketsandMarkets as the largest market. Employees are using their own devices such as smart phones, tablets, and laptops, to be connected with the enterprise network, anytime, anywhere. DPSI's operations are focused on this market.

1. *Enterprise Mobility Management Market by Solution (Mobile Device Management, Mobile Content Management, Mobile Application Management), by Services (Maintenance & Support, Professional Services) - Global Forecast to 2019.*

In the latest Wireless Industry Association (CTIA)'s Wireless Industry Survey, it was reported that US mobile data usage increased 26% to 4.1 trillion megabytes (MB) of data in 2014 from the previous year (see chart at right). Projections are for data usage to increase nearly six times the 2014 number by 2019. Driving this increase in data usage is the growing use of smartphones and tablets in the US. The number of smartphones is projected to increase over 40% by 2019 and tablets are projected to nearly triple in the same time frame. Many Americans now have two or more devices (such as a smart phone or tablet) with a wireless plan. According to CTIA's latest statistics (June 2015), there are over 355 million wireless subscriber connections for 322.7 million people living in the US for a wireless penetration rate of 110%.

Annual Minutes, Messages and MB of Wireless Traffic



Source: CTIA

The Mix of Minutes, Messages and MBs Changes

Although market projections are for strong growth, the company has not been realizing the market potential as evidenced by DPSI's modest 6% revenue growth in 2014 and a 28% decrease in year-to-date 2015 revenue. The significant decrease in sales in 2015 was due to the departure of four former employees in 1Q15 who are currently working for a competitor of DPSI.

Competition

DecisionPoint says that it continues to experience greater competitive forces within its market. The company said that large system integrators were seeking to move further into the segment in which DPSI competes. We believe the increase in competition is primarily due to a growing market with relatively low barriers to entry and low start-up costs. While we do not have any statistics on the number of enterprises currently active in this area, in April 2015, market research firm Technavio said that a number of new players are trying to enter this largely untapped market with reduced prices.

In an effort to compete more effectively, DecisionPoint attempts to differentiate itself from low-price, discount hardware only sellers by positioning itself as a value-added provider offering its software and services bundled with hardware. The company also aims to grow in the highly competitive systems integration market by partnering with other system integrators to make available its portfolio of services, applications and devices.

DecisionPoint competes with other value added resellers (VARs) and system integrators/engineering organizations (SIs). However, as a Tier-1 reseller (a large and well known VAR in its field) for major equipment vendors including Motorola Solutions and Zebra, the company competes with fewer than ten competitive Tier-1 VARs and SIs. The company competes on the basis of price, product/system performance, product quality and availability of service.

Motorola Solutions has granted DecisionPoint price discounts which enable the company to price its services competitively.

The following companies are among the primary competitors in the VAR and SI spaces:

Stratix, Inc.	An enterprise mobile service provider and a substantial competitor of DecisionPoint. Their customer base includes large nationally based Tier-1 retailers, distributors, major commercial airlines and general manufacturers.
Tolt Solutions, Inc.	A provider of custom IT solutions including retail point-of-sale, self-service and wireless mobility development.
Sedlak Management Consultants	A supply chain consulting firm specializing in distribution consulting.
Peak-Ryzex, Inc.	An integrator of automated identification and data collection equipment including wireless radio frequency (RF), network and enterprise resource planning (ERP) integration solutions, enterprise printing, bar code scanning, mobile computing, and terminal and software technologies.
Denali Advanced Integration	A full system integration company with services ranging from IT consulting, managed services and enterprise mobility solutions.

Other competitors in the US include certain catalog and online equipment resellers that offer end-users deeply discounted products. However, they typically offer limited or no maintenance support beyond the manufacturer's warranty (which generally results in slower repair turnaround time). Because end users have become increasingly dependent on VARs and SIs to provide platform design, integration and maintenance, they typically do not place major purchase orders with such resellers.

Economic Outlook

In October 2015, the International Monetary Fund (IMF) raised its economic growth estimate for the US to 2.6% in 2015 from 2.5% previously (July 2015), but lowered it to 2.8% in 2016 from 3%. The IMF said that US economic growth in the first half of 2015 was weaker than expected, despite a strong second quarter. This reflected setbacks to activity in the first quarter, notably harsh winter weather and port closures, as well as much lower capital spending in the oil sector. The IMF expects the recovery to continue in the US, supported in part by lower energy prices and an improving housing market.

The second estimate of US GDP growth (released on November 24, 2015) showed the US economy grew at an annual rate of 2.1% in 3Q15, up from the October 2015 estimate of 1.5%. The 3Q15 US GDP growth estimate primarily reflects a rise in consumer spending. Spending on nondurable and durable goods also rose. Partly offsetting these contributions to GDP growth was falling private inventory investment, mainly in manufacturing.

As the company offers its products and services primarily in the US, a growing US economy should bode well for sales of the company's products as the rate of capital and software expenditures increase.

Liquidity and Going Concern Issues

DecisionPoint's history of losses, working capital deficit, capital deficit, minimal liquidity and other factors raise substantial doubt about the company's ability to continue as a going concern.

The company experienced a 28% decrease in revenue in the first nine months of 2015. At September 30, 2015 DecisionPoint had a substantial working capital deficit, excluding discontinued operations, totaling $10.3 million. As a consequence of the company's recent results, availability under its credit line has contracted.

The company is currently in default on certain obligations as of September 30, 2015. DecisionPoint has not made the final payment on a Royal Bank of Canada (RBC) term loan that was originally scheduled to be paid in June 2015. The payment had been rescheduled for September 2015 and continues to be negotiated with RBC.

The company also did not pay interest due on a BDC, Inc. (BDC) term loan since June 2015 and has been advised by BDC that the financing is in arrears on interest. The technical default with the BDC term loan has put DPSI in default of the subordinated debt provisions of its amended Silicon Valley Bank (SVB) loan agreement. An SVB lending officer has verbally indicated they do not intend to exercise legal rights under the loan agreement, but has not stated so in writing.

The company is in default on the Apex seller note as of November 13, 2015. The seller of Apex has demanded payment in full including certain monitoring and administrative fees of which DecisionPoint has accrued $69,000 as of September 30, 2015 for certain fees related to this demand payment. Between April 2015 and September 2015, Apex had been delinquent on its lease obligations to Harvester Properties of Burlington, Inc. with Harvester Properties giving notice to Apex of termination of the lease agreement. Since that time, Apex has relocated its operations. DPSI has $125,000 relating to these rent obligations including interest and other fees at September 30, 2015.

Projections

DPSI's sales decreased by 28% in the first nine months of 2015 due primarily to a drop in the sales force (five fewer sales people for a 33% reduction). DPSI currently aims to build up its sales force. However, while the business software and services industry is projected to grow sales by 21% annually over the next five years, we project DPSI's sales will grow at roughly 1/4 the growth rate of the industry, or 5% in 2016, due to the time it takes to hire competent sales people who can become productive.

2015 **-** We project revenue of $36.4 million and a net loss to common of $5.7 million or ($0.46) per share. We previously projected revenue of $38 million and a net loss to common of $6.7 million or ($0.54) per share. The change in our projections primarily reflects 3Q15 results.

2015 gross margins, which have compressed during the past three quarters due to declining sales, are projected at 20.3%. SG&A expenses are projected at $8 million for SG&A expense margins of 22% in 2015. We project an operating loss of $3.6 million, interest expense of $757,000, and minimal taxes due to the company's large net operating loss carryforwards of $17.6 million that expire in varying amounts through 2033.

We project $1.8 million cash from operations from an $828,000 cash loss offset by a $2.6 million decrease in working capital. The decrease in working capital is due primarily to a decrease in accounts receivable and inventory offset in part by a decrease in accounts payable and unearned revenue. Cash from operations will not be sufficient to cover capital expenditures and debt and dividend payments, reducing cash by $1.4 million to $241,000 at December 31, 2015.

2016 **-** We project revenue will increase 5% to $38.2 million and a net loss to common of $3.2 million or ($0.25) per share. We previously projected revenue of $40.7 million and a net loss to common of $2.4 million or ($0.18) per share. The change in our projections stems from a longer recovery than previously projected given the sustained drop in hardware sales to several large retail customers.

The level of sales we project should support gross margins of 20.5% versus 20.3% in 2015. SG&A expenses should increase to $8.2 million from $8 million as the company focuses on controlling costs. We project SG&A expense margins of 21.5% in 2016 versus 22% in 2015. We project DecisionPoint will show an operating loss of $370,000, much improved from the operating loss of $3.6 million in 2015 due primarily to the absence of a $3 million asset impairment that was recognized in 2015. Interest expense is projected to increase to $900,000 from $757,000 as we project the company will need to raise an additional $1 million in debt in 1Q16. Any increase in debt will be contingent on DPSI's ability to maintain or expand its credit capacity, which could be doubtful. We project no taxes due to the company's large net operating loss carryforwards.

We project $599,000 cash used in operations from a cash loss of $864,000 and a $265,000 decrease in working capital. The decrease in working capital is due primarily to an increase in accounts payable. Cash used in operations, capital expenditures, and dividend payments will necessitate the company raising $1 million from additional debt resulting in an $84,000 decrease in cash to $157,000 at December 31, 2016.

3Q and Nine-Months 2015 Financial Results

3Q15 - Revenue decreased 29% to $8.2 million primarily due to reduced hardware sales from several large retail customers. Hardware sales decreased 31% to $5.5 million while software and service sales decreased 28% to $2.5 million. Other revenue (consumables) increased to $328,000 from $297,000. The significant decrease in sales was due to the departure of four former employees in 1Q15 who are currently working for a competitor of DPSI.

The net loss to common shareholders was $252,000 or ($0.02) per share versus a year earlier net loss to common shareholders of $897,000 or ($0.07) per share. We projected 3Q15 sales of $9.3 million and a net loss of $1 million or ($0.08) per share.

Gross margins decreased to 20.4% from 20.7% due primarily to product mix related to hardware sales and higher fixed costs for professional services. SG&A expenses decreased to $1.7 million from $2.4 million as the company reduced its overall workforce. Interest expense decreased to $178,000 from $229,000 due to lower debt levels.

Nine-Months 2015 - Revenue decreased 28% to $27.4 million primarily due to reduced hardware sales from several large retail customers. Hardware sales decreased 31% to $18 million while software and service sales decreased 21% to $8.4 million. Other revenue (consumables) decreased to $951,000 from $1.1 million. The significant decrease in sales was due to the departure of four former employees in 1Q15 who are currently working for a competitor of DPSI.

The net loss to common shareholders was $5.1 million or ($0.41) per share versus a net loss to common shareholders of $1.7 million ($0.14) per share. The nine-months 2015 results included a $3 million or ($0.24) per share goodwill and intangible asset impairment charge. Excluding the extraordinary charge, the net loss would have been $2 million or ($0.16) per share.

Gross margins decreased to 20.3% from 21.4% due primarily to product mix related to hardware sales and higher fixed costs for professional services. SG&A expenses decreased to $6.2 million from $8.2 million as the company reduced its overall workforce. Interest expense decreased to $580,000 from $658,000 as debt levels were reduced.

	Nine Months Ended (in thousands $)	
	9/15A	9/14A
		(Restated)
Net sales	27,410	37,809
Cost of sales	21,848	29,724
Gross profit	5,562	8,085
Asset impairment	3,047	-
SG&A	6,160	8,246
Operating income (loss)	(3,645)	(161)
Interest expense	580	658
Adjustment of warrant liabilities	(437)	(254)
Other (income) expense	106	(12)
Income (loss) before taxes	(3,894)	(553)
Income taxes	(277)	(327)
Loss from continuing operations	(3,617)	(226)
Income (loss) discontinued ops	(183)	(469)
Net loss	(3,800)	(695)
Dividends	(1,275)	(1,002)
Net income (loss) to common	(5,075)	(1,697)
EPS continuing operations	(0.39)	(0.10)
EPS discontinued operations	(0.02)	(0.04)
EPS	(0.41)	(0.14)
Shares Outstanding	12,453	12,342
Margin Analysis		
Gross margin	20.3%	21.4%
SG&A	22.5%	21.8%
Operating margin	(13.3)%	(0.4)%

Source: Company filings

Liquidity - As of September 30, 2015, current liabilities exceeded current assets by $10.3 million and the company's current ratio was 0.4X versus 1.2X for the business services industry. We project the company will need to raise an additional $1 million (debt) by 1Q16 in order to meet its operational needs through 2016.

Cash provided by operations in the first nine months of 2015 was $1.7 million consisting of a cash loss of $837,000 and a $2.5 million decrease in working capital. The decrease in working capital was primarily due to a decrease in accounts receivable and inventory offset in part by a decrease in accounts payable and unearned revenue. Cash provided by operations was not sufficient to covered capital expenditures, debt repayments and dividends, decreasing cash by $1.4 million to $260,000 at September 30, 2015.

The company has a $10 million line of credit and a term loans extended by Silicon Valley Bank. As of September 30, 2015 the outstanding balances were $3.3 million on the line of credit and $139,000 on the term loans. The line of credit is due February 2017, carries an interest rate of 6.5% and had an available balance of $300,000 as of September 30, 2015. The term loans mature in March 2016 and carry an interest rate of 7.5%. As of September 30, 2015, the company was in default but was working with Silicon Valley Bank to resolve the default.

DecisionPoint also has a $52,000 term loan with Royal Bank of Canada (RBC) and a $1.3 million term loan with BDC Capital. The RBC loan matured June 2015, is secured by the assets of Apex (acquired June 2012) and carries an interest rate of 7%. The RBC final payment was originally scheduled to be paid June 2015. The BDC loan matures June 2016 and carries an interest rate of 12.5%. As of September 30, 2015, the company was not in compliance with the BDC term loan covenants.

Since June 2015, DPSI has not paid the interest due on the BDC term loan and was notified by BDC that the financing is in arrears on interest which is a violation of the terms of the financing agreement. DPSI said it was in negotiations with BDC to secure acceptable refinancing terms.

DecisionPoint also has a two-year convertible note payable with the seller of Apex due June 2016. The note bears interest at a rate of 9% in 2015 and 11% in 2016. As of September 30, 2015, the outstanding balance on the note was $149,000. The quarterly payments due March 30, 2015, June 30, 2015 and September 2015 have not yet been paid, putting DPSI in default. The seller of Apex has demanded payment in full and DPSI has accrued $69,000 as of September 30, 2015 for certain fees related to the demand payment.

Risks

In our view, these are the principal risks underlying the stock.

Going concern issues – In its latest annual report, the company's auditors have raised doubts about its ability to continue as a going concern. Among other factors, the company's history of losses, working capital deficit and minimal liquidity have contributed to the auditors' determination.

Rapidly changing industry - Customer requirements for mobile computing products and services are rapidly evolving. To keep up with new customer requirements, DecisionPoint must frequently introduce new products and services and enhance existing products and services which requires significant investments in research and development, which it does not undertake. This lack of investment in R&D could cause adversely affect the company's operations.

Acquisition risk – Recent business combinations and acquisition transactions may not be successful. Integration of new businesses or technologies may exhibit difficulty in transitioning customers and other business relationships.

Competition – DecisionPoint competes primarily with well-established companies, many of which have greater resources than the company. Barriers to entry are not significant and start-up costs are relatively low which could lead to increased competition.

Dilution – DecisionPoint has a significant amount of potentially dilutive securities (options, warrants, and convertible preferred stock). This could result in additional dilution to existing investors should this stock be sold in the open market or the warrants and convertible securities get converted to common stock.

Reliance on a limited number of customers – DecisionPoint derived approximately 21% of its revenue from three customers in 2014. The loss of a significant customer would likely have an adverse impact on financial results.

Lack of IP protection – The company has not sought patent protection for its products and services, relying instead on its technical know-how and ability to design solutions tailored to its customers' needs.

Liquidity risk - Shares of DecisionPoint have risks common to those of the microcap segment of the market. Often these risks cause microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume and can lead to large spreads and high volatility in stock price. There are 8.3 million shares in the float and the average daily volume is approximately 8,200 shares.

Miscellaneous risk - The company's financial results and equity values are subject to other risks and uncertainties including competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Consolidated Balance Sheets
(in thousands $)

	2014A	9/15A	2015E	2016E
	(restated)			
Cash	1,616	260	241	157
Accounts receivable	10,354	4,907	4,855	5,093
Due from related party	-	-	-	-
Inventory	1,998	208	276	289
Deferred costs	2,532	2,104	2,104	2,104
Deferred tax assets	19	-	-	-
Assets of discontinued operations	1,829	-	-	-
Prepaid expenses and other	79	148	148	148
Total current assets	18,427	7,627	7,624	7,791
Net property and equipment	145	189	203	189
Intangible assets	1,414	-	-	-
Goodwill	7,524	5,304	5,304	5,304
Deferred costs	1,004	951	951	951
Assets of discontinued operations	1,634	-	-	-
Other assets	109	33	33	33
Total assets	**30,257**	**14,104**	**14,115**	**14,268**
Accounts payable	9,736	7,018	7,009	7,339
Accrued expenses and other	2,028	2,528	1,821	1,910
Line of credit	5,811	3,329	3,329	3,329
Current portion of debt	813	1,626	1,626	1,626
Due to related parties	73	170	170	170
Liabilities from discontinued operations	1,993	-	-	-
Unearned revenue	5,915	3,273	3,273	3,273
Total current liabilities	26,369	17,944	17,228	17,647
Unearned revenue	1,560	1,320	1,320	1,320
Long-term debt	1,580	-	-	1,000
Deferred tax liabilities	461	88	88	88
Warrant liability	519	82	82	82
Libilities from discontinued operations	487	-	-	-
Other long-term liabilities	194	166	486	852
Total liabilities	**31,170**	**19,600**	**19,204**	**20,989**
Preferred stock*	12,822	12,903	13,822	14,822
Common stockholders' equity (deficit)	(13,735)	(18,399)	(18,911)	(21,543)
Total stockholders' equity (deficit)	**(913)**	**(5,496)**	**(5,089)**	**(6,721)**
Total liabilities & stockholders' equity	**30,257**	**14,104**	**14,115**	**14,268**

* Includes accrued dividends of $1 million in 2015 and 2016
Source: Company filings and Taglich Brothers estimates

Income Statements for the Three and Nine Month Periods Ended
(in thousands $)

	Three Months Ended (in thousands $)		Nine Months Ended (in thousands $)	
	9/15A	9/14A	9/15A	9/14A
		(restated)		(restated)
Net sales	8,240	11,608	27,410	37,809
Cost of sales	6,562	9,205	21,848	29,724
Gross profit	1,678	2,403	5,562	8,085
Asset impairment	-	-	3,047	-
SG&A	1,730	2,419	6,160	8,246
Operating income (loss)	(52)	(16)	(3,645)	(161)
Interest expense	178	229	580	658
Adjustment of warrant liabilities	(205)	(88)	(437)	(254)
Other (income) expense	58	17	106	(12)
Income (loss) before taxes	(83)	(174)	(3,894)	(553)
Income taxes	(312)	(307)	(277)	(327)
Loss from continuing operations	229	133	(3,617)	(226)
Income (loss) discontinued ops	-	(696)	(183)	(469)
Net loss	229	(563)	(3,800)	(695)
Cumulative preferred stock dividends	(481)	(334)	(1,275)	(1,002)
Net income (loss) to common	(252)	(897)	(5,075)	(1,697)
EPS continuing operations	(0.02)	(0.02)	(0.39)	(0.10)
EPS discontinued operations	-	(0.05)	(0.02)	(0.04)
EPS	(0.02)	(0.07)	(0.41)	(0.14)
Shares Outstanding	12,480	12,370	12,453	12,342
Margin Analysis				
Gross margin	20.4%	20.7%	20.3%	21.4%
SG&A	21.0%	20.8%	22.5%	21.8%
Operating margin	(0.6)%	(0.1)%	(13.3)%	(0.4)%

Source: Company filings

Quarterly Income Statements 2015 -2016E
(in thousands $)

	3/15A	6/15A	9/15A	12/15E	2015E	3/16E	6/16E	9/16E	12/16E	2016E
Net sales	9,801	9,370	8,240	9,000	36,411	9,250	9,450	9,650	9,850	38,200
Cost of sales	7,679	7,607	6,562	7,155	29,003	7,355	7,515	7,670	7,830	30,370
Gross profit	2,122	1,763	1,678	1,845	7,408	1,895	1,935	1,980	2,020	7,830
Asset impaiment	-	3,047	-	-	3,047					
SG&A	2,360	2,070	1,730	1,850	8,010	1,950	2,050	2,100	2,100	8,200
Operating income (loss)	(238)	(3,354)	(52)	(5)	(3,649)	(55)	(115)	(120)	(80)	(370)
Interest expense	182	219	178	178	757	225	225	225	225	900
Adjustment of warrant liabilities	79	(311)	(205)	-	(437)	-	-	-	-	-
Other (income) expense	63	(14)	58	-	107	-	-	-	-	-
Income (loss) before taxes	(562)	(3,248)	(83)	(183)	(4,076)	(280)	(340)	(345)	(305)	(1,270)
Income taxes / (benefit)	(28)	63	(312)	-	(277)	-	-	-	-	-
Net loss from continuing operations	(534)	(3,311)	229	(183)	(3,799)	(280)	(340)	(345)	(305)	(1,270)
Income (loss) from discontinued ops.	(46)	(137)	-	-	(183)	-	-	-	-	-
Net loss	(580)	(3,448)	229	(183)	(3,982)	(280)	(340)	(345)	(305)	(1,270)
Dividends	(387)	(407)	(481)	(481)	(1,756)	(481)	(481)	(481)	(481)	(1,924)
Net income (loss) to common	(967)	(3,855)	(252)	(664)	(5,738)	(761)	(821)	(826)	(786)	(3,194)
EPS continuing operations	(0.07)	(0.30)	(0.02)	(0.05)	(0.45)	(0.06)	(0.06)	(0.06)	(0.06)	(0.25)
EPS discontinued operations	(0.00)	(0.01)	-	-	(0.01)	-	-	-	-	-
EPS	(0.08)	(0.31)	(0.02)	(0.05)	(0.46)	(0.06)	(0.06)	(0.06)	(0.06)	(0.25)
Shares Outstanding	12,425	12,453	12,481	12,500	12,439	12,600	12,700	12,800	12,900	12,750
Margin Analysis										
Gross margin	21.7%	18.8%	20.4%	20.5%	20.3%	20.5%	20.5%	20.5%	20.5%	20.5%
SG&A	24.1%	22.1%	21.0%	20.6%	22.0%	21.1%	21.7%	21.8%	21.3%	21.5%
Operating margin	(2.4)%	(35.8)%	(0.6)%	(0.1)%	(10.0)%	(0.6)%	-1.2%	-1.2%	-0.8%	-1.0%
Pretax margin	(5.7)%	(34.7)%	(1.0)%	(2.0)%	(11.2)%	(3.0)%	(3.6)%	(3.6)%	(3.1)%	(3.3)%
Tax rate	5.0%	(1.9)%	375.9%	0.0%	6.8%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company filings and Taglich Brothers estimates

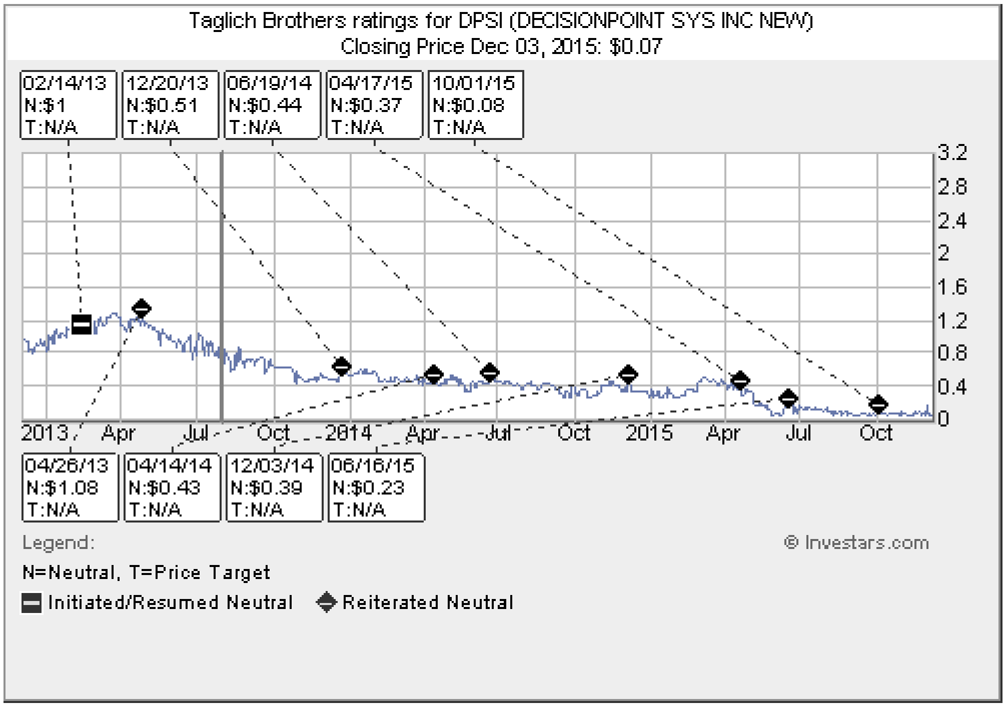
DecisionPoint Systems, Inc.

Statement of Cash Flows for the Periods Ended
(in thousands $)

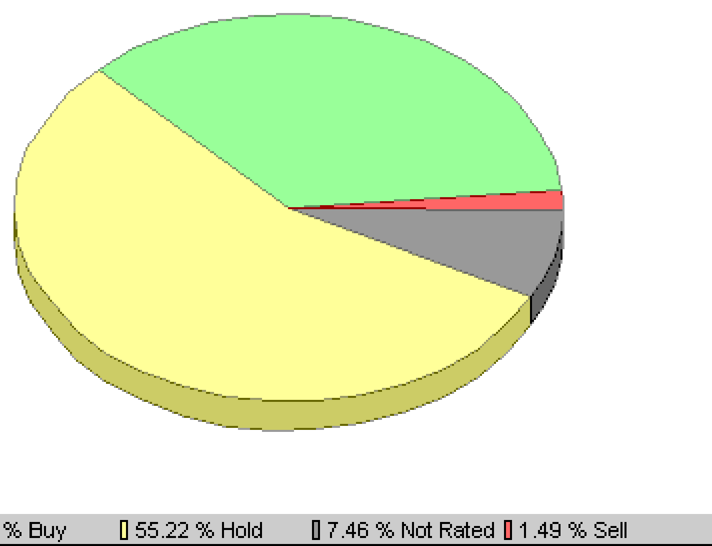
	9mos14 (restated)	9mos15A	2015E	2016E
Net income (loss) continuing operations	(226)	(3,617)	(3,799)	(1,270)
Net income (loss) discontinued operations	(469)	(183)	(183)	-
Loss on sale of discontinued operations	-	89	89	
Depreciation & amortization	996	404	539	489
Amortization of deferred financing costs	117	46	61	61
Employee stock-based compensation	89	101	135	135
Change in fair value of warrants	(254)	(437)	(437)	-
ESOP compensation expense	37	20	27	27
Gain/loss on disposal	2	(2)	(2)	
Asset impairment charges	-	3,047	3,047	-
Allowance for doubful accounts	(42)	1	1	-
Deferred taxes	(9)	(306)	(306)	(306)
Cash earnings (loss)	241	(837)	(828)	(864)
Changes in assets and liabilities				
Accounts receivable	2,925	5,408	5,499	(239)
Due from related party	184	-	-	-
Inventory	581	1,790	1,722	(13)
Deferred costs	710	479	481	-
Prepaid expenses and other	(308)	6	(69)	-
Other assets	10	62	76	-
Accounts payable	(1,314)	(2,701)	(2,727)	330
Acrrued expenses and other	164	(417)	(207)	89
Due to related parties	69	97	97	97
Operating activities from discontinued operations	1,126	616	616	-
Unearned revenue	(2,177)	(2,826)	(2,882)	-
(Increase) decrease in working capital	1,970	2,514	2,606	265
Net cash provided by (used in) operations	**2,211**	**1,677**	**1,778**	**(599)**
Proceeds from sale of CMAC	-	302	302	-
Capital expenditures	(42)	(78)	(100)	(100)
Net cash (used in) provided by investing	**(42)**	**224**	**202**	**(100)**
(Repayments) borrowings from line of credit	165	(2,467)	(2,467)	-
Proceeds from issuance of debt	-	-	-	1,000
Repayment of debt	(819)	(527)	(527)	-
Paid financing costs	(100)	(100)	(100)	-
Payments for contingent acquisition liability	(83)	-	-	-
Dividends paid	(499)	(252)	(350)	(385)
Net Cash Provided by (Used in) Financing	**(1,336)**	**(3,346)**	**(3,444)**	**615**
Foreign currency translation	(3)	89	89	-
Net Change in Cash	**830**	**(1,356)**	**(1,375)**	**(84)**
Cash - Beginning of Period	**641**	**1,616**	**1,616**	**241**
Cash - End of Period	**1,471**	**260**	**241**	**157**

Source: Company filings and Taglich Brothers estimates

Price Chart



Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	**1**	**5**
Hold		
Sell		
Not Rated		

Important Disclosures

As of the date of this report, Taglich Brothers, Inc. and/or its affiliates own more than 1% of DPSI common stock. Michael Taglich, President of Taglich Brothers, Inc. and Director of DecisionPoint Systems, Inc. owns or has a controlling interest in 268,242 shares of DPSI common stock, 1,365,408 shares of DPSI convertible preferred stock, 54,069 stock options (right to buy) and 351,343 warrants. Robert Taglich, Managing Director of Taglich Brothers, Inc. owns or has a controlling interest in 155,437 shares of DPSI common stock, 20,000 shares of DPSI convertible preferred stock, and 151,344 warrants. Doug Hailey, Director of Investment Banking at Taglich Brothers, Inc., owns or has a controlling interest in 5,186 shares of DPSI convertible preferred stock and 76,050 warrants. Robert Schroeder, Vice President of Investment Banking at Taglich Brothers, Inc. and Director of DecisionPoint Systems, Inc. owns or has a controlling interest in 6,185 shares of DPSI convertible preferred stock, 247,450 warrants, and 98,177 stock options (right to buy). Richard Oh, Managing Director of Taglich Brothers, Inc., owns or has a controlling interest in 50,000 warrants. Other employees at Taglich Brothers, Inc. also own or have controlling interests in 4,148 shares of DPSI convertible preferred stock and 138,713 warrants. Taglich Brothers, Inc. had an investment banking relationship with the company mentioned in this report. In December 2012 and November 2013, Taglich Brothers Inc. served as the placement agent in private placements of convertible preferred stock for the company.

All research issued by Taglich Brothers, Inc. is based on public information. The company paid a monetary fee of $4,500 (USD) in January 2013 for the creation and dissemination of research reports for the first three months. After the first three months of publication, the company will pay a monthly monetary fee of $1,500 (USD) to Taglich Brothers, Inc., for a minimum of twelve months for the creation and dissemination of research reports.

General Disclosures

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Analyst Certification

I, John Nobile, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be, directly, or indirectly, related to the specific recommendations or views contained in this report.

Public companies mentioned in this report:

Apple, Inc. (Nasdaq: AAPL)
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Intermec Inc. (NYSE: IN)
Motorola Solutions, Inc. (NYSE: MSI)
Verifone Systems (NYSE: PAY)
Zebra Technologies (Nasdaq: ZBRA)

Meaning of Ratings

Buy – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

Speculative Buy – Long term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

Neutral – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

Sell – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

Dropping Coverage – Research coverage discontinued due to the acquisition of the company, termination of research services, non-payment for such services, diminished investor interest, or departure of the analyst.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.