FORM 8-K

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DecisionPoint Systems, Inc.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): May 18, 2011

DECISIONPOINT SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware	333-144279	74-3209480
(State of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

19655 Descartes, Foothill Ranch, CA 92610-2609
(Address of principal executive offices) (Zip code)

(949) 465-0065
(Registrant's telephone number, including area code)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

On May 18, 2011 DecisionPoint Systems, Inc. (the "Company") entered into a Note Purchase Agreement (the "Purchase Agreement") with Sigma Opportunity Fund II, LLC (the "Purchaser"). Pursuant to the Purchase Agreement, the Company sold a Senior Subordinated Secured Note (the "Note") in the aggregate principal amount of $4,000,000. The Company received a net $3,600,000 upon closing. As of the closing for the sale of the Note, the Company paid $65,000 for the Purchaser's reasonable fees and expenses incurred in connection with the purchase of the Note (the "Advanced Amount"). At the closing for the sale of the Note, $250,000 (the "Additional Fee Amount") was withheld from the purchase price of the Note for application towards the purchaser's fees and expenses in excess of the Advanced Amount.

No later than August 31, 2011, the Purchaser shall provide a detailed accounting of its fees and expenses that the Company is responsible for pursuant to the Purchase Agreement, and the Purchaser shall either (i) refund to the Company any amount by which the Additional Fee Amount exceeded the actual fees and expenses incurred, or (ii) receive from the Company any amount by which the actual fees and expenses incurred by Purchaser exceeded the Additional Fee Amount.

As previously reported, the Company has executed an Arrangement Agreement, as amended, among the Company, Comamtech Inc. and 2259736 Ontario Inc. which provides that the Company will merge into 2259736 Ontario Inc., a subsidiary of Comamtech Inc. (the "Merger").

The Note provides that if the Merger occurs prior to August 31, 2011, (subject to the terms and conditions set forth in the Note), then on the date of consummation of the Merger the interest rate of the Note shall be increased from 12% (subject to adjustment as provided in the Note) to 24% (or, if lower the maximum amount allowable by law) retroactive to May 18, 2011, and the maturity date shall be extended to May 31, 2012. The Note allows for prepayment provided that all interest that would be incurred through the May 2012 maturity date be paid in full at such time. If the Merger does not occur by August 31, 2011 (subject to the terms and conditions set forth in the Note), the principal amount of the Note and all accrued and unpaid interest shall automatically convert into 4,000 shares of the Company's Series C Cumulative Convertible Preferred Stock and the Company shall issue the Note holder 5,000,000 shares of its Common Stock.

The Company filed with the State of Delaware a Certificate of Designation of the Powers, Preferences and Relative, Participating, Optional and other Special Rights of Preferred Stock and Qualifications, Limitations and Restrictions Thereof ("Certificate of Designations") of Series C Cumulative Convertible Preferred Stock.

The 4,000 shares of Series C Convertible Preferred Stock which may be issued to the Purchaser are convertible into the Company's common stock with the specific number of shares determined by dividing the Stated Value of the Series C Preferred Stock being converted plus accrued and unpaid dividends thereon by $0.30 per share (subject to adjustment as provided in the Certificate of Designations) and as a result if all of the shares of Series C Convertible Preferred Stock is converted, the Company would issue approximately 13,333,333 shares of its common stock.

Pursuant to the Purchase Agreement, the Company entered into an Investor Rights Agreement. Under the Investor Rights Agreement, if the Merger is not consummated at any time that is 18 months from May 18, 2011, and until the Registrable Securities (as defined in the Agreement) may be sold pursuant to Rule 144 of the rules and regulations promulgated under the Securities Act of 1933 without volume limitation, the Purchaser may require that the Company file a registration statement with the Securities and Exchange Commission to register the Registrable Securities.

The Company and each of its subsidiaries entered into a Security Agreement, pursuant to which they granted the Purchaser a security interest in a 100% of its assets. The security interest is subordinated to the lien and security interest of the Company's senior lender, Silicon Valley Bank.

Each of the Company's subsidiaries entered into a Guarantee agreement under which they guaranteed the payment of all amounts owing to the purchase of the Note pursuant to the transaction documents.

Pursuant to the Purchase Agreement, the Company entered into an Advisory Services Agreement with Sigma Capital Advisors, LLC (the "Service Provider"). Pursuant to this Agreement, the Service Provider will provide the Company with business finance and organizational strategy advisory consulting and other services related to the business of the Company and its subsidiaries. Under this Agreement, the Company paid the Service Provider $150,000 and in the in event the Merger is not consummated by August 31, 2011, the Company must issue the Service Provider 200,000 shares of its common stock. If the Merger is consummated prior to August 31, 2011, the Company shall pay the service provider an additional $80,000 in cash.

The foregoing descriptions of the Purchase Agreement, Note, Certificate of Designations, Investor Rights Agreement, Security Agreement, Guarantee, and Advisory Services Agreement above do not purport to be complete and are qualified in their entirety by reference to these agreements, copies of which are attached to this Current Report on Form 8-K and incorporated into this Item by reference.

The Company claims an exemption from the registration requirements of the Securitie Act of 1933, as amended (the "Act") for the private placement of the securities referenced herein pursuant to Section 4(2) of the Act and/or Regulation D promulgated thereunder since, among other things, the transaction did not involve a public offering, the investor was an accredited investor and/or qualified institutional buyer, the investor had access to information about us and their investment, the investor took the securities for investment and not resale, and we took appropriate measures to restrict the transfer of the securities.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information set forth under Item 1.01 of this Current Report on Form 8-K is incorporated by reference in response to this Item 2.03.

Item 3.02 Unregistered Sales of Equity Securities.

The information set forth under Item 1.01 of this Current Report on Form 8-K is incorporated by reference in response to this Item 3.02.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Pursuant to the Purchase Agreement, the Company's Board of Directors shall be comprised of six directors and the Purchaser is entitled to nominate a director. In accordance with this provision the Purchaser has nominated Maydan Rothblum and as of May 20, 2011, Mr. Rothblum has been appointed to the Company's Board of Directors. The Board has not yet determined what, if any committee Mr. Rothblum will be appointed to.

Mr. Rothblum is a Managing Director at Sigma Capital Partners, a multi-strategy, active, long-term, strategic private equity firm. Sigma Capital Advisors, LLC is the managing member of Sigma Opportunity Fund II LLC. Sigma Capital Partners owns Sigma Capital Advisors LLC. As set forth above, Sigma Opportunity Fund II LLC purchased the Note form the Company. Additionally, as set forth above, Sigma Capital Advisors LLC is providing services to the Company under the Advisory Services Agreement and is being paid as set forth in the Advisory Services Agreement which is filed as an exhibit to this Current Report on Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
4.1	Form of Note
4.2	Certificate of Designation, of the Powers, Preferences and Relative Participating, Optional and Other Special Rights of Preferred Stock and Qualifications, Limitations and Restrictions Thereof of Series C Cumulative Convertible Preferred Stock
99.1	Note Purchase Agreement
99.2	Investor Rights Agreement
99.3	Security Agreement
99.4	Form of Guarantee
99.5	Advisory Services Agreement

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DECISIONPOINT SYSTEMS, INC.

Dated: May 24, 2011

By: /s/ Nicholas Toms
Name: Nicholas R. Toms
Title: Chief Executive Officer

Exhibit Index

Exhibit Number	Description
4.1	Form of Note
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99.1	Note Purchase Agreement
99.2	Investor Rights Agreement
99.3	Security Agreement
99.4	Form of Guarantee
99.5	Advisory Services Agreement

Exhibit 4.1

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"). PURSUANT TO THE SECURITIES PURCHASE AGREEMENT, THIS NOTE HAS BEEN ACQUIRED FOR INVESTMENT ONLY AND MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF REGISTRATION OF THE RESALE THEREOF UNDER THE 1933 ACT OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY IN FORM, SCOPE AND SUBSTANCE TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

DECISIONPOINT SYSTEMS, INC.

SENIOR SUBORDINATEDSECURED NOTE

No. 1 $4,000,000
New York, New York May 18, 2011

FOR VALUE RECEIVED, DECISIONPOINT SYSTEMS, INC., a Delaware corporation (hereinafter called the "Company"), hereby promises to pay to **Sigma Opportunity Fund II, LLC**, 800 Third Avenue, New York, NY 10022, or registered assigns (the "Holder"), or order, the sum of Four Million dollars ($4,000,000), on the Maturity Date, and to pay interest on the unpaid principal balance hereof at the Applicable Rate from the date hereof until the same becomes due and payable, whether at maturity or upon acceleration or otherwise. Any amount, including, withoutlimitation, principal of or interest on this Note, that is payable under this Note and that is not paid when due shall bear interest at the Default Rate from the due date thereof until the same is paid ("Default Interest"). Regular interest shall be payable in arrears on the Maturity Date except that, if the Maturity Date is extended as set forth below, regular interest shall be payable on each Interest Payment Date, commencing on September 30, 2011, on the principal amount outstanding on such date. Regular interest on this Note shall be computed on the basis of a 360-day year of twelve 30-day months and actual days elapsed. The Company may prepay this Note at any time, provided that all interest that would have accrued through the Maturity Date (assuming such Maturity Date is extended through May 31, 2012) shall be paid at the time of such prepayment.

If the Merger has not occurred on or prior to August 31, 2011 (or has been cancelled prior to such date), there has not occurred any Material Adverse Change, and the representations and warranties set forth in the Note Purchase Agreement are true and correct in all material respects as of August 31, 2011, then the principal amount of this Note and all accrued and unpaid interest shall automatically convert into 4,000 shares of Preferred Stock and the Company shall issue to the Holder 5,000,000 shares of Common Stock (subject to adjustment for reorganizations, stock splits, stock dividends and the like). If the Merger has occurred prior to August 31, 2011, there has not occurred any Material Adverse Change, and the representations and warranties set forth in the Note Purchase Agreement are true and correct in all material respects as of the date of consummation of the Merger, then, on the date of consummation of the Merger, the Maturity Date shall be extended to May 31, 2012 and the Applicable Rate shall be increased to 24% (or, if lower, the maximum amount allowable by law) retroactive to the Issuance Date.

All cash payments under this Note shall be made in lawful money of the United States of America and shall be made by wire transfer of immediately available funds to such account as the Holder may from time to time designate by written notice in accordance with the provisions of this Note. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a Business Day, the same shall instead be due on the next succeeding day which is a Business Day. Certain capitalized terms used in this Note are defined in Article III of this Note.

The obligations of the Company under this Note shall rank in right of payment and in all other respects senior to all current and future obligations of the Company for borrowed money or the purchase price of propertyother than the Senior Debt. This Note is issued pursuant to the Note Purchase Agreement and the Holder of this Note and this Note are subject to the terms and entitled to the benefits of the NotePurchase Agreement and the Security Agreement. This Note is securitized against 100% of the assets of the Company pursuant to the Security Agreement.

The following terms shall apply to this Note:

ARTICLE I

CERTAIN COVENANTS

Until this Note is repaid or otherwise satisfied:

1.1 **Limitations on Certain Indebtedness.** The Company will not itself, and will not permit any Subsidiary to, create, assume, incur, suffer to exist or in any manner become liable in respect of, including, without limitation, by reason of any business combination transaction (all of which are referred to herein as "incurring"), any Indebtedness other than Permitted Indebtedness. Notwithstanding anything to the contrary herein, this Note is subordinate to the loans from Silicon Valley Bank including the line of credit and term loans in accordance with the terms of the Subordination Agreement, dated May 18, 2011, between Holder and Silicon Valley Bank.

1.2 **Payment of Obligations**. The Company will pay and discharge, and will cause each Subsidiary to pay and discharge, subject to the terms and conditions of the Note Purchase Agreement, all their respective material obligations and liabilities, except where the same may be contested in good faith by appropriate proceedings and the Company shall have established adequate reserves therefor on its books.

1.3 **Maintenance of Property; Insurance**. (a) The Company will keep, and will cause each Subsidiary to keep, all property which, in the reasonable business judgment of the Company, is useful and necessary in its business in good working order and condition, ordinary wear and tear excepted.

(b) The Company will maintain, and will cause each Subsidiary to maintain, with financially sound and responsible insurance companies, insurance, in at least such amounts and against such risks as is reasonably adequate for the conduct of their respective businesses and the value of their respective properties.

1.4 **Conduct of Business and Maintenance of Existence**. Other than with respect to the Merger, the Company will continue, and will cause each Subsidiary to continue, to engage in business of the same general type as now conducted by the Company, and will preserve, renew and keep in full force and effect, and will cause each Subsidiary to preserve, renew and keep in full force and effect, their respective corporate existence and their respective rights, privileges and franchises necessary or desirable in the normal conduct of business, except where the failure to do so would not have a material adverse effect on (i) the business, properties, operations, condition (financial or other), results of operation or prospects of the Company and the Subsidiaries, taken as a whole, or (ii) the ability of the Company to pay and perform its obligations under the Transaction Documents.

1.5 **Compliance with Laws**. The Company will comply, and will cause each Subsidiary to comply, in all material respects with all applicable laws, ordinances, rules, regulations, decisions, orders and requirements of governmental authorities and courts (including, without limitation, environmental laws) except where compliance therewith is contested in good faith by appropriate proceedings.

1.6 **Investment Company Act**. The Company will not be or become an open-end investment trust, unit investment trust or face-amount certificate company that is or is required to be registered under Section 8 of the Investment Company Act of 1940, as amended.

1.7 **Limitations on Asset Sales, Liquidations, Etc.; Certain Matters.** Other than with respect to the Merger, the Company shall not:

(a) sell, convey or otherwise dispose of all or substantially all of the assets of the Company as an entirety or substantially as an entirety in a single transaction or in a series of related transactions; or

(b) liquidate, dissolve or otherwise wind up the affairs of the Company.

1.8 **Limitation on Certain Issuances.** Beginning as of the date of this Note and so long as the Note is outstanding, the Company shall not, without the prior written consent of Holder, issue or sell or agree to issue or sell any securities, whether debt, equity or otherwise; provided that the limitation of this Section 1.8 shall not apply to (i) securities issued pursuant to the exercise or conversion of Common Stock Equivalents that are outstanding on the date of this Agreement and listed on Schedule 4(c) to the Note Purchase Agreement and (ii) Exempt Issuances.

1.9 **Limitations on Liens.**The Company will not itself, and will not permit any Subsidiary to, create, assume or suffer to exist any mortgage, lien, pledge, security interest or other charge or encumbrance (including, without limitation, the lien or retained security title of a conditional vendor), all of which are referred to below as "liens", upon all or any part of its property of any character, whether owned at the date hereof or thereafter acquired, except:

(a) liens upon any property of any Subsidiary or Subsidiaries as security for indebtedness owing by such Subsidiary to the Company;

(b) liens securing this Note;

(c) liens existing on the Issuance Date and listed in Schedule 4(r) to the Note Purchase Agreement; and

(d) Permitted Liens

1.10 Transactions with Affiliates. Other than the accounts payable obligations set forth in Section 5(q) to the Note Purchase Agreement, the Company will not pay, and will not permit any Subsidiary, directly or indirectly, to pay, any funds to or for the account of, make any investment (whether by acquisition of stock or Indebtedness, by loan, advance, transfer of property, guarantee or other agreement to pay, purchase or service, directly or indirectly, any Indebtedness, or otherwise) in, lease, sell, transfer or otherwise dispose of any assets, tangible or intangible, to, or participate in, or effect any transaction in connection with, any joint enterprise or other joint arrangement with, any Affiliate of the Company, except, on terms to the Company or such Subsidiary no less favorable than terms that could be obtained by the Company or such Subsidiary from a Person that is not an Affiliate of the Company, as determined in good faith by the Board of Directors.

1.11 Rule 144A Information Requirement. The Company shall, during any period in which it is not subject to Section 13 or 15(d) under the 1934 Act, make available to the Holder and any prospective purchaser of this Note from the Holder, the information required pursuant to Rule 144A(d)(4) under the 1933 Act upon the request of the Holder and it will take such further action as the Holder may reasonably request, all to the extent required from time to time to enable the Holder to sell this Note without registration under the 1933 Act within the limitations of the exemption provided by Rule 144A, as Rule 144A may be amended from time to time. Upon the request of the Holder, the Company will deliver to the Holder a written statement as to whether it has complied with such requirements. Provided that in the event that the Merger occurs, this Section shall be null and void.

1.12 Notice of Defaults. The Company shall notify the Holder promptly, but in any event not later than five days after the Company becomes aware of the fact, of any failure by the Company to comply with this Article I.

ARTICLE II

EVENTS OF DEFAULT

2.1 If any of the following events of default (each, an "Event of Default") shall occur:

(a) Failure to Pay Principal, Interest, Etc. The Company fails to pay any installment of principal or interest or other amount when due hereunder, whetherat maturity, upon acceleration or otherwise, as applicable; or

(b) Breach of Certain Covenants. The Company fails to comply with Section 1.1, 1.7 or 1.8; or

(c) Breach of Other Covenants. The Company fails to comply in any material respect with any other provision of Article I of this Note (other than Section 1.1, 1.7 or 1.8) or breaches in any material respect any other covenant or other term or condition of this Note or any of the other Transaction Documents (other than as specifically provided in clauses (a) and (b)of this Section 2.1), and such breach continues for a period of fifteencalendar days after written notice thereof to the Company from the Holder; or

(d) Breach of Representations and Warranties. Any representation or warranty of the Company made herein or in any agreement, statement or certificate given in writing pursuant hereto (or pursuant to any Transaction Documents) shall be false or misleading in any material respect when made; or

(e) Certain Voluntary Proceedings. The Company or any Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it or shall make a general assignment for the benefit of creditors; or

(f) **Certain Involuntary Proceedings.** An involuntary case or other proceeding shall be commenced against the Company or any Subsidiary seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain, unbonded undismissed and unstayed for a period of 60 consecutive days; or

(g) **Judgments and Governmental Actions.** Any court of competent jurisdiction or any governmental authority shall enter one or more judgments against the Company or any Subsidiary or any of their respective properties or other assets, or find the Company or any Subsidiary liable for any damages or past due unpaid liabilities, including in respect of any unpaid taxes, including federal or state income, sales, use or other taxes, in an aggregate amount in excess of $100,000 not covered by insurance; or

(h) **Default Under Other Agreements**. The Company or any Subsidiary shall default on any of its obligations under any mortgage, credit agreement or other facility, indenture agreement, factoring agreement or other instrument under which there may be issued, or by which there may be secured or evidenced, any indebtedness for borrowed money or money due under any long term leasing or factoring arrangement that (a) involves an obligation greater than $250,000, whether such indebtedness now exists or shall hereafter be created, and (b) results in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable; or

(i) **Fundamental Change**. A Fundamental Change shall have occurred;

then, upon the occurrence and during the continuation of any Event of Default specified in clause (a), (b),(c), (d), (g), (h)or (i) of this Section 2.1, at the option of the Holder, and upon the occurrence of any Event of Default specified in clause (e) or (f)of this Section 2.1: (X) the Company shall pay to the Holder an amount equal to the outstanding principal amount of this Note *plus* accrued and unpaid interest on such principal amount to the date of payment *plus* accrued and unpaid Default Interest, if any, thereon at the rate provided in this Note to the date of payment, (Y) all other amounts payable hereunder or under any of the other Transaction Documents shall immediately become due and payable, all without demand, presentment or notice, all of which hereby are expressly waived, together with all costs, including, without limitation, reasonable legal fees and expenses of collection, and (Z) the Holder shall be entitled to exercise all other rights and remedies available at law or in equity.

ARTICLE III

DEFINITIONS

3.1 **Certain Defined Terms.** (a) All the agreements or instruments herein defined shall mean such agreements or instruments as the same may from time to time be supplemented or amended or the terms thereof waived or modified to the extent permitted by, and in accordance with, the terms thereof and of this Note.

(b) The following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Affiliate" means, with respect to any Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the subject Person. For purposes of this definition, "control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"Applicable Rate" means 12 percent per annum through August 31, 2011, 24% per annum thereafter if the Maturity Date is extended, or, if an Event of Default shall occur, then so long as any Event of Default shall continue, 2 percent per month (or in either case such lesser rate as shall be the highest rate permitted by applicable law).

"Board of Directors" means the Board of Directors of the Company.

"Business Day" means any day other than a Saturday, Sunday or a day on which commercial banks in the City of New York are authorized or required by law or executive order to remain closed.

"Common Stock" means the Common Stock, par value $.001 per share, or any shares of capital stock of the Company into which such shares shall be changed or reclassified after the Issuance Date.

"Common Stock Equivalent" means any warrant, option, subscription or purchase right with respect to shares of Common Stock, any security convertible into, exchangeable for, or otherwise entitling the holder thereof to acquire, shares of Common Stock or any warrant, option, subscription or purchase right with respect to any such convertible, exchangeable or other security.

"Company" shall have the meaning provided in the first paragraph of this Note.

"Default Interest" shall have the meaning provided in the first paragraph of this Note.

"Default Rate" means 2 percent per month (or such lesser rate as shall be the highest rate permitted by applicable law).

"Exempt Issuance" means the issuance of (a) up to 1,255,257 shares of Common Stock or options in the aggregate to employees, officers or directors of the Company pursuant to any stock or option plan duly adopted for such purpose by a majority of the non-employee members of the Board of Directors or a majority of the members of a committee of non-employee directors established for such purpose, (b) securities issuable or issued upon the exercise or exchange of or conversion of any Preferred Stock, and (c) securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date hereof as disclosed in Schedule 4(c) to the Note Purchase Agreement, provided that such securities have not been amended since such date to increase the number of such securities or to decrease the exercise price, exchange price or conversion price of such securities or in any other material respect.

"Event of Default" shall have the meaning provided in Section 2.1.

"Fundamental Change" means

(a) Any consolidation or merger (other than the Merger) of the Company or any Subsidiary with or into another entity (other than a merger or consolidation of a Subsidiary into the Company or a wholly-owned Subsidiary), or the occurrence of any transaction or event in connection with which all or substantially all of the Common Stock shall be exchanged for, converted into, acquired for or constitute the right to receive consideration (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, reclassification, recapitalization or otherwise),where the stockholders of the Company immediately prior to such transaction do not collectively own at least 51% of the outstanding voting securities of the surviving corporation of such consolidation, merger or other transaction immediately following such transaction; or the sale of all or substantially all of the assets of the Company and the Subsidiaries in a single transaction or a series of related transactions; or

(b) Other than in connection with the Merger, the acquisition by a Person or entity or group of Persons or entities acting in concert as a partnership, limited partnership, syndicate or group, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases or otherwise, of beneficial ownership of securities of the Company representing 51% or more of the(i) combined voting power of the outstanding voting securities of the Company ordinarily (and apart from rights accruing in special circumstances) having the right to vote in the election of directors or (ii) fully diluted shares of Common Stock.

"Generally Accepted Accounting Principles" for any Person means the generally accepted accounting principles and practices applied by such Person from time to time in the preparation of its audited financial statements.

"Holder" shall have the meaning provided in the first paragraph of this Note.

"Indebtedness" as used in reference to any Person means all indebtedness of such Person for borrowed money, the deferred purchase price of property, goods and services and obligations under leases which are required to be capitalized in accordance with Generally Accepted Accounting Principles and shall include all such indebtedness guaranteed in any manner by such Person or in effect guaranteed by such Person through a contingent agreement to purchase and all indebtedness for the payment or purchase of which such Person has contingently agreed to advance or supply funds and all indebtedness secured by mortgage or other lien upon property owned by such Person, although such Person has not assumed or become liable for the payment of such indebtedness, and, for all purposes hereof, such indebtedness shall be treated as though it has been assumed by such Person.

"Interest Payment Date" means September 30, December 31, March 31 and June 30 of each year, and the Maturity Date.

"Issuance Date" means May 18, 2011.

"Material Adverse Change" means any material adverse change or material adverse development in the business, properties, operations, condition (financial or other), results of operations or prospects of the Company and its Subsidiaries, taken as a whole, occurring after the Issuance Date.

"Maturity Date" means August 31, 2011, unless extended in accordance with the provisions hereof.

"Merger" means the merger of the Company with and into 2259736 Ontario Inc., a subsidiary of Comamtech Inc., pursuant to and on the terms and conditions set forth in, the Arrangement Agreement, dated October 20, 2010, as amended through the Issuance Date.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"1933 Act" means the Securities Act of 1933, as amended.

"Note" means this instrument as originally executed, or if later amended or supplemented in accordance with its terms, then as so amended or supplemented.

"Note Purchase Agreement" means the Note Purchase Agreement, dated as of May 18, 2011, by and between the Company and the original Holder of this Note.

"Permitted Indebtedness" means

(1) Indebtedness outstanding on the Issuance Date prior to issuance of this Note and listed on Schedule 4(l) to the Note Purchase Agreement;

(2) Indebtedness evidenced by the Note;

(3) Indebtedness incurred after the Issuance Date which is unsecured, subordinated to this Note as to payment on terms approved in advance of such incurrence by the Holder of this Note, as evidenced by the written approval of such Holder given prior to the incurrence of such Indebtedness, and for which no payment of principal of such Indebtedness is scheduled to be due prior to the date that is six months after the Maturity Date;

(4) endorsements for collection or deposit in the ordinary course of business;

(5) in the case of any Subsidiary, Indebtedness owed by such Subsidiary to the Company;

so long as at the time of incurrence of such Indebtedness no Event of Default has occurred and is continuing or would result from such incurrence and no event which, with notice or passage of time, or both, would become an Event of Default has occurred and is continuing or would result from such incurrence and so long as in the case of such Indebtedness referred to in the preceding clause (3) and (5), inclusive, such Indebtedness shall have been approved by the Board of Directors prior to the incurrence thereof

"Permitted Lien" means the individual and collective reference to the following: (a) liens for taxes, assessments and other governmental charges or levies not yet due or liens for taxes, assessments and other governmental charges or levies being contested in good faith and by appropriate proceedings for which adequate reserves (in the good faith judgment of the management of the Company) have been established in accordance with GAAP;(b) liens imposed by law which were incurred in the ordinary course of the Company's business, such as carriers', warehousemen's and mechanics' liens, statutory landlords' Liens, and other similar liens arising in the ordinary course of the Company's business, and which (x) do not individually or in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of the Company and its consolidated Subsidiaries or (y) are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing for the foreseeable future the forfeiture or sale of the property or asset subject to such Lien and (c) the lien granted to Silicon Valley Bank.

"Person" means any natural person, corporation, partnership, limited liability company, trust, incorporated organization, unincorporated association or similar entity or any government, governmental agency or political subdivision.

"Preferred Stock" has the meaning set forth in the Note Purchase Agreement.

"Rule 144A" means Rule 144A as promulgated under the 1933 Act or any successor rule thereto.

"Security Agreement" means the Security Agreement, dated May 18, 2011, by and between the Company and the original Holder of this Note.

"Senior Debt" means the $10 million Line of Credit and $3 million term loan with Silicon Valley Bank existing as of the Issuance Date.

"Subsidiary" means any corporation or other entity of which a majority of the capital stock or other ownership interests having ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions are at the time directly or indirectly owned by the Company.

"Transaction Documents" has the meaning provided in the Note Purchase Agreement.

ARTICLE IV

MISCELLANEOUS

4.1 Failure or Indulgency Not Waiver. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privileges. All rights and remedies existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

4.2 Notices. Except as otherwise specifically provided herein, any notice herein required or permitted to be given shall be in writing and may be personally served, sent by telephone line facsimile transmission or delivered by courier or sent by United States mail and shall be deemed to have been given upon receipt if personally served, sent by telephone line facsimile transmission or sent by courier or five days after being deposited in the facilities of the United States Postal Service, certified, with postage pre-paid and properly addressed, if sent by mail. For the purposes hereof, the address and facsimile line transmission number of the Holder shall be as furnished by the Holder for such purpose and shown on the records of the Company; and the address of the Company shall be 19655 Descartes, Foothill Ranch, CA 92610, Attention: Chief Executive Officer (telephone line facsimile transmission number (949) 859-3647)), with a copy of such notices (which shall not constitute notice) to Sichenzia Ross Friedman Ference 61 Broadway New York, New York 10006, Attention: Gregory Sichenzia, Esq. The Holder or the Company may change its address for notice by service of written notice to the other as herein provided.

4.3 Amendment, Waiver, Etc. Neither this Note nor any terms hereof may be changed, waived, discharged or terminated unless such change, waiver, discharge or termination is in writing signed by the Company and the Holder of this Note.

4.4 Assignability. This Note shall be binding upon the Company and its successors, and shall inure to the benefit of and be binding upon the Holder and its successors and permitted assigns. The Company may not assign its rights or obligations under this Note.

4.5 Certain Expenses. The Company shall pay on demand all expenses incurred by the Holder, including reasonable attorneys' fees and expenses, as a consequence of, or in connection with (x) any amendment or waiver of this Note or any other Transaction Document, (y) any default or breach of any of the Company's obligations set forth in the Transaction Documents and (z) the enforcement or restructuring of any right of, including the collection of any payments due, the Holder under the Transaction Documents, including any action or proceeding relating to such enforcement or any order, injunction or other process seeking to restrain the Company from paying any amount due the Holder.

4.6 Governing Law. This Note shall be governed by the internal laws of the State of New York, without regard to the principles of conflict of laws.

4.7 Transfer of Note and Noteholder Payment Amount. This Note has not been and is not being registered under the provisions of the 1933 Act or any state securities laws and this Note may not be transferred unless the Holder shall have delivered to the Company an opinion of counsel, reasonably satisfactory in form, scope and substance to the Company, to the effect that this Note may be sold or transferred without registration under the 1933 Act.

4.8 Enforceable Obligation. The Company represents and warrants that at the time of the original issuance of this Note, it received the full purchase price payable pursuant to the Note Purchase Agreement in an amount at least equal to the principal amount of this Note, and that this Note is an enforceable obligation of the Company which is not subject to any offset, reduction, counterclaim or disallowance of any sort.

4.9 Note Register; Replacement of Note. The Company shall maintain a register showing the name, address and telephone line facsimile numbers of the Holder. The Company shall also maintain a facility for the registration of transfers of this Note and at which this Note may be surrendered for split up into instruments of smaller denominations or for combination into instruments of larger denominations. Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of this Note and (a) in the case of loss, theft or destruction, of indemnity from the Holder reasonably satisfactory in form to the Company (and without the requirement to post any bond or other security) or (b) in the case of mutilation, upon surrender and cancellation of this Note, the Company will execute and deliver to the Holder a new Note of like tenor without charge to the Holder.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Company has caused this Note to be signed in its name by its duly authorized officer as of the day and in the year first above written.

DECISIONPOINT SYSTEMS, INC.

By: /s/ _____
Name
Title

By: /s/ _____
Name
Title

ASSIGNMENT

For value received _____ hereby sell(s), assign(s) and transfer(s) unto _____ (Please insert social security or other Taxpayer Identification Number of assignee: _____) the within Note, and hereby irrevocably constitutes and appoints _____ attorney to transfer the said Note on the books of Decisionpoint Systems, Inc., a Delaware corporation, with full power of substitution in the premises.

Dated: _____ NAME: _____

_____

Signature(s)

Exhibit 4.2

CERTIFICATE OF DESIGNATION OF THE POWERS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL AND OTHER SPECIAL RIGHTS OF PREFERRED STOCK AND QUALIFICATIONS, LIMITATIONS AND RESTRICTIONS THEREOF
of
SERIES C CUMULATIVE CONVERTIBLE PREFERRED STOCK
of
DECISIONPOINT SYSTEMS, INC.

DECISIONPOINT SYSTEMS, INC., a Delaware corporation (the "Corporation"), pursuant to the provisions of Section 151 of the General Corporation Law of the State of Delaware, does hereby make this Certificate of Designation and does hereby state and certify that pursuant to the authority expressly vested in the Board of Directors of the Corporation by the Certificate of Incorporation of the Corporation, the Board of Directors duly adopted the following resolutions, which resolutions remain in full force and effect as of the date hereof:

RESOLVED, that, pursuant to Article FOURTH of the Certificate of Incorporation of the Corporation, as amended to date, the Board of Directors hereby authorizes the issuance of, and fixes the designation and preferences and relative, participating, optional and other special rights, and qualifications, limitations and restrictions, of a series of preferred stock of the Corporation consisting of 10,000 shares, par value $0.001 per share, to be designated "Series C Cumulative Convertible Preferred Stock."

RESOLVED, that all shares of Series C Cumulative Convertible Preferred Stock shall rank equally in all respects and shall be subject to the following terms and provisions:

There is hereby created out of the authorized and unissued shares of the preferred stock of the Corporation a series of preferred stock designated as the "Series C Cumulative Convertible Preferred Stock" (the "Convertible Preferred Stock"). The number of shares constituting such series shall be 10,000.

1. Dividends. The holders of the Convertible Preferred Stock shall be entitled to receive, when and as declared by the Corporation's Board of Directors (the "Board of Directors"), out of funds legally available therefor, cumulative dividends payable per share at the applicable Dividend Rate (as defined below) as set forth in this Section 1.

(a) Dividends on the Convertible Preferred Stock shall accrue and be cumulative and accumulate from the date of issuance of the shares of Convertible Preferred Stock (the "Date of Original Issue"), whether or not earned or declared by the Board of Directors of the Corporation, until paid. The Corporation shall declare and pay dividends on the Convertible Preferred Stock in arrears, on March 31, June 30, September 30 and December 31 of each year (each, a "Dividend Payment Date"), commencing on the first Dividend Payment Date after the Date of Original Issue, except that if such Dividend Payment Date is not a business day, then the Dividend Payment Date will be the immediately preceding business day. For the period from the Date of Original Issue through the last day of the twenty-second (22nd) month after the Date of Original Issue, the Corporation, at its option, may pay any such dividends in either (i) cash, or (ii) additional duly authorized, validly issued, fully paid and nonassessable shares of Convertible Preferred Stock, subject to the terms set forth herein, including Section 1(b) below. For the period commencing on the first day of the twenty-third (23rd) month through the last day of the thirtieth (30th) month after the Date of Original Issue, the holders of the Convertible Preferred Stock shall have the right to receive any such dividend payments in the form of cash or additional shares of Convertible Preferred Stock, at the election of a majority in interest of the Convertible Preferred Stock. With respect to any dividend payment in the form of shares of Convertible Preferred Stock, the Convertible Preferred Stock to be issued shall be valued at the Stated Value (as hereinafter defined) and the Corporation shall set aside a sufficient number of shares of Convertible Preferred Stock for the payment of such declared dividends and deliver certificates representing such shares of Convertible Preferred Stock to the holders of shares of Convertible Preferred Stock as of the record date in payment of such declared dividends within three (3) business days after the Dividend Payment Date. Each such dividend, whether paid in cash or shares of Convertible Preferred Stock, shall be payable to holders of record of shares of the Convertible Preferred Stock as they appear on the Corporation's stock register on the record date which shall be the business day immediately preceding a Dividend Payment Date. Dividends in arrears for any past dividend period may be declared by the Board of Directors of the Corporation and paid on shares of the Convertible Preferred Stock on any date fixed by the Board of Directors of the Corporation, whether or not a regular Dividend Payment Date, to holders of record of shares of the Convertible Preferred Stock as they appear on the Corporation's stock register on the record date, which record date shall not be greater than five (5) days before such Dividend Payment Date, as fixed by the Board of Directors of the Corporation. Any dividend payment made on shares of the Convertible Preferred Stock shall first be credited against the dividends accumulated with respect to the earliest dividend period for which dividends have not been paid. (b) Notwithstanding the foregoing, the Corporation may not elect to pay dividends on the Convertible Preferred Stock in the form of additional shares of Convertible Preferred Stock unless (i) the average closing price of the Corporation's Common Stock for the five (5) trading day period prior to a Dividend Payment Date exceeds $0.30 per share (subject to adjustment for any reorganizations, stock splits, stock dividends or other similar transaction occurring after the Date of Original Issue); and (ii) the Corporation is in compliance with its obligations hereunder to the holders of Convertible Preferred Stock.

(c) The dividend rate, as adjusted from time to time as hereinafter provided (the "Dividend Rate"), on each share of Convertible Preferred Stock shall be as follows: 5% per share per annum on $1,000 (the "Stated Value" of each such share) for the period from the Date of Original Issue through the last day of the twenty-second (22nd) month after the Date of Original Issue; and 16% per share per annum on the Stated Value commencing on the first day of the twenty third (23rd) month through the last day of the thirtieth month (30th) after the Date of Original Issue. Notwithstanding the foregoing, if at any time a Breach Event (as defined below) occurs, then the Dividend Rate shall be 25% per annum on the Stated Value for each dividend period or part thereof in which a Breach Event has occurred or is outstanding. The amount of dividends per share of the Convertible Preferred Stock payable for each dividend period or part thereof shall be computed by multiplying the Dividend Rate for such dividend period by a fraction the numerator of which shall be the number of days in the dividend period or part thereof on which such share was outstanding and the denominator of which shall be 365 and multiplying the result by the Stated Value.

"Breach Event" means either:

(i) Any material breach of any warranty or representation of the Corporation as of the date made in that certain Note Purchase Agreement (the "Note Purchase Agreement") entered into among the Corporation and the purchaser of the Note (as defined in the Note Purchase Agreement) or any other agreement delivered in connection therewith, or

(ii) Any breach by the Corporation of any covenant or obligation under this Certificate of Designations, the Note Purchase Agreement or any other agreement delivered in connection herewith or therewith, including, without limitation, failure to pay dividends to the holders of the Convertible Preferred Stock or redeem the Convertible Preferred Stock in accordance with this Certificate of Designation, and which breach, if capable of being cured, has not been cured within fifteen (15) days after notice of such breach has been given by the holders of a majority of Convertible Preferred Stock to the Corporation.

(d) Dividends on the Convertible Preferred Stock may be paid even if, after giving effect thereto, the Corporation's total assets would be less than the sum of its total liabilities, plus the amount that would be needed, if the Corporation were to be dissolved at the time of such distribution, to satisfy the preferential rights upon dissolution of stockholders, if any, whose preferential rights are superior to those receiving the distribution.

(e) The Convertible Preferred Stock shall, with respect to dividend rights, rank (i) senior to all classes and series of the Corporation's common stock, par value $.001 per share (the "Common Stock"), and any class or series of capital stock of the Corporation hereafter created (together with the Common Stock, the "Junior Securities"); and (ii) *pari passu* with the Corporation's Series A and Series B convertible preferred stock (collectively, the "Existing Preferred Stock"), except that, notwithstanding the foregoing, the Convertible Preferred Stock shall rank senior to the Existing Preferred Stock with respect to any dividends with respect to periods prior to the date hereof on the Existing Preferred Stock (the "Existing Accrued Dividends"). Except as hereinafter provided, no dividends shall be declared or paid or set apart for payment on Junior Securities for any dividend period unless full cumulative dividends have been or contemporaneously are declared and paid on the Convertible Preferred Stock through the most recent Dividend Payment Date. If full cumulative dividends have not been paid on shares of the Convertible Preferred Stock, all dividends declared on shares of the Convertible Preferred Stock shall be paid pro rata to the holders of outstanding shares of the Convertible Preferred Stock.

(f) In addition to the dividend rights set forth above, the holders of the Convertible Preferred Stock shall each be entitled to receive dividends payable on the Common Stock, on a *pari passu* basis with the holders of shares of Common Stock, out of any assets legally available therefor, with the amount of such dividends to be distributed to the holders of Convertible Preferred Stock computed on the basis of the number of shares of Common Stock which would be held by such holder if, immediately prior to the declaration of the dividend, all of the shares of Convertible Preferred Stock had been converted into shares of Common Stock at the then current Conversion Value (as hereinafter defined).

2. Voting Rights.

(a) While the Convertible Preferred Stock is outstanding, and except as otherwise provided herein or by law, the holders of the Convertible Preferred Stock shall have full voting rights and powers equal to the voting rights and powers of holders of Common Stock and shall be entitled to notice of any stockholders meeting in accordance with the Bylaws of the Corporation, and shall be entitled to vote, with respect to any question upon which holders of Common Stock have the right to vote, voting together with the holders of Common Stock as one class. Each holder of shares of Convertible Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which such shares of Convertible Preferred Stock could be converted on the record date for the taking of a vote or, if no record date is established, at the date such vote is taken or any written consent of stockholders is first executed. Fractional votes shall not, however, be permitted and any fractional voting rights resulting from the above formula (after aggregating all shares into which shares of Convertible Preferred Stock held by each holder could be converted) shall be rounded to the nearest whole number (with one-half being rounded upward).

(b) The holders of the Convertible Preferred Stock, voting together as a single class, shall have the right to elect one (1) member to the Board of Directors at each meeting of stockholders at which members of the Board of Directors are to be elected or whenever members of the Board of Directors are to be elected by written consent of the stockholders and to remove from office such director and to fill any vacancy caused by the resignation, death or removal of such director. Any director who shall have been elected by the holders of the Convertible Preferred Stock as provided in the immediately preceding sentence hereof, may be removed during the aforesaid term of office, either with or without cause, by, and only by, the affirmative vote of a majority in interest of the holders of the Convertible Preferred Stock entitled to elect such director, given either at a special meeting of such stockholders duly called for that purpose or pursuant to a written consent of these stockholders, and any vacancy created thereby shall be filled by the holders of the Convertible Preferred Stock represented at a meeting or pursuant to unanimous written consent.

3. Rights on Liquidation; Rank.

(a) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary (any such event being hereinafter referred to as a "Liquidation"), before any distribution of assets or funds of the Corporation shall be made to or set apart for the holders of Junior Securities or the Existing Preferred Stock, the holders of Convertible Preferred Stock then outstanding shall be entitled to receive payment out of such assets and funds of the Corporation in an amount equal to $3,000 per share of Convertible Preferred Stock (such applicable amount being referred to as the "Liquidation Preference" for the Convertible Preferred Stock), plus the aggregate amount of any accumulated and unpaid dividends thereon (whether or not earned or declared) on the Convertible Preferred Stock. If the assets or funds of the Corporation available for distribution upon a Liquidation shall not be sufficient to pay in full the payments required to the holders of outstanding Convertible Preferred Stock, then all of the assets or funds to be distributed to the holders of outstanding Convertible Preferred Stock shall be ratably distributed among the holders of the Convertible Preferred Stock in proportion to the respective amounts that would be payable on such shares if all amounts payable thereon were paid in full.

(b) A Change of Control (as defined below) of the Corporation shall be governed by the terms of Section 7 below.

(c) The Convertible Preferred Stock shall, with respect to redemption rights, rights on Liquidation, Change of Control and all other rights (other than dividends) in any manner, whether voluntary or involuntary, rank senior to the Junior Securities and Existing Preferred Stock.

4. Actions Requiring the Consent of the Holders of Convertible Preferred Stock. So long as any shares of Convertible Preferred Stock are outstanding, the prior written consent of the holders of a majority in interest of the Convertible Preferred Stock shall be necessary for effecting or validating any of the following transactions or acts:

(a) Any amendment, alteration or repeal of any of the provisions of this Certificate of Designation (whether by merger, consolidation or otherwise);

(b) Any amendment, alteration or repeal of the Certificate of Incorporation of the Corporation that will adversely affect the rights of the holders of the Convertible Preferred Stock (whether by merger, consolidation or otherwise);

(c) The authorization or creation by the Corporation of, or the increase in the number of authorized shares of, any stock of any class, or any security convertible into stock of any class, or the authorization or creation of any new class of preferred stock (or any action which would result in another series of preferred stock), ranking in terms of liquidation preference, conversion rights, redemption rights or dividend rights, senior or *pari passu* to the Convertible Preferred Stock in any manner;

(d) Other than with respect to Exempt Issuances as defined herein, the issuance or reissuance by the Corporation of any of its equity or debt securities, including, without limitation, the Existing Preferred Stock, which consent of the holders of the Convertible Preferred Stock shall not be unreasonably withheld;

"Exempt Issuance" means the issuance of (a) up to 1,255,257 shares of Common Stock or options in the aggregate to employees, officers or directors of the Corporation pursuant to any stock or option plan duly adopted for such purpose by a majority of the non-employee members of the Board of Directors or a majority of the members of a committee of non-employee directors established for such purpose, (b) securities issuable or issued upon the exercise or exchange of or conversion of any Convertible Preferred Stock, and (c) securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on May 18, 2011 as disclosed in the Note Purchase Agreement, provided that such securities have not been amended since such date to increase the number of such securities or to decrease the exercise price, exchange price or conversion price of such securities or in any other material respect;

(e) The redemption, purchase or other acquisition, directly or indirectly, of any shares of capital stock of the Corporation or any of its subsidiaries or any option, warrant or other right to purchase or acquire any such shares, or any other security, other than the redemption of Convertible Preferred Stock pursuant to the terms hereof; and

(f) The declaration or payment of any dividend or other distribution (whether in cash, stock or other property) with respect to the capital stock of the Corporation or any subsidiary, other than a dividend or other distribution pursuant to the terms of the Convertible Preferred Stock and Existing Preferred Stock (excluding the Existing Accrued Dividends).

5. Conversion.

(a) Right to Convert. The holder of any shares of Convertible Preferred Stock shall have the right at any time and from time to time, at such holder's option, to convert all or any lesser portion of such holder's shares of Convertible Preferred Stock into such number of duly authorized, validly issued, fully paid and nonassessable shares of Common Stock, free and clear of all encumbrances, restrictions and legends (provided a registration statement covering such shares is declared effective), as is determined by dividing (i) the aggregate Stated Value of the shares of Convertible Preferred Stock to be converted plus accrued and unpaid dividends thereon by (ii) the Conversion Value then in effect for such Convertible Preferred Stock. No fractional shares or scrip representing fractional shares shall be issued upon the conversion of any Convertible Preferred Stock. With respect to any fraction of a share of Common Stock called for upon any conversion, the Corporation shall round up to the next whole share.

(b) Forced Conversion. Subject to the terms hereof, if at any time during the thirty (30) consecutive months immediately following the Date of Original Issue (i) the Corporation's VWAP (as defined below) exceeds $1.25 per share (subject to adjustment for any reorganizations, stock splits, stock dividends or other similar transaction occurring after the Date of Original Issue) on each trading day for any forty-five consecutive trading days (a "Pricing Period"), and (ii) the daily average trading volume during the same Pricing Period exceeds 200,000 shares (the "Trading Volume Amount") of Common Stock per day (such Trading Volume Amount being subject to appropriate adjustment for any reorganizations, stock splits, stock dividends or other similar transaction occurring subsequent to the Date of Original Issue, which, by way of example, shall mean that a 2:1 Common Stock split will increase the Trading Volume Amount to 400,000 shares), then the Corporation shall have the right to compel each holder of Convertible Preferred Stock to convert any or all of the Convertible Preferred Stock then held by such holder by delivering a written notice ("Forced Conversion Notice") to each such holder; *provided that* (1) such Forced Conversion Notice must specify the number of shares of Convertible Preferred Stock to be converted by such holder and the date by which such holder must have completed conversion(s) of Convertible Preferred Stock aggregating to such amount ("Forced Conversion Date"), which date shall be at least 10 trading days after such holder's receipt of such Forced Conversion Notice (a "Notice Period"), (2) the Corporation may deliver such Forced Conversion Notice(s) hereunder only within five (5) trading days following the occurrence of such Pricing Period and not prior to the completion of such Pricing Period, and (3) all holders of Convertible Preferred Stock shall be treated proportionately with respect to the Corporation's election to force conversion hereunder. Such forced conversion shall be subject to and governed by all the provisions relating to voluntary conversion of Convertible Preferred Stock contained herein. Notwithstanding anything contained herein, the Corporation shall not be entitled to exercise any forced conversion right set forth in this subsection 5(b) unless at all times during the applicable Pricing Period and Notice Period (i) the resale of all Registrable Securities (as defined in the Investor Rights Agreement entered into pursuant to the Note Purchase Agreement, the "Investor Rights Agreement") is covered by an effective registration statement in accordance with the terms of the Investor Rights Agreement which registration statement is not subject to any suspension or stop orders or the Registrable Securities may be sold pursuant to Rule 144 without volume limitation ("Rule 144"); (ii) the resale of such Registrable Securities may be effected pursuant to a current and deliverable prospectus that is not subject at the time to any blackout or similar circumstance or may be sold pursuant to Rule 144 without volume limitation; (iii) such Registrable Securities are listed, or approved for listing prior to issuance, on the Nasdaq Stock Market, the New York Stock Exchange or NYSE AMEX or the OTC Bulletin Board, and are not subject to any trading suspension (nor shall trading generally have been suspended on such exchange or market), and the Corporation shall not have been notified of any pending or threatened proceeding or other action to delist or suspend the Common Stock on any of such markets on which the Common Stock is then traded or listed; (iv) the requisite number of shares of Common Stock has been duly authorized and reserved for issuance as required by the terms of the Preferred Stock Purchase Agreement; (v) none of the Corporation or any direct or indirect subsidiary of the Corporation shall be subject to any bankruptcy, insolvency or similar proceeding; (vi) the Corporation is in compliance with all its obligations hereunder to the holders of Convertible Preferred Stock, (vii) the Corporation has paid all prior dividend payments due hereunder; and (viii) the Corporation shall not be considering a transaction that would result in a Change of Control, as contemplated by Section 7 hereof. The Company shall be required to keep any such registration statement continuously effective under the Securities Act until such date as is the earlier of (x) the date when all Registrable Securities covered by such registration statement have been sold or (y) the date on which all Registrable Securities may be sold without any restriction pursuant to Rule 144 as determined by the counsel to the Corporation pursuant to a written opinion letter, addressed to the Corporation's transfer agent to such effect.

"VWAP" shall mean the daily dollar volume-weighted average sale price for the Common Stock on the principal exchange or market on which the Common Stock is then listed or admitted to trading on any particular trading day during the period beginning at 9:30 a.m., New York City Time (or such other time as such exchange or market publicly announces is the official open of trading), and ending at 4:00 p.m., New York City Time (or such other time as such exchange or market publicly announces is the official close of trading), as reported by Bloomberg through its "Volume at Price" functions. All such determinations of VWAP shall be appropriately and equitably adjusted in accordance with the provisions set forth herein for any stock dividend, stock split, stock combination or other similar transaction occurring subsequent to the Date of Original Issue.

(c) Mechanics of Conversion.

(i) The right of conversion hereunder shall be exercised by the holder of shares of Convertible Preferred Stock by delivering to the Corporation a conversion notice in the form attached hereto as Exhibit A (the "Conversion Notice"), appropriately

completed and duly signed and specifying the number of shares of Convertible Preferred Stock that the holder elects to convert (the "Converting Shares") into shares of Common Stock. Promptly after the receipt of the Conversion Notice, the Corporation shall issue and deliver or transmit, or cause to be delivered or transmitted, to the holder of the Converting Shares or such holder's nominee, such number of shares of Common Stock issuable upon the conversion of such Converting Shares. Such conversion shall be deemed to have been effected as of the close of business on the date of receipt by the Corporation of the Conversion Notice (the "Conversion Date"), and the person or persons entitled to receive the shares of Common Stock issuable upon conversion shall be treated for all purposes as the holder or holders of record of such shares of Common Stock as of the close of business on the Conversion Date.

(ii) The Corporation shall effect such issuance of Common Stock (and certificates representing the balance for unconverted Convertible Preferred Stock) within three (3) trading days of the Conversion Date and shall electronically transmit the Common Stock issuable upon conversion to the holder by crediting the account of the holder's prime broker with Depository Trust Company ("DTC") through its Deposit Withdrawal Agent Commission ("DWAC") system using the Fast Automated Securities Transfer ("FAST") program. The parties agree to coordinate with DTC to accomplish this objective. If such shares of Common Stock are not received by the holder within three (3) trading days of the Conversion Notice, then the holder will be entitled to revoke and withdraw its Conversion Notice, in whole or in part, at any time prior to its receipt of the Common Stock. Any such rescission by the holder shall not affect the Corporation's obligations to make any payments which have accrued hereunder prior to the date of such rescission or otherwise prejudice the rights of the holder to hold the Corporation liable for any payments, costs, losses or damages owed to the holder. In lieu of such electronic delivery through DWAC, the Corporation shall deliver physical certificates representing the Common Stock issuable upon conversion of Converting Shares to the extent requested by the holder or required by law. The time periods for delivery of physical certificates evidencing the Common Stock issuable upon conversion of the Converting Shares hereunder are the same as those described above. The person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Common Stock at the close of business on the Conversion Date. If the conversion has not been rescinded in accordance with this paragraph and the Corporation fails to deliver to the holder such certificate or certificates or shares through DTC pursuant to this Section 5 (free of any restrictions on transfer or legends, if such shares have been registered) in accordance herewith, on or prior to the third trading day after the Conversion Date (assuming timely surrender of the Convertible Preferred Stock certificates), the Corporation shall pay to such holder, in cash, on a per diem basis, an amount equal to 1.5% of the Liquidation Preference of all Convertible Preferred Stock held by such holder per month until such delivery takes place.

The Corporation's obligation to issue Common Stock upon conversion of Convertible Preferred Stock shall be absolute, is independent of any covenant of any holder of Convertible Preferred Stock, and shall not be subject to: (i) any offset or defense; or (ii) any claims against the holders of Convertible Preferred Stock whether pursuant to this Certificate of Designation, the Preferred Stock Purchase Agreement, the Investor Rights Agreement or otherwise.

(iii) *Book-Entry*. Notwithstanding anything to the contrary set forth herein, upon conversion of any shares of Convertible Preferred Stock in accordance with the terms hereof, the holder thereof shall not be required to physically surrender such holder's certificates for Convertible Preferred Stock to the Corporation unless such holder is converting all of the Convertible Preferred Stock then held by such holder. The holders of Convertible Preferred Stock and the Corporation shall maintain records showing the number of shares of Convertible Preferred Stock so converted hereunder, the number of shares of Common Stock received upon conversion and the dates of such conversions, or shall use such other method, reasonably satisfactory to the holders and the Corporation, so as not to require physical surrender of certificates for Convertible Preferred Stock upon each such conversion.

(d) Conversion Prices. The initial conversion value for the Convertible Preferred Stock shall be $.30 per share of Common Stock, such value to be subject to adjustment in accordance with the provisions of this Section 5. Such conversion value in effect from time to time, as adjusted pursuant to this Section 5, is referred to herein as the "Conversion Value." All of the remaining provisions of this Section 5 shall apply separately to each Conversion Value in effect from time to time with respect to Convertible Preferred Stock.

(e) Stock Dividends, Subdivisions and Combinations. If at any time while the Convertible Preferred Stock is outstanding, the Corporation shall:

(i) cause the holders of its Common Stock to be entitled to receive a dividend payable in, or other distribution of, additional shares of Common Stock,

(ii) subdivide its outstanding shares of Common Stock into a larger number of shares of Common Stock, or

(iii) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock,

then in each such case the Conversion Value shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to clause (i) of this paragraph shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution, and any adjustment pursuant to clauses (ii) or (iii) of this paragraph shall become effective immediately after the effective date of such subdivision or combination. If any event requiring an adjustment under this paragraph occurs during the period that a Conversion Value is calculated hereunder, then the calculation of such Conversion Value shall be adjusted appropriately to reflect such event.

(f) Certain Other Distributions. If at any time while the Convertible Preferred Stock is outstanding the Corporation shall take a record of the holders of its Common Stock for the purpose of entitling them to receive any dividend or other distribution of:

(i) cash,

(ii) any evidences of its indebtedness, any shares of stock of any class or any other securities or property or assets of any nature whatsoever (other than cash or additional shares of Common Stock as provided in Section 5(e) hereof), or

(iii) any warrants or other rights to subscribe for or purchase any evidences of its indebtedness, any shares of stock of any class or any other securities or property or assets of any nature whatsoever (in each case set forth in subparagraphs 5(f)(i), 5(f)(ii) and 5(f)(iii) hereof, the "Distributed Property"),

then upon any conversion of Convertible Preferred Stock that occurs after such record date, the holder of Convertible Preferred Stock shall be entitled to receive, in addition to the Common Stock otherwise issuable upon such conversion, the Distributed Property that such holder would have been entitled to receive in respect of such number of shares of Common Stock had the holder been the record holder of such Common Stock as of such record date. Such distribution shall be made whenever any such conversion is made. In the event that the Distributed Property consists of property other than cash, then the fair value of such Distributed Property shall be as determined in good faith by the Board of Directors of the Corporation and set forth in reasonable detail in a written valuation report (the "Valuation Report") prepared by the Board of Directors. The Corporation shall give written notice of such determination and a copy of the Valuation Report to all holders of Convertible Preferred Stock, and if the holders of a majority of the outstanding Convertible Preferred Stock object to such determination within twenty (20) business days following the date such notice is given to all of the holders of Convertible Preferred Stock, the Corporation shall submit the Valuation Report to an investment banking firm of recognized national standing selected by not less than a majority of the holders of the Convertible Preferred Stock and acceptable to the Corporation in its reasonable discretion, whose opinion shall be binding upon the Corporation and the holders of the Convertible Preferred Stock. A reclassification of the Common Stock (other than a change in par value, or from par value to no par value or from no par value to par value) into shares of Common Stock and shares of any other class of stock shall be deemed a distribution by the Corporation to the holders of its Common Stock of such shares of such other class of stock within the meaning of this Section 5(f) and, if the outstanding shares of Common Stock shall be changed into a larger or smaller number of shares of Common Stock as a part of such reclassification, such change shall be deemed a subdivision or combination, as the case may be, of the outstanding shares of Common Stock within the meaning of Section 5(e).

(g) Common Stock Reserved. The Corporation shall at all times reserve and keep available out of its authorized but unissued Common Stock, solely for issuance upon the conversion of shares of Convertible Preferred Stock as herein provided, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of Convertible Preferred Stock at the time outstanding.

(h) Securities Issuances. Other than with respect to Exempt Issuances, in the event that the Corporation or any of its subsidiaries (A) issues or sells any Common Stock or convertible securities, warrants, options or other rights to subscribe for or to purchase or exchange for, shares of Common Stock ("Convertible Securities") or (B) directly or indirectly effectively reduces the conversion, exercise or exchange price for any Convertible Securities which are currently outstanding, at or to an effective Per Share Selling Price (as defined below) which is less than the Conversion Value, then in each such case the Conversion Value in effect immediately prior to such issue or sale or record date, as applicable, shall be automatically reduced effective concurrently with such issue or sale to the Per Share Selling Price. The foregoing provision shall not apply to any issuances or sales of Common Stock or Convertible Securities pursuant to any Convertible Securities currently outstanding on the date hereof in accordance with the terms of such Convertible Securities in effect on the date hereof. The Corporation shall give to each holder of Convertible Preferred Stock written notice of any such sale of Common Stock within 24 hours of the closing of any such sale and shall within such 24 hour period issue a press release announcing such sale if such sale is a material event for, or otherwise material to, the Corporation.

For the purposes of the foregoing adjustments, in the case of the issuance of any Convertible Securities, the maximum number of shares of Common Stock issuable upon exercise, exchange or conversion of such Convertible Securities shall be deemed to be outstanding, provided that no further adjustment shall be made upon the actual issuance of Common Stock upon exercise, exchange or conversion of such Convertible Securities.

For purposes of this Section 5(h), if an event occurs that triggers more than one of the above adjustment provisions, then only one adjustment shall be made and the calculation method which yields the greatest downward adjustment in the Conversion Value shall be used.

"Per Share Selling Price" shall include the amount actually paid by third parties for each share of Common Stock in a sale or issuance by the Corporation. In the event a fee is paid by the Corporation in connection with such transaction directly or indirectly to such third party or its affiliates, any such fee shall be deducted from the selling price pro rata to all shares sold in the transaction to arrive at the Per Share Selling Price. A sale of shares of Common Stock shall include the sale or issuance of Convertible Securities, and in such circumstances the Per Share Selling Price of the Common Stock covered thereby shall also include the exercise, exchange or conversion price thereof (in addition to the consideration received by the Corporation upon such sale or issuance less the fee amount as provided above). In case of any such security issued in a transaction in which the purchase price or the conversion, exchange or exercise price is directly or indirectly subject to adjustment

or reset based on a future date, future trading prices of the Common Stock, specified or contingent events directly or indirectly related to the business of the Corporation or the market for the Common Stock, or otherwise (but excluding standard stock split anti-dilution provisions, provided that any actual reduction of such price under any such security pursuant to such anti-dilution provision shall be included and cause an adjustment hereunder), the Per Share Selling Price shall be deemed to be the lowest conversion, exchange, exercise or reset price at which such securities are converted, exchanged, exercised or reset or might have been converted, exchanged, exercised or reset, or the lowest adjustment, as the case may be, over the life of such securities. If shares are issued for a consideration other than cash, the Per Share Selling Price shall be the fair value of such consideration as determined in good faith by the independent certified public accountants chosen by the holders of a majority of the Convertible Preferred Stock. The Corporation shall pay all of the reasonable fees and expenses of the independent certified public accountants incurred under this Section 5(h). In the event the Corporation directly or indirectly effectively reduces the conversion, exercise or exchange price for any Convertible Securities which are currently outstanding, then the Per Share Selling Price shall equal such effectively reduced conversion, exercise or exchange price.

6. Other Provisions Applicable to Adjustments. The following provisions shall be applicable to the making of adjustments of the number of shares of Common Stock into which the Convertible Preferred Stock is convertible and the current Conversion Value provided for in Section 5:

(a) When Adjustments to Be Made. The adjustments required by Section 5 shall be made whenever and as often as any specified event requiring an adjustment shall occur, except that any adjustment to the Conversion Value that would otherwise be required may be postponed (except in the case of a subdivision or combination of shares of the Common Stock, as provided for in Section 5(e)) up to, but not beyond the Conversion Date if such adjustment either by itself or with other adjustments not previously made adds or subtracts less than 1% of the shares of Common Stock into which the Convertible Preferred Stock is convertible immediately prior to the making of such adjustment. Any adjustment representing a change of less than such minimum amount (except as aforesaid) which is postponed shall be carried forward and made as soon as such adjustment, together with other adjustments required by Section 5 and not previously made, would result in a minimum adjustment or on the Conversion Date. For the purpose of any adjustment, any specified event shall be deemed to have occurred at the close of business on the date of its occurrence.

(b) Fractional Interests. In computing adjustments under Section 5, fractional interests in Common Stock shall be taken into account to the nearest 1/100th of a share.

(c) When Adjustment Not Required. If the Corporation undertakes a transaction contemplated under Section 5(f) and as a result takes a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend or distribution or subscription or purchase rights or other benefits contemplated under Section 5(f) and shall, thereafter and before the distribution to stockholders thereof, legally abandon its plan to pay or deliver such dividend, distribution, subscription or purchase rights or other benefits contemplated under Section 5(f), then thereafter no adjustment shall be required by reason of the taking of such record and any such adjustment previously made in respect thereof shall be rescinded and annulled.

7. Merger, Consolidation or Disposition of Assets.

(a) If, after the Date of Original Issue and while the Convertible Preferred Stock is outstanding, there occurs: (i) an acquisition by an individual or legal entity or group (as set forth in Section 13(d) of the Exchange Act) of more than one-half of the voting rights or equity interests in the Corporation; or (ii) a merger or consolidation of the Corporation or a sale, transfer or other disposition of all or substantially all the Corporation's property, assets or business to another corporation where the holders of the Corporation's voting securities prior to such transaction fail to continue to hold at least 50% of the voting power of the Corporation (each, a "Change of Control"), then the successor or acquiring corporation (if other than the Corporation) shall expressly assume the due and punctual observance and performance of each and every covenant and condition contained in this Certificate of Designation to be performed and observed by the Corporation and all the obligations and liabilities hereunder, with such modifications and adjustments as equitable and appropriate in order to place the holders of Convertible Preferred Stock in the equivalent economic position as prior to such Change in Control.

(b) In case of any such Change of Control, each holder of Convertible Preferred Stock shall have the right thereafter to, at its option (A) receive such amount of securities, cash or property as the shares of the Common Stock of the Corporation into which such holder's Convertible Preferred Stock could have been converted immediately prior to such Change of Control would have been entitled if such conversion were effected immediately prior to Change of Control, subject to such further applicable adjustments set forth in this Certificate of Designation or (B) require the Corporation or its successor to redeem such holder's Convertible Preferred Stock, in whole or in part, at a redemption price equal to 100% of the Liquidation Preference of such Convertible Preferred Shares being redeemed.

(c) In case of any such Change of Control, without in any way limiting the terms and conditions of the Investor Rights Agreement, the Company agrees to use its best efforts to minimize the length of any Blackout Period (as defined in the Investor Rights Agreement) associated with such Change of Control.

(d) The foregoing provisions of this Section 7 shall similarly apply to successive Change of Control transactions.

8. Other Action Affecting Common Stock. In case at any time or from time to time the Corporation shall take any action in respect of its Common Stock, other than the payment of dividends permitted by Section 5 or any other action described in Section 5, which shall have an adverse effect upon the rights of the holder of Convertible Preferred Stock or the number of shares of Common Stock or other stock into which the Convertible Preferred Stock is convertible, then the exercisable and/or the purchase price thereof shall be adjusted in such manner as may be equitable in the circumstances

9. Certain Limitations. Notwithstanding anything herein to the contrary, the Corporation agrees not to enter into any transaction which, by reason of any adjustment hereunder, would cause the current Conversion Value to be less than the par value per share of Common Stock.

10. Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Value, the Corporation, at its expense, shall promptly compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of Convertible Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of Convertible

Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Conversion Value at the time in effect for the Convertible Preferred Stock and (iii) the number of shares of Common Stock and the amount, if any, or other property which at the time would be received upon the conversion of Convertible Preferred Stock owned by such holder.

11. Notices of Record Date. In the event of any fixing by the Corporation of a record date for the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, any shares of Common Stock or other securities, or any right to subscribe for, purchase or otherwise acquire, or any option for the purchase of, any shares of stock of any class or any other securities or property, or to receive any other right, the Corporation shall mail to each holder of Convertible Preferred Stock at least twenty (20) days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution or rights, and the amount and character of such dividend, distribution or right.

12. Redemption.

(a) Redemption by the Corporation. The Corporation shall redeem the Convertible Preferred Stock then outstanding on the date that is the last day of the thirtieth (30th) month from the Date of Original Issue. The Corporation, at its option, may redeem, in whole or in part from time to time, the Convertible Preferred Stock then outstanding, upon giving a Notice of Redemption in accordance with Section 12(b) below. The Corporation shall effect any such redemption on the Redemption Date (as defined below), by paying in cash for each share to be redeemed an amount equal to the Stated Value of such share, plus any accumulated but unpaid dividends, whether or not declared, through the Redemption Date (the "Redemption Price"). Payment of the Redemption Price shall be made not later than two (2) business days after the Redemption Date, provided that the holder has delivered the certificates evidencing the shares of Convertible Preferred Stock to be redeemed. Notwithstanding the foregoing, the Corporation shall not be permitted to redeem at its option any shares of Convertible Preferred Stock if the Corporation, at such time, is considering a transaction that would result in a Change of Control, as contemplated by Section 7 hereof.

(b) Notice of Redemption. The Corporation shall provide written notice of redemption of shares of Convertible Preferred Stock to each holder of record of the shares to be redeemed at such holder's registered address, not less than 20 calendar days prior to the date fixed for redemption (the "Redemption Date") specifying the following:

(i) the Redemption Date;

(ii) the number of shares of Convertible Preferred Stock to be redeemed and the aggregate Redemption Price;

(iii) the place(s) where certificates for such shares are to be surrendered for payment of the Redemption Price; and

(iv) the address to which the payment of the Redemption Price shall be delivered, or, at the election of the holder, wire instructions with respect to the account to which payment of the Redemption Price shall be required.

(c) Partial Redemption. In the event that less than all of the outstanding shares of Convertible Preferred Stock are redeemed, the shares to be redeemed shall be selected pro rata among the holders of the Convertible Preferred Stock. If fewer than all the shares represented by a certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(d) Status of Redeemed or Purchased Shares. Any shares of the Convertible Preferred Stock at any time purchased, redeemed or otherwise acquired by the Corporation shall not be reissued and shall be retired.

13. Stock Transfer Taxes. The issue of stock certificates upon conversion of the Convertible Preferred Stock shall be made without charge to the converting holder for any tax in respect of such issue; provided, however, that the Corporation shall be entitled to withhold any applicable withholding taxes with respect to such issue, if any. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares in any name other than that of the holder of any of the Convertible Preferred Stock converted, and the Corporation shall not be required to issue or deliver any such stock certificate unless and until the person or persons requesting the issue thereof shall have paid to the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid.

14. Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of (a) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in this Section prior to 5:00 p.m. (New York City time) on a business day, (b) the next business day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in this Section on a day that is not a business day or later than 5:00 p.m. (New York City time) on any business day, (c) the business day following the date of mailing, if sent by U.S. nationally recognized overnight courier service such as Federal Express, or (d) actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as follows: (i) if to the Corporation, to Decisionpoint Systems, Inc., 19655 Descartes, Foothill Ranch, California 92610-2609; Attention: CEO; facsimile: (949) 215-9642, or (ii) if to a holder of Convertible Preferred Stock, to the address or facsimile number appearing on the Corporation's stockholder records or, in either case, to such other address or facsimile number as the Corporation or a holder of Convertible Preferred Stock may provide to the other in accordance with this Section.

15. Attorneys' Fees. In connection with enforcement by a holder of Convertible Preferred Stock of any obligation of the Corporation hereunder, the prevailing party shall be entitled to recovery of reasonable attorneys' fees and expenses incurred.

16. Specific Enforcement. The Corporation agrees that irreparable damage would occur in the event that any of the provisions of this Certificate of Designation were not performed in accordance with their specific terms or were otherwise breached. Each holder of Convertible Preferred Stock and each permitted assignee shall have all rights and remedies set forth in this Certificate of Designation and all rights and remedies which such holders have been granted at any time under any other agreement or contract and all of the rights which such holders have under any law. Any person having any rights under any provision of this Certificate of Designation shall be entitled to enforce such rights specifically or pursue other injunctive relief or other equitable remedies (without posting a bond or other security), to recover damages by reason of any breach of any provision of this Certificate of Designation and to exercise all other rights granted by law. Each holder of Convertible Preferred Stock and each permitted assignee without prejudice may withdraw, revoke or suspend its pursuit of any remedy at any time prior to its complete recovery as a result of such remedy.

17. Severability of Provisions. If any right, preference or limitation of the Convertible Preferred Stock set forth in this Certificate of Designation (as this Certificate of Designation may be amended from time to time) is invalid, unlawful or incapable of being enforced by reason of any rule or law or public policy, all other rights, preferences and limitations set forth in this Certificate of Designation, which can be given effect without the invalid, unlawful or unenforceable right, preference or limitation shall nevertheless remain in full force and effect, and no right, preference or limitation herein set forth be deemed dependent upon any such other right, preference or limitation unless so expressed herein.

[*Signature page follows*]

IN WITNESS WHEREOF, the undersigned have executed this Certificate of Designation on behalf of the Corporation and affixed the corporate seal hereto this 18th day of May, 2011.

DECISIONPOINT SYSTEMS, INC.

By: /s/ Donald W. Rowley
Name: Donald W. Rowley
Title: Cheif Financial Officer

EXHIBIT A

FORM OF CONVERSION NOTICE

(To be executed by the registered Holder in order to convert shares of Preferred Stock)

The undersigned hereby irrevocably elects to convert the number of shares of Series C Cumulative Convertible Preferred Stock (the "Preferred Stock") indicated below into shares of common stock, par value $0.001 per share (the "Common Stock"), of Decisionpoint Systems, Inc., a Delaware corporation (the "Corporation"), according to the Certificate of Designation of the Preferred Stock and the conditions hereof, as of the date written below. The undersigned hereby requests that certificates for the shares of Common Stock to be issued to the undersigned pursuant to this Conversion Notice be issued in the name of, and delivered to, the undersigned or its designee as indicated below. If the shares of Common Stock are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto.

_____
Date of Conversion (Date of Notice)

_____ Number of shares of Preferred Stock owned prior to Conversion

_____ Number of shares of Preferred Stock to be Converted

_____ Stated Value of Preferred Stock to be Converted

_____ Amount of accumulated and unpaid dividends on shares of Preferred Stock to be Converted

_____ Number of shares of Common Stock to be Issued (including conversion of accrued but unpaid dividends on shares of Preferred Stock to be Converted)

_____ Applicable Conversion Value

_____ Number of shares of Preferred Stock owned subsequent to Conversion

Conversion Information: NAME OF HOLDER:

By:

Print Name:
Print Title:

Print Address of Holder:

Issue Common Stock to:
at:

Exhibit 99.1

NOTE PURCHASE AGREEMENT

dated as of May 18, 2011

by and between

DECISIONPOINT SYSTEMS, INC.

and

SIGMA OPPORTUNITY FUND II, LLC

SENIOR SUBORDINATED SECURED NOTES

DECISIONPOINT SYSTEMS, INC.

NOTE PURCHASE AGREEMENT

SENIOR SUBORDINATED SECURED NOTES

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ANNEXES

NOTE PURCHASE AGREEMENT

THIS NOTE PURCHASE AGREEMENT, dated as of May 18, 2011 (this "Agreement"), by and between **DECISIONPOINT SYSTEMS, INC.**, a Delaware corporation (the "Company"), with headquarters located at 19655 Descartes, Foothill Ranch, CA 92610-2609, and **SIGMA OPPORTUNITY FUND II, LLC,** with headquarters located at 800 Third Avenue, Suite 1701, New York, NY 10022 ("Buyer").

W I T N E S S E T H:

WHEREAS, Buyer wishes to purchase from the Company and the Company wishes to sell to Buyer, upon the terms and subject to the conditions of this Agreement, a Note (such capitalized term and all other capitalized terms used in this Agreement having the meanings provided in Section 1) in the aggregate principal amount of $4,000,000 for a purchase price of $4,000,000.

NOW THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. DEFINITIONS

(a) As used in this Agreement, the terms "Agreement", "Buyer", and "Company" shall have the respective meanings assigned to such terms in the introductory paragraph of this Agreement.

(b) All the agreements or instruments herein defined shall mean such agreements or instruments as the same may from time to time be supplemented or amended or the terms thereof waived or modified to the extent permitted by, and in accordance with, the terms thereof and of this Agreement.

(c) The following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Advisory Fee" means $150,000 payable in cash and other consideration as set forth in the Advisory Services Agreement.

"Advisory Services Agreement" means the Advisory Services Agreement between the Company and Sigma Capital Advisors, LLC in the form attached hereto as **Annex IV**.

"Affiliate" means, with respect to any Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the subject Person. For purposes of this definition, "control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"Certificate of Designation" means the Certificate of Designations of the Powers, Preferences and Relative, Participating, Optional and Other Special Rights of Preferred Stock and Qualifications, Limitations and Restrictions Thereof of Series C Cumulative Convertible Preferred Stock of the Company in the form attached hereto as Annex VI.

"Closing Date" means 10:00 a.m., New York City time, on May 18, 2011 or such other mutually agreed to time.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations thereunder and published interpretations thereof.

"Common Stock" means the Common Stock, par value $.001 per share, of the Company.

"Common Stock Equivalent" means any warrant, option, subscription or purchase right with respect to shares of Common Stock, any security convertible into, exchangeable for, or otherwise entitling the holder thereof to acquire, shares of Common Stock or any warrant, option, subscription or purchase right with respect to any such convertible, exchangeable or other security.

"Conversion Shares" means the shares of Common Stock issuable upon conversion of the Preferred Stock.

"Encumbrances" means all mortgages, deeds of trust, claims, security interests, liens, pledges, leases, subleases, charges, escrows, options, proxies, rights of occupancy, rights of first refusal, preemptive rights, covenants, conditional limitations, hypothecations, prior assignments, easements, title retention agreements, indentures, security agreements or any other encumbrances of any kind.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder and published interpretations thereof.

"Event of Default" shall have the meaning to be provided or provided in the Note.

"Exempt Issuance" means the issuance of (a) up to 1,255,257 shares of Common Stock or options in the aggregate to employees, officers or directors of the Corporation pursuant to any stock or option plan duly adopted for such purpose by a majority of the non-employee members of the Board of Directors or a majority of the members of a committee of non-employee directors established for such purpose, (b) securities issuable or issued upon the exercise or exchange of or conversion of any Preferred Stock, and (c) securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date hereof as disclosed in Schedule 4(c), provided that such securities have not been amended since such date to increase the number of such securities or to decrease the exercise price, exchange price or conversion price of such securities or in any other material respect.

"Financial Statements" mean the financial statements of the Company included in the SEC Reports and attached hereto as **Schedule 4(l).**

"Fundamental Change" shall have the meaning provided in the Note.

"Guaranty" means the Guaranty executed by each Subsidiary in the form attached as **Annex V**.

"Indebtedness" shall have the meaning provided in the Note.

"Intellectual Property" means all franchises, patents, trademarks, service marks, tradenames (whether registered or unregistered), copyrights, corporate names, licenses, trade secrets, proprietary software or hardware, proprietary technology, technical information, discoveries, designs and other proprietary rights, whether or not patentable, and confidential information (including, without limitation, know-how, processes and technology) used in the conduct of the business of the Company or any Subsidiary, or in which the Company or any Subsidiary has an interest.

"Investor" and "Investors" means the Buyer and any transferee or assignee of Buyer.

"Investor Rights Agreement" means the Investor Rights Agreement entered into between the Company and Buyer in the form attached as **Annex VII**.

"Margin Stock" shall have the meaning provided in Regulation U of the Board of Governors of the Federal Reserve System (12 C.F.R. Part 221).

"Maturity Date" shall have the meaning to be provided or provided in the Note.

"Merger" means the merger of the Company with and into 2259736 Ontario Inc., a subsidiary of Comamtech Inc., pursuant to and on the terms and conditions set forth in, the Arrangement Agreement, dated October 20, 2010, as amended through the date hereof.

"1934 Act" means the Securities Exchange Act of 1934, as amended.

"1933 Act" means the Securities Act of 1933, as amended.

"Note" means the Senior Subordinated Secured Note of the Company issued to the Buyer in the form attached as **Annex I**.

"Person" means any natural person, corporation, partnership, limited liability company, trust, incorporated organization, unincorporated association or similar entity or any government, governmental agency or political subdivision.

"Preferred Stock" means shares of Series C Preferred Stock issued in accordance with the Certificate of Designation.

"Purchase Price" means the aggregate purchase price for the Note set forth in the preambles to this Agreement.

"Registration Statement" means a registration statement filed pursuant to the Investor Rights Agreement.

"Regulation D" means Regulation D under the 1933 Act.

"Rule 144" means Rule 144 promulgated under the 1933 Act or any other similar rule or regulation of the SEC that may at any time provide a "safe harbor" exemption from registration under the 1933 Act so as to permit a holder to sell securities of the Company to the public without registration under the 1933 Act.

"Rule 144A" means Rule 144A under the 1933 Act or any successor rule thereto.

"SEC" means the Securities and Exchange Commission.

"SEC Effective Date" means the date the Registration Statement is declared effective by the SEC.

"SEC Reports" means the Company's (1) Annual Report on Form 10-K for the year ended December 31, 2010, (2) all other periodic and other reports filed by the Company with the SEC pursuant to the 1934 Act subsequent to March 16, 2011, and prior to the date hereof, in each case as filed with the SEC and including the information and documents (other than exhibits) incorporated therein by reference.

"Securities" means, collectively, the Note, the Preferred Stock and the Conversion Shares.

"Security Agreement" means the Security Agreement between the Company and the Buyer in the form attached as **Annex III**.

"Senior Debt" shall have the meaning provided in the Note.

"Senior Lender" shall mean Silicon Valley Bank.

"Subsidiary" means any corporation or other entity of which a majority of the capital stock or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Company.

"Transaction Documents" means, collectively, this Agreement, the Securities, the Security Agreement, the Advisory Services Agreement, the Investor Rights Agreement, the Certificate of Designation and the Guaranty and the other agreements, instruments and documents contemplated hereby and thereby.

2. PURCHASE AND SALE; PURCHASE PRICE.

(a) Purchase. Upon the terms and subject to the conditions of this Agreement, Buyer hereby agrees to purchase from the Company, and the Company hereby agrees to sell to Buyer, at the time set forth in Section 2(b), the Note for $4,000,000.

(b) Form of Payment. Payment by the Buyer of the Purchase Price to the Company shall be made on the Closing Date by wire transfer of immediately available funds as may be directed by the Company.

(c) Closing. The issuance and sale of the Note shall occur at the time set forth in Section 2(b) at the offices of Moomjian, Waite & Coleman, LLP, 100 Jericho Quadrangle, Jericho, New York 11753. Upon the terms and subject to the conditions of this Agreement, (1) the Company shall issue and deliver to the Buyer the Note against payment by the Buyer to the Company of an amount equal to the Purchase Price and (2) the Buyer shall pay to the Company an amount equal to the Purchase Price against delivery by the Company to the Buyer of the Note.

3. REPRESENTATIONS, WARRANTIES, COVENANTS, ETC. OF THE BUYER.

Buyer represents and warrants to, and covenants and agrees with, the Company as follows:

(a) Purchase for Investment. The Buyer is purchasing the Securities for its own account for investment and not with a view towards the public sale or distribution thereof within the meaning of the 1933 Act; and the Buyer has no intention of making any distribution, within the meaning of the 1933 Act, of the Securities except in compliance with the registration requirements of the 1933 Act or pursuant to an exemption therefrom;

(b) Accredited Investor and Experience. At the time the Buyer was offered the Note the Buyer was, and as of the date hereof it is, and on each date on which it receives any Securities pursuant to the Transaction Documents it will be an "accredited investor" as that term is defined in Rule 501 of Regulation D. Buyer, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Securities, and has so evaluated the merits and risks of such investment. Such Purchaser is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment;

(c) Reoffers and Resales. The Buyer will not, directly or indirectly, offer, sell, pledge, transfer or otherwise dispose of (or solicit any offers to buy, purchase or otherwise acquire or take a pledge of) any of the Securities unless registered under the 1933 Act, pursuant to an exemption from registration under the 1933 Act or in a transaction not requiring registration under the 1933 Act;

(d) Company Reliance. The Buyer understands that the Securities are being offered and sold to the Buyer in reliance on one or more exemptions from the registration requirements of the 1933 Act, including, without limitation, Regulation D, and exemptions from state securities laws and that the Company is relying upon the truth and accuracy of, and the Buyer's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein, in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire or receive an offer to acquire the Securities;

(e) Information Provided. The Buyer and its advisors, if any, have requested, received and considered all information relating to the business, properties, operations, condition (financial or other), results of operations or prospects of the Company and information

relating to the offer and sale of the Note deemed relevant by them (assuming the accuracy and completeness of the SEC Reports and the Company's responses to the Buyer's requests); the Buyer and its advisors, if any, have been afforded the opportunity to ask questions of the Company concerning the terms of the offering of the Securities and the business, properties, operations, condition (financial or other), results of operations and prospects of the Company and its Subsidiaries and have received satisfactory answers to any such inquiries. The Buyer understands that its investment in the Securities involves a high degree of risk;

(f) Absence of Approvals. The Buyer understands that no United States federal or state agency or any other government or governmental agency has passed on or made any recommendation or endorsement of the Securities;

(g) Note Purchase Agreement. The Buyer has all requisite power and authority, corporate or otherwise, to execute, deliver and perform its obligations under this Agreement and the other agreements executed by the Buyer in connection herewith and to consummate the transactions contemplated hereby and thereby; and this Agreement has been duly and validly authorized, duly executed and delivered by the Buyer and, assuming due execution and delivery by the Company, is a valid and binding agreement of the Buyer enforceable in accordance with its terms, except as the enforceability hereof may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws now or hereafter in effect relating to or affecting creditors' rights generally and general principles of equity, regardless of whether enforcement is considered in a proceeding in equity or at law; and

(h) Buyer Status. The Buyer is not a "broker" or "dealer" as those terms are defined in the 1934 Act which is required to be registered with the SEC pursuant to Section 15 of the 1934 Act.

(i) General Solicitation. Such Buyer is not purchasing the Securities as a result of any advertisement, article, notice or other communication regarding the Securities published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or any other general solicitation or general advertisement.

(j) Certain Transactions and Confidentiality. Other than consummating the transactions contemplated hereunder, such Buyer has not directly or indirectly, nor has any Person acting on behalf of or pursuant to any understanding with such Buyer executed any purchases or sales, including Short Sales, of the securities of the Company during the period commencing as of the time that such Buyer first received a term sheet (written or oral) from the Company or any other Person representing the Company setting forth the material terms of the transactions contemplated hereunder and ending immediately prior to the execution hereof. Notwithstanding the foregoing, in the case of a Buyer that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Buyer's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Buyer's assets, the representation set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement. Other than to other Persons party to this Agreement, such Buyer has maintained the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction). For purposes of this Section, "Short Sales" means all "short sales" as defined in Rule 200 of Regulation SHO under the Exchange Act (but shall not be deemed to include the location and/or reservation of borrowable shares of Common Stock).

4. REPRESENTATIONS, WARRANTIES, COVENANTS, ETC. OF THE COMPANY.

The Company represents and warrants to, and covenants and agrees with, the Buyer as follows:

(a) Organization and Authority. The Company and each of the Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, and (i) each of the Company and the Subsidiaries has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as currently conducted and as proposed to be conducted, and (ii) the Company has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement and the other Transaction Documents to be executed and delivered by the Company in connection herewith, and to consummate the transactions contemplated hereby and thereby. The Company does not have any equity investment in any other Person other than the Subsidiaries listed in **Schedule 4(a)** hereto.

(b) Qualifications. The Company and each of the Subsidiaries are duly qualified to do business as foreign corporations and are in good standing in all jurisdictions where such qualification is necessary and where failure so to qualify could have a material adverse effect on the business, properties, operations, condition (financial or other), results of operations or prospects of the Company and the Subsidiaries, taken as a whole.

(c) Capitalization.

(1) The authorized capital stock of the Company consists of 100,000,000 shares of Common Stock, of which 36,749,286 shares are issued and outstanding, and 10,000,000 shares of preferred stock, issuable in one or more classes or series, with such relative rights and preferences as the Board of Directors of the Company may determine, none of which has been authorized for issuance other than 10,000 shares of Series A Convertible Preferred Stock, $0.001 par value per share, 975 of which are issued and outstanding, and 10,000 shares of Series B Convertible Preferred Stock, $0.001 par value per share, 380 of which are issued and outstanding. The terms of the Series A Convertible Preferred Stock and Series B Convertible Preferred Stock are as set forth in the Certificates of Designation included as Exhibits to the Company's Annual Report on Form 10-K for the year ended December 31, 2010. There are no accrued but unpaid dividends owing on any shares of Series A Convertible Preferred Stock or Series B Convertible Preferred Stock and no dividends shall ever be payable thereon in respect of any period prior to the date hereof. **Schedule 4(c)** provides a detailed capitalization table of the Company. Except as set forth on **Schedule 4(c)** hereto, there are no outstanding options or warrants for the purchase of, or rights to purchase or subscribe for, or securities convertible into, exchangeable for, or otherwise entitling the holder to acquire, Common Stock or other capital stock of the Company, or any contracts or commitments to issue or sell Common Stock or other capital stock of the Company or any such options, warrants, rights or other securities.

(2) The Company has duly reserved from its authorized and unissued shares of Common Stock the full number of shares required for (A) all options, warrants, convertible securities, exchangeable securities, and other rights to acquire shares of Common Stock which are outstanding and (B) all shares of Common Stock and options and other rights to acquire shares of Common Stock which may be issued or granted under the stock option and similar plans which have been adopted by the Company or any Subsidiary. There will be no antidilution or similar adjustment by reason of issuance of the Securities. The outstanding shares of Common Stock of the Company and outstanding options, warrants, rights, and other securities entitling the holders to purchase or otherwise acquire Common Stock have been duly and validly authorized and issued. None of the outstanding shares of Common Stock or options, warrants, rights, or other such securities has been issued in violation of the preemptive rights of any securityholder of the Company. The offers and sales of the outstanding shares of Common Stock of the Company and options, warrants, rights, and other securities were at all relevant times either registered under the 1933

Act and applicable state securities laws or exempt from such requirements. Other than as set forth on **Schedule 4(c)**, no holder of any of the Company's securities has any rights, "demand," "piggy-back" or otherwise, to have such securities registered by reason of the intention to file, filing or effectiveness of the Registration Statement.

(d) Concerning the Preferred Stock and the Conversion Shares. The Preferred Stock and Conversion Shares have been duly authorized and, upon issuance in accordance with the Certificate of Designation, will be duly and validly issued, fully paid and non-assessable and will not subject the holder thereof to personal liability by reason of being such holder. There are no preemptive or similar rights of any stockholder of the Company or any other Person to acquire any of the Preferred Stock or Conversion Shares.

(e) Corporate Authorization. This Agreement and the other Transaction Documents to which the Company is or will be a party have been duly and validly authorized by the Company; this Agreement has been duly executed and delivered by the Company and, assuming due execution and delivery by Buyer, this Agreement is, and the Transaction Documents will be, when executed and delivered by the Company, valid and binding obligations of the Company enforceable in accordance with their respective terms, except as the enforceability hereof or thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to or affecting creditors' rights generally and general principles of equity, regardless of whether enforcement is considered in a proceeding in equity or at law.

(f) Non-contravention. The execution and delivery of the Transaction Documents by the Company and the consummation by the Company of the issuance of the Securities as contemplated by this Agreement and consummation by the Company of the other transactions contemplated by the Transaction Documents do not and will not, with or without the giving of notice or the lapse of time, or both, (i) result in any violation of any term or provision of the articles of incorporation (including all certificates of designation) or bylaws of the Company or any Subsidiary, (ii) conflict with or result in a breach by the Company or any Subsidiary of any of the terms or provisions of, or constitute a default under, or result in the modification of, or result in the creation or imposition of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company or any Subsidiary pursuant to, any indenture, mortgage, deed of trust or other agreement or instrument to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary or any of their respective properties or assets are bound or affected, or the validity or enforceability of, or the ability of the Company to perform its obligations under, the Transaction Documents, (iii) violate or contravene any applicable law, rule or regulation or any applicable decree, judgment or order of any court, United States federal or state regulatory body, administrative agency or other governmental body having jurisdiction over the Company or any Subsidiary or any of their respective properties or assets or the validity or enforceability of, or the ability of the Company to perform its obligations under, the Transaction Documents, or (iv) have any material adverse effect on any permit, certification, registration, approval, consent, license or franchise necessary for the Company or any Subsidiary to own or lease and operate any of its properties and to conduct any of its business or the ability of the Company or any Subsidiary to make use thereof.

(g) Approvals, Filings, Etc. Except as set forth in **Schedule 4(g)**, no authorization, approval or consent of, or filing with, any United States or foreign court, governmental body, regulatory agency, self-regulatory organization, or stock exchange or market or the stockholders of the Company, or any other Person, is required to be obtained or made by the Company or any Subsidiary for (x) the execution, delivery and performance by the Company of the Transaction Documents, (y) the issuance and sale of the Securities as contemplated by this Agreement and the Certificate of Designation and (z) the performance by the Company of its obligations under the Transaction Documents, other than (1) registration of the resale of the Conversion Shares under the 1933 Act as contemplated by the Investor Rights Agreement, (2) as may be required under applicable state securities or "blue sky" laws, (3) filing of one or more Forms D with respect to the Securities as required under Regulation D, (4) the approval of the Senior Lender (which will be received prior to Closing), and (5) the consent of the holders of Series A Cumulative Convertible Preferred Stock and Series B Cumulative Convertible Preferred Stock (which the Company agrees to obtain promptly, and in any event prior to the conversion of the Note into Preferred Stock).

(h) Information Provided. The SEC Reports, Financial Statements, the Transaction Documents and the instruments delivered by the Company to the Buyer in connection with the closing on the Closing Date do not and will not on the date of execution and delivery of this Agreement, the date of delivery thereof to the Buyer and on the Closing Date contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading, it being understood that for purposes of this Section 4(h), any statement contained in such information shall be deemed to be modified or superseded for purposes of this Section 4(h) to the extent that a statement in any document included in such information which was prepared and furnished to the Buyer on a later date modifies or replaces such statement, whether or not such later prepared or filed statement so states.

(i) Conduct of Business. Except as set forth in **Schedule 4(i)**, since June 17, 2009, neither the Company nor any Subsidiary has (i) incurred any material obligation or liability (absolute or contingent) other than in the ordinary course of business; (ii) canceled, without payment in full, any material notes, loans or other obligations receivable or other debts or claims held by it other than in the ordinary course of business; (iii) sold, assigned, transferred, abandoned, mortgaged, pledged or subjected to lien any of its material properties, tangible or intangible, or rights under any material contract, permit, license, franchise or other agreement; (iv) conducted its business in a manner materially different from its business as conducted on such date; (v) declared, made or paid or set aside for payment any cash or non-cash distribution on any shares of its capital stock; or (vi) consummated, or entered into any agreement with respect to, any transaction or event which would constitute a Fundamental Change. The Company and each Subsidiary owns, possesses or has obtained all governmental, administrative and third party licenses, permits, certificates, registrations, approvals, consents and other authorizations necessary to own or lease (as the case may be) and operate its properties, whether tangible or intangible, and to conduct its business or operations as currently conducted.

(j) SEC Filings. Except as set forth on **Schedule 4(j)**, for the preceding twelve months, the Company has timely filed all reports required to be filed under the 1934 Act and any other material reports or documents required to be filed with the SEC.

(k) Absence of Certain Proceedings. Except as set forth in **Schedule 4(k)**, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board or body or governmental agency pending or, to the knowledge of the Company or any Subsidiary, threatened against or affecting the Company or any Subsidiary.

(l) Financial Statements; Liabilities. Except as set forth in **Schedule 4(l)**, the Financial Statements, attached hereto as **Schedule 4(l)**, present fairly the financial position, results of operations and cash flows of the Company and the Subsidiaries, at the dates and for the periods covered thereby, have been prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods covered thereby, and include all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows of the Company and the Subsidiaries at the dates and for the periods covered thereby. Except as and to the extent disclosed, reflected or reserved against in the Financial Statements, neither the Company nor any Subsidiary has any liability, debt or obligation, whether accrued, absolute, contingent or otherwise, and whether due or to become due which, individually or in the aggregate, are material to the Company and the Subsidiaries, taken as a whole. Except as set forth on **Schedule 4(i),** subsequent to June 17, 2009, neither the Company nor any Subsidiary has incurred any liability, debt or obligation of any nature whatsoever which, individually or in the aggregate are material to the Company and the Subsidiaries, taken as a whole, other than those incurred in the ordinary course of their respective businesses. A detailed description and the amount of the Indebtedness of the Company and Subsidiaries that will be outstanding on the Closing Date appear on **Schedule 4(l)** attached hereto.

(m) Material Losses. Since June 17, 2009, neither the Company nor any Subsidiary has sustained any loss or interference with its business or properties from fire, flood, hurricane, accident or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree.

(n) Absence of Certain Changes. Since June 17, 2009, there has been no material adverse change and no material adverse development in the business, properties, operations, condition (financial or other), results of operations or prospects of the Company or any Subsidiary. The Company's relationship with its customers is good and the Company has not received any notice that any customer intends, and to its knowledge no customer intends, to cease doing business with the Company or decrease in any material respect the amount of business that it does with the Company. Since June 17, 2009, the Company has not (i) declared or paid any dividends, (ii) sold any assets, individually or in the aggregate, outside of the ordinary course of business consistent with past practice, (iii) had capital expenditures outside of the ordinary course of business consistent with past practice, (iv) engaged in any transaction with any Affiliate or (v) engaged in any other transaction outside of the ordinary course of business consistent with past practice. The Company has not taken any steps to seek protection pursuant to any bankruptcy law nor does the Company have any knowledge or reason to believe that its creditors intend to initiate involuntary bankruptcy proceedings or any actual knowledge of any fact which would reasonably lead a creditor to do so. The Company is not as of the date hereof, after giving effect to the transactions contemplated hereby to occur on the Closing Date, Insolvent (as defined below). For purposes of this Section 4(n), "Insolvent" means (i) the present fair saleable value of the Company's assets is less than the amount required to pay the Company's total indebtedness, contingent or otherwise, (ii) the Company is unable to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured, (iii) the Company intends to incur or believes that it will incur debts that

would be beyond its ability to pay as such debts mature or (iv) the Company has unreasonably small capital with which to conduct the business in which it is engaged as such business is now conducted and is proposed to be conducted.

(o) Intellectual Property. Except as set forth on **Schedule 4(o)**: (1) the Company holds all Intellectual Property, free and clear of all Encumbrances and restrictions on use or transfer, whether or not recorded, and has sole title to and ownership of or has the full, exclusive right to use, for the life of the proprietary right all Intellectual Property, including, without limitation, all required rights relating to Grapevine Push-to-Talk; (2) the use of the Intellectual Property by the Company or any Subsidiary does not, to the knowledge of the Company after due inquiry, violate or infringe on the rights of any other Person; (3) neither the Company nor any Subsidiary has received any notice of any conflict between the asserted rights of others and the Company or any Subsidiary with respect to any Intellectual Property; (4) all filings and other actions necessary to acquire, maintain, register, renew and perfect the rights of the Company and the Subsidiaries to all Intellectual Property used by the Company or any Subsidiary in its business or in which it has an interest have been duly made in all jurisdictions where such rights are used by it; (5) the Company and the Subsidiaries are in compliance with all terms and conditions of their agreements relating to the Intellectual Property; (6) neither the Company nor any Subsidiary is or has been a defendant in any action, suit, investigation or proceeding relating to infringement or misappropriation by the Company or any Subsidiary of any Intellectual Property; (7) neither the Company nor any Subsidiary has been notified of any alleged claim of infringement or misappropriation by the Company or any Subsidiary of any Intellectual Property; (8) the Company has no knowledge of any claim of infringement or misappropriation by the Company or any Subsidiary of any Intellectual Property; (9) to the knowledge (after due inquiry) of the Company, none of the products the Company and the Subsidiaries are researching, developing, propose to research and develop, make, have made, use, or sell, infringes or misappropriates any intellectual property right of any third party; (10) none of the trademarks and service marks used by the Company or any Subsidiary, to the knowledge of the Company after due inquiry, infringes the trademark or service mark rights of any third party; (11) neither the Company nor any Subsidiary has entered into any agreement to indemnify any other person against any charge of infringement of any Intellectual Property; (12) none of the research and development results and other know-how relating to the Company's or the Subsidiaries' respective businesses, the value of which to the Company or the Subsidiaries is contingent upon maintenance of the confidentiality thereof, has been disclosed to any Person other than Persons bound by written confidentiality agreements; and (13) the Company owns directly, or possesses adequate rights to use, all Intellectual Property used in or relating to the business of the Company as currently conducted, and none of such Intellectual Property is owned, claimed or used by, or subject to any Encumbrance of or by, any Subsidiary.

(p) Transactions With Affiliates. Other than the transactions disclosed on **Schedule 4(p),** none of the officers, directors, employees or consultants of the Company is presently or has been during the last year, directly or through any corporation, partnership, trust or other entity in which any such officer, director, employee or consultant has a substantial interest or is an officer, director, consultant or partner, a party to any transaction with the Company or any Subsidiary (other than for ordinary course services as employees, officers or directors).

(q) Compliance with Law. Neither the Company nor any Subsidiary is in violation of or has any liability under any statute, law, rule, regulation, ordinance, decision or order of any governmental agency or body or any court, domestic or foreign, and neither the Company nor any Subsidiary is aware of any pending investigation which could reasonably be expected to lead to such a claim.

(r) Properties. Each of the Company and the Subsidiaries has good title to all property, real and personal (tangible and intangible), and other assets owned by it, free and clear of all security interests, pledges, charges, mortgages, liens or other Encumbrances, except as set forth on **Schedule 4(r)**. The leases, licenses or other contracts or instruments under which the Company and each Subsidiary leases, holds or is entitled to use any property, real or personal, which individually or in the aggregate are material to the Company and the Subsidiaries, taken as a whole, are valid, subsisting and enforceable. Neither the Company nor any Subsidiary has received notice of any violation of any applicable law, ordinance, regulation, order or requirement relating to its owned or leased properties. Except as set forth on **Schedule 4(r)**, neither the Company nor any Subsidiary has any mortgage, lien, pledge, security interest or other charge or Encumbrance on any of its assets or properties.

(s) Labor Relations. No material labor problem exists or, to the knowledge of the Company or any Subsidiary, is imminent with respect to any of the employees of the Company or any Subsidiary. **Schedule 4(s)** sets forth, with respect to each of Nicholas Toms, Donald Rowley, John Chis, Brent Felker, Bryan Moss and Greg Henry, the title or position, current salary and any additional compensation arrangements with such person (e.g. as to raises, bonuses, etc.). To the knowledge of the Company, no such employees intend to leave the employment of the Company or otherwise compete with the Company.

(t) Insurance. The Company and the Subsidiaries maintain insurance against loss or damage by fire or other casualty and such other insurance, including but not limited to, product liability insurance, in such amounts and covering such risks as the Company believes are commercially reasonable.

(u) Tax Matters. Each of the Company and the Subsidiaries has filed all federal, state and local income and franchise tax returns required to be filed and has paid all taxes shown by such returns to be due, and no tax deficiency has been determined adversely to the Company or any Subsidiary which has had (nor does the Company or any Subsidiary have any knowledge of any tax deficiency which, if determined adversely to the Company or any Subsidiary, might have) a material adverse effect on the business, properties, operations, condition (financial or other), results of operations, or prospects of the Company or any Subsidiary.

(v) Investment Company. Neither the Company nor any Subsidiary is an "investment company" within the meaning of such term under the Investment Company Act of 1940, as amended, and the rules and regulations of the SEC thereunder.

(w) Absence of Brokers, Finders, Etc. No broker, finder or similar Person is entitled to any commission, fee or other compensation by reason of action taken by or on behalf of the Company in connection with the transactions contemplated by this Agreement, and the Company shall pay, and indemnify and hold harmless each Buyer from, any claim made against any Buyer by any Person for any such commission, fee or other compensation.

(x) No Solicitation. No form of general solicitation or general advertising was used by the Company or any other Person acting on behalf of the Company, in respect of the Securities or in connection with the offer and sale of the Securities. Assuming the accuracy of Buyer's representations and warranties set forth in Section 3.2, neither the Company nor any Person acting on behalf of the Company has, either directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Securities to be integrated with prior offerings by the Company for purposes of the 1933 Act which would require the registration of any such securities under the 1933 Act.

(y) ERISA Compliance. Each of the Company and the Subsidiaries is in compliance in all material respects with all presently applicable provisions of ERISA; no "reportable event" (as defined in ERISA) has occurred with respect to any "pension plan" (as defined in ERISA) for which the Company or any Subsidiary would have any liability; neither the Company nor any Subsidiary has incurred or expects to incur liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "pension plan" or (ii) Sections 412 or 4971 of the Code; and each "pension plan" for which the Company or any Subsidiary would have any liability that is intended to be qualified under Section 401(a) of the Code is so qualified in all material respects and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification.

(z) Rights Agreement; Interested Stockholder. The Company has not adopted a shareholder rights plan or similar arrangement relating to accumulations of beneficial ownership of Common Stock or a change in control of the Company. All necessary and proper action has been taken by the Company and its Board of Directors such that the execution, delivery and performance of the Transaction Documents and the purchase, sale and issuance of the Securities will not cause any Buyer to become an "interested stockholder" under Section 203 of the Delaware General Corporation Law.

(aa) Sarbanes-Oxley Act; Internal Accounting Controls. Except as set forth on **Schedule 4(aa)**, the Company is in compliance with the requirements of the Sarbanes-Oxley Act of 2002 applicable to it, and any and all applicable rules and regulations promulgated by the SEC thereunder that are effective as of the date hereof. The Company and each of its Subsidiaries maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset and liability accountability, (iii) access to assets or incurrence of liabilities is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets and liabilities is compared with the existing assets and liabilities at reasonable intervals and appropriate action is taken with respect to any difference. Except as set forth on **Schedule 4(aa)**, the Company maintains disclosure controls and procedures (as such term is defined in Rule 13a-15 under the 1934 Act) that are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the 1934 Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC, including, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the 1934 Act is accumulated and communicated to the Company's management, including its principal executive officer or officers and its principal financial officer or officers, as appropriate, to allow timely decisions regarding required disclosure.

5. CERTAIN COVENANTS.

(a) Transfer Restrictions. The Buyer acknowledges and agrees that the Securities have not been and, except as provided in the Investor Rights Agreement, are not being registered under the provisions of the 1933 Act or any state securities laws, and that the Securities may not be transferred unless the Securities are registered under the 1933 Act or an exemption from registration applies.

(b) Restrictive Legends. (1) The Buyer acknowledges and agrees that the Securities may bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the Securities):

> [NEITHER] THIS SECURITY [NOR THE SECURITIES INTO WHICH THIS SECURITY IS [EXERCISABLE] [CONVERTIBLE]] HAS [NOT] BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY [AND THE SECURITIES ISSUABLE UPON [EXERCISE] [CONVERSION] OF THIS SECURITY] MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

(2) Once the Registration Statement required to be filed by the Company pursuant to the Investor Rights Agreement has been declared effective or particular Securities are eligible for resale pursuant to Rule 144 under the 1933 Act without restriction, thereafter (1) upon request of Buyer the Company will substitute certificates without restrictive legend for certificates for any such Securities issued prior to the SEC Effective Date or prior to the time of such eligibility, as the case may be, which bear such restrictive legend and remove any stop-transfer restriction relating thereto promptly, but in no event later than three business days after surrender of such certificates by the Buyer.

(c) Reporting Status. While the Securities are outstanding, the Company shall timely file all reports required to be filed with the SEC pursuant to Section 13 or 15(d) of the 1934 Act, and the Company shall not terminate its status as an issuer required to file reports under the 1934 Act even if the 1934 Act or the rules and regulations thereunder would permit such termination, provided, however, if the Merger occurs this Section 5(c) shall become null and void.

(d) Form D. The Company agrees to file one or more Forms D with respect to the Securities as required under Regulation D to claim the exemption provided by Rule 506 of Regulation D.

(e) State Securities Laws. On or before the Closing Date, the Company shall take such action as shall be necessary to qualify, or to obtain an exemption for, the offer and sale of the Note to the Buyer as contemplated by the Transaction Documents under such of the securities laws of jurisdictions in the United States as shall be applicable thereto. The Company shall furnish the Buyers with copies of all filings, applications, orders and grants or confirmations of exemptions relating to such securities laws on or before the Closing Date.

(f) Limitation on Certain Actions. From the date of execution and delivery of this Agreement by the parties hereto until the date of issuance of the Note, the Company (1) shall comply with Article I of the Note as if the Note was outstanding, (2) shall not take any action which, if the Note was outstanding, would constitute an Event of Default or, with the giving of notice or the passage of time or both, would constitute an Event of Default.

(g) Use of Proceeds. The Company represents and agrees that: (1) it does not own or have any present intention of acquiring any Margin Stock; (2) the proceeds received by the Company pursuant to this Agreement will be used as set forth on **Schedule 5(g)**; (3) except as provided in **Schedule 5(g)**, none of the proceeds will be used, directly or indirectly (A) to pay any existing debt obligations (B) to make any loan to or investment in any other Person or (C) for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any Margin Stock or for the purpose of maintaining, reducing or retiring any indebtedness which was originally incurred to purchase or carry any stock that is currently a Margin Stock or for any other purpose which might constitute the transactions contemplated by this Agreement a "purpose credit" within the meaning of such Regulation U of the Board of Governors of the Federal Reserve System; and (4) neither the Company nor any agent acting on its behalf has taken or will take any action which might cause this Agreement or the transactions contemplated hereby to violate Regulation T, Regulation U or any other regulation of the Board of Governors of the Federal Reserve System or to violate the 1934 Act, in each case as in effect now or as the same may hereafter be in effect.

(h) Best Efforts. Each of the parties shall use its best efforts timely to satisfy each of the conditions to the other party's obligations to sell and purchase the Note set forth in Section 6 or 7, as the case may be, of this Agreement on or before the Closing Date.

(i) Debt Obligation. So long as any portion of the Note is outstanding, the Company shall cause its books and records to reflect the Note as a debt of the Company as required by generally accepted accounting principles.

(j) Limitation on Certain Transactions. Except with respect to Exempt Issuances, as of the date of this Agreement and so long as the Note is outstanding or Buyer beneficially owns any Preferred Stock or Conversion Shares, without the prior written consent of Buyer, the Company shall not issue or sell or agree to issue or sell any securities, whether debt, equity or otherwise; provided that the limitation of this Section 5(j) shall not apply to securities issued pursuant to the exercise or conversion of Common Stock Equivalents that are outstanding on the date of this Agreement and listed on **Schedule 4(c)**.

(k) Reservation of Common Stock. The Company has reserved a sufficient number of authorized shares to provide for the issuance of Conversion Shares upon the full conversion of the Preferred Stock.

(l) RESERVED.

(m) Appointment of Directors; Committee Independence. So long as the Note is outstanding or Buyer beneficially owns any Preferred Stock or Common Stock of the Company, the Board of Directors of the Company shall be comprised of six directors, one of which shall be nominated by Buyer and a majority of which shall be independent and mutually agreed between the Company and Buyer. The Company shall include Buyer's nominee as part of the slate proposed by the Company that is included in the proxy statement (or consent solicitation or similar document) of the Company relating to the election of directors by the Company's stockholders, recommend that its stockholders vote in favor of any of Buyer's nominees and otherwise use its best efforts to cause any nominee of Buyer to be elected to the Board. Buyer shall also have the right to appoint one observer to attend all meetings of the Board of Directors and committees thereof, which observer shall prior to attending any meetings of the Board or its committees execute a Non-Disclosure Agreement that is reasonably acceptable to the Company. The Company shall maintain an Audit Committee and Compensation Committees, each of which shall be composed entirely of independent directors. Determination of a director's independence shall be made in accordance with the independence listing standards of Nasdaq as set forth in the Nasdaq Marketplace Rules; provided that if the Company's Common Stock is listed for trading on another national securities exchange, then such determination shall be made in accordance with the rules and regulations of that market.

(n) Financial Information. From and after the Closing Date, the Company shall deliver to Buyer such financial and other information regarding the Company and its business as Buyer may reasonably request.

(o) Capitalization. In the event that there are any inaccuracies in the capitalization table set forth in **Schedule 4(c)** that result in the number of shares of Preferred Stock or Conversion Shares issued to Buyer to be inaccurate, the Company shall promptly issue to Buyer such number of shares of Preferred Stock or Conversion Shares, as applicable, necessary so that Buyer shall have received the correct number of shares of Preferred Stock and Conversion Shares (29% of the Company's fully diluted shares of Common Stock) pursuant to this Agreement.

(p) Limitation on Business Time. Until Buyer no longer holds any Securities, in order to protect the legitimate business interests of the Buyer and the integrity of its investment, the Company shall cause its executive officers, including, without limitation, the Chief Executive Officer and Chief Financial Officer, to devote at least 90% of their business time to the business and affairs of the Company. Without limiting the generality of the foregoing, Nicholas Toms shall resign no later than July 31, 2011 as CEO of Cape Systems Group, Inc. (formerly Vertex Interactive, Inc.); provided that he may remain non-executive Chairman of Cape Systems Group, Inc. Until Buyer no longer holds any Securities, in the event that the affiliation of any executive officer of the Company with any other entity, including, without limitation Cape Systems and iTek, causes such officer to be unable to devote at least 90% of his business time to the business of the Company, such officer shall resign from such position.

(q) Affiliate Loans. Effective as of the date of conversion of the Note into Preferred Stock and until Buyer no longer holds any Securities, the Company shall cause the interest rate accruing on the outstanding balance of the Company's accounts payable obligations to its Chief Financial Officer to be reduced to 12% per annum until such time as the annual dividend rate on the Preferred Stock is increased to 16% per annum (month 23), at which time the interest rate on the affiliate accounts payable obligations shall revert back to 25%.

6. CONDITIONS TO THE COMPANY'S OBLIGATION TO SELL.

The Buyer understands that the Company's obligation to sell the Note to the Buyer pursuant to this Agreement is conditioned upon satisfaction of the following conditions precedent on or before the date of issuance of such securities (any or all of which may be waived by the Company in its sole discretion):

(a) On the date of issuance, no legal action, suit or proceeding shall be pending or threatened which seeks to restrain or prohibit the transactions contemplated by this Agreement; and

(b) The representations and warranties of the Buyer contained in this Agreement shall have been true and correct on the date of this Agreement and on the date of issuance as if made on the date of issuance and on or before the date of issuance the Buyer shall have performed all covenants and agreements of the Buyer required to be performed by the Buyer on or before the date of issuance.

7. CONDITIONS TO THE BUYER'S OBLIGATION TO PURCHASE.

The Company understands that Buyer's obligation to purchase the Note is conditioned upon satisfaction of the following conditions precedent on or before the date of issuance (any or all of which may be waived by Buyer in its sole discretion):

(a) On the date of issuance, no legal action, suit or proceeding shall be pending or threatened which seeks to restrain or prohibit the transactions contemplated by this Agreement;

(b) The representations and warranties of the Company contained in this Agreement shall have been true and correct on the date of this Agreement and shall be true and correct on the date of issuance as if given on and as of the date of issuance (except for

representations given as of a specific date, which representations shall be true and correct as of such date and, except for the approvals and filings referred to in clause (2) of Section 4(g), which shall have been obtained or made, on or before the date of issuance), and on or before the date of issuance the Company shall have performed all covenants and agreements of the Company contained herein or in any of the other Transaction Documents required to be performed by the Company on or before the date of issuance;

(c) No event which, if the Note were outstanding, would constitute an Event of Default or which, with the giving of notice or the passage of time, or both, would constitute an Event of Default shall have occurred and be continuing;

(d) The Company shall have delivered to the Buyer a certificate, dated the date of issuance, duly executed by its Chief Executive Officer, to the effect set forth in subparagraphs (a), (b), and (c) of this Section 7;

(e) The Company shall have delivered to the Buyer a certificate, dated the Closing Date, of the Secretary of the Company certifying (1) the Certificate of Incorporation, including the Certificate of Designation, and By-Laws of the Company as in effect on the Closing Date, (2) all resolutions of the Board of Directors (and committees thereof) of the Company relating to this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby and (3) such other matters as reasonably requested by the Buyer;

(f) On the Closing Date, the Buyer shall have received an opinion of Sichenzia Ross Friedman Ference LLP, counsel for the Company, dated the Closing Date, addressed to the Buyers, in form, scope and substance reasonably satisfactory to the Buyer, substantially in the form attached as **Annex II**;

(g) The Company shall have delivered to the Buyer the Security Agreement, substantially in the form attached as **Annex III**;

(h) The Company shall have delivered to the Buyer the waiver and consent to the transactions contemplated hereby of the Senior Lender;

(j) On the Closing Date, Sigma Capital Advisors, LLC ("Sigma Advisors") and the Company shall have entered into the Advisory Services Agreement in the form attached as **Annex IV** providing for payment of the Advisory Fee;

(k) The Company shall have caused each Subsidiary to have delivered to Buyers the Guaranty substantially in the form attached as **Annex V**;

(l) The Certificate of Designation shall have been filed in the State of Delaware and satisfactory evidence thereof shall have been delivered to Buyer;

(m) Buyer shall have received such subordination agreements, UCC termination statements and other documentation as it deems necessary to confirm that the Note is junior only to the Senior Debt; and

(n) Buyer shall have received such other documents as they may reasonably request.

8. MISCELLANEOUS.

(a) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(b) Headings. The headings, captions and footers of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

(c) Severability. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement or the validity or enforceability of this Agreement in any other jurisdiction.

(d) Notices. Any notices required or permitted to be given under the terms of this Agreement shall be in writing and shall be sent by mail, personal delivery, telephone line facsimile transmission or courier and shall be effective five days after being placed in the mail, if mailed, or upon receipt, if delivered personally, by telephone line facsimile transmission or by courier, in each case addressed to a party at such party's address (or telephone line facsimile transmission number) shown in the introductory paragraph or on the signature page of this Agreement or such other address (or telephone line facsimile transmission number) as a party shall have provided by notice to the other party in accordance with this provision. In the case of any notice to the Company, such notice shall be addressed to the Company at its address shown in the introductory paragraph of this Agreement, Attention: Chief Executive Officer (telephone line facsimile number (949) 859-3647), and a copy shall also be given to: Sichenzia Ross Friedman Ference LLP, Attention: Gregory Sichenzia (telephone line facsimile transmission number (212) 930-9725), and in the case of any notice to the Buyer, a copy shall be given to: Moomjian, Waite & Coleman, LLP, 100 Jericho Quadrangle, Jericho, New York 11753, Attention: Kevin W. Waite (telephone line facsimile transmission number (516) 937-5050).

(e) Counterparts. This Agreement may be executed in counterparts and by the parties hereto on separate counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument. A telephone line facsimile or electronic transmission of this Agreement bearing a signature on behalf of a party hereto shall be legal and binding on such party.

(f) Entire Agreement; Benefit. This Agreement, including the Annexes and Schedules hereto, and the transactions contemplated hereby, constitute the entire agreement between the parties hereto with respect to the subject matter hereof. There are no restrictions, promises, warranties, or undertakings, other than those set forth or referred to herein. This Agreement, including the Annexes, supersedes all prior agreements and understandings, whether written or oral, between the parties hereto with respect to the subject matter hereof. This Agreement and the terms and provisions hereof are for the sole benefit of only the Company, the Buyer and their respective successors and permitted assigns. Notwithstanding the foregoing, the "Exclusivity" section of the Term Sheet, dated January 25, 2011, as amended, between Buyer and the Company shall remain in full force and effect until the Maturity Date.

(g) Waiver. Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, or any course of dealing between the parties, shall not operate as a waiver thereof or an amendment hereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or exercise of any other right or power.

(h) Amendment. (1) No amendment, modification, waiver, discharge or termination of any provision of this Agreement on or prior to the Closing Date nor consent to any departure by the Buyer or the Company therefrom on or prior to the Closing Date shall in any event be effective unless the same shall be in writing and signed by the party to be charged with enforcement, and in any such case shall be effective only in the specific instance and for the purpose for which given.

(2) No amendment, modification, waiver, discharge or termination of any provision of this Agreement after the Closing Date nor consent to any departure by the Company therefrom after the Closing Date shall in any event be effective unless the same shall be in writing and signed (x) by the Company if the Company is to be charged with enforcement or (y) by a majority in interest of the Investors, if the

Investors are to be charged with enforcement, based upon the aggregate principal amount or value of the Securities then outstanding, and in any such case shall be effective only in the specific instance and for the purpose for which given.

(3) No course of dealing between the parties hereto shall operate as an amendment of this Agreement.

(i) Further Assurances. Each party to this Agreement will perform any and all acts and execute any and all documents as may be necessary and proper under the circumstances in order to accomplish the intents and purposes of this Agreement and to carry out its provisions.

(j) Assignment of Rights and Obligations. The rights of an Investor hereunder may be assigned by such Investor to any transferee of all or any portion of such Investor's Securities.

(k) Expenses. The Company shall be responsible for its expenses (including, without limitation, the legal fees and expenses of its counsel), incurred by it in connection with the negotiation and execution of, and closing under, and performance of, this Agreement. Whether or not the Closing occurs, the Company shall be obligated to pay the reasonable costs, legal fees and expenses of Buyer incurred in connection with the negotiation and execution of this Agreement, $65,000 of which has been paid to the Buyer as of the date hereof (the "Advanced Amount"). At Closing, Purchaser shall withhold $250,000 (the "Additional Fee Amount") from the Purchase Price payable to the Company for application to its fees and expenses in excess of the Advanced Amount as set forth in the next sentence and $150,000 for payment to Sigma Capital Advisors, LLC as part of the Advisory Fee. No later than August 31, 2011, the Buyer shall provide a detailed accounting of the fees and expenses of Buyer for which the Company is responsible hereunder, and shall either (i) refund to the Company any amount by which the Additional Fee Amount exceeded the actual fees and expenses incurred, or (ii) receive from the Company any amount by which the actual fees and expensed incurred by Purchaser exceeded the Additional Fee Amount. All expenses incurred in connection with registrations, filings or qualifications contemplated by this Agreement shall be paid by the Company. The Company shall pay on demand all expenses incurred by the Buyer after the Closing Date, including reasonable attorneys' fees and expenses, as a consequence of, or in connection with (1) the negotiation, preparation or execution of any amendment, modification or waiver of any of the Transaction Documents, (2) any default or breach of any of the Company's obligations set forth in any of the Transaction Documents, and (3) the enforcement or restructuring of any right of, including the collection of any payments due, the Buyer under any of the Transaction Documents, including any action or proceeding relating to such enforcement or any order, injunction or other process seeking to restrain the Company from paying any amount due the Buyer. Except as otherwise provided in this Section 8(k), each of the Company and the Buyer shall bear their own expenses in connection with this Agreement and the transactions contemplated hereby.

(l) Termination. Buyer shall have the right to terminate this Agreement by giving notice to the Company at any time at or prior to the Closing Date if:

(A) the Company shall have failed, refused, or been unable at or prior to the date of such termination of this Agreement to perform any of its obligations hereunder required to be performed prior to the time of such termination;

(B) any condition to Buyer's obligations hereunder is not fulfilled at or prior to the time such condition is required to be satisfied; or

(C) the closing shall not have occurred on a Closing Date on or before May 20, 2011, other than solely by reason of a breach of this Agreement by Buyer.

Any such termination shall be effective upon the giving of notice thereof by Buyer. Upon such termination, Buyer shall have no further obligation to the Company hereunder and the Company shall remain liable for any breach of this Agreement or the other documents contemplated hereby which occurred on or prior to the date of such termination.

(m) Survival. The respective representations, warranties, covenants and agreements of the Company and the Buyer contained in this Agreement and the documents delivered in connection with this Agreement shall survive the execution and delivery of this Agreement and the other Transaction Documents and the closing hereunder and delivery of and payment for the Note, and shall remain in full force and effect regardless of any investigation made by or on behalf of the Buyer or any Person controlling or acting on behalf of the Buyer or by the Company or any Person controlling or acting on behalf of the Company for a period ending on the later of (x) the date which is six years after the Closing Date and (y) the date which is two years after the Company shall have paid in full all amounts due from the Company under the Transaction Documents and performed in full all of its obligations under the Transaction Documents.

(n) Public Statements, Press Releases, Etc. The Company and the Buyer shall have the right to approve before issuance any press releases or any other public statements with respect to the transactions contemplated hereby, such approval not to be unreasonably withheld.

(o) Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

[Remainder of This Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers or other representatives thereunto duly authorized on the respective dates set forth below their signatures hereto.

SIGMA OPPORTUNITY FUND II, LLC

By: Sigma Capital Advisors, LLC, its managing member

By: /s/ Thom Waye
Thom Waye
Manager

Address:
800 Third Avenue
Suite 1701
New York, New York 10022

Facsimile No.: (212) 292-2685

DECISIONPOINT SYSTEMS, INC.

By: /s/ Nicholas R. Toms
Name: Nicholas R. Toms
Title: CEO

By: /s/ Donald W. Rowley
Name: Donald Rowley
Title: CFO

Address:
19655 Descartes
Foothill Ranch, CA 92610-2609

Facsimile
No.:

[*Note Purchase Agreement Signature Page]*

Exhibit 99.2

INVESTOR RIGHTS AGREEMENT

This Investor Rights Agreement (this "Agreement") is made and entered into as of May 18, 2011 among DecisionPoint Systems, Inc., a Delaware corporation (the "Company"), Sigma Opportunity Fund II, LLC, a Delaware limited liability company (the "Purchaser"), and Sigma Capital Advisors, LLC, a Delaware limited liability company ("Sigma Advisors").

This Agreement is being entered into pursuant to the Note Purchase Agreement, dated as of May 18, 2011, by and among the Company and the Purchaser (the "Purchase Agreement").

The Company and the Purchaser hereby agree as follows:

1. Definitions.

Capitalized terms used and not otherwise defined herein shall have the meanings given such terms in the Purchase Agreement. As used in this Agreement, the following terms shall have the following meanings:

"Advice" shall have the meaning set forth in Section 3(m).

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly controls or is controlled by or under common control with such Person. For the purposes of this definition, "control," when used with respect to any Person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms of "affiliated," "controlling" and "controlled" have meanings correlative to the foregoing.

"Blackout Period" shall have the meaning set forth in Section 3(n).

"Board" shall have the meaning set forth in Section 3(n).

"Business Day" means any day except Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the State of New York generally are authorized or required by law or other government actions to close.

"Commission" means the Securities and Exchange Commission.

"Common Shares" means the shares of Common Stock issued or to be issued to the Purchaser, Sigma Advisors or their assignees or designees in connection with the offering consummated under the Purchase Agreement or pursuant to the Advisory Services Agreement.

"Common Stock" means the Company's Common Stock, par value $0.01 per share.

"Conversion Shares" means the shares of Common Stock issuable upon the conversion of the Preferred Stock issued or to be issued to the Purchaser or its assignees or designees in connection with the offering consummated under the Purchase Agreement.

"Effectiveness Period" shall have the meaning set forth in Section 2.

"Exchange" shall have the meaning set forth in Section 3(k).

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Filing Deadline" shall have the meaning set forth in Section 2.

"Holder" or "Holders" means the holder or holders, as the case may be, from time to time of Registrable Securities, including, without limitation, the Purchaser, Sigma Advisors and their assignees or designees.

"Indemnified Party" shall have the meaning set forth in Section 5(c).

"Indemnifying Party" shall have the meaning set forth in Section 5(c).

"Losses" shall have the meaning set forth in Section 5(a).

"Person" means an individual or a corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind.

"Proceeding" means an action, claim, suit, investigation or proceeding (including, without limitation, an investigation or partial proceeding, such as a deposition), whether commenced or threatened.

"Prospectus" means the prospectus included in any Registration Statement (including, without limitation, a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated under the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference in such Prospectus.

"Registrable Securities" means (a) the Common Shares and the Conversion Shares or other securities issued or issuable to the Purchaser or Sigma Advisors or their transferees or designees pursuant to the Transaction Documents, including (i) upon conversion of the Preferred Stock (including, without limitation, any shares of Preferred Stock issued as dividends on the Preferred Stock) and/or as dividends on the Common Shares, or (ii) upon any distribution with respect to, any exchange for or any replacement of such Common Shares or Preferred Stock or (iii) upon any conversion or exchange of any securities issued in connection with any such distribution, exchange or replacement; (b) securities issued or issuable upon any stock split, stock dividend, recapitalization or similar event with respect to the foregoing; and (c) any other security issued as a dividend or other distribution with respect to, in exchange for, in replacement or redemption of, or in reduction of the liquidation value of, any of the securities referred to in the preceding clauses; provided, however, that such securities shall cease to be Registrable Securities when such securities have been sold to or through a broker or dealer or underwriter in a public distribution or a public securities transaction or when such securities may be sold without any restriction, including, without limitation, pursuant to Rule 144.

"Registration Statement" means the registration statements and any additional registration statements contemplated by Section 2, including (in each case) the Prospectus, amendments and supplements to such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto, and all material incorporated by reference in such registration statement.

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Rule 158" means Rule 158 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Rule 415" means Rule 415 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Securities Act" means the Securities Act of 1933, as amended.

"Special Counsel" means Moomjian, Waite & Coleman, LLP.

"Violation" means:

(i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any post-effective amendment thereof or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading,

(ii) any untrue statement or alleged untrue statement of a material fact contained in any Prospectus (as amended or supplemented, if the Company files any amendment thereof or supplement thereto with the Commission) or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in light of the circumstances under which the statements therein were made, not misleading,

(iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation under the Securities Act, the Exchange Act or any state securities law, or

(iv) any breach or alleged breach by any Person other than a Holder of any representation, warranty, covenant, agreement or other term of any of the Transaction Documents.

2. Demand Registration. If the merger between the Company and 2259736 Ontario Inc., a subsidiary of Comamtech Inc., is not consummated, at any time after the date that is eighteen (18) months following the Closing Date, and until the Registrable Securities may be sold pursuant to Rule 144 without volume limitation, Holders holding a majority in interest of the Registrable Securities shall have the right to demand, in writing, that the Company file with the Commission a Registration Statement covering the resale of the Registrable Securities that are not then registered on an effective Registration Statement for an offering to be made on a continuous basis pursuant to Rule 415. Upon receipt of such written demand, the Company shall prepare, and, on or prior to ninety (90) days from the date of receipt of such written demand (the "Filing Deadline"), file with the Commission a Registration Statement on Form S-3 (or if such form is not available to the Company on another form appropriate for such registration in accordance herewith). The Company shall (i) use its best efforts to cause the Registration Statement to be declared effective under the Securities Act not later than sixty (60) days (the "Effectiveness Deadline") after such filing (including filing with the Commission a request for acceleration of effectiveness in accordance with Rule 461 promulgated under the Securities Act within five (5) Business Days of the date that the Company is notified (orally or in writing, whichever is earlier) by the Commission that a Registration Statement will not be "reviewed," or not be subject to further review), provided, however, if the Registration Statement is being "reviewed" by the Commission then the Effectiveness Deadline shall be 120 days from the Filing Deadline and (ii) keep such Registration Statement continuously effective under the Securities Act until such date as is the earlier of (x) the date when all Registrable Securities covered by such Registration Statement have been sold or (y) the date on which all Registrable Securities may be sold, pursuant to Rule 144 without restriction (the "Effectiveness Period"). Upon the initial filing thereof and upon the filing of any pre-effective amendment thereto, the Registration Statement shall cover all of the Registrable Securities. Notwithstanding anything to the contrary herein, if the Commission informs the Company that it will not allow the Registration Statement to cover at least 100% of the Registrable Securities, then the Registration Statement shall cover the highest percentage of such Registrable Securities that the Commission will allow. Such Registration Statement also shall cover, to the extent allowable under the Securities Act and the Rules promulgated thereunder (including Securities Act Rule 416), such indeterminate number of additional shares of Common Stock resulting from stock splits, stock dividends or similar transactions with respect to the Registrable Securities.

3. Registration Procedures.

In connection with the Company's registration obligations hereunder, the Company shall:

(a) Prepare and file with the Commission on or prior to the Filing Deadline, a Registration Statement on Form S-3 (or if such form is not available to the Company on another form appropriate for such registration in accordance herewith) (which shall include a Plan of Distribution substantially in the form of Exhibit A attached hereto), and cause the Registration Statement to become effective and remain effective as provided herein; provided, however, that not less than three (3) Business Days prior to the filing of the Registration Statement or any related Prospectus or any amendment or supplement thereto, the Company shall (i) furnish to the Special Counsel, copies of all such documents proposed to be filed, which documents (other than those incorporated by reference) will be subject to the review of Special Counsel, and (ii) at the request of any Holder, cause its officers and directors, counsel and independent certified public accountants to respond to such inquiries as shall be necessary, in the reasonable opinion of counsel to such Holder, to conduct a reasonable investigation within the meaning of the Securities Act. The Company shall not file the Registration Statement or any such Prospectus or any amendments or supplements thereto to which the Holder or the Special Counsel shall reasonably object in writing within three (3) Business Days after their receipt thereof, unless counsel to the Company determines in writing that such objection is without merit.

(b) (i) Prepare and file with the Commission such amendments, including post-effective amendments, to the Registration Statement as may be necessary to keep the Registration Statement continuously effective as to the applicable Registrable Securities for the Effectiveness Period and to the extent any Registrable Securities are not included in such Registration Statement for reasons other than the

failure of the Holder to comply with Section 3(m) hereof, shall prepare and file with the Commission such additional Registration Statements in order to register for resale under the Securities Act all Registrable Securities; (ii) cause the related Prospectus to be amended or supplemented by any required Prospectus supplement, and as so supplemented or amended to be filed pursuant to Rule 424 (or any similar provisions then in force) promulgated under the Securities Act; (iii) respond as promptly as possible, and in no event later than ten (10) Business Days, to any comments received from the Commission with respect to the Registration Statement or any amendment thereto and as promptly as possible provide the Holder true and complete copies of all correspondence from and to the Commission relating to the Registration Statement; and (iv) comply in all material respects with the provisions of the Securities Act and the Exchange Act with respect to the disposition of all Registrable Securities covered by the Registration Statement during the applicable period in accordance with the intended methods of disposition by the Holders thereof set forth in the Registration Statement as so amended or in such Prospectus as so supplemented.

(c) Notify the Holders of Registrable Securities to be sold and the Special Counsel as promptly as possible (A) when a Prospectus or any Prospectus supplement or post-effective amendment to the Registration Statement is proposed to be filed (but in no event in the case of this subparagraph (A), less than three (3) Business Days prior to date of such filing); (B) when the Commission notifies the Company whether there will be a "review" of such Registration Statement and whenever the Commission comments in writing on such Registration Statement; and (C) with respect to the Registration Statement or any post-effective amendment, when the same has become effective (which notice shall be delivered to Special Counsel on the same day as such effectiveness), and after the effectiveness thereof: (i) of any request by the Commission or any other Federal or state governmental authority for amendments or supplements to the Registration Statement or Prospectus or for additional information; (ii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement covering any or all of the Registrable Securities or the initiation of any Proceedings for that purpose; (iii) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, or the initiation or threatening of any Proceeding for such purpose; and (iv) if the financial statements included in the Registration Statement become ineligible for inclusion therein or of the occurrence of any event that makes any statement made in the Registration Statement or Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires any revisions to the Registration Statement, Prospectus or other documents so that, in the case of the Registration Statement or the Prospectus, as the case may be, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Without limitation to any remedies to which the Holders may be entitled under this Agreement, if any of the events described in clauses (i) through (iv) of Section 3(c)(C) occurs, the Company shall use its best efforts to respond to and correct the event.

(d) Use its best efforts to avoid the issuance of, or, if issued, use best efforts to obtain the withdrawal of, (i) any order suspending the effectiveness of the Registration Statement or (ii) any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction, at the earliest practicable moment.

(e) If requested by a Holder of Registrable Securities, (i) promptly incorporate in a Prospectus supplement or post-effective amendment to the Registration Statement such information as the Company reasonably agrees should be included therein and (ii) make all required filings of such Prospectus supplement or such post-effective amendment as soon as practicable after the Company has received notification of the matters to be incorporated in such Prospectus supplement or post-effective amendment; provided, however, that the Company shall not be required to take any action pursuant to this Section 3(e) that would, in the written opinion of counsel for the Company (addressed to the Special Counsel), violate applicable law.

(f) Furnish to the Holder and the Special Counsel, without charge, at least one conformed copy of each Registration Statement and each amendment thereto, including financial statements and schedules, and all exhibits to the extent requested by such Person (including those previously furnished or incorporated by reference) promptly after the filing of such documents with the Commission.

(g) Promptly deliver to the Holder and the Special Counsel, without charge, as many copies of the Prospectus or Prospectuses (including each form of prospectus) and each amendment or supplement thereto as such Person may reasonably request; and the Company hereby consents to the use of such Prospectus and each amendment or supplement thereto by the selling Holder in connection with the offering and sale of the Registrable Securities covered by such Prospectus and any amendment or supplement thereto.

(h) Prior to any public offering of Registrable Securities, use its best efforts to register or qualify or cooperate with the selling Holder and the Special Counsel in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions within the United States as any Holder requests in writing, to keep each such registration or qualification (or exemption therefrom) effective during the Effectiveness Period and to do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Registrable Securities covered by a Registration Statement; provided, however, that the Company shall not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action that would subject it to general service of process in any jurisdiction where it is not then so subject or subject the Company to any material tax in any such jurisdiction where it is not then so subject.

(i) Cooperate with the Holder to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold pursuant to a Registration Statement, which certificates shall be free, to the extent permitted by applicable law and the Purchase Agreement, of all restrictive legends, and to enable such Registrable Securities to be in such denominations and registered in such names as a Holder may request at least two (2) Business Days prior to any sale of Registrable Securities. In connection therewith, the Company shall promptly after the effectiveness of the Registration Statement (but no later than one day thereafter) cause an opinion of counsel to be delivered to and maintained with its transfer agent, together with any other authorizations, certificates and directions required by the transfer agent, which authorize and direct the transfer agent to issue such Registrable Securities without legend upon sale by the Holder of such shares of Registrable Securities under the Registration Statement.

(j) Upon the occurrence of any event contemplated by Section 3(c)(C)(iii) or (iv), as promptly as possible, prepare a supplement or amendment, including a post-effective amendment, to the Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, and file any other required document so that, as thereafter delivered, neither the Registration Statement nor such Prospectus will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) If the Company's Common Stock is listed on the Nasdaq Stock Market or another U.S. national securities exchange, including the NYSE Euronext or the NYSE AMEX (each an Exchange) the Company shall cause all Registrable Securities relating to such Registration Statement to be listed on such market or Exchange.

(l) Comply in all material respects with all applicable rules and regulations of the Commission.

(m) Request the selling Holder to furnish to the Company information regarding such Holder and the distribution of such Registrable Securities as is required by law or the Commission to be disclosed in the Registration Statement, and the Company may exclude from such registration the Registrable Securities of any Holder who fails (i) to furnish such information or (ii) to agree to furnish, upon request, such additional information regarding such Holder as may later be required by law to be disclosed, in each case, within a reasonable time prior to the filing of each Registration Statement, supplemented Prospectus and/or amended Registration Statement.

If the Registration Statement refers to a Holder by name or otherwise as the holder of any securities of the Company, then such Holder shall have the right to require (if such reference to such Holder by name or otherwise is not required by the Securities Act or any similar federal statute then in force) the deletion of the reference to such Holder in any amendment or supplement to the Registration Statement filed or prepared subsequent to the time that such reference ceases to be required.

The Holder agrees by its acquisition of such Registrable Securities that, upon receipt of a notice from the Company of the occurrence of any event of the kind described in Sections 3(c)(C)(i), 3(c)(C)(ii), 3(c)(C)(iii), 3(c)(C)(iv) or 3(n), such Holder will forthwith discontinue disposition of such Registrable Securities under the Registration Statement until such Holder's receipt of the copies of the supplemented Prospectus and/or amended Registration Statement contemplated by Section 3(j), or until it is advised in writing (the "Advice") by the Company that the use of the applicable Prospectus may be resumed, and, in either case, has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such Prospectus or Registration Statement.

(n) If (i) there is material non-public information regarding the Company which the Company's Board of Directors (the "Board") reasonably determines not to be in the Company's best interest to disclose and which the Company is not otherwise required to disclose, or (ii) there is a significant business opportunity (including, but not limited to, the acquisition or disposition of assets (other than in the ordinary course of business) or any merger, consolidation, tender offer or other similar transaction) available to the Company which the Board reasonably determines not to be in the Company's best interest to disclose and which the Company would be required to disclose under the Registration Statement, then the Company may postpone or suspend filing or effectiveness of a Registration Statement for a period not to exceed 20 consecutive days, provided that the Company may not postpone or suspend its obligation under this Section 3(n) for more than 30 days in the aggregate during any 12 month period (each, a "Blackout Period").

4. Registration Expenses.

All fees and expenses incident to the performance of or compliance with this Agreement by the Company shall be borne by the Company whether or not the Registration Statement is filed or becomes effective and whether or not any Registrable Securities are sold pursuant to the Registration Statement. The fees and expenses referred to in the foregoing sentence shall include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses (A) with respect to filings required to be made with any Exchange on which the Registrable Securities are required hereunder to be listed, (B) with respect to filings required to be made with the Commission, and (C) in compliance with state securities or Blue Sky laws (including, without limitation, fees and disbursements of Special Counsel in connection with Blue Sky qualifications of the Registrable Securities and determination of the eligibility of the Registrable Securities for investment under the laws of such jurisdictions as the Holders may designate)), (ii) printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities and of printing or photocopying prospectuses), (iii) messenger, telephone and delivery expenses, (iv) Securities Act liability insurance, if the Company so desires such insurance, (v) fees and expenses of all other Persons retained by the Company in connection with the consummation of the transactions contemplated by this Agreement, including, without limitation, the Company's independent public accountants (including, in the case of an underwritten offering, the expenses of any comfort letters or costs associated with the delivery by independent public accountants of a comfort letter or comfort letters) and legal counsel, and (vi) fees and expenses of the Special Counsel in connection with any Registration Statement hereunder. In addition, the Company shall be responsible for all of its internal expenses incurred in connection with the consummation of the transactions contemplated by this Agreement (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit, and the fees and expenses incurred in connection with the listing of the Registrable Securities on any Exchange as required hereunder.

5. Indemnification.

(a) Indemnification by the Company. The Company shall, notwithstanding any termination of this Agreement, indemnify and hold harmless a Holder, the officers, directors, agents, brokers (including brokers who offer and sell Registrable Securities as principal as a result of a pledge or any failure to perform under a margin call of Common Stock), investment advisors and employees of each Holder, each Person who controls any such Holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, agents and employees of each such controlling Person, to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, liabilities, costs (including, without limitation, costs of preparation and reasonable attorneys' fees) and expenses (collectively, "Losses"), as incurred, arising out of, relating to or based upon any Violation or any of the transactions contemplated by this Agreement or the Transaction Documents. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 5(a) shall not apply to (i) any Losses arising out of or based upon a Violation which occurs in reliance upon and in conformity with information relating to a Holder furnished in writing to the Company by such Holder or an underwriter for such Holder expressly for use in connection with the preparation of any Registration Statement or any such amendment thereof or supplement thereto; (ii) any Losses arising out of or based on any statement or omission in any Prospectus, which statement or omission was corrected in any subsequent Prospectus that was delivered to the Holder prior to the pertinent sale or sales of Registrable Securities by such Holder; and (iii) any Losses arising out of the use by a Holder of an outdated or defective Prospectus after the delivery to the Holder of written notice from the Company that the Prospectus is outdated or defective and prior to the receipt by such Holder of the Advice contemplated in Section 3(m). The Company shall notify the Holder promptly of the institution, threat or assertion of any Proceeding of which the Company is aware in connection with the transactions contemplated by this Agreement or the Transaction Documents. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of an Indemnified Party (as defined in Section 5(c) to this Agreement) and shall survive the transfer or assignment of the Registrable Securities by the Holder.

(b) Indemnification by the Holder. In connection with the Registration Statement, each Holder shall, severally and not jointly, indemnify and hold harmless the Company, its directors, officers, agents and employees, each Person who controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, agents and employees of such controlling Persons, to the fullest extent permitted by applicable law, from and against all Losses, as incurred, arising out of, relating to or based upon any Violation, in each case to the extent, and only to the extent, that such Violation occurs (i) in reliance upon and in conformity with written information furnished to the Company by a holder expressly for use in connection with such Registration Statement or any amendment thereof or supplement thereto, which information was reviewed and approved in writing by such Holder expressly for use in such Registration Statement or any amendment thereof or supplement thereto, or (ii) as a result of or in connection with the use by a Holder of an outdated or defective Prospectus after the delivery to the Holder of written notice from the Company that the Prospectus is outdated or defective and prior to the receipt by such Holder of the Advice contemplated in Section 3(m); provided, however, that the indemnity agreement contained in this Section 5(b) shall not apply to amounts paid in settlement of any Losses if such settlement is effected without the prior written consent of the Holder, which consent shall not be unreasonably withheld. Notwithstanding anything to the contrary contained herein, the Holder shall be liable under this Section 5(b) for only that amount as does not exceed the net proceeds to such Holder as a result of the sale of Registrable Securities pursuant to such Registration Statement.

(c) Conduct of Indemnification Proceedings. If any Proceeding shall be brought or asserted against any Person entitled to indemnity hereunder (an "Indemnified Party"), such Indemnified Party promptly shall notify the Person from whom indemnity is sought (the "Indemnifying Party") in writing, and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all reasonable fees and expenses incurred in connection with defense thereof; provided, that the failure of any Indemnified Party to give such notice shall not relieve the Indemnifying Party of its obligations or liabilities pursuant to this Agreement, except (and only) to the extent that it shall be finally determined by a court of competent jurisdiction (which determination is not subject to appeal or further review) that such failure shall have proximately and materially adversely prejudiced the Indemnifying Party.

An Indemnified Party shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Parties unless: (1) the Indemnifying Party has agreed in writing to pay such fees and expenses; or (2) the Indemnifying Party shall have failed promptly to assume the defense of such Proceeding and to employ counsel reasonably satisfactory to such Indemnified Party in any such Proceeding; or (3) the named parties to any such Proceeding (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party, and such Indemnified Party shall have been advised by counsel in writing (with a copy to the Indemnifying Party) that a conflict of interest is likely to exist if the same counsel were to represent such Indemnified Party and the Indemnifying Party (in which case, if such Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense thereof and such counsel shall be at the reasonable expense of the Indemnifying Party). The Indemnifying Party shall not be liable for any settlement of any such Proceeding effected without its written consent, which consent shall not be unreasonably withheld. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending Proceeding in respect of which any Indemnified Party is a party, unless such settlement includes an unconditional release of

such Indemnified Party from all liability on claims that are the subject matter of such Proceeding and does not impose any monetary or other obligation or restriction on the Indemnified Party.

All reasonable fees and expenses of the Indemnified Party (including reasonable fees and expenses to the extent incurred in connection with investigating or preparing to defend such Proceeding in a manner not inconsistent with this Section 5) shall be paid to the Indemnified Party, as incurred, within ten (10) Business Days of written notice thereof to the Indemnifying Party, which notice shall be delivered no more frequently than on a monthly basis (regardless of whether it is ultimately determined that an Indemnified Party is not entitled to indemnification hereunder; provided, that the Indemnifying Party may require such Indemnified Party to undertake to reimburse all such fees and expenses to the extent it is finally judicially determined that such Indemnified Party is not entitled to indemnification hereunder).

(d) Contribution. If a claim for indemnification under Sections 5(a) or 5(b) is unavailable to an Indemnified Party because of a failure or refusal of a governmental authority to enforce such indemnification in accordance with its terms (by reason of public policy or otherwise), then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include, subject to the limitations set forth in Section 5(c), any reasonable attorneys' or other reasonable fees or expenses incurred by such party in connection with any Proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for in this Section was available to such party in accordance with its terms. Notwithstanding anything to the contrary contained herein, the Holder shall be required to contribute under this Section 5(d) for only that amount as does not exceed the net proceeds to such Holder as a result of the sale of Registrable Securities pursuant to such Registration Statement.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 5(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

The indemnity and contribution agreements contained in this Section are in addition to any liability that the Indemnifying Parties may have to the Indemnified Parties. The indemnity and contribution agreements herein are in addition to and not in diminution or limitation of any indemnification provisions under the Purchase Agreement.

6. Rule 144.

As long as any Holder owns any Common Shares, Preferred Stock or Conversion Shares originally issued to such Holder pursuant to the Transaction Documents, the Company covenants to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to Section 13(a) or 15(d) of the Exchange Act. As long as any Holder owns any Common Shares, Preferred Stock or Conversion Shares originally issued to such Holder pursuant to the Transaction Documents, if the Company is not required to file reports pursuant to Section 13(a) or 15(d) of the Exchange Act, it will prepare and furnish to the Holder and make publicly available in accordance with Rule 144(c) promulgated under the Securities Act annual and quarterly financial statements, together with a discussion and analysis of such financial statements in form and substance substantially similar to those that would otherwise be required to be included in reports required by Section 13(a) or 15(d) of the Exchange Act, as well as any other information required thereby, in the time period that such filings would have been required to have been made under the Exchange Act. The Company further covenants that it will take such further action as any Holder may reasonably request, all to the extent required from time to time to enable such Person to sell Common Shares and Conversion Shares without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 promulgated under the Securities Act. Upon the request of any Holder, the Company shall deliver to such Holder a written certification of a duly authorized officer as to whether it has complied with such requirements.

7. Covenants of Purchaser.

In connection with the Registration Statement, the Purchaser covenants as follows:

(a) Unless and until the Purchaser has provided written notice to the Company to the contrary, all sales of Registrable Securities by the Purchaser shall be made without payment of underwriting discounts or commissions except for the usual and customary commission paid to brokers or dealers.

(b) The Purchaser shall advise the Company of any arrangement with a broker or dealer for the sale of its Registrable Securities through a block trade, special offering, exchange or secondary distribution or a principal purchase by a broker or dealer, and the details of such transaction.

(c) The Purchaser shall comply with all prospectus delivery requirements with respect to sales of the Registrable Securities to the extent required by the Securities Act and other applicable law.

(d) The Purchaser shall report to the Company, upon written request of the Company, whether all Registrable Securities held by the Purchaser have been sold or otherwise transferred.

8. Miscellaneous.

(a) Remedies. In the event of a breach by the Company or by a Holder, of any of their obligations under this Agreement, each Holder or the Company, as the case may be, in addition to being entitled to exercise all rights granted by law and under this Agreement, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. The Company and each Holder agree that monetary damages would not provide adequate compensation for any losses incurred by reason of a breach by either of them of any of the provisions of this Agreement and hereby further agree that, in the event of any action for specific performance in respect of such breach, each of them shall waive the defense that a remedy at law would be adequate.

(b) No Inconsistent Agreements. Except as otherwise disclosed in the Purchase Agreement, neither the Company nor any of its Subsidiaries is a party to an agreement currently in effect, nor shall the Company or any of its Subsidiaries, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. Other than with respect to those registration rights disclosed in the Purchase Agreement and without limiting the generality of the foregoing, without the written consent of the Holders, the Company shall not grant to any Person the right

to request the Company to register any securities of the Company under the Securities Act unless the rights so granted are subject in all respects to the prior rights in full of the Holders set forth herein, and are not otherwise in conflict with the provisions of this Agreement.

(c) Notice of Effectiveness. Within two (2) Business Days after the Registration Statement which includes the Registrable Securities is ordered effective by the Commission, the Company shall deliver, and shall cause legal counsel for the Company to deliver, to the transfer agent for such Registrable Securities (with copies to the Holders whose Registrable Securities are included in such Registration Statement) confirmation that the Registration Statement has been declared effective by the Commission in form and substance reasonably acceptable to the Holders of Registrable Securities.

(d) Piggy-Back Registrations. If the merger between the Company and 2259736 Ontario Inc., a subsidiary of Comamtech Inc., is not consummated, and if at any time when there is not an effective Registration Statement covering all of the Registrable Securities or the Registrable Securities cannot be sold without limitation pursuant to Rule 144, the Company shall determine to prepare and file with the Commission a registration statement relating to an offering for its own account or the account of others under the Securities Act of any of its equity securities, other than on Form S-4 or Form S-8 (each as promulgated under the Securities Act) or its then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with stock option or other employee benefit plans, the Company shall send to the Holder of Registrable Securities written notice of such determination and, if within seven (7) Business Days after receipt of such notice, any such Holder shall so request in writing (which request shall specify the Registrable Securities intended to be disposed of by the Holder), the Company will cause the registration under the Securities Act of all Registrable Securities which the Company has been so requested to register by the Holder (the "Requested Securities"), to the extent required to permit the disposition of the Registrable Securities so to be registered, provided that if at any time after giving written notice of its intention to register any securities and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register or to delay registration of such securities, the Company may, at its election, give written notice of such determination to such Holder and, thereupon, (i) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Securities in connection with such registration (but not from its obligation to pay expenses in accordance with Section 4 hereof), and (ii) in the case of a determination to delay registering, shall be permitted to delay registering any Registrable Securities being registered pursuant to this Section 8(d) for the same period as the delay in registering such other securities. The Company shall include in such registration statement all or any part of such Registrable Securities such Holder requests to be registered; provided, however, that the Company shall not be required to register any Registrable Securities pursuant to this Section 8(d) that are eligible for sale pursuant to Rule 144 of the Securities Act. In the case of an underwritten public offering, if the managing underwriter(s) or underwriter(s) should reasonably object to the inclusion of the Registrable Securities in such registration statement, then if the Company after consultation with the managing underwriter should reasonably determine that the inclusion of such Registrable Securities would materially adversely affect the offering contemplated in such registration statement, and based on such determination recommends inclusion in such registration statement of fewer or none of the Registrable Securities of the Holders, then (x) the number of Registrable Securities of the Holders included in such registration statement shall be reduced pro-rata among such Holders (based upon the number of Registrable Securities requested to be included in the registration), if the Company after consultation with the underwriter(s) recommends the inclusion of fewer Registrable Securities, or (y) none of the Registrable Securities of the Holders shall be included in such registration statement, if the Company after consultation with the underwriter(s) recommends the inclusion of none of such Registrable Securities; provided, however, that if securities are being offered for the account of other persons or entities as well as the Company, such reduction shall not represent a greater fraction of the number of Registrable Securities intended to be offered by the Holders than the fraction of similar reductions imposed on such other persons or entities (other than the Company). If the Commission informs the Company that it will not allow the Registration Statement to cover 100% of the Requested Securities, then the Registration Statement shall cover the highest percentage of such Requested Securities that the Commission will allow.

(e) Specific Enforcement, Consent to Jurisdiction.

(i) The Company and the Holders acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which any of them may be entitled by law or equity.

(ii) Each of the Company and the Holders (i) hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts located in New York City, New York for the purposes of any suit, action or Proceeding arising out of or relating to this Agreement and (ii) hereby waives, and agrees not to assert in any such suit, action or Proceeding, any claim that it is not personally subject to the jurisdiction of such court, that the suit, action or Proceeding is brought in an inconvenient forum or that the venue of the suit, action or Proceeding is improper. Each of the Company and the Holders consents to process being served in any such suit, action or Proceeding by mailing a copy thereof to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing in this Section 8(e) shall affect or limit any right to serve process in any other manner permitted by law.

(f) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the same shall be in writing and signed by the Company and the Holders. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of Holders and that does not directly or indirectly affect the rights of other Holders may be given by Holders of the Registrable Securities to which such waiver or consent relates; provided, however, that the provisions of this sentence may not be amended, modified, or supplemented except in accordance with the provisions of the immediately preceding sentence.

(g) Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earlier of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile telephone number specified for notice prior to 5:00 p.m., New York City time, on a Business Day, (ii) the next Business Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in this Section on a day that is not a Business Day or later than 5:00 p.m., New York City time, on any date and earlier than 11:59 p.m., New York City time, on such date, (iii) the Business Day following the date of mailing, if sent by nationally recognized overnight courier service such as Federal Express or (iv) actual receipt by the party to whom such notice is required to be given. The addresses for such communications shall be with respect to the Holder at its address set forth under its name on Schedule 1 attached hereto, or with respect to the Company, addressed to:

DecisionPoint Systems, Inc.
19655 Descartes
Foothill Ranch, California 92610
Attention: General Counsel
Facsimile No.: (949) 859-3647

With a copy to (which shall not constitute notice):

Sichenzia Ross Friedman Ference LLP
61 Broadway
New York, New York 10006
Attention: Gregory Sichenzia, Esq.

or to such other address or addresses or facsimile number or numbers as any such party may most recently have designated in writing to the other parties hereto by such notice. Copies of notices to any Holder shall be sent to the addresses, if any, listed on Schedule 1 attached hereto.

(h) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns and shall inure to the benefit of each Holder and its successors and assigns; provided, that the Company may not assign this Agreement or any of its rights or obligations hereunder without the prior written consent of each Holder; and provided, further, that each Holder shall be permitted to assign its rights or obligations hereunder in the manner and to the Persons as permitted under the Purchase Agreement.

(i) Assignment of Registration Rights. The rights of each Holder hereunder, including the right to have the Company register for resale Registrable Securities in accordance with the terms of this Agreement, shall be automatically assignable by each Holder to any transferee or assignee of such Holder of all or a portion of the Preferred Stock or the Registrable Securities if: (i) the Holder agrees in writing with the transferee or assignee to assign such rights, and a copy of such agreement is furnished to the Company within a reasonable time after such assignment, (ii) the Company is, within a reasonable time after such transfer or assignment, furnished with written notice of (a) the name and address of such transferee or assignee, and (b) the securities with respect to which such registration rights are being transferred or assigned, (iii) following such transfer or assignment the further disposition of such securities by the transferee or assignees is restricted under the Securities Act and applicable state securities laws, (iv) at or before the time the Company receives the written notice contemplated by clause (ii) of this Section 8(i), the transferee or assignee agrees in writing with the Company to be bound by all of the provisions of this Agreement, and (v) such transfer shall have been made in accordance with the applicable requirements of the Purchase Agreement. The rights to assignment shall apply to the Holders (and to subsequent) successors and assigns.

The Company may require, as a condition of allowing such assignment in connection with a transfer of Preferred Stock or Registrable Securities (i) that the Holder or transferee of all or a portion of the Preferred Stock or the Registrable Securities, as the case may be, furnish to the Company a written opinion of counsel that is reasonably acceptable to the Company to the effect that such transfer may be made without registration under the Securities Act, (ii) that the Holder or transferee execute and deliver to the Company an investment letter in form and substance acceptable to the Company and (iii) that the transferee be an "accredited investor" as defined in Rule 501(a) promulgated under the Securities Act.

(j) Counterparts; Facsimile. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and, all of which taken together shall constitute one and the same Agreement. In the event that any signature is delivered by electronic image or facsimile transmission, such signature shall create a valid binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such electronic image or facsimile signature were the original thereof.

(k) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of law thereof.

(l) Cumulative Remedies. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

(m) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable in any respect, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(n) Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Investor Rights Agreement to be duly executed by their respective authorized persons as of the date first indicated above.

COMPANY:

DECISIONPOINT SYSTEMS, INC.

By: /s/ Nicholas R. Toms
Name: Nicholas R. Toms
Title: CEO

By: /s/ Donald W. Rowley
Name: Donald W. Rowley
Title: CFO

PURCHASER:

SIGMA OPPORTUNITY FUND II, LLC

By: SIGMA CAPITAL ADVISORS, LLC,
as managing member

By: /s/ Thom Waye
Thom Waye, Manager

SIGMA CAPITAL ADVISORS, LLC

By: /s/ Thom Waye
Name: Thom Waye
Title: Manager

[*Investor Rights Agreement Signature Page*]

SCHEDULE 1

PURCHASER

Name and Address	Copy of Notice to:
Sigma Opportunity Fund II, LLC C/O Sigma Capital Advisors, LLC Attn: Thom Waye, Manager 800 Third Avenue, Suite 1701 New York, NY 10022 Fax: 212-937-3558 Email: thomw@sigmacp.com	Kevin Waite, Esq. Moomjian, Waite & Coleman, LLP 100 Jericho Quadrangle, Suite 225 Jericho, New York 11753 Fax: (516) 937-5050 Email: kwaite@mwcllp.com

EXHIBIT A

PLAN OF DISTRIBUTION

We are registering the shares of common stock on behalf of the selling security holders. Sales of shares may be made by selling security holders, including their respective donees, transferees, pledgees or other successors-in-interest directly to purchasers or to or through underwriters, broker-dealers or agents. Sales may be made from time to time on any other exchange or market upon which our shares of common stock may trade in the future, in the over-the-counter market or otherwise, at market prices prevailing at the time of sale, at prices related to market prices, or at negotiated or fixed prices. The shares may be sold by one or more of, or a combination of, the following:

- a block trade in which the broker-dealer so engaged will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction (including crosses in which the same broker acts as agent for both sides of the transaction);
- purchases by a broker-dealer as principal and resale by such broker-dealer, including resales for its account, pursuant to this prospectus;
- ordinary brokerage transactions and transactions in which the broker solicits purchases;
- through options, swaps or derivatives;
- in privately negotiated transactions;
- in making short sales entered into after the date of this prospectus or in transactions to cover such short sales; and
- put or call option transactions relating to the shares.

The selling security holders may effect these transactions by selling shares directly to purchasers or to or through broker-dealers, which may act as agents or principals. These broker-dealers may receive compensation in the form of discounts, concessions or commissions from the selling security holders and/or the purchasers of shares for whom such broker-dealers may act as agents or to whom they sell as principals, or both (which compensation as to a particular broker-dealer might be in excess of customary commissions). The selling security holders have advised us that they have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their securities.

The selling security holders may enter into hedging transactions with broker-dealers or other financial institutions. In connection with those transactions, the broker-dealers or other financial institutions may engage in short sales of the shares or of securities convertible into or exchangeable for the shares in the course of hedging positions they assume with the selling security holders. The selling security holders may also enter into options or other transactions with broker-dealers or other financial institutions which require the delivery of shares offered by this prospectus to those broker-dealers or other financial institutions. The broker-dealer or other financial institution may then resell the shares pursuant to this prospectus (as amended or supplemented, if required by applicable law, to reflect those transactions).

The selling security holders and any broker-dealers that act in connection with the sale of shares may be deemed to be “underwriters” within the meaning of Section 2(11) of the Securities Act of 1933, and any commissions received by broker-dealers or any profit on the resale of the shares sold by them while acting as principals may be deemed to be underwriting discounts or commissions under the Securities Act. The selling security holders may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of the shares against liabilities, including liabilities arising under the Securities Act. We have agreed to indemnify each of the selling security holders and each selling security holder has agreed, severally and not jointly, to indemnify us against some liabilities in connection with the offering of the shares, including liabilities arising under the Securities Act.

The selling security holders will be subject to the prospectus delivery requirements of the Securities Act. We have informed the selling security holders that the anti-manipulative provisions of Regulation M promulgated under the Securities Exchange Act of 1934 may apply to their sales in the market.

Selling security holders also may resell all or a portion of the shares in open market transactions in reliance upon Rule 144 under the Securities Act, provided they meet the criteria and conform to the requirements of Rule 144.

Upon being notified by a selling security holder that a material arrangement has been entered into with a broker-dealer for the sale of shares through a block trade, special offering, exchange distribution or secondary distribution or a purchase by a broker or dealer, we will file a supplement to this prospectus, if required pursuant to Rule 424(b) under the Securities Act, disclosing:

- the name of each such selling security holder and of the participating broker-dealer(s);
- the number of shares involved;
- the initial price at which the shares were sold;
- the commissions paid or discounts or concessions allowed to the broker-dealer(s), where applicable;
- that such broker-dealer(s) did not conduct any investigation to verify the information set out or incorporated by reference in this prospectus; and
- other facts material to the transactions.

In addition, if required under applicable law or the rules or regulations of the Commission, we will file a supplement to this prospectus when a selling security holder notifies us that a donee or pledgee intends to sell more than 500 shares of common stock.

We are paying all expenses and fees in connection with the registration of the shares. The selling security holders will bear all brokerage or underwriting discounts or commissions paid to broker-dealers in connection with the sale of the shares.

Exhibit 99.3

SECURITY AGREEMENT

THIS SECURITY AGREEMENT, dated as of May 18, 2011 (this "Agreement"), made by DecisionPoint Systems, Inc., a Delaware corporation (the "Company"), and each of the Subsidiaries of the Company set forth on **Schedule I** hereto (each a Subsidiary and together with the Company, the "Grantor"), to Sigma Opportunity Fund II, LLC, a Delaware limited liability company, as the initial holder of the Note (the "Holder"). All capitalized terms used herein without definition shall have the respective meanings assigned to such terms in the Note.

W I T N E S S E T H:

WHEREAS, the Company and the Holder are parties to the Note Purchase Agreement pursuant to which, among other things, the Holder shall purchase a Note in the aggregate principal amount of $4,000,000 of the Company upon the terms and subject to the conditions thereof;

WHEREAS, in connection with the issuance of the Note, the Company has agreed to grant to the Holder a security interest in 100% of the assets of the Company and each Subsidiary;

WHEREAS, in connection with the issuance of the Note, each Subsidiary has agreed to execute and deliver to the Holder a Guarantee guaranteeing, among other things, all amounts payable under the Note by the Company to Holder;

WHEREAS, the Subsidiaries have determined that they will derive substantial direct and indirect benefits from the transactions contemplated by the Transaction Documents and therefore entering into this Agreement is in their best interests; and

WHEREAS, it is a condition precedent to the several obligations of the Holder to purchase the Note pursuant to the Note Purchase Agreement that the Company and each Subsidiary shall have executed and delivered this Security Agreement to the Holder.

NOW, THEREFORE, in consideration of the foregoing and to induce the Holder to purchase the Note, the Grantor hereby agrees with the Holder as follows:

1. Definitions.

(a) As used in this Agreement, the terms "Agreement," "Company" and "Grantor" shall have the respective meanings assigned to such terms in the introductory paragraph of this Agreement.

(b) All the agreements or instruments herein defined shall mean such agreements or instruments as the same may from time to time be supplemented or amended or the terms thereof waived or modified to the extent permitted by, and in accordance with, the terms thereof and of this Agreement.

(c) The following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Accounts" shall have the meaning provided in the Code, and in any event shall include all rights to payment for goods sold or leased or for services rendered, whether or not such rights have been earned by performance.

"Affiliate" means, with respect to any Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the subject Person. For purposes of this definition, "control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"Business Day" means any day other than a Saturday, Sunday or a day on which commercial banks in the City of New York are authorized or required by law or executive order to remain closed.

"Chattel Paper" shall have the meaning assigned to such term under the Code.

"Code" means the Uniform Commercial Code as from time to time in effect in the State of New York; *provided, however,* in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of the security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term "Code" shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such attachment, perfection or priority and for purposes of definitions relating to such provisions.

"Collateral" means 100% of the assets of the Grantor, including without limitation, each of the following, whether now existing or hereafter arising:

(i) all Accounts of the Grantor;

(ii) all Inventory of the Grantor;

(iii) all Equipment of the Grantor;

(iv) all Proprietary Information owned or licensed by the Grantor, whether existing on the date hereof or developed or acquired hereafter;

(v) all of the Grantor's right, title and interest in and to all Contracts, Documents, Chattel Paper, Instruments, Investment Property and General Intangibles, whether now existing or hereafter arising;

(vi) all cash proceeds, securities, rights and other property at any time and from time to time received, receivable or otherwise distributed in respect of the Collateral;

(vii) all patents, patent licenses, trademarks, trademark licenses;

(viii) all insurance policies to the extent they relate to items (i) through (vii) above in this definition;

(ix) all books, ledgers, books of account, records, writings, databases, information and other property relating to, used or useful in connection with, evidencing, embodying, incorporating, or referring to any of the foregoing; and

(x) to the extent not otherwise included, all Proceeds, products, rents, issues, profits and returns of and from any and all of the foregoing, which Proceeds may be in the form of Accounts, Chattel Paper, Inventory or otherwise.

"Contracts" shall mean any pending or executory contracts, requests for quotations, invitations or solicitations to bid, agreements, assignments, guarantees, leases and arrangements of which Grantor is a party or to which Grantor has an interest.

"Documents" shall have the meaning assigned to such term under the Code.

"Equipment" shall have the meaning assigned to such term under the Code.

"Event of Default" means:

(i) the failure by the Grantor to perform any Obligation of the Grantor under this Agreement as and when required by this Agreement;

(ii) any representation or warranty made by the Grantor pursuant to this Agreement shall have been untrue when made or deemed to have been made; or

(iii) any Event of Default, as that term is defined in the Note.

"General Intangibles" shall have the meaning assigned to such term under the Code.

"Holder" means the Holder or any holder from time to time of the Note.

"Indemnified Person" shall have the meaning provided in Section 5(i).

"Instrument" shall have the meaning assigned to such term under the Code.

"Inventory" shall have the meaning assigned to such term under the Code, and in any event shall include all raw material, work-in process and finished goods, inventory, merchandise, goods and other personal property that are held by or on behalf of a Person for sale or lease or to be furnished under a contract of service or which give rise to any Account, including returned goods.

"Investment Property" shall have the meaning assigned to such term under the Code.

"Lien" shall mean any lien, mortgage, security interest, chattel mortgage, pledge or other encumbrance (statutory or otherwise) of any kind securing satisfaction or performance of an obligation, including any agreement to give any of the foregoing, any conditional sales or other title retention agreement, any lease in the nature thereof, and the filing of or the agreement to give any financing statement under the Code of any jurisdiction or similar evidence of any encumbrance, whether within or outside the United States.

"Note" means the Senior Subordinated Secured Note issued by the Company pursuant to the Note Purchase Agreement.

"Note Purchase Agreement" means the Note Purchase Agreement, dated as of May 18, 2011, by and between the Company and the Holder pursuant to which, among other things, the Company issued the Note.

"Obligations" means:

(i) the full and prompt payment when due of all obligations and liabilities to the Holder, whether now existing or hereafter arising, under the Note, or this Agreement and the due performance and compliance with the terms of the Note and the this Agreement;

(ii) any and all sums advanced by the Holder in order to preserve the Collateral or to preserve the Holder's security interest in the Collateral;

(iii) in the event of any proceeding for the collection or enforcement of any obligations or liabilities of the Grantor referred to in the immediately preceding clauses (i) and (ii) in accordance with the terms of the Note and this Agreement, the reasonable expenses of re-taking, holding, preparing for sale, selling or otherwise disposing of or realizing on the Collateral, or of any other exercise by the Holder of its rights hereunder, together with reasonable attorneys' fees and court costs; and

(iv) any amounts for which the Holder is entitled to indemnification under Section 5(i).

"Person" means any natural person, corporation, partnership, limited liability company, trust, incorporated organization, unincorporated association or similar entity or any government, governmental agency or political subdivision.

"Proceeds" shall have the meaning assigned to such term under the Code.

"Proprietary Information" means information generally unavailable to the public that has been created, discovered, developed or otherwise become known to the Grantor or in which property rights have been assigned or otherwise conveyed to the Grantor, which information has economic value or potential economic value to the business in which the Grantor is engaged. Proprietary Information shall include, but not be limited to, trade secrets, processes, formulas, writings data, software know-how, negative know-how, improvements, discoveries, developments, designs, inventions, techniques, technical data, customer and supplier lists, financial information, business plans or projections and modifications or enhancements to any of the above. Proprietary Information shall include all information existing on the date hereof and all information developed or acquired hereafter.

"Security Interest" means the security interest granted in the Collateral pursuant to this Agreement.

"Subsidiary" means any corporation or other entity of which a majority of the capital stock or other ownership interests having ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions are at the time directly or indirectly owned by the Company, including each Subsidiary set forth on Schedule I.

"SVB Loans" means the Company's existing $10 million line of credit and $3 million term loan with Silicon Valley Bank.

"Transaction Documents" means the Note Purchase Agreement, this Agreement, and the other agreements, instruments and documents contemplated hereby and thereby.

2. Grant of Security Interest. As collateral security for the prompt and complete payment and performance of the Obligations and for the other purposes provided in this Agreement, the Grantor hereby grants to the Holder a security interest in all of the Collateral, provided, however, the Holder's security interest in the Collateral and any rights Holder may have pursuant to this Agreement are junior and subordinate to the rights of the Silicon Valley Bank in connection with its loans to the Company as set forth in the Subordination Agreement, dated May 18, 2011, between the Holder and Silicon Valley Bank.

3. Rights of Holder; Limitations on Holder's Obligations.

(a) Grantor Remains Liable under Accounts and Contracts. Anything herein to the contrary notwithstanding, the Grantor shall remain liable under each of the Accounts and Contracts that constitute part of the Collateral to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise to each such Account and in accordance with and pursuant to the terms and provisions of each such Contract. The Holder shall not have any obligation or liability under any Account that constitutes part of the Collateral (or any agreement giving rise thereto) or under any Contract that constitutes part of the Collateral by reason of or arising out of this Agreement or the receipt by the Holder of any payment relating to such Account or Contract pursuant hereto, nor shall the Holder be obligated in any manner to perform any of the obligations of the Grantor under or pursuant to any such Account (or any agreement giving rise thereto) or under or pursuant to any such Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any such Account (or any agreement giving rise thereto) or under any such Contract, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(b) Notice to Account Debtors and Contracting Parties. Upon the direction of the Holder given at any time that an Event of Default has occurred and is continuing, the Grantor shall promptly, but in no event later than five (5) Business Days, after such direction is given, notify all the account debtors on the Accounts that constitute part of the Collateral and parties to the Contracts that constitute part of the Collateral that such Accounts and such Contracts have been assigned to the Holder and that payments in respect thereof shall be made directly to the Holder or as the Holder shall direct.

(c) Verification and Analysis of Accounts. (i) If the Holder shall have directed the Grantor to notify the account debtors on the Accounts and parties to the Contracts in accordance with Section 3(b), the Holder shall have the right in its own name or in the name of others to communicate with account debtors on the Accounts that constitute part of the Collateral and parties to the Contracts that constitute part of the Collateral to verify with them to its satisfaction the existence, amount and terms of any such Accounts or Contracts and to make test verifications of such Accounts in any manner and through any medium that it considers advisable, and the Grantor shall furnish all such assistance and information as the Holder may require in connection therewith.

(ii) At any time and from time to time, upon the Holder's request and at the expense of the Grantor, the Grantor shall promptly, but in no event later than five (5) Business Days after such request, furnish to the Holder reports showing reconciliations, aging and test verifications of, and trial balances for, such Accounts.

(iii) At any time that an Event of Default has occurred and is continuing or the Holder has reasonably determined that the reports furnished to the Holder by the Grantor do not adequately represent the state of the Accounts in all material respects, upon the request of the Holder, the Grantor shall promptly, but in no event later than five (5) Business Days after such request, cause independent public accountants or others satisfactory to the Holder to furnish to the Holder reports showing reconciliations, aging and test verifications of, and trial balances for, such Accounts.

4. Representations and Warranties. The Grantor hereby represents and warrants that:

(a) Title; No Other Liens. Except for the Lien granted to the Holder pursuant to this Agreement and the Lien granted to Silicon Valley Bank in connection with the SVB Loans, the Grantor owns and has good and marketable title to each item of the Collateral free and clear of any and all Liens or claims of others. No security agreement, financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as may have been filed in favor of the Holder pursuant to this Agreement or in favor of Silicon Valley Bank in connection with the SVB Loans.

(b) Subsidiaries. The Company owns, directly or indirectly, all of the issued and outstanding shares of capital stock or equity interests of the Subsidiaries set forth on **Schedule I**, free and clear of all Liens other than the Lien held by Silicon Valley Bank in connection with the SVB Loans. Neither the Company nor the Subsidiaries owns, directly or indirectly, any equity interest in any other Person. There are no authorized or outstanding options, warrants, calls, subscriptions or other rights with respect to which the Subsidiaries may be obligated to issue or sell any shares of capital stock or equity interests or any other securities of any Subsidiary. The issued and outstanding shares of capital stock of each respective Subsidiary are duly authorized, validly issued, fully paid and nonassessable and none of them was issued in violation of any preemptive right.

(c) Perfected Liens. Upon the completion of all the filings or notices listed in **Schedule II** hereto, the Liens granted pursuant to this Agreement will constitute perfected Liens on all Collateral in favor of the Holder, which are prior to all other Liens on such Collateral and which are enforceable as such against all Persons other than the Lien held by Silicon Valley Bank in connection with the SVB Loans.

(d) Accounts. No amount payable to the Grantor under or in connection with any Account that constitutes part of the Collateral is evidenced by any Instrument (other than checks in the ordinary course of business) or Chattel Paper which has not been delivered to the Holder. The place where the Grantor keeps its books and records concerning the Accounts that constitute part of the Collateral is set forth on **Schedule III** hereto.

(e) Consents under Contracts. No consent (other than consents that have been obtained) of any party (other than the Grantor), to any Contract that constitutes part of the Collateral is required, or purports to be required, in connection with the execution, delivery and performance of this Agreement or the exercise of the Holder's rights and remedies provided herein or at law.

(f) Inventory. None of the Grantor’s property at the date of this Agreement constitutes Inventory.

(g) Chief Executive Office. The Grantor's chief executive office and chief place of business is located at 19655 Descartes, Foothill Ranch, CA 92610-2609.

(h) Power and Authority. The Grantor has full power, authority and legal right to grant the Holder the Lien on the Collateral pursuant to this Agreement.

(i) Approvals, Filings, Etc. No authorization, approval or consent of, or filing, registration, recording or other action with, any United States or foreign court, governmental body, regulatory agency, self-regulatory organization, or stock exchange or market, the stockholders of the Grantor or any other Person, is required to be obtained or made by the Grantor (x) for the grant by the Grantor of the Lien on the Collateral pursuant to this Agreement or (y) to perfect the Lien purported to be created by this Agreement, in each case except as has been obtained or made and except with respect to clause (iv) of the definition of Collateral, or (z) for the exercise of the Holder's rights and remedies provided herein or at law.

5. Covenants. The Grantor covenants and agrees with the Holder that from and after the date of this Agreement until the payment or performance in full by the Grantor of all of the Obligations:

(a) Further Documentation; Pledge of Instruments and Chattel Paper. At any time and from time to time, upon the written request of the Holder, and at the sole expense of the Grantor, the Grantor shall promptly and duly execute and deliver such further instruments and documents and take such further action as the Holder may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, (i) the filing of any financing or continuation statements under the Code or similar laws in effect in any such jurisdiction with respect to the Liens created hereby and (ii) providing to the Grantor such documents or instruments as shall be necessary or desirable for the exercise by the Holder or its designee on behalf of the Grantor of any and all rights relating to the Collateral. The Grantor also hereby authorizes the Holder to file any such financing or continuation statement without the signature of the Grantor to the extent permitted by applicable law. A carbon, photographic or other reproduction of this Agreement shall be sufficient as a financing statement for filing in any jurisdiction to the extent permitted by applicable law. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument or Chattel Paper, such Instrument or Chattel Paper shall be immediately delivered to the Holder, duly endorsed in a manner satisfactory to the Holder, to be held as Collateral pursuant to this Agreement.

(b) Maintenance of Records. The Grantor shall keep and maintain at its own cost and expense satisfactory and complete records of the Collateral, including, without limitation, a record of all payments received and all credits granted with respect to the Accounts that constitute part of the Collateral. For the further security of the Holder, the Grantor hereby grants to the Holder a security interest in all of the Grantor's books and records pertaining to the Collateral, and the Grantor shall turn over any such books and records for inspection at the office of the Grantor to the Holder or to its representatives during normal business hours at the request of the Holder.

(c) Limitation on Liens on Collateral. Other than with respect to Permitted Liens as defined in the Notes, the Grantor shall not create, incur or permit to exist any Lien or claim on or to the Collateral, other than the Liens created hereby. The Grantor (x) shall defend the Collateral against, and shall take such other commercially reasonable action as is necessary to remove, any Lien or claim on or to the Collateral, other than the Liens created hereby and other than with respect to Permitted Liens as defined in the Notes ("Permitted Liens"), and (y) shall defend the right, title and interest of the Holder in and to any of the Collateral against the claims and demands of all Persons.

(d) Limitations on Dispositions of Collateral. The Grantor shall not sell, transfer, lease, assign or otherwise dispose of any of the Collateral to any Person, including, without limitation, any Subsidiary or Affiliate of the Grantor, or attempt, offer or contract to do so except for (x) sales of Inventory, (y) the collection and use of cash proceeds and (z) the granting to customers of non-exclusive, non transferable licenses to use any computer software products or other intellectual property rights of the Grantor, in each such case in the immediately preceding clauses (x), (y) and (z) in the ordinary course of its business.

(e) Performance of Contracts and Agreements Giving Rise to Accounts. The Grantor shall (i) exercise promptly and diligently each and every material right and perform each material obligation which it may have under each Contract that constitutes part of the Collateral and each agreement giving rise to an Account that constitutes part of the Collateral (other than any right of termination) and (ii) deliver to the Holder, upon request, a copy of each material demand, notice or document received by it relating in any way to any Contract that constitutes part of the Collateral or any agreement giving rise to an Account that constitutes part of the Collateral. The Grantor shall not amend or modify the terms of, or waive any rights under, any Contracts, in a manner which would materially adversely affect the Security Interest or the value of such Contracts.

(f) Further Identification of Collateral. The Grantor shall furnish to the Holder from time to time, upon the request of the Holder, statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Holder may reasonably request, all in reasonable detail.

(g) Notices. The Grantor shall advise the Holder within two (2) Business Days of the occurrence thereof, in reasonable detail, at its address in accordance with Section 16, (i) of any Lien (other than Liens permitted hereunder) on, or claim asserted against, any of the Collateral and (ii) of any Event of Default or any event which, with notice or the lapse of time, or both, would become an Event of Default.

(h) Changes in Locations, Name, Etc. The Grantor shall not

(i) change the location of its chief executive office/chief place of business from that specified in Section 4(g) or remove its books and records from the location specified in Section 4(d),

(ii) change its name, identity or corporate structure to such an extent that any financing statement filed by the Holder in connection with this Agreement would become misleading, or

(iii) if at any time after the date of this Agreement any item of Inventory constitutes Collateral, change the location at which it is kept from the locations specified to the Holder,

unless in any such case it shall have given the Holder at least fifteen (15) days prior written notice thereof and, prior to such action or event, shall have taken appropriate action satisfactory to the Holder to preserve and protect the Holder's Security Interest under this Agreement.

(i) Indemnification. The Grantor agrees to indemnify and hold harmless the Holder and its officers, directors, Affiliates, agents, Subsidiaries, and investment advisors (each, an "Indemnified Person") from and against any and all claims, demands, losses, judgments and liabilities (including liabilities for penalties) of whatsoever kind or nature, and to reimburse the Holder for all costs and expenses, including reasonable attorneys' fees and expenses, arising out of or resulting from this Agreement, including any breach hereof or Event of Default hereunder, or the exercise by the Holder of any right or remedy granted to it hereunder or under the other Transaction Documents under applicable law; *provided, however,* that the Grantor shall not be required to indemnify a particular Indemnified Person to the extent any claim, demand, loss, judgment, liability, cost or expense is determined by final judgment (not subject to further appeal) of a court of competent jurisdiction to have arisen primarily from the gross negligence or willful misconduct of such Indemnified Person. In no event shall any Indemnified Person other than the Holder have any liability or obligation to the Grantor under this Agreement or applicable law (liability under which the Grantor hereby waives) for any matter or thing in connection with this Agreement, and in no event shall the Holder be liable,

in the absence of a determination of gross negligence or willful misconduct on its part by final judgment (not subject to further appeal) of a court of competent jurisdiction, for any matter or thing in connection with this Agreement other than to account for moneys actually received by it in accordance with the terms hereof. If and to the extent that the obligations of the Grantor under this Section 5(i) are unenforceable for any reason, the Grantor hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law. In any suit, proceeding or action brought by the Holder under any Account or Contract that constitutes part of the Collateral for any sum owing thereunder, or to enforce any provisions of any such Account or Contract, the Grantor shall save, indemnify and keep the Holder harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction or liability whatsoever of the account debtor or obligor thereunder, arising out of a breach by the Grantor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such account debtor or obligor or its successors from the Grantor.

6. Holder's Powers.

(a) Powers. The Grantor hereby irrevocably constitutes and appoints the Holder and any officer, director, managing member or agent thereof or investment advisor thereto, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Grantor and in the name of the Grantor or in its own name, from time to time in the Holder's reasonable discretion, during any period in which an Event of Default is continuing, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, the Grantor hereby gives the Holder and its officers, directors, managing members, agents and investment advisors the power and right, on behalf of the Grantor, without notice to or assent by the Grantor, except any notice required by law, to do the following:

(i) to take possession of and endorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under or with respect to any Collateral and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Holder for the purpose of collecting any and all such moneys due under or with respect to any such Collateral whenever payable, in each case in the name of the Grantor or its own name, or otherwise;

(ii) to pay or discharge taxes and Liens (other than Permitted Liens) levied or placed on or threatened against the Collateral and to pay all or any part of the premiums therefor and the costs thereof; and

(iii) (A) to direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Holder or as the Holder shall direct; (B) to ask or demand for, collect, receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (C) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (D) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any thereof and to enforce any other right in respect of any Collateral; (E) to defend any suit, action or proceeding brought against the Grantor with respect to any Collateral, except that the Grantor may participate in the defense of any such suit, action or proceeding; (F) to settle, compromise or adjust any suit, action or proceeding described in clause (E) above and, in connection therewith, to give such discharges or releases as the Holder may deem appropriate; and (G) generally, to sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Holder was the absolute owner thereof for all purposes, and to do, at the Holder's option and the Grantor's expense, at any time, or from time to time, all acts and things which the Holder deems necessary to protect, preserve or realize upon the Collateral and the Holder's Liens thereon and to effect the intent of this Agreement, all as fully and effectively as the Grantor might do.

The Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable until the Grantor shall have paid and performed in full all of its Obligations under the Transaction Documents.

(b) Other Powers. The Grantor also authorizes the Holder, from time to time during any period in which an Event of Default is continuing, in connection with the sale provided for herein, to execute and deliver any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

(c) No Duty on Holder's Part. The powers conferred on the Holder hereunder are solely to protect the Holder's interests in the Collateral and shall not impose any duty upon the Holder to exercise any such powers. The Holder shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents shall be responsible to the Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

7. Performance by Holder of Grantor's Obligations. If the Grantor fails to perform or comply with any of its agreements contained herein and the Holder, as provided for by the terms of this Agreement and following reasonable notice to the Grantor, shall itself perform or comply, or otherwise cause performance or compliance, with such agreement, the expenses of the Holder incurred in connection with such performance or compliance shall be payable by the Grantor to the Holder on demand and shall constitute Obligations secured hereby.

8. Remedies in General. If an Event of Default has occurred and is continuing the Holder may exercise, in addition to all other rights and remedies granted to it in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the Code. Without limiting the generality of the foregoing, if an Event of Default has occurred and is continuing, the Holder, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below or expressly provided for) to or upon the Grantor or any other Person

(all and each of which demands, defenses, advertisements and notices are, to the extent permitted by applicable law, hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, license, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), at public or private sale or sales, at any exchange, broker's board or office of the Holder or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Holder shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in the Grantor, which right or equity is hereby waived, to the extent permitted by applicable law, or released.

The Grantor further agrees that, if an Event of Default has occurred and is continuing, at the Holder's request, the Grantor shall assemble the Collateral and make it available to the Holder at places which the Holder shall reasonably select, whether at the Grantor's premises or elsewhere. The Holder shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Holder hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Obligations, in such order as the Holder may elect, and only after such application and after the payment by the Holder of any other amount required by any provision of law, need the Holder account for the surplus, if any, to the Grantor. To the extent permitted by applicable law, the Grantor waives all claims, damages and demands it may acquire against the Holder arising out of the exercise by it of any rights hereunder, *provided,* that nothing contained in this Section 8 shall relieve the Holder from liability arising solely from its gross negligence or willful misconduct. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least ten days before such sale or other disposition. The Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Obligations and the fees and disbursements of any attorneys employed by the Holder to collect such deficiency.

9. Limitation on Duties Regarding Preservation of Collateral. The Holder's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under the Code or otherwise, shall be to deal with it in the same manner as the Holder deals with similar property for its own account. Neither the Holder nor any of its directors, officers, members, employees or agents shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of the Grantor or otherwise.

10. Powers Coupled with an Interest. All authorizations and agencies herein contained with respect to the Collateral are irrevocable and powers coupled with an interest until the Grantor has paid and performed in full all of its Obligations under the Transaction Documents.

11. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

12. Paragraph Headings, Captions, Etc. The paragraph headings, the captions and the footers used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

13. No Waiver; Cumulative Remedies. The Holder shall not by any act, delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Holder, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Holder of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Holder would otherwise have on any future occasion. The rights and remedies herein and in the Note and the other Transaction Documents are cumulative, may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by law or in equity or by statute.

14. Waivers and Amendments; Successors and Assigns. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by the party to be charged with enforcement. This Agreement shall be binding upon the successors and permitted assigns of the Grantor and shall inure to the benefit of the Holder and its successors and assigns. The Grantor may not assign its rights or obligations under this Agreement without the prior written consent of the Holder.

15. Termination of Security Interest; Release of Collateral.

(a) Upon the payment and/or satisfaction of the Obligations, including by conversion to Preferred Stock, all right, title and interest of the Holder in and to the Collateral, including the Security Interest, pursuant to this Agreement shall terminate and all rights to the Collateral shall revert to the Grantor and the Holder shall immediately return to the Grantor any Collateral it has in its possession or control.

(b) Upon any such termination of the Security Interest, the Holder shall, at the expense of the Grantor, execute and deliver to the Grantor such documents and take such other actions as the Grantor shall reasonably request to evidence the termination of the Security Interest and deliver to the Grantor all Collateral so released then in its possession.

16. Notices. Except as otherwise specifically provided herein, any notice required or permitted to be given under the terms of this Agreement shall be given in writing and shall be deemed effectively given upon personal delivery to the party to be notified or five days after deposit with the United States Postal Service, by registered or certified mail, postage prepaid to the party to be notified at such party's address indicated in this Section 16 or at such other address as such party may designate by ten days' advance written notice to the other parties. Notices in writing shall also be deemed effectively given upon delivery by an overnight courier, or upon transmission by facsimile, except that the time at which the notice is given will be the time at which confirmation of receipt is generated by the receiving facsimile machine. In the case of any notice to the Grantor, such notice shall be addressed to the Company at 19655 Descartes, Foothill Ranch, CA 92610-2609 (facsimile transmission number: (949) 215-9642)), with a copy to (which shall not constitute notice) Sichenzia Ross Friedman Ference LLP 61 Broadway New York, New York 10006 attention Gregory Sichenzia, Esq., and in the case of any notice to the Holder, such notice shall be addressed to the Holder at 800 Third Avenue, New York, New York 10022 (facsimile transmission number: (212) 930-9725)).

17. Fees and Expenses. The Grantor agrees to pay the reasonable fees of the Holder in performing its services under this Agreement and all expenses (including but not limited to reasonable attorneys' fees and costs for legal services, costs of insurance and payments of taxes or other charges) of, or incidental to, the custody, care, sale or realization on any of the Collateral or in any way relating to the performance of the obligations or the enforcement or protection of the rights of the Holder hereunder.

18. Survival. All representations, warranties, covenants and agreements of the Grantor and of the Holder contained herein shall survive the execution and delivery hereof and shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Holder or the Grantor or any Person who controls the Holder of the Grantor. All representatives, warranties, covenants and agreements of the Grantor herein shall terminate upon release of all of the Collateral pursuant to Section 15; *provided, however,* that notwithstanding the foregoing (a) the provisions of Section 5(i) shall survive such release of all the Collateral and (b) if following the release of the Collateral pursuant hereto, the Holder is required or ordered to return, forfeit or repay any payment received in connection with the Obligations at any time within two years following such release of all of the Collateral pursuant hereto, then all of such representations, warranties, covenants, agreements of the Grantor contained in this Agreement shall be revived and the Holder shall be entitled to assert all rights and remedies available to it under this Agreement, at law, in equity or otherwise as if such representations, warranties, covenants and agreements shall not have terminated.

19. Grantor's Obligations Absolute, Etc. The Obligations of the Grantor under this Agreement shall be absolute and unconditional and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, including, without limitation: (a) any renewal, extension, amendment or modification of or addition or supplement to or deletion from any of the Transaction Documents or any other agreement or instrument referred to therein, or any assignment or transfer of any thereof; (b) any waiver, consent, extension, indulgence or other action or inaction under or in respect of any such Transaction Document or other agreement or instrument; (c) any furnishing of any additional security to the Holder or its assignees or any acceptance thereof or any release of any security by the Holder or its assignees; (d) any limitation on any party's liability or obligations under any such Transaction Document or other agreement or instrument or any invalidity or unenforceability, in whole or in part, of any such Transaction Document or other agreement or instrument or any term thereof; or (e) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to the Grantor, or any action taken with respect to this Agreement by any trustee or receiver, or by any court, in any such proceeding, whether or not the Grantor shall have notice or knowledge of any of the foregoing.

20. ***Integration.*** This Agreement represents the entire agreement of the Grantor and the Holder with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the parties relative to the subject matter hereof not expressly set forth or referred to herein or therein.

21. ***Governing Law.*** This Agreement and the rights and obligations of the Grantor under this Agreement shall be governed by, and construed and interpreted in accordance with, the law of the State of New York, except to the extent that under the New York Uniform Commercial Code the laws of another jurisdiction govern matters of perfection and the effect of perfection or non-perfection of any security interest granted hereunder.

22. ***Counterparts; Execution.*** This Agreement may be executed in any number of counterparts and by the parties hereto on separate counterparts, but all the counterparts taken together shall be deemed to constitute one and the same instrument. This Agreement, once executed by a party, may be delivered to the other party hereto by electronic or facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Grantor and the Holder have caused this Agreement to be duly executed and delivered by their respective officers or other representatives thereunto duly authorized as of the date first above written.

DECISIONPOINT SYSTEMS, INC.

By: /s/ Nicholas R. Toms
Name: Nicholas R. Toms
Title: CEO

DECISIONPOINT SYSTEMS GROUP, INC.

By: /s/ Nicholas R. Toms
Name: Nicholas R. Toms
Title: CEO

DECISIONPOINT SYSTEMS CA, INC.

By: /s/ Nicholas R. Toms
Name: Nicholas R. Toms
Title: CEO

DECISIONPOINT SYSTEMS CT, INC.

By: /s/ Nicholas R. Toms
Name: Nicholas R. Toms
Title: CEO

CMAC, INC.

By: /s/ Donald W. Rowley
Name: Donald W. Rowley
Title: CFO

SIGMA OPPORTUNITY FUND II, LLC
By: Sigma Capital Advisors, managing member

By: /s/ Thom Waye
Name: Thom Waye
Title: Manager

[Signature Page to Security Agreement]

SCHEDULE I

Subsidiaries of the Company

DecisionPoint Systems Group, Inc.

DecisionPoint Systems CA, Inc.

DecisionPoint Systems CT, Inc.

CMAC, Inc.

SCHEDULE II

Filings Required to Perfect Security Interest

UCC-1 Financing Statements filed by Sigma Opportunity Fund II, LLP, as secured party, against the Company and each Subsidiary, as debtors, in the following states:

Delaware
California
Connecticut
Georgia

SCHEDULE III

Location of Records Concerning Accounts

19655 Descartes
Foothill Ranch, CA 92610

4 Armstrong Court
Shelton, CT 06484-6125

11625 Rainwater Drive, Suite 250
Alpharetta, GA 30009-8671

1001 Lincoln Blvd., Suite C
Middlesex, NJ 08846

3619 Kennedy Road
South Plainfield, NJ 07080

Exhibit 99.4

GUARANTEE

The undersigned hereby irrevocably and unconditionally guarantees, as a primary obligor and not merely as a surety, to Sigma Opportunity Fund II, LLC ("Buyer"), its successors and assigns, the full and prompt payment of all amounts owing under the Senior Subordinated Secured Note (the "Note") and any and all other sums and charges payable by Decisionpoint Systems, Inc. (the "Company") to Buyer pursuant to the Transaction Documents, and the full performance and observance of all of the covenants, terms, conditions and agreements to be performed and observed by the Company pursuant to the terms of the Transaction Documents.

This Guaranty is an absolute and unconditional guaranty of payment and performance. It shall be enforceable against the undersigned without the necessity of any suit or proceeding on the part of Buyer against the Company or any other party. Notwithstanding anything to the contrary herein the rights granted to the Buyer pursuant to this Guarantee are junior and subordinate to the rights of the Silicon Valley Bank in connection with its loans to the Company in accordance with the terms of the Subordination Agreement, dated May 18, 2011, between Buyer and Silicon Valley Bank.

The undersigned waives any necessity of notice of nonpayment, nonperformance or nonobservance by the Company of any term or provision of any of the Transaction Documents. This Guaranty shall not be discharged by reason of any assignment or modification of the Transaction Documents or by any waiver or forbearance of the Buyer of any of the terms of the Transaction Documents, the notice of all of which the undersigned hereby waives.

The undersigned acknowledges that it will receive substantial direct and indirect benefits from the transactions contemplated by the Transaction Documents and that execution and delivery of this Guarantee is a condition to the obligation of Buyer to consummate the transactions contemplated by the Transaction Documents. The undersigned represents and warrants to Buyer that it has all right, power and authority to enter into this Guarantee and perform its obligations hereunder and that this Guarantee constitutes the legal, valid and binding obligation of the undersigned, enforceable in accordance with its terms.

Capitalized terms used herein without definition are used as defined in the Note Purchase Agreement, dated May 18, 2011, between DecisionPoint Systems, Inc. and Sigma Opportunity Fund II, LLC.

Dated: May 18, 2011

By: _____
Name:
Title:

By: _____
Name
Title

Accepted and Agreed:

SIGMA OPPORTUNITY FUND II, LLC

By:
Name:
Title:

Exhibit 99.5

ADVISORY SERVICES AGREEMENT

THIS ADVISORY SERVICES AGREEMENT (this "Agreement") is made as of May 18, 2011 (the "Effective Date") by and between Sigma Capital Advisors, LLC, a Delaware limited liability company (the "Service Provider"), and DecisionPoint Systems, Inc., a Delaware corporation (the "Company").

WITNESSETH:

WHEREAS, on May 18, 2011, the Company entered into a Note Purchase Agreement (the "Purchase Agreement") with Sigma Opportunity Fund II, LLC (the "Purchaser") pursuant to which the Purchaser purchased certain securities of the Company upon the terms and subject to the conditions thereof;

WHEREAS, it is a condition to the Purchase Agreement that the Company enter into this Agreement with Service Provider;

WHEREAS, Service Provider, by and through its officers, employees, agents, representatives and affiliates, has expertise in the areas of corporate management, finance, product strategy, investment, acquisitions, governance and other matters relating to the business of the Company;

WHEREAS, the Company desires to avail itself of the expertise of Service Provider in the aforesaid areas.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, the parties agree as follows:

1. DEFINITIONS. Capitalized terms used but not defined herein shall have the respective meanings assigned to such terms in the Purchase Agreement.

2. APPOINTMENT. The Company hereby engages Service Provider, and Service Provider hereby agrees under the terms and conditions set forth herein, to provide certain Services to the Company and its Subsidiaries as described in Section 4 hereof.

3. TERM. The term of the Agreement (the "Term") shall commence on the Effective Date and shall continue until such time as the Purchaser or any of its affiliates or any successor thereto no longer holds any securities of the Company or its affiliates or any successor thereto. The provisions of Sections 6(c), 7 and 9 shall survive termination of this Agreement.

4. DUTIES OF THE SERVICE PROVIDER. The Service Provider shall provide the Company and its Subsidiaries with business, finance and organizational strategy, advisory, consulting and other services (collectively, the "Services") related to the business of the Company and its Subsidiaries. The Services will be provided at such times and places as may reasonably be determined from time to time by the Service Provider.

5. POWER OF THE SERVICE PROVIDER. So that they may properly perform their duties hereunder, the Service Provider shall, subject to Section 8 hereof, have the authority and power to do all things necessary and proper to carry out the duties set forth in Section 4 hereof.

6. COMPENSATION; EXPENSES.

(a) In consideration of the performance of the Services, on the Effective Date the Company shall pay to Service Provider an amount equal to $150,000 in cash. In the event that the Merger (as defined in the Note) is not consummated by August 31, 2011, the Company shall issue to Service Provider 200,000 shares of Common Stock. In the event that the Merger is consummated prior to August 31, 2011, the Company shall pay to Service Provider an additional $80,000 in cash.

(b) Expense reimbursement relating to jointly agreed upon activities Service Provider undertakes on behalf of the Company shall be itemized and shall not exceed $15,000 annually without the Company's approval.

(c) Service Provider may from time to time introduce the Company to potential M&A, joint venture, financing or other business opportunities. In consideration therefor, the Company will pay to Service Provider at the time of closing of any such transaction a cash finders' fee equal to 3% of the aggregate consideration received by the Company in any such transaction, including cash, equity securities, debt securities, and any other form of payment made or obligation assumed or retired. Any non-cash form of consideration shall be deemed to have a value equal to its fair market value at the time of closing as mutually agreed by the parties hereto. If at the time of Service Provider's introduction, the Company has a pre-existing relationship or is already engaged in active discussions with the Service Provider introduced entity, then the finders' fee shall not apply.

7. INDEMNIFICATION.

(a) In the event that Service Provider or any of its affiliates, principals, managers, partners, directors, stockholders, employees, agents and representatives (collectively, the "Service Provider Indemnified Parties") becomes involved in any capacity in any action, proceeding or investigation in connection with any matter referred to in or contemplated by this Agreement, or in connection with the Services, the Company will indemnify and hold harmless the Service Provider Indemnified Parties from and against any actual or threatened claims, lawsuits, actions or liabilities (including out-of-pocket expenses and the fees and expenses of counsel and other litigation costs and the cost of any preparation or investigation) of any kind or nature, arising as a result of or in connection with this Agreement or the Services, activities and decisions hereunder, and will periodically reimburse Service Provider Indemnified Parties for their expenses as described above, except that the Company will not be obligated to so indemnify any Service Provider Indemnified Party if, and to the extent that, such claims, lawsuits, actions or liabilities against such Service Provider Indemnified Party directly result from the gross negligence or willful misconduct of such Service Provider Indemnified Party as admitted in any settlement by such Service Provider Indemnified Party or held in any final, non-appealable judicial or administrative decision. In connection with such indemnification, the Company will promptly remit or pay to Service Provider Indemnified Party any amounts which the Service Provider Indemnified Party certifies to the Company in writing are payable to Service Provider Indemnified Party hereunder. The reimbursement and indemnity obligations of the Company under this Section 7(a) shall be in addition to any liability which the Company may otherwise have, shall extend upon the same terms and conditions to any Service Provider Indemnified Party and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Company and each Service Provider Indemnified Party.

(b) In the event that the Company or any of its affiliates, principals, partners, directors, stockholders, employees, agents and representatives (collectively, the "Company Indemnified Parties") becomes involved in any capacity in any action, proceeding or investigation in connection with any matter referred to in or contemplated by this Agreement, or in connection with the Services, the Service Provider will indemnify and hold harmless the Company Indemnified Parties from and against any actual or threatened claims, lawsuits, actions or liabilities (including out-of-pocket expenses and the fees and expenses of counsel and other litigation costs and the cost of any preparation or investigation) of any kind or nature, arising as a result of the gross negligence or willful misconduct of Service Provider, and will periodically reimburse Company Indemnified Parties for their expenses as described above. In connection with such indemnification, the Service Provider will promptly remit or pay to Company Indemnified Party any amounts which the Company Indemnified Party certifies to the Service Provider in writing are payable to Company Indemnified Party hereunder. The reimbursement and indemnity obligations of the Service Provider under this Section 7(b) shall be in addition to any liability which the Service Provider may otherwise have, shall extend upon the same terms and conditions to any Company Indemnified Party and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Service Provider and each Company Indemnified Party.

8. INDEPENDENT CONTRACTOR. Nothing herein shall be construed to create a joint venture or partnership between the parties hereto or an employee/employer relationship. Service Provider shall be an independent contractor pursuant to this Agreement. No party hereto shall have any express or implied right or authority to assume or create any obligations on behalf of or in the name of any other party hereto or to bind any other party hereto to any contract, agreement or undertaking with any third party.

9. LIABILITY. The Service Provider is not and never shall be liable to any creditor of the Company or its Subsidiaries or affiliates, and the Company agrees to indemnify and hold each Indemnified Party (as defined in the Investor Rights Agreement) harmless from and against any and all such claims of alleged creditors of the Company and its Subsidiaries or affiliates and against all costs, charges and expenses (including attorneys' fees and expenses) incurred or sustained by any Indemnified Party in connection with any action, suit or proceeding to which it may be made a party by any alleged creditor of the Company. Notwithstanding anything contained in this Agreement to the contrary, the Company agrees and acknowledges that Service Provider and its partners, principals, shareholders, directors, officers,

employees and affiliates intend to engage and participate in acquisitions and business transactions outside of the scope of the relationship created by this Agreement and they shall not be under any obligation whatsoever to make such acquisitions, business transactions or other opportunities through the Company or any of its Subsidiaries or offer such acquisitions, business transactions or other opportunities to the Company or any of its Subsidiaries and shall be free to perform services similar to the Services for the account of others, including companies that may be in competition with the business conducted by the Company and its Subsidiaries.

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10. ASSIGNMENT. No party hereto may assign any of its rights or obligations hereunder without the prior written consent of the other party hereto; *provided, however,* that, notwithstanding the foregoing, Service Provider may assign its rights and obligations under this Agreement to any of its affiliates without the consent of the Company.

11. SUCCESSORS. This Agreement and all the obligations and benefits hereunder shall inure to, and be binding upon, the successors and permitted assigns of the parties hereto.

12. COUNTERPARTS. This Agreement may be executed and delivered by the parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original and both of which taken together shall constitute but one and the same agreement.

13. ENTIRE AGREEMENT; MODIFICATION; GOVERNING LAW. The terms and conditions hereof constitute the entire agreement between the parties hereto with respect to the subject matter of this Agreement and supersede all previous communications, either oral or written, representations or warranties of any kind whatsoever, except as expressly set forth herein. No modifications of this Agreement nor waiver of the terms or conditions hereof shall be binding upon any party hereto unless approved in writing by an authorized representative of such party. All issues concerning this Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the law of any jurisdiction other than the State of New York.

14. NO THIRD PARTY BENEFICIARIES. Except as provided in Sections 7 and 9 hereof, this Agreement is for the sole benefit of the parties hereto and their permitted assigns and nothing herein expressed or implied shall give or be construed to give to any person, other than the parties hereto and such assigns, any legal or equitable rights hereunder.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties hereto have signed this Advisory Services Agreement as of the day and year first above written.

SIGMA CAPITAL ADVISORS, LLC

By: /s/ Thom Waye
Name: Thom Waye
Title: Manager

DECISIONPOINT SYSTEMS, INC.

By: /s/ Nicholas R. Toms
Name: Nicholas R. Toms
Title: CEO

By: /s/ Donald Rowley
Name: Donald Rowley
Title: CFO