

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): June 30, 2011

DECISIONPOINT SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of Incorporation)

000-54200
(Commission File Number)

Applied for
(I.R.S. Employer Identification Number)

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

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

Copies to:
Gregory Sichenzia, Esq.
Thomas A. Rose, Esq.
Sichenzia Ross Friedman Ference LLP
61 Broadway
New York, New York 10006
Phone: (212) 930-9700
Fax: (212) 930-9725

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

As reported with the Securities and Exchange Commission, on June 15, 2011, DecisionPoint Systems, Inc. formerly known as Comamtech, Inc. (the "Company"), entered into a Plan of Arrangement (the "Plan of Arrangement") and Plan of Merger (the "Merger Agreement") among the Company, 2259736 Ontario Inc., a wholly-owned subsidiary of the Company (the "MergerSub") and DecisionPoint Systems, Inc., a Delaware corporation ("Old DecisionPoint"). Pursuant to the Merger Agreement and Plan of Arrangement under Section 182 of the Ontario Business Corporation Act, on June 15, 2011 Old DecisionPoint merged (the "Merger") into the MergerSub becoming a wholly-owned subsidiary of the Company. In connection with the Merger, the Company changed its name to DecisionPoint Systems, Inc. and the MergerSub changed its name to DecisionPoint Systems International, Inc.

As previously reported with the Securities and Exchange Commission, on May 18, 2011, Old DecisionPoint entered into a Note Purchase Agreement (the "Purchase Agreement") with Sigma Opportunity Fund II, LLC (the "Holder"). Pursuant to the Purchase Agreement, Old DecisionPoint sold the Holder a Senior Subordinated Secured Note (the "Note") in the aggregate principal amount of \$4,000,000. On June 30, 2011 (the "Closing Date"), the Company and the Holder entered into an Exchange Agreement (the "Exchange Agreement"). Pursuant to the Exchange Agreement, the Holder surrendered the Note and in exchange the Company issued Holder 1,250,000 shares of the Company's Series C Cumulative Convertible Preferred Stock (the "Preferred Stock") with a stated value of \$3.20 per share. In addition, the Company issued 475,000 shares of the Company's common stock (the "Common Stock") to the Holder for no additional consideration.

Pursuant to the Exchange Agreement, so long as the Holder beneficially owns a minimum of 100,000 shares of Common Stock (including shares of Common Stock underlying the Preferred Stock), the Board of Directors of the Company (the "Board") shall be comprised of eight directors, one (1) of which shall be nominated by Holder and a majority of which shall be independent and mutually agreed between the Company and Holder, provided, however such agreement will not be unreasonably withheld.

Pursuant to the Exchange Agreement, if at any time, pursuant to the Arrangement Agreement, dated October 20, 2010, as amended, among the Company, Old DecisionPoint and MergerSub (the "Arrangement Agreement"), the Company is required to issue additional shares of Common Stock (the "Additional Shares Issuance") to its shareholders, the Company shall issue to the Holder and its affiliate such number of shares of Common Stock as is necessary for the Holder and its affiliate to maintain the same beneficial ownership percentage, on a fully diluted basis, after the Additional Shares Issuance as they had before the Additional Shares Issuance.

Pursuant to the Exchange Agreement, if, as of August 15, 2011, the Company shall recognize an impairment loss, as reflected in the Purchase Price Statement prepared and delivered in accordance with Section 3.14 of the Arrangement Agreement, of (A) up to \$1.5 million, then, if on or before August 31, 2012, the Company has not collected an aggregate of \$1.5 million (the "Threshold Amount") from Empressario, Inc. and/or N. Harris Computer Corporation (collectively, the "Company Debtors"), the Company shall issue 500,000 shares of Common Stock (subject to adjustment for any reorganizations, stock splits, stock dividends, stock issuances of securities in excess of the fully diluted number of securities outstanding as of the Closing Date or other similar transactions occurring after the Closing Date) to the Holder within three (3) business days thereafter, or (B) between \$1.5 million and \$2.5 million, then for every \$15,000 of the Threshold Amount not collected by the Company on or before August 31, 2012 from the Company Debtors, the Company shall issue 10,000 shares of Common Stock (up to a maximum of 500,000 shares) (subject to adjustment for any reorganizations, stock splits, stock dividends, stock issuances of securities in excess of the fully diluted number of securities outstanding as of the Closing Date or other similar transactions occurring after the Closing Date) to the Holder within three (3) business days thereafter, or (C) between \$2.5 million and \$3 million, then for every \$15,000 of the Threshold Amount not collected by the Company on or before August 31, 2012 from the Company Debtors, the Company shall issue 5,000 shares of Common Stock (up to a maximum of 500,000 shares) (subject to adjustment for any reorganizations, stock splits, stock dividends, stock issuances of securities in excess of the fully diluted number of securities outstanding as of the Closing Date or other similar transactions occurring after the Closing Date) to the Holder within three (3) business days thereafter.

In lieu of paying \$117,333.33 in interest due on the Note, the Company issued 36,667 shares of Preferred Stock to Holder. In addition, the Company issued 15,000 shares of Common Stock to Holder, and 15,000 shares of Common Stock to Sigma Capital Advisors, LLC, for no additional consideration. The exchange of the Note for the shares of Preferred Stock and Common Stock is treated for accounting purposes as an extinguishment of the debt and any gains or losses on extinguishment will be disclosed in the Company's financial statements for the quarter ended June 30, 2011.

In connection with the execution of the Exchange Agreement, 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 Preferred Stock. The initial conversion value of the Preferred Stock is \$3.20 (subject to adjustment as provided in the Certificate of Designations).

The Preferred Stock also contain anti-dilution provisions, including but not limited to, if the Company issues shares of its Common Stock at less than the then existing conversion price, the conversion price of the Preferred Stock will automatically be reduced to such lower price.

Dividends on the Preferred Stock shall accrue and be cumulative and accumulate from the date of issuance of the shares of Preferred Stock (the "Date of Original Issue"), whether or not earned or declared by the Board of Directors of the Company until paid. The Company shall declare and pay dividends on the 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 next business day.

The dividend rate, as adjusted from time to time as hereinafter provided (the "Dividend Rate"), on each share of Preferred Stock shall be as follows: 8% per share per annum on \$3.20 (the "Stated Value" of each such share) for the period from the Date of Original Issue through the last day of the sixteenth (16th) month after the Date of Original Issue; 12% per share per annum on the Stated Value commencing on the first day of the seventeenth (17th) month through the last day of the thirtieth month (30th) after the Date of Original Issue; and 20% per share per annum on the Stated Value for each dividend period thereafter commencing on the first day of the thirty-first (31st) month after the Date of Original Issue. Notwithstanding the foregoing, if at any time a Breach Event (as defined in the Certificate of Designations) occurs, then the Dividend Rate shall be 20% 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 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 (as defined in the Certificate of Designations).

The holders of the 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.

Pursuant to the Purchase Agreement, the Company entered into an Investor Rights Agreement with the Holder and Sigma Capital Advisors. Under the Investor Rights Agreement, the Holders holding a majority in interest of the Registrable Securities (as defined in the Investor Rights Agreement) may at any time after a date that is 18 months from the Closing Date, and until the Registrable Securities may be sold pursuant to Rule 144 without volume limitation, require the Company to file a registration statement. If such a request by the Holders holding a majority in interest of the Registrable Securities is made, the registration Statement must be declared effective by the Effectiveness Deadline (as defined in the Investor Rights Agreement) or the Company must pay liquidated damages to each of the Holders each month following the Effectiveness Deadline until the registration statement has been declared effective. The Investor Rights Agreement also provides the Holder with Piggy Back registration rights.

On June 30, 2011, the Company, Sigma Opportunity Fund II, LLC and Donald Rowley entered into an agreement pursuant to which Mr. Rowley converted \$411,733 of the \$1,227,334.86 in accounts payable owed to him by the Company (the "AP Amount") into 128,667 shares of the Company's Preferred Stock and 49,000 shares of Common Stock. Pursuant to this agreement, Mr. Rowley also agreed that the interest rate of the balance of the AP Amount not covered by the agreement shall be reduced to 12% per annum until such time as the annual dividend rate on the Preferred Stock is increased to 12% per annum (month 17) and 20% per annum (month 31), at which times the interest rate on the AP Amount then outstanding shall be 16% and 25%, respectively.

The forgoing descriptions of the Exchange Agreement, Certificate of Designations, Investor Rights Agreement, and the Agreement between the Company, Donald Rowley and Sigma Opportunity Fund II, LLC 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 Securities Act of 1933, as amended (the "Act") for the sale and/or issuance of the securities referenced herein pursuant to Section 4(2) of the Act and/or Regulation D promulgated thereunder since, among other things, the transactions 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 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. As previously reported with the Securities and Exchange Commission, 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. In lieu of paying Sigma Capital Advisors LLC \$80,000 pursuant to the Advisory Services Agreement between the Company and Sigma Capital Advisors LLC, the Company issued Sigma 25,000 shares of Common Stock. The Company claims an exemption pursuant to Section 4(2) of the Act since, among other things the issuance did not involve public offering.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
4.1	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	Exchange Agreement between DecisionPoint Systems, Inc. and Sigma Opportunity Fund II LLC,
99.2	Investor Rights Agreement between DecisionPoint Systems, Inc. and Sigma Opportunity Fund II, LLC and Sigma Capital Advisors, LLC
99.3	Agreement between DecisionPoint Systems, Inc., Sigma Opportunity Fund II, LLC and Donald W. Rowley

SIGNATURES

Pursuant to the requirements of the Securities 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: July 7, 2011

By: /s/ Donald Rowley
 Name: Donald Rowley
 Title: Chief Financial Officer

Exhibit Index

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99.3	Agreement between DecisionPoint Systems, Inc., Sigma Opportunity Fund II, LLC and Donald W. Rowley

**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 5,000,000 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 5,000,000.

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 next business day. The holders of the Convertible Preferred Stock shall have the right to receive any such dividend payments in the form of either (i) cash or (ii) additional duly authorized, validly issued, fully paid and nonassessable 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 following 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) 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: 8% per share per annum on \$3.20 (the "Stated Value" of each such share) for the period from the Date of Original Issue through the last day of the sixteenth (16th) month after the Date of Original Issue; 12% per share per annum on the Stated Value commencing on the first day of the seventeenth (17th) month through the last day of the thirtieth month (30th) after the Date of Original Issue; and 20% per share per annum on the Stated Value for each dividend period thereafter commencing on the first day of the thirty-first (31st) month 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 20% 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 Exchange Agreement (the "Exchange Agreement") entered into among the Corporation and the purchasers of the Convertible Preferred Stock 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 Exchange 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.

(c) 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.

(d) 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.

(e) 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, so long as they collectively own at least 100,000 shares of Common Stock (including shares of Common Stock underlying the Preferred Stock) (as adjusted for stock splits, stock dividends, reorganizations and the like), 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. Notwithstanding the foregoing, if holder has not been paid all accrued, earned and payable dividends and other amounts due on the Preferred Stock, then the right to elect a director shall apply so long as holder owns any Preferred Stock or at least 100,000 shares of Common Stock. Any director who shall have been elected by the holders of the Convertible Preferred Stock as provided in the immediately preceding sentences 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 \$6.40 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 Holder 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) (i) The issuance or reissuance by the Corporation of any (A) shares of preferred stock or (B) debt with an interest rate above 12% and/or a conversion feature at or below the Conversion Value, (ii) the increase in the number of authorized shares of any series of preferred stock or (iii) the authorization or creation by the Corporation of any new class or series of preferred stock (or any other action which would result in another series of preferred stock); provided that the limitations of this Section 4(c) shall not apply to preferred stock issued in payment of dividends on the Convertible Preferred Stock pursuant to this Certificate of Designation; provided further that consent of the holders of the Convertible Preferred Stock shall not be unreasonably withheld;

(d) 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

(e) 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, including, without limitation, after receipt of a notice of redemption from the Corporation through the Redemption Date (as defined below), 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 \$10 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 25,000 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 50,000 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 Exchange 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 Exchange 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 Corporation shall be required on a commercially best efforts basis 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 0.5% 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 Exchange 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 \$3.20 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:

- Stock,
- (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
 - (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, as defined below, 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 purposes of this Agreement, "Exempt Issuance" means the issuance of (a) securities issuable or issued upon the exercise, exchange, or conversion of, or otherwise in connection with, any Convertible Preferred Stock, (b) securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on June 30, 2011 as disclosed in the Exchange 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, and (c) securities issued pursuant to that certain agreement entered into as of June 30, 2011 among the Corporation, Donald W. Rowley and a purchaser of the Convertible Preferred Stock.

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, the Board of Directors approves and 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 other than in connection with a transaction that is outside the control of the Corporation and its Board of Directors; 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 other than in connection with a transaction that is outside the control of the Corporation and its Board of Directors (events noted in (i) and (ii) above are hereinafter defined as 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. For purposes of clarification, an event noted in (i) and (ii) must be approved by the Board of Directors to meet the definition of a "Change of Control." Accordingly, events noted in (i) and (ii) (such as hostile mergers, amongst other things that are outside of the control of the Board of Directors) that occur without the approval of the Board of Directors are considered outside the control of the Corporation, and will not meet the definition of a "Change of Control." Notwithstanding the foregoing, the Board of Directors shall not fail to approve a transaction for the purpose of avoiding the applicability of this Section 7.

(b) In case of any such Change of Control event as defined in paragraph 7(a) above, 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 payable in the same form as the consideration being paid to the holders of Common Stock of the Corporation in the Change of Control transaction.

(c) In case of any such Change of Control, without in any way limiting the terms and conditions of the Investor Rights Agreement, the Corporation 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. From and after one year 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, with a copy to Gregory Sichenzia, Esq. at Sichenzia Ross Friedman Ference LLP; Facsimile: (212) 930-9725, 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 30th day of June, 2011.

DECISIONPOINT SYSTEMS, INC.

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

By: /s/
Name
Title

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: _____

EXCHANGE AGREEMENT

THIS EXCHANGE AGREEMENT, dated as of June 30, 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 (the “Holder”).

WITNESSETH:

WHEREAS, the Holder is the beneficial owner of a certain senior subordinated secured note (the “Note”) in the aggregate principal amount of \$4,000,000 issued by DecisionPoint Systems, Inc. (“Old DecisionPoint”) pursuant to a certain Note Purchase Agreement (the “Note Purchase Agreement”), dated as of May 18, 2011, between Old DecisionPoint and the Holder;

WHEREAS, as a result of the merger of Old DecisionPoint with and into 2259736 Ontario Inc., a wholly owned subsidiary of the Company (“Merger Sub”), which occurred on June 15, 2011, the Note became an obligation of Merger Sub;

WHEREAS, the Company authorized a new series of convertible preferred stock entitled “Series C Cumulative Convertible Preferred Stock” (the “Preferred Stock”), which Preferred Stock is convertible into shares of common stock of the Company (the “Common Stock”) in accordance with the Certificate of Designation (as defined below). The rights, preferences and other terms and provisions of the Preferred Stock are set forth in the Certificate of Designation of the Powers, Preferences and Relative, Optional and Other Special Rights of Preferred Stock and Qualifications, Limitations and Restrictions Thereof of Series C Cumulative Convertible Preferred Stock of the Company, as filed with the Secretary of State of the State of Delaware and attached hereto as **Annex I** (the “Certificate of Designation”). The shares of Common Stock issuable upon conversion of shares of Preferred Stock are referred to herein as the “Conversion Shares” and the Preferred Stock, Common Stock and the Conversion Shares are collectively referred to herein as the “Securities”; and

WHEREAS, the Holder wishes to acquire, and the Company wishes to issue, upon the terms and conditions stated in this Agreement, 1,250,000 shares (the “Preferred Shares”) of Preferred Stock in exchange for the Note.

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. EXCHANGE AND CLOSING.

(a) Issuance of Shares.

Upon the terms and subject to the conditions of this Agreement, the Company shall issue to the Holder and the Holder shall acquire from the Company, the Preferred Shares dated and issued as of the Closing Date (as defined below) in exchange for the surrender and cancellation of the Note (the “Exchange Transaction”). In connection with the Exchange Transaction, the Company shall also issue and deliver to the Holder, on the Closing Date, 475,000 shares (the “Common Shares”) of Common Stock for no additional consideration (the “Common Shares Grant”) (subject to adjustment for any reorganizations, stock splits, stock dividends, stock issuances of securities in excess of the fully diluted number of securities outstanding as of the Closing Date or other similar transactions occurring after the Closing Date).

(b) Closing.

The closing (“Closing”) of the Exchange Transaction and Common Shares Grant shall occur at the offices of Moomjian, Waite & Coleman, LLP, 100 Jericho Quadrangle, Jericho, New York 11753. The date and time of the Closing (the “Closing Date”) shall be at 10:00 a.m., New York time, on June 30, 2011 or such other mutually agreed to time.

(c) Closing Documents and Payments. At the Closing, (i) the Company shall deliver to the Holder certificates representing the Preferred Shares and Common Shares, (ii) the parties shall execute and deliver an Investor Rights Agreement (the “Investor Rights Agreement”), in the form attached hereto as **Annex II**, (iii) the Company shall deliver to the Holder an opinion of Sichenzia Ross Friedman Ference LLP, counsel to the Company, dated the Closing Date, addressed to Holder, in form, scope and substance reasonably satisfactory to Holder, substantially in the form attached as **Annex III**, and (iv) the Company shall pay to the Holder, in cash, an amount equal to \$117,333.33, representing all accrued and unpaid interest on the Note through the Closing Date, provided, however, in lieu of making this payment the Company shall issue 15,000 shares of Common Stock to Holder, 15,000 shares of Common Stock to Sigma Capital Advisors, LLC and 36,667 shares of Preferred Stock to Holder.

2. REPRESENTATIONS, WARRANTIES, COVENANTS, ETC. OF THE HOLDER.

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

(a) Purchase for Investment.

The Holder is acquiring 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 Securities Act of 1933, as amended (the “1933 Act”); and the Holder 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.

The Holder is an “accredited investor” as that term is defined in Rule 501 of Regulation D under the 1933 Act. The Holder is sophisticated and experienced in business and financial matters so as to be capable of evaluating the merits and risks of an investment in the Securities, and has so evaluated the merits and risks of such investment. Such Holder 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) Authority.

The Holder 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 Holder 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 Holder and, assuming due execution and delivery by the Company, is a valid and binding agreement of the Holder 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 law.

(d) Reoffers and Resales.

The Holder 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.

(e) Title. The Holder has good title to the Note free and clear of any and all restrictions, mortgages, pledges, encumbrances, liens, rights, title or interests of others (collectively, "Liens"), other than restrictions under applicable securities laws.

(f) Information Provided.

The Holder and its advisors, if any, have been furnished with all information relating to the business, finances and operations of the Company and materials relating to the issuance of the Securities deemed relevant by them so as to all the Holder to make an informed investment decision prior to entering into this Agreement (assuming the accuracy and completeness of the reports and documents filed by the Company with the Securities and Exchange Commission ("SEC") or other governmental authority during the two years prior to the date hereof).

(g) Absence of Other Assurances. The Holder has not received and is not relying upon any other oral or written assurances regarding the Company, the Exchange Transaction or any matters not expressly recited in this Agreement.

(h) Company Reliance.

The Holder understands that the Securities are being offered and sold to the Holder 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 Holder's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Holder set forth herein, in order to determine the availability of such exemptions and the eligibility of the Holder to acquire or receive an offer to acquire the Securities;

(i) Holder Status.

The Holder is not a "broker" or "dealer" as those terms are defined in the Securities Exchange Act of 1934, as amended (the "1934 Act") which is required to be registered with the SEC pursuant to Section 15 of the 1934 Act.

(j) **General Solicitation.** Holder 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.

(k) **Certain Transactions and Confidentiality.** Other than consummating the transactions contemplated hereunder, Holder has not directly or indirectly, nor has any person or entity acting on behalf of or pursuant to any understanding with such Holder executed any purchases or sales, including Short Sales (as defined below), of the securities of the Company during the period commencing as of the time that Holder 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 an entity that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such entity's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such entity'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 the other party to this Agreement and the Holder's representatives and affiliates, Holder 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).

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

The Company represents and warrants to, and covenants and agrees with, the Holder that, except as otherwise set forth on Schedule A to this Agreement, the representations and warranties of Old DecisionPoint set forth in Section 4 of the Note Purchase Agreement, as modified by the schedules to such Note Purchase Agreement, are true and correct as of the Closing Date with respect to the Company and each of its Subsidiaries (as defined in the Note Purchase Agreement) and the transaction contemplated by this Agreement and are hereby incorporated by reference herein as if expressly set forth herein.

4. CERTAIN COVENANTS.

(a) **Transfer Restrictions.**

The Holder 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 Holder 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 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 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 as defined in and 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, upon request of Holder, the Company will substitute certificates without restrictive legend for certificates for any such Securities issued prior to the time of such eligibility 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 Holder.

(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.

(d) State Securities Laws.

The Company has taken such action as necessary to qualify, or to obtain an exemption for, the issuance of the Preferred Shares and Common Shares to the Holder as contemplated hereby under such of the securities laws of jurisdictions in the United States as shall be applicable thereto. The Company shall furnish the Holder with copies of all filings, applications, orders and grants or confirmations of exemptions relating to such securities laws.

(e) Holding Period for the Preferred Shares.

Pursuant to Rule 144 under the 1933 Act, the holding period of the Preferred Shares (and the Conversion Shares issuable upon conversion of the Preferred Shares) shall tack back to May 18, 2011, the date the Note was originally issued by Old DecisionPoint. The Company agrees not to take a position contrary to this paragraph. The Company agrees to take all actions, including, without limitation, the issuance by its legal counsel of any necessary legal opinions, necessary to issue the Preferred Shares (and any Conversion Shares issuable upon conversion of the Preferred Shares) without restriction and not containing any restrictive legend without the need for any action by the Holder, subject to the requirements of state securities or other applicable laws. The Preferred Shares are being issued in substitution and exchange for and not in satisfaction of the Note. The Preferred Shares shall not constitute a novation or satisfaction and accord of the Note.

(f) Limitation on Certain Transactions. So long as the Holder beneficially owns in the aggregate at least 250,000 shares of Common Stock (including shares of Common Stock underlying the Preferred Stock) (as adjusted for stock splits, stock dividends, reorganizations and the like), without the prior written consent of Holder, which consent shall not be unreasonably withheld, the Company shall not (i) issue or sell or agree to issue or sell any (A) shares of preferred stock or (B) debt with an interest rate above 12% and/or a conversion feature at or below the Conversion Value (as defined in the Certificate of Designation), (ii) increase the number of authorized shares of any class of its preferred stock or (iii) authorize or create any new class or series of preferred stock (or any take any action which would result in another class or series of preferred stock); provided that the limitation of this Section 4(f) shall not apply to preferred stock issued in payment of dividends on the Company's Preferred Stock pursuant to the terms of the Certificate of Designation. Notwithstanding the foregoing, if Holder has not been paid all accrued, earned and payable dividends and other amounts due on the Preferred Stock, then the aforementioned restrictions shall apply so long as holder owns any Preferred Stock or at least 250,000 shares of Common Stock.

(g) 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.

(h) Appointment of Directors; Committee Independence. So long as the Holder beneficially owns a minimum of 100,000 shares of Common Stock (including shares of Common Stock underlying the Preferred Stock) (as adjusted for stock splits, stock dividends, reorganizations and the like), the Board of Directors of the Company (the "Board") shall be comprised of eight directors, one (1) of which shall be nominated by Holder and a majority of which shall be independent and mutually agreed between the Company and Holder, provided, however such agreement will not be unreasonably withheld. Without limiting the generality of the foregoing the Board as currently comprised in acceptable. Notwithstanding the foregoing, if Holder has not been paid all accrued, earned and payable dividends and other amounts due on the Preferred Stock, then the aforementioned restrictions shall apply so long as holder owns any Preferred Stock or at least 100,000 shares of Common Stock. The Company shall include Holder'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 Holder's nominee and otherwise use its best efforts to cause the nominee of Holder to be elected to the Board. Holder shall also have the right to appoint one observer to attend all meetings of the Board 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 Committee, each of which shall be composed entirely of independent directors. Maydan Rothblum shall be a member of the Audit Committee and the Compensation Committee, unless prohibited by the rules of a national securities exchange on which the Common Stock is then listed, in which case he shall be an observer to such committee. 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.

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

(j) **Capitalization.** In the event that there are any inaccuracies in the capitalization table set forth in Schedule A hereto that result in the number of shares of Preferred Stock or Conversion Shares issued to Holder or its affiliates to be inaccurate, the Company shall promptly issue to Holder and/or its affiliates such number of shares of Preferred Stock or Conversion Shares, as applicable, necessary so that the Holder and its affiliate shall have collectively received the correct number of shares of Preferred Stock and Conversion Shares (17.6% of the Company's fully diluted shares of Common Stock) pursuant to this Agreement.

(k) **Limitation on Business Time.** Until Holder no longer holds any Preferred Stock or Common Stock, in order to protect the legitimate business interests of the Holder 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 Holder no longer holds any Preferred Stock or Common Stock, 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.

(l) **Affiliate Loans.** Until Holder holds less than 250,000 shares of Common Stock (including shares of Common Stock underlying the Preferred Stock) (as adjusted for stock splits, stock dividends, reorganizations and the like), the Company shall cause the interest rate accruing on the outstanding balance of the Company's accounts payable obligations to its Chief Financial Officer (the "Accounts Payable Obligation") to be 12% per annum until such time as the annual dividend rate on the Preferred Stock is increased to (i) 12% per annum (month 17), at which time the interest rate on the affiliate accounts payable obligations shall be 16% and (ii) 20% per annum (month 31), at which time the interest rate of the affiliate accounts payable obligations shall be 25%. Repayment of all or any portion of the Accounts Payable Obligation or other accounts payable obligation to any affiliate of the Company shall not be made except upon the prior written consent of the Holder. Notwithstanding the foregoing, if Holder has not been paid all accrued, earned and payable dividends and other amounts due on the Preferred Stock, then the aforementioned restrictions shall apply so long as holder owns any Preferred Stock or at least 250,000 shares of Common Stock.

(m) Transactions with Affiliates. Other than an accounts payable obligation referred to in paragraph (l) above, the Company will not pay, and will not permit any of its subsidiaries, 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 any of its subsidiaries no less favorable than terms that could be obtained by the Company or such subsidiary from a person or entity that is not an affiliate of the Company, as determined in good faith by the Board of Directors.

(n) Additional Share Issuances. (i) If at any time, pursuant to the Arrangement Agreement, dated October 20, 2010, as amended, among the Company, Old DecisionPoint and MergerSub (the "Arrangement Agreement"), the Company is required to issue additional shares of Common Stock (the "Additional Shares Issuance") to its shareholders, the Company shall issue to the Holder and its affiliate such number of shares of Common Stock as is necessary for the Holder and its affiliate to maintain the same beneficial ownership percentage, on a fully diluted basis, after the Additional Shares Issuance as they had before the Additional Shares Issuance.

(ii) If, as of August 15, 2011, the Company shall recognize an impairment loss, as reflected in the Purchase Price Statement prepared and delivered in accordance with Section 3.14 of the Arrangement Agreement, of (A) up to \$1.5 million, then, if on or before August 31, 2012, the Company has not collected an aggregate of \$1.5 million (the "Threshold Amount") from Empressario, Inc. and/or N. Harris Computer Corporation (collectively, the "Company Debtors"), the Company shall issue 500,000 shares of Common Stock (subject to adjustment for any reorganizations, stock splits, stock dividends, stock issuances of securities in excess of the fully diluted number of securities outstanding as of the Closing Date or other similar transactions occurring after the Closing Date) to the Holder within three (3) business days thereafter, or (B) between \$1.5 million and \$2.5 million, then for every \$15,000 of the Threshold Amount not collected by the Company on or before August 31, 2012 from the Company Debtors, the Company shall issue 10,000 shares of Common Stock (up to a maximum of 500,000 shares) (subject to adjustment for any reorganizations, stock splits, stock dividends, stock issuances of securities in excess of the fully diluted number of securities outstanding as of the Closing Date or other similar transactions occurring after the Closing Date) to the Holder within three (3) business days thereafter, or (C) between \$2.5 million and \$3 million, then for every \$15,000 of the Threshold Amount not collected by the Company on or before August 31, 2012 from the Company Debtors, the Company shall issue 5,000 shares of Common Stock (up to a maximum of 500,000 shares) (subject to adjustment for any reorganizations, stock splits, stock dividends, stock issuances of securities in excess of the fully diluted number of securities outstanding as of the Closing Date or other similar transactions occurring after the Closing Date) to the Holder within three (3) business days thereafter.

(o) Maintenance of Property; Insurance. (i) The Company will keep, and will cause each of its subsidiaries 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.

(ii) The Company will maintain, and will cause each of its subsidiaries 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, including without limitation, director and officer insurance in an amount not less than \$5,000,000.

(p) Conduct of Business and Maintenance of Existence. The Company will continue, and will cause each of its subsidiaries 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 of its subsidiaries 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 the business, properties, operations, condition (financial or other), results of operation or prospects of the Company and its subsidiaries, taken as a whole.

(q) Compliance with Laws. The Company will comply, and will cause each of its subsidiaries 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.

(r) 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.

(s) Limitations on Liens. So long as the Holder beneficially owns 250,000 shares of Common Stock (including shares of Common Stock underlying the Preferred Stock) (as adjusted for stock splits, stock dividends, reorganizations and the like), the Company will not itself, and will not permit any of its subsidiaries to, create, assume or suffer to exist any Lien (including, without limitation, the lien or retained security title of a conditional vendor), upon all or any part of its property of any character, whether owned on the Closing Date or thereafter acquired, except:

(i) Liens upon any property of any of the Company's subsidiaries as security for indebtedness owing by such subsidiary to the Company;

(ii) Liens existing on the Closing Date and listed in **Schedule A**; and

(iii) Permitted Liens (as defined below).

(iv) Liens on property (other than intellectual property) of the Company securing debt with an interest rate below 12% that does not contain a conversion feature at or below the Conversion Value (as defined in the Certificate of Designation).

Notwithstanding the foregoing, if Holder has not been paid all accrued, earned and payable dividends and other amounts due on the Preferred Stock, then the aforementioned restrictions shall apply so long as holder owns any Preferred Stock or at least 250,000 shares of Common Stock.

For purposes of this Agreement, "Permitted Liens" shall mean 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.

(f) **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 Section 4.

5. 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 (facsimile number (949) 859-3647), and a copy shall also be given to: Sichenzia Ross Friedman Ference LLP, Attention: Gregory Sichenzia (facsimile number (212) 930-9725), and in the case of any notice to the Holder, such notice shall be addressed to the Holder at its address shown in the introductory paragraph of this Agreement, Attention: Managing Member, and a copy shall be given to: Moomjian, Waite & Coleman, LLP, 100 Jericho Quadrangle, Jericho, New York 11753, Attention: Kevin W. Waite (facsimile 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 Holder and their respective successors and permitted assigns.

(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.

This Agreement may be amended or modified only upon the written consent of the Company and Holder.

(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.

Neither this Agreement nor any of the rights, interest or obligations under this Agreement shall be assigned, in whole or in part, by operation of law or otherwise by any party hereto without the prior written consent of the other party. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

(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. The Company shall be obligated to pay the reasonable costs, legal fees and expenses of the Holder incurred in connection with the negotiation and execution of this Agreement (“Holder’s Costs”). The Holder’s Costs shall be included in the detailed accounting of the fees and expenses of Holder for which the Company is responsible under the Note Purchase Agreement. 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 Holder 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 this Agreement or the Investor Rights Agreement, (2) any default or breach of any of the Company’s obligations set forth in this Agreement, the Investor Rights Agreement or the Certificate of Designation, and (3) the enforcement or restructuring of any right of, including the collection of any payments due, the Holder under any this Agreement, the Investor Rights Agreement or the Certificate of Designation, 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. Except as otherwise provided in this Section 5(k), each of the Company and the Holder shall bear their own expenses in connection with this Agreement and the transactions contemplated hereby.

(l) Survival.

The respective representations, warranties, covenants and agreements of the Company and the Holder contained in this Agreement and the documents delivered in connection with this Agreement shall survive the execution and delivery of this Agreement and the Investor Rights Agreement and the Closing hereunder, and shall remain in full force and effect regardless of any investigation made by or on behalf of the Holder or any entity or individual controlling or acting on behalf of the Holder or by the Company or any entity or individual controlling or acting on behalf of the Company for a period ending on the date which is six years after the Closing Date.

(m) 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/ Donald W. Rowley

Name: Donald W. Rowley

Title: CFC

By: _____

Name:

Title:

Address:
19655 Descartes
Foothill Ranch, CA 92610-2609
Facsimile No.:

[Exchange Agreement Signature Page]

INVESTOR RIGHTS AGREEMENT

This Investor Rights Agreement (this "Agreement") is made and entered into as of June 30, 2011 among DecisionPoint Systems, Inc., a Delaware corporation (the "Company"), Sigma Opportunity Fund II, LLC, a Delaware limited liability company (the "Fund"), and Sigma Capital Advisors, LLC, a Delaware limited liability company ("Sigma Advisors").

This Agreement is being entered into pursuant to the Exchange Agreement, dated as of June 30, 2011, by and among the Company and the Fund (the "Exchange Agreement").

The Company, the Fund and Sigma Advisors hereby agree as follows:

1. Definitions.

Capitalized terms used and not otherwise defined herein shall have the meanings given such terms in the Exchange 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).

"Advisory Services Agreement" shall mean that certain Advisory Services Agreement, dated May 18, 2011, by and between Sigma Advisors and a subsidiary of the Company.

"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 Stock" means the Company's Common Stock, par value \$0.001 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 Fund or its assignees or designees in connection with the transactions consummated under the Transaction Documents.

“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 Fund, 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 Stock and the Conversion Shares or other securities issued or issuable to the Fund or Sigma Advisors or their transferees or designees pursuant to any of the Transaction Documents, including, without limitation, (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 Stock, or (ii) upon any distribution with respect to, any exchange for or any replacement of such Common Stock or Preferred Stock, or (iii) upon any conversion or exchange of any securities issued in connection with any such distribution, exchange or replacement, or (iii) the Common Shares Grant; and (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.

“Trading Day” means a day on which the principal Trading Market is open for trading.

“Trading Market” means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE AMEX, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, the OTC Bulletin Board, the OTCQX, OTCQB or OTC Pink (or any successors to any of the foregoing).

“Transaction Documents” means, collectively, this Agreement, the Exchange Agreement, the Certificate of Designation and the Advisory Services Agreement.

“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.

“VWAP” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if the OTC Bulletin Board is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board, (c) if the Common Stock is not then listed or quoted for trading on the OTC Bulletin Board and if prices for the Common Stock are then reported in the “Pink Sheets” published by Pink OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Company.

2 . Demand Registration. 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. In the event that the Registration Statement (containing such number of Registrable Securities as is permitted by the Commission) is not declared effective by the Effectiveness Deadline (the “Event Date”), then, in addition to any other rights the Holders may have hereunder or under applicable law, the Company shall pay to Purchaser on each monthly anniversary of the Event Date (if the Registration Statement has not been declared effective) until the Registration Statement has been declared effective an amount in cash or in shares of Common Stock, or a combination thereof, as partial liquidated damages and not as a penalty, equal to 0.5% of \$4,000,000, provided, however, the Company shall not pay more than \$150,000 pursuant to this Section. The price at which shares of Common Stock issuable in lieu of cash hereunder shall be equal to the lesser of (x) 85% of the average of the 5 consecutive VWAPs immediately prior to the applicable Event Date, or (y) 85% of the average of the 5 consecutive VWAPs immediately prior to the date such damages are due. Subject to the terms and conditions herein, the decision whether to pay partial liquidated damages hereunder in shares of Common Stock or cash shall be at the discretion of the Company.

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 on a commercially best efforts basis 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 on a commercially best efforts basis 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, on a commercially best efforts basis (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 Exchange 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, on a commercially best efforts basis, 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 Exchange Agreement.

6. Rule 144.

As long as any Holder owns any Common Stock, 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 Stock, 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 Stock 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 the Fund.

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

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

(b) The Fund 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 Fund 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 Fund shall report to the Company, upon written request of the Company, whether all Registrable Securities held by the Fund 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 Exchange 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 Exchange 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 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 Exchange 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 Exchange 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.

DECISIONPOINT SYSTEMS, INC.

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

By: /s/
Name
Title

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, 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.

AGREEMENT

THIS AGREEMENT, dated as of June 30, 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, **SIGMA OPPORTUNITY FUND II, LLC**, with headquarters located at 800 Third Avenue, Suite 1701, New York, NY 10022 ("Sigma") and **DONALD W. ROWLEY**, with an address at 65 Ridgefield Road, Wilton, CT 06897 ("Rowley").

WITNESSETH:

WHEREAS, the Company is entering into an Exchange Agreement, of even date herewith (the "Exchange Agreement"), with Sigma pursuant to which the Company will issue 1,286,667 shares of Preferred Stock and 490,000 shares of Common Stock to Sigma in exchange for the Note;

WHEREAS, the Company currently has outstanding accounts payable to Rowley in the amount of \$1,227,334.86 (the "AP Amount"), which AP Amount currently accrues interest at the rate of 25% per annum;

WHEREAS, Rowley has agreed to convert \$411,733 of the AP Amount as set forth herein and that the interest rate on the balance of the AP Amount not so converted shall be reduced as set forth herein;

WHEREAS, all capitalized terms used herein and not otherwise defined, shall have the meanings set forth in the Exchange Agreement;

NOW THEREFORE, in consideration of the premises and 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. The parties agree that, on the Closing Date, \$411,733 of the AP Amount shall be converted into 128,667 shares of Preferred Stock and Rowley shall be issued 49,000 shares of Common Stock. Rowley shall also be issued shares of Common Stock in an amount equal to an aggregate of 10% of any additional shares of Common Stock issued to Sigma from time to time pursuant to, and in accordance with, Section 4(n) of the Exchange Agreement.

2. The parties further agree that the interest rate on the balance of the AP Amount not converted hereunder shall be reduced to 12% per annum until such time as the annual dividend rate on the Preferred Stock is increased to 12% per annum (month 17) and 20% per annum (month 31), at which times the interest rate on the AP Amount then outstanding shall be 16% and 25%, respectively.

3. MISCELLANEOUS.

(a) Governing Law.

THIS AGREEMENT SHALL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(b) 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.

(c) 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.

[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

DECISIONPOINT SYSTEMS, INC.

By: _____
Name:
Title:

/s/ Donald Rowley
Donald Rowley