

**Fear Fading Into Cautious Optimism Implies Opportunity for IT Spending and DCMT**

**Overview:** DCMT is a worldwide leader in the design, development, manufacturing, and sale of USB powered mobile page-fed document capture solutions. Its vertical integration and innovative proprietary system development kits allow for a broad range of applications, faster time-to-market and ease of integration for its customers. DCMT has more than 45 key accounts and a growing intellectual property (IP) portfolio that currently numbers more than 25 granted domestic and international patents as well as 3 pending. DCMT maintains an aggressive IP strategy to defend its technology and market leadership position. DCMT provides more than 30 different products across five distinct categories, which are distributed globally through private label solutions to leading Tier 1 OEMs, VARs and other system integrators, including Qualcomm, Unisys and Brother. DCMT has steadily grown its business in the health care, security, financial and compliance vertical markets. The company estimates that it and its licensees currently enjoy a majority share of the rapidly expanding USB-powered mobile scanner market.



DUPLEX (HI-SPEED)

**Outlook:** As reflected in the year to date performance of the iShares S&P North American Technology Sector Index Fund (NYSE: IGM), the market seems to have taken the view that the outlook for the general Information Technology (IT) sector has changed for the better. This potential reduction in macroeconomic and sector-specific headwinds bodes well for DCMT as it implies that businesses generally are beginning to look again to IT solutions to improve operating efficiencies and expand product offerings. With the addition of relationships such as those recently completed with Unisys and Punch Telematix, DCMT continues to position itself to take advantage of the revitalization of IT spending, including such new applications as remote deposit capture which is growing rapidly in response to significant commercial and consumer demand. The Unisys agreement in particular, completed only after an extensive due diligence process, provides strong validation for DCMT's position as a leading image solutions provider. Based on the view that economic and DCMT target market conditions are improving, and that DCMT is positioned to capitalize on existing and potential new opportunities, MA is affirming a 12-month price target of \$1.50 for DCMT.



<b>DCMT Recent Price</b>	<b>\$0.50</b>	<b>Please review the risk factors outlined later in this report and the important disclosures and disclaimers at the end of this report.</b>
<b>DCMT – Approximate Market Cap</b>	<b>\$9.2 million</b>	
<b>52-Week Low</b>	<b>\$0.30</b>	
<b>52-Week High</b>	<b>\$1.00</b>	
<b>MA 12-Month Price Target for DCMT</b>	<b>\$1.50</b>	

## DCMT Q4 and Full Year 2008 Guidance

On 3/31/09, DCMT released guidance for the results for the quarter ended 12/31/08 and for full year 2008. DCMT also noted that the 10-K is expected to be filed by 4/15/09. The following tables present the unaudited revenue and gross profit estimates relative to preceding annual and quarterly results. While the year over year comparisons clearly reflect macroeconomic challenges, the quarterly results seem to indicate that the impact as it relates to DCMT operations has stabilized - with revenue increasing in each of the last three quarters. Moreover, the estimated Q408 gross profit implies a significant improvement in gross profit margin.

Annual Results from Operations				
Year Ended:	Unaudited <u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Gross Revenue	\$11,600,000	\$15,023,000	\$12,469,000	\$7,848,000
Cost of Revenue	\$7,700,000	\$9,120,000	\$8,221,000	\$4,989,000
Gross Profit	\$3,900,000	\$5,903,000	\$4,248,000	\$2,859,000
Gross Profit %	34%	39%	34%	36%
R&D	n/a	\$2,439,000	\$3,084,000	\$951,000
S/G/A	n/a	\$4,024,000	\$7,439,000	\$3,955,000
Operating Income	n/a	(\$560,000)	(\$6,275,000)	(\$2,047,000)
Net Income	n/a	(\$1,060,000)	(\$5,199,000)	(\$1,493,000)
Net Income to Common	n/a	(\$1,913,000)	(\$5,948,000)	(\$2,039,000)
<b>Note: DCMT is estimating \$0.06 in EBITDA per fully diluted share for full year 2008</b>				
<i>*Data from YahooFinance; Analyst Estimates</i>				

Results from Operations for Previous 5 Quarters					
Quarter Ended:	Unaudited <u>12/31/08</u>	<u>9/30/2008</u>	<u>6/30/2008</u>	<u>3/31/2008</u>	<u>12/31/2007</u>
Gross Revenue	\$3,100,000	\$3,019,000	\$3,003,000	\$2,538,000	\$3,904,000
Cost of Revenue	\$1,900,000	\$1,986,000	\$2,020,000	\$1,805,000	\$2,511,000
Gross Profit	\$1,200,000	\$1,033,000	\$983,000	\$733,000	\$1,393,000
Gross Profit %	39%	34%	33%	29%	36%
R&D	n/a	\$166,000	\$170,000	\$203,000	\$387,000
S/G/A	n/a	\$836,000	\$511,000	\$961,000	\$814,000
Operating Income	n/a	\$31,000	\$302,000	(\$431,000)	\$192,000
Net Income	n/a	(\$551,000)	\$758,000	(\$480,000)	\$164,000
Net Income to Common	n/a	(\$564,000)	\$746,000	(\$813,000)	\$32,000
Net Income %	n/a	n/a	25%	n/a	1%
<b>Note: DCMT is estimating \$0.06 in EBITDA per fully diluted share for full year 2008</b>					

## DCMT – Recent Developments

**DCMT Announces Milestone Deal with Europe’s Punch Telematix:** On 4/3/09, DCMT announced a contract with Belgium-based transportation management solutions company Punch Telematix<sup>1</sup>, which develops and markets transport management solutions for firms’ fleet management in the truck and transport sectors. The majority shareholder in Punch Telematix (Euronext Brussels: PTX) is Punch International (Euronext Brussels: PUN). DCMT technology will be bundled with Punch Telematix’s CarCube onboard computer system, which provides instant and ongoing communication between drivers and back offices. Punch Telematix delivered 12% sales growth in 2008 to 16.1 million euros (approximately \$22 million USD) and a contribution margin improvement of 11%. In describing new technologies launched in 2008, Punch Telematix states<sup>2</sup>:

*“In the course of 2008, Punch Telematix launched a number of new functions and solutions, including the CarCube Express and the document scanner. With the*

*CarCube Express, transport companies can call upon subcontractors and/or deploy hired vehicles that are then included in planning just as efficiently as their own vehicles and drivers, even if the hired vehicles are not fitted with built-in onboard computers...The result is a full-blooded integrated transport management solution for the entire fleet...Using the document scanner, signed waybills and other A4 documents can be read in and sent to back office applications via the CarCube”*



**DCMT Announces Major Agreement with Unisys Corporation:** On 4/2/09, DCMT announced that in April 2009, the Company expects to begin receiving orders from Unisys Corporation (NYSE: UIS) for a version of the DocketPORT® scanner. DCMT also reported an expectation that the relationship with UIS will expand into new joint product development opportunities in the coming months. UIS<sup>3</sup> is a worldwide information technology services and solutions company whose core offerings include systems integration and consulting services, outsourcing services, infrastructure services, maintenance services and high-end server technology. With more than 28,000 employees, Unisys serves commercial organizations and government agencies throughout the world.

<sup>1</sup> <http://www.punchtelematix.com/en/>

<sup>2</sup> [http://www.punchtelematix.com/userfiles/files/PTX\\_2008\\_EN\\_final.pdf](http://www.punchtelematix.com/userfiles/files/PTX_2008_EN_final.pdf)

<sup>3</sup> [http://www.unisys.com/about\\_unisys/investors/at\\_a\\_glance/index.htm](http://www.unisys.com/about_unisys/investors/at_a_glance/index.htm)

**DCMT Announces Milestone Pan-Asia Licensing Agreement with DCMT Shareholder Syscan Technology Holdings:** In February 2009, DCMT announced the completion of a product sales licensing agreement with China-based Syscan, which owns over 3 million DCMT common shares and is the Company exclusive manufacturer. DCMT expects that Syscan will help to drive expansion into China and Southeast Asia, India, Pakistan and Malaysia. The license covers the DocketPORT® product line as well as other products currently in development, and DCMT and Syscan have agreed to collaborate to defend the intellectual property globally.

**DCMT Adds VP of Sales and Marketing:** Also in February, DCMT announced that Ms. Excelle Liu has joined the Company as Vice President Sales and Marketing. Ms. Liu's experience includes the development of global marketing and sales strategies for international public companies as well as leading edge technology startups including an award winning enterprise software company acquired in 2005.

## DCMT Market Outlook

Select Publicly Traded Companies with Products Similar to DCMT								
Ticker	Company Name	Recent Price	Market Cap	TTM Revenue	TTM Net Income	Net Income Margin	Price / Net Inc.	Price / Revenue
ADBE	Adobe Systems Inc.	\$24.16	\$12,670,000,000	\$3,579,000,000	\$871,000,000	24.34%	14.5	3.54
DCMT	Document Capture Tech.	\$0.63	\$11,620,000	\$11,600,000	n/a	n/a	n/a	1.00
EK	Eastman Kodak	\$4.37	\$1,170,000,000	\$9,416,000,000	(\$442,000,000)	n/a	n/a	0.12
MITK	Mitek Systems Inc.	\$0.10	\$1,680,000	\$4,977,000	(\$668,000)	n/a	n/a	0.34
OTEX	Open Text Corp.	\$33.58	\$1,740,000,000	\$769,305,000	\$49,943,000	6.49%	34.8	2.26

Information obtained from YahooFinance as of 4/3/09; Analyst estimates.

Of the comparables noted for DCMT, only the share price of Eastman Kodak has fallen since the publication of the Murphy Analytics Initiation Report on 1/26/09. Although reported financial results generally have not been especially strong, there seems to be a sense of cautious optimism coming from these industry players, echoing the view from DCMT:

**DCMT CEO David Clark<sup>4</sup>:** *“Given the challenges facing the economy and business in general, DCT continued to build our impressive industry leadership throughout 2008. The corporate initiatives that we put in place in 2008, substantive global contracts we have won and more we expect to conclude soon are setting up 2009 to be an outstanding year for DCT and our shareholders in terms of growth and value.”*

<sup>4</sup> <http://www.docucap.com/index.php?/news>

**Adobe Systems Inc. President and CEO Shantanu Narayen<sup>5</sup>:** *“In this tough economic environment, we are pleased we were able to manage expenses to deliver solid Q1 earnings and margin results. We believe the major market trends driving our business remain intact, and we will continue to focus on innovation and investing in new growth businesses to increase the strategic value we provide our customers.”*

**Open Text Corp CEO John Shackleton<sup>6</sup>:** *“We are seeing consistent customer demand for compliance based solutions across all verticals, as well as demand for solutions that streamline customer functions. We are pleased with our progress this quarter, we are executing well on a global basis...”*

**Barclays’ S&P North American Technology Sector Index<sup>TM</sup>:** Perhaps serving as another indicator that the macroeconomic and information-technology (IT) sector headwinds faced by DCMT over the last year may be fading, the iShares S&P North American Technology Sector Index Fund<sup>7</sup> (NYSE Arca: IGM), which seeks investment results that correspond generally to the price and yield performance of U.S.-traded technology companies, has rallied approximately 30% since 3/9/09. The Index<sup>8</sup> is comprised of such IT bellwethers as IBM, Cisco, Apple, Microsoft, Google, Intel, HP, Qualcomm, Oracle and Research in Motion. Not surprisingly, the Index has fallen dramatically since late 2007, but it may be reasonable to expect that the recent bottom reflects a turning point for the IT sector and for IT spending.



<sup>5</sup> <http://www.adobe.com/aboutadobe/pressroom/pressreleases/200903/Q109Earnings.html>

<sup>6</sup> <http://www.opentext.com/2/global/press-release-details.html?id=2167>

<sup>7</sup> [http://us.ishares.com/product\\_info/fund/overview/IGM.htm](http://us.ishares.com/product_info/fund/overview/IGM.htm)

<sup>8</sup> <http://www.barclays.wallst.com/barclays/isharestools/research/summary/summary.asp?symbol=IGM&pt=false>

## Developments in Check 21 and Remote Deposit Capture

**The Commercial Opportunity:** The Check 21 legislation, which became effective in October of 2004, represents a key growth opportunity for DCMT. The magnitude of this opportunity is addressed in a recent report by Celent LLC entitled “*Remote Cash Capture: An Idea Whose Time Has Come.*”<sup>9</sup> Celent, a leading research and consulting firm focused on the application of information technology in the global financial services industry, notes that remote deposit capture is reshaping the relationship between financial institutions and their commercial clients:

*“The advent of bank-offered provisional credit based on validated currency residing at the merchant location is a relatively recent phenomenon. Its emergence has caused a surge in interest and adoption of these devices. The offering of provisional credit by participating financial institutions has significantly improved the merchant business case for remote cash capture. However, the float benefits involved are secondary. The primary benefit of provisional credit rests in its ability to enable wholesale reengineering of the cash cycle within merchants and between merchants, armored couriers and banks cash vault networks. In the process, RCC removes substantial cash handling burden historically carried by bank branch personnel, largely without the assistance of meaningful automation. In short, RCC is a win-win-win wherever the merchant business case warrants”*

**The Retail Opportunity:** The value in delivering greater convenience and access to capital is equally appealing on a consumer level. As noted in a February 2009 release<sup>10</sup> from NCR (NYSE: NCR), announcing their entry into the remote deposit capture market:

*“We live in a world in which consumers are using more self-service technologies than ever before, and they are also demanding a wider range of self-service options,” said Brian Bailey, vice president of Financial Industry Marketing for NCR Corporation. “NCR APTRA Consumer Passport is a reflection of how self-service and sophisticated imaging technology can be used to help consumers connect, interact and transact with financial institutions, while maintaining a high level of security for all parties.” “Technology is playing an ever-increasing role in helping North American financial institutions transform their business and enhance the customer experience...Expanding the remote check deposit service to consumers enables financial institutions to further automate and streamline operations, reduce labor and transportation costs, and save time by eliminating the need to physically move these paper-based items through the clearing system. Geographical boundaries are no longer a potential barrier to growing a financial institution's market.”*

<sup>9</sup> <http://www.celent.com/PressReleases/200903252/RemoteCashCapture.asp>

<sup>10</sup> [http://www.ncr.com/about\\_ncr/media\\_information/news\\_releases/2009/february/022309a.jsp?lang=EN](http://www.ncr.com/about_ncr/media_information/news_releases/2009/february/022309a.jsp?lang=EN)

**Remote Deposit Capture is Changing the Way We Bank:** The remote deposit opportunity is powerful that it is causing financial institutions to re-think their deposit models and branch strategies. According to Celent LLC analyst Robert Meara, quoted in a 2/24/09 article at DigitalTransactionsNews<sup>11</sup>:

*“...on the retail side, Meara notes that credit unions are leading the way in deploying consumer capture, and most are giving the service away. Consumer capture reduces one advantage banks have over credit unions, which is more physical locations that accept deposits. “In comparison to most banks, [credit unions] could be considered under-branched,” he says.”*

Meara, also cited in an article at Bank Systems and Technology<sup>12</sup> entitled “*The Branch Expansion / Remote Deposit Capture Paradox*”, notes that:

*“There is an emerging paradox in retail banking between investments in branch renewal and remote deposit capture (RDC) technologies. Following heavy investment in branch renewal, the industry is also seeing rapid adoption of technologies like remote deposit capture and image-enabled ATMs, which keep customers away from branches....The industry has witnessed the revolution of RDC in teller, merchant and ATM capture, and now consumer capture is gaining attention. Among banks with assets greater than \$50 billion, 20 percent assert definitive plans to deploy, and 20 percent are considering consumer capture. Thus, nearly half of the nation’s top 30 banks may offer consumer capture.”*

## DCMT Risks

As discussed in detail in DCMT’s SEC filings, which should be read in conjunction with this report, the Company faces various operational risks, including:

- Exchange rate risk. DCMT generates revenue primarily in US dollars, while cost of goods sold is denominated primarily in Chinese Yuan. DCMT estimates the cost of sales would have increased \$221k for Q3 08 and \$645k for Q1 – Q3 08 had the Yuan appreciated 10% against the dollar.
- Customer concentration.
- History of operating losses, with an accumulated deficit of over \$30 million.
- DCMT subcontracts manufacturing to a single company.
- DCMT utilizes a limited number of suppliers.
- Unauthorized use of DCMT IP could adversely affect business.

<sup>11</sup> <http://www.digitaltransactions.net/newsstory.cfm?newsid=2096>

<sup>12</sup> [http://www.banktech.com/blog/archives/2009/04/the\\_branch\\_expa.html](http://www.banktech.com/blog/archives/2009/04/the_branch_expa.html)

### DCMT Historical Price Chart



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**Overview of the OTC Bulletin Board<sup>13</sup>**

The OTC Bulletin Board<sup>®</sup> (OTCBB) is a regulated quotation service that displays real-time quotes, last-sale prices, and volume information in over-the-counter (OTC) equity securities. An OTC equity security generally is any equity that is not listed or traded on NASDAQ<sup>®</sup> or a national securities exchange. OTCBB securities include national, regional, and foreign equity issues, warrants, units, American Depositary Receipts (ADRs), and Direct Participation Programs (DPPs). The OTCBB is a quotation medium for subscribing members, not an issuer listing service, and should not be confused with The NASDAQ Stock Market<sup>SM</sup>. There are no minimum quantitative standards which must be met by an issuer for its securities to be quoted on the OTCBB; however, the new Eligibility Rule limits quotations on the OTCBB to the securities of issuers that are current in their reports filed with the SEC or other regulatory authority. Issuers do not have any filing or reporting requirements with The NASDAQ Stock Market, Inc., or FINRA. Market Makers will be required to provide the periodic financial reports filed by OTCBB issuers with the SEC or other regulatory authorities pursuant to the Eligibility Rule. NASDAQ has no business relationship with the issuers of securities quoted on the OTCBB. Investors must contact a broker/dealer to trade OTCBB securities. Investors do not have direct access to the OTCBB service. The Securities and Exchange Commission's (SEC's) Order-Handling Rules which apply to NASDAQ-listed securities do not apply to OTCBB securities. It is important to note that FINRA has no regulatory authority over OTC Bulletin Board issuers. FINRA's responsibilities include establishing rules governing its broker/dealer members' business conduct; setting qualification standards for securities industry professionals; examining members for their financial and operational condition as well as their compliance with appropriate rules and regulations; investigating alleged violations of securities laws; disciplining violators of applicable rules and regulations; and responding to inquiries and complaints from investors and members. Due to the high level of risk involved in investing in Penny Stocks, the SEC created Rule 15g-2, which makes it "unlawful for a broker or dealer to effect a transaction in any penny stock for or with the account of a customer unless, prior to effecting such transaction, the broker or dealer has furnished to the customer a document containing the information set forth in Schedule 15G, Rule 15g-100, and has obtained from the customer a manually signed and dated written acknowledgement of receipt of the document." (SEC Rule 15g-2(a), Risk Disclosure Document Relating to the Penny Stock Market). If you believe that you have been defrauded by an OTC Bulletin Board issuer, you may file a complaint with your State Securities Regulator or contact the SEC's Office of Investor Education and Assistance.

<sup>13</sup> <http://www.otcbb.com/investorinformation/investorinfo.stm>