Earnings Note

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

DRI Corporation

Rating: Speculative Buy

Juan Noble

TBUS $1.27 — (NASDAQ)

May 19, 2009

DRI Corporation (TBUS), headquartered in Dallas, TX, develops and markets technology for the worldwide surface mass transit industry. The company manufactures information display (both on- and off-vehicle) systems, and monitoring, video security, and GPS-based location and tracking systems. The technology is used by around 500 customers, principally on buses, of which many operate in developing countries. Roughly half of sales are to overseas customers.

2009 1Q results ($ thousands), derived from a May 15, 2009 10-Q filing, and our 1Q estimates, are as follows:

	Quarter Ending March 31			%△
	2009A	*2009E*	2008A	09 vs. '08
Sales	13,265	*16,599*	17,025	(22.1%)
Cost of sales	9,516	*11,228*	10,993	(13.4%)
Gross profit	3,749	*5,372*	6,032	(37.8%)
Operating expenses				
SG&A	4,473	*4,980*	4,309	3.8%
R&D	79	*274*	287	(72.5%)
Total	4,552	*5,254*	4,596	(1.0%)
Operating income (loss)	(803)	*118*	1,436	(155.9%)
Other income (loss)	(6)	*50*	92	NM
Foreign currency gain (loss)	(125)	*150*	163	(176.7%)
Interest expense	(336)	*(371)*	(303)	10.9%
Pre-tax loss	(1,270)	*(53)*	1,388	(191.5%)
Income taxes	19		(370)	(105.1%)
Profit (loss) before minority interest	(1,251)	*(53)*	1,018	(222.9%)
Minority interest	241	*(200)*	(296)	(181.4%)
Net profit (loss)	(1,010)	*(253)*	722	(239.9%)
Preferred dividends	(76)	*(76)*	(74)	2.7%
Net profit (loss) to common shareholders	(1,086)	*(329)*	648	(267.6%)
Avg. shares outstanding	11,473	*12,200*	12,873	
Net income (loss) per share	(0.09)	*(0.03)*	0.06	(257.8%)
Margin analysis				
Gross margin	28.3%	*32.4%*	35.4%	
SG&A	33.7%	*30.0%*	25.3%	
R&D	0.6%	*1.7%*	1.7%	
Operating margin	(6.1%)	*0.7%*	8.4%	
Pre-tax margin	(9.6%)	*(0.3%)*	8.2%	
Net margin	(7.6%)	*(1.5%)*	4.2%	
Income tax rate	(1.5%)	*0.0%*	(26.7%)	

Source: Company reports and Taglich Brothers estimates

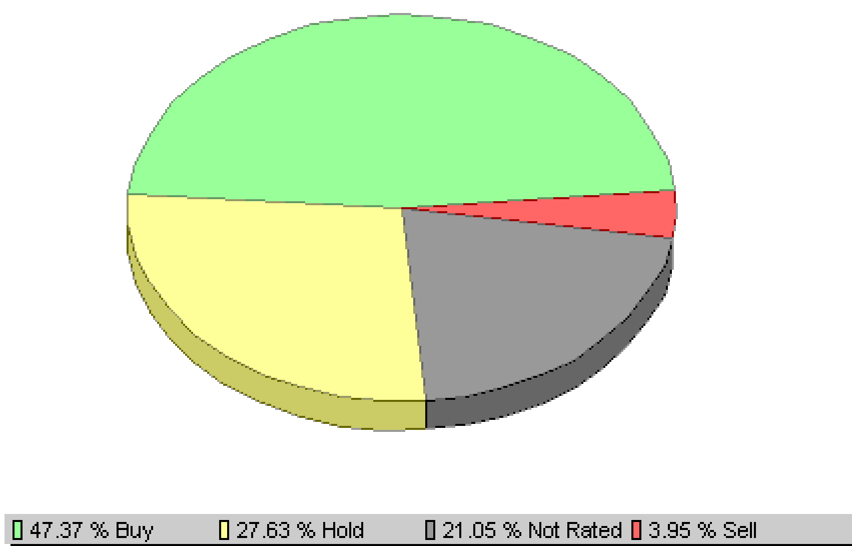
**** Please view our disclaimer located on page 5.***

Estimate Comment: The 1Q loss was significantly larger than we forecasted. Revenue was $3.3 million less, or 20% lower, than we estimated. The sharp year-on-year (and sequential) decline in sales reduced overhead coverage, narrowing the gross margin and raising the SG&A expense margin, leading to an operating loss, vs. the small operating profit we forecasted.

Rating: Reiterate Speculative Buy

Risks: Please review our latest research report (April 27, 2009) for a summary of the principal risks underlying the stock.

Taglich Brothers Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	2	7.69%
Hold	0	0
Sell	0	0
Not Rated	0	0

Meaning of Ratings

Buy

We believe the Company is undervalued relative to its market and peers. We believe its risk reward ratio strongly advocates purchase of the stock relative to other stocks in the marketplace. Remember, with all equities there is always downside risk.

Speculative Buy

We believe that the long run prospects of the Company are positive. We believe its risk reward ratio advocates purchase of the stock. We feel the investment risk is higher than our typical “buy” recommendation. In the short run, the stock may be subject to high volatility and continue to trade at a discount to its market.

Neutral

We will remain neutral pending certain developments.

Underperform

We believe that the Company may be fairly valued based on its current status. Upside potential is limited relative to investment risk.

Sell

We believe that the Company is significantly overvalued based on its current status. The future of the Company's operations may be questionable and there is an extreme level of investment risk relative to reward.

Some notable Risks within the Microcap Market

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

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

* The information and statistical data contained herein have been obtained from sources, which we believe to be reliable but in no way are warranted by us as to accuracy or completeness. We do not undertake to advise you as to change in figures or our views. This is not a solicitation of any order to buy or sell. Taglich Brothers, Inc. is fully disclosed with its clearing firm, Pershing, LLC, is not a market maker and does not sell to or buy from customers on a principal basis. The above statement is the opinion of Taglich Brothers, Inc. and is not a guarantee that the target price for the stock will be met or that predicted business results for the company will occur. There may be instances when fundamental, technical and quantitative opinions contained in this report are not in concert. We, our affiliates, any officer, director or stockholder or any member of their families may from time to time purchase or sell any of the above-mentioned or related securities. Analysts and members of the Research Department are prohibited from buying or selling securities issued by the companies that Taglich Brothers, Inc. has a research relationship with, except if ownership of such securities was prior to the start of such relationship, then an analyst or member of the Research Department may sell such securities after obtaining expressed written permission from the Director of Research.

As of the date of this report, we, our affiliates, any officer, director or stockholder, or any member of their families do not have a position in the stock of the company mentioned in this report. Taglich Brothers, Inc. does not have an investment banking relationship with the company mentioned in this report and was not a manager or co-manger of any offering for the company within the last three years.

All research issued by Taglich Brothers, Inc. is based on public information. In February, 2008, the company paid a monetary fee of US$3,000, with another US$3,000 payable in April, 2008, for the creation and dissemination of research reports. Thereafter, the company will pay a monetary fee of US$1,750 monthly for the continued creation and dissemination of research reports for a one-year period commencing with the publication of an initial research report.

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