

REFINITIV

## DELTA REPORT

### 10-Q

DPSI - DECISIONPOINT SYSTEMS, IN

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

**TOTAL DELTAS** 525

█ CHANGES 190

█ DELETIONS 163

█ ADDITIONS 172

UNITED STATES  
 UNITED STATES  
 SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549  
 Form 10-Q  
 (Mark One)

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

For the quarterly period ended **June 30, 2023** September 30, 2023

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number: 001-41376  
 DECISIONPOINT SYSTEMS, Inc.

(Exact name of registrant as specified in its charter)

Delaware

37-1644635

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

1615 South Congress Avenue Suite 103  
 Delray Beach, FL

33445

(Address of principal executive offices)

(Zip Code)

**(561) 900-3723**

Registrant's telephone number, including area code

(Former name, former address and former fiscal year, if changed since last report)

**Securities Registered Pursuant to Section 12(b) of the Act:**

Title of Each Class	Trading Symbol	Name on Each Exchange on Which Registered
Common Stock, \$0.001 par value	DPSI	NYSE American
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes <input type="checkbox"/> No <input type="checkbox"/>		
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes <input type="checkbox"/> No <input type="checkbox"/>		
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.		
Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	
Non-accelerated Filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	
	Emerging growth company <input type="checkbox"/>	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of **August 7, 2023** **November 7, 2023** there were **7,627,666** **7,654,805** shares of common stock, \$0.001 par value, outstanding.

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements (Unaudited)**

**DecisionPoint Systems, Inc.**

**DecisionPoint Systems, Inc.**

**Condensed Consolidated Balance Sheets**

*(in thousands, except par value)*

*(Unaudited)*

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 7,225	\$ 7,642
Accounts receivable, net	16,566	17,085
Inventory, net	2,446	4,417
Deferred costs	3,184	2,729
Prepaid expenses and other current assets	397	399
Total current assets	<u>29,818</u>	<u>32,272</u>
Operating lease assets	3,778	2,681
Property and equipment, net	2,920	1,817
Deferred costs, net of current portion	2,744	2,868
Deferred tax assets	-	848
Intangible assets, net	8,993	4,531
Goodwill	24,379	10,499
Other assets	105	41
Total assets	<u><u>\$ 72,737</u></u>	<u><u>\$ 55,557</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 12,628	\$ 19,755
Accrued expenses and other current liabilities	6,283	5,357
Deferred revenue	7,367	6,021
Current portion of earnout consideration	5,520	-
Current portion of long-term debt	1,003	3
Current portion of operating lease liabilities	866	529
Total current liabilities	<u>33,667</u>	<u>31,665</u>
Deferred revenue, net of current portion	3,724	4,331
Long-term debt	6,891	143
Noncurrent portion of operating lease liabilities	3,516	2,706
Long-term portion of earnout consideration	4,316	-
Deferred tax liabilities	1,909	-
Other liabilities	6	130
Total liabilities	<u>54,029</u>	<u>38,975</u>
Commitments and contingencies (Notes 6 and 10)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 10,000 shares authorized; no shares issued or outstanding	-	-
Common stock, \$0.001 par value; 50,000 shares authorized; 7,628 and 7,416 shares issued and outstanding, respectively	8	7
Additional paid-in capital	38,853	38,429
Accumulated deficit	(20,153)	(21,854)
Total stockholders' equity	<u>18,708</u>	<u>16,582</u>
Total liabilities and stockholders' equity	<u><u>\$ 72,737</u></u>	<u><u>\$ 55,557</u></u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 3,645	\$ 7,642
Accounts receivable, net	18,939	17,085
Inventory, net	3,002	4,417
Deferred costs	3,443	2,729
Prepaid expenses and other current assets	259	399
Total current assets	<u>29,288</u>	<u>32,272</u>

Operating lease assets	3,586	2,681
Property and equipment, net	2,980	1,817
Deferred costs, net of current portion	3,365	2,868
Deferred tax assets	-	848
Intangible assets, net	8,404	4,531
Goodwill	24,555	10,499
Other assets	140	41
<b>Total assets</b>	<b>\$ 72,318</b>	<b>\$ 55,557</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 12,848	\$ 19,755
Accrued expenses and other current liabilities	5,826	5,357
Deferred revenue	6,886	6,021
Current portion of earnout consideration	5,520	-
Current portion of long-term debt	1,003	3
Current portion of operating lease liabilities	870	529
<b>Total current liabilities</b>	<b>32,953</b>	<b>31,665</b>
Deferred revenue, net of current portion	4,845	4,331
Long-term debt	5,693	143
Noncurrent portion of operating lease liabilities	3,315	2,706
Long-term portion of earnout consideration	4,316	-
Deferred tax liabilities	1,451	-
Other liabilities	6	130
<b>Total liabilities</b>	<b>52,579</b>	<b>38,975</b>
Commitments and contingencies (Notes 6 and 10)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 10,000 shares authorized; no shares issued or outstanding	-	-
Common stock, \$0.001 par value; 50,000 shares authorized; 7,654 and 7,416 shares issued and outstanding, respectively	8	7
Additional paid-in capital	38,831	38,429
Accumulated deficit	(19,100)	(21,854)
<b>Total stockholders' equity</b>	<b>19,739</b>	<b>16,582</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 72,318</b>	<b>\$ 55,557</b>

*See Accompanying Notes to the Condensed Consolidated Financial Statements.*

**DecisionPoint Systems, Inc.**  
**Condensed Consolidated Statements of Income and Comprehensive Income**  
*(in thousands, except per share data)*  
*(Unaudited)*

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Net sales:				
Product	\$ 19,746	\$ 22,692	\$ 41,912	\$ 38,272
Service	11,166	4,814	16,039	8,955
Net sales	<u>30,912</u>	<u>27,506</u>	<u>57,951</u>	<u>47,227</u>
Cost of sales:				
Product	15,980	17,869	33,865	30,290
Service	7,184	3,310	10,287	5,935
Cost of sales	<u>23,164</u>	<u>21,179</u>	<u>44,152</u>	<u>36,225</u>
Gross profit	<u>7,748</u>	<u>6,327</u>	<u>13,799</u>	<u>11,002</u>
Operating expenses:				
Sales and marketing expense	2,491	2,384	4,859	4,560
General and administrative expenses	3,911	1,960	6,406	4,220
Total operating expenses	<u>6,402</u>	<u>4,344</u>	<u>11,265</u>	<u>8,780</u>
Operating income	1,346	1,983	2,534	2,222
Interest expense	(210)	(9)	(223)	(35)
Other income (expense)	9	(21)	9	(16)
Income before income taxes	<u>1,145</u>	<u>1,953</u>	<u>2,320</u>	<u>2,171</u>
Income tax expense	(310)	(1,232)	(619)	(598)
Net income and comprehensive income attributable to common stockholders	<u>\$ 835</u>	<u>\$ 721</u>	<u>\$ 1,701</u>	<u>\$ 1,573</u>
Earnings per share attributable to stockholders:				
Basic	\$ 0.11	\$ 0.10	\$ 0.23	\$ 0.22
Diluted	\$ 0.11	\$ 0.09	\$ 0.22	\$ 0.20
Weighted average common shares outstanding				
Basic	7,601	7,222	7,447	7,209
Diluted	7,935	7,691	7,869	7,720

*See Accompanying Notes to the Condensed Consolidated Financial Statements.*

**DecisionPoint Systems, Inc.**  
**Condensed Consolidated Statements of Stockholders' Equity**  
**For the Three and Six Months Ended June 30, 2023 and 2022**  
*(in thousands)*  
*(Unaudited)*

	<b>Common Stock</b>		<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Equity</b>
	<b>Shares</b>	<b>Amount</b>			
<b>Balance at December 31, 2022</b>	7,416	\$ 7	\$ 38,429	\$ (21,854)	\$ 16,582
Net income	-	-	-	866	866
Share-based compensation expense	-	-	196	-	196
Exercise of stock options	1	-	6	-	6
<b>Balance at March 31, 2023</b>	7,417	\$ 7	\$ 38,631	\$ (20,988)	\$ 17,650
Net income	-	-	-	835	835
Share-based compensation expense	-	-	20	-	20
Exercise of warrants	195	1	195	-	196
Exercise of stock options	7	-	7	-	7
Cashless exercise of warrants (see Note 8)	9	-	-	-	-
<b>Balance at June 30, 2023</b>	7,628	\$ 8	\$ 38,853	\$ (20,153)	\$ 18,708
	<b>Common Stock</b>		<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Equity</b>
	<b>Shares</b>	<b>Amount</b>			
<b>Balance at December 31, 2021</b>	7,007	\$ 7	\$ 39,216	\$ (24,965)	\$ 14,258
Net income	—	—	—	852	852
Share-based compensation expense	—	—	225	—	225
Cashless exercise of stock options (Note 9)	214	—	(1,403)	—	(1,403)
<b>Balance at March 31, 2022</b>	7,221	\$ 7	\$ 38,038	\$ (24,113)	\$ 13,932
Net income	—	—	—	721	721
Share-based compensation expense	—	—	50	—	50
Exercise of stock options	13	—	25	—	25
<b>Balance at June 30, 2022</b>	7,234	\$ 7	\$ 38,113	\$ (23,392)	\$ 14,728

*See Accompanying Notes to the Condensed Consolidated Financial Statements.*

**DecisionPoint Systems, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
*(in thousands)*  
*(Unaudited)*

	<b>Six Months Ended</b>		
	<b>June 30,</b>	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>			
Net income	\$	1,701	\$ 1,573
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		1,297	1,128
Amortization of inventory valuation adjustment		120	-
Loss on fixed asset disposal		235	22
Share-based compensation expense		216	275
Provision for inventory obsolescence		2	-
Deferred income taxes, net		(447)	589
Provision for doubtful accounts		118	-
Changes in operating assets and liabilities:			
Accounts receivable		10,525	(4,950)
Inventory, net		4,479	1,369
Deferred costs		(331)	(305)
Prepaid expenses and other current assets		93	(171)
Accounts payable		(9,936)	4,479
Accrued expenses and other current liabilities		(2,596)	(501)
Operating lease liabilities		(63)	264
Deferred revenue		(405)	9,100
Net cash provided by operating activities		<u>5,008</u>	<u>12,872</u>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment		(579)	(1,095)
Cash paid for acquisitions, net of cash acquired		<u>(12,794)</u>	<u>(4,525)</u>
Net cash used in investing activities		<u>(13,373)</u>	<u>(5,620)</u>
<b>Cash flows from financing activities</b>			
Repayment of term debt		(252)	(2)
Line of credit, net		3,000	-
Proceeds from term loan		5,000	-
Cash paid for taxes on the cashless exercises of stock options		-	(1,403)
Proceeds from exercise of warrants		187	-
Proceeds from exercise of stock options		13	25
Net cash provided by (used in) financing activities		<u>7,948</u>	<u>(1,380)</u>
Change in cash		(417)	5,872
Cash, beginning of period		7,642	2,587
Cash, end of period	<u>\$ 7,225</u>	<u>\$ 8,459</u>	
<b>Supplemental disclosures of cash flow information</b>			
Cash paid for interest	\$	88	\$ 31
Cash paid for income taxes	\$	419	\$ 109
<b>Supplemental disclosure of non-cash activities</b>			
Right-of-use assets obtained in exchange for new operating lease liabilities	\$	-	\$ 3,211
Cashless exercise of warrants	\$	9	\$ 3,508

*See Accompanying Notes to the Condensed Consolidated Financial Statements.*

**DecisionPoint Systems, Inc.**

Condensed Consolidated Statements of Income and Comprehensive Income  
(in thousands, except per share data)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net sales:				
Product	\$ 15,436	\$ 20,988	\$ 57,348	\$ 59,259
Service	11,704	4,725	27,743	13,681
Net sales	<u>27,140</u>	<u>25,713</u>	<u>85,091</u>	<u>72,940</u>
Cost of sales:				
Product	12,340	16,923	46,205	47,213
Service	7,317	3,036	17,604	8,971
Cost of sales	<u>19,657</u>	<u>19,959</u>	<u>63,809</u>	<u>56,184</u>
Gross profit	<u>7,483</u>	<u>5,754</u>	<u>21,282</u>	<u>16,756</u>
Operating expenses:				
Sales and marketing expense	2,129	2,291	6,988	6,850
General and administrative expenses	3,838	1,936	10,242	6,155
Total operating expenses	<u>5,967</u>	<u>4,227</u>	<u>17,230</u>	<u>13,005</u>
Operating income	1,516	1,527	4,052	3,751
Interest expense	(162)	(7)	(385)	(42)
Other income (expense)	15	-	23	(17)
Income before income taxes	1,369	1,520	3,690	3,692
Income tax expense	(316)	(409)	(935)	(1,008)
Net income and comprehensive income attributable to common stockholders	<u>\$ 1,053</u>	<u>\$ 1,111</u>	<u>\$ 2,755</u>	<u>\$ 2,684</u>
Earnings per share attributable to stockholders:				
Basic	\$ 0.14	\$ 0.15	\$ 0.37	\$ 0.37
Diluted	\$ 0.13	\$ 0.15	\$ 0.36	\$ 0.36
Weighted average common shares outstanding				
Basic	7,640	7,290	7,514	7,210
Diluted	7,812	7,593	7,659	7,510

*See Accompanying Notes to the Condensed Consolidated Financial Statements.*

**DecisionPoint Systems, Inc.**

Condensed Consolidated Statements of Stockholders' Equity  
 For the Three and Nine Months Ended September 30, 2023 and 2022  
 (in thousands)  
 (Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
<b>Balance at December 31, 2022</b>	7,416	\$ 7	\$ 38,429	\$ (21,854)	\$ 16,582
Net income	-	-	-	866	866
Share-based compensation expense	-	-	196	-	196
Exercise of stock options	1	-	6	-	6
<b>Balance at March 31, 2023</b>	7,417	\$ 7	\$ 38,631	\$ (20,988)	\$ 17,650
Net income	-	-	-	835	835
Share-based compensation expense	-	-	20	-	20
Exercise of warrants	195	1	195	-	196
Exercise of stock options	7	-	7	-	7
Cashless exercise of warrants (see Note 8)	9	-	-	-	-
<b>Balance at June 30, 2023</b>	7,628	\$ 8	\$ 38,853	\$ (20,153)	\$ 18,708
Net income	-	-	-	1,053	1,053
Share-based compensation expense	-	-	45	-	45
Cashless exercise of stock options (see Note 8)	23	-	(67)	-	(67)
Cashless exercise of warrants (see Note 8)	3	-	-	-	-
<b>Balance at September 30, 2023</b>	7,654	\$ 8	\$ 38,831	\$ (19,100)	\$ 19,739
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
<b>Balance at December 31, 2021</b>	7,007	\$ 7	\$ 39,216	\$ (24,965)	\$ 14,258
Net income	-	-	-	852	852
Share-based compensation expense	-	-	225	-	225
Cashless exercise of stock options (Note 9)	214	-	(1,403)	-	(1,403)
<b>Balance at March 31, 2022</b>	7,221	\$ 7	\$ 38,038	\$ (24,113)	\$ 13,932
Net income	-	-	-	721	721
Share-based compensation expense	-	-	50	-	50
Exercise of stock options	13	-	25	-	25
<b>Balance at June 30, 2022</b>	7,234	\$ 7	\$ 38,113	\$ (23,392)	\$ 14,728
Net income	-	-	-	1,111	1,111
Share-based compensation expense	-	-	50	-	50
Exercise of stock options	66	-	129	-	129
Exercise of warrants (Note 8)	97	-	-	-	-
<b>Balance at September 30, 2022</b>	7,397	\$ 7	\$ 38,292	\$ (22,281)	\$ 16,018

See Accompanying Notes to the Condensed Consolidated Financial Statements.

DecisionPoint Systems, Inc.  
**Condensed Consolidated Statements of Cash Flows**  
*(in thousands)*  
*(Unaudited)*

	<b>Nine Months Ended</b> <b>September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 2,755	\$ 2,684
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,028	1,750
Amortization of inventory valuation adjustment	120	-
Loss on fixed asset disposal	-	22
Share-based compensation expense	261	325
Provision for inventory obsolescence	7	-
Deferred income taxes, net	(958)	460
Provision for doubtful accounts	77	32
Changes in operating assets and liabilities:		
Accounts receivable	8,193	(811)
Inventory, net	3,918	825
Deferred costs	(1,211)	(1,155)
Prepaid expenses and other current assets	196	186
Accounts payable	(9,716)	7,213
Accrued expenses and other current liabilities	(3,054)	(139)
Operating lease liabilities	(68)	265
Deferred revenue	235	2,279
Net cash provided by operating activities	<u>2,783</u>	<u>13,936</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(546)	(1,299)
Cash paid for acquisitions, net of cash acquired	<u>(12,917)</u>	<u>(4,525)</u>
Net cash used in investing activities	<u>(13,463)</u>	<u>(5,824)</u>
<b>Cash flows from financing activities</b>		
Repayment of term debt	(253)	(3)
Line of credit, net	1,803	-
Proceeds from term loan	5,000	-
Cash paid for taxes on the cashless exercises of stock options	(67)	(1,403)
Proceeds from exercise of warrants	187	-
Proceeds from exercise of stock options	13	154
Net cash provided by (used in) financing activities	<u>6,683</u>	<u>(1,252)</u>
Change in cash	(3,997)	6,860
Cash, beginning of period	7,642	2,587
Cash, end of period	<u>\$ 3,645</u>	<u>\$ 9,447</u>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid for interest	\$ 333	\$ 38
Cash paid for income taxes	\$ 1,060	\$ 497
<b>Supplemental disclosure of non-cash activities</b>		
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 3,211
Cashless exercise of warrants	\$ 12	\$ 3,508
Cashless exercise of stock options	\$ 25	\$ -

*See Accompanying Notes to the Condensed Consolidated Financial Statements.*

**DecisionPoint Systems, Inc.**  
Notes to Condensed Consolidated Financial Statements  
(Unaudited)

**Note 1: Description of Business**

DecisionPoint Systems, Inc., which we sometimes refer to as the "Company", "we" or "us", is an enterprise mobility systems integrator that, through its subsidiaries, sells, installs, deploys and repairs mobile computing and wireless systems that are used both within a company's facilities and in the field. These systems generally include mobile computers, mobile application software, and related data capture equipment including bar code scanners and radio frequency identification ("RFID") readers. We also provide services, consulting, staging, kitting, deployment, maintenance, proprietary and third-party software and software customization as an integral part of our customized solutions for our customers. The suite of products utilizes the latest technologies with the intent to make complex mobile technologies easy to use, understand and keep running within all vertical markets such as merchandising, sales and delivery, field service, logistics and transportation and warehouse management.

In January 2022, we acquired 100% of the issued and outstanding membership interests of Advanced Mobile Group, LLC ("AMG"). AMG provides services, hardware, software, integration, and wireless networking solutions, with deep experience in warehousing and distribution, manufacturing, mobile workforce automation, retailing, and healthcare segments.

In April 2023, we acquired 100% of the issued and outstanding shares of Macro Integration Services, Inc. ("Macro"). Macro is a value-added reseller ("VAR") that buys point of sale mobile computing, scanning, printing, and wireless products from various manufacturers and distributors. Macro also provides professional services for project management, implementation, deployment, installations, upgrades, training, and support.

**Note 2: Basis of Presentation and Summary of Significant Accounting Policies**

***Basis of Presentation***

We have prepared the accompanying unaudited condensed consolidated financial statements of DecisionPoint Systems, Inc. and its subsidiaries on the accrual basis of accounting in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP"). The accompanying condensed consolidated financial statements include the accounts of DecisionPoint Systems, Inc. and its wholly owned subsidiaries, DecisionPoint Systems International ("DPSI"), DecisionPoint Systems Group, Inc. ("DPS Group"), RDS, ExtenData, AMG, and Macro. **AMG was acquired on January 31, 2022, and as such, has been consolidated into our financial position and results of operations beginning February 1, 2022.** Macro was acquired on April 1, 2023, and as such, has been consolidated into our financial position and results of operations beginning April 1, 2023. All intercompany accounts and transactions have been eliminated in consolidation. These unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been omitted from these interim financial statements as permitted by SEC rules and regulations. Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2022.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all normal and recurring adjustments necessary to present fairly the financial condition, results of operations and cash flows for the interim periods presented. The results of operations for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** are not necessarily indicative of results to be expected for the full fiscal year.

DecisionPoint Systems, Inc.  
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**Operating Segments**

Under the Financial Accounting Standards Board Accounting Standards Codification 280-10, two or more operating segments may be aggregated into a single operating segment for financial reporting purposes if aggregation is consistent with the objective and basic principles, if the segments have similar characteristics, and if the segments are similar in each of the following areas: (i) the nature of products and services, (ii) the nature of the production processes, (iii) the type or class of customer for their products and services, and (iv) the methods used to distribute their products or provide their services. We believe each of the Company's segments meet these criteria as they provide similar products and services to similar customers using similar methods of production and distribution. Because we believe each of the criteria set forth above has been met and each of the Company's segments has similar characteristics, we aggregate results of operations in one reportable operating segment.

DecisionPoint Systems, Inc.  
Notes to Condensed Consolidated Financial Statements  
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**Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Certain accounting policies involve judgments and uncertainties to such an extent that there is a reasonable likelihood that materially different amounts could have been reported under different conditions, or if different assumptions had been used. We evaluate our estimates and assumptions on a regular basis.

**Inventory**

Inventory consists solely of finished goods and is stated at the lower of cost or net realizable value. Cost is determined under the first-in, first-out (FIFO) method. We periodically review our inventory and make provisions as necessary for estimated obsolete and slow-moving goods. The creation of such provisions results in reduction of inventory to net realizable value and a charge to cost of sales. Inventories are reflected in the accompanying condensed consolidated balance sheets net of a valuation allowance of \$89,000 \$96,000 and \$42,000 as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively.

We recorded a fair value adjustment of approximately \$359,000 to reflect the acquired cost of inventory related to the April 1, 2023 acquisition of Macro. Approximately \$120,000 and \$240,000 of this amount was amortized during the three month period and nine months ended June 30, 2023 September 30, 2023, respectively, and is included in total cost of sales in the condensed consolidated statements income and comprehensive income.

**Income Taxes**

Our quarterly provision for income taxes uses an annual effective tax rate based on the expected annual income and statutory tax rates. Our effective tax rate, including discrete items as more fully described below, was 26.7% 25.3% for the six nine months ended June 30, 2023 September 30, 2023 and 27.6% 27.3% for the six nine months ended June 30, 2022 September 30, 2022.

The change in the effective tax rate was primarily due to a combination of an increase in projected annual pre-tax income and a decrease to estimated annual non-deductible permanent items in 2023.

**Operating Leases**

For non-cancelable operating lease agreements, operating lease assets and operating lease liabilities are established for leases with an expected term greater than one year and we recognize lease expense on a straight-line basis.

DecisionPoint Systems, Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

We have an operating lease for the office and warehouse space in Laguna Hills, California. Pursuant to the lease agreement, the base rent of \$39,778 per month began on June 1, 2022 and increases 3% annually. The lease expires on April 30, 2029. In February 2022, we established an operating lease liability of \$3.1 million and operating lease assets of \$3.0 million, net of the sublease. In connection with this lease agreement, we entered into a sublease agreement for a portion of the Laguna Hills office and warehouse location, in which we receive received \$24,254 per month commencing in February 2022 with through expiration on October 31, 2023. Commencing November 1, 2023, this sublease continues on a sublease expiration of October 31, 2023, month-to-month basis.

We also have one operating lease for office and warehouse space in Greensboro, North Carolina with fixed minimum monthly payments of \$34,413 per month which increase increases 3% annually. The lease expires on December 31, 2026.

Furthermore, we have operating leases for office space in Delray Beach, Florida, Southbury, Connecticut, and Doylestown, Pennsylvania with various fixed minimum monthly payments totaling \$5,840. These leases have a combined operating lease liability of \$39,000 \$22,000 and operating lease assets of \$39,000. \$22,000.

At June 30, 2023 September 30, 2023, the total operating lease liability was \$4.4 million \$4.2 million and the total operating lease asset was \$3.8 million \$3.6 million.

DecisionPoint Systems, Inc.  
 Notes to Condensed Consolidated Financial Statements  
 (Unaudited)

**Revenue Recognition**

We recognize revenue when a customer obtains control of promised goods or services under the terms of a contract and is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. We do not have any material extended payment terms, as payment is due at or shortly after the time of the sale. Sales and other taxes collected concurrently with revenue producing activities are excluded from revenue.

We recognize contract assets or unbilled receivables related to revenue recognized for services completed but not yet invoiced to our clients. Unbilled receivables are recorded when we have an unconditional right to contract consideration. A contract liability is recognized as deferred revenue when we invoice clients, or receive customer cash payments, in advance of performing the related services under the terms of a contract. Remaining performance obligations represent the transaction price allocated to the performance obligations that are unsatisfied as of the end of each reporting period. Deferred revenue is recognized as revenue when we have satisfied the related performance obligation.

As of **June 30, 2023** **September 30, 2023**, the total aggregate transaction price allocated to the unsatisfied performance obligations was approximately **\$11.1 million** **\$11.7 million**, of which approximately **\$7.4 million** **\$6.9 million** is expected to be recognized over the next 12 months.

As of December 31, 2022, the total aggregate transaction price allocated to the unsatisfied performance obligations was approximately \$10.4 million.

The following tables summarizes the deferred revenue activity for the **six** **nine** months ending **June 30, 2023** **September 30, 2023** (in thousands):

Beginning Balance at December 31, 2022	\$ 10,352	\$ 10,352
Additions	18,618	22,076
Revenue recognized from beginning of period	(4,463)	(6,936)
Revenue recognized from additions	(13,416)	(13,761)
<b>Ending balance at June 30, 2023</b>	<b>\$ 11,091</b>	<b>\$ 11,731</b>
<b>Ending balance at September 30, 2023</b>	<b>\$ 11,731</b>	

We defer costs to acquire contracts, including commissions, incentives and payroll taxes if they are incremental and recoverable costs of obtaining a customer contract with a term exceeding one year. Deferred contract costs are amortized to sales and marketing expense over the contract term, generally over one to three years. We have elected to recognize the incremental costs of obtaining a contract with a term of less than one year as a selling expense when incurred. We include deferred contract acquisition costs in "Prepaid expenses and other current assets" in the consolidated balance sheets. As of **June 30, 2023** **September 30, 2023** and December 31, 2022, we deferred \$0.2 million and \$0.2 million, respectively, of related contract acquisition costs.

The following table summarizes net sales by revenue source (in thousands):

	<b>Three Months Ended</b> <b>September 30,</b>		<b>Nine Months Ended</b> <b>September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Hardware and software	\$ 13,994	\$ 19,205	\$ 52,808	\$ 54,105
Consumables	1,442	1,783	4,540	5,154
Professional services	11,704	4,725	27,743	13,681
	<b>\$ 27,140</b>	<b>\$ 25,713</b>	<b>\$ 85,091</b>	<b>\$ 72,940</b>

DecisionPoint Systems, Inc.  
 Notes to Condensed Consolidated Financial Statements  
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The following table summarizes net sales by revenue source (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Hardware and software	\$ 18,275	\$ 20,601	\$ 38,815	\$ 34,901
Consumables	1,471	2,091	3,097	3,371
Professional services	11,166	4,814	16,039	8,955
	<b>\$ 30,912</b>	<b>\$ 27,506</b>	<b>\$ 57,951</b>	<b>\$ 47,227</b>

**Recently Adopted Accounting Standards**

In September 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU requires the measurement of all expected credit losses for financial assets, including trade receivables, held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which, among other things, deferred the effective date of ASU 2016-13 for public filers that are considered smaller reporting companies, as defined by the SEC, to fiscal years beginning after December 15, 2022, including interim periods within those years. The Company adopted this accounting update in the first quarter of 2023 on a prospective basis. The adoption of this ASU did not have a material impact on the Company's condensed consolidated financial statements.

Note 3: Acquisitions

*Macro Integration Services, Inc.*

On March 31, 2023, we entered into a Stock Purchase Agreement (the "Purchase Agreement") with the Durwood Wayne Williams Revocable Trust and the Collins Family Living Trust, as sellers (collectively, the "Sellers") and with Durwood W. Williams and Bartley E. Collins (the respective trustees of the Sellers), individually, pursuant to which the Company acquired all of the issued and outstanding equity of Macro from the Sellers (the "Acquisition"), effective April 1, 2023 (the "Effective Date"). Upon consummation of the Acquisition, Macro, a project management and professional services and integrated solutions company, became a wholly-owned subsidiary of the Company.

Total consideration for the acquisition has been recorded as **\$26,265,000** **\$26.4 million** (\$26.3 million was recorded at closing and additional \$0.1 million was paid during the third quarter of 2023 due to a net working capital adjustment) and is comprised of the following: following (in thousands):

Purchase price	\$ 10,500,000	\$ 10,623
Working capital excess	5,898,950	5,899
Subtotal	<b>16,398,950</b>	<b>16,522</b>
Earnout	9,836,000	9,836
Other	30,050	30
	<b>\$ 26,265,000</b>	<b>\$ 26,388</b>

Earnout payments are subject to the financial performance of Macro in each of the two years following closing and are presented at net present values. We may pay the Sellers a total of up to an additional **\$9,836,000** **\$9.8 million** in earnout payments. The earnout is based on achieving EBITDA targets in years one and two following the Effective Date of **\$3,300,000** \$3.3 million and **\$3,800,000** \$3.8 million, respectively.

The cash due at closing was \$13.7 million which reflects the following (in thousands):

Purchase price	\$ 10,500
Working capital excess	5,899
Less: bank indebtedness	(1,837)
Seller party expenses	(845)
	<b>\$ 13,717</b>

Actual consideration paid on the Effective Date was \$11.0 million which reflects cash due at close less holdbacks for cash, accounts receivable, and inventory. An additional \$0.1 million in consideration was paid during the third quarter of 2023 due to a net working capital adjustment.

DecisionPoint Systems, Inc.  
Notes to Condensed Consolidated Financial Statements  
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The cash due at closing was \$13,717,099 which reflects the following:

Purchase price	\$ 10,500,000
Working capital excess	5,898,950
Less: bank indebtedness	(1,836,851)
Seller party expenses	(845,000)
	<u><u>\$ 13,717,099</u></u>

Actual consideration paid on the Effective Date was \$11,005,003 which reflects cash due at close less holdbacks for cash, accounts receivable, and inventory.

Also, customer payments on specified accounts receivable actually received by us through September 30, 2024, are to be remitted to the Sellers on a quarterly basis. The Sellers are also due certain payments from us if certain inventory is utilized by the Company before March 31, 2024.

The preliminary purchase price allocation is subject to change due to changes in the estimated fair value of Macro's assets acquired and liabilities assumed as of the Effective Date resulting from the finalization of the Company's detailed valuation analysis.

The preliminary purchase price As of September 30, 2023, the allocation of Macro the total consideration to the estimated fair value of acquired net assets as of April 1, 2023 is the acquisition date for Macro was as follows (in thousands):

Cash	\$ 923	\$ 923
Accounts receivable, net	10,124	10,124
Inventory, net	2,630	2,630
Prepays and other current assets	111	111
Operating lease assets	1,390	1,390
Property and equipment, net	1,058	1,058
Customer lists and relationships	4,080	4,080
Trade name	1,380	1,380
Other assets	44	44
Accounts payable	(2,809)	(2,809)
Accrued expenses and other current liabilities	(695)	(695)
Deferred tax assets	(3,204)	
Deferred tax liability		(3,257)
Operating lease liability	(1,503)	(1,503)
Deferred revenue	(1,144)	(1,144)
Total fair value excluding goodwill	<u>15,589</u>	<u>15,589</u>
Goodwill	13,880	14,056
Total consideration	<u><u>\$ 26,265</u></u>	<u><u>\$ 26,388</u></u>

The estimated useful lives of intangible assets recorded related to the Macro acquisition are as follows:

	Expected Life
Customer lists and relationships	7 years
Trade name	3 years

*Pro Forma Information*

The following unaudited pro forma condensed consolidated statement of operations for the three and six months ended June 30, 2023 September 30, 2023 as if the Macro acquisition had been completed on January 1, 2023, and after giving effect to certain pro forma adjustments. The pro forma condensed consolidated statement of operations is presented for informational purposes only and is not indicative of the results of operations that would have necessarily been achieved if the acquisition had actually been consummated on January 1, 2023.

	Three Months Ended		Six Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,	
	2023	2022	2023	2022	2023	2022
Net sales	\$ 30,912	\$ 32,825	\$ 68,892	\$ 56,703	\$ 96,032	
Net income	\$ 835	\$ 437	\$ 2,634	\$ 705	\$ 3,836	

Net income per share - basic	\$ 0.11	\$ 0.06	\$ 0.35	\$ 0.10	\$ 0.51
Net income per share - diluted	\$ 0.11	\$ 0.06	\$ 0.33	\$ 0.09	\$ 0.50

During the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, we incurred transaction costs of **\$189,000** **\$26,000** and **\$410,000**, **\$436,000**, respectively.

DecisionPoint Systems, Inc.  
 Notes to Condensed Consolidated Financial Statements  
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*Advanced Mobile Group, LLC*

On January 31, 2022, we entered into a Membership Unit Purchase Agreement and concurrently therewith closed upon the acquisition of all of the issued and outstanding membership interests of **AMG Advanced Mobile Group, LLC** ("AMG") for \$5.1 million. The consideration we paid was comprised of cash of \$4.6 million, of which \$4.4 million was paid during the year ended December 31, 2022, and an estimated earn-out obligation valued at \$0.5 million, subject to the financial performance of AMG during each of the two years following the closing of the acquisition. As a result of the acquisition, AMG became a wholly owned subsidiary of the Company.

As of **June 30, 2023** **September 30, 2023**, the allocation of the total consideration to the estimated fair value of acquired net assets as of the acquisition date for AMG was as follows (in thousands):

Cash	\$ 170
Accounts receivable	1,402
Inventory	129
Prepays and other current assets	123
Customer lists and relationships	1,930
Trade name	360
Backlog	280
Developed technology	70
Accounts payable	(558)
Accrued expenses	(152)
Deferred tax liabilities	(897)
Deferred revenue	(148)
<b>Total fair value excluding goodwill</b>	<b>2,709</b>
Goodwill	2,371
<b>Total consideration</b>	<b>\$ 5,080</b>

The estimated useful lives of intangible assets recorded related to the AMG acquisition are as follows:

	Expected Life
Customer lists and relationships	7 years
Trade name	3 years
Backlog	11 months
Developed technology	3 years

*Other acquisition*

In March 2022, we acquired the customer lists and relationships of Boston Technologies, a provider of mobile order management and route accounting software for direct store delivery (DSD) operations, for cash of \$0.3 million.

DecisionPoint Systems, Inc.  
Notes to Condensed Consolidated Financial Statements  
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Note 4: Intangible Assets

Definite lived intangible assets are as follows (in thousands):

	June 30, 2023			December 31, 2022			September 30, 2023			December 31, 2022		
	Gross	Accumulated	Net	Gross	Accumulated	Net	Gross	Accumulated	Net	Gross	Accumulated	Net
	Amount	Amortization	Amount	Amount	Amortization	Amount	Amount	Amortization	Amount	Amount	Amortization	Amount
Customer lists and relationships	\$ 12,020	\$ (4,591)	\$ 7,429	\$ 7,940	\$ (3,850)	\$ 4,090	\$ 12,020	\$ (4,992)	\$ 7,028	\$ 7,940	\$ (3,850)	\$ 4,090
Trade names	2,740	(1,216)	1,524	1,360	(973)	387	2,740	(1,396)	1,344	1,360	(973)	387
Developed technology	140	(100)	40	140	(86)	54	140	(108)	32	140	(86)	54
Backlog	340	(340)	-	340	(340)	-	340	(340)	-	340	(340)	-
	<b>\$ 15,240</b>	<b>\$ (6,247)</b>	<b>\$ 8,993</b>	<b>\$ 9,780</b>	<b>\$ (5,249)</b>	<b>\$ 4,531</b>	<b>\$ 15,240</b>	<b>\$ (6,836)</b>	<b>\$ 8,404</b>	<b>\$ 9,780</b>	<b>\$ (5,249)</b>	<b>\$ 4,531</b>

Amortization expense recognized during the three and **six** nine months ended **June 30, 2023** **September 30, 2023** was \$0.6 million and **\$1.0 million** **\$1.6 million**, respectively. Amortization expense recognized during the three and **six** nine months ended **June 30, 2022** **September 30, 2022** was **\$0.3 million** **\$0.5 million** and **\$0.9 million** **\$1.4 million**, respectively. Amortization expense is primarily calculated on a straight-line basis.

Note 5: Net Income Per Share

Basic net income per common share is computed by dividing the net income available to common stockholders by the weighted-average number of common shares outstanding. Diluted net income per share is calculated similarly to basic per share amounts, except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. For periods in which there is a net loss, potentially dilutive securities are excluded from the computation of fully diluted net loss per share as their effect is anti-dilutive.

Below is a reconciliation of the fully dilutive securities effect for the three and **six** nine months ended **June 30, 2023** **September 30, 2023** and 2022 (in thousands, except per share data):

	Three Months Ended				Six Months Ended				Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,		2023	2022	2023	2022
	2023	2022	2023	2022	2023	2022	2023	2022	\$ 1,053	\$ 1,111	\$ 2,755	\$ 2,684
Net income attributable to common stockholders	\$ 835	\$ 721	\$ 1,701	\$ 1,573	\$ 1,053	\$ 1,111	\$ 2,755	\$ 2,684				
Weighted average basic common shares outstanding	7,601	7,222	7,447	7,209	7,640	7,290	7,514	7,210				
Dilutive effect of stock options, warrants and restricted stock	334	469	422	511	172	303	145	300				
Weighted average shares for diluted earnings per share	7,935	7,691	7,869	7,720	7,812	7,593	7,659	7,510				
Basic income per share	\$ 0.11	\$ 0.10	\$ 0.23	\$ 0.22	\$ 0.14	\$ 0.15	\$ 0.37	\$ 0.37				
Diluted income per share	\$ 0.11	\$ 0.09	\$ 0.22	\$ 0.20	\$ 0.13	\$ 0.15	\$ 0.36	\$ 0.36				

DecisionPoint Systems, Inc.  
Notes to Condensed Consolidated Financial Statements  
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Note 6: Line of Credit

Our Loan and Security Agreement (the "Loan Agreement") with MUFG Union Bank, National Association (the "Bank"), as amended, provides for a revolving line of credit of up to \$10.0 million with our obligations being secured by a security interest in substantially all of our assets. Loans extended to us under the Loan Agreement are currently scheduled to mature on July 31, 2026. Effective March 27, 2023, we entered into an amendment letter

("Amendment") with the Bank that served to amend certain terms of the Loan Agreement and increased the revolving line of credit available to us from \$9.0 million to \$10.0 million. The Amendment also served to modify certain covenants in the original agreement. On March 31, 2023, we drew down \$7.0 million of this facility and amounts borrowed under this credit facility are evidenced, and governed, by the terms of a commercial promissory note in favor of the Bank. During the second quarter and third quarters of 2023 we paid down \$4.0 million and \$1.2 million, respectively, on the line of credit and as of **June 30, 2023** **September 30, 2023**, there is **\$3.0 million** **\$1.8 million** outstanding on the line of credit.

DecisionPoint Systems, Inc.  
Notes to Condensed Consolidated Financial Statements  
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*Interest and Fees*

Loans under the Loan Agreement with an outstanding balance of at least \$150,000 bear interest, at our option, at a base interest rate equal to the Term secured overnight financing rate as administered by the Federal Reserve Bank of New York ("SOFR") plus 2.50% or a base rate equal to an index offered by the Bank for the interest period selected and is payable at the on the last day of each month, commencing April 30, 2023. The interest rate on the loans adjusts at the end of each SOFR rate period (1, 3, or 6 month term) selected by us. All other loan amounts bear interest at a rate equal to an index rate determined by the Bank, which shall vary when the index rate changes. As of **June 30, 2023** **September 30, 2023**, the effective interest rate was **7.4%** **7.7%**. We have the right to prepay variable interest rate loans, in whole or in part at any time, without penalty or premium. Amounts outstanding with a base interest rate may be prepaid in whole or in part provided we have given the Bank written notice of at least five days prior to prepayment and pay a prepayment fee. At any time prior to the maturity date, we may borrow, repay and reborrow amounts under the Loan Agreement, subject to the prepayment terms, and, as long as the total outstanding does not exceed \$10.0 million.

*Covenants*

Under the Loan Agreement, as amended by the Amendment, we are subject to a variety of customary affirmative and negative covenants, including that we (i) maintain a ratio of total debt to EBITDA of not greater than 3.0:1.0 measured at the end of each quarter, (ii) maintain a fixed charge coverage ratio of not less than 1.35:1.00 to be measured as of the end of each fiscal quarter, and (iii) submit a pro-forma statement in advance showing compliance and overall satisfactory metrics post acquisition should the Company use any loan under the Loan Agreement for any acquisition with a purchase price in excess of \$1,500,000. The Loan Agreement also prohibits us from, or otherwise imposes restrictions on us with respect to, among other things, liquidating, dissolving, entering into any consolidation, merger, division, partnership, or other combination, selling or leasing a majority of our assets or business or purchase or lease all or the greater part of the assets or business of another entity or person.

As of **June 30, 2023** **September 30, 2023** we were in compliance with all of our covenants, were eligible to borrow up to **\$7.0 million** **\$8.2 million**, and had **\$3.0 million** **\$1.8 million** in outstanding borrowings under the **line of credit**. **Loan Agreement**.

**Note 7: Term Debt**

*MUFG Promissory Note*

We entered into a \$5.0 million unsecured promissory note agreement, effective March 27, 2023, with the Bank. Principal and interest payments on this note are due in quarterly installments of \$250,000 on the last day of each quarter commencing June 30, 2023, with an interest rate based on Term SOFR plus 2.5% (secured overnight financing rate) as administered by the Federal Reserve Bank of New York, which was **7.3%** **7.9%** at **June 30, 2023** **September 30, 2023**. This note matures March 31, 2028.

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*EIDL Promissory Note*

On August 27, 2020, we received \$0.2 million in connection with a promissory note from the SBA under the Economic Injury Disaster Loan ("EIDL") program pursuant to the CARES Act. Under the terms of the EIDL promissory note, interest accrues on the outstanding principal at an interest rate of 3.75% per annum and with a term of 30 years with equal monthly payments of principal and interest of \$731 beginning on August 27, 2021. As of **June 30, 2023** **September 30, 2023** and December 31, 2022, outstanding debt under the promissory note was \$0.1 million.

At **June 30, 2023** **September 30, 2023**, our total debt consisted of the following:

Line of credit	\$ 3,000	\$ 1,803
MUFG promissory note	4,750	4,750
EIDL promissory note	144	143
Total debt	<hr/> 7,894	<hr/> 6,696
Less: current portion of long-term debt	(1,003)	(1,003)
Long-term debt	<hr/> <hr/> \$ 6,891	<hr/> <hr/> \$ 5,693

**DecisionPoint Systems, Inc.**  
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**Note 8: Stockholders' Equity**

We are authorized to issue two classes of stock designated as common stock and preferred stock. As of **June 30, 2023** **September 30, 2023**, we are authorized to issue 60,000,000 total shares of stock. Of this amount, 50,000,000 shares are designated as common stock, having a par value of \$0.001 and 10,000,000 shares are designated as preferred stock, having a par value of \$0.001.

**Warrants**

The following table summarizes information about our outstanding common stock warrants as of **June 30, 2023** **September 30, 2023**:

	<b>Date Issued</b>	<b>Expiration</b>	<b>Strike Price</b>	<b>Total Warrants Outstanding and Exercisable (in thousands)</b>	<b>Total Exercise Price (in thousands)</b>	<b>Weighted Average Exercise Price</b>
Warrants - Common Stock	Oct-18	Oct-23	1.40	18	26	
				18	\$ 26	\$ 1.40

In June 2023, the common stock warrants issued by the Company in June 2018 were fully exercised by all of the holders resulting in the issuance of 191,826 shares of common stock. One holder exercised on a cashless basis, resulting in the issuance of 9,247 shares of common stock.

In June 2023, one holder exercised a portion of the common stock warrants warrant, issued by the Company in October June 2018, were exercised by one holder, resulting in the issuance on a cashless basis for a total of 2,625 12,676 shares of common stock, stock, which was settled in two issuances: 9,247 shares of common stock were issued in June 2023 and an additional 3,429 shares of common stock were issued during the third quarter of 2023.

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Note 9: Share-Based Compensation

Under our amended 2014 Plan, 1,600,000 shares of our common stock are reserved for issuance, under the 2014 Plan of which 587,709 shares of common stock remain available for issuance.

Under the 2014 Plan, common stock incentives may be granted to our officers, employees, directors, consultants, and advisors (and prospective directors, officers, managers, employees, consultants and advisors) and our affiliates can acquire and maintain an equity interest in us, or be paid incentive compensation, which may (but need not) be measured by reference to the value of our common stock.

The 2014 Plan permits us to provide equity-based compensation in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, unrestricted stock and other stock bonus awards and performance compensation awards.

The 2014 Plan is administered by the Board of Directors, or a committee appointed by the Board of Directors, which determines recipients and the number of shares subject to the awards, the exercise price and the vesting schedule. The term of stock options granted under the 2014 Plan cannot exceed ten years. Options cannot have an exercise price less than 100% of the fair market value of our common stock on the grant date, and generally vest over a period of three years. If the individual possesses more than 10% of the combined voting power of all classes of our stock, the exercise price shall not be less than 110% of the fair market of a share of common stock on the date of grant.

The following table summarizes stock option activity under the 2014 Plan for the **six** nine months ended **June 30, 2023** **September 30, 2023**:

	Stock	Grant Date				Weighted Average				Grant Date	Weighted Average	Remaining	Aggregate
		Options	Weighted Average	Exercise	Weighted Average	Remaining Contractual	Aggregate Intrinsic	Stock	Exercise	Contractual			
Outstanding at December 31, 2022		458,957	\$ 4.08					458,957	\$ 4.08				
Granted		60,521	7.26					60,521	7.26				
Forfeited or expired		-	0					-	0				
Exercised		(7,915)	1.55					(64,165)	2.44				
Outstanding at June 30, 2023		511,563	\$ 4.49	2.4	\$ 783			455,313	\$ 4.73	2.4	\$ 1,276		
Exercisable at June 30, 2023		<u>397,229</u>	<u>\$ 4.65</u>	<u>2.4</u>	<u>\$ 567</u>			<u>365,598</u>	<u>\$ 4.91</u>	<u>2.4</u>	<u>\$ 1,276</u>		
Outstanding at September 30, 2023													
Exercisable at September 30, 2023													

**DecisionPoint Systems, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**

Share-based compensation cost **for the nine months ending September 30, 2023 was measured at the June 30, 2023 were estimated** using the Black-Scholes option-pricing model with the following assumptions:

Weighted average grant-date fair value per option granted	\$ 6.52
Expected option term in years	2.5
Expected volatility factor	74.0%
Risk-free interest rate	3.82%
Expected annual dividend yield	0.0%
<b>Weighted average grant-date fair value per option granted</b>	<b>\$ 6.52 to 7.76</b>
Expected option term in years	2.5
Expected volatility factor	74.0%
Risk-free interest rate	3.82 to 4.18%
Expected annual dividend yield	0.0%

We estimate expected volatility using historical volatility of common stock of our peer group over a period equal to the expected life of the options. The expected term of the awards represents the period of time that the awards are expected to be outstanding. We considered expectations for the future to estimate employee exercise and post-vest termination behavior. We do not intend to pay common stock dividends in the foreseeable future, and therefore have assumed a dividend yield of zero. The risk-free interest rate is the yield on zero-coupon U.S. Treasury securities for a period that is commensurate with the expected term of the awards.

As of **June 30, 2023** **September 30, 2023**, there was \$0.2 million of total unrecognized share-based compensation related to unvested stock options. These costs have a weighted average remaining recognition period of **1.6** **1.2** years.

DecisionPoint Systems, Inc.  
Notes to Condensed Consolidated Financial Statements  
(Unaudited)

Note 10: Contingencies

*Litigation*

From time to time, we are subject to litigation incidental to the conduct of our business. When applicable, we record accruals for contingencies when it is probable that a liability will be incurred, and the amount of loss can be reasonably estimated. While the outcome of lawsuits and other proceedings against us cannot be predicted with certainty, in our opinion, individually or in the aggregate, no such lawsuits are expected to have a material effect on our condensed consolidated financial position or results of operations.

*Concentrations*

One No customer accounted for 24% and 34% of consolidated revenue during the three and six months ended June 30, 2023. Two customers accounted for 19% and 20% 10% or more of consolidated revenue during the three months ended June 30, 2022 September 30, 2023. One customer accounted for 18% of consolidated revenue during the nine months ended September 30, 2023. One customer accounted for 30% of consolidated revenue during the three months ended September 30, 2022, and 11% and 18% of consolidated revenue during the six nine months ended June 30, 2022 September 30, 2022. Trade accounts receivable from one customer two customers represented 14% 11% and 12% of net consolidated receivables at June 30, 2023 September 30, 2023 and trade accounts receivable from one two customers represented approximately 31% 14% and 13% of net consolidated receivables at June 30, 2022 September 30, 2022.

Two vendors accounted for 17% 29% and 11% 19% of all consolidated purchases during the three months ended June 30, 2023 September 30, 2023. Three vendors accounted for 21%, 18% 20%, and 16% 14% of all consolidated purchases during the six nine months ended June 30, 2023 September 30, 2023. For the prior year period, these same two vendors accounted for 44% 12% and 17% 11% of all consolidated purchases for the three months ended June 30, 2022 September 30, 2022, and 39% three vendors accounted for 37%, 22% and 21% 17% of all consolidated purchases during the six nine months ended June 30, 2022 September 30, 2022. No other vendor accounted for more than 10% of purchases during the three and six nine months ended June 30, 2023 September 30, 2023 and 2022.

As of June 30, 2023 September 30, 2023, three two vendors accounted for 21%, 21% 31% and 15% 25% of total accounts payable. As of June 30, 2022 September 30, 2022, two of the same three vendors accounted for 50% 31%, 27% and 17% 22% of the total accounts payable. No other vendor accounted for more than 10% of accounts payable as of June 30, 2023 September 30, 2023 and 2022.

A significant decrease or interruption in business from our significant customers or vendors could have a material adverse effect on our business, financial condition and results of operations. Financial instruments that potentially expose us to a concentration of credit risk principally consist of accounts receivable. We sell product to a large number of customers in many different geographic regions. To minimize credit risk, we perform ongoing credit evaluations of our customers' financial condition.

**Note 11: Subsequent Events**

Management has evaluated for subsequent events through the date of filing of this report and noted no items requiring adjustment or disclosure.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis should be read in conjunction with the condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q. This Quarterly Report on Form 10-Q contains statements that discuss future events or expectations, projections of results of operations or financial condition, trends in our business, business prospects and strategies and other "forward-looking" information. In some cases, you can identify "forward-looking statements" by words like "may," "will," "should," "expects," These statements may relate to, among other things, our expectations regarding our financial results, revenue, operating expenses and other financial measures in future periods, and the adequacy of our sources of liquidity to satisfy our working capital needs, capital expenditures, and other liquidity requirements. Our actual results may differ materially from those anticipated in these forward-looking statements. Among the factors that could cause actual results to differ materially are the factors discussed under "Risk Factors" in documents and reports we have filed with the Securities and Exchange Commission. Some additional factors that could cause actual results to differ include:*

- our estimates regarding expenses, future revenue, capital requirements and liquidity;
- our plans to obtain any requisite outside funding for our current and proposed operations and potential acquisition and expansion efforts;
- the success of the Company's plan for growth, both internally and through pursuit of suitable acquisition candidates;
- the concentration of our customers and vendors and the potential effect of the loss of a significant customer or vendor;
- debt obligations of the Company arising from our line of credit and term loan from time to time or otherwise;
- our ability to integrate the business operations of businesses that we acquire from time to time;
- the possibility that we may be adversely affected by other economic, business or competitive factors including market volatility, inflation, increases in interest rates, supply chain interruptions, and may not be able to manage other risks and uncertainties;
- our ability to compete with companies producing similar products and services;
- the scope of protection we are able to establish and maintain for intellectual property rights covering our products and technology;
- the accuracy of our estimates regarding expenses, future revenue, capital requirements and needs for additional financing;
- our ability to develop and maintain our corporate infrastructure, including our internal controls;
- general economic conditions, including effects of inflation, market volatility, interest rate increases, general recession concerns in the U.S. and abroad, and effects of geopolitical events domestically and abroad;
- our ability to develop innovative new products and services; and
- our financial performance.

Our financial statements are stated in United States Dollars ("\$") and are prepared in accordance with U.S. GAAP. In this Quarterly Report, unless otherwise specified, all dollar amounts are expressed in United States dollars and all references to "common shares" refer to the common shares in our capital stock.

### **Overview**

We are a provider and integrator of mobility and wireless systems for business organizations. We design, deploy and support mobile computing systems that enable customers to access employers' data networks at various locations (i.e., the retail selling floor, nurse workstations, warehouse and distribution centers or on the road deliveries via enterprise-grade handheld computers, printers, tablets, and smart phones). We also integrate data capture equipment including bar code scanners and radio frequency identification (RFID) readers.

We may from time to time make strategic acquisitions. For example, in April 2023, we completed the acquisition of Macro Integration Services, Inc. ("Macro"), a privately held company headquartered in Greensboro, North Carolina. We acquired Macro to increase profits margins through adding more services, expanding our regional presence, and adding new capabilities and deepening existing ones. This acquisition also strengthens our position in the traditional retail market while adding to adjacent retail verticals in foods service and grocery.

In January 2022, we completed the acquisition of Advanced Mobile Group, LLC ("AMG"), a privately held company headquartered in Doylestown, Pennsylvania. We acquired AMG to expand our mobility-first enterprise solutions and service offerings and grow its capabilities in the mid-Atlantic region. AMG is a regional leader providing services, hardware, software, integration, and wireless networking solutions, with deep experience in warehousing and distribution, manufacturing, mobile workforce automation, retailing, and healthcare segments, with approximately 600 customers.

General economic uncertainty and volatility arising from geopolitical events and concerns, inflation, rises in energy prices, increased interest rates, recession concerns, and general declines in capital spending in the information technology sector (and the economy in general) make it difficult to predict changes in the purchasing requirements of our customers and the markets we serve and whether our results of operations will be materially impacted.

#### **Components of Results of Operations**

##### *Net Sales*

Net sales reflect revenue from the sale of hardware, software, consumables and professional services (including hardware and software maintenance) to our clients, net of sales taxes.

Revenue is recognized when a customer obtains control of promised goods or services under the terms of a contract and is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. We do not have any material extended payment terms, as payment is due at or shortly after the time of the sale. Sales, value-added and other taxes collected concurrently with revenue producing activities are excluded from revenue.

##### *Cost of Sales, Sales and Marketing Expenses, and General and Administrative Expenses*

The following illustrates the primary costs classified in each major expense category:

Cost of sales, include:

- Cost of goods sold for hardware, software and consumables;
- Cost of professional services, including maintenance;
- Markdowns of inventory; and
- Freight expenses.

Sales and marketing expenses, include:

- Sales salaries, benefits and commissions;
- Consulting;
- Marketing tools;
- Travel; and
- Marketing promotions and trade shows.

General and administrative expenses, include:

- Corporate payroll and benefits;
- Depreciation and amortization;
- Rent;
- Utilities; and
- Other administrative costs such as maintenance of corporate offices, supplies, legal, consulting, audit and tax preparation and other professional fees.

## Results of Operations

The following table summarizes key components of our results of operations for the periods indicated, both in dollars and as a percentage of our net sales (in thousands):

	Three Months Ended				Six Months Ended				Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,		2023	2022	2023	2022
	2023	2022	2023	2022	2023	2022	2023	2022	(unaudited)			
<b>Statements of Operations Data:</b>												
Net sales	\$ 30,912	\$ 27,506	\$ 57,951	\$ 47,227	\$ 27,140	\$ 25,713	\$ 85,091	\$ 72,940				
Cost of sales	23,164	21,179	44,152	36,225	19,657	19,959	63,809	56,184				
Gross profit	7,748	6,327	13,799	11,002	7,483	5,754	21,282	16,756				
Sales and marketing expenses	2,491	2,384	4,859	4,560	2,129	2,291	6,988	6,850				
General and administrative expenses	3,911	1,960	6,406	4,220	3,838	1,936	10,242	6,155				
Total operating expenses	6,402	4,344	11,265	8,780	5,967	4,227	17,230	13,005				
Operating income	1,346	1,983	2,534	2,222	1,516	1,527	4,052	3,751				
Interest expense	(210)	(9)	(223)	(35)	(162)	(7)	(385)	(42)				
Other income (expense)	9	(21)	9	(16)	15	-	23	(17)				
Income before income taxes	1,145	1,953	2,320	2,171	1,369	1,520	3,690	3,692				
Income tax expense	(310)	(1,232)	(619)	(598)	(316)	(409)	(935)	(1,008)				
Net income attributable to common shareholders	\$ 835	\$ 721	\$ 1,701	\$ 1,573	\$ 1,053	\$ 1,111	\$ 2,755	\$ 2,684				
<b>Percentage of Net Sales:</b>												
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%				
Cost of sales	74.9%	77.0%	76.2%	76.7%	72.4%	77.6%	75.0%	77.0%				
Gross profit	25.1%	23.0%	23.8%	23.3%	27.6%	22.4%	25.0%	23.0%				
Sales and marketing expenses	8.1%	8.7%	8.4%	9.7%	7.8%	8.9%	8.2%	9.4%				
General and administrative expenses	12.7%	7.1%	11.1%	8.9%	14.1%	7.5%	12.0%	8.4%				
Total operating expenses	20.7%	15.8%	19.4%	18.6%	22.0%	16.4%	20.2%	17.8%				
Operating income	4.4%	7.2%	4.4%	4.7%	5.6%	5.9%	4.8%	5.1%				
Interest expense	(0.7)%	(0.0)%	(0.4)%	(0.1)%	(0.6)%	(0.0)%	(0.5)%	(0.1)%				
Other income (expense)	0.0%	0.0%	0.0%	(0.0)%	0.1%	0.0%	0.0%	(0.0)%				
Income before income taxes	3.7%	7.1%	4.0%	4.6%	5.0%	5.9%	4.3%	5.1%				
Income tax expense	(1.0)%	(4.5)%	(1.1)%	(1.3)%	(1.2)%	(1.6)%	(1.1)%	(1.4)%				
Net income attributable to common shareholders	2.7%	2.6%	2.9%	3.3%	3.9%	4.3%	3.2%	3.7%				

**Results of Operations for the Second Third Quarter of 2023 Compared to the Second Third Quarter of 2022 (Unaudited)**

**Net sales**

	Three Months Ended			Dollar Change	Percent Change		
	June 30,		(dollars in thousands)				
	2023	2022					
Hardware and software	\$ 18,275	\$ 20,601	\$ (2,326)		(11.3)%		
Consumables	1,471	2,091	(620)		(29.7)%		
Services	11,166	4,814	6,352		131.9%		
	<b>\$ 30,912</b>	<b>\$ 27,506</b>	<b>\$ 3,406</b>		<b>12.4%</b>		

  

	Three Months Ended			Dollar Change	Percent Change		
	September 30,		(dollars in thousands)				
	2023	2022					
Hardware and software	\$ 13,994	\$ 19,205	\$ (5,211)		(27.1)%		
Consumables	1,442	1,783	(341)		(19.1)%		
Services	11,704	4,725	6,979		147.7%		
	<b>\$ 27,140</b>	<b>\$ 25,713</b>	<b>\$ 1,427</b>		<b>5.5%</b>		

Net sales increased by 12.4% 5.5%, or \$3.4 million \$1.4 million, during the three months ended June 30, 2023 September 30, 2023 as compared to the same period of the prior year. Hardware and software net sales decreased \$2.3 million, \$5.2 million during the three months ended March 31, 2023 September 30, 2023, primarily due to a \$2.3 million \$6.6 million decrease in hardware sales to one of our largest customer. As our sales are project based, this decrease was driven customers, offset by a lag \$1.7 million increase in customer installations which we expect to complete over hardware sales by Macro. Macro was acquired on April 1, 2023 (and, thus, there were no corresponding sales by Macro included in our results of operations for the remainder of the current 2023 fiscal year. comparable period in 2022). Consumables decreased \$0.6 million \$0.3 million during the three months ended June 30, 2023 September 30, 2023 primarily due to decreased second third quarter sales to one of our existing customers. Included in the prior year consumables sales was a one-time transaction of \$0.5 million \$0.3 million that was not repeated during the current quarter ending June 30, 2023 September 30, 2023. Services increased \$6.4 million \$7.0 million during the three months ended June 30, 2023 September 30, 2023 primarily due to the acquisition of Macro on April 1, 2023 (and, thus, there were no corresponding sales by Macro included in our results of operations for the comparable period in 2022), which added \$6.3 million \$6.0 million in services revenue. Quarterly services revenues were also positively impacted by a \$0.3 million increase from our largest customer.

Cost of sales

	Three Months Ended June 30,			Dollar	Percent	Three Months Ended September 30,			Dollar	Percent
	2023	2022	Change	Change		2023	2022	Change	Change	
	(dollars in thousands)						(dollars in thousands)			
Hardware and software	\$ 14,904	\$ 16,371	\$ (1,467)	(9.0)%	\$ 11,304	\$ 15,673	\$ (4,369)	(27.9)%		
Consumables	1,076	1,498	(422)	(28.2)%	1,036	1,250	(214)	(17.1)%		
Services	7,184	3,310	3,874	117.0%	7,317	3,036	4,281	141.0%		
	<b>\$ 23,164</b>	<b>\$ 21,179</b>	<b>\$ 1,985</b>	<b>9.4%</b>	<b>\$ 19,657</b>	<b>\$ 19,959</b>	<b>\$ (302)</b>	<b>(1.5)%</b>		

Cost of sales increased/decreased by 9.4% 1.5%, or \$2.0 million \$0.3 million during the three months ended June 30, 2023 September 30, 2023 as compared to the same prior year period primarily due to decreases in the cost of sales of both hardware and software and consumables which were consistent with the corresponding decreases in sales of these product lines. These decreases were offset by increased cost of sales of services which increased due to the acquisition of Macro on April 1, 2023, which added \$3.8 million \$3.6 million in costs (and, thus, there were no corresponding sales by Macro included in our results of operations for the comparable period in 2022). This increase was offset by decreases in the cost of sales of both hardware and software and consumables which was consistent with the corresponding decreases in sales of these product lines.

*Gross profit*

	Three Months Ended				(dollars in thousands)	
	June 30,		September 30,			
	2023	2022	2023	2022		
Gross profit:						
Hardware and software	\$ 3,371	\$ 4,230	\$ 2,690	\$ 3,532		
Consumables	395	593	406	533		
Services	3,982	1,504	4,387	1,689		
Total gross profit	<u>\$ 7,748</u>	<u>\$ 6,327</u>	<u>\$ 7,483</u>	<u>\$ 5,754</u>		
Gross profit percentage:						
Hardware and software	18.4%	20.5%	19.2%	18.4%		
Consumables	26.9%	28.4%	28.1%	29.9%		
Services	35.7%	31.2%	37.5%	35.7%		
Total gross profit percentage	25.1%	23.0%	27.6%	22.4%		

Gross profit increased **\$1.4 million** **\$1.7 million** for the three months ended **June 30, 2023** **September 30, 2023** as compared to the prior year period, primarily as a result of the increase in sales of services combined with increased costs and the other impacts noted above. Overall gross profit margin increased **2.1%** **5.2%** due to a shift in mix to services with higher profit margins.

*Sales and marketing expenses*

	Three Months Ended June 30,			Dollar	Percent	Three Months Ended September 30,		
	2023	2022	Change	Change	2023	2022	Change	Change
	(dollars in thousands)							
Sales and marketing expenses	\$ 2,491	\$ 2,384	\$ 107	4.5%	\$ 2,129	\$ 2,291	\$ (162)	(7.1)%
As a percentage of sales	8.1%	8.7%		-0.6%	7.8%	8.9%		-1.1%

Sales and marketing expenses increased \$0.1 million decreased \$0.2 million, or 4.5% 7.1%, for the three months ended June 30, 2023 September 30, 2023 as compared to the prior year period primarily due to a \$150,000 decrease in commission expense for the acquisition of Macro on April 1, 2023, which added \$89,000 in sales and marketing expenses in the second third quarter of 2023 (and thus, there were no due to a corresponding expenses by Macro for the comparable period decrease in 2022). hardware sales. As a percentage of sales, sales and marketing expenses decreased 60 110 basis points primarily due to higher sales volume for the three months ended June 30, 2023 September 30, 2023.

*General and administrative expenses*

	Three Months Ended June 30,			Dollar	Percent	Three Months Ended September 30,		
	2023	2022	Change	Change	2023	2022	Change	Change
	(dollars in thousands)							
General and administrative	\$ 3,911	\$ 1,960	\$ 1,951	99.5%				
As a percentage of sales	12.7%	7.1%		5.5%				

  

	Three Months Ended September 30,			Dollar	Percent	Three Months Ended September 30,		
	2023	2022	Change	Change	2023	2022	Change	Change
	(dollars in thousands)							
General and administrative	\$ 3,838	\$ 1,936	\$ 1,902	98.2%				
As a percentage of sales	14.1%	7.5%		6.6%				

General and administrative expenses increased \$1.9 million, or 99.4% 98.2%, for the three months ended **June 30, 2023** September 30, 2023 as compared to the same period of the prior year. The increase in these expenses was primarily due to a (i) a \$144,000 increase in legal and accounting fees primarily related to the April 2023 acquisition of Macro Integration, (ii) a \$35,000 increase in warehouse salaries due to additional headcount in the first quarter of 2023, and (iii) a \$64,000 increase in depreciation and amortization expense, and (iv) a \$1.6 million \$1.8 million increase due to the acquisition of Macro on April 1, 2023 (and thus, there were no corresponding expenses by Macro for the comparable period in 2022). As a percentage of sales, general and administrative costs increased 550 660 basis points. This increase is attributable to the fact that Macro's general and administrative expenses trend higher as a percentage of their sales. The Company will continue to monitor these expenses as it looks for efficiencies in operations.

*Interest expense.* The increase in interest expense to \$210,000 \$162,000 for the **second** third quarter of 2023 from \$9,000 \$7,000 from the same period last year was due to the increased debt levels incurred for the Macro acquisition, as compared to the same period last year.

*Income tax expense.* Income tax expense was approximately \$0.3 million for the three months ended **June 30, 2023** September 30, 2023 compared to \$1.2 million \$0.4 million income tax expense for the three months ended **June 30, 2022** September 30, 2022. The decrease is primarily due to the decrease in **come** income before income taxes, period over period.

*Net income.* Net income **was** \$0.8 million compared **of** \$1.1 million **remained flat in comparison** to \$0.7 million **in** the same period last year.

Results of Operations for the Six Nine Months Ended June 30, 2023 September 30, 2023 Compared to the Six Nine Months Ended June 30, 2022 September 30, 2022

(Unaudited)

Net sales

	Six Months Ended June 30,		Dollar Change	Percent Change
	2023	2022		
	(dollars in thousands)			
Hardware and software	\$ 38,815	\$ 34,901	\$ 3,914	11.2%
Consumables	3,097	3,371	(274)	(8.1)%
Services	16,039	8,955	7,084	79.1%
	<b>\$ 57,951</b>	<b>\$ 47,227</b>	<b>\$ 10,724</b>	<b>22.7%</b>
Nine Months Ended September 30,				
	2023	2022	Dollar Change	Percent Change
	(dollars in thousands)			
Hardware and software	\$ 52,808	\$ 54,105	\$ (1,297)	(2.4)%
Consumables	4,540	5,154	(614)	(11.9)%
Services	27,743	13,681	14,062	102.8%
	<b>\$ 85,091</b>	<b>\$ 72,940</b>	<b>\$ 12,151</b>	<b>16.7%</b>

Net sales increased by 22.7% 16.7%, or \$10.7 million \$12.2 million, during the six nine months ended June 30, 2023 September 30, 2023 as compared to the same period of the prior year. The increase in net sales was primarily driven by the \$14.1 million increase in hardware and software sales services which was primarily due to one of our existing significant customers and a \$6.3 million the \$12.3 million increase in services associated with sales by Macro which we acquired on April 1, 2023 (and, thus, there were no corresponding sales by Macro included in our results of operations for the comparable period in 2022). Hardware sales decreased \$1.3 million primarily due to a \$4.4 million decrease in hardware sales to one of our largest customers offset by a \$3.3 million increase in hardware sales associated by Macro. Consumables decreased \$0.6 million during the nine months ended September 30, 2023 primarily due to decreased sales to one of our existing customers. Included in the prior year consumables sales was a one-time transaction of \$0.6 million that was not repeated during the nine months ending September 30, 2023.

Cost of sales

	Six Months Ended June 30,		Dollar	Percent	Nine Months Ended September 30,		Dollar	Percent
	2023	2022			2023	2022		
	(dollars in thousands)				(dollars in thousands)			
Hardware and software	\$ 31,610	\$ 27,907	\$ 3,703	13.3%	\$ 42,913	\$ 43,580	\$ (667)	(1.5)%
Consumables	2,255	2,383	(128)	(5.4)%	3,292	3,633	(341)	(9.4)%
Services	10,287	5,935	4,352	73.3%	17,604	8,971	8,633	96.2%
	<b>\$ 44,152</b>	<b>\$ 36,225</b>	<b>\$ 7,927</b>	<b>21.9%</b>	<b>\$ 63,809</b>	<b>\$ 56,184</b>	<b>\$ 7,625</b>	<b>13.6%</b>

Cost of sales increased by 21.6% 13.6%, or \$7.8 million \$7.6 million during the six nine months ended June 30, 2023 September 30, 2023 as compared to the same prior year period primarily due to higher hardware services sales volume and a \$3.8 million increase in overall cost of sales associated with cost of sales of Macro that we acquired on April 1, 2023 (and, thus, there were no corresponding costs of sales of Macro included in our results of operations for the comparable period in 2022).

Gross profit

	Six Months Ended June 30,	
	2023	2022
(dollars in thousands)		
Gross profit:		
Hardware and software	\$ 7,205	\$ 6,994
Consumables	842	988
Services	5,752	3,020
Total gross profit	<u><u>\$ 13,799</u></u>	<u><u>\$ 11,002</u></u>
Gross profit percentage:		
Hardware and software	18.6%	20.0%
Consumables	27.2%	29.3%
Services	35.9%	33.7%
Total gross profit percentage	23.8%	23.3%

	Nine Months Ended September 30,	
	2023	2022
(dollars in thousands)		
Gross profit:		
Hardware and software	\$ 9,895	\$ 10,525
Consumables	1,248	1,521
Services	10,139	4,710
Total gross profit	<u><u>\$ 21,282</u></u>	<u><u>\$ 16,756</u></u>
Gross profit percentage:		
Hardware and software	18.7%	19.5%
Consumables	27.5%	29.5%
Services	36.5%	34.4%
Total gross profit percentage	25.0%	23.0%

Gross profit increased \$2.8 million \$4.5 million for the six nine months ended June 30, 2023 September 30, 2023 as compared to the prior year period, primarily as a result of overall higher sales volume and the other impacts noted above. Overall gross profit margin increased 50 200 basis points due to a shift in mix to services with higher profit margins. The shift in the mix was caused by the acquisition of Macro which is primarily a services based company.

*Sales and marketing expenses*

	Six Months Ended June 30,		Dollar Change	Percent Change	Nine Months Ended September 30,		Dollar Change	Percent Change
	2023	2022			2023	2022		
	(dollars in thousands)				(dollars in thousands)			
General and administrative	\$ 6,406	\$ 4,220	\$ 2,186	51.8%				
Sales and marketing expenses					\$ 6,988	\$ 6,850	\$ 138	2.0%
As a percentage of sales	11.1%	8.9%			2.1%	8.2%	9.7%	-1.5%

Sales and marketing expenses increased \$0.3 million \$0.1 million, or 6.6% 2.0%, for the six nine months ended June 30, 2023 September 30, 2023 as compared to the prior year period primarily due to increased commissions on higher sales volume during the second quarter of 2023, combined with increased expenses of \$89,000 \$139,000 for Macro operations that was acquired on April 1, 2023 (and, thus, there were no corresponding sales and marketing expenses of Macro included in our results of operations for the comparable period in 2022). As a percentage of sales, sales and marketing expenses decreased 130 150 basis points primarily due to the higher sales volume for the six nine months ended June 30, 2023 September 30, 2023.

*General and administrative expenses*

	Nine Months Ended September 30,		Dollar Change	Percent Change
	2023	2022		
	(dollars in thousands)			
General and administrative	\$ 10,242	\$ 6,155	\$ 4,087	66.4%
As a percentage of sales	12.0%	8.4%		

**General and administrative expenses**

	Six Months Ended June 30,		Dollar Change	Percent Change
	2023	2022		
(dollars in thousands)				
General and administrative	\$ 6,403	\$ 4,220	\$ 2,183	51.7%
As a percentage of sales	11.0%	8.9%		2.1%

General and administrative expenses increased \$2.2 million \$4.1 million, or 51.7% 66.4%, for the six nine months ended June 30, 2023 September 30, 2023 as compared to the same period of the prior year. The increase in these expenses was due to \$0.2 million increased stock compensation expense, warehouse costs associated with increased headcount and rent increases, a \$0.1 million increase in professional and accounting legal fees, business insurance, and a \$1.6 million \$3.3 million increase in expenses associated with the acquisition of Macro on April 1, 2023 (and, thus, there were no corresponding general and administrative expenses by Macro included in our results of operations for the comparable period in 2022). As a percentage of sales, general and administrative costs increased 210 360 basis points. This increase is attributable to the fact that Macro's general and administrative expenses trend higher as a percentage of their sales. The Company will continue to monitor these expenses as it looks for efficiencies in operations.

*Interest expense.* The increase in interest expense to \$223,000 \$385,000 for the nine months ended September 30, 2023 from \$35,000 last year \$42,000 for the nine months ended September 30, 2022 was due to the new debt incurred in connection with the April 1, 2023 acquisition of Macro.

*Income tax (expense) benefit.* Income tax expense was approximately \$0.6 million \$0.9 million for the nine months ended September 30, 2023 compared to \$1.0 million in each of the six month periods nine-month period ended June 30, 2023 and June 30, 2022 September 30, 2022. The higher income tax rate this period is associated with higher income before income taxes and in the prior year period.

*Net income.* Net income was \$1.7 million compared to \$1.6 million \$2.7 million in each of the same period last year nine-month periods ended September 20, 2023 and 2022.

**Liquidity and Capital Resources**

As of June 30, 2023 September 30, 2023, our principal sources of liquidity were cash totaling \$7.2 million \$3.6 million and \$7.0 million \$8.2 million of availability under our line of credit. In recent years, we have financed our operations primarily through cash generated from operating activities, borrowings from term loans and our line of credit. In certain prior years, we generated operating losses and negative cash flows from operating activities as reflected in our accumulated deficit. We have generated operating income for each of the years ended December 31, 2018 through December 31, 2022. Based on our recent trends and our current projections, we expect to generate cash from operations for the year ending December 31, 2023. Given our projections, combined with our existing cash and credit facilities, we believe the Company has sufficient liquidity for at least the next 12 months and beyond.

Our ability to continue to meet our cash requirements will depend on, among other things, global economic activity, continuing on-going disruptions in supply chains and labor shortages across industry sectors, the effects of inflation, the effects of interest rate increases, recession concerns, and our ability to achieve anticipated levels of revenues and cash flow from operations, our ability to manage costs and working capital successfully and the continued availability of financing, if needed. We cannot provide any assurance that our assumptions used to estimate our liquidity requirements will remain accurate due to, among other things, the macro-economic environment. Consequently, the volatile economic environment and our estimates on the severity of the impact on our future earnings and cash flows could change and have a material impact on our results of operations and financial condition. In the event of a sustained market deterioration, and declines in net sales, we may need additional liquidity, which would require us to evaluate available alternatives and take appropriate actions. We cannot provide any assurance that we will be able to obtain any additional sources of financing or liquidity on acceptable terms, or at all.

*Working Capital (Deficit)*

	September 30, 2023	December 31, 2022	Increase/ (Decrease)
	(in thousands)		
Current assets	\$ 29,288	\$ 32,272	\$ (2,984)
Current liabilities	32,953	31,665	1,288
Working capital (deficit)	\$ (3,665)	\$ 607	\$ (4,272)

The working capital deficit as of September 30, 2023 was primarily due to the \$4.0 million decrease in cash which was due to the acquisition of Macro which closed on April 1, 2023.

#### Working Capital (Deficit)

	December		
	June 30, 2023	31, 2022	Increase/ (Decrease)
(in thousands)			
Current assets	\$ 29,818	\$ 32,272	\$ (2,454)
Current liabilities	33,667	31,665	2,002
Working capital (deficit)	<u>\$ (3,849)</u>	<u>\$ 607</u>	<u>\$ (4,456)</u>

The working capital deficit as of June 30, 2023 was primarily due to the \$2.0 million decrease in inventory, the \$1.0 million increase in short-term borrowings used to fund the acquisition of Macro which closed on April 1, 2023, and the \$5.5 million increase in the current portion of the earnout consideration which was also attributable to the acquisition of Macro.

#### Line of Credit

Our Loan and Security Agreement (the "Loan Agreement") with MUFG Union Bank, National Association (the "Bank"), as amended, provides for a revolving line of credit of up to \$10.0 million with our obligations being secured by a security interest in substantially all of our assets. Loans extended to us under the Loan Agreement are scheduled to mature on July 31, 2026. Effective March 27, 2023, we entered into an amendment letter ("Amendment") with the Bank that served to amend certain terms of the Loan Agreement and increased the revolving line of credit available to us from \$9.0 million to \$10.0 million. The Amendment also served to modify certain covenants in the original Loan Agreement. On **June 30, 2023** **September 30, 2023**, we had **\$7.0 million** **\$8.2 million** of this facility available.

#### MUFG Promissory Note

We entered into a \$5.0 million promissory note agreement, effective March 27, 2023, with the Bank. Principal and interest payments on this note are due in quarterly installments of \$250,000 on the last day of each quarter commencing June 30, 2023, with an interest rate based on Term SOFR (secured overnight financing rate) as administered by the Federal Reserve Bank of New York. This note matures March 31, 2028.

#### Cash Flow Analysis

	Six Months Ended June 30,	
	2023	2022
(in thousands)		
Net cash provided by operating activities	\$ 5,008	\$ 12,872
Net cash used in investing activities	(13,373)	(5,620)
Net cash provided by (used in) financing activities	7,948	(1,380)
<b>Net (decrease) increase in cash</b>	<b>\$ (417)</b>	<b>\$ 5,872</b>

#### Cash Flow Analysis

	Nine Months Ended September 30,	
	2023	2022
(in thousands)		
Net cash provided by operating activities	\$ 2,342	\$ 13,936
Net cash used in investing activities	(13,022)	(5,824)
Net cash provided by (used in) financing activities	6,683	(1,252)
<b>Net (decrease) increase in cash</b>	<b>\$ (3,997)</b>	<b>\$ 6,860</b>

#### Operating Activities

Net cash provided by operating activities decreased to **\$5.0 million** **\$2.3 million** for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** from **\$12.9 million** **\$13.9 million** for the **six** **nine** months ended **June 30, 2022** **September 30, 2022**. The decrease was primarily due to (i) a \$9.5 million decrease cash payments of \$10.3 million for inventory purchases and \$0.9 million for 2022 bonuses that were paid out in collections of deferred revenue, (ii) a \$15.5 million increase in accounts receivable, and (iii) a \$14.4 million decrease in accounts payable offset by a \$3.1 million decrease in inventory during the six months ended June 30, 2023.

#### *Investing Activities*

Net cash used in investing activities was **\$13.4 million** **\$13.0 million** for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** which is comprised primarily of the **\$12.8 million** **\$12.9 million** purchase of Macro. Net cash used in investing activities was **\$5.6 million** **\$5.8 million** for the **six** **nine** months ended **June 30, 2022** **September 30, 2022**, which was comprised of \$4.5 million in cash payments related to the acquisition of AMG in the first quarter of 2022 and **\$1.1 million** **\$1.3 million** in capital expenditures of property and equipment.

#### *Financing Activities*

Net cash provided by financing activities was **\$8.0 million** **\$6.7 million** for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** due to the **\$3.0 million** **\$1.8 million** net draw on the revolving line of credit and the proceeds from the \$5.0 million term loan which were used to fund the acquisition of Macro Integration on April 1, 2023. Net cash used in financing activity was **\$1.4 million** **\$1.3 million** for the **six** **nine** months ended **June 30, 2022** **September 30, 2022** primarily due to the cash paid for taxes on the cashless exercise of stock options.

### **Critical Accounting Policies and Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires the appropriate application of certain accounting policies, some of which require us to make estimates and assumptions about future events and their impact on amounts reported in our condensed consolidated financial statements. Since future events and their impact cannot be determined with absolute certainty, the actual results will inevitably differ from our estimates.

For a description of other critical accounting policies and estimates, refer to Part II, Item 7, Critical Accounting Policies and Estimates in our Annual Report on Form 10-K for the year ended December 31, 2022. There have been no material changes to our critical accounting estimates since our Annual Report on Form 10-K for the year ended December 31, 2022.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are a smaller reporting company, as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, for this reporting period and are not required to provide the information required under this item.

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of **June 30, 2023** **September 30, 2023**. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including its principal executive and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of **June 30, 2023** **September 30, 2023**, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective.

#### **Changes in Internal Control Over Financial Reporting**

There were no material changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

The information contained in "Note 10: Contingencies" to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q is incorporated by reference into this Item.

### Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, please refer to the section titled *Risk Factors* in our Annual Report on Form 10-K for the year ended December 31, 2022 for a detailed discussion of certain risks that affect us.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following sets forth information regarding all unregistered securities sold within the three months ended **June 30, 2023** **September 30, 2023**:

During the month **June 2023**, six holders On June 6, 2023, one holder exercised, on a cashless basis, all of its outstanding common stock warrants, which were originally issued by the Company in June 2018, 2018. This cashless exercise for an aggregate a total of **191,826** 12,676 shares of common stock at an exercise price of \$1.00 per share for aggregate gross proceeds to the Company of \$191,826. The was settled in two separate issuances: 9,247 shares of common stock were issued pursuant to the exemption from registration contained in Section 4(a)(2) of the Securities Act and Rule 506(b) promulgated thereunder.

On June 6, 2023, one holder exercised common stock warrants, which were originally issued by the Company in June 2018, for 9,247 2023 and an additional 3,429 shares of common stock on a cashless basis. **were issued in the third quarter of 2023**. This cashless exercise was completed pursuant to the exemption from registration contained in Section 3(a)(9) of the Securities Act.

On June 6, 2023, one holder exercised common stock warrants, which were originally issued by the Company in October 2018, for 2,625 shares of common stock at an exercise price of \$1.40 per share for gross proceeds to the Company of \$3,675. The shares of common stock were issued pursuant to the exemption from registration contained in Section 4(a)(2) of the Securities Act and Rule 506(b) promulgated thereunder.

In each transaction in which we relied on Section 4(a)(2) of the Securities Act and/or Rule 506(b) promulgated thereunder, we did not engage in any general solicitation or advertising and we offered the securities to a limited number of persons with whom we had pre-existing relationships. In addition, transactions exempt under Rule 506(b) were made exclusively to what the Company reasonably believed were accredited investors as defined in Rule 501 of the Securities Act. The recipients of securities in each of these transactions acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof. No underwriters were involved in the above transactions.

**Item 6. Exhibits****EXHIBIT INDEX**

Exhibit	Number	Description
	2.1	<a href="#">Stock Purchase Agreement, dated as of March 31, 2023, by and among DecisionPoint Systems, Inc., the Durwood Wayne Williams Revocable Trust, the Collins Family Living Trust, Durwood W. Williams, individually, and Bartley E. Collins, individually (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed on April 6, 2023).</a>
	3.1	<a href="#">Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1 filed on August 13, 2020).</a>
	3.2	<a href="#">Amendment to Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on December 17, 2021).</a>
	3.3	<a href="#">Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.4 to the Registration Statement on Form S-1 filed on August 13, 2020).</a>
	10.1	<a href="#">Employment Agreement with Melinda Wohl, dated July 20, 2023 (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K filed on July 26, 2023).</a>
	31.1*	<a href="#">Certification by the Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
	31.2*	<a href="#">Certification by the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
	32.1**	<a href="#">Section 1350 Certification of Principal Executive Officer</a>
	32.2**	<a href="#">Section 1350 Certification of Principal Financial Officer</a>
	101.INS	Inline XBRL Instance Document.
	101.SCH	Inline XBRL Taxonomy Extension Schema Document.
	101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
	101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
	101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
	101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
	104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* Filed herewith

\*\* Furnished herewith

## 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 of the undersigned thereunto duly authorized.

Date: **August 14, 2023** November 14, 2023

### DECISIONPOINT SYSTEMS, INC.

By: /s/ Steve Smith  
Name: Steve Smith  
Title: Chief Executive Officer  
(Principal Executive Officer)  
By: /s/ Melinda Wohl  
Name: Melinda Wohl  
Title: Chief Financial Officer  
(Principal Financial Officer and  
Principal Accounting Officer)

Date: **August 14, 2023** November 14, 2023

27 28

EXHIBIT 31.1

### Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer

I, Steve Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DecisionPoint Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exhibit Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **August 14, 2023** November 14, 2023

By: /s/ Steve Smith  
By: Steve Smith

Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer

I, Melinda Wohl, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DecisionPoint Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exhibit Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **August 14, 2023** **November 14, 2023**

By: /s/ Melinda Wohl  
By: Melinda Wohl  
Chief Financial Officer (Principal)  
(Principal Financial Officer and  
Principal Accounting Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 USC, SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of DecisionPoint Systems, Inc. (the "Company") on Form 10-Q for the period ended **June 30, 2023** **September 30, 2023**, as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Steve Smith, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: **August 14, 2023** **November 14, 2023**

By: /s/ Steve Smith  
By: Steve Smith  
Chief Executive Officer **(Principal)**  
**(Principal** Executive Officer)

A signed original of this written statement required by Section 906 has been provided to DecisionPoint Systems, Inc. and will be retained by DecisionPoint Systems, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 USC, SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of DecisionPoint Systems, Inc. (the "Company") on Form 10-Q for the period ended **June 30, 2023** **September 30, 2023**, as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Melinda Wohl, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: **August 14, 2023** **November 14, 2023**

By: /s/ Melinda Wohl  
By: Melinda Wohl  
Chief Financial Officer **(Principal)**  
**(Principal** Financial Officer and  
Principal Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to DecisionPoint Systems, Inc. and will be retained by DecisionPoint Systems, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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