

REFINITIV

# DELTA REPORT

## 10-Q

DPSI - DECISIONPOINT SYSTEMS, IN

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	735
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CHANGES	113
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DELETIONS	307
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ADDITIONS	315
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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 **September 30, 2023** **March 31, 2024**

☐ 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 ☒ No ☐

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 ☒ No ☐

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 checked="" type="checkbox"/>	Smaller reporting company	<input checked="" 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 **November 7, 2023** **May 10, 2024** there were **7,654,805** **7,681,000** shares of common stock, \$0.001 par value, **outstanding**, **outstanding**.

## TABLE OF CONTENTS

	<b>Page</b>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
Item 1. <a href="#">Financial Statements (Unaudited)</a>	1
<a href="#">Condensed Consolidated Balance Sheets</a>	1
<a href="#">Condensed Consolidated Statements of Income and Comprehensive Income</a>	2
<a href="#">Condensed Consolidated Statements of Stockholders' Equity</a>	3
<a href="#">Condensed Consolidated Statements of Cash Flows</a>	4
<a href="#">Notes to Condensed Consolidated Financial Statements</a>	5
Item 2. <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	16
Item 3. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	2524
Item 4. <a href="#">Controls and Procedures</a>	2524
<b><u>PART II. OTHER INFORMATION</u></b>	
Item 1. <a href="#">Legal Proceedings</a>	2625
Item 1A. <a href="#">Risk Factors</a>	2625
Item 2. <a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	2627
Item 6. <a href="#">Exhibits</a>	2728
<a href="#">Signatures</a>	2829

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

DecisionPoint Systems, Inc.  
Condensed Consolidated Balance Sheets  
(in thousands, except par value)  
(Unaudited)

	September 30,	December 31,	March 31,	December 31,
	2023	2022	2024	2023
<b>ASSETS</b>				
Current assets:				
Cash	\$ 3,645	\$ 7,642	\$ 5,834	\$ 4,300
Accounts receivable, net	18,939	17,085		
Accounts receivable, net of allowance of \$324 and \$267 as of March 31, 2024 and December 31, 2023, respectively			19,292	23,768
Inventory, net	3,002	4,417	1,193	2,133
Deferred costs	3,443	2,729	4,158	3,826
Prepaid expenses and other current assets	259	399	598	630
Total current assets	29,288	32,272	31,075	34,657
Operating lease assets	3,586	2,681	3,208	3,392
Property and equipment, net	2,980	1,817	2,889	2,973
Deferred costs, net of current portion	3,365	2,868	3,744	3,689
Deferred tax assets	-	848		
Deferred tax assets, net			1,475	1,161
Intangible assets, net	8,404	4,531	7,317	7,815
Goodwill	24,555	10,499	22,204	22,081
Other assets	140	41	172	172
Total assets	<u>\$ 72,318</u>	<u>\$ 55,557</u>	<u>\$ 72,084</u>	<u>\$ 75,940</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Current liabilities:				
Accounts payable	\$ 12,848	\$ 19,755	\$ 14,575	\$ 16,857
Accrued expenses and other current liabilities	5,826	5,357	5,607	6,566
Deferred revenue	6,886	6,021	9,222	8,066
Current portion of earnout consideration	5,520	-	5,550	5,370
Current portion of long-term debt	1,003	3	1,003	1,003
Current portion of operating lease liabilities	870	529	888	874
Total current liabilities	32,953	31,665	36,845	38,736
Deferred revenue, net of current portion	4,845	4,331	5,298	5,307
Long-term debt	5,693	143		
Revolving line of credit			-	1,300
Long-term debt, net of current portion			3,388	3,639
Noncurrent portion of operating lease liabilities	3,315	2,706	2,862	3,093
Long-term portion of earnout consideration	4,316	-	4,692	4,316
Deferred tax liabilities	1,451	-		
Other liabilities	6	130	6	6
Total liabilities	52,579	38,975	53,091	56,397
Commitments and contingencies (Notes 6 and 10)				
Commitments and contingencies (Note 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		
Common stock, \$0.001 par value; 50,000 shares authorized; 7,681 and 7,680 shares issued and outstanding, respectively			8	8
Additional paid-in capital	38,831	38,429	39,184	38,902
Accumulated deficit	(19,100)	(21,854)	(20,199)	(19,367)
Total stockholders' equity	<u>19,739</u>	<u>16,582</u>	<u>18,993</u>	<u>19,543</u>
Total liabilities and stockholders' equity	<u>\$ 72,318</u>	<u>\$ 55,557</u>	<u>\$ 72,084</u>	<u>\$ 75,940</u>

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		Nine Months Ended		Three Months Ended	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
Net sales:						
Product	\$ 15,436	\$ 20,988	\$ 57,348	\$ 59,259	\$ 15,317	\$ 22,166
Service	11,704	4,725	27,743	13,681	10,301	4,873
Net sales	27,140	25,713	85,091	72,940	25,618	27,039
Cost of sales:						
Product	12,340	16,923	46,205	47,213	12,488	17,885
Service	7,317	3,036	17,604	8,971	7,119	3,104
Cost of sales	19,657	19,959	63,809	56,184	19,607	20,989
Gross profit	7,483	5,754	21,282	16,756	6,011	6,050
Operating expenses:						
Sales and marketing expense	2,129	2,291	6,988	6,850	2,813	2,368
General and administrative expenses	3,838	1,936	10,242	6,155	4,096	2,494
Total operating expenses	5,967	4,227	17,230	13,005	6,909	4,862
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	\$ 1,053	\$ 1,111	\$ 2,755	\$ 2,684		
Earnings per share attributable to stockholders:						
Operating (loss) income					(898)	1,188
Interest expense, net					(248)	(13)
(Loss) income before income taxes					(1,146)	1,175
Income tax benefit (expense)					314	(309)
Net (loss) income and comprehensive (loss) income attributable to common stockholders					\$ (832)	\$ 866
Net (loss) income per share attributable to stockholders:						
Basic	\$ 0.14	\$ 0.15	\$ 0.37	\$ 0.37	\$ (0.11)	\$ 0.12
Diluted	\$ 0.13	\$ 0.15	\$ 0.36	\$ 0.36	\$ (0.11)	\$ 0.11
Weighted average common shares outstanding						
Basic	7,640	7,290	7,514	7,210	7,681	7,417
Diluted	7,812	7,593	7,659	7,510	7,889	7,789

See Accompanying Notes to the Condensed Consolidated Financial Statements.

**DecisionPoint Systems, Inc.**  
Condensed Consolidated Statements of Stockholders' Equity  
For the Three **Ended March 31, 2024** and **Nine Months Ended September 30, 2023 and 2022** **2023**  
(in thousands)  
(Unaudited)

	Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
<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	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
<b>Balance at December 31, 2023</b>	7,680	\$ 8	\$ 38,902	\$ (19,367)	\$ 19,543
Net loss	-	-	-	(832)	(832)
Share-based compensation expense	-	-	279	-	279
Exercise of stock options	1	-	3	-	3
<b>Balance at March 31, 2024</b>	7,681	\$ 8	\$ 39,184	\$ (20,199)	\$ 18,993

	Common Stock		Additional Paid-in	Accumulated	Total Stockholders'		Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity		Shares	Amount	Capital	Deficit	Equity
<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						
<b>Balance at December 31, 2022</b>							7,416	\$ 7	\$ 38,429	\$ (21,854)	\$ 16,582
Net income	-	-	-	721	721		-	-	-	866	866
Share-based compensation expense	-	-	50	-	50		-	-	196	-	196
Exercise of stock options	13	-	25	-	25		1	-	6	-	6
<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>	<u>7,397</u>	<u>\$ 7</u>	<u>\$ 38,292</u>	<u>\$ (22,281)</u>	<u>\$ 16,018</u>
<b>Balance at March 31, 2023</b>					
	<u>7,417</u>	<u>\$ 7</u>	<u>\$ 38,631</u>	<u>\$ (20,988)</u>	<u>\$ 17,650</u>

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

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

	Nine Months Ended		Three Months Ended	
	September 30,		March 31,	
	2023	2022	2024	2023
<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:				
Net (loss) income			\$ (832)	\$ 866
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:				
Depreciation and amortization	2,028	1,750	743	564
Amortization of inventory valuation adjustment	120	-		
Loss on fixed asset disposal	-	22		
Share-based compensation expense	261	325	279	196
Provision for inventory obsolescence	7	-		
Deferred income taxes, net	(958)	460	(314)	10
Provision for doubtful accounts	77	32		
Provision for credit losses			57	68
Provision for inventory obsolescence			(6)	45
Changes in operating assets and liabilities:				
Accounts receivable	8,193	(811)	4,419	(9,413)
Inventory, net	3,918	825	946	(1,551)
Deferred costs	(1,211)	(1,155)	(387)	(212)
Prepaid expenses and other current assets	196	186	32	(75)
Accounts payable	(9,716)	7,213	(2,282)	3,507
Accrued expenses and other current liabilities	(3,054)	(139)	(526)	(1,871)
Operating lease liabilities	(68)	265	(33)	(24)
Deferred revenue	235	2,279	1,147	6,394
Net cash provided by operating activities	2,783	13,936		
Net cash provided by (used in) operating activities			3,243	(1,496)
<b>Cash flows from investing activities</b>				
Purchases of property and equipment	(546)	(1,299)	(161)	(176)
Cash paid for acquisitions, net of cash acquired	(12,917)	(4,525)		
Net cash used in investing activities	(13,463)	(5,824)	(161)	(176)
<b>Cash flows from financing activities</b>				
Proceeds from term loan			-	5,000
Repayment of term debt	(253)	(3)	(251)	(1)
Line of credit, net	1,803	-	(1,300)	7,000
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	3	6
Net cash provided by (used in) financing activities	6,683	(1,252)		
Net cash (used in) provided by financing activities			(1,548)	12,005
Change in cash	(3,997)	6,860	1,534	10,333
Cash, beginning of period	7,642	2,587	4,300	7,642
Cash, end of period	\$ 3,645	\$ 9,447	\$ 5,834	\$ 17,975

<b>Supplemental disclosures of cash flow information</b>					
Cash paid for interest	\$	333	\$	38	\$ 147 \$ 7
Cash paid for income taxes	\$	1,060	\$	497	\$ 6 \$ -
<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 the 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, POS equipment 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 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 directly or indirectly wholly owned subsidiaries, DecisionPoint Systems International (“DPSI”), DecisionPoint Systems Group, Inc. (“DPS Group”), RDS, Royce Digital Systems, Inc. (“RDS”) ExtenData AMG, Solutions, LLC (“ExtenData”), Advanced Mobile Group, LLC (“AMG”), Macro and Macro. DecisionPoint Systems CA, Inc. 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 December 31, 2023.

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 nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of results to be expected for the full fiscal year.

***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.

**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 amounts reported amounts of assets and liabilities at in the date of the accompanying condensed 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 these notes. Actual results could have been reported under different conditions, or if different assumptions had been used. We evaluate our differ from those estimates and assumptions may result in material effects on our operating results and financial position. Significant estimates made in preparing the accompanying condensed consolidated financial statements include (but are not limited to) those related to revenue recognition, goodwill and long-lived valuations and impairment assessments, earnout obligations, income tax valuations, and stock-based compensation expense.

**Concentration of Credit Risk**

Credit is extended to all customers based on financial condition, and collateral is generally not required. Concentrations of credit risk with respect to trade receivables are limited because of the large number of customers comprising our customer base and dispersion across many different industries and geographies. Accordingly, we continually monitor collections and payments from our customers and maintain a regular basis, provision for estimated credit losses based upon our historical experience and any specific customer collection issues that we have identified. Although credit losses have historically been within our expectations and the provisions established, we cannot guarantee that it will continue to experience the same credit loss rates that it has in the past.

**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 \$96,000 \$125,000 and \$42,000 \$131,000 as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, 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 and nine months ended 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 25.3% 27.5% for the nine three months ended September 30, 2023 March 31, 2024, and 27.3% 26.7% for the nine three months ended September 30, 2022 March 31, 2023.

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 an increase to estimated annual non-deductible permanent items in 2023, 2024.

We recognize excess tax benefits (windfalls) and excess tax deficiencies (shortfalls) as discrete items in income taxes in the period that stock options are exercised. For the three months ended March 31, 2024, and March 31, 2023, we recorded no income tax benefit nor deferred tax asset related to excess tax benefits for stock option exercises which represents the difference in deferred tax assets recorded at fair value during the vesting period and the actual deferred tax assets realized based on the intrinsic value on the date of exercise.

**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 At the inception of a contract we recognize lease expense on assesses whether the contract is, or contains, a straight-line basis.

We have an operating lease for lease. Our assessment is based on: (1) whether the office and warehouse space in Laguna Hills, California. Pursuant contract involves the use of a distinct identified asset, (2) whether we obtain the right to substantially all the lease agreement, economic benefit from 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 use of the sublease. In connection with this lease agreement, asset throughout the period, and (3) whether we entered into a sublease agreement for a portion have the right to direct the use of the Laguna Hills office and warehouse location, in which we received \$24,254 per month commencing in February 2022 through expiration on October 31, 2023. Commencing November 1, 2023, this sublease continues on a month-to-month basis.

We also have one operating lease asset. The commencement date of the contract is the date the lessor makes the underlying asset available for office and warehouse space in Greensboro, North Carolina with fixed minimum monthly payments of \$34,413 per month which 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 \$22,000 and operating lease assets of \$22,000.

At September 30, 2023, use by the total operating lease liability was \$4.2 million and the total operating lease asset was \$3.6 million. lessee.

DecisionPoint Systems, Inc.

**Notes** Right-of-use (“ROU”) assets represent our right to **Condensed Consolidated Financial Statements** use an underlying asset during the lease term and lease liabilities represent obligations to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the net present value of fixed lease payments over the lease term. ROU assets also include any initial direct costs and advance lease payments made and exclude lease incentives. Lease liabilities also include terminal purchase options when deemed reasonably certain to exercise. Our lease term includes options to extend when it is reasonably certain that it will exercise that option. We have elected not to recognize ROU assets and lease liabilities for short-term leases that have a term of 12 months or less; we recognize lease expense for these leases on a straight-line basis over the lease term.

(Unaudited)

As most of our operating leases do not have an implicit rate that can be readily determined, we use our secured incremental borrowing rate for the same term as the underlying lease based on information available at lease commencement.

The lease classification affects the expense recognition on the consolidated statements of operations. Operating lease charges are recorded in “General and administrative” expense.

#### 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, value-added 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 **September 30, 2023** **March 31, 2024**, the total aggregate transaction price allocated to the unsatisfied performance obligations was approximately **\$11.7 million** **\$14.5 million**, of which approximately **\$6.9 million** **\$9.2 million** is expected to be recognized over the next 12 months.

As of **December 31, 2022** **December 31, 2023**, the total aggregate transaction price allocated to the unsatisfied performance obligations under our service contracts was approximately **\$10.4 million** **\$13.4 million**, of which approximately **\$8.1 million** is expected to be recognized over the next 12 months.

The following tables summarizes the deferred revenue activity for the **nine three** months ending **September 30, 2023** **March 31** (in thousands):

Beginning Balance at December 31, 2022	\$	10,352		
			2024	2023
Beginning Balance			\$ 13,373	\$ 10,352
Additions	22,076	5,195	14,958	
Revenue recognized from beginning of period	(6,936)	(3,207)	(2,817)	
Revenue recognized from additions	(13,761)	(841)	(5,747)	
Ending balance at September 30, 2023	\$	11,731		
Ending balance			\$ 14,520	\$ 16,746

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 **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, we deferred \$0.2 million and \$0.2 million, respectively, of related contract acquisition costs. costs

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
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
	<u>\$ 27,140</u>	<u>\$ 25,713</u>	<u>\$ 85,091</u>	<u>\$ 72,940</u>

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

**Recently Adopted Accounting Standards**

	Three Months Ended March 31,	
	2024	2023
Hardware and software	\$ 13,893	\$ 20,540
Consumables	1,424	1,626
Professional services	10,301	4,873
	<u>\$ 25,618</u>	<u>\$ 27,039</u>

**Recently Issued Accounting Pronouncements**

In September 2016, November 2023, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses* No. 2023-07, *Segment Reporting (Topic 326) 280*: *Measurement of Credit Losses on Financial Instruments*. Improvements to Reportable Segment Disclosures. This ASU improves financial reporting by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker (“CODM”) and included with each reported measure of significant profit or loss on an annual and interim basis. This ASU also requires that a public entity disclose the measurement title and position of the CODM and an explanation of how the CODM uses the reported measures of a segment’s profit or loss in assessing segment performance and deciding how to allocate resources. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. This ASU is required to be applied retrospectively for all expected credit losses for prior periods presented in the financial assets, including trade receivables, held at statements. We are evaluating the reporting date based adoption impact of this ASU on historical experience, current conditions our condensed consolidated financial statements and reasonable and supportable forecasts. related disclosures but do not expect any material impact upon adoption.

In November 2019, December 2023, the FASB issued ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives 2023-09, Improvements to Income Tax Disclosures, which amends the guidance in ASC 740, Income Taxes. The ASU is intended to improve the transparency of income tax disclosures by requiring (1) consistent categories and Hedging (Topic 815), greater disaggregation of information in the rate reconciliation and Leases (Topic 842): Effective Dates*, which, among (2) income taxes paid disaggregated by jurisdiction. It also includes certain other things, deferred amendments to improve the effective date effectiveness of ASU 2016-13 income tax disclosures. The ASU’s amendments are effective for public filers that are considered smaller reporting companies, as defined by the SEC, to fiscal years business entities for annual periods beginning after December 15, 2022, including interim periods within those years. The Company adopted this accounting update in December 15, 2024. Entities are permitted to early adopt the first quarter of 2023 on a prospective basis. The adoption standard “for annual financial statements that have not yet been issued or made available for issuance.” We are currently evaluating the impact of this ASU did but do not expect any material impact upon adoption.

There are no other accounting standards that have been issued but not yet adopted that we believe could have a material impact on the Company’s condensed our 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 \$26.4 million (\$26.3 million \$25.7 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) adjustment. In the fourth quarter of 2023 our estimated earnout to the sellers of Marco for year 1 was reduced by \$0.8 million. During the first quarter of 2024 we finalized the Year 1 earnout obligation and the working capital amount and recorded an additional adjustment to goodwill of \$0.1 million. The total consideration is comprised of the following (in thousands):

Purchase price	\$	10,623	\$ 10,623
Working capital excess		5,899	5,638
Subtotal		16,522	16,261
Earnout		9,836	9,422
Other		30	
	\$	26,388	\$ 25,683

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 At March 31, 2024 the Sellers a total of up Year 1 and Year 2 earnouts are estimated to an additional \$9.8 million in earnout payments, be \$5.6 million and \$5.1 million, respectively, for each year and are due by June 14, 2024 and June 14, 2025. The earnout is based on Macro achieving EBITDA targets in years one and two following the Effective Date of \$3.3 million \$2.8 million and \$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)
	\$	13,717

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.

We also made an election under Section 338(h)(10) of the Internal Revenue Code to treat the acquisition as an asset purchase to step up the tax basis of the assets acquired. To make this election we will pay the seller an additional \$1.6 million. The result of these two adjustments was to reduce our deferred tax liability from \$3.3 million to \$1.6 million and to adjust goodwill from \$14.0 million to \$11.6 million.

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

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. These payments will be remitted in the estimated fair value second quarter of Macro's assets acquired and liabilities assumed as of the Effective Date resulting from the finalization of the Company's detailed valuation analysis, 2024.

As of September 30, 2023, March 31, 2024 the allocation of the total consideration to the estimated fair value of acquired net assets as of 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 liability	(3,257)	(1,611)
Operating lease liability	(1,503)	(1,503)
Deferred revenue	(1,144)	(1,144)
Total fair value excluding goodwill	15,589	13,978
Goodwill	14,056	11,705
Total consideration	\$ 26,388	\$ 25,683

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 nine months ended September 30, 2023 March 31, 2023 is presented 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.

	Nine Months Ended September 30, 2023
Net sales	\$ 96,032
Net income	\$ 3,836
Net income per share - basic	\$ 0.51
Net income per share - diluted	\$ 0.50
During the three and nine months ended September 30, 2023, we incurred transaction costs of \$26,000 and \$436,000, respectively.	

	Three Months Ended March 31, 2023
Net sales	\$ 37,980
Net income	\$ 2,223
Net income per share - basic	\$ 0.30
Net income per share - diluted	\$ 0.29

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

**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 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 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)
Total fair value excluding goodwill	2,709
Goodwill	2,371
Total consideration	\$ 5,080

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  
(Unaudited)

Note 4: Intangible Assets

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

	September 30, 2023			December 31, 2022			March 31, 2024			December 31, 2023		
	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	\$ (4,992)	\$ 7,028	\$ 7,940	\$ (3,850)	\$ 4,090	\$ 12,020	\$ (5,742)	\$ 6,278	\$ 12,020	\$ (5,395)	\$ 6,625
Trade names	2,740	(1,396)	1,344	1,360	(973)	387	2,740	(1,720)	1,020	2,740	(1,575)	1,165
Developed technology	140	(108)	32	140	(86)	54	140	(121)	19	140	(115)	25
Backlog	340	(340)	-	340	(340)	-	340	(340)	-	340	(340)	-
	<u>\$ 15,240</u>	<u>\$ (6,836)</u>	<u>\$ 8,404</u>	<u>\$ 9,780</u>	<u>\$ (5,249)</u>	<u>\$ 4,531</u>	<u>\$ 15,240</u>	<u>\$ (7,923)</u>	<u>\$ 7,317</u>	<u>\$ 15,240</u>	<u>\$ (7,425)</u>	<u>\$ 7,815</u>

Amortization expense recognized during the three ended March 31, 2024 and nine months ended September 30, 2023 2023 was \$0.6 million \$0.5 and \$1.6 million, respectively. Amortization expense recognized during the three and nine months ended September 30, 2022 was \$0.5 million and \$1.4 million \$0.4 million, respectively. Amortization expense is primarily calculated on a straight-line an accelerated 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 nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income attributable to common stockholders	\$ 1,053	\$ 1111	\$ 2,755	\$ 2,684
Weighted average basic common shares outstanding	7,640	7,290	7,514	7,210
Dilutive effect of stock options, warrants and restricted stock	172	303	145	300
Weighted average shares for diluted earnings per share	7,812	7,593	7,659	7,510
Basic income per share	\$ 0.14	\$ 0.15	\$ 0.37	\$ 0.37
Diluted income per share	\$ 0.13	\$ 0.15	\$ 0.36	\$ 0.36

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

	Three Months Ended March 31,	
	2024	2023
Net income attributable to common stockholders	\$ (832)	\$ 866
Weighted average basic common shares outstanding	7,681	7,417
Dilutive effect of stock options, warrants and restricted stock	208	372
Weighted average shares for diluted earnings per share	7,889	7,789
Basic income per share	\$ (0.11)	\$ 0.12
Diluted income per share	\$ (0.11)	\$ 0.11

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 and third quarters As of 2023 we paid down \$4.0 million and \$1.2 million, respectively, on the line of credit and as of September 30, 2023 March 31, 2024, there is \$1.8 million zero outstanding on the line of credit.

*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 September 30, 2023 March 31, 2024, the effective interest rate was 7.7% 7.9%. 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 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 September 30, 2023 March 31, 2024, we were in compliance with all of our covenants, were eligible to borrow up to \$8.2 million \$10.0 million, and had \$1.8 million zero in outstanding borrowings under the 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 7.9% 7.8% at September 30, 2023. This March 31, 2024. This note matures March 31, 2028.

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

*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 September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, outstanding debt under the promissory note was \$0.1 million.

At September 30, 2023 March 31, 2024, our total term debt consisted of the following:

Line of credit	\$	1,803	
MUFG promissory note		4,750	\$ 4,250
EIDL promissory note		143	141
Total debt		6,696	
Total term debt			4,391
Less: current portion of long-term debt		(1,003)	(1,003)
Long-term debt	\$	5,693	\$ 3,388

*Note 8: Stockholders’ Equity*

We are authorized to issue two classes of stock designated as common stock and preferred stock. As of September 30, 2023 March 31, 2024, we are authorized to issue 60,000,000 total shares of stock. Of this amount, 50,000,000 shares are designated as common stock, each having a par value of \$0.001 and 10,000,000 shares are designated as preferred stock, each having a par value of \$0.001.

*Warrants*

The following table summarizes information about our outstanding common stock All warrants were exercised as of September 30, 2023:

	Date Issued	Expiration	Strike Price	Total Warrants Outstanding and Exercisable (in thousands)	Total Exercise Price (in thousands)	Weighted Average Exercise Price
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. In June 2023, one holder exercised a common stock warrant, issued by the Company in June 2018, on a cashless basis for a total of 12,676 shares of common 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. December 31, 2023.

Note 9: Share-Based Compensation

Under our amended 2014 Equity Incentive Plan (the “2014 Plan”), 1,600,000 shares of our common stock are reserved for issuance, of which 587,709 218,209 shares of common stock remain available for issuance, issuance under the 2014 Plan.

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 **nine** three months ended **September 30, 2023** **March 31, 2024**:

		Grant Date	Weighted		Stock Options	Grant Date Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (\$ in thousands)
	Stock Options	Weighted Average Exercise Price	Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (\$ in thousands)				
Outstanding at December 31, 2022	458,957	\$ 4.08						
Outstanding at December 31, 2023					416,813	\$ 4.89		
Granted	60,521	7.26			69,500	6.51		
Forfeited or expired	-	0			(500)	4.15		
Exercised	(64,165)	2.44			(666)	4.15		
Outstanding at September 30, 2023	<u>455,313</u>	\$ 4.73	2.4	\$ 1,276				
Exercisable at September 30, 2023	<u>365,598</u>	\$ 4.91	2.4	\$ 1,276				
Outstanding at March 31, 2024					<u>485,147</u>	5.12	3.14	\$ 1,925
Exercisable at March 31, 2024					<u>408,685</u>	5.12	3.09	\$ 6,047

Share-based compensation cost for is measured at the **nine** grant date based on the fair value of the award. The fair values of stock options granted during the three months **ending September 30, 2023** **was measured** **ended March 31, 2024** were estimated using the Black-Scholes option-pricing model with the following assumptions:

Weighted average grant-date fair value per option granted	\$ 6.52	6.47 to 7.76	\$6.56
Expected option term in years	2.5 to 3.2		
Expected volatility factor	59.4% to 62.9%		
Risk-free interest rate	4.12% to 4.14%		
Expected volatility factor	2.5		74.0 %
Risk-free interest rate		3.82 to 4.18 %	
Expected annual dividend yield		0.0 %	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 **September 30, 2023** **March 31, 2024**, 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 **1.2** **1.7** years.

#### Restricted Stock Units

On January 1, 2024, we granted restricted stock units ("RSUs") to our Chief Executive Officer that vest annually over the three years, following the date of grant at a rate of 34%, 33% and 33%, respectively, if the CEO is in service to the Company at each vesting date. The RSUs are subject to the terms and conditions of the 2014 Plan and the Restricted Stock Unit Award Agreement. See Note 11. Subsequent Events for a discussion of the vesting upon consummation of the Merger.

The following table summarizes our RSU activity for the three months ended March 31, 2024:  
DecisionPoint Systems, Inc.

	Number of Shares	Weighted Average Fair Value at Grant Date	Weighted Average Remaining Contractual Term (in years)
RSU Outstanding as of December 31, 2023	-		
Granted	300,000	\$ 6.18	
Vested	-		
Forfeited or expired	-		
RSU Outstanding as of March 31, 2024	300,000	\$ 6.18	2.75

#### Notes

As of March 31, 2024, there was \$1.7 million of total unrecognized compensation cost related to Condensed Consolidated Financial Statements unvested shares underlying outstanding RSUs. That cost is expected to be expensed over a remaining weighted average period of 2.75 years.

#### (Unaudited)

We recorded \$0.2 million of expense during the three months ended March 31, 2024 related to RSUs. We have not recorded any tax benefit related to our RSU expense.

The fair value of each RSU granted during the three months ended March 31, 2024 was estimated using the closing stock price of our common stock on the date of grant.

#### 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

No One customer accounted for 10% or more 12% of consolidated revenue during the three months ended September 30, 2023. One March 31, 2024, and one customer accounted for 18% of consolidated revenue during the nine months ended September 30, 2023. One customer accounted for 30% 20% of consolidated revenue during the three months ended September 30, 2022, and 18% of consolidated revenue during the nine months ended September 30, 2022 March 31, 2023. Trade accounts receivable from two customers one customer represented 11% and 12% 14% of net consolidated receivables at September 30, 2023 March 31, 2024 and trade accounts receivable from two customers one customer represented approximately 14% and 13% 49% of net consolidated receivables at September 30, 2022 March 31, 2023.

Two vendors each accounted for 29% and 19% 21% of all consolidated purchases during the three months ended September 30, 2023 March 31, 2024. Three vendors accounted for 21% 33%, 20% 26%, and 14% 22% of all consolidated purchases during the nine months ended September 30, 2023. For the prior year period, two vendors accounted for 12% and 11% of all consolidated purchases for the three months ended September 30, 2022, and three vendors accounted for 37%, 22% and 17% of all consolidated purchases during the nine months ended September 30, 2022 March 31, 2023. No other vendor accounted for more than 10% of purchases during the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023.

As of September 30, 2023 March 31, 2024, two vendors accounted for 31% 24% and 25% 21% of total accounts payable. As of September 30, 2022 March 31, 2023, three vendors accounted for 31% 35%, 27% 29% and 22% 20% of the total accounts payable. No other vendor accounted for more than 10% of accounts payable as of September 30, 2023 March 31, 2024 and 2022, 2023.

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

##### Agreement and Plan of Merger

On April 30, 2024, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Barcoding Derby Buyer, Inc., a Delaware corporation (“Parent”), and Derby Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Parent (“MergerCo”), providing for the merger of MergerCo with and into the Company (collectively with the other transactions contemplated by the Merger Agreement, the “Merger”), with the Company continuing as the surviving corporation of the Merger and a wholly owned subsidiary of Parent. Parent and MergerCo are affiliates of Barcoding Holdings, LLC, a portfolio company of Graham Partners. The consummation of the Merger is subject to certain closing conditions, including, among others, the approval of the Company’s stockholders of the adoption of the Merger Agreement.

If the Merger is consummated, at the effective time of the Merger (the “Effective Time”):

- each issued and outstanding share of the Company’s common stock (other than certain exceptions, including shares of the Company’s common stock owned by the Company, Parent or MergerCo or by holders who are entitled to and have properly exercised and not waived, withdrawn, failed to perfect or otherwise lost their appraisal rights) will be cancelled and extinguished and automatically converted into the right to receive cash in an amount equal to \$10.22 (the “Per Share Price”), without interest;
- each outstanding restricted stock unit (“Company RSUs”) granted under the Company’s 2014 Equity Incentive Plan, as amended, will be accelerated and fully vested, cancelled and exchanged into the right to receive an amount in cash equal to the product of (A) the aggregate number of shares of the Company’s common stock subject to such Company RSU, multiplied by (B) the Per Share Price, subject to applicable tax withholdings; and
- each outstanding stock option (“Company Options”) granted under the Company’s 2014 Equity Incentive Plan, as amended, whether vested or unvested, will be cancelled and with the holders becoming entitled to receive an amount in cash equal to the product of (A) the aggregate number of shares of the Company’s common stock subject to such Company Option multiplied by (B) the excess, if any, of the Per Share Price over the per share exercise price applicable to such Company Option, subject to applicable tax withholdings.

Our board of directors has unanimously approved the Merger Agreement and resolved to recommend that stockholders vote in favor of the Merger. Assuming the satisfaction of the conditions set forth in the Merger Agreement, including the approval of DecisionPoint stockholders, the transaction is currently expected to close in July 2024.

The Merger Agreement contains customary representations, warranties and covenants, including, among others, covenants by the Company to conduct its businesses in the ordinary course and consistent with past practice between the execution and completion of the Merger Agreement, to convene and hold a meeting of its stockholders to consider and vote upon the adoption of the Merger Agreement, to cooperate with Parent in connection with obtaining financing for the transaction, and, subject to certain customary exceptions, for the Board to recommend that its stockholders adopt the Merger Agreement. The Merger Agreement also contains customary representations, warranties and covenants of Parent and Merger Sub, including a covenant to use reasonable best efforts to obtain financing.

## 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 for 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:

- any failure to complete, or delays in completing, the Merger (as defined below), and uncertainties related to the consummation of the Merger;
- the various uncertainties and restrictions on the conduct of our business while the Merger is pending;
- the risk that the Merger Agreement (as defined below) may be terminated in circumstances that require us to pay a termination fee of approximately \$2.6 million to Parent (as defined below);
- the substantial transaction-related costs being incurred in connection with the Merger;
- the risk related to us and our directors and officers being subject to lawsuits relating to the Merger;
- the risk that provisions of the Merger Agreement may deter alternative business combinations and could negatively impact our stock price if the Merger Agreement is terminated in certain circumstances;
- 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 profit 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 food service and grocery.

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 September 30,		Nine Months Ended September 30,		Three Months Ended	
	2023	2022	2023	2022	March 31,	
	(unaudited)				2024	2023
Statements of Operations Data:						
Net sales	\$ 27,140	\$ 25,713	\$ 85,091	\$ 72,940	\$ 25,618	\$ 27,039
Cost of sales	19,657	19,959	63,809	56,184	19,607	20,989
Gross profit	7,483	5,754	21,282	16,756	6,011	6,050
Sales and marketing expenses	2,129	2,291	6,988	6,850	2,813	2,368
General and administrative expenses	3,838	1,936	10,242	6,155	4,096	2,494
Total operating expenses	5,967	4,227	17,230	13,005	6,909	4,862
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 attributable to common shareholders	\$ 1,053	\$ 1,111	\$ 2,755	\$ 2,684		
Operating (loss) income					(898)	1,188
Interest expense, net					(248)	(13)
(Loss) income before income taxes					(1,146)	1,175
Income tax benefit (expense)					314	(309)
Net (loss) income attributable to common shareholders					\$ (832)	\$ 866
Percentage of Net Sales:						
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	72.4%	77.6%	75.0%	77.0%	76.5%	77.6%
Gross profit	27.6%	22.4%	25.0%	23.0%	23.5%	22.4%
Sales and marketing expenses	7.8%	8.9%	8.2%	9.4%	11.0%	8.8%
General and administrative expenses	14.1%	7.5%	12.0%	8.4%	16.0%	9.2%
Total operating expenses	22.0%	16.4%	20.2%	17.8%	27.0%	18.0%
Operating income	5.6%	5.9%	4.8%	5.1%		
Interest expense	(0.6)%	(0.0)%	(0.5)%	(0.1)%		
Other income (expense)	0.1%	0.0%	0.0%	(0.0)%		
Income before income taxes	5.0%	5.9%	4.3%	5.1%		
Income tax expense	(1.2)%	(1.6)%	(1.1)%	(1.4)%		
Net income attributable to common shareholders	3.9%	4.3%	3.2%	3.7%		
Operating (loss) income					-3.5%	4.4%
Interest expense, net					-1.0%	0.0%
(Loss) income before income taxes					-4.5%	4.3%
Income tax benefit (expense)					1.2%	-1.1%
Net (loss) income attributable to common shareholders					-3.2%	3.2%

Results of Operations for the Third First Quarter of 2023 2024 Compared to the Third First Quarter of 2022 2023 (Unaudited)

Net sales

	Three Months Ended				Three Months Ended			
	September 30,		Dollar	Percent	March 31,		Dollar	Percent
	2023	2022			2024	2023		
	(dollars in thousands)		Change	Change	(dollars in thousands)		Change	Change
Hardware and software	\$ 13,994	\$ 19,205	\$ (5,211)	(27.1)%	\$ 13,893	\$ 20,540	\$ (6,647)	(32.4)%
Consumables	1,442	1,783	(341)	(19.1)%	1,424	1,626	(202)	(12.4)%
Services	11,704	4,725	6,979	147.7%	10,301	4,873	5,428	111.4%
	<u>\$ 27,140</u>	<u>\$ 25,713</u>	<u>\$ 1,427</u>	<u>5.5%</u>	<u>\$ 25,618</u>	<u>\$ 27,039</u>	<u>\$ (1,421)</u>	<u>(5.3)%</u>

Net sales increased decreased by 5.5% 5.3%, or \$1.4 million, during the three months ended September 30, 2023 March 31, 2024 as compared to the same period of the prior year. Hardware and software net sales decreased \$5.2 million \$6.6 million, during the three months ended September 30, 2023 March 31, 2024, primarily due a \$6.6 million decrease decreases in hardware sales to one two of our largest significant customers. These customers offset by purchased hardware in 2023 and these sales were not repeated in 2024. Overall, we experienced a \$1.7 million increase general decline in hardware sales by Macro. Macro was acquired on April 1, 2023 (and, thus, there were no corresponding sales by Macro included for most of our customers in our results the first quarter of operations for the comparable period in 2022), 2024. Consumables decreased \$0.3 million \$0.2 million during the three months ended September 30, 2023 March 31, 2024 primarily due to decreased third quarter an overall decline in sales to one of our existing customers. Included in the prior year consumables sales was a one-time transaction of \$0.3 million that was not repeated during the current quarter ending September 30, 2023. Services increased \$7.0 million \$5.4 million during the three months ended September 30, 2023 March 31, 2024, 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 during the comparable period in 2022) first quarter of 2023), which added \$6.0 million contributed \$5.8 million in services revenue. Quarterly services revenues were also positively impacted services.

Cost of sales

	Three Months Ended			
	March 31,		Dollar	Percent
	2024	2023		
	(dollars in thousands)		Change	Change
Hardware and software	\$ 11,478	\$ 16,706	\$ (5,228)	(31.3)%
Consumables	1,010	1,179	(169)	(14.3)%
Services	7,119	3,104	4,015	129.3%
	<u>\$ 19,607</u>	<u>\$ 20,989</u>	<u>\$ (1,382)</u>	<u>(6.6)%</u>

Cost of sales decreased by a \$0.3 million increase from our largest customer. 6.6%, or \$1.4 million during the three months ended March 31, 2024 as compared to the same prior year period primarily due to lower hardware sales volume and the corresponding decrease in costs associated with those sales.

Gross profit

	Three Months Ended			
	March 31,		Dollar	Percent
	2024	2023		
	(dollars in thousands)		Change	Change
Hardware and software	\$ 2,415	\$ 3,834	\$ (1,419)	(37.0)%
Consumables	414	447	(33)	(7.4)%
Services	3,182	1,769	1,413	79.9%
	<u>\$ 6,011</u>	<u>\$ 6,050</u>	<u>\$ (39)</u>	<u>(0.6)%</u>

## Cost of sales

	Three Months Ended September 30,		Dollar Change	Percent Change
	2023	2022		
	(dollars in thousands)			
Hardware and software	\$ 11,304	\$ 15,673	\$ (4,369 )	(27.9 )%
Consumables	1,036	1,250	(214 )	(17.1 )%
Services	7,317	3,036	4,281	141.0 %
	<u>\$ 19,657</u>	<u>\$ 19,959</u>	<u>\$ (302 )</u>	<u>(1.5 )%</u>

Cost of sales decreased by 1.5%, or \$0.3 million during the three months ended 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 \$3.6 million in costs (and, thus, there were no corresponding sales by Macro included in our results of operations for the comparable period in 2022).

## Gross profit

	Three Months Ended September 30,	
	2023	2022
	(dollars in thousands)	
Gross profit:		
Hardware and software	\$ 2,690	\$ 3,532
Consumables	406	533
Services	4,387	1,689
Total gross profit	<u>\$ 7,483</u>	<u>\$ 5,754</u>
Gross profit percentage:		
Hardware and software	19.2 %	18.4 %
Consumables	28.1 %	29.9 %
Services	37.5 %	35.7 %
Total gross profit percentage	27.6 %	22.4 %

Gross profit increased \$1.7 million **remained flat \$6.0 million** for the three months ended 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 5.2% due to a shift in mix to services with higher profit margins.

## Sales and marketing expenses

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

Sales and marketing expenses decreased \$0.2 million, or 7.1%, for the three months ended September 30, 2023 as compared to the prior year period primarily due to a \$150,000 decrease in commission expense for the third quarter of 2023 due to a corresponding decrease in hardware sales. As a percentage of sales, sales and marketing expenses decreased 110 basis points primarily due to higher sales volume for the three months ended September 30, 2023.

## General and administrative expenses

	Three Months Ended		Dollar	Percent		
	September 30,				Change	Change
	2023	2022				
	(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 98.2%, for the three months ended September 30, 2023 as compared to the same period of the prior year. The increase in these expenses was primarily due to the \$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 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 \$162,000 for the third quarter of 2023 from \$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 September 30, 2023 compared to \$0.4 million income tax expense for the three months ended September 30, 2022. The decrease is primarily due to the decrease in income before income taxes, period over period.

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

# Results of Operations for the Nine Months Ended September 30, 2023 Compared to the Nine Months Ended September 30, 2022 (Unaudited)

## Net sales

	Nine Months Ended September 30,		Dollar Change	Percent Change
	2023	2022		
	(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%
	<u>\$ 85,091</u>	<u>\$ 72,940</u>	<u>\$ 12,151</u>	16.7%

Net sales increased by 16.7%, or \$12.2 million, during the nine months ended 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 services which was primarily due to 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 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

	Nine Months Ended September 30,		Dollar Change	Percent Change
	2023	2022		
	(dollars in thousands)			
Hardware and software	\$ 42,913	\$ 43,580	\$ (667)	(1.5)%
Consumables	3,292	3,633	(341)	(9.4)%
Services	17,604	8,971	8,633	96.2%
	<u>\$ 63,809</u>	<u>\$ 56,184</u>	<u>\$ 7,625</u>	13.6%

Cost of sales increased by 13.6%, or \$7.6 million during the nine months ended September 30, 2023 as compared to the same prior year period primarily due to higher 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

	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>\$ 21,282</u>	<u>\$ 16,756</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 \$4.5 million for the nine months ended September 30, 2023 March 31, 2024 as compared to the prior year period, primarily as a result of overall higher lower sales volume and the other impacts noted above. Overall gross profit margin increased 200 60 basis points due to a shift in mix to services sales 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

					Three Months Ended			
	Nine Months Ended September 30,		Dollar	Percent	March 31,		Dollar	Percent
	2023	2022	Change	Change	2024	2023	Change	Change
	(dollars in thousands)				(dollars in thousands)			
Sales and marketing expenses	\$ 6,988	\$ 6,850	\$ 138	2.0 %	\$ 2,813	\$ 2,368	\$ 445	18.8 %
As a percentage of sales	8.2 %	9.7 %		-1.5 %	11.0 %	8.8 %		2.2 %

Sales and marketing expenses increased \$0.1 million \$0.5 million, or 2.0% 18.8%, for the nine three months ended September 30, 2023 March 31, 2024 as compared to the prior year period primarily due to increased \$0.5 million in additional expenses of \$139,000 for Macro Macro's operations that was were acquired on April 1, 2023 (and, thus, there were no not 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 150 basis points primarily due to the higher sales volume for the nine months ended September 30, 2023 2023).

## General and administrative expenses

					Three Months Ended			
	Nine Months Ended September 30,		Dollar	Percent	March 31,		Dollar	Percent
	2023	2022	Change	Change	2024	2023	Change	Change
	(dollars in thousands)				(dollars in thousands)			
General and administrative	\$ 10,242	\$ 6,155	\$ 4,087	66.4 %	\$ 4,096	\$ 2,494	\$ 1,602	64.2 %
As a percentage of sales	12.0 %	8.4 %		3.6 %	16.0 %	9.2 %		6.8 %

General and administrative expenses increased \$4.1 million \$1.6 million, or 66.4% 64.2%, for the nine three months ended September 30, 2023 March 31, 2024 as compared to the same period of the prior year. The increase in these expenses was due to \$0.2 million increased warehouse costs associated with increased headcount and rent increases, a \$0.1 million increase in professional and legal fees, and a \$3.3 million \$1.0 million increase in expenses primarily associated with the acquisition of Macro (which we acquired on April 1, 2023 (and, and, thus, there were no corresponding general and administrative expenses by Macro included in our results of operations for 2023). Furthermore, during the comparable period first quarter of 2024, we incurred \$0.5 million in 2022). As additional legal, consulting, and other professional fees in connection with the merger (the "Merger") contemplated by that certain Agreement and Plan of Merger (the "Merger Agreement"), dated April 30, 2024, by and among the Company, Barcoding Derby Buyer, Inc., a percentage Delaware corporation ("Parent"), and Derby Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of sales, general and administrative costs increased 360 basis points. This increase is attributable to Parent ("MergerCo") (see Note 11 in 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, condensed consolidated financial statements).

*Interest expense.* The Interest expense increased to \$0.2 million in the first quarter of 2024 from \$13,000 from the same period last year due to an increase in debt levels as compared to the same period last year and the unwinding of the present value discount on the accrued earnout obligation incurred for the Macro acquisition. The adjustment of the present value calculation of the accrued earnout obligation resulted in an additional \$0.14 million of interest expense to \$385,000 for the nine three months ended September 30, 2023 from \$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. March 31, 2024.

*Income tax (expense) benefit.* expense. Income tax expense benefit was approximately \$0.9 million \$0.3 million for the nine three months ended September 30, 2023 March 31, 2024 compared to \$1.0 million in \$0.3 million income tax expense for the nine-month period three months ended September 30, 2022 March 31, 2023. The higher current year income tax rate this period benefit is associated with higher income before income taxes and in primarily due to the prior year period. net loss incurred during the current quarter.

*Net (loss) income.* Net (loss) income was \$2.7 million (\$0.8) million for the three months ended March 31, 2024, a decrease of \$1.7 million compared to net income of \$0.9 million in each of the nine-month periods ended September 20, 2023 and 2022. same period last year.

## Liquidity and Capital Resources

As of September 30, 2023 March 31, 2024, our principal sources of liquidity were cash totaling \$3.6 million \$5.8 million and \$8.2 million \$10.0 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 Since December 31, 2018 through December 31, 2023 we have generated operating income for each of the years ended December 31, 2018 through December 31, 2022, income. Based on our recent trends and our current projections, we expect to generate cash from operations for the year ending December 31, 2023 December 31, 2024. 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 months. In addition, we believe cash generated from operating income and beyond, our existing credit facilities will be sufficient to meet our long-term liquidity needs beyond the next 12 months.

Part of our consideration for the acquisition of Macro included earnout payments to the sellers, which are subject to the financial performance of Macro in each of the two years following closing and are presented at net present values. The earnout is based on achieving EBITDA targets in years one and two following the Effective Date of \$2.8 million and \$3.8 million, respectively. At March 31, 2024, we have accrued \$5.6 million and \$4.6 million for the Year 1 and Year 2 earnouts at their net present values, respectively, which are due by June 14, 2024 and June 14, 2025, respectively.

Our ability to continue to meet our cash requirements will depend on, among other things, macro-economic conditions, U.S. and 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 volatile 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, conditions. 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)	March 31, 2024	December 31, 2023	Increase/ (Decrease)
		(in thousands)			(in thousands)	
Current assets	\$ 29,288	\$ 32,272	\$ (2,984)	\$ 31,075	\$ 34,657	\$ (3,582)
Current liabilities	32,953	31,665	1,288	36,845	38,736	(1891)
Working capital (deficit)	\$ (3,665)	\$ 607	\$ (4,272)	\$ (5,770)	\$ (4,079)	\$ (1,691)

The working capital deficit increase as of September 30, 2023 March 31, 2024 was primarily due to the \$4.0 million decrease net loss of \$0.8 million in cash which was due to the acquisition first quarter of Macro which closed on April 1, 2023. 2024.

### *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 September 30, 2023 March 31, 2024, we had \$8.2 million \$0.0 million outstanding and \$10.0 million available under this line of this facility available. credit.

### 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 (secured overnight financing rate) as administered by the Federal Reserve Bank of New York, plus 2.5%, which was 7.9% at December 31, 2023. This note matures March 31, 2028.

### 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>

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Net cash provided by (used in) operating activities	\$ 3,243	\$ (1,496)
Net used in investing activities	(161)	(176)
Net cash provided by (used in) financing activities	(1,548)	12,005
<b>Net increase in cash</b>	<b>\$ 1,534</b>	<b>\$ 10,333</b>

### Operating Activities

Net cash provided by operating activities decreased increased to \$2.3 million \$3.2 million for the nine three months ended September 30, 2023 March 31, 2024 from \$13.9 million net cash used in operating activities of \$1.5 million for the nine three months ended September 30, 2022 March 31, 2023. The decrease increase was primarily due to cash payments the \$4.4 million collection of \$10.3 million for inventory purchases and \$0.9 million for 2022 bonuses that were paid out in 2023, accounts receivable during the three months ended March 31, 2024.

### Investing Activities

Net cash used in investing activities was \$13.0 million \$0.2 million for the nine three months ended September 30, 2023 March 31, 2024 and 2023 which is comprised primarily of the \$12.9 million purchase of Macro. Net cash used in investing activities was \$5.8 million for the nine months ended 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 \$1.3 million in capital expenditures of property and equipment.

### Financing Activities

Net cash used in financing activities was \$1.5 million for the three months ended March 31, 2024 due to the \$1.3 million repayment of the outstanding balance on the line of credit and \$0.2 million principal payment on the term loan. Net cash provided by financing activities was \$6.7 million \$12.0 million for the nine three months ended September 30, 2023 March 31, 2023 due to the \$1.8 million net \$7.0 million 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 \$1.3 million for the nine months ended 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 December 31, 2023. 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 December 31, 2023.

## 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 September 30, 2023 March 31, 2024. 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 September 30, 2023 March 31, 2024, 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** December 31, 2023 for a detailed discussion of certain risks that affect us. Other than the updated risk factors below, there have been no material changes in our risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

#### Risks Related to Our Proposed Merger

On April 30, 2024, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Barcoding Derby Buyer, Inc., a Delaware corporation (“Parent”), and Derby Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Parent (“MergerCo”), providing for the merger of MergerCo with and into the Company (collectively with the other transactions contemplated by the Merger Agreement, the “Merger”), with the Company continuing as the surviving corporation of the Merger and a wholly owned subsidiary of Parent. See Note 11, Subsequent Events appearing elsewhere in this Quarterly Report on Form 10-Q for additional information.

The Merger Agreement was unanimously approved by our board of directors. The description of the Merger Agreement in these Risk Factors does not purport to be complete and is qualified in its entirety by reference to the Merger Agreement, which was filed as Exhibit 2.1 to our Current Report on Form 8-K filed on May 1, 2024.

***Failure to complete, and delays in completing, the Merger, and uncertainties related to the consummation of the Merger may have a material adverse effect on our business, results of operations and financial condition and negatively impact the price of our common stock.***

The consummation of the Merger is subject to a number of customary closing conditions, some of which are beyond our control, including the receipt of stockholder approval. Failure to satisfy the conditions to the Merger could prevent, delay or otherwise materially and adversely affect the completion of the Merger. Further, regulators may impose conditions, obligations or restrictions on the Merger that may have the effect of delaying or preventing its completion. We can provide no assurance that all closing conditions will be satisfied. Even if all closing conditions are satisfied, we also cannot assure you that we will be able to successfully consummate the Merger as currently contemplated under the Merger Agreement or at all. Risks related to the failure of the Merger to be consummated include, but are not limited to, the following:

- under some circumstances, we may be required to pay a termination fee to Parent of approximately \$2.6 million;
- we will remain liable for significant transaction costs, including legal, accounting, financial advisory, and other costs relating to the Merger regardless of whether the Merger is consummated;
- we may experience negative reactions from financial markets or the trading price of our common stock may decline to the extent that the current market price for our common stock reflects a market assumption that the Merger will be completed;

- we and our directors and officers could be subject to litigation relating to the Merger, including relating to any failure to complete the Merger;
- the attention of our management and employees may have been diverted by the Merger;
- the potential loss of key personnel during the pendency of the Merger as employees may experience uncertainty about their future roles with us following completion of the Merger;
- the potential loss of, and negative reactions from customers, vendors, distributors and other business partners, including those with which we are seeking to establish business relationships, due to uncertainties about the Merger; and
- under the Merger Agreement, we are subject to certain restrictions on the conduct of our business prior to completing the Merger, which restrictions could adversely affect our ability to conduct our business as we otherwise would have done if we were not subject to these restrictions.

The occurrence of any of these events individually or in combination could materially and adversely affect our business, results of operations, financial condition, and stock price. If the Merger is not consummated and one or more of these events occur, such as payment of a termination fee to Parent or other significant transaction costs in connection with the Merger, our cash balances and other outstanding indebtedness at that time could be materially and adversely impacted and our options for sources of financing or refinancing could be more limited than if we had not pursued the Merger. If the Merger is not completed, there can be no assurance that these risks will not materialize and will not materially and adversely affect our stock price, business, financial condition, results of operations or cash flows.

***We are subject to various uncertainties and restrictions on the conduct of our business while the Merger is pending, which could have a material adverse effect on our business, results of operations and financial condition.***

Uncertainty about the pendency of the Merger and the effect of the Merger on our employees, customers, vendors, distributors and other third parties who deal with us may have a material adverse effect on our business, results of operations and financial condition. These uncertainties may impair our ability to attract, retain and motivate key personnel pending the consummation of the Merger, as such personnel may experience uncertainty about their future roles following the consummation of the Merger. Additionally, these uncertainties could cause customers, vendors, distributors and other business partners who deal with us to seek to change existing business relationships with us or fail to extend an existing relationship with us, all of which could have a material adverse effect on our business, results of operations, financial condition and market price of our common stock. In addition, the Merger Agreement restricts us from taking certain actions without Parent's consent while the Merger is pending. These restrictions may, among other matters, prevent us from hiring key personnel, buying or selling assets, refinancing or incurring additional indebtedness, entering into or amending certain transactions, or making other changes to our business prior to consummation of the Merger or termination of the Merger Agreement. These restrictions and uncertainties could have a material adverse effect on our business, results of operations and financial condition during the pendency of the Merger.

***We will continue to incur substantial transaction-related costs in connection with the Merger.***

We have incurred significant legal, advisory and financial services fees in connection with Merger. We have incurred, and expect to continue to incur, additional costs in connection with the satisfaction of the various conditions to closing of the Merger, including seeking approval from our stockholders. If there is any delay in the consummation of the Merger, these costs could increase significantly.

***We and our directors and officers may be subject to lawsuits relating to the Merger.***

Litigation is very common in connection with the sale of public companies, regardless of whether the claims have any merit. One of the conditions to consummating the Merger is that no statute, rule, regulation, order, or other legal or regulatory restraint which has the effect of preventing, prohibiting or rendering illegal the consummation of the Merger shall have been issued by any governmental authority. Consequently, if any lawsuit challenging the Merger is successful in obtaining an order preventing the consummation of the Merger, that order may delay or prevent the Merger from being completed. While we will evaluate and defend against any lawsuits, the time and costs of defending against litigation relating to the Merger may adversely affect our business.

***Provisions of the Merger Agreement may deter alternative business combinations and could negatively impact our stock price if the Merger Agreement is terminated in certain circumstances.***

The Merger Agreement prohibits us from initiating, soliciting, proposing, inducing the making, submission, or announcement of or knowingly encouraging or knowingly facilitating any inquiries or the making of any proposal or other action that constitutes, or may reasonably be expected to lead to, any Acquisition Proposal (as defined in the Merger Agreement), subject to exceptions set forth in the Merger Agreement. The Merger Agreement also provides for the payment by us of a termination fee of approximately \$2.6 million if the Merger Agreement is terminated in certain circumstances in connection with a competing third-party acquisition proposal. These provisions limit our ability to pursue offers from third parties that could result in greater value to our stockholders. The obligation to pay the termination fee may also discourage a third party from pursuing an alternative acquisition proposal. If the Merger Agreement is terminated and we determine to seek another business combination, we cannot assure our stockholders or other securities holders that we will be able to negotiate a transaction with another company on terms comparable to the terms of the Merger Agreement, or that we will avoid incurrence of any fees associated with the termination of the Merger Agreement. In the event the Merger Agreement is terminated, our stock price may decline.

**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 September 30, 2023:**

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. This cashless exercise for a total of 12,676 shares of common stock was settled in two separate issuances: 9,247 shares of common stock were issued in June 2023 and an additional 3,429 shares of common stock 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. **None.**

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description
2.1±	<a href="#">Agreement and Plan of Merger, dated as of April 30, 2024, by and among DecisionPoint Systems, Inc., Barcoding Derby Buyer, Inc., and Derby Merger Sub, Inc. (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed on May 1, 2024).</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 3.4	<a href="#">Employment Agreement with Melinda Wohl, First Amendment to the Amended and Restated Bylaws of DecisionPoint Systems, Inc., dated July 20, 2023 April 30, 2024 (incorporated by reference to Exhibit 99.1 3.1 to the Current Report on Form 8-K filed on July 26, 2023), May 1, 2024).</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).
*±	All schedules to this exhibit have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company hereby agrees to furnish supplementally a copy of any omitted schedule to the Securities and Exchange Commission upon request.
*	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.

### DECISIONPOINT SYSTEMS, INC.

Date: **November 14, 2023** **May 15, 2024**

By: /s/ Steve Smith  
Name: Steve Smith  
Title: Chief Executive Officer  
(Principal Executive Officer) **and Director**

Date: **November 14, 2023** **May 15, 2024**

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

**28 29**

**EXHIBIT 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: **November 14, 2023** **May 15, 2024**

**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: November 14, 2023 May 15, 2024

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

EXHIBIT 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 three months ended September 30, 2023 March 31, 2024, 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: November 14, 2023 May 15, 2024

By: /s/ Steve Smith  
By: Steve Smith

Chief Executive Officer  
(Principal Executive Officer) and Director

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 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 three months ended September 30, 2023 March 31, 2024, 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: November 14, 2023 May 15, 2024

By: /s/ Melinda Wohl  
By: Melinda Wohl  
Chief Financial Officer  
(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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