UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2023

OR

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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

Delaware	**001-41376**	**37-1644635**
(State of Incorporation)	(Commission File Number)	(IRS 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)

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

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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, or a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "small reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Non-accelerated filer	☒	Emerging growth company	☐
Accelerated filer	☐	Smaller reporting company	☒		

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☐ No ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

As of June 30, 2023, the aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant was $32.9 million.

The number of shares outstanding of the registrant's Common Stock, $0.001 par value, was 7,680,334 as of March 21, 2024.

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's beliefs and assumptions and on information currently available to management. Some of the statements in the section captioned "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Description of Business," and elsewhere in this annual report contain forward-looking statements. In some cases, you can identify these statements by terms such as "anticipate," "believe," "could," "estimate," "expects," "intend," "may," "plan," "potential," "predict," "project," "should," "will," "would" or the negative of these terms or other comparable expressions that convey uncertainty of future events or outcomes, although not all forward-looking statements contain these terms.

These statements involve risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Forward-looking statements in this annual report include, but are not limited to, statements about:

- 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 the potential effect of the loss of a significant customer;
- debt obligations arising from our line of credit 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;
- our ability to develop innovative new products and services; and
- our financial performance.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Overview

DecisionPoint Systems, Inc. ("DecisionPoint", the "Company", "we" or "us") was originally organized in August 2010 under the laws of the Province of Ontario and subsequently filed a Certificate of Corporate Domestication with the State of Delaware on June 14, 2011.

The Company, through its subsidiaries, consults, designs, and implements mobility-first enterprise solutions, retail solutions centered on Point-of-Sale systems and services that support our customer's operations. DecisionPoint provides managed and professional services that better enable our customers to implement and manage complex projects on time and on budget. Our products and services are intended to help our clients improve their operations and drive greater productivity. DecisionPoint partners with hardware, software and services companies to combine enterprise-grade handheld computers, printers, tablets, smart phones and retail POS into solutions aimed to improve productivity, provide greater levels of customer services, allowing our customers to be more competitive. DecisionPoint leverages its software and services portfolio including our Mobile Conductor Platform which provides a "Direct Store Delivery" (DSD) solution to the wholesale distribution market via our proof-of-delivery and route accounting applications. Our ViziTrace Platform provides our customers with the ability to integrate radio frequency identification ("RFID") technology's into existing workflows, making them more efficient and effective in the marketplace. Our Managed Services and Managed Mobile Service offerings provide our customers a way to implement, manage, monitor, and maintain all these technologies for the lifetime of the implementation, while supporting and augmenting our customer's IT teams.

Acquisitions have been an important element of our growth strategy and are expected to be in the future. We have supplemented our organic growth by identifying, acquiring and integrating businesses that results in broader, more sophisticated product offerings, while diversifying and expanding our customer base and markets. In 2018, we acquired Royce Digital Systems, Inc. ("RDS"), a provider of innovative enterprise solutions. RDS has expanded our product portfolio with mission critical printers, consumables and custom labels and a wide array of on-site professional services. Additionally, RDS has provided new opportunities in the healthcare sector which is incremental to our existing markets of Retail and Logistics. In December 2020, we acquired ExtenData Solutions, LLC ("ExtenData"), an enterprise mobility solutions provider headquartered in the Denver metropolitan area. ExtenData's products and services are synergistic and complimentary to those provided by the Company. The ExtenData acquisition was intended to enhance and supplement the products and services offered by the Company and broaden our customer base. In January 2022, we acquired Advanced Mobile Group, LLC ("AMG"), a company that brings skills in voice directed technologies and RFID via the ViziTrace Platform. In April 2023, we acquired Macro Integration Services, Inc. ("Macro"), a project management and professional services and integrated solutions company.

Background – Products and Services

DecisionPoint delivers mobility-first managed service and integration solutions to healthcare, supply chain, and retail customers, enabling them to make better and faster decisions in the moments that matter—**the decision points**. Our mission is to help businesses consistently deliver on those moments—accelerating growth, improving worker productivity, and lowering risks and costs.

DecisionPoint's products and services are intended to empower mobile workers through the implementation of various mobile technologies including specialized mobile business applications, wireless networks, mobile computers and a variety of consumer and mobile computing devices. We also provide a comprehensive managed services portfolio that includes consulting, integration, project management, software development, deployment, and life cycle management services. Those services include configuration, repair services, help desk, and implementation services helping our enterprise customers operationalize their mobile investments. We also provide deployment and installation services into the retail POS marketplace.

At DecisionPoint, we deliver to our customers solutions that enable them to make better, faster and more accurate business decisions by implementing industry-specific, enterprise grade wireless, scanning, RFID and mobile computing systems for their front-line mobile workers, inside and outside of the traditional workplace. Our solutions are designed to unlock mission critical information and deliver it to employees, at the point of activity, when needed, regardless of their location. As a result, our customers are able to move their business decision points closer to their customers: improving customer service levels, reducing costs and accelerating business growth.

Mobility solutions and usage, in general, continue to grow and change rapidly. Many companies are leveraging mobile solutions to deliver information to their associates and customers in new and innovative ways that create competitive differentiation. Rapid change and innovation lead to increasingly complex solutions and requirements. Internal IT staff can be overwhelmed by the complexity of managing and operationalizing these mobile solutions. DecisionPoint seeks to eliminate this complexity through our managed services offerings to allow our customers to focus their resources on business transformation and bottom-line results.

A comprehensive mobile solution requires close coordination with many suppliers such as Original Equipment Manufacturers ("OEMs") manufacturers, carriers, security organizations, software providers and others.

We have developed an 'ecosystem' of partners to support the assembly and manufacturing provisions of our custom and off-the-shelf solutions, including handheld device manufacturers, independent software vendors and wireless carriers.

DecisionPoint has offices throughout North America with service centers located on both the East and West Coast allowing us to serve multi-location clients and their mobile workforces.

Our Markets and Primary Customer Industries

DecisionPoint is a mobile systems integrator providing enterprise mobility solutions to the retail, logistics and healthcare markets. These solutions span the complete technology life cycle from systems design and implementation capabilities to a complete portfolio of support services including repair center services and managed mobile services.

During 2022 we developed a new portal, VISION. VISION is intended to offer our customers a customizable solution for monitoring actions on everything in their IT infrastructure. Decisionpoint can manage the entire lifecycle of Mobility and IT infrastructure all in one view. VISION provides real-time visibility to manage the health, location, and status of mission-critical IT assets; VISION also enables clients to monitor the progress in major rollouts. This enables our customers to minimize downtime and simplifying the management of a large, distributed enterprise.

VISION is intended to allow customers to:

- Track assets by location and health status via an interactive map;
- Monitor servers, switches, PC's, and POS systems;
- Deploy custom configured Mobile Devices and the surrounding Infrastructure;
- Engage in custom asset tagging;
- Engage in RMA creation with advanced exchange management
- Monitor and effect repair and refurbishment of assets

<u>Retail In-Store Operations</u>

We assist retail customers in selecting and procuring the correct mobile and POS technology, deploying and installing it and managing that technology for its entire life cycle. Our VISION portal and OnPoint asset management system helps our retail customers with distributed stores and networks manage support, repairs, returns and every facet of the life of their POS systems and mobile devices. This allows our customers' IT resources to be leveraged for competitive advantage as we take care of this critical function.

<u>Warehousing and Distribution</u>

DecisionPoint provides products and services to large retailers, warehouses and third-party logistics providers to ensure their logistics operations are modern, efficient and provides them with a competitive advantage. We work closely with our customers to select the right technology in a rapidly changing world intended to give them return on investment throughout its lifetime of deployment. Applications such as Yard Management, Receiving, Picking, Hands-Free, and Voice are all components of a system that provide value. DecisionPoint assists our customers to manage the largest of projects with flawless execution along with the lifecycle management services that keep those IT assets operational.

<u>Healthcare</u>

Through the acquisition of RDS in 2018, DecisionPoint expanded its presence in healthcare. RDS has provided hardware, integration, IT Services, and a myriad of healthcare solutions to one of the largest systems in the country for 25+ years supporting clinical workflows throughout the healthcare systems. DecisionPoint currently provides service on-site for more than 30,000 IT assets, such as Barcode printers and scanners. That expertise combined with our account base of healthcare systems and healthcare manufacturing makes this vertical our second largest vertical as of December 31, 2023.

<u>Wholesale Distribution</u>

Through the acquisition of ExtenData, DecisionPoint added to its portfolio of reoccurring revenue with the MobileConductor (MC) software platform. MC is application software sold into the Direct Store Delivery (DSD) and Proof of Delivery (POD) marketplace in a SaaS model. MobileConductor enables us to provide complete in-vehicle solutions inclusive of hardware and services.

Field Sales and Service

DecisionPoint has and expects to roll-out a new tablet system for field representatives of large enterprise customers. DecisionPoint co-developed the software hand-in-hand with its customers operations team that is intended to improve the efficiencies of customer field representatives and make it easier for them to record deliveries, pick-ups and transact sales on the spot. This tablet system has been a multi-year project, which continues to evolve and improve our customer's competitive position.

The field sales and service market is experiencing significant growth. This space has evolved and moved from rugged to consumer technologies in many instances. As a result, DecisionPoint intends to leverage our experience to expand our offerings and options for our customers as the technology changes and evolves. DecisionPoint intends to provide its complete line of services, including custom or packaged software solutions to these markets, representing another area of potential growth.

Services

Pointcare

In early 2024, DPS announced our new PointCare Services—a premier suite of deployment and managed services built to address all aspects of selecting, deploying, and managing enterprise technology.

All prior DecisionPoint Services have been fully integrated into the PointCare suite of services so all customers will benefit from the enhanced services programs that are available today. PointCare is also fully integrated with our Vision portal allowing for complete visibility of your assets covered under a PointCare contract.

PointCare allows us to handle all aspects of a customer's complex technology deployment so they can focus on their business. Our consultative approach allows us to blueprint, prescribe, and deliver the services our customers need to deploy and sustain their mission critical Enterprise Mobility, Point of Sale, and RFID technology.

PointCare was specifically created to address every aspect needed to design, deploy, and manage the entire ecosystem around the technologies we provide. We've leveraged our extensive expertise in Mobility, Point of Sale, and RFID deployments to create an end-to-end service program that's simple to incorporate into our customer's processes.

Lifecycle Management

As part of our services, DecisionPoint, helps customers maximize the life of their IT assets. When OEMs discontinue a product or provide poor service on an aging product it can force our customers into an upgrade, they may not be ready to manage or afford. We work closely with our customers in all verticals to attempt to provide them extra value at the end of an asset's lifecycle.

Deployment and Project Management

Project management and deployment services are also an area of focus for the Company. DecisionPoint's project management team has handled nationwide retail point of sale deployments and a myriad of other projects that augment customer IT teams. The same applies to healthcare where we have the expertise to understand clinical workflows and how an IT implementation needs to be executed.

Managed Services

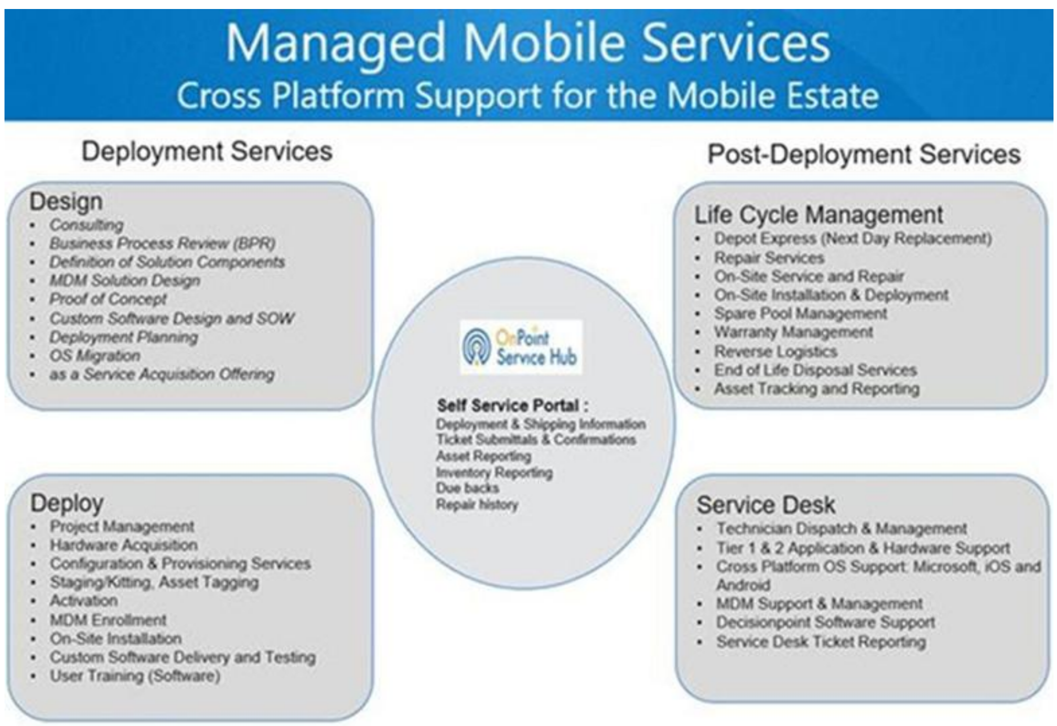
DecisionPoint offers a comprehensive product portfolio of managed services designed to simplify the complexity associated with designing, deploying and managing a mobile solution. Each product service is defined by specific deliverables and reporting requirements.

The product portfolio includes:

- Consulting – Solution Design & Business Process Review
- Technology Acquisition
- Project Management
- Software Integration and Development

- Deployment (depot and on-site)
- Repair Services (depot and on-site)
- Service Desk (tier 2 technical support
- Rex – Rapid Exchange Services
- OnPoint Services Hub (24x7x365 Asset Management Portal)

Customers can acquire our product service SKU's a-la-carte or in a complete services bundle.



Customers receive real-time asset management and tracking information through DecisionPoint's OnPoint™ Service Hub, an internally created customer service portal that provides our customers with a 24/7 view of their technology assets being managed by DecisionPoint.

As a Service

DecisionPoint also offers “as a service models” that include devices, services, software and consulting in one monthly recurring charge.

Software

The market for enterprise mobile software is generally specialized. Enterprise mobile software systems must support industry-specific and customer-specific business processes. For this reason, we utilize several avenues to provide mobile software solutions to meet our customers’ unique requirements, including:

- *Software as a Service:* SaaS is a core strategy to grow our recurring revenue base. In 2020, DecisionPoint acquired ExtenData’s MobileConductor™ , a software platform targeted at the Direct Store Delivery (DSD) and the Proof of Delivery (POD) markets. In 2022, DecisionPoint acquired Advanced Mobile Group’s VizeTrace™ , a software platform that manages RFID installations. Both MobileConductor and ViziTrace are owned platforms of DecisionPoint and part of its expanded IP portfolio. They will continue to be sold, supported and leveraged across our expanded base of customers nationwide.

- *Resold specialized ISV applications:* The software produced by specialized independent software vendors (“ISV”) is designed to fit a particular vertical market and application. Even still, it must be tailored to meet the needs of each customer and often requires integration to the customer’s enterprise system(s). Depending on the requirements, this tailoring is provided by DecisionPoint under contract with DecisionPoint.

- *DecisionPoint custom development***:** When one of our off-the-shelf solutions or other ISV solution is not available, custom software can be created in-house using standardized programming platforms like the Microsoft.NET® framework, Java™, Android and Apple iOS. These are used when there is simply no other “off-the-shelf” way to meet the customer’s requirements or when a client believes their business requirements are so unique that only a custom solution will work. An increasingly popular requirement for many corporate clients, which we are able to fulfill, is a custom application that is written once, but supports multiple mobile operating systems.

Customers

Our customers include large enterprise companies across a wide range of industries including retail, healthcare, transportation and logistics. We had three customers who, together, represented 30% of the Company’s revenue for the year ended December 31, 2023.

No arrangement between us and any customer provide for a minimum amount of products or services that must be purchased by the customer nor require any customer to exclusively utilize us as a provider.

Backlog

At December 31, 2023, our backlog related to product orders that are expected to ship throughout 2024 was approximately $9.2 million.

Competition

The automatic identification and data capture (AIDC) business is one that is highly fragmented and covered by many competitors that range from a one-man shop to multi-billion-dollar companies. DecisionPoint attempts to separate itself from the competition with our expertise and ability to help a customer manage an entire project versus buying a product.

The following companies are examples of competitors in the AIDC Industry:

- ***CDW Corporation*** **–** CDW provides thousands of products as a general IT supplier.

- ***Denali Advanced Integration*** **–** Washington-based Denali Advanced Integration is a full system integration company with services ranging from IT Consulting, Managed Services and Enterprise Mobility Solutions.

- ***Other Competitors in the U.S***. – Certain ‘catalog and online’ AIDC equipment resellers offer end-users deeply discounted, commodity-oriented products; however, they typically offer limited or no maintenance support beyond the manufacturer’s warranty (which generally results in slower repair turnaround time). More importantly, as end users have become increasingly dependent on value added resellers (“VAR”) and system integrators to provide platform design, integration and maintenance, end users typically do not place major purchase orders with such resellers.

Suppliers

Products from three suppliers totaled approximately 54% of our cost of sales for the year ended December 31, 2023.

Intellectual Property

We own and maintain a portfolio of intellectual property assets which we hope to continue to build. We believe that our intellectual property assets create great value to us and therefore we take steps to protect those assets.

Employees

As of December 31, 2023, we had a total of approximately 210 full-time employees. We have not experienced any work disruptions or stoppages and we consider relations with our employees to be good.

Legal Proceedings; Product Liability

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business. Currently, we are not a party to any material legal proceedings or subject to any material claims. The results of any future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

Available Information

Our annual and quarterly reports, along with all other reports and amendments filed with or furnished to the SEC, are publicly available free of charge on the Investor Relations section of our website at www.decisionpt.com as soon as reasonably practicable after these materials are filed with or furnished to the SEC. Our corporate governance policies, ethics code and board of directors’ committee charters are posted under the Investor Relations section of the website. We also routinely post important information for investors under the Investor Relations section of our website, including as a means of disclosing material information in compliance with our disclosure obligations under Regulation FD. The information contained on our website is not part of, and is not incorporated by reference in, this Annual Report on Form 10-K or any other report or document we file with or furnish to the SEC. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is www.sec.gov.

ITEM 1A. RISK FACTORS

Our operations and financial condition are subject to significant risks, including those described below. This report, including Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward looking statements that may be affected by several risk factors, including those set forth below.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our working capital requirements may negatively affect our liquidity and capital resources.

At various times in our history, we have experienced negative working capital and minimal liquidity. If our working capital requirements vary significantly or if our short and long-term working capital needs exceed our cash flows from operations, we would look to our cash balances or other alternative sources of additional outside capital, which may not be available on satisfactory terms and in adequate amounts, if at all.

The mobile computing industry is characterized by rapid technological change, and our success depends upon the frequent enhancement of existing products and services and timely introduction of new products and services that meet our customers' needs.

Customer requirements for mobile computing products and services are rapidly evolving and technological changes in our industry occur rapidly. To keep up with new customer requirements and distinguish us from our competitors, we must frequently introduce new products and services and enhancements of existing products and services. Enhancing existing products and services and developing new products and services is a complex and uncertain process. It often requires significant investments in research and development ("R&D"), which we do not undertake. Even if we made significant investments in R&D, they might not result in products or services attractive or acceptable to our customers. Furthermore, we may not be able to launch new or improved products or services before our competition launches comparable products or services. Any of these factors could cause our business or results or operations to suffer.

If we fail to continue to introduce new products that achieve broad market acceptance on a timely basis, we will not be able to compete effectively, and we will be unable to increase or maintain sales and profitability. Our future success depends on our ability to develop and introduce new products and product enhancements that achieve broad market acceptance. If we are unable to develop and introduce new products that respond to emerging technological trends and customers' mission critical needs, our profitability and market share may suffer. The process of developing new technology is complex and uncertain, and if we fail to accurately predict customers' changing needs and emerging technological trends, our business could be harmed.

We are active in the identification and development of new product and technology services and in enhancing our current products. However, in the enterprise mobility solutions industry, such activities are complex and filled with uncertainty. If we expend a significant amount of resources and our efforts do not lead to the successful introduction of new or improved products, there could be a material adverse effect on our business, profitability, financial condition and market share.

We may also encounter delays in the manufacturing and production of new products from our principal suppliers. Additionally, new products may not be commercially successful. Demand for existing products may decrease upon the announcement of new or improved products. Further, since products under development are often announced before introduction, these announcements may cause customers to delay purchases of any products, even if newly introduced, until the new or improved versions of those products are available. If customer orders decrease or are delayed during the product transition, we may experience a decline in revenue and have excess inventory on hand which could decrease gross profit margins. Our profitability might decrease if customers, who may otherwise choose to purchase existing products, instead choose to purchase lower priced models of new products. Delays or deficiencies in the development, manufacturing, and delivery of, or demand for, new or improved products could have a negative effect on our business or profitability.

Our products are highly technical and may contain undetected errors, product defects, security vulnerabilities, or software errors.

Our products, including our software products, are highly technical and complex and, when deployed, may contain errors, defects, or security vulnerabilities, especially when first introduced or when new models or versions are released. Such occurrences could result in damage to our reputation, lost revenue, diverted development resources, increased customer service and support costs, warranty claims, and litigation.

We warrant that our products will be free of defect for various periods of time, depending on the product. In addition, certain of our contracts include epidemic failure clauses. If invoked, these clauses may entitle the customer to return or obtain credits for products and inventory, or to cancel outstanding purchase orders even if the products themselves are not defective.

Errors, viruses, or bugs may be present in software or hardware that we acquire or license from third parties and incorporate into our products or in third-party software or hardware that our customers use in conjunction with our products. Our customers' proprietary software and network firewall protections may corrupt data from our products and create difficulties in implementing our solutions. Changes to third-party software or hardware that our customers use in conjunction with our software could also render our applications inoperable. Any errors, defects, or security vulnerabilities in our products or any defects in, or compatibility issues with, any third-party hardware or software or customers' network environments discovered after commercial release could result in loss of revenue or delay in revenue recognition, loss of customers, theft of trade secrets, data or intellectual property and increased service and warranty cost, any of which could adversely affect our business, financial condition, and results of operations.

Undiscovered vulnerabilities in our products alone or in combination with third-party hardware or software could expose them to hackers or other unscrupulous third parties who develop and deploy viruses and other malicious software programs that could attack our products. Actual or perceived security vulnerabilities in our products could harm our reputation and lead some customers to return products, to reduce or delay future purchases, or use competitive products.

We face competition from numerous sources and competition may increase, leading to a decline in revenues.

We compete primarily with well-established companies, many of which we believe have greater resources than us. We believe that barriers to entry are not significant and start-up costs are relatively low, so our competition may increase in the future. New competitors may be able to launch new businesses similar to ours, and current competitors may replicate our business model, at a relatively low cost. If competitors with significantly greater resources than ours decide to replicate our business model, they may be able to quickly gain recognition and acceptance of their business methods and products through marketing and promotion. We may not have the resources to compete effectively with current or future competitors. If we are unable to effectively compete, we will lose sales to our competitors and our revenues will decline.

Our competitors may be able to develop their business strategy and grow revenue at a faster pace than us, which would limit our results of operations and may force us to cease or curtail operations.

The wireless mobile solutions marketplace, while highly fragmented, is very competitive and many of our competitors are more established and have greater resources. We expect that competition will intensify in the future. Some of these competitors also have greater market presence, marketing capabilities, technological and personnel resources than the Company. As compared with our company therefore, such competitors may:

- develop and expand their infrastructure and service/product offerings more efficiently or more quickly;
- adapt more swiftly to new or emerging technologies and changes in client requirements;
- take advantage of acquisition and other opportunities more effectively;
- devote greater resources to the marketing and sale of their products and services; and
- leverage more effectively existing relationships with customers and strategic partners or exploit better recognized brand names to market and sell their services.

These current and prospective competitors include other wireless mobility solutions companies, hardware suppliers and in house IT departments.

A significant portion of our revenue is dependent upon a small number of customers, and the loss of any one or more of these customers would negatively impact our results of operations.

We had three customers who, together, represented 30% of the Company’s revenue for the year ended December 31, 2023.

Customer mix shifts significantly from year to year, but a concentration of the business with a few large customers is typical in any given year. A decline in our revenues could occur if a customer which has been a significant factor in one financial reporting period gives us significantly less business in the following period. Any one of our customers could reduce their orders for our products and services in favor of a more competitive price or different product at any time. The loss of a significant customer could have a material adverse impact on our Company.

Our contracts with these customers and our other customers do not include any specific purchase requirements or other requirements outside of the normal course of business. The majority of our customer contracts are on an annual basis for service support while on a purchase order basis for hardware purchases. Typical hardware sales are submitted on an estimated order basis with subsequent follow-on orders for specific quantities. These sales are ultimately subject to the time that the units are installed at all of the customer locations as per their requirements. Termination provisions are generally standard clauses based upon non-performance. General industry standards for contracts provide ordinary terms and conditions, while actual work and performance aspects are usually dictated by a Statement of Work which outlines what is being ordered, product specifications, delivery, installation and pricing.

If wireless carriers were to terminate or materially reduce their business relationships with us, our operating results would be materially harmed.

We have established key wireless carrier relationships with T-Mobile and Verizon. We have an informal arrangement with these carriers pursuant to which they provide us referrals of end users interested in field mobility solutions, and we, in turn, provide solutions which require cellular data networks. We do not have any binding agreements with these carriers. If these carriers were to terminate or materially reduce, for any reason, their business relationships with us, our operating results would be materially harmed.

Use of third-party suppliers and service providers could adversely affect our product quality, delivery schedules or customer satisfaction, any of which could have an adverse effect on our financial results.

In particular, we rely heavily on a number of privileged vendor relationships as a value-added reseller (“VAR”) for the Motorola Solutions Partner Pinnacle Club program, a manufacturer of bar code scanners and portable data terminals; as an Honors Solutions Provider for Intermec, a manufacturer of bar code scanners and terminals; as a Premier Partner with Zebra, a printer manufacturer, and O’Neil, the leading provider of ‘ruggedized’ handheld mobile printers. The loss of VAR status with any of these manufacturers could have a substantial adverse effect on our business. Our ability to meet financial objectives depends on our ability to timely obtain an adequate delivery of hardware as well as services from our vendors. Certain supplies are available from a single source or limited sources for which we may be unable to provide suitable alternatives in a timely manner. In addition, we may experience increases in vendor prices that could have a negative impact on our business. Credit constraints by our vendors could cause us to accelerate payables by us, impacting our cash flow. Any unanticipated expense, or disruption in our business or operations relating a limited number of suppliers could adversely affect our business, financial condition and results of operations.

Growth of, and changes in, our revenues and profits depend on the customer, product and geographic mix of our sales. Fluctuations in our sales mix could have an adverse impact on or increase the volatility of our revenues, gross margins and profits.

Sales of our products to large enterprises tend to have lower prices and gross margins than sales to smaller firms. In addition, our gross margins vary depending on the product or service delivered. Growth in our revenues and gross margins therefore depends on the customer, product and geographic mix of our sales. If we are unable to execute a sales strategy that results in a favorable sales mix, our revenues, gross margins and earnings may decline. Further, changes in the mix of our sales from quarter-to-quarter or year-to-year may make our revenues, gross margins and earnings more volatile and difficult to predict.

Our sales cycles can be long, unpredictable and require considerable time and expense, which may cause our operating results to fluctuate.

Our sales cycle, which is the time between initial contact with a potential customer and the ultimate sale, is often lengthy and unpredictable. Some of our potential customers may already have partial managed mobility solutions in place under fixed-term contracts, which may limit their ability to commit to purchase our solution in a timely fashion. In addition, our potential customers typically undertake a significant evaluation process that can last up to a year or more, and which requires us to expend substantial time, effort and money educating them about the capabilities of our offerings and the potential cost savings they can bring to an organization. Furthermore, the purchase of our products and services may require coordination and agreement across many departments within a potential customer’s organization, which further contributes to our lengthy sales cycle. As a result, we have limited ability to forecast the timing and size of specific sales. Any delay in completing, or failure to complete, sales in a particular quarter or year could harm our business and could cause our operating results to vary significantly.

Our revolving line-of-credit agreement and our loan agreements may limit our flexibility in managing our business, and defaults of any financial and non-financial covenants in these agreements could adversely affect us.

Our revolving-line-of-credit agreement as well as our term loan impose operating restrictions on us in the form of financial and non-financial covenants. These restrictions may limit the manner in which we can conduct our business and may restrict us from engaging in favorable business opportunities.

If we incur debt in future periods, our indebtedness may adversely affect our cash flow and our ability to operate our business.

As of December 31, 2023, we had availability under a line of credit of $8.7 million. Our current line of credit expires in July 2026. Our level of indebtedness relative to stockholders’ equity could have important consequences to you, including with respect to our ability to declare and pay a dividend, and significant effects on our business, including the following:

- certain of our debt obligations are secured by significant Company assets;
- our ability to obtain additional financing for working capital, capital expenditures, strategic acquisitions or general corporate purposes may be impaired;
- we could be at a competitive disadvantage compared to our competitors that may have proportionately less debt;
- our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate may be limited;
- our ability to fund a change of control offer may be limited; and
- we may be more vulnerable to economic downturns and adverse developments in our business.

We expect to obtain the funds to pay our day-to-day expenses and to repay our indebtedness primarily from our operations. Our ability to meet our expenses and make these payments therefore depends on our future performance, which will be affected by financial, business, economic and other factors, many of which we cannot control. Our business may not generate sufficient cash flow from operations in the future, and our currently anticipated growth in sales and cash flow may not be realized, either or both of which could result in our being unable to repay indebtedness, including the outstanding promissory notes, or to fund other liquidity needs. If we do not have enough funds, we may be in breach our debt covenants and/or be required to refinance all or part of our then existing debt, sell assets or borrow more funds, which we may not be able to accomplish on terms favorable to us, or at all. In addition, the terms of existing or future debt agreements may restrict us from pursuing any of these alternatives.

Our sales and profitability may be affected by changes in macro-economic, business or industry conditions.

If the economic climate in the U.S. or abroad deteriorates as a result of global conflicts in Europe (or elsewhere), rising interest rates, or otherwise, customers or potential customers could reduce or delay their technology investments. Reduced or delayed technology investments could decrease our sales and profitability. In this environment, our customers may experience financial difficulty, cease operations and fail to budget or reduce budgets for the purchase of our products and services. This may lead to longer sales cycles, delays in purchase decisions, payment and collection, and can also result in downward price pressures, causing our sales and profitability to decline. In addition, general economic uncertainty and volatility arising from geopolitical events and concerns, inflation, rises in energy prices, changes in interest rates and general declines in capital spending in the information technology sector make it difficult to predict changes in the purchasing requirements of our customers and the markets we serve. There are many other factors which could affect our business, including:

- the introduction and market acceptance of new technologies, products and services;
- new competitors and new forms of competition;
- the size and timing of customer orders;
- the size and timing of capital expenditures by our customers;
- adverse changes in the credit quality of our customers and suppliers;
- changes in the pricing policies of, or the introduction of, new products and services by us or our competitors;
- changes in the terms of our contracts with our customers or suppliers;
- the availability of products from our suppliers; and
- variations in product costs and the mix of products sold.

These trends and factors could adversely affect our business, profitability and financial condition and diminish our ability to achieve our strategic objectives.

We may be unable to protect our proprietary software and methodology.

Our success depends, in part, upon our proprietary software, methodology and other intellectual property rights. We rely upon a combination of trade secrets, nondisclosure and other contractual arrangements, and copyright and trademark laws to protect our proprietary rights. We generally enter into nondisclosure and confidentiality agreements with our employees, partners, consultants, independent sales agents and customers, and limit access to and distribution of our proprietary information. We cannot be certain that the steps we take in this regard will be adequate to deter misappropriation of our proprietary information or that we will be able to detect unauthorized use and take appropriate steps to enforce our intellectual property rights. We have attempted to put in place certain safeguards in our policies and procedures to protect intellectual property developed by employees. Our policies and procedures stipulate that intellectual property created by employees and its consultants remain our property. If we are unable to protect our proprietary software and methodology, the value of our business may decrease, and we may face increased competition.

We have not sought to protect our proprietary knowledge through patents and, as a result, our sales and profitability could be adversely affected to the extent that competing products/services were to capture a significant portion of our target markets.

We have generally not sought patent protection for our products and services, relying instead on our technical know-how and ability to design solutions tailored to our customers' needs. Our sales and profitability could be adversely affected to the extent that competing products/services were to capture a significant portion of our target markets. To remain competitive, we must continually improve our existing personnel skill sets and capabilities and the provision of the services related thereto. Our success will also depend, in part, on management's ability to recognize new technologies and services and make arrangements to license in or acquire such technologies so as to always be at the leading edge.

Assertions by a third party that our software products or technology infringes its intellectual property, whether or not correct, could subject us to costly and time-consuming litigation or expensive licenses.

Although we believe that our services and products do not infringe on the intellectual property rights of others, infringement claims may be asserted against us in the future. There is frequent litigation in the communications and technology industries based on allegations of infringement or other violations of intellectual property rights. As we face increasing competition, the possibility of intellectual property rights claims against us may increase. These claims, whether or not successful, could:

- divert management’s attention;
- in costly and time-consuming litigation;
- require us to enter into royalty or licensing agreements, which may not be available on acceptable terms, or at all; or
- require us to redesign our software products to avoid infringement.

As a result, any third-party intellectual property claims against us could increase our expenses and impair our business. In addition, although we have licensed proprietary technology, we cannot be certain that the owners’ rights in such technology will not be challenged, invalidated or circumvented. Furthermore, many of our customer agreements require us to indemnify our customers for certain third-party intellectual property infringement claims, which could increase our costs as a result of defending such claims and may require that we pay damages if there were an adverse ruling related to any such claims. These types of claims could harm our relationships with our customers, may deter future customers from purchasing our software products or could expose us to litigation for these claims. Even if we are not a party to any litigation between a customer and a third party, an adverse outcome in any such litigation could make it more difficult for us to defend our intellectual property in any subsequent litigation in which we are a named party.

We are dependent on information technology systems and infrastructure (cybersecurity).

We rely upon technology systems and infrastructure. Our technology systems are potentially vulnerable to breakdown or other interruption by fire, power loss, system malfunction, unauthorized access and other events such as computer hackings, cyber-attacks, computer viruses, worms or other destructive or disruptive software. Likewise, data privacy breaches by employees and others with permitted access to our systems may pose a risk that sensitive data may be exposed to unauthorized persons or to the public. While we have invested heavily in the protection of data and information technology and in related training, there can be no assurance that our efforts will prevent significant breakdowns, breaches in our systems or other cyber incidents that could have a material adverse effect upon our reputation, business, operations or financial condition of the Company. In addition, significant implementation issues may arise as we continue to consolidate and outsource certain computer operations and application support activities.

We are subject to evolving privacy laws in the United States and other jurisdictions that are subject to potentially differing interpretations and which could adversely impact our business and require that we incur substantial costs.

Existing privacy-related laws and regulations in the United States and other countries are evolving and are subject to potentially differing interpretations, and various U.S. federal and state or other international legislative and regulatory bodies may expand or enact laws regarding privacy and data security-related matters. In addition, the California Consumer Privacy Act (the “CCPA”), which took effect in January 2020, was amended by the California Privacy Rights Act (“the “CPRA”) and took full effect in January 2023. The CCPA and CPRA, among other things, gives California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. Other U.S. states and the U.S. Congress have introduced, and some states like Virginia and Colorado have enacted in 2021, data privacy legislation, which may impact our business. Data privacy legislation, amendments and revisions to existing data privacy legislation, and other developments impacting data privacy and data protection may require us to modify our data processing.

***We may need to raise additional funds, and these funds may not be available when we need them or may not be obtainable on favorable terms*.**

We may need to raise additional funds in order to fund our growth strategy and fully implement our business plan. Specifically, we may need to raise additional funds in order to pursue rapid expansion, develop new or enhanced services and products, and acquire complementary businesses or assets. Additionally, we may need funds to respond to unanticipated events that require us to make additional investments in or expenditures on behalf of our business. There can be no assurance that additional financing will be available when needed, on favorable terms, or at all. If funds are not available when we need them, then we may need to change our business strategy, reduce our rate of growth or suffer losses or other adverse impacts.

If we incur operating losses or do not raise sufficient additional capital, material adverse events may occur, including, but not limited to: 1) a reduction in the nature and scope of our operations, 2) our inability to fully implement our current business plan, and 3) defaults under our existing loan agreements. A covenant default would give one of our creditors the right to demand immediate payment of all outstanding amounts, which we would likely not be able to pay out of normal operations. There are no assurances that we can successfully implement our plans with respect to these liquidity matters.

Our inability to successfully implement our acquisition strategy could have a material adverse effect on our business.

We have grown in part as a result of our various acquisitions, including the acquisitions of Advanced Mobile Group, LLC, and Macro Integration Systems, Inc., and we anticipate continuing to grow in this manner. Although we expect to regularly consider additional strategic transactions in the future, we may not identify suitable opportunities or, if we do identify prospects, it may not be possible to consummate a transaction on acceptable terms. Antitrust or other competition laws may also limit our ability to acquire or work collaboratively with certain businesses or to fully realize the benefits of a prospective acquisition. Furthermore, a significant change in our business or the economy, an unexpected decrease in our cash flows or any restrictions imposed by our indebtedness may limit our ability to obtain the necessary capital or otherwise impede our ability to complete a transaction. Regularly considering strategic transactions can also divert management's attention and lead to significant due diligence and other expenses regardless of whether we pursue or consummate any transaction. Failure to identify suitable transaction partners and to consummate transactions on acceptable terms, as well as the commitment of time and resources in connection with such transactions, could have a material adverse effect on our business, financial condition and results of operations.

Any failure to realize the anticipated benefits of an acquisition, including unanticipated expenses and liabilities related to acquisitions, could have a material adverse effect on our business.

We pursue each acquisition with the expectation that the transaction will result in various benefits, including growth opportunities and synergies from increased efficiencies. However, even if we are able to successfully integrate an acquired business, we may not realize some or all of the anticipated benefits within the anticipated timeframes or at all. Furthermore, we may experience increased competition that limits our ability to expand our business, we may not be able to capitalize on expected business opportunities, and general industry and business conditions may deteriorate. Acquisitions also expose us to significant risks and costs, and business and operational overlaps may lead to hidden costs. These costs can include unforeseen pre-acquisition liabilities or the impairment of customer relationships or acquired assets, such as goodwill. We may also incur costs and inefficiencies to the extent an acquisition expands the industries, markets or geographies in which we operate due to our limited exposure to and experience in a given industry, market or region. Acquisitions at times involve post-transaction disputes with the counterparty regarding a number of matters, including disagreements over the amount of a purchase price or other working capital adjustment or disputes regarding whether certain liabilities are covered by the indemnification provisions of the transaction agreement. We may underestimate the level of certain costs or the exposure we may face as a result of acquired liabilities. If any of these or other factors limit our ability to achieve the anticipated benefits of a transaction, or we encounter other unexpected transaction-related costs and liabilities, our business, financial condition and results of operations could be materially and adversely affected.

Future business combinations and acquisition transactions, if any, as well as recently closed business combinations and acquisition transactions, may not succeed in generating the intended benefits and may adversely affect our business.

Part of our growth strategy is to evaluate strategic acquisitions or relationships from time to time. The inability of our management to successfully integrate acquired businesses or technologies, and any related diversion of management's attention, could have a material adverse effect on our business, operating results and financial condition.

Business combinations and other acquisition transactions may have a direct adverse effect on our financial condition, results of operations, liquidity or stock price. To complete acquisitions or other business combinations, we may have to use cash, issue new equity securities with dilutive effects on existing stockholders, take on new debt, assume contingent liabilities or amortize assets or expenses in a manner that might have a material adverse effect on our balance sheet, results of operations or liquidity. We are required to record business combination-related costs and other items as current period expenses, which would have the effect of reducing our reported earnings in the period in which an acquisition is consummated. These and other potential negative effects of an acquisition transaction could prevent us from realizing the benefits of such transaction and have a material adverse impact on our stock price, financial condition, results of operations and liquidity.

We must effectively manage the structure and size of our operations, or our company will suffer.

Our ability to successfully continue to implement our business plan requires an effective planning and management process. If funding is available, we intend to continue to attempt to increase the scope of our operations and acquire complementary businesses or assets. Implementing our business plan will require significant additional funding and resources. If we successfully grow our operations, we will need to hire additional employees and make significant capital investments. If we grow our operations, it will place a significant strain on our existing management and resources. If we grow, we will need to improve our financial and managerial controls and reporting systems and procedures, and we will need to expand, train and manage our workforce. If we need to reduce the size of our infrastructure, we may need to do it swiftly. Any failure to manage any of the foregoing areas efficiently and effectively would cause our business to suffer.

We are heavily dependent on our senior management, and a loss of a member of our senior management team could cause our stock price to decline.

If we lose members of our senior management, we may not be able to find appropriate replacements on a timely basis, and our business and value of our common stock could be adversely affected. Our existing operations and continued future development depend to a significant extent upon the performance and active participation of certain key individuals, including our Chief Executive Officer, our Senior Vice Presidents and certain other senior management individuals. We cannot guarantee that we will be successful in retaining the services of these or other key personnel. If we were to lose any of these individuals, we may not be able to find appropriate replacements on a timely basis and our financial condition and results of operations could be materially adversely affected.

Our inability to hire, train and retain qualified employees could cause our financial condition to weaken.

The success of our business is highly dependent upon our ability to hire, train and retain qualified employees. We face competition from other employers for people, and the availability of qualified people is limited. We must offer a competitive employment package in order to hire and retain employees, and any increase in competition for people may require us to increase wages or benefits in order to maintain a sufficient workforce, resulting in higher operation costs. Additionally, we must successfully train our employees in order to provide high quality services. In the event of high turnover or shortage of people, we may experience difficulty in providing consistent high-quality services. These factors could adversely affect our results of operations.

If our goodwill or amortizable intangible assets become impaired, we may be required to record a significant charge to earnings.

We review our goodwill and amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be evaluated for impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill or amortizable intangible assets may not be recoverable include a decline in stock price and market capitalization, decrease in estimated future cash flows, and slower growth rates in our industry. We may be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined, resulting in a material adverse impact on our results of operations.

RISKS RELATING TO OUR SECURITIES

Despite our listing on the NYSE American, there can be no assurance that an active trading market for our common stock will be sustained, and the NYSE American may subsequently delist our common stock if we fail to comply with ongoing listing standards.

In May 2022, our common stock commenced trading on the NYSE American under the symbol “DPSI.” The NYSE American’s rules for listed companies require us to meet certain financial, public float, bid price and liquidity standards on an ongoing basis in order to continue the listing of our common stock. To satisfy the initial listing standards for the NYSE American, we had to execute a reverse stock split. In addition to specific listing and maintenance standards, the NYSE American has broad discretionary authority over the continued listing of securities, which it could exercise with respect to the listing of our common stock.

If we fail to meet those standards, as applied by NYSE American in its discretion, our common stock may be subject to delisting. We intend to take all commercially reasonable actions to maintain our NYSE American listing. If our common stock is delisted in the future, it is not likely that we will be able to list our common stock on another national securities exchange and, as a result, we expect our securities would be quoted on an over-the-counter market; however, if this were to occur, our stockholders could face significant material adverse consequences, including limited availability of market quotations for our common stock and reduced liquidity for the trading of our securities. In addition, in the event of such delisting, we could experience a decreased ability to issue additional securities and obtain additional financing in the future.

The National Securities Markets Improvement Act of 1996, which is a federal statute, prevents or preempts the states from regulating the sale of certain securities, which are referred to as "covered securities." Because our common stock is listed on NYSE American, shares of our common stock qualify as covered securities under the statute. Although the states are preempted from regulating the sale of our securities, the federal statute does allow the states to investigate companies if there is a suspicion of fraud, and, if there is a finding of fraudulent activity, then the states can regulate or bar the sale of covered securities in a particular case. Further, if we were no longer listed on NYSE American, our securities would not qualify as covered securities under the statute, and we would be subject to regulation in each state in which we offer our securities.

Further, there can be no assurance that an active trading market for our common stock will be sustained despite our listing on the NYSE American.

The market price for our common stock may be volatile, and your investment in our common stock could decline in value.

The market price of our common stock could fluctuate significantly in response to various factors and events, including:

- the lack of an established trading market for our common stock;
- our ability to integrate operations, technology, products and services;
- our ability to execute on our business plan;
- operating results below expectations;
- our issuance of additional securities, including debt or equity or a combination thereof, which may be necessary to fund our operating expenses;
- announcements of technological innovations or new products by us or our competitors;
- the loss of any strategic relationship;
- economic and other external factors;
- period-to-period fluctuations in our financial results; and
- whether an active trading market in our common stock is maintained.

In addition, the securities markets have from time-to-time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

In the past, securities class action litigation has often been brought against companies that experience volatility in the market price of their securities. Whether or not meritorious, litigation brought against us could result in substantial costs and a diversion of management's attention and resources, which could adversely affect our business, operating results and financial condition.

We expect that our quarterly results of operations will fluctuate, and this fluctuation could cause our stock price to decline.

Our quarterly operating results are likely to fluctuate in the future. These fluctuations could cause our stock price to decline. The nature of our business involves variable factors which could cause our operating results to fluctuate.

Due to the possibility of fluctuations in our revenues and expenses, we believe that quarter-to-quarter comparisons of our operating results at times are not a good indication of our future performance.

If we or our existing stockholders sell a substantial number of shares of our common stock in the public market our stock price may decline even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market, or the perception in the market that the holders of a large number of shares intend to sell shares (particularly with respect to our affiliates, directors, executive officers or other insiders), could depress the market price of our common stock and could impair our future ability to obtain capital, especially through an offering of equity securities. If there are more shares of common stock offered for sale than buyers are willing to purchase, then the market price of our common stock may decline to a market price at which buyers are willing to purchase the offered shares of common stock and sellers remain willing to sell the shares.

In the future, we may issue additional shares to our employees, directors or consultants, under our equity compensation plan, in connection with corporate alliances or acquisitions, or to raise capital. Due to these factors, sales of a substantial number of shares of our common stock in the public market could occur at any time.

If securities analysts do not publish research or publish unfavorable research about our business, our stock price and trading volume could decline.

The trading market for a company's common stock often is based in part on the research and reports that securities and industry analysts publish about the company. We are not currently aware of any well-known analysts that are covering our common stock, and without analyst coverage it could be hard to generate interest in investments in our common stock. Furthermore, if analyst coverage does develop, and an analyst downgrades our stock or publishes unfavorable research about our business, or if our clinical trials or operating results fail to meet the analysts' expectations, our stock price would likely decline.

We do not anticipate paying dividends on our common stock.

We have never declared or paid cash dividends on our common stock and do not expect to do so in the foreseeable future. The declaration of dividends is subject to the discretion of our board of directors and will depend on various factors, including our operating results, financial condition, future prospects, covenants in documents governing our debt obligations and any other factors deemed relevant by our board of directors. You should not rely on an investment in our company if you require dividend income from your investment in our company. The success of your investment will likely depend entirely upon any future appreciation of the market price of our common stock, which is uncertain and unpredictable. There is no guarantee that our common stock will appreciate in value.

Anti-takeover provisions in our charter documents and Delaware law, could discourage, delay, or prevent a change in control of our company and may affect the trading price of our common stock.

We are a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change in control would be beneficial to our existing stockholders.

Our Amended and Restated Certificate of Incorporation, as amended (the "Charter"), and our Amended and Restated Bylaws (the "Bylaws") may discourage, delay, or prevent a change in our management or control over us that stockholders may consider favorable. Our Charter and Bylaws:

- provide that vacancies on our board of directors, including newly created directorships, may be filled only by a majority vote of directors then in office;
- do not provide stockholders with the ability to cumulate their votes; and
- require advance notification of stockholder nominations and proposals.

In addition, our Charter permits the Board to issue up to 10 million shares of preferred stock with such powers, rights, terms and conditions as may be designated by the Board upon the issuance of shares of preferred stock at one or more times in the future. Specifically, the Charter permits the Board to approve the future issuance of all or any shares of the preferred stock in one or more series, to determine the number of shares constituting any series and to determine any voting powers, conversion rights, dividend rights, and other designations, preferences, limitations, restrictions and rights relating to such shares without any further authorization by our stockholders. The Board's power to issue preferred stock could have the effect of delaying, deterring or preventing a transaction or a change in control of our company that might otherwise be in the best interest of our stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

We take a comprehensive approach to managing cybersecurity risk, starting with the integration of cybersecurity risk into our overall enterprise risk management framework, among other significant risks to the Company.

Board Oversight

Our Board of Directors holds the ultimate responsibility for overseeing risks to the Company. To support this governance, a Steering Committee, composed of members of management, including our Director of IT and certain members of the Board, assists with the specific focus on cybersecurity risks. Management provides the Board with comprehensive cybersecurity updates at least annually.

The Steering Committee thoroughly monitors the quality and effectiveness of the Company's cybersecurity program. This encompasses the security of our internal information technology systems, products, and solutions, as well as our cyber incident response plan and resources. To stay informed, the Steering Committee receives regular updates from management on cybersecurity initiatives. These updates cover prevention, detection, mitigation, and remediation of cyber threats, along with the overall health of the Company's cybersecurity program, results of third-party assessments, and the latest cyber threat trends. Additionally, the Steering Committee reviews the Company's cybersecurity policies and methodologies to ensure continual service improvements. This demonstrates a company commitment to not only maintaining the existing cybersecurity framework but also proactively identifying and implementing enhancements.

Management's Role and Experience

Our Director of IT, along with other members of management are responsible for day-to-day cyber risk management activities, including proactively identifying, assessing, prioritizing, managing and mitigating enterprise cybersecurity risks.

This encompasses several key functions:

- Risk Identification and Assessment: Management must work to continuously identify potential cyber threats and vulnerabilities across the organization's systems, networks, and data. Regular assessments analyze the likelihood and potential impact of these threats.
- Prioritization and Response: Based on assessments, management must prioritize risk mitigation efforts, allocating resources effectively. This includes developing strategies to counter or reduce high-priority risks and implementing appropriate security controls.
- Oversight and Implementation: Management oversees the implementation and enforcement of cybersecurity policies, procedures, and technical safeguards. This requires clear communication to employees and ongoing monitoring of compliance.
- Incident Response Planning: Having a comprehensive and well-rehearsed incident response plan is crucial to minimize damage during a breach. Management plays a vital role in developing this plan, training personnel, and guiding the response when needed.

- Employee Education and Awareness: Management establishes a cybersecurity-aware culture within the organization. This is done through regular training, awareness campaigns, and promoting a sense of shared responsibility for security.

- Vendor Management: Third-party vendors can introduce risks. Management must ensure vendors adhere to the Company's cybersecurity standards and assess their security practices throughout the partnership.

Our Director of IT is the senior-most security professional responsible for the implementation of the Company's cybersecurity, product security, and corporate/physical security programs, and reports to the Senior Vice President of Managed Services. He has over 20 years of cybersecurity experience.

Cybersecurity Risk Management

The underlying controls of our cyber risk management program are based on recognized best practices and standards for cyber security and information technology, including the National Institute of Standards and Technology Cybersecurity Framework. Our approach to cybersecurity risk management includes the following key elements:

- Endpoint Protection: Antivirus and Endpoint Detection and Response (EDR) solutions are deployed on all company computer assets, combined with Remote Endpoint Management for centralized monitoring and control.

- Network Defense: Next-Generation Firewalls with Unified Threat Management provide perimeter security, while Microsoft 365 protection and Microsoft Defender enhance cloud-based safeguards especially email.

- Centralized Monitoring: We leverage Security Information and Event Management (SIEM) solutions like Microsoft Sentinel for real-time threat detection and response.

- Identity and Access Management: We have strict password policies which include multi-factor authentication.

- Education and Awareness: Mandatory Security Awareness Training educates our workforce on best practices and evolving cyber threats performed annually.

- Third-Party Risk Management (TPRM): Our TPRM function focuses on regular external vulnerability and security assessments by a network of expert partners provide an objective evaluation of our security posture.

There have been no material cybersecurity threats and incidents incurred to-date at the Company. However, there can be no guarantee that our policies and procedures will be followed in every instance or that those policies and procedures will be effective. Cybersecurity threats could materially affect our business strategy, results of operations, or financial condition, as further discussed in the risk factors in Part I, Item 1A of this report.

ITEM 2. PROPERTIES

Our primary administrative offices and warehouse are located in Laguna Hills, California where we lease approximately 31,000 square feet, of which we sublease approximately 16,000 square feet. We also lease approximately 89,000 square feet of office and warehouse space in Greensboro, North Carolina. We believe that our facilities are adequate for our current needs. As of the date of this annual report, our principal executive office is located at 1615 South Congress Avenue, Suite 103, Delray Beach, Florida.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business. Currently, we are not a party to any material legal proceedings or subject to any material claims. The results of any future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is currently listed on the NYSE American under the symbol "DPSI".

As of March 21, 2024, there are 7,680,334 shares of our common stock outstanding.

Holders of Record

As of March 21, 2024, there were approximately 121 stockholders of record of our common stock. The actual number of stockholders is greater than this number of record holders and includes investors who are beneficial owners but whose shares are held in street name by brokers and other nominees.

Dividend Policy

We have never declared or paid any cash dividend on our common or capital stock.

Recent Sales of Unregistered Securities

The following sets forth information regarding all unregistered securities sold within the fiscal year ended December 31, 2023 and that were not previously reported:

In late September 2023, three holders exercised common stock warrants, which were originally issued by the Company in October 2018, for an aggregate of 17,063 shares of common stock at an exercise price of $1.40 per share for gross proceeds to the Company of $23,888.20. The shares of common stock were issued pursuant to the exemption from registration contained in Section 4(a)(2) of the Securities Act and Rule 506(b) promulgated thereunder.

On October 27, 2023, one holder exercised common stock warrants, which were originally issued by the Company in October 2018, for 966 shares of common stock, on a cashless basis. This cashless exercise was completed pursuant to the exemption from registration contained in Section 3(a)(9) of the Securities Act.

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

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 6. RESERVED

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this annual report. Certain statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" are forward-looking statements that are based on current expectations and involve various risks and uncertainties that could cause our actual results to differ materially from those expressed in these forward-looking statements.

Our financial statements are stated in United States Dollars ("$") and are prepared in accordance with United States Generally Accepted Accounting Principles ("GAAP"). The following discussion should be read in conjunction with our financial statements and the related notes that appear elsewhere in this annual report. In this annual 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

DecisionPoint is a provider and integrator of mobility and wireless systems for retail, logistics and healthcare markets. The Company designs, deploys and supports 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). The Company also integrates data capture equipment including bar code scanners and radio frequency identification (RFID) readers.

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

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 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 food service and grocery.

General economic uncertainty and volatility arising from geopolitical events and concerns, inflation, rises in energy prices, changes in interest rates and general declines in capital spending in the information technology sector 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 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 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):

	Year Ended December 31,	
	2023	2022
Statements of Operations Data:		
Net sales	$ 115,594	$ 97,415
Cost of sales	86,769	74,320
Gross profit	28,825	23,095
Sales and marketing expenses	9,957	9,218
General and administrative expenses	14,093	9,430
Total operating expenses	24,050	18,648
Operating income	4,775	4,447
Interest expense	(1,156)	(56)
Other expense	-	(15)
Income before income taxes	3,619	4,376
Income tax expense	(1,132)	(1,265)
Net income attributable to common shareholders	$ 2,487	$ 3,111
Percentage of Net Sales:		
Net sales	100.0%	100.0%
Cost of sales	75.1%	76.3%
Gross profit	24.9%	23.7%
Sales and marketing expenses	8.6%	9.5%
General and administrative expenses	12.2%	9.7%
Total operating expenses	20.8%	19.1%
Operating income	4.1%	4.6%
Interest expense	-1.0%	-0.1%
Other expense	0.0%	0.0%
Income before income taxes	3.1%	4.5%
Income tax expense	-1.0%	-1.3%
Net income attributable to common shareholders	2.2%	3.2%

Results of Operations for the Year Ended December 31, 2023 compared to the Year Ended December 31, 2022

Net sales

	Year Ended December 31, 2023	Year Ended December 31, 2022	Dollar Change	Percent Change
	(dollars in thousands)			
Hardware and software	$ 67,551	$ 71,774	$ (4,223)	(5.9)%
Consumables	5,943	7,305	(1,362)	(18.6)%
Services	42,100	18,336	23,764	129.6%
	$ 115,594	$ 97,415	$ 18,179	18.7%

Net sales increased by 18.7%, or $18.2 million, for the year ended December 31, 2023, compared to the year ended December 31, 2022. The increase in net sales was primarily driven by the acquisition of Macro on April 1, 2023 (and, thus, there were no corresponding sales by Macro included in our results of operations in 2022), which added $24.7 million in revenue ($4.5 million in hardware and $20.2 million in services revenue). Services revenue also increased due to two significant sales of deployment services in the current year of approximately $4.6 million which were offset by a decrease of $1.1 million professional services revenue. The increase in services revenue was offset by a $4.2 million decrease in hardware and software revenue primarily due to the $4.5 million in hardware sales by Macro and a $2.3 million increase in hardware sales to another one of our existing customers, offset by a $5.6 million decrease in hardware sales to one of our largest customers. Consumables decreased $1.4 million primarily due to decreased sales to one of our existing customers. Included in the prior year consumables sales was a one-time transaction of $1.2 million that did not recur during the year ending December 31, 2023.

Cost of sales

	Year Ended December 31, 2023	Year Ended December 31, 2022	Dollar Change	Percent Change
	(dollars in thousands)			
Hardware and software	$ 55,321	$ 56,952	$ (1,631)	(2.9)%
Consumables	4,286	5,262	(976)	(18.5)%
Services	27,162	12,106	15,056	124.4%
	$ 86,769	$ 74,320	$ 12,449	16.8%

Cost of sales increased by 16.8%, or $12.4 million during the year ended December 31, 2023 as compared to the year ended December 31, 2022, and this is increase is primarily due the $17.2 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 2022). This increase was offset by decreases in cost of sales of $1.6 million for hardware and software and $1.0 million in consumables which is consistent with decreases in sales of hardware and consumables in the current year.

Gross profit

	Year Ended December 31, 2023	2022
	(dollars in thousands)	
Gross profit:		
Hardware and software	$ 12,230	$ 14,822
Consumables	1,657	2,043
Services	14,938	6,230
Total gross profit	$ 28,825	$ 23,095
Gross profit percentage:		
Hardware and software	18.1%	20.7%
Consumables	27.9%	28.0%
Services	35.5%	34.0%
Total gross profit percentage	24.9%	23.7%

Gross profit increased $5.7 million for the year ended December 31, 2023 as compared to the year ended December 31, 2022, primarily as a result of the increase in sales of services as noted above. Overall gross profit margin increased 1.2% due to a shift in mix to services with higher profit margins, driven by the Macro acquisition in 2023.

Sales and marketing expenses

	Year Ended December 31, 2023	2022	Dollar Change	Percent Change
		(dollars in thousands)		
Sales and marketing expenses	$ 9,957	$ 9,218	$ 739	8.0%
As a percentage of sales	8.6%	9.5%		-0.9%

Sales and marketing expenses increased $0.7 million, or 8.0%, for the year ended December 31, 2023 as compared to the year ended December 31, 2022 primarily due to the $0.7 million in additional expenses for Macro's operations that were acquired on April 1, 2023 (and, thus, there were not corresponding sales and marketing expenses of Macro included in our results of operations for 2022).

General and administrative expenses

	Year Ended December 31, 2023	2022	Dollar Change	Percent Change
		(dollars in thousands)		
General and administrative	$ 14,093	$ 9,430	$ 4,663	49.4%
As a percentage of sales	12.2%	9.7%		2.5%

General and administrative expenses increased $4.7 million, or 49.4%, for the year ended December 31, 2023 as compared to the year ended December 31, 2022. The increase in these expenses was due to a $4.5 million increase in expenses primarily associated with Macro (which we acquired on April 1, 2023, and, thus, there were no corresponding general and administrative expenses by Macro included in our results of operations for 2022). In 2024, we expect to continue to realize the benefit of cost synergies which will result in lower general and administrative costs from Macro.

Interest expense. The increase in interest expense to $1.2 million for the 2023 fiscal year from $56,000 last year was due to the increased debt levels incurred for the Macro acquisition 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 $0.8 million of interest expense for the year ended December 31, 2023.

Income tax expense. Income tax expense was approximately $1.1 million and $1.3 million for the years ended December 31, 2023 and December 31, 2022, respectively. The decrease is primarily due to the decrease in income before income taxes, period over period.

Net income. Net income was $2.5 million for 2023 compared to $3.1 million in 2022.

Liquidity and Capital Resources

As of December 31, 2023, our principal sources of liquidity were cash totaling $4.3 million and $8.7 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. Since December 31, 2018 through December 31, 2023 we have generated operating income. Based on our recent trends and our current projections, we expect to generate cash from operations for the year ending 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. In addition, we believe cash generated from operating income and 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 December 31, 2023, we have accrued $5.4 million and $4.3 million for the Year 1 and Year 2 earnouts at their net present values, respectively, which are due 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 disruptions in supply chains and labor shortages across industry sectors, 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, volatile macro-economic 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

	December 31, 2023	December 31, 2022	Increase/ (Decrease)
		(in thousands)	
Current assets	$ 34,657	$ 32,272	$ 2,385
Current liabilities	38,736	31,665	7,071
Working capital (deficit)	$ (4,079)	$ 607	$ (4,686)

The working capital deficit as of December 31, 2023 was primarily due to the acquisition of Macro which closed on April 1, 2023.

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 December 31, 2023, we had $1.3 million outstanding and $8.7 million available under this line of credit.

Outstanding balances of at least $150,000 under the Loan Agreement bear interest, at our option, either 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 (the "Index Rate") for the interest period selected and is payable on the last day of each month, commencing April 30, 2023. The interest rate on outstanding balances under the Loan Agreement adjusts at the end of each SOFR rate period (1, 3, or 6 month term) selected by us, or if such balances bear interest based on the Index Rate, such rate shall vary when the index rate changes. As of December 31, 2023, the effective interest rate was 7.9%. We have the right to prepay variable interest rate balances, 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.

Under the Loan Agreement , as amended, we are subject to a variety of customary affirmative and negative covenants, including that we (i) maintain a ratio of total debt to EBITDA of not greater than 3.0:1.0 measured at the end of each quarter, (ii) maintain a fixed charge coverage ratio of not less than 1.35:1.00 to be measured as of the end of each fiscal quarter, and (iii) submit a pro-forma statement in advance showing compliance and overall satisfactory metrics post acquisition should the Company use any loan under the Loan Agreement for any acquisition with a purchase price in excess of $1,500,000. The Loan Agreement also prohibits us from, or otherwise imposes restrictions on us with respect to, among other things, liquidating, dissolving, entering into any consolidation, merger, division, partnership, or other combination, selling or leasing a majority of our assets or business or purchase or lease all or the greater part of the assets or business of another entity or person. As of December 31, 2023, we are in compliance with all loan covenants.

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%, which was 7.9% at December 31, 2023. This note matures March 31, 2028.

Cash Flow Analysis

	Year Ended December 31,	
	2023	2022
	(in thousands)	
Net cash provided by operating activities	$ 4,481	$ 12,309
Net used in investing activities	(13,810)	(6,002)
Net cash provided by (used in) financing activities	5,987	(1,252)
Net increase in cash	$ (3,342)	$ 5,055

Operating Activities

Net cash provided by operating activities decreased to $4.5 million for the year ended December 31, 2023 from $12.3 million for the year ended December 31, 2022. The decrease was primarily due to the paydown of our accounts payable.

Investing Activities

Net cash used in investing activities was $13.8 million for the year ended December 31, 2023, which is comprised of cash payments in connection with the acquisition of Macro, and capital expenditures of property and equipment. Net cash used in investing activities was $6.0 million for the year ended December 31, 2022, which was comprised of cash payments delivered in connection with the acquisition of AMG, the acquisition of the customer list and relationships of Boston Technologies, and capital expenditures of property and equipment.

Financing Activities

Net cash provided by financing activities was $6.0 million for the year ended December 31, 2023, which was primarily due to the proceeds from both the term loan ($5.0 million) and revolving line of credit ($1.3 million, net) used to fund the acquisition of Macro. These proceeds were offset by term loan repayments of $0.5 million during the year ended December 31, 2023. Net cash used in financing activities was $1.3 million for the year ended December 31, 2022 which comprised of payments for taxes on the cashless exercise of stock options.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that may have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements that have been prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”). This preparation requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. US GAAP provides the framework from which to make these estimates, assumption and disclosures. We choose accounting policies within US GAAP that management believes are appropriate to accurately and fairly report our operating results and financial position in a consistent manner. Management regularly assesses these policies in light of current and forecasted economic conditions. While there are a number of significant accounting policies affecting our financial statements, we believe the following critical accounting policies involve the most complex, difficult and subjective estimates and judgments:

Revenue Recognition

We determine revenue recognition through the following steps: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when, or as, a performance obligation is satisfied.

We combine contracts with the same customer into a single contract for accounting purposes when the contracts are entered into at or near the same time and the contracts are negotiated as a single commercial package, consideration in one contract depends on the other contract, or the services are considered a single performance obligation. If an arrangement involves multiple performance obligations, the items are analyzed to determine the separate units of accounting (that is, are they distinct and are they distinct in the context of the customer contract). The total contract transaction price is allocated to the identified performance obligations based upon the relative standalone selling prices of the performance obligations. The standalone selling price is based on an observable price for services sold to other comparable customers, when available, or an estimated selling price using a cost plus margin approach. We estimate the amount of total contract consideration we expect to receive for variable arrangements by determining the most likely amount we expect to earn from the arrangement based on the expected quantities of services we expect to provide, and the contractual pricing based on those quantities. We only include some or a portion of variable consideration in the transaction price when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is subsequently resolved. We consider the sensitivity of the estimate, our relationship and experience with our client and variable services being performed, the range of possible revenue amounts and the magnitude of the variable consideration to the overall arrangement.

As discussed in more detail below, 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.

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.

Hardware, consumables and software products - We recognize product revenue at the point in time when a client takes control of the hardware and/or software, which typically occurs when title and risk of loss have passed to the client. Our selling terms and conditions reflect that F.O.B ‘dock’ contractual terms establish that control is transferred from us at the point in time when the product is shipped to the customer.

Revenues from software license sales are recognized as a single performance obligation on a gross basis as we are acting as a principal in these transactions at the point the software license is delivered to the customer. Generally, software licenses are sold with accompanying third-party delivered software assurance, which allows customers to upgrade, at no additional cost, to the latest technology if new capabilities are introduced during the period that the software assurance is in effect. We determined that the accompanying third-party delivered software assurance is critical or essential to the core functionality of the software licensor because we do not sell the software license and standard warranty on a standalone basis (which indicates that the customer cannot benefit from the software license and standard warranty on its own), the software license and the standard warranty are not separately identifiable, the software license assurance warranty are inputs of a combined item in the contract, the assurance warranty and software license are highly interdependent and interrelated because the core functionality of the license is dependent on the assurance warranty, and our promise to provide the assurance warranty that is necessary for the software license to continue to provide significant benefit to the customer. As a result, the software license and the accompanying third party delivered software assurance are recognized as a single performance obligation.

We leverage drop-ship shipments with many of our partners and suppliers to deliver hardware and consumable products to our clients without having to physically hold the inventory at our warehouses, thereby increasing efficiency and reducing costs. We recognize revenue for drop-ship arrangements on a gross basis as the principal in the transaction when the product is received by the client because we control the product prior to transfer to the client. We also assume primary responsibility for the fulfillment in the arrangement, we assume inventory risk if the product is returned by the client, we set the price of the product charged to the client, we assume credit risk for nonpayment by our customer, and we work closely with clients to determine their hardware specifications.

Services - We provide services which include consulting, staging, deployment, installation, repair and customer specified software customization. The arrangement is based on either a time and material basis or a fixed fee. For our time and materials service contracts, we recognize revenues as those services are provided and consumed, as this is the best output measure of how the services are transferred to the customer. Fixed fee contracts are recognized in the period in which the services are performed or delivered using a proportional performance service model. Revenue is recognized on a gross basis in the period in which the services are performed or delivered.

Maintenance services - We sell certain OEM hardware and software maintenance support arrangements to our clients. We also offer an internal maintenance agreement related to hardware. These contracts are support service agreements for the hardware and/or software products that were acquired from us and others. Although these are third-party support agreements for maintenance on the specific hardware and/or software products, our internal help desk and systems engineers assist customers by providing technical assistance on the source of or how to fix the problem. In addition, we also provide a turn back feature, deploying replacements as needed while we manage the return and reverse logistics of the product back to the OEM. Revenue related to service contracts is recognized ratably over the term of the agreement, generally over one to three years.

We act as the principal in the transaction as the primary obligor for fulfillment in the arrangement, we set the price of the service charged to the customer, and we assume credit risk for the amounts invoiced. In addition, we manage back-end warranties, service contracts and repairs for multiple products and suppliers. We leverage our knowledge base of mobility best practices by consolidating multiple suppliers' supplier's maintenance requirements under a single point in contact through us. Our internal support team assists our customers first by performing an initial technical triage to determine the source of the problem including, but not limited to, physical damage and software issues and whether they can be handled remotely by the client or returned for repair. Further, we receive the returned products, confirm that the equipment is operational or not, either repair or refurbish the equipment internally or return it to the manufacturer directly to repair. We then obtain the product turn back from the manufacturer and either send it back out to a specific customer location or place in a customer's spare pool. As a result, we recognize the revenue on a gross basis.

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.

Intangible Assets and Long-lived Assets

We evaluate our intangible and long-lived assets for impairment when events or circumstances arise that indicate intangible and long-lived assets may be impaired. Indicators of impairment include, but are not limited to, a significant deterioration in overall economic conditions, a decline in the market capitalization, the loss of significant business, or other significant adverse changes in industry or market conditions. Intangible assets with finite useful lives are amortized over their respective estimated useful lives using an accelerated method to their estimated residual values, if any. Our intangible assets consist of customer lists, customer relationships and trade names.

Goodwill

Goodwill represents the excess of the purchase price paid over the fair value of the net assets acquired. Goodwill is not amortized but tested for impairment at least annually and whenever events or changes in circumstance indicate that carrying values may not be recoverable. We assess the impairment of goodwill annually at each year-end and if indicators of impairment are present.

Factors that we consider important that could trigger an impairment assessment include, but not limited to, the following:

- significant under-performance relative to historical and projected operating results;
- significant changes in the manner of use of the acquired assets or business strategy; and
- significant negative industry or general economic trends.

When performing the impairment review, we determine the carrying amount of a reporting unit by assigning assets and liabilities, including the existing goodwill, to each reporting unit. To evaluate whether goodwill is impaired, we compare the estimated fair value of each reporting unit to which the goodwill is assigned to the reporting unit's carrying amount. If the carrying amount of a reporting unit exceeds its fair value, the amount of the impairment loss will be recognized as the difference of the estimated fair value and the carrying value of the reporting unit under the new accounting standard.

Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue and expense growth rates, capital expenditures and the depreciation and amortization related to capital expenditures, changes in working capital, discount rates, risk-adjusted discount rates, future economic and market conditions and the determination of appropriate comparable companies. Due to the inherent uncertainty involved in making these estimates, actual future results related to assumed variables could differ from these estimates.

Business Combinations

We utilize the acquisition method of accounting for business combinations and allocate the purchase price of an acquisition to the various tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. We primarily establish fair value using the income approach based upon a discounted cash flow model. The income approach requires the use of many assumptions and estimates including future revenues and expenses, as well as discount factors and income tax rates. Other estimates include:

- Estimated step-ups or write-downs for fixed assets and inventory;
- Estimated fair values of intangible assets;
- Estimated liabilities assumed from the target; and
- Estimated earnout obligations.

While we use our best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the business acquisition date, these estimates and assumptions are inherently uncertain and subject to refinement. As a result, during the purchase price allocation period, which is generally no more than one year from the business acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Business combinations also require us to estimate the useful life of certain intangible assets that we acquire and this estimate requires significant judgment.

Share-Based Compensation

We account for share-based compensation in accordance with the provisions of ASC Topic 718 "Compensation – Stock Compensation". Under ASC 718, share-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the requisite service period (generally the vesting period of the equity grant).

Share-based compensation expense recognized during the period is based on the value of the portion of stock-based payment awards that is ultimately expected to vest during the period. Given that stock-based compensation expense recognized in the accompanying consolidated statements of income and comprehensive income is based on awards ultimately expected to vest. We account for forfeitures as they occur, rather than estimate expected forfeitures.

Compensation cost for stock awards, which from time to time may include restricted stock units ("RSUs"), is measured at the fair value on the grant date and recognized as expense, net of estimated forfeitures, over the related service period. The fair value of stock awards is based on the estimated fair value of our common stock on the grant date.

The estimated fair value of common stock option awards is calculated using the Black-Scholes option pricing model. The Black-Scholes model requires subjective assumptions regarding future stock price volatility and expected time to exercise, along with assumptions about the risk-free interest rate and expected dividends, all of which affect the estimated fair values of our common stock option awards. Given a lack of historical stock option exercises, the expected term of options granted is calculated as the average of the weighted vesting period and the contractual expiration date of the option. This calculation is based on a method permitted by the Securities and Exchange Commission in instances where the vesting and exercise terms of options granted meet certain conditions and where limited historical exercise data is available. The expected volatility is based on the historical volatility of the common stock of comparable public companies that operate in similar industries as us.

The risk-free rate selected to value any particular grant is based on the U.S. Treasury rate that corresponds to the expected term of the grant effective as of the date of the grant. The expected dividend assumption is based on our history and management's expectation regarding dividend payouts.

Compensation expense for common stock option awards with graded vesting schedules is recognized on a straight-line basis over the requisite service period for the last separately vesting portion of the award, provided that the accumulated cost recognized as of any date at least equals the value of the vested portion of the award.

If there are any modifications or cancellations of the underlying vested or unvested stock-based awards, we may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense, or record additional expense for vested stock-based awards. Future stock-based compensation expense and unearned stock- based compensation may increase to the extent that we grant additional common stock options or other stock-based awards.

ITEM 7A. 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 8. FINANCIAL STATEMENTS

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
DecisionPoint Systems, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of DecisionPoint Systems, Inc. (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for each of the years then ended, and the related notes (collectively, the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023 and 2022, and the consolidated results of its operations and its cash flows for each of the years then ended, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition

Critical Audit Matter Description

The Company recognizes revenue upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. The Company may enter into contracts to sell their products and services that contain non-standard terms and conditions and multiple performance obligations. For such contracts, significant interpretation may be required to determine the appropriate accounting, including the identification of all performance obligations, determination of when performance obligations are distinct and when they should be combined, allocation of the transaction price among performance obligations in the arrangement, the timing of the transfer of control of promised goods or services, and agent versus principal considerations.

Our assessment of management's evaluation of the appropriate accounting for revenue recognition is significant to our audit because the revenue amounts are material to the consolidated financial statements, management's assessment process involves significant judgment, and the application of U.S. generally accepted accounting principles in this area is complex.

How the Critical Audit Matter Was Addressed in the Audit

Our principal audit procedures related to the Company's revenue recognition for customer contracts included the following:

- We evaluated management's significant accounting policies related to revenue from contracts with customers for reasonableness and compliance with U.S. generally accepted accounting principles.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (CONTINUED)

- We tested management's identification of performance obligations and its assessment of whether or not the performance obligations are distinct.

- We evaluated the reasonableness of management's estimate of stand-alone selling prices for products and services and the allocation of the transaction price among the identified performance obligations.

- We tested the mathematical accuracy of management's calculations of revenue and the associated timing of revenue recognized in the consolidated financial statements.

- We evaluated management's analysis of whether the Company is a principal (gross reporting of revenues) or an agent (net reporting of revenues) in its revenue transactions.

- We selected a sample of revenue transactions for each of the Company's significant revenue streams and obtained the related customer agreements and performed the following procedures:

    - Obtained and read source documents for each selection, including master agreements, customer purchase orders, shipping documents, and other documentation that was part of the agreement.

    - Tested management's identification and treatment of the key contract terms.

    - Assessed whether the Company satisfied the related performance obligation and whether the revenue recognized approximated stand-alone selling price.

    - Assessed the terms in the customer agreement and evaluated the appropriateness of management's application of the Company's accounting policies, along with their use of estimates, in the determination of revenue recognition conclusions.

Acquisition of Macro Integration Services, Inc.

Critical Audit Matter Description

On April 1, 2023, the Company closed its acquisition of 100% of equity interests of Macro Integration Services, Inc. ("MAC") for net consideration of $25.6 million, including an earn-out obligation (the "Transaction"), as disclosed in Note 3 to the consolidated financial statements. The transaction is accounted for as a business combination and the Company allocated $5.5 million of the acquisition purchase price to definite-lived intangible assets and estimated the fair value of the earn-out obligation to be $9.0 million.

Auditing management's allocation of the purchase price to the estimated fair value of the net assets acquired from MAC involved especially subjective and complex judgements due to the significant estimation required in determining the fair value of definite-lived intangible assets, including customer relationships and tradenames, and the fair value of the earn-out obligation. The significant estimations related to the definite-lived intangible assets involve projections of future cash flows, discount rates, customer attrition rates, economic lives, and other factors. The significant estimations related to the earn-out obligation involve projections of future EBITDA and determination of an appropriate present value discount factor.

How the Critical Audit Matter Was Addressed in the Audit

Our principal audit procedures related to testing management's estimate of the fair values of definite-lived intangible assets acquired from MAC including evaluating the valuation methodology employed by the Company and testing the completeness and accuracy of key data supporting significant assumptions in the valuation model. For example, we compared the forecasted customer attrition rates to historical sales turnover data, and we tested the reasonableness of management's projected sales and gross margins data by analyzing them against historical performance.

Our principal audit procedures related to testing management's estimate of the fair value of the earnout obligation included testing the key assumptions in management's forecasts for MAC EBITDA during the earnout period. For example, we compared management's projected EBITDA to historical data and obtained an understanding of any material changes from historical trends.

/s/ Haskell & White LLP
HASKELL & WHITE LLP

We have served as the Company's auditor since 2016.

Irvine, California
April 1, 2024

DecisionPoint Systems, Inc.
Consolidated Balance Sheets
(in thousands, except per share data)

	December 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash	$ 4,300	$ 7,642
Accounts receivable, net of allowance of $267 and $262 as of December 31, 2023 and December 31,2022, respectively	23,768	17,085
Inventory, net	2,133	4,417
Deferred costs	3,826	2,729
Prepaid expenses and other current assets	630	399
Total current assets	34,657	32,272
Operating lease assets	3,392	2,681
Property and equipment, net	2,973	1,817
Deferred costs, net of current portion	3,689	2,868
Deferred tax assets, net	1,161	848
Intangible assets, net	7,815	4,531
Goodwill	22,081	10,499
Other assets	172	41
Total assets	$ 75,940	$ 55,557
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 16,857	$ 19,755
Accrued expenses and other current liabilities	6,566	4,528
Deferred revenue	8,066	6,021
Current portion of earnout consideration	5,370	829
Current portion of long-term debt	1,003	3
Current portion of operating lease liabilities	874	529
Total current liabilities	38,736	31,665
Deferred revenue, net of current portion	5,307	4,331
Revolving line of credit	1,300	-
Long-term debt, net of current portion	3,639	143
Noncurrent portion of operating lease liabilities	3,093	2,706
Long-term portion of earnout consideration	4,316	-
Other liabilities	6	130
Total liabilities	56,397	38,975
Commitments and contingencies (Note 13)		
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; 7,680 and 7,416 shares issued and outstanding, respectively	8	7
Additional paid-in capital	38,902	38,429
Accumulated deficit	(19,367)	(21,854)
Total stockholders' equity	19,543	16,582
Total liabilities and stockholders' equity	$ 75,940	$ 55,557

See Accompanying Notes to the Consolidated Financial Statements.

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

	Year Ended December 31, 2023	Year Ended December 31, 2022
Net sales:		
Product	$ 73,494	$ 79,079
Service	42,100	18,336
Net sales	115,594	97,415
Cost of sales:		
Product	59,607	62,214
Service	27,162	12,106
Cost of sales	86,769	74,320
Gross profit	28,825	23,095
Operating expenses:		
Sales and marketing expense	9,957	9,218
General and administrative expenses	14,093	9,430
Total operating expenses	24,050	18,648
Operating income	4,775	4,447
Interest expense, net	(1,156)	(56)
Other expense	-	(15)
Income before income taxes	3,619	4,376
Income tax expense	(1,132)	(1,265)
Net income and comprehensive income attributable to common stockholders	$ 2,487	$ 3,111
Earnings per share attributable to stockholders:		
Basic	$ 0.33	$ 0.43
Diluted	$ 0.32	$ 0.41
Weighted average common shares outstanding		
Basic	7,555	7,261
Diluted	7,679	7,562

See Accompanying Notes to the Consolidated Financial Statements.

DecisionPoint Systems, Inc.
Consolidated Statements of Stockholders' Equity
(in thousands)

	Common Stock				Additional Paid-in Capital		Accumulated Deficit		Total Stockholders' Equity
	Shares		Amount						
Balance at December 31, 2021	7,007	$	7	$	39,216	$	(24,965)	$	14,258
Net income	-		-		-		3,111		3,111
Share-based compensation expense	-		-		577		-		577
Exercise of stock options	79		-		154		-		154
Cashless exercise of stock options (Note 12)	232		-		(1,518)		-		(1,518)
Cashless exercise of warrants (Note 11)	98		-		-		-		-
Balance at December 31, 2022	7,416	$	7	$	38,429	$	(21,854)	$	16,582
Net income	-		-		-		2,487		2,487
Share-based compensation expense	-		-		283		-		283
Exercise of stock options	15		-		38		-		38
Exercise of warrants	211		1		219		-		220
Cashless exercise of stock options (Note 12)	24		-		(67)		-		(67)
Cashless exercise of warrants (Note 11)	14		-		-		-		-
Balance at December 31, 2023	7,680	$	8	$	38,902	$	(19,367)	$	19,543

See Accompanying Notes to the Consolidated Financial Statements.

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

	Years Ended December 31, 2023	Years Ended December 31, 2022
Cash flows from operating activities		
Net income	$ 2,487	$ 3,111
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,971	2,465
Loss on fixed asset disposal	-	22
Share-based compensation expense	283	577
Deferred income taxes, net	(1,924)	254
Provision for credit losses	240	249
Provision for inventory obsolescence	89	-
Changes in operating assets and liabilities:		
Accounts receivable	3,201	(3,630)
Inventory, net	4,825	(2,177)
Deferred costs	(1,918)	(1,984)
Prepaid expenses and other current assets	(207)	(54)
Accounts payable	(5,707)	8,924
Accrued expenses and other current liabilities	(1,644)	914
Operating lease liabilities	(92)	543
Deferred revenue	1,877	3,095
Net cash provided by operating activities	4,481	12,309
Cash flows from investing activities		
Purchases of property and equipment	(893)	(1,477)
Cash paid for acquisitions, net of cash acquired	(12,917)	(4,525)
Net cash used in investing activities	(13,810)	(6,002)
Cash flows from financing activities		
Proceeds from term loan	5,000	-
Repayment of term debt	(504)	(3)
Line of credit, net	1,300	-
Proceeds from exercise of warrants	220	-
Taxes paid in lieu of shares issued for share-based compensation	(67)	(1,403)
Proceeds from exercise of stock options	38	154
Net cash provided by (used in) financing activities	5,987	(1,252)
Change in cash	(3,342)	5,055
Cash, beginning of year	7,642	2,587
Cash, end of year	$ 4,300	$ 7,642
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 461	$ 45
Cash paid for income taxes	$ 388	$ 1,065
Supplemental disclosure of non-cash activities		
Leased assets obtained in exchange for new operating lease liabilities	$ -	$ 3,211
Disposals of depreciated property and equipment	$ -	$ 420
Cashless exercise of stock options	$ -	$ 115

See Accompanying Notes to the Consolidated Financial Statements.

DecisionPoint Systems, Inc.
Notes to the Consolidated Financial Statements

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

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

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

Basis of Presentation

The consolidated financial statements of DecisionPoint Systems, Inc. and its subsidiaries have been prepared on an accrual basis of accounting in accordance with United States Generally Accepted Accounting Principles (“U.S. GAAP”). The accompanying consolidated financial statements include the accounts of DecisionPoint Systems, Inc. and its wholly owned subsidiaries, DecisionPoint Systems International (“DPSI”), DecisionPoint Systems Group, Inc. (“DPS Group”), Royce Digital Systems, Inc. (“RDS”) ExtenData Solutions, LLC (“ExtenData”), AMG, and Macro. 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 our identifiable assets are in the United States and all intercompany transactions have been eliminated in consolidation.

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

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 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.

The following tables summarizes the allowance for credit losses activity for the years ending December 31, 2023 and 2022 (in thousands):

Balance at December 31, 2021	$ 22
Charges to operations	249
Deductions	(9)
Balance at December 31, 2022	$ 262
Charges to operations	240
Deductions	(235)
Balance at December 31, 2023	$ 267

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 a reduction of inventory to net realizable value and a charge to cost of sales. Inventories are reflected in the accompanying consolidated balance sheets net of a valuation allowance of $131,000 and $42,000 as of December 31, 2023 and 2022, respectively.

We recorded a fair value adjustment of approximately $359,000 to reflect the acquired cost of inventory related to the April 1, 2023 acquisition of Macro, and $359,000 was amortized during the year ended December 31, 2023, and is included in total cost of sales in the consolidated statements income and comprehensive income.

Deferred Costs

Deferred costs consist primarily of customer-related third-party extended hardware and software maintenance services which we have paid for in advance. The costs are ratably amortized over the life of the contract, generally one to five years.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets, generally from three to five years. Leasehold improvements are recorded at cost and amortized over the shorter of the lease term or the life of the improvements. Cost incurred for repairs and maintenance are expensed as incurred. Upon retirement or sale, the cost and related accumulated depreciation and amortization of disposed assets are removed from the accounts and any resulting gain or loss is included in other income or expense.

Operating Leases

At the inception of a contract we assesses whether the contract is, or contains, a lease. Our assessment is based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether we obtain the right to substantially all the economic benefit from the use of the asset throughout the period, and (3) whether we have the right to direct the use of the asset. The commencement date of the contract is the date the lessor makes the underlying asset available for use by the lessee.

Right-of-use ("ROU") assets represent our right to 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.

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.

Capitalized Software Development Costs

The capitalization of software development costs for external use begins when technological feasibility has been established and ends when the software is available for sale. Software development costs are amortized on a straight-line line basis over the remaining economic life, generally three years. Amortization of the capitalized software is classified within cost of sales for services in the consolidated statements of income and comprehensive income.

Intangible Assets and Long-lived Assets

We evaluate our intangible and long-lived assets for impairment when events or circumstances arise that indicate intangible and long-lived assets may be impaired. Indicators of impairment include, but are not limited to, a significant deterioration in overall economic conditions, a decline in the market capitalization, the loss of significant business, or other significant adverse changes in industry or market conditions. We completed the qualitative assessment for impairment and determined that there was no impairment during the years ended December 31, 2023 and 2022. There can be no assurance, however, that market conditions will not change or demand for our products will continue, which could result in an impairment of intangible and long-lived assets in the future.

Intangible assets with finite useful lives are amortized over their respective estimated useful lives primarily using the straight-line method to their estimated residual values, if any. Our intangible assets consist of customer lists, customer relationships and trade names. Refer to Note 4 for further information on our intangible assets.

Goodwill

Goodwill represents the excess of the purchase price paid over the fair value of the net assets acquired. Goodwill is not amortized but tested for impairment at least annually or whenever events or changes in circumstance indicate that carrying values may not be recoverable. We assess the impairment of goodwill annually at each year-end and when indicators of impairment are present.

We completed our annual assessment for goodwill impairment and determined that goodwill was not impaired as of December 31, 2023 and 2022.

Factors that we consider important that could trigger an impairment assessment include, but not limited to, the following:

- significant under-performance relative to historical and projected operating results;
- significant changes in the manner of use of the acquired assets or business strategy; and
- significant negative industry or general economic trends.

When performing the impairment review, we determine the carrying amount of a reporting unit by assigning assets and liabilities, including the existing goodwill, to each reporting unit. To evaluate whether goodwill is impaired, we compare the estimated fair value of each reporting unit to which the goodwill is assigned to the reporting unit's carrying amount. If the carrying amount of a reporting unit exceeds its fair value, the amount of the impairment loss will be recognized as the difference of the estimated fair value and the carrying value of the reporting unit.

Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include determining enterprise fair value and the allocation of enterprise fair value to the Company's operating segments, revenue and expense growth rates, capital expenditures and the depreciation and amortization related to capital expenditures, changes in working capital, discount rates, risk-adjusted discount rates, future economic and market conditions and the determination of appropriate comparable companies. Due to the inherent uncertainty involved in making these estimates, actual future results related to assumed variables could differ from these estimates.

Fair Value Measurement

Fair value is the price that would be received from selling an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants as of the measurement date. Applicable accounting guidance provides a hierarchy for inputs used in measuring fair value that prioritize the use of observable inputs over the use of unobservable inputs when such observable inputs are available. The three levels of inputs that may be used to measure fair value are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.

- Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets with insufficient volume or infrequent transactions (less active markets), or model-driven valuations in which all significant inputs are observable or can be derived principally from, or corroborated with, observable market data.

- Level 3 - Fair value is derived from valuation techniques in which one or more significant inputs are unobservable, including assumptions and judgments made by us.

The carrying amounts of cash, accounts receivable, accounts payable and accrued expenses, and line of credit approximate fair value due to the short-term nature of these financial instruments. The carrying amount of our debt approximates its fair value as the credit markets have not materially changed since the original borrowing dates.

Business Combinations

We utilize the acquisition method of accounting for business combinations which allocates the purchase price of an acquisition to the various tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. We primarily establish fair value using the income approach based upon a discounted cash flow model. The income approach requires the use of many assumptions and estimates including future revenues and expenses, as well as discount factors and income tax rates. Other estimates include:

- Estimated step-ups or write-downs for fixed assets and inventory;

- Estimated fair values of intangible assets;

- Estimated liabilities assumed from the target; and

- Estimated earnout obligations.

While we use our best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the business acquisition date, these estimates and assumptions are inherently uncertain and subject to refinement. As a result, during the purchase price allocation period, which is generally no more than one year from the business acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill.

Revenue Recognition

We determine revenue recognition through the following steps: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when, or as, a performance obligation is satisfied.

We combine contracts with the same customer into a single contract for accounting purposes when the contracts are entered into at or near the same time and the contracts are negotiated as a single commercial package, consideration in one contract depends on the other contract, or the services are considered a single performance obligation. If an arrangement involves multiple performance obligations, the items are analyzed to determine the separate units of accounting, whether the items have value on a standalone basis and whether there is objective and reliable evidence of their standalone selling price. The total contract transaction price is allocated to the identified performance obligations based upon the relative standalone selling prices of the performance obligations. The standalone selling price is based on an observable price for services sold to other comparable customers, when available, or an estimated selling price using a cost-plus margin approach. We estimate the amount of total contract consideration we expect to receive for variable arrangements by determining the most likely amount we expect to earn from the arrangement based on the expected quantities of services we expect to provide, and the contractual pricing based on those quantities. We only include some or a portion of variable consideration in the transaction price when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is subsequently resolved. We consider the sensitivity of the estimate, our relationship and experience with our client and variable services being performed, the range of possible revenue amounts and the magnitude of the variable consideration to the overall arrangement.

As discussed in more detail below, 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.

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

As of December 31, 2022, the total aggregate transaction price allocated to the unsatisfied performance obligations under our service contracts was approximately $10.4 million, of which approximately $6.0 million is expected to be recognized over the next 12 months.

Hardware, consumables, and software products - We recognize product revenue at the point in time when a client takes control of the hardware, consumables and/or software, which typically occurs when title and risk of loss have passed to the client. Our selling terms and conditions reflect that F.O.B 'dock' contractual terms establish that control is transferred from us at the point in time when the product is shipped to the customer.

Revenues from software license sales are recognized as a single performance obligation on a gross basis as we are acting as a principal in these transactions at the point the software license is delivered to the customer. Generally, software licenses are sold with accompanying third-party delivered software assurance, which allows customers to upgrade, at no additional cost, to the latest technology if new capabilities are introduced during the period that the software assurance is in effect. In most instances, we determined that the accompanying third-party delivered software assurance is critical or essential to the core functionality of the software license because we do not sell the software license and standard warranty on a standalone basis (which indicates that the customer cannot benefit from the software license and standard warranty on its own), the software license and the standard warranty are not separately identifiable, the software license assurance warranty are inputs of a combined item in the contract, the assurance warranty and software license are highly interdependent and interrelated because the core functionality of the license is dependent on the assurance warranty, and our promise to provide the assurance warranty that is necessary for the software license to continue to provide significant benefit to the customer. As a result, the software license and the accompanying third-party delivered software assurance are recognized as a single performance obligation. We consider several factors to determine whether we are acting as a principal or an agent, including whether we are the primary obligor to the customer, have established our own pricing and have inventory and credit risks.

Our internally developed software solution generates SaaS revenues from implementation, training and subscription fees. The initial term of the SaaS agreements is generally one year. The subscription fees are recognized over the subscription period. The implementation fees are necessary and integral for the customer to utilize the software. As such, the implementation fees are deferred and amortized over the subscription period.

We also offer third-party SaaS subscriptions to our customers. The third-party subscriptions are recognized on a net basis as we are acting as an agent in these transactions, whereas our internally developed software solution offering is recognized on a gross basis.

We leverage drop-ship shipments with many of our partners and suppliers to deliver hardware and consumable products to our clients without having to physically hold the inventory at our warehouses, thereby increasing efficiency and reducing costs. We recognize revenue for drop-ship arrangements on a gross basis as the principal in the transaction when the product is received by the client because we control the product prior to transfer to the client. We also assume primary responsibility for the fulfillment in the arrangement, we assume inventory risk if the product is returned by the client, we set the price of the product charged to the client, we assume credit risk for nonpayment by our customer, and we work closely with clients to determine their hardware specifications.

Services - We provide Services which include consulting, staging, deployment, installation, repair and customer specified software customization. The arrangement with a customer is based on either a time and material basis or a fixed fee. For our time and materials service contracts, we recognize revenues as those services are provided and consumed, as this is the best output measure of how the services are transferred to the customer. Fixed fee contracts are recognized in the period in which the services are performed or delivered using a proportional service model. Except for installation services that are recognized over the subscription period as previously described, all other Services are recognized on a gross basis in the period in which the services are performed or delivered.

Maintenance services - We sell certain Original Equipment Manufacturer ("OEM") hardware and software maintenance support arrangements to our clients. We also offer an internal maintenance agreement related to hardware. These contracts are support service agreements for the hardware and/or software products that were acquired from us and others. Although these are third-party support agreements for maintenance on the specific hardware and/or software products, our internal help desk and systems engineers assist customers by providing technical assistance on the source of or how to fix the problem. In addition, we provide a turn back feature, deploying replacements as needed while we manage the return and reverse logistics of the product back to the OEM. Revenue related to service contracts is recognized ratably over the term of the agreement, generally over one to three years.

We generally act as the principal in the transaction as the primary obligor for fulfillment in the arrangement, we set the price of the service charged to the customer, and we assume credit risk for the amounts invoiced. In addition, we manage back-end warranties, service contracts and repairs for multiple products and suppliers. We leverage our knowledge base of mobility best practices by consolidating multiple supplier's maintenance requirements under a single point in contact through us. Our internal support team assists our customers first by performing an initial technical triage to determine the source of the problem including, but not limited to, physical damage and software issues and whether they can be handled remotely by the client or returned for repair. Further, we receive the returned products, confirm that the equipment is operational or not, either repair or refurbish the equipment internally or return it to the manufacturer directly to repair. We then obtain the product turn back from the manufacturer and either send it back out to a specific customer location or place in a customer's spare pool. As a result, we recognize the revenue on a gross basis. For certain of our agreements, the accompanying third-party delivered software assurance is recognized on a net basis when we are acting as an agent in these transactions.

The following table summarizes the deferred revenue activity for the years ended December 31 (in thousands):

	2023	2022
Beginning Balance	$ 10,352	$ 7,109
Additions	27,034	26,105
Revenue recognized from beginning of period	(7,811)	(11,486)
Revenue recognized from additions	(16,202)	(11,376)
Ending balance	$ 13,373	$ 10,352

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 December 31, 2023 and December 31, 2022, we deferred $237,000 and $204,000, respectively, of related contract acquisition costs.

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

	Year Ended December 31,	
	2023	2022
Hardware and software	$ 67,551	$ 71,774
Consumables	5,943	7,305
Services	42,100	18,336
	$ 115,594	$ 97,415

Concentration of Risk

Financial instruments that potentially subject us to a concentration of credit risk consist primarily of cash and accounts receivable. All our cash balances are insured by the Federal Deposit Insurance Corporation up to $250,000 per depositor at each financial institution. As of December 31, 2023, we had approximately $3.3 million on deposit in excess of the insurance limits. We have not experienced any such losses in these accounts.

In 2023, one customer accounted for 15%, or $17.5 million, of our net sales. No other single customer in 2023 accounted for more than 10% of net sales. Accounts receivable from this customer at December 31, 2023 accounted for 10% of total accounts receivable.

In 2022, two customers accounted for approximately 17% and 11%, or $16.2 million and $8.3 million, of our net sales. No other single customer in 2022 accounted for more than 10% of net sales. Accounts receivable from one of these two customers at December 31, 2022 accounted for 27% of total accounts receivable.

For the year ended December 31, 2023, we had purchases from three suppliers that collectively represented 54% of total purchases and 54% of accounts payable at December 31, 2023. Loss of a significant vendor could have a material adverse effect on our operations.

For the year ended December 31, 2022, we had purchases from three suppliers that collectively represented 78% of total purchases and 75% of accounts payable at December 31, 2022. Loss of a significant vendor could have a material adverse effect on our operations.

Share-Based Compensation

We account for share-based compensation in accordance with the provisions of ASC Topic 718 “Compensation – Stock Compensation”. Under ASC 718, share-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the requisite service period (generally the vesting period of the equity grant).

Share-based compensation expense recognized during the period is based on the value of the portion of stock-based payment awards that is ultimately expected to vest during the period. Given that share-based compensation expense recognized in the accompanying consolidated statements of income and comprehensive income is based on awards ultimately expected to vest. We account for forfeitures as they occur, rather than estimate expected forfeitures.

Compensation cost for stock awards, which from time to time includes restricted stock units, is measured at the fair value on the grant date and recognized as expense, net of estimated forfeitures, over the related service period. The fair value of stock awards is based on the estimated fair value of our common stock on the grant date.

The estimated fair value of common stock option awards is calculated using the Black-Scholes option pricing model. The Black-Scholes model requires subjective assumptions regarding future stock price volatility and expected time to exercise, along with assumptions about the risk-free interest rate and expected dividends, all of which affect the estimated fair values of our common stock option awards. Given a lack of historical stock option exercises, the expected term of options granted is calculated as the average of the weighted vesting period and the contractual expiration date of the option. This calculation is based on a method permitted by the Securities and Exchange Commission in instances where the vesting and exercise terms of options granted meet certain conditions and where limited historical exercise data is available. The expected volatility is based on the historical volatility of the common stock of comparable public companies that operate in similar industries as us.

The risk-free rate selected to value any particular grant is based on the U.S. Treasury rate that corresponds to the expected term of the grant effective as of the date of the grant. The expected dividend assumption is based on our history and management’s expectation regarding dividend payouts.

Compensation expense for common stock option awards with graded vesting schedules is recognized on a straight-line basis over the requisite service period for the last separately vesting portion of the award, provided that the accumulated cost recognized as of any date at least equals the value of the vested portion of the award. If there are any modifications or cancellations of the underlying vested or unvested stock-based awards, we may be required to accelerate, increase or cancel any remaining unearned share-based compensation expense, or record additional expense for vested stock-based awards. Future share-based compensation expense and unearned share- based compensation may increase to the extent that we grant additional common stock options or other share-based awards.

Income Taxes

We utilize the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the consolidated financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

Under ASC Topic 740, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, ASC Topic 740 provides requirements for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Our policy is to recognize interest and/or penalties related to income tax matters in income tax expense.

At December 31, 2023 and 2022, we had no unrecognized tax benefits that, if recognized, would affect our effective income tax rate over the next 12 months. As of December 31, 2023 and 2022, we had no accrued interest or penalties.

Accounting Standards Adopted

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

Recently Issued Accounting Pronouncements

In March 2023, the FASB issued ASU No. 2023-01, Leases (Topic 842): Common Control Arrangements. This ASU permits private entities with common control arrangements that may contain or be leases to use any written terms and conditions between the parties, without regard to their legal enforceability, to identify, classify and account for common control leases. In addition, all lessees (public or private), in general, amortize leasehold improvements related to a common control lease over their useful life to the common control group, regardless of the ASC 842 lease term, as long as they continue to control the use of the underlying leased asset. The ASU is effective for fiscal years, including interim periods within those years, beginning after December 15, 2023, with early adoption allowed. The adoption of this new ASU is not anticipated to have a material effect on our consolidated financial statements and related disclosures.

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): 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 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 prior periods presented in the financial statements. We are evaluating the adoption impact of this ASU on our consolidated financial statements and related disclosures but do not expect any material impact upon adoption.

In December 2023, the FASB issued ASU 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 greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. The ASU's amendments are effective for public business entities for annual periods beginning after December 15, 2024. Entities are permitted to early adopt the 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 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 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 $25.6 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. The total consideration is comprised of the following (in thousands):

Purchase price	$	10,623
Working capital excess		5,899
Subtotal		16,522
Earnout		9,008
Other		30
	$	25,560

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. At December 31, 2023, we have accrued $5.4 million and $4.3 million for the Year 1 and Year 2 earnouts at their net present values, respectively, which are due June 14, 2024 and June 14, 2025, respectively. The earnout is based on Macro achieving EBITDA targets in years one and two following the Effective Date of $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.

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.

In the fourth quarter of 2023 our estimated earnout to the sellers of Macro for year 1 was reduced by $0.8 million. 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 decrease the total consideration to $25.56 million, 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.

As of December 31, 2023, 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
Accounts receivable, net		10,124
Inventory, net		2,630
Prepaids and other current assets		111
Operating lease assets		1,390
Property and equipment, net		1,058
Customer lists and relationships		4,080
Trade name		1,380
Other assets		44
Accounts payable		(2,809)
Accrued expenses and other current liabilities		(695)
Deferred tax liability		(1,611)
Operating lease liability		(1,503)
Deferred revenue		(1,144)
Total fair value excluding goodwill		13,978
Goodwill		11,582
Total consideration	$	25,560

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 year ended December 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, 2022 (in thousands).

		Year Ended December 31, 2023		**Year Ended December 31, 2022**
Net sales	$	126,535	$	121,774
Net income	$	2,251	$	2,910

During the year ended December 31, 2023, we incurred transaction costs of $0.5 million.

Advanced Mobile Group, LLC

On January 31, 2022, we entered into a Membership Unit Purchase Agreement and concurrently closed upon the acquisition of all of the issued and outstanding membership interests of AMG for $5.1 million. The consideration we paid is comprised of cash of $4.6 million, of which $4.4 million was paid as of 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.

In the fourth quarter of 2022, we finalized our analysis of the estimated fair value of the acquisition purchase price (including earn-outs) and the estimated fair value of the assets acquired and liabilities assumed in the acquisition. Relative to the provisional amounts recorded as of March 31, 2022, changes to the fair value of assets and liabilities assumed at the date of AMG acquisition were a result of updating the purchase price allocation and were comprised of (i) $0.5 million decrease in customer lists and relationships, (ii) a $0.1 million decrease in the trade name, (iii) a $0.1 million increase in backlog, (iv) a $0.1 million increase in developed technology, (v) a $0.1 million decrease in deferred revenue, (vi) a $0.9 million decrease in deferred tax assets and (vii) a $1.4 million increase in goodwill.

As of December 31, 2023, the allocation of the total consideration to the estimated fair value of acquired net assets as of the acquisition date for AMG is as follows (in thousands):

Cash	$	170
Accounts receivable		1,402
Inventory		129
Prepaids 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 assets		(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 (in thousands):

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

Note 4: Intangible Assets

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

	December 31, 2023						December 31, 2022					
	Gross Amount		Accumulated Amortization		Net Amount		Gross Amount		Accumulated Amortization		Net Amount	
Customer lists and relationships	$	12,020	$	(5,395)	$	6,625	$	7,940	$	(3,850)	$	4,090
Trade names		2,740		(1,575)		1,165		1,360		(973)		387
Developed technology		140		(115)		25		140		(86)		54
Backlog		340		(340)		-		340		(340)		-
	$	15,240	$	(7,425)	$	7,815	$	9,780	$	(5,249)	$	4,531

The range of useful lives and the weighted-average remaining useful life of amortizable intangible assets at December 31, 2023 is as follows:

	Expected Life	Weighted Average Remaining Useful Life
Customer lists and relationships	7-15 years	11 years
Trade names	3 years	2 years
Developed technology	3 years	2 years

The amortization expense of the definite lived intangible assets for the years remaining is as follows:

	Estimated Amortization *(in thousands)*
Year ending December 31,	
2024	$ 1,993
2025	1,690
2026	1,214
2027	1,028
2028	969
Thereafter	921
Total	$ 7,815

Amortization expense recognized during the years ended December 31, 2023 and 2023 was $2.2 million and $2.0 million, respectively. Amortization expense is primarily calculated on a straight-line basis.

Note 5: Net Income Per Share

Basic net income per common share is computed by dividing the net income available to common stockholders by the weighted-average number of common shares outstanding. Diluted net income per share is calculated similarly to basic per share amounts, except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive.

For periods presented 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 years ended December 31, 2023 and 2022 (in thousands, except per share data):

	Year Ended December 31,	
	2023	2022
Net income attributable to common stockholders	$ 2,487	$ 3,111
Weighted average basic common shares outstanding	7,555	7,261
Dilutive effect of stock options, warrants and restricted stock	124	301
Weighted average shares for diluted earnings per share	7,679	7,562
Basic income per share	$ 0.33	$ 0.43
Diluted income per share	$ 0.32	$ 0.41

Note 6: Property and Equipment

Property and equipment consist of the following at December 31 (in thousands):

	2023	2022
Software and computer equipment	$ 2,167	$ 1,502
Automobiles	1,851	-
Leasehold improvements	792	643
Equipment	582	311
Furniture and fixtures	208	176
Property and equipment, gross	5,600	2,632
Accumulated depreciation	(2,627)	(815)
Property and equipment, net	$ 2,973	$ 1,817

Depreciation and amortization expense related to property and equipment during the years ended December 31, 2023 and 2022 was $0.8 million and $0.5 million, respectively.

Note 7: Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following at December 31 (in thousands):

	2023	2022
Salaries and benefits	$ 2,967	$ 2,743
Taxes payable	1,661	1,016
Holdback related to acquisition	1,178	-
Professional fees	30	188
Vendor purchases	95	44
Customer deposits	454	265
Other	181	272
Total accrued expenses and other current liabilities	$ 6,566	$ 4,528

Note 8: 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. As of December 31, 2023, there is $1.3 million 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 December 31, 2023, the effective interest rate was 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 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 December 31, 2023, we were in compliance with all of our covenants, were eligible to borrow up to $8.7 million, and had $1.3 million in outstanding borrowings under the Loan Agreement.

Note 9: 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% at December 31, 2023. This note matures March 31, 2028.

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 December 31, 2023 and December 31, 2022, outstanding debt under the promissory note was $0.1 million.

At December 31, 2023, our total term debt consisted of the following (in thousands):

MUFG promissory note	$	4,500
EIDL promissory note		142
Total term debt		4,642
Less: current portion of long-term debt		(1,003)
Long-term debt	$	3,639

The following table sets forth future principal payments for outstanding debt (in thousands):

2024	$	1,003
2025		1,004
2026		1,004
2027		1,004
2028		504
Thereafter		123
	$	4,642

Note 10: Income Taxes

The provision for income taxes for the years ended December 31, 2023 and 2022 is as follows (in thousands):

	2023	2022
Current:		
Federal	$ 1,069	$ 910
State	377	101
	1,446	1,011
Deferred:		
Federal	(184)	(39)
State	(130)	293
	(314)	254
Valuation allowance	-	-
Total income tax expense	$ 1,132	$ 1,265

Our deferred tax assets and liabilities are as follows (in thousands):

	2023	2022
Allowance for credit losses	$ 70	$ 68
Inventory reserve and uniform capitalization	59	57
Accrued expenses and other liabilities	55	125
Deferred revenue	256	46
Other assets	194	42
ROU Liability	1,046	839
Intangibles	156	(150)
Property and equipment	(596)	(364)
ROU Asset	(895)	(696)
Goodwill	(132)	(121)
Net operating loss carryforwards	948	1,002
Total deferred tax assets	1,161	848
Valuation allowance	-	-
Net deferred tax assets after valuation allowance	$ 1,161	$ 848

A reconciliation of the United States statutory income tax rate to the effective income tax rate for the years ended December 31, 2023 and 2022 is as follows (in thousands):

Federal taxes at statutory rate	$ 898	$ 919
State and local income taxes	295	295
Other Permanent differences	13	51
State rate change	(113)	—
PY return to provision differences	39	—
Provision for income taxes	$ 1,132	$ 1,265
Effective tax rate	26.5%	28.9%

Our deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. These assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse.

We have net operating loss carryforwards available in certain jurisdictions to reduce future taxable income. Future tax benefits for net operating loss carryforwards are recognized to the extent that realization of these benefits is considered more likely than not. This determination is based on the expectation that related operations will be sufficiently profitable or various tax business and other planning strategies will enable us to utilize the net operating loss carryforwards. Our evaluation of the realizability of deferred tax assets considers both positive and negative evidence. The weight given to potential effects of positive and negative evidence is based on the extent to which it can be objectively verified. As of December 31, 2023, we did not record a valuation allowance related to the U.S. federal and state temporary items.

Utilization of the net operating loss carryforwards may be subject to a substantial annual limitation due to ownership change limitations provided by the Internal Revenue Code under section 382. The annual limitation may result in the expiration of net operating loss carryforwards before utilization. As of December 31, 2023, we had federal and state net operating loss carryforwards of approximately $4.3 million and $0.9 million, respectively. As of December 31, 2022, we had federal and state net operating loss carryforwards of approximately $4.8 million and $0.0 million, respectively. These loss carryforwards will expire in varying amounts beginning 2033.

We continue to remain subject to examination by U.S. federal authority for the years 2020 through 2023 and for various state authorities for the years 2019 through 2023, with few exceptions.

Note 11: Stockholders' Equity

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

Preferred Stock

At December 31, 2023 and 2022, there were no shares of preferred stock outstanding.

Common Stock

At December 31, 2023 and 2022, there were 7,680,334 and 7,416,071 shares of common stock outstanding, respectively.

Warrants

In September 2022, a portion of the common stock warrants issued by the Company in 2018 were exercised by certain of the holders on a cashless basis. As a result of the cashless exercise, 97,408 shares of common stock were issued.

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.

In October 2023, the remaining common stock warrants issued by the Company in 2018 were fully exercised by certain holders resulting in the issuance of 17,063 shares of common stock. Furthermore, in October 2023, one holder exercised his common stock warrants issued by the Company in June 2018, on a cashless basis resulting in the issuance of 966 shares of common stock.

All warrants were exercised as of December 31, 2023.

Note 12: 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 shares of common stock remain available for 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 shall not 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 for the year ended December 31, 2023:

	Stock Options	Grant Date Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value ($ in thousands)
Outstanding at December 31, 2022	458,957	$ 4.08		
Granted	60,521	7.26		
Exercised	(71,665)	2.53		
Forfeited	(31,000)	2.85		
Outstanding at December 31, 2023	416,813	$ 4.89	3.29	$ 755
Exercisable at December 31, 2023	360,041	$ 5.00	3.30	$ 1,798

Share-based compensation cost is measured at the grant date based on the fair value of the award. The fair values of stock options granted were estimated using the Black-Scholes option-pricing model with the following assumptions:

	2023	2022
Weighted average grant-date fair value per option granted	$3.05 to $3.65	$3.13
Expected option term	2.5 years	2.5 years
Expected volatility factor	74.0%	83.0%
Risk-free interest rate	3.82% to 4.18%	4.27%
Expected annual dividend yield	—%	—%

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 December 31, 2023, there was $125,107 of total unrecognized share-based compensation related to unvested stock options. These costs have a weighted average remaining recognition period of 1.0 years.

During the years ended December 31, 2023 and 2022, certain employees exercised vested stock options through a cashless exercise. The options exercised were net settled in satisfaction of the exercise price and employee share-based tax withholding. These shares were issued pursuant to an S-8 Registration Statement dated July 7, 2021 with respect to shares issuable pursuant to the 2014 Plan. The exercised options, utilizing a cashless exercise, are summarized in the following table:

Year Exercised	Options Exercised	Weighted Average Exercise Price	Shares Net Settled for Exercise	Shares Withheld for Taxes (1)	Net Shares Issued	Weighted Average Share Price	Employee Share-Based Tax Withholding
2023	56,250	$ 2.55	24,371	8,169	23,710	$ 6.43	$ 67,444
2022	596,668	$ 3.46	210,117	154,320	232,231	$ 9.84	$ 1,517,823

(1) Shares withheld for employee taxes of 8,169 and 154,320 represents the equivalent shares for employee tax withholding of $67,444 and $1.5 million, respectively. The employee tax withholding is based on the statutory rates for each employee on the date of exercise. ASU 2016-09 clarifies that employee taxes paid in lieu of shares issued for share-based compensation should be considered similar to a share repurchase. Accordingly, employee taxes paid by us are recorded as a reduction to stockholders' equity on the date of exercise and classified as a financing activity on the statement of cash flows when taxes are paid to the taxing authorities.

Note 13: Commitments and Contingencies

Operating Leases

As of December 31, 2023, we have five operating leases for office and warehouse space.

As of December 31, 2023 and 2022, our operating lease asset and liability balances were as follows (in thousands):

	Year Ended December 31,	
	2023	2022
Operating lease right-of-use assets	$ 3,392	$ 2,681
Current portion of operating lease obligations	874	529
Long-term portion of operating lease obligations	3,093	2,706
Total operating lease liabilities	$ 3,967	$ 3,235

The components of lease expense for our operating leases consisted of the following (in thousands):

	Year Ended December 31,	
	2023	2022
Lease expense	$ 566	$ 637
Sublease income	(228)	(216)
Total operating leases expense	$ 338	$ 421

Supplemental information on operating leases is as follows (in thousands):

	Year Ended December 31,	
	2023	2022
Operating cash outflows from operating leases	$ 1,078	$ 659
ROU assets obtained in exchange for operating lease liabilities	$ -	$ 3,211
	December 31, 2022	**December 31, 2023**
Weighted-average remaining lease term	5.91 years	4.43 years
Weighted-average discount rate	4.75%	5.60%

The maturities of lease liabilities as of December 31, 2023 are as follows (in thousands):

2024	$ 1,060
2025	1,064
2026	1,016
2027	552
2028	569
Thereafter	190
Total minimum lease payments	4,451
Less: interest	(484)
Present value of operating lease liabilities	$ 3,967

Employee Benefit Plan

We have a 401(k) retirement plan. Under the terms of the plan, eligible employees may defer up to 25% of their pre-tax earnings, subject to the Internal Revenue Service annual contribution limit. Additionally, the plan allows for discretionary matching contributions by us. In 2023 and 2022, the matching contributions were 100% of the employee’s contribution up to a maximum of 4% of the employee’s eligible compensation. During the years ended December 31, 2023 and 2022, we contributed $385,000 and $255,000, respectively, to the 401(k) plan.

Contingencies

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 consolidated financial position or results of operations.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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 December 31, 2023. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including its principal executive and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of December 31, 2023, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective.

Management's Annual Report on Internal Controls Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2023. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework* (2013 framework) (COSO). Based on its assessment, management believes that, as of December 31, 2023, our internal control over financial reporting is effective at the reasonable assurance level.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As we are a non-accelerated filer, our independent registered public accounting firm is not required to issue an attestation report on our internal control over financial reporting.

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 three months ended December 31, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEMS 10-14

Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth the names, ages and positions of our executive officers and directors as of the date of this report.

Name	Age	Position
Steve Smith	68	Chief Executive Officer and Director
Melinda Wohl	53	Chief Financial Officer
William Cooke (1)	62	Director
Stanley P. Jaworski, Jr. (2)(3)	74	Director and Chairman of the Board
Richard Bravman (3)	68	Director
Michael Taglich (2)(3)	58	Director
John Guttilla (1)(2)	67	Director

(1) Member of the audit committee.
(2) Member of the compensation committee.
(3) Member of the Nominating and governance committee.

Executive Officers

Steve Smith, Chief Executive Officer and Director. Mr. Smith has been serving as Chief Executive Officer of the Company and as a director since April 11, 2016. Mr. Smith began his focus on the automatic identification and data capture industry in 1991, when he joined Ericsson Communications as Director of Sales and Marketing, with responsibilities over a pioneering mobile computing product there and has held leadership roles at various organizations. Prior to joining DecisionPoint, from 2011 until April 2016, Mr. Smith served as Sales Director — Global Accounts for Zebra Technologies Corporation (NASDAQ: ZBRA), a company focused on manufacturing, selling, marketing, tracking and computer printing technologies. Prior to Zebra Technologies Corporation, from May 2009 until October 2014, Mr. Smith served as a Sales Director at Motorola Solutions where he was a part of the Enterprise Mobility Division that provides advanced data capture, wireless voice and data and field mobility solutions to a broad range of retail, transportation and logistics and government customers. In addition to his positions at Zebra Technologies Corporation and Motorola, Mr. Smith previously held leadership positions at other organizations, including serving as Sr. Vice President, Worldwide Sales and Services at Intelleflex, a Silicon Valley-based company delivering innovative solutions around radio frequency identification technologies. Mr. Smith received a Bachelor's of Science from Long Island University. We believe Mr. Smith is well qualified to serve on our Board of Directors due to his operational knowledge of the Company and significant industry experience.

Melinda Wohl, Chief Financial Officer. Ms. Wohl has served as the Company's Chief Financial Officer since July 20, 2023. Prior to that, Ms. Wohl served as the Company's Vice President, Finance and Administration since 2008. She has over 20 years of accounting experience in the technology industry and joined DecisionPoint in 2004 as Corporate Controller. In her current position, Ms. Wohl is responsible for all aspects of Accounting, Finance, Human Resources and Payroll. Prior to working for DecisionPoint, Ms. Wohl served as Corporate Controller for Abracon Corporation, a leading global manufacturer of electronic components. Ms. Wohl graduated with a Bachelor of Arts degree with an emphasis in Finance from California State University Fullerton.

Non-Employee Directors

Stanley P. Jaworski, Jr., Director and Chairman of the Board. Stanley P. Jaworski, Jr. became a director on October 3, 2014. He has served as Chairman since February 2016. That same year, Mr. Jaworski founded Opus2 Ventures, LLC, a management advisory firm dedicated to assisting company boards, management and functional leadership in developing successful go-to-market strategies, where he currently serves as President and Principal Advisor there. In July 2023, Mr. Jaworski joined the board of directors of Intellinetics, Inc. (NYSE American: INLX), a software company focused on document and data management solutions, where he also serves as chairman of the compensation committee. In 2014, Mr. Jaworski served as Vice President Global Marketing for the Comodo Group, a cyber security company. Prior to Comodo, Mr. Jaworski served as Vice President, Americas Marketing for Motorola Solutions, Inc. (NYSE:MSI) from 2009 until May 2014. From 2007 to 2009, Mr. Jaworski was Chief Marketing Officer of VBrick Systems, Inc., which provides enterprise video streaming solutions. From 2005 to 2007, he was Vice President, Worldwide Channel Marketing, at NetApp, Inc., a data storage and management company. Prior to NetApp, Mr. Jaworski was at Symbol Technologies, Inc. (now Zebra Technologies) from 1986 to 2005 where he served in various areas of senior executive responsibility including Vice President and General Manager, Worldwide Channels and Alliances and Vice President, Worldwide Marketing. Mr. Jaworski has over 25 years of experience in the Data Capture/Enterprise Mobility space which is DecisionPoint's core business. His diversified technology experience and deep domain knowledge of DecisionPoint's core industry, markets and competitive landscape, provide unique value to DecisionPoint, its customers and shareholders alike. We believe Mr. Jaworski is well qualified to serve on our Board due to his leadership experience in various executive roles.

Richard Bravman, Director. Richard Bravman became a director on February 24, 2016. Mr. Bravman is an entrepreneurial leader with over 40 years of functional, general management, and board level experience in technology companies ranging in scale from start-up to global S&P 500 public companies, and across the growth stages in between. Since 2013, Mr. Bravman has served as Chief Strategy Officer of Affinity Solutions, an industry leader in precision marketing platform solutions. He also is a strategic advisor for TrustWrx, a cybersecurity company, and is the principal of Coastal Ventures, a firm he founded in 2004 that provides strategic consulting and board services to the executive management of emerging and early -stage technology companies, and to their investors. Mr. Bravman spent the first 25 years of his career in a variety of roles at Symbol Technologies (recently acquired by Zebra Systems). He joined in 1978 as its fifth employee, held numerous positions with increasing responsibilities, and most recently served as the company's vice chairman and CEO. We believe Mr. Bravman is well qualified to serve on our Board due to his vast managerial and directorial experience with various-sized technology companies.

Michael Taglich, Director. Mr. Taglich has served as a director since October 2014. Mr. Taglich has been President of Taglich Brothers, Inc., since its founding in 1992. Taglich Brothers is a New York-based full-service securities brokerage firm specializing in the micro-cap segment of the public securities markets. He is currently the Chairman of the Board of Air Industries Group Inc., a publicly traded aerospace and defense company (NYSE: AIRI). He also serves as a director of Bridgeline Digital, Inc. (NASDAQ: BLIN), a software company focused on customer acquisition and retention for digital businesses, and Intellinetics, Inc. (NYSE American: INLX), a software company focused on customer acquisition and retention for digital businesses. Mr. Taglich received a Bachelor's Degree in Business Administration from New York University. We believe Mr. Taglich is well qualified to serve on our Board due to his extensive professional experience which spans various aspects of senior management, including finance, operations and strategic planning, and his experience serving on the board of directors for other public companies.

John Guttilla, Director. John Guttilla became a director on October 3, 2014. Mr. Guttilla is a Partner with the accounting firm of Marcum LLP, and previously served various leadership positions at the accounting firm Rotenberg Meril from 1988 until it merged with Marcum LLP in February 2022. He is also a director and Chairman of the Audit Committee of Intellinetics, Inc. (NYSE American: INLX). Mr. Guttilla previously served as a director and chairman of the audit committee of Orchids Paper Products Company, an NYSE American listed company, from 2005 until its acquisition in 2019. Mr. Guttilla is a certified public accountant and holds a B.S. degree in Accounting from Fordham University and a Master's in Taxation from St. John's University. We believe Mr. Guttilla is well qualified to serve on our Board due to his vast financial knowledge, his accounting background and experience as a director of the board for other public companies.

William Cooke, Director. Mr. Cooke became a director in November 2021. He retired from Taglich Brothers, Inc. on December 31, 2023. Mr. Cooke joined Taglich Brothers, Inc. in 2012, a New York-based full-service brokerage firm that specializes in placing and investing in private equity transactions for small public and private companies, and participated in sourcing, evaluating, and executing new investments as well as monitoring existing investments. Prior to joining Taglich Brothers, he was a Managing Director of Glenwood Capital LLC from 2010 to 2012, where he advised middle-market clients on capital raising and mergers and acquisitions. From 2001 to 2009, Mr. Cooke sourced, evaluated, and executed mezzanine transactions for The Gladstone Companies and BHC Interim Funding II, L.P. Before entering the private equity industry, Mr. Cooke served as a securities analyst primarily covering the automotive and industrial sectors for ABN AMRO Incorporated and McDonald and Company Securities, Inc. Mr. Cooke currently serves as a director of Intellinetics, Inc. (NYSE American: INLX). He previously served on the board of Unique Fabricating, Inc. (OTC: UFABQ), and other privately held companies. Mr. Cooke received his Bachelor of Arts degree from Michigan State University and Master of Business Administration degree from the University of Michigan and is a Chartered Financial Analyst. We believe Mr. Cooke is well qualified to serve on our Board due to his extensive experience with capital raising and his experience serving on the board of directors of other publicly traded companies.

Code of Business Conduct and Ethics

The Board has adopted a Code of Business Conduct and Ethics (the "Code of Ethics") that is applicable to the Company and to all our directors and officers and persons performing similar functions, including our principal executive officer and principal financial officer. A copy of the Code of Ethics may be obtained on our website at decisionpt.com/code-of-business-ethics/. We intend to disclose future amendments to such code, or any waivers of its requirements, applicable to any principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions or our directors on our website identified above.

Board Leadership Structure and Role in Risk Oversight

We have a Board leadership structure whereby the positions of Chairman of the Board and Chief Executive Officer are separate. We believe this structure provides the Board with independent leadership and oversight of management and allows the Chief Executive Officer to concentrate on the Company's business operations.

Our Board is comprised of six directors, five of whom we consider independent directors. All of our independent directors are highly accomplished and experienced business leaders in their respective fields, who have demonstrated leadership in significant enterprises and are familiar with board processes. We believe the current Board leadership structure facilitates effective communication, oversight and governance of the Company consistent with the best interests of the Company's shareholders and other stakeholders.

The Board has delegated responsibility for the oversight of specific risks to Board committees as follows:

- The audit committee oversees our risk policies and processes relating to the financial statements and financial reporting processes, as well as key credit risks, liquidity risks, market risks and compliance, and the guidelines, policies and processes for monitoring and mitigating those risks.

- The compensation committee oversees the compensation of our chief executive officer and our other executive officers and reviews our overall compensation policies for employees.

- The nominating and governance committee oversees the nomination of candidates to the Board and risks related to our governance structure and processes.

Director Independence

Our Board has affirmatively determined that Messrs. Cooke, Guttilla, Jaworski, Bravman and Taglich are "independent directors" as defined in Section 803 of the NYSE American Company Guide, and the Board consists of a majority of "independent directors," as defined under the rules of the SEC and the NYSE American Company Guide relating to director independence requirements. Applying these same rules, our Board has affirmatively determined that all members of the audit committee, the compensation committee, and the nominating and governance committee are independent.

Committees of the Board of Directors

Our Board has established an audit committee, a compensation committee and a nominating and governance committee. The composition and responsibilities of each of the committees of our Board is described below. Members will serve on these committees until their resignation or until as otherwise determined by our board of directors.

Audit Committee

Our audit committee is composed of Messrs. Cooke and Guttilla. Mr. Guttilla serves as the chairperson of our audit committee. Our Board has determined that each member of our audit committee meets the requirements for independence and financial literacy under the applicable rules and regulations of the SEC and the NYSE American Company Guide. Our Board has also determined that Mr. Guttilla is an "audit committee financial expert" as defined in the rules of the SEC and has the requisite financial sophistication as provided under the NYSE American Company Guide. The responsibilities of our audit committee include, among other things:

- selecting and hiring the independent registered public accounting firm to audit our financial statements;

- overseeing the performance of the independent registered public accounting firm and taking those actions as it deems necessary to satisfy itself that the accountants are independent of management;

- reviewing financial statements and discussing with management and the independent registered public accounting firm our annual audited and quarterly financial statements, the results of the independent audit and the quarterly reviews, and the reports and certifications regarding internal control over financial reporting and disclosure controls;

- preparing the audit committee report that the SEC requires to be included in our annual proxy statement;

- reviewing the adequacy and effectiveness of our internal controls and disclosure controls and procedures;

- overseeing our policies on risk assessment and risk management;

- reviewing related party transactions; and

- approving or, as required, pre-approving, all audit and all permissible non-audit services and fees to be performed by the independent registered public accounting firm.

Our audit committee operates under a written charter, which satisfies the applicable rules and regulations of the SEC and the requirements of the NYSE American Company Guide. Our audit committee charter is available on our website at decisionpt.com/investing-in-decisionpoint.

Compensation Committee

Our compensation committee is composed of Messrs. Jaworski, Guttilla and Taglich. Mr. Jaworski serves as the chairperson of our compensation committee. Our Board has determined that each member of our compensation committee meets the requirements for independence under the applicable rules and the NYSE American Company Guide and rules. Each member of the compensation committee is a non-employee director, as defined in Rule 16b-3 promulgated under the Exchange Act. The purpose of our compensation committee is to oversee our compensation policies, plans and benefit programs and to discharge the responsibilities of our Board relating to compensation of our executive officers. The responsibilities of our compensation committee include, among other things:

- reviewing and evaluating corporate goals and objectives relevant to the compensation of our executive officers
- overseeing our overall compensation philosophy and compensation policies;
- reviewing, and recommending to the Board for approval, compensation, incentive compensation and equity plans for executive officers and directors; and
- to the extent directed or authorized by the Board, administering our equity compensation plans.

Our compensation committee operates under a written charter which satisfies the applicable rules and regulations of the SEC and the NYSE American Company Guide, which such charter is available on our website at decisionpt.com/investing-in-decisionpoint.

Nominating and Governance Committee

The nominating and governance committee is composed of Messrs. Bravman, Jaworski, and Taglich. Mr. Taglich serves as chairperson of our nominating and governance committee. Our Board has determined that all members of our nominating and governance committee meet the requirements for independence under the applicable rules and regulations of the SEC and NYSE American stock exchange. The responsibilities of our nominating and governance committee include, among other things:

- identifying, evaluating and selecting or making recommendations to our Board regarding, nominees for election to our Board and its committees;
- evaluating the performance of individual directors and overseeing the evaluation of our Board as a whole;
- considering and making recommendations to our Board regarding the composition of our Board and its committees; and
- developing and making recommendations to our Board regarding corporate governance guidelines and matters, including our Code of Ethics.

Our nominating and governance committee operates under a written charter which satisfies the applicable rules and regulations of the SEC and the NYSE American Company Guide. Our nominating and governance committee charter is available on our website at decisionpt.com/investing-in-decisionpoint/.

Involvement in Certain Legal Proceedings

To our knowledge, during the last ten years, none of our directors and executive officers has:

- Had a bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time.
- Been convicted in a criminal proceeding or been subject to a pending criminal proceeding, excluding traffic violations and other minor offenses.
- Been subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities.
- Been found by a court of competent jurisdiction (in a civil action), the SEC, or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.
- Been subject to, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization, any registered entity, or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Hedging and Pledging

Our insider trading policy prohibits hedging transactions for all those subject to the policy, which includes all directors, executive officers and employees, and restricts pledging transactions by our directors, executive officers and all other employees.

Family Relationships

There are no family relationships between or among any of our directors or executive officers and any other directors or executive officer.

Delinquent Section 16 Reports

Section 16(a) of the Exchange Act requires our executive officers, directors and persons who beneficially own more than 10% of a registered class of the Common Stock to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company.

To the Company's knowledge, based solely on a review of the copies of such reports filed with the SEC and written representations that no other reports were required, the Company believes that all Section 16(a) executive officers, directors and individuals who are greater than 10% beneficial stockholders of the Company complied with applicable Section 16(a) requirements during the fiscal year ended December 31, 2023, except for (i) a Form 4 for each of Richard Bravman, William Cooke, John Guttilla and Michael Taglich to report an annual grant of stock options to purchase 6,000 shares of the Common Stock on January 1, 2023, (ii) a Form 4 for Stanley P. Jaworski, Jr. to report an annual grant of stock options to purchase 12,000 shares of the Common Stock on January 1, 2023, (iii) a Form 4 for William Cooke to report the exercise of warrants for 15,840 shares of the Common Stock, at a price of $1.00 per share, on June 26, 2023, (iv) a Form 4 for Michael Taglich to report the exercise of warrants for 70,903 shares of the Common Stock, at a price of $1.00 per share, on June 29, 2023, (v) a Form 4 for Michael Taglich to report the exercise of warrants for 7,875 shares of the Common Stock, at a price of $1.40 per share, on September 28, 2023, (vi) a Form 4 for William Cooke to report the exercise of warrants for 1,313 shares of the Common Stock, at a price of $1.40 per share, on September 29, 2023, and (vii) a Form 4 for Steven Smith to report a grant of options to purchase 24,521 shares on April 27, 2023.

Item 11. Executive Compensation

Our named executive officers consist of our principal executive officer and the next two most highly compensated executive officers. For the year ended December 31, 2023, our two named executive officers, which consisted of our principal executive officer and our only other executive officer were:

- Steve Smith, Chief Executive Officer; and
- Melinda Wohl, Chief Financial Officer.*

* Ms. Wohl has served as Chief Financial Officer since July 2023 and, prior to that, served as Vice President of Finance and Administration from 2008 until July 2023.

Summary Compensation Table

The following table provides information regarding the compensation of our named executive officers during the years ended December 31, 2023 and December 31, 2022.

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	All Other Compensation ($)(4)	Total ($)
Steve Smith	2023	463,500	—	159,877	515,106	13,200	1,151,683
Chief Executive Officer	2022	450,000	—	—	582,480	12,200	1,044,680
Melinda Wohl	2023	250,000	35,000	—	69,459	9,329	363,788
Chief Financial Officer (5)	2022	198,930	35,000	248,800	64,720	6,658	554,108

(1) Amount reflects a discretionary cash bonus for individual performance.
(2) Amounts reflect the grant date fair value of stock options granted to an officer and in accordance with FASB ASC No. 718. See Note 12 to our Consolidated Financial Statements included in this Annual Report, which contains a discussion of all assumptions made by us in determining the grant date fair value of our stock options.
(3) Amounts represent cash-based incentives upon achievement of certain performance measure thresholds.
(4) Amounts represent the Company's 401(k) match.
(5) Ms. Wohl has served as our Chief Financial Officer since July 20, 2023. Prior to that, she served as our Vice President of Finance and Administration from 2008.

Narrative to Summary Compensation Table

Except for our standard 401(k) plan available to employees, there are no arrangements or plans in which we provide pension, retirement or similar benefits for directors or executive officers. Our directors and executive officers, in the past have, and in the future may receive stock options or restricted stock at the discretion of our board of directors in the future. Equity awards or stock options may be granted at the discretion of our board of directors from time to time. Certain executives are eligible for cash-based incentives for performance measures of net sales and EBITDA.

Annual Incentive Cash Bonus

The Compensation Committee approved annual cash bonuses based on performance measures of net sales and EBITDA, or net income before interest expense, taxes, depreciation and amortization.

Minimum, target and maximum performance thresholds were established for each of the performance measures. No bonuses are earned unless the performance exceeds the minimum threshold.

The following table shows the performance measure thresholds for each measure in 2023 excluding results from the Macro acquisition:

	Performance Threshold		
	Minimum	Target	Maximum
Net sales (in millions)	$ 70.9	$ 94.5	$ 126.0
Net sales from services (in millions)	$ 14.3	$ 19.0	$ 25.3
EBITDA (in millions)	$ 3.2	$ 4.3	$ 5.8

The following table represents the percentage of the respective executive's base salary that would be earned upon achievement of the applicable performance thresholds.

	Steve Smith	Melinda Wohl
Minimum	16%	4%
Target	80%	20%
Maximum	160%	40%

Outstanding Equity Awards at Fiscal Year End

The following table sets forth information regarding outstanding equity awards held by our named executive officers as of December 31, 2023:

		Stock Option Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Stock Options Exercisable (#)	Number of Securities Underlying Unexercised Stock Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date
Steve Smith	1/29/2021	10,416	-	3.26	1/29/2026
	4/27/2023	24,521	-	6.52	4/26/28
Melinda Wohl	1/29/2021	4,167	-	3.26	1/29/2026
	4/1/2022	2,917	2,083(1)	4.15	3/31/2027
	11/22/2022	37,500	-	6.07	11/21/2027

(1) The option became or becomes exercisable as to the remaining shares as follows: (i) 417 shares became exercisable on January 1, 2024, (ii) 417 shares become exercisable on April 1, 2024, (iii) 417 shares become exercisable on July 1, 2024, (iv) 416 shares become exercisable on October 1, 2024, and (v) 416 shares become exercisable on January 1, 2025.

Executive Employment Arrangements

On December 22, 2023, we entered into an amended and restated employment agreement with Mr. Smith with respect to his continuing employment with us (the "CEO Employment Agreement"), which such CEO Employment Agreement became effective on January 1, 2024. The CEO Employment Agreement is for an initial term commencing January 1, 2024 and ending on December 31, 2027, unless the Company and Mr. Smith mutually agree to additional one year extensions, or it is otherwise terminated pursuant to the terms of the CEO Employment Agreement. Mr. Smith is an at-will employee and either party may terminate Mr. Smith's employment and the agreement at any time, for cause or other than for cause, pursuant to the terms of the CEO Employment Agreement. The CEO Employment Agreement provides for an annual base salary of $477,405 in 2024, increasing to $511,500 in 2025, to $547,500 in 2026 and to $586,000 in 2027 (the "Base Salary"). Pursuant to the terms of the CEO Employment Agreement, Mr. Smith is also eligible for an annual bonus (the "Annual Bonus"). Initially, Mr. Smith will be eligible to receive an Annual Bonus for calendar year 2024 of at least 80% of his Base Salary based on the achievement of (i) a gross revenue target, (ii) an adjusted EBITDA target and (iii) the growth of the Company's services revenue. In future years, the Company's Board of Directors or a committee thereof will set the relevant targets to receive an Annual Bonus of at least 90% of his then-current Base Salary. In accordance with the terms of the CEO Employment Agreement, the Company granted Mr. Smith 300,000 restricted stock units subject to vesting such that 100,000 RSUs will vest on each January 1, 2025, January 1, 2026, and January 1, 2027, provided that Mr. Smith's employment is not terminated.

On July 20, 2023, we entered into an employment agreement with Melinda Wohl (the "CFO Employment Agreement"), in connection with her appointment as Chief Financial Officer. The CFO Employment Agreement is for an initial term commencing July 20, 2023 and ending on December 31, 2025 unless the Company and Ms. Wohl mutually agree to additional one year extensions, or it is otherwise terminated pursuant to the terms of the CFO Employment Agreement. Ms. Wohl is an at-will employee and either party may terminate Ms. Wohl's employment and the agreement at any time, for cause or other than for cause, pursuant to the terms of the CFO Employment Agreement. Pursuant to the CFO Employment Agreement, Ms. Wohl will receive an annual base salary of $250,000 (the "Base Salary") and is eligible for an annual bonus (the "Annual Bonus"). Initially, Ms. Wohl will be eligible to receive an Annual Bonus equal to the lower of (i) 20% of the Base Salary or (ii) $50,000 based on achieving certain defined gross revenue, adjusted EBITDA target and service revenue attainment thresholds. In future years, the Company's Board of Directors or a committee thereof will set the relevant targets to receive an annual bonus.

Potential Payments Upon Termination or Change in Control

Under the terms of the CEO Employment Agreement , upon a termination of Mr. Smith's employment (1) by the Company other than for Cause or by Mr. Smith upon a resignation for Good Reason (each as defined in the CEO Employment Agreement) or (2) within one year after a Change in Control (as defined in the CEO Employment Agreement), by the Company other than for Cause or by Mr. Smith upon a resignation for any reason (a "Change of Control Termination"), Mr. Smith will be entitled to (i) accrued obligations including any earned but unpaid Base Salary, accrued but unused vacation, and equity incentive awards which have vested through the termination date and (ii) 12 months of Base Salary. In addition, in the event of a Change of Control, unvested RSU awards will vest as of the closing date of the Change of Control.

Under the terms of the CFO Employment Agreement, upon a termination of Ms. Wohl's employment by the Company other than for cause, or her resignation for good reason (each, a "Non-Change in Control Termination"), Ms. Wohl will be entitled to (i) accrued obligations including any equity incentive awards which have vested through the termination date and (ii) 8 months of Base Salary (the "Severance Payment"). If the Non-Change in Control Termination occurs within one year after a Change of Control (as defined in the CFO Employment Agreement), the Severance Payment will be 12 months of Base Salary and unvested equity incentive awards will vest as the of date of termination.

Director Compensation

Our non-employee directors receive an annual cash retainer of $31,500 for their service on our board. In addition, Mr. Jaworski received an additional $63,000 for serving as Chairman of the Board and Mr. Guttilla received an additional $10,500 for serving as Audit Committee Chair.

Annual service for retainer purposes relates to the approximate 12-month period between annual meetings of our stockholders and all retainers are paid in quarterly installments. A prorated annual retainer will be paid to any person who becomes a member of our board, a committee chair or a member of any committee on a date other than the date of the annual meeting of our stockholders.

The following table sets forth the independent director compensation payments and the grant date fair value of stock option awards granted during the year ended December 31, 2023.

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)(1)	Total ($)
Stanley P. Jaworski, Jr.	94,500	74,160(2)	168,660
Richard Bravman	31,500	46,560(3)	78,060
John Guttilla	42,000	46,560(4)	88,560
Michael Taglich	31,500	46,560(5)	78,060
William Cooke	31,500	46,560(6)	78,060

(1) Amounts reflect the grant date fair value of stock options in accordance with FASB ASC No. 718. See Note 12 to our Consolidated Financial Statements included in this Annual Report, which contains a discussion of all assumptions made by us in determining the grant date fair value of our stock options.
(2) On January 1, 2023, Mr. Jaworski was granted a stock option to purchase 12,000 shares of common stock. As of December 31, 2023, Mr. Jaworski held options to purchase an aggregate of 99,500 shares of common stock, all of which were vested.
(3) On January 1, 2023, Mr. Bravman was granted a stock option to purchase 6,000 shares of common stock. As of December 31, 2023, Mr. Bravman held options to purchase an aggregate of 23,000 shares of common stock, all of which were vested.
(4) On January 1, 2023, Mr. Guttilla was granted a stock option to purchase 6,000 shares of common stock. As of December 31, 2023, Mr. Guttilla held options to purchase an aggregate of 18,000 shares of common stock, all of which were vested.
(5) On January 1, 2023, Mr. Taglich was granted a stock option to purchase 6,000 shares of common stock. As of December 31, 2023, Mr. Taglich held options to purchase an aggregate of 23,000 shares of common stock, all of which were vested.
(6) On January 1, 2023, Mr. Cooke was granted a stock option to purchase 6,000 shares of common stock. As of December 31, 2023, Mr. Cooke held options to purchase an aggregate of 14,000 shares of common stock, all of which were vested.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of March 21, 2024 for:

- each person, or group of affiliated persons, who we know to beneficially own more than five percent (5%) of our common stock;
- each of our named executive officers;
- each of our directors and director nominees; and
- all of our executive officers and directors as a group.

The percentage of beneficial ownership information shown in the table is based on 7,680,334 shares of common stock outstanding as of March 21, 2024.

Information with respect to beneficial ownership has been furnished by each director, officer or beneficial owner of more than five percent (5%) of our common stock. We have determined beneficial ownership in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities. In addition, the rules include shares of our common stock issuable pursuant to the exercise of stock options that are either immediately exercisable or exercisable within sixty (60) days of March 21, 2024. These shares are deemed to be outstanding and beneficially owned by the person holding those options for the purpose of computing the percentage ownership of that person, but they are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, the persons or entities identified in this table have sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to applicable community property laws.

Except as otherwise noted below, the address of each of the individuals and entities named in the table below is c/o DecisionPoint Systems, Inc., 1615 South Congress Avenue Suite 103, Delray Beach, FL 33445.

	Shares of Common Stock Beneficially Owned	%
Named Executive Officers and Directors:		
Michael N. Taglich (1)	859,700	11.2%
Steve Smith (2)	621,260	8.1%
Stanley P. Jaworski, Jr. (3)	129,769	1.7%
John Guttilla (4)	71,188	*
Melinda Wohl (5)	66,274	*
Richard Bravman (6)	44,410	*
William Cooke (7)	37,153	*
All current directors and executive officers as a group (7 persons)	**1,830,154**	**23.8%**
5% Stockholders		
Robert Taglich 37 Main Street Cold Spring Harbor, NY 11724	484,157	6.3%

* Represents beneficial ownership of less than one percent (1%) of the outstanding common stock.

(1) Includes options to acquire 29,000 shares of common stock.
(2) Includes options to acquire 34,937 shares of common stock.
(3) Includes options to acquire 111,500 shares of common stock.
(4) Includes options to acquire 24,000 shares of common stock.
(5) Includes options to acquire 45,417 shares of common stock.
(6) Includes options to acquire 29,000 shares of common stock.
(7) Includes options to acquire 20,000 shares of common stock.

Equity Compensation Plan Information

Our Board has adopted the Amended 2014 Equity Incentive Plan (the "Plan") for the purposes of promoting the long-term success of the Company and the creation of stockholder value. Our stockholders approved the adoption of the Plan, and amendments to the Plan after its adoption to increase the number of shares of Company common stock reserved for issuance under the Plan. The Plan is administered by the Board (in consultation with the compensation committee) and provides for 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 following table sets forth information about our common stock that may be issued upon the exercise of options, warrants, and rights under all of our equity compensation plans as of December 31, 2023:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	416,813	$ 4.89	587,709
Equity compensation plans not approved by security holders	—	—	—
Total	416,813	$ 4.89	587,709

Item 13. Certain Relationships and Related Transactions and Director Independence

The following includes a summary of transactions since January 1, 2022 to which we have been a party, in which the amount involved in the transaction exceeded $120,000, and in which any of our directors, executive officers or, to our knowledge, beneficial owners of more than 5% of our capital stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, other than equity and other compensation, termination, change of control, and other arrangements, which are described under the section entitled "Executive Compensation."

Transactions with Della Pietra & Associates LLP

The Company utilizes various law firms for legal services, including the law firm of Della Pietra & Associates LLP for certain corporate, transactional and related company legal matters. Since January 1, 2022 the Company has paid fees totaling approximately $921,300 to Della Pietra & Associates LLP. A partner of that law firm is the brother-in-law of Steve Smith, the Company's Chief Executive Officer. The Company believes the rates charged by, and the fees paid to, Della Pietra & Associates LLP are reasonable market rates.

Policies and Procedures with Respect to Related Person Transactions

Our Audit Committee is responsible for reviewing and approving all related party transactions. At least annually, management will elicit information from our executive officers and directors as to existing and potential related person transactions and will seek to obtain such information from 5% stockholders known to us. An executive officer or director will promptly inform the Chair of the Audit Committee when the officer or director becomes aware of a potential related person transaction in which the officer or director would be a related person.

Director Independence

Our Board has affirmatively determined that Messrs. Cooke, Guttilla, Jaworski, Bravman and Taglich are "independent directors" as defined in Section 803 of the NYSE American Company Guide, and the Board consists of a majority of "independent directors," as defined under the rules of the SEC and the NYSE American Company Guide relating to director independence requirements. Applying these same rules, our Board has affirmatively determined that all members of our audit committee, compensation committee, and the nominating and governance committee are independent.

Item 14. Principal Accounting Fees and Services

The following table sets forth the costs and expenses for professional audit services rendered by Haskell & White LLP, an independent registered public accounting firm, for the audit of the financial statements for 2023 and 2022.

	2023	2022
Audit fees	$ 282,900	$ 248,500
Audit related fees	-	-
Tax fees	-	-
All other fees (1)	89,500	12,700
Total	$ 372,400	$ 261,200

(1) Includes accounting fees incurred in 2023 related to the acquisition of Macro and in 2022 related to the acquisition of AMG.

Pre-Approval Policies and Procedures

The audit committee's policy is to pre-approve all audit and permissible non-audit services rendered by our independent registered public accounting firm. The audit committee can pre-approve specified services in defined categories of audit services, audit-related services and tax services up to specified amounts, as part of the audit committee's approval of the scope of the engagement of our independent registered public accounting firm or on an individual case-by-case basis before our independent registered public accounting firm is engaged to provide a service. The audit committee has determined that the rendering of tax-related services by our independent registered public accounting firm is compatible with maintaining the principal accountant's independence for audit purposes. All audit and non-audit services performed by the independent accountants have been pre-approved by the Audit Committee to assure that such services do not impair the auditors' independence from us.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

We have filed the following documents as part of this Annual Report on Form 10-K:

EXHIBIT INDEX

Exhibit Number	Description
2.1	Stock Purchase Agreement, dated as of March 31, 2023, by and among DecisionPoint Systems, Inc., the Durwood Wayne Williams Revocable Trust, the Collins Family Living Trust, Durwood W. Williams, individually, and Bartley E. Collins, individually (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed on April 6, 2023)
3.1	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)
3.2	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)
3.3	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)
4.1	Specimen Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-1 filed on August 13, 2020)
4.2	Description of Registrant's Securities (incorporated by reference to Exhibit 4.3 to the Annual Report on Form 10-K for the year ended December 31, 2022 filed on April 1, 2022)
10.1#	Amended and Restated Employment Agreement between DecisionPoint Systems, Inc. and Steven Smith effective January 1, 2024 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on December 29, 2023)
10.2#	Employment Agreement with Melinda Wohl, dated July 20, 2023 (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K filed on July 26, 2023).
10.3	Security Agreement, dated July 30, 2021, by and among DecisionPoint Systems, Inc. and MUFG Union Bank, National Association (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on August 4, 2021)
10.4	Commercial Promissory Note, dated July 30, 2021, by and among DecisionPoint Systems, Inc. and MUFG Union Bank, National Association (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed on August 4, 2021)
10.5#	2014 Equity Incentive Plan (incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-8 filed on July 8, 2021)
10.6*#	Form of Unrestricted Share Award Agreement to 2014 Equity Incentive Plan
10.7*#	Form of Stock Option Agreement to 2014 Equity Incentive Plan
10.8#	Form of Restricted Stock Unit Agreement to 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on December 29, 2023
10.9	EIDL Promissory Note (incorporated by reference to Exhibit 10.10 to the Registration Statement on Form S-1 filed on August 13, 2020, and as amended)

10.10	Membership Unit Purchase Agreement between DecisionPoint Systems, Inc. and various sellers dated December 4, 2020 (incorporated by reference to Exhibit 10.11 to the Registration Statement on Form S-1 filed on August 13, 2020, and as amended on December 18, 2021)
10.11	Membership Interest Purchase Agreement between DecisionPoint Systems, Inc. and various sellers dated January 31, 2022 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on February 11, 2022)
10.12#	Amendment to the DecisionPoint Systems, Inc. 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on November 21, 2022)
10.13	Loan Agreement, dated July 30, 2021, by and Among DecisionPoint Systems, Inc. and MUFG Union Bank, National Association (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on August 4, 2021)
10.14	Second Amendment to the Business Loan Agreement dated July 29, 2021, dated March 27, 2023, by and Among DecisionPoint Systems, Inc. and MUFG Union Bank, National Association (incorporated by reference to Exhibit 10.14 to the Annual Report on Form 10-K filed on March 29, 2023)
10.15	Commercial Promissory Note ($10.0 million), dated March 27, 2023, by and among DecisionPoint Systems, Inc. and MUFG Union Bank, National Association (incorporated by reference to Exhibit 10.15 to the Annual Report on Form 10-K filed on March 29, 2023)
10.16	Commercial Promissory Note ($5.0 million), dated March 27, 2023, by and among DecisionPoint Systems, Inc. and MUFG Union Bank, National Association (incorporated by reference to Exhibit 10.16 to the Annual Report on Form 10-K filed on March 29, 2023)
10.17*	First Amendment to the Business Loan Agreement dated July 29, 2021, dated February 18, 2022, by and Among DecisionPoint Systems, Inc. and MUFG Union Bank, National Association
21.1*	Subsidiaries of DecisionPoint Systems, Inc.
23.1*	Consent of Haskell & White LLP, an independent registered public accounting firm
31.1*	Certification by the Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification by the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Section 1350 Certifications
32.2*	Section 1350 Certifications
97.1*	Executive Compensation Clawback Policy, effective November 30, 2023
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith
\# Indicates a management contract or compensatory plan.

ITEM 16. FORM 10-K SUMMARY.

None.

SIGNATURES

Under the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DECISIONPOINT SYSTEMS, INC.

Dated: April 1, 2024

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Steve Smith Steve Smith	Chief Executive Officer (Principal Executive Officer) and Director	April 1, 2024
/s/ Melinda Wohl Melinda Wohl	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	April 1, 2024
/s/ Stanley P. Jaworski, Jr. Stanley P. Jaworski, Jr.	Director	April 1, 2024
/s/ Richard Bravman Richard Bravman	Director	April 1, 2024
/s/ Michael N. Taglich Michael N. Taglich	Director	April 1, 2024
/s/ John Guttilla John Guttilla	Director	April 1, 2024
/s/ William M. Cooke William M. Cooke	Director	April 1, 2024

Exhibit 10.6

DECISIONPOINT SYSTEMS, INC.
2014 AMENDED EQUITY INCENTIVE PLAN

Option Award Agreement

This Award Agreement evidences the grant of an option pursuant to the provisions of the DecisionPoint Systems, Inc. 2014 Amended Equity Incentive Plan (the "Plan") to the individual whose name appears below (the "Participant"), covering the specific number of Common Shares set forth below, and on the following express terms and conditions (capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Plan):

1. Name of Participant:

2. Number of Common Shares that Option Covers:

3. Exercise Price per Share: $

4. Date of Grant of this Option:

5. Vesting:

6. Method of Exercise: At any time when the Participant wishes to exercise this option, in whole or in part, the Participant shall submit to the Company a written or electronic notice of exercise in accordance with Section 7(d) of the Plan, accompanied by payment of the Exercise Price in cash, check, or Common Shares valued at Fair Market Value on the date of exercise, together with (if deemed necessary by the Committee at the time of exercise) an amount sufficient to satisfy any withholding tax obligation of the Company that arises in connection with such exercise.

7. Expiration of Option:

8. Type of Option:

The Participant hereby acknowledges receipt of a copy of the Plan document, agrees that this Option Award is subject to these terms and provisions in all respects, agrees that the terms of this option grant are confidential, and agrees that any disclosure of its terms by him to anyone other than his spouse, attorney, or financial advisor (who are made aware of its confidentiality) may be grounds for its forfeiture.

DECISIONPOINT SYSTEMS, INC.

By: ______________________________
Steven Smith, CEO

Agreed to and Accepted by:

____

Serial ID:

DECISIONPOINT SYSTEMS, INC.
2014 EQUITY INCENTIVE PLAN
UNRESTRICTED AWARDED SHARE AGREEMENT
(Fully Vested)

THIS UNRESTRICTED AWARDED SHARE AGREEMENT (the ***"Agreement"***), made effective________(the ***"Effective Date"***), between **DECISIONPOINT SYSTEMS, INC.**, a Delaware corporation (the ***"Company"***), and________(the ***"Participant"***).

Participant:	__________
Address:	__________
Number of Awarded Shares:	__________
Vesting Schedule:	No right of repurchase or forfeiture shall apply to the Awarded Shares, and the Awarded Shares, and the Awarded Shares shall be fully vested in Participant at all times as of the Effective Date.

The Company's Board of Directors (***"Board"***) hereby on the Effective Date grants to the Participant a restricted stock award (this "***Award"***) of shares (the "***Awarded Shares"***) of its common stock, par value $0.001 par value per share (the "***Common Stock"***), effective as of the Effective Date, upon and subject to the terms and conditions set forth in this Agreement and in the DecisionPoint Systems, Inc. 2014 Equity Incentive Plan (the ***"Plan"***). This Award is being made in accordance with the Employment Agreement dated__________, by and between Participant and the Company (the "***Employment Agreement***").

In consideration of the various covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

*1. **Award**.*

(a) This Award shall evidence Participant's ownership of the Awarded Shares. subject to the terms, restrictions, and other conditions of this Agreement and of the Plan. Any term used in this Agreement and not defined shall have the meaning given such term in the Plan.

(b) Participant is entitled to receive a stock certificate (or other evidence of ownership) representing the Awarded Shares.

2. ***No Purchase Price***. Participant shall receive the grant of Awarded Shares as compensation and Participant shall not be required to pay par value (or other monetary consideration) for the grant.

3. ***Release Schedule; Fully Vested***. Except as may be imposed by law or under the Plan, there are no vesting conditions or forfeiture terms applicable to the Awarded Shares, the Awarded Shares are vested in full upon grant, and the Awarded Shares may be referred to in this Agreement as "***Unrestricted Awarded Shares***".

4. ***Cancellation and Surrender of Prior Awards***. Pursuant to Section 3 of the Employment Agreement, as of the Effective Date, Participant hereby waives and relinquishes any and all rights Participant has, or may have, in any stock options or other equity awards granted by the Company to Participant prior to the Effective Date (collectively, the "***Prior Awards***"), and as of the Effective Date, all Prior Awards are cancelled and terminated and of no further effect. Participant represents and warrants that none of the Prior Awards have been exercised by Participant or conveyed to a third party, and that upon cancellation of the Prior Awards, except for the Unrestricted Awarded Shares, Participant holds no other options, equity awards, or other rights to acquire equity or other ownership in the Company that were granted or made prior to the Effective Date in the form of an award or grant by the Company in consideration for services or other non-cash consideration.

5. ***Issuance of Stock Certificates for Shares***. The stock certificate or certificates representing the Awarded Shares shall be promptly issued or held in book entry form following the execution of this Agreement and shall be delivered to Participant. The Unrestricted Awarded Shares will bear a legend in substantially the form set forth below.

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND HAVE BEEN ACQUIRED BY THE HOLDER FOR INVESTMENT PURPOSES. SAID SECURITIES MAY NOT BE SOLD OR TRANSFERRED UNLESS (A) THEY HAVE BEEN REGISTERED UNDER SAID ACT, OR (B) THE COMPANY IS PRESENTED A WRITTEN OPINION SATISFACTORY TO COUNSEL FOR THE COMPANY OR A 'NO-ACTION' INTERPRETIVE LETTER FROM THE SECURITIES AND EXCHANGE COMMISSION TO THE EFFECT THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE CIRCUMSTANCES OF SUCH SALE OR TRANSFER.

6. ***Voting Rights and Dividends***. Subject to the restrictions and conditions contained in this Agreement and the Plan, Participant shall have the rights of a stockholder with respect to the Awarded Shares, including the right to vote all such Awarded Shares, and to receive all dividends, cash or stock, paid or delivered thereon, and to participate in liquidations, redemptions and stock splits, from and after the date hereof.

7. ***Tax Obligations and Withholding***. Participant has reviewed with the Participant's own tax advisors the federal, state, local and foreign tax consequences resulting from the grant of the Unrestricted Awarded Shares, this investment and the transactions contemplated by this Agreement. The Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Participant understands that, except for any withholding or payments required to be made by an employer under FICA that relate to the U.S. Medicare tax, the Participant (and not the Company) shall be responsible for any tax liability that may arise as a result of the Award and the transactions contemplated by this Agreement.

*8. **Securities Laws**.*

In connection with the grant of the Awarded Shares, Participant covenants, represents, and warrants to the Company that:

(a) The Awarded Shares to be acquired by Participant pursuant to this Agreement will be acquired for Participant's own account and not with a view to, or intention of, distribution thereof in violation of the Securities Act of 1933 (the "***Securities Act***"), as amended, or any applicable state securities laws, and neither the Awarded Shares nor any other shares of capital stock of the Company issued or issuable directly or indirectly with respect to the Awarded Shares by way of dividend or split or in connection with a combination of securities, recapitalization, merger, consolidation, or other reorganization will be disposed of in contravention of the Securities Act, any applicable state securities laws and any procedures reasonably established by the Board to ensure compliance with the foregoing.

(b) Participant is familiar with the financial affairs of the Company, is sophisticated in financial matters and is able to evaluate the risks and benefits of the investment in the Awarded Shares.

(c) Participant is able to bear the economic risk of his investment in the Awarded Shares for an indefinite period of time because the Awarded Shares have not been registered under the Securities Act and, therefore, cannot be sold unless subsequently registered under the Securities Act or an exemption from such registration is available.

(d) Participant has had an opportunity to ask questions and receive answers concerning the terms and conditions of the offering of Awarded Shares and has had full access to such other information concerning the Company as requested.

(e) This Agreement constitutes the legal, valid, and binding obligation of Participant, enforceable in accordance with its terms, and the execution, delivery, and performance of this Agreement by Participant does not and will not conflict with, violate, or cause a breach of any agreement, contract, or instrument to which Participant is a party or any judgment, order, or decree to which Participant is subject.

9. ***Conditions to Issuance of Stock Certificates***. The Company shall not be required to issue or deliver any certificate or certificates for shares of Unrestricted Awarded Shares pursuant to this Agreement prior to fulfillment of all of the following conditions:

(a) The completion of any registration or other qualification of such shares under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or of any other governmental regulatory body, which the Board shall, in its sole discretion, deem necessary or advisable; and

(b) The obtaining of any approval or other clearance from any state or federal governmental agency which the Board shall, in its sole discretion, determine to be necessary or advisable; and

(c) The payment by the Participant of all amounts that, under federal, state or local tax law, the Company (or other employer corporation) is required to withhold upon issuance of Awarded Shares and/or the lapse or removal of any of the restrictions.

10. ***No Right to Continued Relationship***. Nothing in this Agreement or in the Plan shall confer upon a Participant any right to continue in the service of the Company as an employee, director, consultant or any other capacity for any period of time or restrict in any way the rights of the Company or the Participant, to terminate the relationship between the Company and the Participant at any time for any reason whatsoever, with or without cause.

11. ***Awarded Shares Subject to Plan***. Notwithstanding anything in this Agreement to the contrary, the terms of this Agreement shall be subject to the terms of the Plan, a copy of which may be obtained by the Participant from the office of the Company's Secretary.

12. ***Miscellaneous***.

(a) This Agreement may be executed in one or more counterparts, all of which taken together will constitute one and the same instrument.

(b) The terms of this Agreement may only be amended, modified, or waived by a written agreement executed by both of the parties hereto.

(c) This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions. In any action among any of the parties arising out of or relating to this Agreement or any of the transactions contemplated by this Agreement: (i) each party irrevocably consents to service of process by first class certified mail, return receipt requested, postage prepaid, and (ii) each party irrevocably waives any and all rights to a trial by jury in any legal proceeding arising out of or related to this Agreement or the transactions contemplated hereby. The prevailing party in any litigation in connection with this Agreement may recover attorneys' fees and litigation costs incurred in prosecuting or defending such litigation from the nonprevailing party.

(d) This Agreement and the Plan constitute the entire agreement between the parties hereto with respect to the Awarded Shares granted herein.

(e) Except as otherwise herein provided, this Agreement shall be binding upon and shall inure to the benefit of the Company, its successors and assigns, and of Participant and Participant's personal representatives.

[Signature page follows.]

IN WITNESS WHEREOF, the parties have executed this Agreement on the Effective Date.

DECISIONPOINT SYSTEMS., INC.

By: ______________________

Its: ______________________

PARTICIPANT

____

Exhibit 10.17

MUFG Union Bank, N.A.
Orange County Middle Market
18300 Von Karman Ave.
Irvine, CA 92612

AMENDMENT LETTER

February 18, 2022

DecisionPoint Systems, Inc.
8697 Research Drive
Irvine, CA 94618

Attn: Melinda Wohl, VP Finance

Obligor #1912083539

Re: First Amendment **("Amendment")** to the Business Loan Agreement dated July 29, 2021 (as amended, amended and restated, supplemented or otherwise modified from time to time prior to the date hereof, the **"Existing Agreement";** as amended by this Amendment, the **"Agreement").**

Dear Ms. Wohl:

MUFG Union Bank, N.A. **("Bank")** and DecisionPoint Systems, Inc., a Delaware corporation **("Borrower")** desire to amend the Existing Agreement. Capitalized terms used herein which are not otherwise defined shall have the meaning given them in the Agreement.

In consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto hereby agree as follows:

Amendments to the Existing Agreement

1. Section4.10 of the Existing Agreement is hereby amended in its entirety to read as follows:

"4.10 Not purchase the debt or equity of another person or entity in excess of One Million Five Hundred Thousand Dollars ($1,500,000) except for savings accounts and certificates of deposit of Bank, direct U.S. Government obligations and commercial paper issued by corporations with top ratings of Moody's Investor's Service, Inc. or Standard & Poor's Ratings Division, a division of McGraw-Hill, Inc., provided that all such permitted investments shall mature within one (1) year of purchase."

2. Section 4.13 of the Existing Agreement is hereby amended in its entirety to read as follows:

"4.13 Neither liquidate, dissolve, enter into any consolidation, merger, division, partnership, or other combination; nor convey, sell or lease all or the greater part of its assets or business; nor purchase or lease all or the greater part of the assets or business of another person or entity in an amount greater than One Million Five Hundred Thousand Dollars ($1,500,000)."

3. Section 6.7 of the Existing Agreement is hereby amended in its entirety to read as follows:

"6.7 Bank is subject to federal laws to help the government fight money laundering and terrorist financing that require Bank to obtain, verify, record, and retain information that identifies Borrower, any guarantor and, when applicable, Borrower's Beneficial Owners. Under federal law, Beneficial Owners for these purposes means any individual or entity holding 25% or more of the direct or indirect equity ownership of Borrower, as well as any individual or entity with significant responsibility to control, manage or direct Borrower (e.g., CEO, CFO, COO, President or similar). This information includes the name, address, date of birth, and other information that will allow Bank to identify Borrower, any guarantor and Borrower's Beneficial Owners. At any time, Bank may require this information of Borrower, any guarantor and Borrower's Beneficial Owners (and such other persons or entities as are required by law, regulation or Bank's then applicable "know your customer" requirements). By signing this document, Borrower agrees to promptly provide and consents to Bank obtaining, if necessary, from third parties, any and all information reasonably necessary to identify Borrower, any guarantor and Borrower's Beneficial Owners. It shall be an Event of Default if Borrower fails to provide the information requested by Bank pursuant to this provision within thirty (30) days of such request."

Except as specifically amended hereby, the Agreement shall remain in full force and effect and is hereby ratified and confirmed. This Amendment shall not constitute or deemed to be a waiver of any existing or future default or breach of a condition to covenant unless specified herein.

On and as of the date hereof, each reference in the Existing Agreement to "this Agreement," "hereof," "hereunder," "herein" and "hereby" and each other similar reference, and each reference in any other Loan Document to "the Loan Agreement," "thereof," "thereunder," "therein" or "thereby" or any other similar reference to the Existing Agreement shall refer to the Agreement. This Amendment constitutes a Loan Document.

This Amendment does not extinguish the obligations for the payment of money outstanding under the Existing Agreement or discharge or release the obligations or the liens or priority of any mortgage, pledge, security agreement or any other security therefor. Nothing herein contained shall be construed as a substitution or novation of the obligations outstanding under the Existing Agreement, the other Loan Documents or instruments securing the same, which shall remain in full force and effect, except as modified hereby or by instruments executed concurrently herewith.

This Amendment shall become effective when the Bank shall have received the acknowledgment copy of the Amendment executed by the Borrower.

This document may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same document. Delivery of a signature page to, or an executed counterpart of, this document by facsimile, email transmission of a scanned image, or other electronic means, shall be effective as delivery of an originally executed counterpart. The words "execution," "signed," "signature," and words of like import in this document shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity, or enforceability as a manually executed signature or the use of a paper-based record keeping system, as the case may be, to the extent and as provided for in any applicable law, including, without limitation, Electronic Signatures in Global and National Commerce Act, any other similar state laws based on the Uniform Electronic Transactions Act or the Uniform Commercial Code, and the parties hereto hereby waive any objection to the contrary.

This Amendment is governed by, and is to be construed in accordance with, the laws of the State of California. Each provision of this Amendment is severable from every other provision of this Amendment for the purpose of determining the legal enforceability of any specific provision.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their duly authorized officers as of the day and year first above written.

Very truly yours,

MUFG UNION BANK, N.A.

By: /s/ Patrick Yorkey
Name: Patrick Yorkey
Title: Vice President

Agreed to and Accepted by:

DECISIONPOINT SYSTEMS, INC.
a Delaware corporation

By /s/ Melinda Wohl
Name: Melinda Wohl
Title: Vice President Finance

Exhibit 21.1

Subsidiaries of DecisionPoint Systems, Inc.

Name	State of Incorporation	Ownership	Status
DecisionPoint Systems International, Inc.	DE	100% by DecisionPoint Systems, Inc.	Active
DecisionPoint Systems Group, Inc.	DE	100% by DecisionPoint International, Inc.	Active
DecisionPoint Systems CA, Inc.	CA	100% by DecisionPoint Systems Group, Inc.	Active
DecisionPoint Systems CT, Inc.	CT	100% by DecisionPoint Systems Group, Inc.	Active
Royce Digital Systems, Inc.	CA	100% by DecisionPoint Systems Group, Inc.	Active
ExtenData Solutions, LLC	CO	100% by DecisionPoint Systems Group, Inc.	Active
Advanced Mobile Group, LLC	PA	100% by DecisionPoint Systems, Inc.	Active
Macro Integration Systems, Inc.	NC	100% by DecisionPoint Systems, Inc.	Active

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-1 (file no. 333-245695) and Form S-8 (file nos. 333-257771 and 333-271242) of DecisionPoint Systems, Inc. of our report dated April 1, 2024, relating to our audits of the Company's consolidated financial statements as of December 31, 2023 and 2022, and for each of the years ended December 31, 2023 and 2022, included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

/s/ HASKELL & WHITE LLP
HASKELL & WHITE LLP

Irvine, California
April 1, 2024

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 Annual Report on Form 10-K 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 th eregistrant 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 sof 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 fiscalquarter (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 theregistrant'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.

Dated: April 1, 2024

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

Exhibit 31.2

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

I, Melinda Wohl, certify that:

1. I have reviewed this Annual Report on Form 10-K 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.

Dated: April 1, 2024

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

Exhibit 32.1

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

In connection with the Annual Report of DecisionPoint Systems, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2023, as filed with the Securities and Exchange Commission on or about the date hereof (the “Report”), I, Steve Smith, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 1, 2024

By: /s/ Steve Smith
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 DecisionPointSystems, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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

In connection with the Annual Report of DecisionPoint Systems, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2023, as filed with the Securities and Exchange Commission on or about the date hereof (the “Report”), I, Melinda Wohl, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 1, 2024	By:	/s/ Melinda Wohl
		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 DecisionPointSystems, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 97.1

EXECUTIVE COMPENSATION
CLAWBACK POLICY

Effective as of November 30, 2023

A. OVERVIEW

In accordance with the applicable rules set forth in the NYSE American LLC Company Guide (the ***"NYSE Rules"),*** Section 10D and Rule 10D-1 of the Securities Exchange Act of 1934, as amended (the "***Exchange Act***") ("***Rule 10D-1***"), the Board of Directors (the "***Board***") of DecisionPoint Systems, Inc. (the "***Company***") has adopted this Policy (the "***Policy***") to provide for the recovery of erroneously awarded Incentive-based Compensation from Officers. All capitalized terms used and not otherwise defined herein shall have the meanings set forth in Section H, below.

B. RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

(1) In the event of an Accounting Restatement, the Company will reasonably promptly recover the Erroneously Awarded Compensation Received in accordance with NYSE Rules and Rule 10D-1 as follows:

(i) After an Accounting Restatement, the Compensation Committee (if composed entirely of independent directors, or in the absence of such a committee, a majority of independent directors serving on the Board) (the "***Committee***") shall determine the amount of any Erroneously Awarded Compensation Received by each Officer and shall promptly notify each Officer with a written notice containing the amount of any Erroneously Awarded Compensation and a demand for repayment or return of such compensation, as applicable. For Incentive-based Compensation based on (or derived from) the Company's stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement:

a) The amount to be repaid or returned shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the Company's stock price or total shareholder return upon which the Incentive-based Compensation was Received; and

b) The Company shall maintain documentation of the determination of such reasonable estimate and provide the relevant documentation as required to the NYSE.

(ii) The Committee shall have discretion to determine the appropriate means of recovering Erroneously Awarded Compensation based on the particular facts and circumstances. Notwithstanding the foregoing, except as set forth in Section B(2) below, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Officer's obligations hereunder.

(iii) To the extent that the Officer has already reimbursed the Company for any Erroneously Awarded Compensation Received under any duplicative recovery obligations established by the Company or applicable law, it shall be appropriate for any such reimbursed amount to be credited to the amount of Erroneously Awarded Compensation that is subject to recovery under this Policy.

(iv) To the extent that an Officer fails to repay all Erroneously Awarded Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Officer. The applicable Officer shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

(2) Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Section B(1) above if the Committee (which, as specified above, is composed entirely of independent directors or in the absence of such a committee, a majority of the independent directors serving on the Board) determines that recovery would be impracticable *and* either of the following conditions are met:

(i) The Committee has determined that the direct expenses to be paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before making this determination, the Company must make a reasonable attempt to recover the Erroneously Awarded Compensation, document such attempt(s) and provide such documentation to the NYSE; or

(ii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.

C. DISCLOSURE REQUIREMENTS

The Company shall file all disclosures with respect to this Policy required by applicable filings and rules of the U.S. Securities and Exchange Commission (the "***SEC***").

D. PROHIBITION OF INDEMNIFICATION

The Company shall not be permitted to insure or indemnify any Officer against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company's enforcement of its rights under this Policy. Further, the Company shall not enter into any agreement that exempts any Incentive-based Compensation that is granted, paid or awarded to an Officer from the application of this Policy or that waives the Company's right to recovery of any Erroneously Awarded Compensation, and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date of this Policy).

E. ADMINISTRATION AND INTERPRETATION

This Policy shall be administered by the Committee, and any determinations made by the Committee shall be final and binding on all affected individuals.

The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy and for the Company's compliance with NYSE Rules, Section 10D, Rule 10D-1 and any other applicable law, regulation, rule or interpretation of the SEC or NYSE promulgated or issued in connection therewith.

F. AMENDMENT; TERMINATION

The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary. Notwithstanding anything in this Section F to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rules or NYSE rules.

G. OTHER RECOVERY RIGHTS

This Policy shall be binding and enforceable against all Officers and, to the extent required by applicable law or guidance from the SEC or NYSE, their beneficiaries, heirs, executors, administrators or other legal representatives. The Committee intends that this Policy will be applied to the fullest extent required by applicable law. Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with an Officer shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Officer to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law, regulation or rule or pursuant to the terms of any policy of the Company or any provision in any employment agreement, equity award agreement, compensatory plan, agreement or other arrangement.

H. DEFINITIONS

For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(1) "***Accounting Restatement***" means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a "Big R" restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a "little r" restatement).

(2) "***Clawback Eligible Incentive Compensation***" means all Incentive-based Compensation Received by an Officer (i) on or after the effective date of the applicable NYSE rules (October 2, 2023), (ii) after beginning service as an Officer, (iii) who served as an Officer at any time during the applicable performance period relating to any Incentive-based Compensation (whether or not such Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company), (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (v) during the applicable Clawback Period.

(3) "***Clawback Period***" means, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date (as defined below), and if the Company changes its fiscal year, any transition period of less than nine months within or immediately following those three completed fiscal years.

(4) "***Erroneously Awarded Compensation***" means, with respect to each Officer in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid.

(5) “***Officer***” means each individual who is currently or was previously designated as an “officer” of the Company as defined in Rule 16a-1(f) under the Exchange Act. For the avoidance of doubt, the identification of an Officer for purposes of this Policy shall include each “executive officer” who is or was identified pursuant to Item 401(b) of Regulation S-K as well as the principal financial officer and principal accounting officer (or, if there is no principal accounting officer, the controller).

(6) “***Financial Reporting Measures***” means measures determined and presented in accordance with U.S. generally accepted accounting principles and all other measures derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall, for purposes of this Policy, be considered Financial Reporting Measures. A Financial Reporting Measure need not be presented in the Company’s financial statements or included in a filing with the SEC.

(7) “***Incentive-based Compensation***” means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

(8) “***NYSE***” means the New York Stock Exchange or NYSE American LLC.

(9) “***Received***” means, with respect to any Incentive-based Compensation, actual or deemed receipt, and Incentive-based Compensation shall be deemed received in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if the payment or grant of the Incentive-based Compensation to the Officer occurs after the end of that period.

(10) “***Restatement Date***” means the earlier to occur of (i) the date the Board, a committee of the Board or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

* * * * *

<u>Exhibit A</u>

**ATTESTATION AND ACKNOWLEDGEMENT OF
EXECUTIVE COMPENSATION CLAWBACK POLICY**

By my signature below, I acknowledge and agree that:

- I have received and read the attached Executive Compensation Clawback Policy (the "***Policy***").
- I hereby agree to abide by all of the terms of this Policy both during and after my employment with the Company, including, without limitation, by promptly repaying or returning any Erroneously Awarded Compensation to the Company as determined in accordance with this Policy.

Signature: ____________________________

Printed Name: ____________________________

Date: ____________________________