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**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, 2022**

**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** | **333-245695** | **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 | 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, 2022, the aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant was $23.5 million.

The number of shares outstanding of the registrant's Common Stock, $0.001 par value, was 7,417,342 as of March 24, 2023.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's definitive proxy statement relating to its 2023 annual meeting of shareholders (the "2023 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2023 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates, otherwise the Registrant will file an amendment to this Annual Report within such time period.

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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 ultimate impact of the COVID-19 pandemic, or any other health epidemic, on our business, our clientele, our suppliers, or the global economy as a whole;
- 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 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 and software companies to combine enterprise-grade handheld computers, printers, tablets, and smart phones 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 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.

### 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.

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

Retail In-Store Operations

We assist retail customers in selecting and procuring the correct 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.

Warehousing and Distribution

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.

Healthcare

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, 2022.

Wholesale Distribution

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**

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.

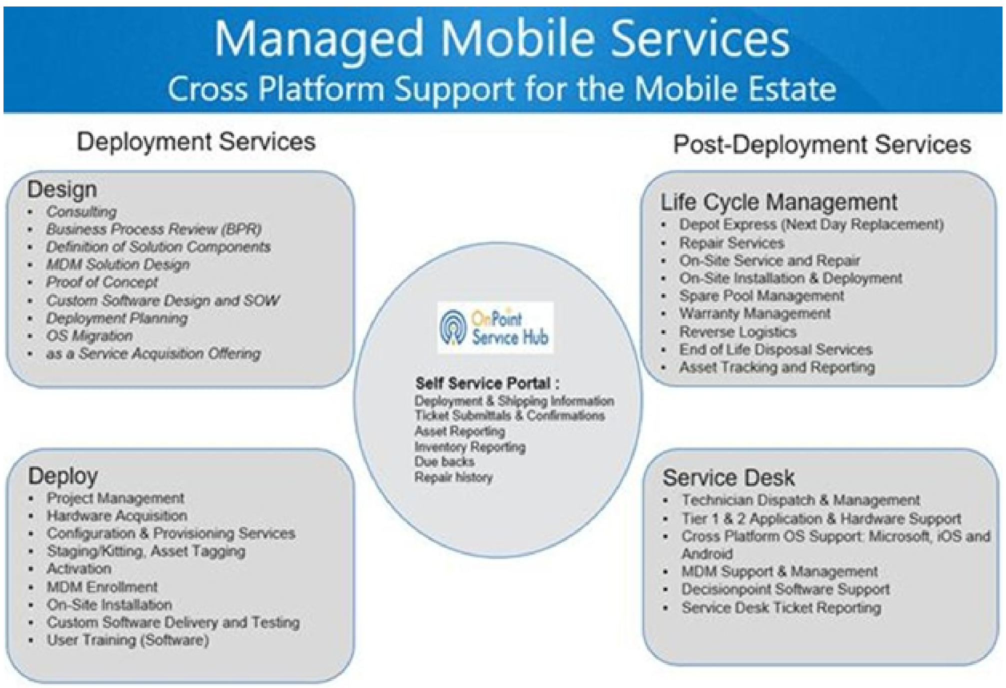
Managed Services

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
- Reverse logistics & End of Life (EOL) disposal 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 (trademarked), 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 (trademarked), 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.

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, 2022, our backlog related to product orders that are expected to ship throughout 2023 was approximately $30.3 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, Scansource, Bluestar, and Ingram Micro totaled approximately 78% of our cost of sales for the year ended December 31, 2022.

**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. However, because of the nature of our business and assets we have not sought patent or trademark protection of our intellectual property assets.

**Employees**

As of December 31, 2022, we had a total of approximately 116 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. 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. We must develop our products quickly to keep pace with the rapidly changing market, and we have a history of frequently introducing new products. Products and services as sophisticated as ours could contain undetected errors or defects, 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 two customers who, together, represented 28% of the Company's revenue for the year ended December 31, 2022.

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, 2022, we had availability under a line of credit of $9 million. Our current line of credit expires in July 2024. 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 COVID-19, 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 ExtenData, Royce Digital Systems, Inc., and Advanced Mobile Group, LLC, 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 work force, 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.

***Our financial condition and results of operations at times have been and may continue to be impacted by the COVID-19 pandemic.***

Our overall performance depends upon domestic and worldwide economic and political conditions. The COVID-19 pandemic continues to contribute to volatility, uncertainty, and economic disruption. Effects of the pandemic continue to contribute to disruptions to global supply chains and contributing to labor shortages. The COVID-19 pandemic continues to have widespread, evolving, and unpredictable impacts on global society, economies, financial markets, and business practices. Despite the efforts to contain the pandemic, new variants of the virus are, at times, causing additional outbreaks. The COVID-19 pandemic has impacted and may continue to impact our business operations, including our employees, customers, partners, and communities, and there is uncertainty in the nature and degree of its continued effects over time.

The extent to which COVID-19 impacts our business, operations, and financial results will depend on numerous evolving factors that we are not able to accurately predict, including:

- the continuing economic impacts of the pandemic, including on our customers (particularly those in the retail sector);
- governmental, business, and individuals' actions that have been and continue to be taken in response to the pandemic;
- the effect on our customers and customer demand for and ability to pay for our products and services;
- restrictions or disruptions to transportation, including reduced availability of ground or air transport;
- continued disruption of the supply chain for our products;
- our ability to comply with financial covenants, including maintaining required leverage ratios, which could result in debt becoming due and payable prior to its stated maturity; and
- changes in our effective tax rate due to effects of COVID-19 on our geographic mix of earnings.

We have experienced disruption in our supply chain as a result of the effects of COVID-19 and related events, and are subject to ongoing supply chain risks, which adversely affect our revenue and results of operations.

We are dependent upon a limited number of contract manufacturers for the manufacture, testing, and assembly of certain products and specific suppliers for a number of our critical components. Our current reliance on a limited group of contract manufacturers and suppliers involves risks, including the potential inability to obtain products or components to meet customers' delivery requirements, reduced control over pricing and delivery schedules and discontinuation of or increased prices for certain components. We have experienced disruption in our supply chain as a result of the effects of COVID-19 related events and their impact on our suppliers and on international trade in general, leading to shortfalls in available components we need to make products as well as increased costs to obtain components, to make products, and to transport components and products. Some suppliers have prioritized the orders of larger customers and are focusing their investments in additional capacity on higher volume components. We are experiencing extended delivery times for certain components of our hardware products and increased freight costs. As a result, we are making binding commitments with longer lead times and procuring components at higher prices, which may impact our flexibility to adapt to changing market conditions and product demand. These disruptions have had an adverse effect on our ability to meet customer demand and have resulted in delays in shipping products to customers and dealers. The severity of the disruptions is continuously changing so that the impact on our ability to meet demand for particular products varies over time, which creates substantial uncertainties in forecasting our financial results. We expect these disruptions to impact our financial results.

Future disruptions could occur as a result of any number of events, including, but not limited to, the continuing impacts of the COVID-19 pandemic, increases in wages that drive up prices or labor, the imposition of new regulations, quotas or embargoes on components, a scarcity of, or significant increase in the price of, required components for our products, trade restrictions, tariffs or duties, fluctuations in currency exchange rates, transportation failures affecting the supply chain and shipment of materials and finished goods, third party interference in the integrity of the products sourced through the supply chain, the unavailability of raw materials, severe weather conditions, natural disasters, civil unrest, military conflicts, geopolitical developments, war or terrorism, and disruptions in utility and other services. Any other circumstance that would require us to seek alternative sources of supply or to manufacture, assemble, and test such components internally could significantly delay our ability to ship our products, which could damage relationships with current and prospective customers and could harm our reputation and brand as well as our results of operations. Lastly, due to supply chain issues, we may accumulate excess inventories if we inaccurately forecast demand for our products.

***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 develop or 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.

As a listed company, we are required to meet the continued listing requirements applicable to all NYSE American companies. 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 develops and 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, including as part of this offering, 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 (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 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 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". From February 1, 2021 until May 4, 2022, our common stock was quoted on the OTCQB Venture Market operated by OTC Markets Group, Inc. under the symbol "DPSI".

As of March 24, 2023, there are 7,417,342 shares of our common stock outstanding.

### Reverse Stock Split

In December 2021, we effectuated a reverse stock split of our then outstanding shares of common stock at a ratio of 1-for-2. The number of authorized shares remained unchanged. Stockholders received a whole share for fractional shares and the par value per common stock remains unchanged. A proportionate adjustment was made to the maximum number of shares issuable under the 2014 Equity Plan, as amended.

### Holders of Record

As of March 24, 2023, there were approximately 121 stockholders of record of our common stock.

### Dividend Policy

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

### Recent Sales of Unregistered Securities

None.

### 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 prospectus. In this prospectus, 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 business organizations. 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 December 2020, we completed the acquisition of ExtenData, a privately held company with corporate headquarters in Centennial, CO. DecisionPoint acquired ExtenData to better serve its customers, deepen its expertise in manufacturing, transportation and logistics, and hospitality, and provide a stronger regional presence across the Rocky Mountain and Southwest regions of the United States.

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 600 customers.

The future impact of the COVID-19 pandemic on our business and results of operations is unknown and will depend on future developments, which fluctuate and are uncertain and cannot be predicted with confidence While our overall business and revenue since the onset of the pandemic have not been materially adversely impacted, certain of our customers, particularly those in the retail sector, have at times been significantly impacted by COVID-19 and the pandemic has contributed to disruptions in supply chains and labor shortages across industries, and therefore our results of operations during 2022 are not necessarily indicative of results to be expected in 2023 in light of the uncertainties surrounding the impact of COVID-19 pandemic on many of our customers and suppliers. Although our results of operations were not materially adversely impacted, we have experienced supplier shipment delays due to a supply chain and logistic challenges resulting in delays in revenue recognition.

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 and whether our results of operations will be materially impacted.

**Components of Results of Operations**

*Net Sales*

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

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

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

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

Cost of sales, include:

- Cost of goods sold for hardware, software and consumables;
- Cost of 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, | |
|---|---|---|
| | 2022 | 2021 |
| **Income Statement Data:** | | |
| Net sales | $ 97,415 | $ 65,943 |
| Cost of sales | 74,320 | 50,639 |
| Gross profit | 23,095 | 15,304 |
| Sales and marketing expenses | 9,218 | 7,354 |
| General and administrative expenses | 9,430 | 7,552 |
| Total operating expenses | 18,648 | 14,906 |
| Operating income | 4,447 | 398 |
| Interest expense | (56) | (79) |
| Gain on extinguishment of debt | - | 1,211 |
| Other expense | (15) | - |
| Income before income taxes | 4,376 | 1,530 |
| Income tax expense | (1,265) | (116) |
| Net income attributable to common shareholders | $ 3,111 | $ 1,414 |
| **Percentage of Net Sales:** | | |
| Net sales | 100.0% | 100.0% |
| Cost of sales | 76.3% | 76.8% |
| Gross profit | 23.7% | 23.2% |
| Sales and marketing expenses | 9.5% | 11.2% |
| General and administrative expenses | 9.7% | 11.5% |
| Total operating expenses | 19.1% | 22.6% |
| Operating income | 4.6% | 0.6% |
| Interest expense | -0.1% | -0.1% |
| Gain on extinguishment of debt | 0.0% | 1.8% |
| Other expense | 0.0% | 0.0% |
| Income before income taxes | 4.5% | 2.3% |
| Income tax expense | -1.3% | -0.2% |
| Net income attributable to common shareholders | 3.2% | 2.1% |

**Results of Operations for the Year Ended December 31, 2022 compared to the Year Ended December 31, 2021**

*Net sales*

| | Year Ended December 31, | | Dollar Change | Percent Change |
|---|---|---|---|---|
| | 2022 | 2021 | | |
| | (dollars in thousands) | | | |
| Hardware and software | $ 71,774 | $ 44,355 | $ 27,419 | 61.8% |
| Consumables | 7,305 | 6,125 | 1,180 | 19.3% |
| Services | 18,336 | 15,463 | 2,873 | 18.6% |
| | $ 97,415 | $ 65,943 | $ 31,472 | 47.7% |

Net sales increased by 47.7%, or $31.5 million, for the year ended December 31, 2022 compared to the year ended December 31, 2021. The increase in net sales was primarily driven by significant equipment orders by two of our large enterprise customers which contributed an increase of $23.1 million in net sales for the 2022 fiscal year, and a $8.9 million increase in overall net sales associated with sales by AMG which we acquired on January 31, 2022 (and, thus, there were no corresponding sales by AMG included in our results of operations 2021)

*Cost of sales*

| | Year Ended December 31, 2022 | Year Ended December 31, 2021 | Dollar Change | Percent Change |
|---|---|---|---|---|
| | (dollars in thousands) | | | |
| Hardware and software | $ 56,952 | $ 35,573 | $ 21,739 | 60.1% |
| Consumables | 5,262 | 4,370 | 892 | 20.4% |
| Services | 12,106 | 10,696 | 1,410 | 13.2% |
| | $ 74,320 | $ 50,639 | $ 23,681 | 46.8% |

Cost of sales increased by 46.8%, or $23.7 million during the year ended December 31, 2022 as compared to the year ended December 31, 2021 primarily due to higher hardware sales volume and a $5.8 million increase in overall cost of sales associated with cost of sales of AMG that we acquired on January 31, 2022 (and, thus, there were no corresponding costs of sales of AMG included in our results of operations for 2021).

*Gross profit*

| | Year Ended December 31, 2022 | Year Ended December 31, 2021 |
|---|---|---|
| | (dollars in thousands) | |
| Gross profit: | | |
| Hardware and software | $ 14,822 | $ 8,782 |
| Consumables | 2,043 | 1,755 |
| Services | 6,230 | 4,767 |
| Total gross profit | $ 23,095 | $ 15,304 |
| | | |
| Gross profit percentage: | | |
| Hardware and software | 20.7% | 19.8% |
| Consumables | 28.0% | 28.7% |
| Services | 34.0% | 30.8% |
| Total gross profit percentage | 23.7% | 23.2% |

Gross profit increased $7.8 million for the year ended December 31, 2022 as compared to the year ended December 31, 2021, primarily as a result of higher sales volume and the other impacts noted above. Overall gross profit margin increased 50 basis points primarily due to an increase in the gross margins of hardware sales.

*Sales and marketing expenses*

| | Year Ended December 31, 2022 | Year Ended December 31, 2021 | Dollar Change | Percent Change |
|---|---|---|---|---|
| | (dollars in thousands) | | | |
| Sales and marketing expenses | $ 9,218 | $ 7,354 | $ 1,864 | 25.3% |
| As a percentage of sales | 9.5% | 11.2% | — | (1.7)% |

Sales and marketing expenses increased $1.9 million, or 25.3%, for the year ended December 31, 2022 as compared to the year ended December 31, 2021 primarily due to a $1.0 million increase in commissions on higher sales volume during 2022, combined with $1.1 million in additional expenses for AMG operations that were acquired on January 31, 2022 (and, thus, there were not corresponding sales and marketing expenses of AMG included in our results of operations for 2021). These increases were offset by a $0.2 million decrease in salary expense. As a percentage of sales, sales and marketing expenses decreased 170 basis points primarily due to higher sales volume for the year ended December 31, 2022.

*General and administrative expenses*

| | Year Ended December 31, 2022 | Year Ended December 31, 2021 | Dollar Change | Percent Change |
|---|---|---|---|---|
| | (dollars in thousands) | | | |
| General and administrative expenses | $ 9,430 | $ 7,552 | $ 1,878 | 24.9% |
| As a percentage of sales | 9.7% | 11.5% | — | (1.8)% |

General and administrative expenses increased $1.9 million, or 24.9%, for the year ended December 31, 2022 as compared to the year ended December 31, 2021. The increase in these expenses was due to a $2.4 million increase in expenses primarily associated with AMG (which we acquired in January 2022, and, thus, there were no corresponding general and administrative expenses by AMG included in our results of operations for 2021), offset by a $0.4 million decrease in stock compensation expense due to fewer stock grants in 2022 as compared to 2021. As a percentage of sales, general and administrative costs decreased 180 basis points primarily due the higher sales volume in 2022.

*Interest expense.* The decrease in interest expense to $56,000 for the 2022 fiscal year from $79,000 last year was due to a decrease in average debt balances during 2022 as compared to 2021.

*Gain on extinguishment of debt.* We recorded a gain on extinguishment of debt of $1.2 million in the first quarter of 2021 in connection with the forgiveness of the PPP Loans by the US Small Business Administration ("SBA").

*Income tax expense.* Income tax expense was approximately $1.3 million and $0.1 million for the year ended December 31, 2022 and December 31, 2021, respectively. The lower income tax rate this year is primarily associated with the tax exemption for the gain on extinguishment of debt recognized in the first quarter of 2021.

*Net income.* Net income was $3.1 million for 2022 compared to $1.4 million in 2021.

**Liquidity and Capital Resources**

As of December 31, 2022, our principal sources of liquidity were cash totaling $7.6 million and $9.0 million of availability under our line of credit. In recent years, we have financed our operations primarily through cash generated from operating activities, borrowings from term loans and our line of credit. In the past, we have historically generated operating losses and negative cash flows from operating activities as reflected in our accumulated deficit. However, we generated operating income for each of the years ended December 31, 2018 through December 31, 2022. Based on our recent trends and our current projections, we expect to generate cash from operations for the year ending December 31, 2023. Given our projections, combined with our existing cash and credit facilities, we believe the Company has sufficient liquidity for at least the next 12 months.

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. Consequently, the duration of the pandemic and our estimates on the severity of the impact on our future earnings and cash flows could change and have a material impact on our results of operations and financial condition. In the event of a sustained market deterioration, and declines in net sales, we may need additional liquidity, which would require us to evaluate available alternatives and take appropriate actions. We cannot provide any assurance that we will be able to obtain any additional sources of financing or liquidity on acceptable terms, or at all.

*Working Capital*

| | December 31, 2022 | December 31, 2021 | Increase/ (Decrease) |
|---|---|---|---|
| | | (in thousands) | |
| Current assets | $ 32,272 | $ 19,334 | $ 12,939 |
| Current liabilities | 31,665 | 18,352 | 13,314 |
| Working capital | $ 607 | $ 982 | $ (375) |

The working capital as of December 31, 2022 decreased slightly from with the working capital balance at December 31, 2021.

*Line of Credit*

On July 30, 2021, we entered into a Loan and Security Agreement (the "Loan Agreement") with MUFG Union Bank, National Association. The Loan Agreement provides for a revolving line of credit of up to $9.0 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, 2024. The availability under the line of credit is not determined by a borrowing base calculation on our existing accounts receivable balance and bears interest at a variable rate (currently at 7.50%).

As of December 31, 2022, we were eligible to borrow up to $9.0 million, and had no outstanding borrowings under the line of credit.

*EIDL Promissory Note*

On August 27, 2020, we received $150,000 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.

**Cash Flow Analysis**

| | Year Ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (in thousands) | |
| Net cash provided by operating activities | $ 12,424 | $ 2,352 |
| Net used in investing activities | (6,002) | (541) |
| Net cash used in financing activities | (1,367) | (1,229) |
| **Net increase in cash** | $ 5,055 | $ 582 |

*Operating Activities*

Net cash provided by operating activities increased to $12.4 million for the year ended December 31, 2022 from $2.4 million for the year ended December 31, 2021. The increase was primarily due to higher net income and increases in both deferred revenue and accounts payable.

*Investing Activities*

Net cash used in investing activities was $6.0 million for the year ended December 31, 2022 which is comprised of cash payments 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. Net cash used in investing activities was $0.5 million for the year ended December 31, 2021, which was comprised of cash payments delivered in connection with the acquisition of ExtenData and purchases of capital expenditures of property and equipment.

*Financing Activities*

Net cash used in financing activities was $1.4 million for the year ended December 31, 2022, which primarily comprised of payments for taxes on the cashless exercise of stock options. Net cash used in financing activities was $1.2 million for the year ended December 31, 2021 which comprised of the repayment of debt, partially offset by proceeds of long-term debt.

**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 Policies and 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; and
- Estimated liabilities assumed from the target

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, 2022 and 2021, 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, 2022 and 2021, 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 Matter***

The critical audit matter communicated below is a matter arising from the current-period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the 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 matter below, providing separate opinions on the critical audit matter 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.
- 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 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 Advanced Mobile Group, LLC***

*Critical Audit Matter Description*

On January 31, 2022, the Company closed its acquisition of 100% of the members' interest of Advanced Mobile Group, LLC ("AMG") for net consideration of $5.1 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 $2.6 million of the acquisition purchase price to definite-lived intangible assets.

Auditing management's allocation of the purchase price to the estimated fair value of the net assets acquired from AMG involved especially subjective and complex judgements due to the significant estimation required in determining the fair value of definite-lived intangible assets, including customer lists and relationships. 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.

*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 AMG included 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.

***/s/ Haskell & White LLP***
HASKELL & WHITE LLP

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

Irvine, California
March 29, 2023

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash | $ 7,642 | $ 2,587 |
| Accounts receivable, net | 17,085 | 12,302 |
| Inventory, net | 4,417 | 2,111 |
| Deferred costs | 2,729 | 1,998 |
| Prepaid expenses and other current assets | 399 | 336 |
| Total current assets | 32,272 | 19,334 |
| Operating lease assets | 2,681 | 329 |
| Property and equipment, net | 1,817 | 834 |
| Deferred costs, net of current portion | 2,868 | 1,492 |
| Deferred tax assets | 848 | 1,999 |
| Intangible assets, net | 4,531 | 3,564 |
| Goodwill | 10,499 | 8,128 |
| Other assets | 41 | 50 |
| Total assets | $ 55,557 | $ 35,730 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 19,755 | $ 10,273 |
| Accrued expenses and other current liabilities | 5,357 | 3,220 |
| Deferred revenue | 6,021 | 4,599 |
| Current portion of long-term debt | 3 | 3 |
| Current portion of operating lease liabilities | 529 | 257 |
| Total current liabilities | 31,665 | 18,352 |
| Deferred revenue, net of current portion | 4,331 | 2,510 |
| Long-term debt | 143 | 146 |
| Noncurrent portion of operating lease liabilities | 2,706 | 83 |
| Other liabilities | 130 | 381 |
| Total liabilities | 38,975 | 21,472 |
| 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; 7,416 and 7,007 shares issued and outstanding, respectively | 7 | 7 |
| Additional paid-in capital | 38,429 | 39,216 |
| Accumulated deficit | (21,854) | (24,965) |
| Total stockholders' equity | 16,582 | 14,258 |
| Total liabilities and stockholders' equity | $ 55,557 | $ 35,730 |

*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, 2022 | Year Ended December 31, 2021 |
|---|---|---|
| Net sales: | | |
| Product | $ 79,079 | $ 50,480 |
| Service | 18,336 | 15,463 |
| Net sales | 97,415 | 65,943 |
| Cost of sales: | | |
| Product | 62,214 | 39,943 |
| Service | 12,106 | 10,696 |
| Cost of sales | 74,320 | 50,639 |
| Gross profit | 23,095 | 15,304 |
| Operating expenses: | | |
| Sales and marketing expense | 9,218 | 7,354 |
| General and administrative expenses | 9,430 | 7,552 |
| Total operating expenses | 18,648 | 14,906 |
| Operating income | 4,447 | 398 |
| Interest expense | (56) | (79) |
| Gain on extinguishment of debt | — | 1,211 |
| Other expense | (15) | — |
| Income before income taxes | 4,376 | 1,530 |
| Income tax expense | (1,265) | (116) |
| Net income and comprehensive income attributable to common stockholders | $ 3,111 | $ 1,414 |
| Earnings per share attributable to stockholders: | | |
| Basic | $ 0.43 | $ 0.20 |
| Diluted | $ 0.41 | $ 0.19 |
| Weighted average common shares outstanding | | |
| Basic | 7,261 | 6,947 |
| Diluted | 7,562 | 7,593 |

*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, 2020** | 6,788 | $ 7 | $ 38,236 | $ (26,379) | 11,864 |
| Net income | — | — | — | 1,414 | 1,414 |
| Share-based compensation expense | — | — | 1,003 | — | 1,003 |
| Exercise of warrants | 152 | — | — | — | — |
| Exercise of stock options | 67 | — | (23) | — | (23) |
| **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 warrants | 98 | — | — | — | — |
| Cashless exercise of stock options | 232 | — | (1,518) | — | (1,518) |
| **Balance at December 31, 2022** | 7,416 | $ 7 | $ 38,429 | $ (21,854) | $ 16,582 |

*See Accompanying Notes to the Consolidated Financial Statements.*

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

| | Years Ended December 31, 2022 | Years Ended December 31, 2021 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ 3,111 | $ 1,414 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 2,465 | 1,387 |
| Amortization of deferred financing costs and note discount | - | 24 |
| Loss on fixed asset disposal | 22 | - |
| Share-based compensation expense | 577 | 1,003 |
| Acquisition earn-out adjustment | - | (187) |
| Gain on extinguishment of debt | - | (1,211) |
| Deferred income taxes, net | 254 | (26) |
| Provision for doubtful accounts | 249 | - |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (3,630) | 4,136 |
| Inventory, net | (2,177) | (1,227) |
| Deferred costs | (1,984) | 351 |
| Prepaid expenses and other current assets | (54) | (294) |
| Other assets, net | - | (28) |
| Accounts payable | 8,924 | (2,579) |
| Accrued expenses and other current liabilities | 914 | 278 |
| Due to related parties | - | (34) |
| Operating lease liabilities | 543 | (7) |
| Deferred revenue | 3,095 | (648) |
| Net cash provided by operating activities | 12,309 | 2,352 |
| **Cash flows from investing activities** | | |
| Purchases of property and equipment | (1,477) | (371) |
| Cash paid for acquisitions, net of cash acquired | (4,525) | (170) |
| Net cash used in investing activities | (6,002) | (541) |
| **Cash flows from financing activities** | | |
| Repayment of term debt | (3) | — |
| Line of credit, net | — | (1,206) |
| Taxes paid in lieu of shares issued for share-based compensation | (1,403) | (25) |
| Proceeds from exercise of stock options | 154 | 2 |
| Net cash used in financing activities | (1,252) | (1,229) |
| Change in cash | 5,055 | 582 |
| Cash, beginning of year | 2,587 | 2,005 |
| Cash, end of year | $ 7,642 | $ 2,587 |
| **Supplemental disclosures of cash flow information** | | |
| Cash paid for interest | $ 45 | $ 50 |
| Cash paid for income taxes | $ 1,065 | $ 365 |
| **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 June 2018, we acquired 100% of the outstanding stock of Royce Digital Systems, Inc. (“RDS”). RDS provides innovative enterprise print and mobile technologies, deployment services and on-site maintenance.

In December 2020, we acquired 100% of the issued and outstanding membership interests of ExtenData Solutions, LLC (“ExtenData”). ExtenData is focused on enterprise mobility solutions and provides software product development, mobile computing, identification and wireless tracking solutions.

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.

**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”), RDS, ExtenData and AMG. AMG was acquired on January 31, 2022, and as such, has been consolidated into our financial position and results of operations beginning February 1, 2022. All our identifiable assets are in the United States and all intercompany transactions have been eliminated in consolidation.

***Reverse Stock Split***

In December 2021, we effectuated a reverse stock split of our outstanding shares of common stock at a ratio of 1-for-2. See Note 11, *Stockholders’ Equity*, for additional information. As a result, the number of shares and income per share disclosed throughout these consolidated financial statements have been retrospectively adjusted to reflect the reverse stock split.

***COVID-19***

COVID-19 and the response to the pandemic have, at times, negatively impacted overall economic conditions (including contributing to supply chain disruptions, labor shortages and an inflationary economic environment). The potential future impacts of COVID-19, while uncertain, could materially adversely impact the Company’s results of operations.

***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.

***Accounts Receivable***

Accounts receivable are stated at net realizable value, and as such, earnings are charged with a provision for doubtful accounts based on our best estimate of the amount of probable credit losses in our existing accounts receivable. We determine an allowance based on historical write-off experience and specific account information available. Accounts receivable are reflected in the accompanying consolidated balance sheets net of a valuation allowance of $262,000 and $20,000 as of December 31, 2022 and 2021, respectively. When internal collection efforts on accounts have been exhausted, the accounts are written off by reducing the allowance for doubtful accounts and the related customer receivable.

***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 $42,000 and $59,000 as of December 31, 2022 and 2021, respectively.

***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***

We recognize a right-of-use asset and lease liability for all of our long-term leases at the commencement date. Lease liabilities are measured based on the present value of the minimum lease payments discounted at our incremental borrowing rate as of the date of commencement, which is determined based on information available at lease commencement and is equal to the rate of interest that we would have to pay to borrow on a collateralized basis over a similar term in an amount equal to the lease payments in a similar economic environment. Right-of-use assets are measured based on the lease liability adjusted for any initial direct costs, prepaid rent, or lease incentives. Operating lease costs are included within general and administrative expenses on the consolidated statements of income and comprehensive income.

***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, 2022 and 2021. 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 using an accelerated 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, 2022 and 2021.

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; and
- Estimated liabilities assumed from the target.

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

As of December 31, 2021, the total aggregate transaction price allocated to the unsatisfied performance obligations was approximately $7.1 million, of which approximately $4.6 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.

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, 2022 and December 31, 2021, we deferred $204,000 and $136,000, respectively, of related contract acquisition costs.

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

| | Year Ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Hardware and software | $ 71,774 | $ 44,355 |
| Consumables | 7,305 | 6,125 |
| Services | 18,336 | 15,463 |
| | $ 97,415 | $ 65,943 |

***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, 2022, we had approximately $6,741,000 on deposit in excess of the insurance limits. We have not experienced any such losses in these accounts.

In 2022, two customers accounted for approximately 17% and 11%, or $16.2 million and $8.3 million, of our net sales. No 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, 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.

In 2021, one customer accounted for approximately 14%, or $9.0 million, of our net sales. No other single customer in 2021 accounted for more than 10% of net sales. Accounts receivable from this one customer at December 31, 2021 accounted for 11% of total accounts receivable.

For the year ended December 31, 2021, we had purchases from two suppliers that collectively represented 61% of total purchases and 76% of accounts payable at December 31, 2021. 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, 2022 and 2021, 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, 2022 and 2021, we had no accrued interest or penalties.

***Accounting Standards Adopted***

On January 1, 2021, we adopted ASU 2020-10, "Codification Improvements". This ASU amended a variety of Topics, including presentation and disclosures of financial statements, interim reporting, accounting changes and error corrections. The adoption of this guidance did not have an impact on our consolidated financial statements.

On January 1, 2021, we adopted ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes,". ASU 2019-12 removed certain exceptions to the general principles in Topic 740 and clarifies and amends existing guidance to improve consistent application. The adoption of this guidance did not have an impact on our consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04 ("ASU 2020-04"), "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." ASU 2020-04 provides optional expedients and financial reporting and accounting exceptions for contracts, hedging accounting and other transactions that reference London Interbank Offered Rate ("LIBOR") and are expected to be discontinued because of reference rate reform and will not apply to contracts entered into after December 31, 2022. In January 2021, the FASB issued ASU 2021-01, which refines the scope of Topic 848 and clarifies some of its guidance as part of the FASB's monitoring of global reference rate activities. The new guidance was effective upon issuance, and we can elect to apply the amendments prospectively through December 31, 2022. The adoption of this guidance did not have an impact on our consolidated financial statements.

***Accounting Standards Not Yet Adopted***

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments". This ASU will require 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, defers 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.. Although management continues to analyze the provisions of this ASU, currently, we believe the adoption of this ASU will not significantly impact the Company's consolidated results of operations and financial position.

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**

*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, 2022, 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 |

*Other acquisition*

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

**Note 4: Intangible Assets**

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

| | December 31, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Gross Amount | Accumulated Amortization | Net Amount | Gross Amount | Accumulated Amortization | Net Amount |
| Customer lists and relationships | $ 7,940 | $ (3,850) | $ 4,090 | $ 5,690 | $ (2,453) | $ 3,237 |
| Trade names | 1,360 | (973) | 387 | 1,000 | (699) | 301 |
| Developed technology | 140 | (86) | 54 | 70 | (44) | 26 |
| Backlog | 340 | (340) | - | 60 | (60) | - |
| | $ 9,780 | $ (5,249) | $ 4,531 | $ 6,820 | $ (3,256) | $ 3,564 |

The range of useful lives and the weighted-average remaining useful life of amortizable intangible assets at December 31, 2022 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, | |
| 2023 | $ 1,395 |
| 2024 | 951 |
| 2025 | 647 |
| 2026 | 517 |
| 2027 | 446 |
| Thereafter | 575 |
| Total | $ 4,531 |

Amortization expense recognized during the years ended December 31, 2022 and 2021 was $2.0 million and $1.1 million, respectively. Amortization expense is calculated on an accelerated basis.

**Note 5: Net Income Per Share**

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

For periods 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, 2022 and 2021 (in thousands, except per share data):

| | 2022 | 2021 |
|---|---|---|
| Net income attributable to common stockholders | $ 3,111 | $ 1,414 |
| Weighted average basic shares outstanding | 7,261 | 6,947 |
| Dilutive effect of stock options and restricted stock | 301 | 646 |
| Weighted average shares for diluted earnings per share | 7,562 | 7,593 |
| Basic income per share | $ 0.43 | $ 0.20 |
| Diluted income per share | $ 0.41 | $ 0.19 |

**Note 6: Property and Equipment**

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

| | 2022 | 2021 |
|---|---|---|
| Software and computer equipment | $ 1,502 | $ 1,223 |
| Furniture and fixtures | 176 | 204 |
| Leasehold improvements | 643 | 109 |
| Equipment | 311 | 25 |
| Property and equipment, gross | 2,632 | 1,561 |
| Accumulated depreciation | (815) | (727) |
| Property and equipment, net | $ 1,817 | $ 834 |

Depreciation and amortization expense related to property and equipment during the years ended December 31, 2022 and 2021 was $0.5 million and $0.3 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):

| | 2022 | 2021 |
|---|---|---|
| Salaries and benefits | $ 2,743 | $ 2,182 |
| Accrued earn out obligation related to acquisitions | 829 | 188 |
| Sales tax payable | 1,016 | 366 |
| Professional fees | 188 | 305 |
| Vendor purchases | 44 | 66 |
| Customer deposits | 265 | 90 |
| Other | 272 | 23 |
| Total accrued expenses and other current liabilities | $ 5,357 | $ 3,220 |

**Note 8: Line of Credit**

On July 30, 2021, we entered into a Loan and Security Agreement (the "Loan Agreement") with MUFG Union Bank, National Association (the "Bank"). The Loan Agreement provides for a revolving line of credit of up to $9.0 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, 2024.

*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 London Interbank Offered Rate ("LIBOR") 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 on August 31, 2021 (7.50% at December 31, 2022). If the LIBOR rate is selected, the interest rate on the loans adjusts at the end of each LIBOR rate period (1, 2, 3, 6, or 12 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. 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 $9.0 million. The Loan Agreement requires a commitment fee of 0.25% per year, payable quarterly and in arrears, on any unused portion of the line of credit.

*Covenants*

Under the Loan Agreement, we are subject to a variety of customary affirmative and negative covenants, including that we (i) achieve a net profit of not less than $1.0 million at the end of each fiscal year, (ii) maintain a ratio of total debt to EBITDA of not greater than 3.0:1.0 measured at the end of each quarter, and (iii) not realize a net loss for more than two consecutive quarters. 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, 2022, we were in compliance with all of our covenants, were eligible to borrow up to $9.0 million, and had no outstanding borrowings under the line of credit.

**Note 9: Term Debt**

The following table sets forth our outstanding term debt as of December 31 (in thousands):

| | Maturity Date | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| EIDL promissory note | August 27, 2051 | $ 146 | $ 149 |
| Total term debt | | $ 146 | $ 149 |

On August 27, 2020, we received $150,000 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.

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

| | |
|---|---|
| 2023 | $ 3 |
| 2024 | 3 |
| 2025 | 4 |
| 2026 | 4 |
| 2027 | 4 |
| Thereafter | 128 |
| Total minimum payments | $ 146 |

**Note 10: Income Taxes**

The provision for income taxes for the years ended December 31, 2022 and 2021 is as follows (in thousands):

| | 2022 | 2021 |
|---|---|---|
| Current: | | |
| Federal | $ 910 | $ 7 |
| State | 101 | 135 |
| | 1,011 | 142 |
| Deferred: | | |
| Federal | (39) | 70 |
| State | 293 | (96) |
| | 254 | (26) |
| Valuation allowance | — | — |
| Total income tax expense | $ 1,265 | $ 116 |

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

| | 2022 | 2021 |
|---|---|---|
| Allowance for doubtful accounts | $ 68 | $ 5 |
| Inventory reserve and uniform capitalization | 57 | 38 |
| Accrued expenses and other liabilities | 269 | 40 |
| Deferred revenue | 46 | 72 |
| Other assets | 41 | 338 |
| Property and equipment | (364) | (158) |
| Intangibles | (150) | 201 |
| Goodwill | (121) | (114) |
| Net operating loss carryforwards | 1,002 | 1,577 |
| Total deferred tax assets | 848 | 1,999 |
| Valuation allowance | — | — |
| **Net deferred tax assets after valuation allowance** | $ 848 | $ 1,999 |

A reconciliation of the United States statutory income tax rate to the effective income tax rate for the years ended December 31, 2022 and 2021 is as follows (in thousands):

| | 2022 | 2021 |
|---|---|---|
| Federal taxes at statutory rate | $ 919 | $ 321 |
| State and local income taxes | 295 | 26 |
| Permanent differences | 51 | (231) |
| Valuation allowance | — | — |
| Provision for income taxes | $ 1,265 | $ 116 |
| Effective tax rate | 28.9% | 7.6% |

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, 2022, 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, 2022, we had federal net operating loss carryforwards of approximately $4.8 million. As of December 31, 2021, we had federal and state net operating loss carryforwards of approximately $6.0 million and $5.1 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 2019 through 2021 and for various state authorities for the years 2018 through 2021, 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, 2022, 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.

*Reverse Stock Split*

On December 13, 2021, DecisionPoint filed a Certificate of Amendment to the Amended and Restated Certificate of Incorporation (the "Certificate of Amendment") with the Secretary of State of Delaware to effect a 1-for-2 reverse stock split of the outstanding shares of the Company's common stock, par value $0.001 per share (the "Common Stock") that were outstanding at the time the Certificate of Amendment was filed (the "Reverse Stock Split").

As a result of the Reverse Stock Split, every two shares of issued and outstanding Common Stock were automatically combined into one issued and outstanding share of Common Stock, without any change in the par value per share. No fractional shares were issued as a result of the Reverse Stock Split. Any fractional shares that would otherwise have resulted from the Reverse Stock Split were rounded up to the next whole number. The Reverse Stock Split reduced the number of shares of Common Stock outstanding however, the number of authorized shares of Common Stock under the Certificate of Incorporation remained unchanged at 50 million shares.

Proportionate adjustments were made to the per share exercise price and the number of shares of Common Stock that may be purchased upon exercise of outstanding stock options granted by the Company, and the number of shares of Common Stock reserved for future issuance under the Company's 2014 Equity Incentive Plan.

*Preferred Stock*

At December 31, 2022 and 2021, there were no shares of preferred stock outstanding.

*Common Stock*

At December 31, 2022 and 2021, there were 7,416,071 and 7,007,454 shares of common stock outstanding, respectively.

*Warrants*

The following table summarizes information about our outstanding common stock warrants as of December 31, 2022:

| | Date | | Strike Price | Total Warrants Outstanding and Exercisable | Total Exercise Price (in thousands) | Weighted Average Exercise Price |
|---|---|---|---|---|---|---|
| | Issued | Expiration | | | | |
| Warrants - Common Stock | Jun-18 | Jun-23 | $ 1.00 | 207,665 | $ 208 | |
| Warrants - Common Stock | Oct-18 | Oct-23 | 1.40 | 21,000 | 29 | |
| | | | | 228,665 | $ 237 | $ 1.04 |

In February 2021, the common stock warrants issued by the Company in September 2016 were fully exercised by all of the holders on a cashless basis. As a result of the cashless exercise, 151,504 shares of common stock were issued.

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.

**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 under the 2014 Plan (as adjusted for the Reverse Stock Split).

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, 2022:

| | Stock Options | Grant Date Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (in years) | Aggregate Intrinsic Value ($ in thousands) |
|---|---|---|---|---|
| Outstanding at December 31, 2021 | 1,002,750 | $ 3.00 | | |
| Granted | 229,750 | 5.57 | | |
| Exercised | (675,626) | 3.29 | | |
| Forfeited | (97,917) | 2.01 | | |
| Outstanding at December 31, 2022 | 458,957 | $ 4.08 | | $ 1,902,337 |
| Exercisable at December 31, 2022 | 291,978 | $ 4.21 | | $ 1,565,437 |

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:

| | 2022 | 2021 |
|---|---|---|
| Weighted average grant-date fair value per option granted | $ 3.13 | $ 1.58 |
| Expected option term | 2.5 years | 3.0 years |
| Expected volatility factor | 83.0% | 66.0% |
| Risk-free interest rate | 4.27% | 0.49% |
| 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, 2022, there was $235,177 of total unrecognized share-based compensation related to unvested stock options. These costs have a weighted average remaining recognition period of 1.6 years.

During the year ended December 31, 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:

| Options exercised | Weighted Average Exercise Price | Shares Net Settled for Exercise | Shares Withheld for Taxes | Net Shares Issued | Weighted Average Share Price | Employee Share-Based Tax Withholding |
|---|---|---|---|---|---|---|
| 596,668 | $ 3.46 | 210,117 | 154,320 | 232,231 | $ 9.84 | $ 1,517,823 |

(1) Shares withheld for employee taxes of 154,320 represents the equivalent shares for employee tax withholding of $1.5 million. 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, 2022, we have four operating leases for office and warehouse space and one financing lease.

We have an operating lease for office and warehouse space in Irvine, California with fixed minimum monthly payments of $39,778 per month which will increase 3% annually. The lease expires on April 30, 2029. In connection with the new lease agreement, we entered into a sublease agreement for the Laguna Hills office and warehouse location, and we will receive $24,254 per month commencing in February 2022 with a sublease expiration of October 31, 2023.

We also have operating leases for office space in Delray Beach, Florida, Southbury, Connecticut, and Doylestown, Pennsylvania with various fixed minimum monthly payments totaling $5,840, lease expirations thru March 2024 and incremental borrowing rates of 4.75%. These leases represent $0.1 million of the estimated future payments under operating leases shown in the table below.

The maturity of operating lease liabilities as of December 31, 2022 are as follows (in thousands):

| | |
|---|---|
| 2023 | $ 659 |
| 2024 | 608 |
| 2025 | 598 |
| 2026 | 536 |
| 2027 | 552 |
| Thereafter | 759 |
| Total minimum lease payments | 3,711 |
| Less: interest | (476) |
| Present value of operating lease liabilities | $ 3,235 |

During the year ended December 31, 2022, cash paid for amounts included in the measurement of operating lease liabilities was $0.4 million.

*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 2022 and 2021, 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, 2022 and 2021, we contributed $255,000 and $201,000, 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.

**Note 14: Subsequent Event**

Effective March 27, 2023, we entered into an amendment letter ("Amendment") with MUFG Union Bank, National Association (the "Bank") that served to amend certain terms of the Business Loan Agreement dated July 30, 2021, between the parties (the "Loan Agreement"). In connection with entering into the Amendment, the revolving line of credit available to us was increased from $9.0 million to $10.0 million. The Amendment also served to modify certain covenants in the original agreement.

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

## 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, 2022. 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, 2022, 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, 2022. 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, 2022, 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 year ended December 31, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

Effective March 27, 2023, the Company and MUFG Union Bank, National Association (the “Bank”) entered into an amendment letter (the “Amendment”) that served to amend certain terms of the Business Loan Agreement dated July 30, 2021 between the parties (the “Loan Agreement”). In connection with entering into the Amendment, the revolving line of credit available to the Company under the Loan Agreement was increased from $9.0 million to $10.0 million. The Amendment also served to remove the covenants in the Loan Agreement that previously required the Company to maintain a ratio of total debt to EBITDA of not greater than 3.0:1.0 measured at the end of each quarter and not realize a net loss for more than two consecutive quarters. The Amendment added a new covenant that requires the Company to maintain a fixed coverage ratio (as defined in the Amendment) of not less than 1.35: 1.00 to be measured as of the end of each fiscal quarter, and also, added an obligation on the Company to prepare and deliver pro forma financial information in the event the Company effects acquisitions having a purchase price of $1.5 million or greater.

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

**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

None.

## PART III

## ITEMS 10-14

The information required by these Items will be included in our 2023 Proxy Statement or an amendment to this Annual Report to be filed with the SEC within 120 days after December 31, 2022, and is incorporated herein by reference.

**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 |
|---|---|
| 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 | Form of Warrant (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-1 filed on August 13, 2020) |
| 4.3 | 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 | Employment Agreement between DecisionPoint Systems, Inc. and Steve Smith dated April 11, 2016 (incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-1 filed on August 13, 2020) |
| 10.2 | Amended Employment Agreement between DecisionPoint Systems, Inc. and Steven Smith effective March 25, 2019 (incorporated by reference to Exhibit 10.2 to the Registration Statement on Form S-1 filed on August 13, 2020) |
| 10.3 | Second Amended Employment Agreement between DecisionPoint Systems, Inc. and Steve Smith (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on November 9, 2021) |
| 10.4 | Restricted Stock Agreement between the DecisionPoint Systems, Inc. and Steven Smith dated March 25, 2019 (incorporated by reference to Exhibit 10.3 to the Registration Statement on Form S-1 filed on August 13, 2020) |
| 10.5 | 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) |
| 10.6 | 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) |

| Exhibit Number | Description |
|---|---|
| 10.7 | 2014 Equity Incentive Plan (incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-8 filed on July 8, 2021) |
| 10.8 | Form of Award Agreement to 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to the Registration Statement on Form S-1 filed on August 13, 2020) |
| 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 |
| 10.15* | Commercial Promissory Note ($10.0 million), dated March 27, 2023, by and among DecisionPoint Systems, Inc. and MUFG Union Bank, National Association |
| 10.16* | Commercial Promissory Note ($5.0 million), dated March 27, 2023, 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 |
| 24.1* | Power of Attorney (included on the signature page to this report) |
| 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 |
| 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

**ITEM 16. FORM 10-K SUMMARY.**

None.

## SIGNATURES

Under the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report was signed on behalf of the Registrant by the authorized person named below.

**DECISIONPOINT SYSTEMS, INC.**

Dated: March 29, 2023

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

Dated: March 29, 2023

By: /s/ Melinda Wohl
Name: Melinda Wohl
Title: Vice President Finance and Administration (Principal Financial Officer and Principal Accounting Officer)

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ Steve Smith<br>Steve Smith | Chief Executive Officer<br>(Principal Executive Officer) and Director | March 29, 2023 |
| /s/ Stanley P. Jaworski<br>Stanley P. Jaworski | Director | March 29, 2023 |
| /s/ Richard Bravman<br>Richard Bravman | Director | March 29, 2023 |
| /s/ Michael N. Taglich<br>Michael N. Taglich | Director | March 29, 2023 |
| /s/ John Guttilla<br>John Guttilla | Director | March 29, 2023 |
| /s/ William M. Cooke<br>William M. Cooke | Director | March 29, 2023 |

**Exhibit 10.14**

UnionBank

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

**AMENDMENT LETTER**

March 27, 2023

DecisionPoint Systems, Inc.
23456 S. Pointe Dr, Suite #A
Laguna Hills, CA 92653

Obligor No. 1912083539

Re: Second 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:

**1. Amendments to the Existing Agreement.**

**(a)** Section 4.1 of the Existing Agreement is hereby amended by adding Section 4.1 (d) as follows:

Fixed Charge Coverage Ratio not less than 1.35:1.00 to be measured as of the end of each fiscal quarter. As used herein, the term “Fixed Charge Coverage Ratio” Shall mean EBITDA less Taxes less Maintenance Capex less Distributio to sum of that portion of term obligations (including principal and interest) which came due during the twelve (12) months immediately preceding the date of calculation;

**(b)** Section 4 of the Existing Agreement is hereby amended by adding Section 4.18 asf ollows:

Should the Loan be used for a potential acquisition and the purchase price is over One Million Five Hundread Thousand Dollars ($1,500,000), the borrower must submit a pro-forma statement in advance showing compliance and overall satisfactory metrics post acquisition;

**(c)** Section 4.1 (b) of the Existing Agreement is hereby deleted in its entirety and replaced with “Intentionally Omitted”.

**(d)** Section 4.1 (c) of the Existing Agreement is hereby deleted in its entirety and replaced with “Intentionally Omitted”.

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 and the following executed documents and fee.

- $10,000,000 Promissory Note
- $10,000,000 Authorization to Disburse
- $5,000,000 Promissory Note
- $5,000,000 Authorization to Disburse
- $10,000 Loan Fee

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 Calfornia. 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: ______________________________
Name: Paul A. O’Mara
Title: Managing Director

Agreed to and Accepted:
**DECISIONPOINT SYSTEMS, INC.,** a Delaware corporation

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

UnionBank

**COMMERCIAL PROMISSORY NOTE**
**(BASE RATE)**

| Debtor Name<br>DecisionPoint Systems, Inc., a Delaware corporation | | |
|---|---|---|
| Debtor Address<br>23456 S. Pointe Dr, Suite #A<br>Laguna Hills, CA 92653 | Office<br>45064 | Loan Number<br>191-208-353-9 |
| | Maturity Date<br>July 31, 2026 | Amount<br>$ 10,000,000.00 |

Date March 27, 2023 $10,000,000.00

FOR VALUE RECEIVED, on July 31, 2026, the undersigned ("Debtor") promises to pay to the order of MUFG Union Bank, N.A. ("Bank"), as indicated below, the principal sum of Ten million and 00/100ths Dollars ($10,000,000.00), or so much thereof as is disbursed, together with interest on the balance of such principal from time to time outstanding, at the per annum rate or rates and at the times set forth below.

**1. INTEREST PAYMENTS.** Debtor shall pay interest on the last day of each month commencing April 30, 2023. Should interest not be paid when due, it shall become part of the principal and bear interest as herein provided. All computations of interest under this note shall be made on the basis of a year of 360 days, for actual days elapsed. Whenever any payment required hereunder falls due on a day other than a Business Day, such payment shall be made on the first succeeding Business Day.

**a. BASE INTEREST RATE.** At Debtor's option, amounts outstanding hereunder in minimum amounts of $150,000 shall bear interest at a rate, based on an index selected by Debtor, which is 2.5% per annum in excess of Term SOFR for the Interest Period selected by Debtor, to the extent that the length of such Interest Period is acceptable to Bank. Notwithstanding the foregoing, if an Interest Rate Hedge is outstanding, then Debtor shall be deemed to have selected Term SOFR with an Interest Period selected by Debtor.

No Base Interest Rate may be changed, altered or otherwise modified until the expiration of the Interest Period selected by Debtor. The exercise of interest rate options by Debtor shall be as recorded in Bank's records, which records shall be prima facie evidence of the amount borrowed under either interest option and the interest rate; provided, however, that failure of Bank to make any such notation in its records shall not discharge Debtor from its obligations to repay in full with interest all amounts borrowed. In no event shall any Interest Period extend beyond the maturity date of this note.

To exercise this option, Debtor may, from time to time with respect to principal outstanding on which a Base Interest Rate is not accruing, and on the expiration of any Interest Period with respect to principal outstanding on which a Base Interest Rate has been accruing, select an index offered by Bank for a Base Interest Rate Loan and an Interest Period by telephoning an authorized lending officer of Bank located at the banking office identified below prior to 10:00 a.m., Pacific time, on any Business Day and advising that officer of the selected index, the Interest Period and the Origination Date selected (which Origination Date, for a Base Interest Rate Loan based on Term SOFR, shall follow the date of such selection by three (3) USGSBDs.

Bank will mail a written confirmation of the terms of the selection to Debtor promptly after the selection is made. Failure to send such confirmation shall not affect Bank's rights to collect interest at the rate selected. If, on the date of the selection, the index selected is unavailable for any reason, the selection shall be void. Bank reserves the right to fund the principal from any source of funds notwithstanding any Base Interest Rate selected by Debtor.

**b. VARIABLE INTEREST RATE.** All principal outstanding hereunder which is not bearing interest at a Base Interest Rate shall bear interest at the Reference Rate, which rate shall vary as and when the Reference Rate changes.

Subject to the provisions set forth in Exhibit A, if any interest rate defined in this note ceases to be available from Bank for any reason, then said interest rate shall be replaced by the rate (together with any spread adjustment, if applicable) selected by Bank in its sole discretion (the "Replacement Rate").

Subject to the provisions set forth in Exhibit A, notwithstanding anything contained in this note, if Bank determines that adequate and reasonable means do not exist for ascertaining Term SOFR or Term SOFR does not adequately and fairly reflect the cost to Bank of funding a loan, then Bank shall give Debtor notice thereof, and Bank shall be under no obligation to maintain the relevant loan as a Term SOFR based loan, and the relevant loan shall be continued bearing interest at the Replacement Rate (plus any applicable margin or spread as set forth in this note) and payable at the end of each calendar month or as otherwise may be agreed by Bank and Debtor. Bank will have the right to make any changes ("Term SOFR Conforming Changes") to the note that Bank decides may be appropriate to reflect the use and administration Term SOFR by Bank from time to time and any amendments implementing such Term SOFR Conforming Changes will become effective without any further action or consent of Debtor.

The provisions set forth in Exhibit A attached hereto are made a part hereof and shall apply to this note.

At any time prior to the maturity date of this note, subject to the provisions of paragraph 4 below, Debtor may borrow, repay and reborrow hereunder so long as the total outstanding at any one time does not exceed the principal amount of this note.

Debtor shall pay all amounts due under this note in lawful money of the United States at Bank's P.O. Box 30115, Los Angeles, CA 90030-0115 Office, or such other office as may be designated by Bank, from time to time.

**2. LATE PAYMENTS.** If any payment required by the terms of this note shall remain unpaid ten days after same is due, at the option of Bank, Debtor shall pay a fee of $100 to Bank.

**3. INTEREST RATE FOLLOWING DEFAULT.** In the event of default, at the option of Bank, and, to the extent permitted by law, interest shall be payable on the outstanding principal under this note at a per annum rate equal to five percent (5%) in excess of the interest rate specified in paragraph 1.b, above, calculated from the date of default until all amounts payable under this note are paid in full.

**4. PREPAYMENT.**

**a.** Amounts outstanding under this note bearing interest at a rate based on the Reference Rate may be prepaid in whole or in part at any time, without penalty or premium. Debtor may prepay amounts outstanding under this note bearing interest at a Base Interest Rate in whole or in part provided Debtor has given Bank not less than five (5) Business Days prior written notice of Debtor's intention to make such prepayment and pays to Bank the prepayment fee due as a result. The prepayment fee shall also be paid, if Bank, for any other reason, including acceleration or foreclosure, receives all or any portion of principal bearing interest at a Base Interest Rate prior to its scheduled payment date. The prepayment fee shall be an amount equal to the present value of the product of: (i) the difference (but not less than zero) between (a) the Base Interest Rate applicable to the principal amount which is being prepaid, and (b) the return which Bank could obtain if it used the amount of such prepayment of principal to purchase at bid price regularly quoted securities issued by the United States having a maturity date most closely coinciding with the relevant Base Rate Maturity Date and such securities were held by Bank until the relevant Base Rate Maturity Date ("Yield Rate"); (ii) a fraction, the numerator of which is the number of days in the period between the date of prepayment and the relevant Base Rate Maturity Date and the denominator of which is 360; and (iii) the amount of the principal so prepaid (except in the event that principal payments are required and have been made as scheduled under the terms of the Base Interest Rate Loan being prepaid, then an amount equal to the lesser of (A) the amount prepaid or (B) 50% of the sum of (1) the amount prepaid and (2) the amount of principal scheduled under the terms of the Base Interest Rate Loan being prepaid to be outstanding at the relevant Base Rate Maturity Date). Present value under this note is determined by discounting the above product to present value using the Yield Rate as the annual discount factor.

**b.** In no event shall Bank be obligated to make any payment or refund to Debtor, nor shall Debtor be entitled to any setoff or other claim against Bank, should the return which Bank could obtain under this prepayment formula exceed the interest that Bank would have received if no prepayment had occurred. All prepayments shall include payment of accrued interest on the principal amount so prepaid and shall be applied to payment of interest before application to principal. A determination by Bank as to the prepayment fee amount, if any, shall be conclusive.

**c.** Bank shall provide Debtor a statement of the amount payable on account of prepayment. Debtor acknowledges that (i) Bank establishes a Base Interest Rate upon the understanding that it will apply to the Base Interest Rate Loan for the entire Interest Period, and (ii) Bank would not lend to Debtor without Debtor's express agreement to pay Bank the prepayment fee described above.

**d.** If Debtor has entered into an Interest Rate Hedge, Debtor acknowledges and agrees that (i) Bank (or its affiliate) has the right, but not the obligation, under the Swap Documents (defined below) governing such Interest Rate Hedge, to compel an early termination, in full or in part, of such Interest Rate Hedge as a result of any unscheduled prepayment under this note, (ii) any such early termination may result in payment obligations (which may be substantial in amount) being owed by Debtor to Bank (or any affiliate of Bank) as early termination, close-out or settlement amounts, which amounts shall be determined in accordance with the Swap Documents governing such Interest Rate Hedge and shall be in addition to any prepayment fee and other charges specified herein, and (iii) if such full or partial early termination of the Interest Rate Hedge results in an amount owing by Bank or its affiliate to Debtor, then Bank may in its discretion apply such amount to prepayment of principal hereunder, together with accrued interest on such principal and any resulting prepayment fee. Debtor further acknowledges and agrees that neither Bank nor any of its affiliates is under any obligation to enter into Interest Rate Hedges with Debtor and that such Interest Rate Hedges will be governed by documentation separate from this note.

**Debtor Initials Here:** ________ ________ ________ ________ ________ ________

**5. DEFAULT AND ACCELERATION OF TIME FOR PAYMENT.** Default shall include, but not be limited to, any of the following: (a) the failure of Debtor to make any payment required under this note when due; (b) any breach, misrepresentation or other default by Debtor, any guarantor, co-maker, endorser, or any person or entity other than Debtor providing security for this note (hereinafter individually and collectively referred to as the "Obligor") under any security agreement, guaranty or other agreement between Bank and any Obligor, together with and including any document or agreement evidencing or governing any Interest Rate Hedge, or any other swap, option, forward or similar transaction entered into between Debtor and Bank or any affiliate of Bank ("Swap Document"); (c) the insolvency of any Obligor or the failure of any Obligor generally to pay such Obligor's debts as such debts become due; (d) the commencement as to any Obligor of any voluntary or involuntary proceeding under any laws relating to bankruptcy, insolvency, reorganization, arrangement, debt adjustment or debtor relief; (e) the assignment by any Obligor for the benefit of such Obligor's creditors; (f) the appointment, or commencement of any proceeding for the appointment of a receiver, trustee, custodian or similar official for all or substantially all of any Obligor's property; (g) the commencement of any proceeding for the dissolution or liquidation of any Obligor; (h) the termination of existence or death of any Obligor; (i) the revocation of any guaranty or subordination agreement given in connection with this note; (j) the failure of any Obligor to comply with any order, judgement, injunction, decree, writ or demand of any court or other public authority; (k) the filing or recording against any Obligor, or the property of any Obligor, of any notice of levy, notice to withhold, or other legal process for taxes other than property taxes; (l) the default by any Obligor personally liable for amounts owed hereunder on any obligation concerning the borrowing of money; (m) the issuance against any Obligor, or the property of any Obligor, of any writ of attachment, execution, or other judicial lien; or (n) the deterioration of the financial condition of any Obligor which results in Bank deeming itself, in good faith, insecure. Upon the occurrence of any such default, Bank, in its discretion, may cease to advance funds hereunder and may declare all obligations under this note immediately due and payable; however, upon the occurrence of an event of default under d, e, f, or g, all principal and interest hereunder shall automatically become immediately due and payable.

**6. ADDITIONAL AGREEMENTS OF DEBTOR.** If any amounts owing under this note are not paid when due, Debtor promises to pay all costs and expenses, including reasonable attorneys' fees, (including the allocated costs of Bank's in-house counsel and legal staff) incurred by Bank in the negotiation, documentation and modification of this note and all related documents and in the collection or enforcement of any amount outstanding hereunder. Debtor and any Obligor, for the maximum period of time and the full extent permitted by law, (a) waive diligence, presentment, demand, notice of nonpayment, protest, notice of protest, and notice of every kind; (b) waive the right to assert the defense of any statute of limitations to any debt or obligation hereunder; and (c) consent to renewals and extensions of time for the payment of any amounts due under this note. If this note is signed by more than one party, the term "Debtor" includes each of the undersigned and any successors in interest thereof; all of whose liability shall be joint and several. Any married person who signs this note agrees that recourse may be had against the separate property of that person for any obligations hereunder. The receipt of any check or other item of payment by Bank, at its option, shall not be considered a payment on account until such check or other item of payment is honored when presented for payment at the drawee bank. Bank may delay the credit of such payment based upon Bank's schedule of funds availability, and interest under this note shall accrue until the funds are deemed collected. In any action brought under or arising out of this note, Debtor and any Obligor, including their successors and assigns, hereby consent to the jurisdiction of any competent court within the State of California, as provided in any alternative dispute resolution agreement executed between Debtor and Bank, and consent to service of process by any means authorized by said state's law. The term "Bank" includes, without limitation, any holder of this note. This note shall be construed in accordance with and governed by the laws of the State of California. This note hereby incorporates any alternative dispute resolution agreement previously, concurrently or hereafter executed between Debtor and Bank, other than any such provision contained in a Swap Document.

**7. DEFINITIONS.** As used herein, the following terms shall have the meanings respectively set forth below (and any capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms on Exhibit A):

**"Base Interest Rate"** means a rate of interest based on Term SOFR.

**"Base Interest Rate Loan"** means amounts outstanding under this note that bear interest at a Base Interest Rate.

**"Base Rate Maturity Date"** means the last day of the Interest Period with respect to principal outstanding under a Base Interest Rate Loan.

**"Business Day"** means a day on which Bank is open for business for the funding of corporate loans.

**"Floor"** means a per annum rate of interest equal to 0%.

**"Interest Period"** means with respect to funds bearing interest at a rate based on Term SOFR, any 1, 3, or 6 months; provided, that any such tenor shall not be available to the extent that Bank has deemed such tenor to be unavailable, undeterminable or non-representative. In determining an Interest Period, a month means a period that starts on one Business Day in a month and ends on and includes the day preceding the numerically corresponding day in the next month. For any month in which there is no such numerically corresponding day, then as to that month, such day shall be deemed to be the last calendar day of such month. Any Interest Period which would otherwise end on a non-Business Day shall end on the next succeeding Business Day unless that day falls in a new calendar month, in which event such Interest Period shall end on the next preceding Business Day.

**"Interest Rate Hedge"** means any interest rate swap, forward swap or swaption, or interest rate cap or collar transaction now or hereafter entered into between Debtor and Bank or any affiliate of Bank for purposes of hedging or mitigating, fully or partially, interest rate risk under this note.

**"Origination Date"** means the first day of the Interest Period.

**"Reference Rate"** means the rate announced by Bank from time to time at its corporate headquarters as its Reference Rate. The Reference Rate is an index rate determined by Bank from time to time as a means of pricing certain extensions of credit and is neither directly tied to any external rate of interest or index nor necessarily the lowest rate of interest charged by Bank at any given time.

**"SOFR"** means a rate per annum equal to the secured overnight financing rate as administered by the SOFR Administrator.

**"SOFR Administrator"** means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

**"Term SOFR"** means the Term SOFR Reference Rate for a tenor comparable to the applicable Interest Period on the day (such day, the "Term SOFR Determination Day") that is two (2) USGSBDs prior to the first day of such Interest Period, as such rate is published by the Term SOFR Administrator; provided, however, that (x) if as of 5:00 p.m. (New York City time) on any Term SOFR Determination Day the Term SOFR Reference Rate for the applicable tenor has not been published by the Term SOFR Administrator, then Term SOFR will be the Term SOFR Reference Rate for such tenor as published by the Term SOFR Administrator on the first preceding USGSBD for which such Term SOFR Reference Rate for such tenor was published by the Term SOFR Administrator so long as such first preceding USGSBD is not more than three (3) USGSBDs prior to such Term SOFR Determination Day and (y) if Term SOFR determined as provided above (including pursuant to clause (x) of this proviso) shall ever be less than the Floor, then Term SOFR shall be deemed to be the Floor.

**"Term SOFR Administrator"** means CME Group Benchmark Administration Limited (CBA) (or a successor administrator of the Term SOFR Reference Rate selected by Bank in its reasonable discretion).

**"Term SOFR Determination Day"** shall have the meaning ascribed to such term in the definition of "Term SOFR".

**"Term SOFR Reference Rate"** means the forward-looking term rate based on SOFR.

**"USGSBD"** means any day except for (i) a Saturday, (ii) a Sunday or (iii) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

**8. COUNTERPARTS/ELECTRONIC SIGNATURES.** 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.

**DEBTOR:**

DecisionPoint Systems, Inc., a Delaware corporation

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

<u>**Exhibit A**</u>

**BENCHMARK REPLACEMENT SETTING**

The following provisions of this Exhibit A (this "Exhibit") shall be effective notwithstanding anything to the contrary in the note to which this Exhibit is attached (the "Note") or in any other document related to the Note (and any Swap Document shall be deemed not to be a document related to the Note for purposes of this Exhibit). Capitalized terms used in this Exhibit A and not otherwise defined herein shall have the meanings ascribed to such terms in the Note.

(a) **BENCHMARK REPLACEMENT**. Upon the occurrence of a Benchmark Transition Event, Bank may amend this Note to replace the then-current Benchmark with a Benchmark Replacement. Any such amendment with respect to a Benchmark Transition Event will become effective at 5:00 p.m. (New York City time) on the fifth ($5^{th}$) Business Day after Bank has posted such proposed amendment to Debtor. Bank will have the right to make any changes ("Benchmark Replacement Conforming Changes") to the Note that Bank decides may be appropriate to reflect the adoption and implementation of any such Benchmark Replacement and to permit the administration thereof by Bank from time to time and any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of Debtor.

(b) **STANDARDS**. Any determination, decision or election that may be made by Bank pursuant to this Exhibit, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding absent manifest error and may be made in Bank's sole discretion and without consent from Debtor. Bank does not warrant or accept responsibility for, and shall not have any liability to Debtor under the Note or otherwise for, any loss, damage or claim arising from or relating to (i) the continuation of, administration of, submission of, calculation of or any other matter related to the Benchmark, any component definition thereof or rates referenced in the definition thereof or any alternative, successor or replacement rate thereto (including any Benchmark Replacement), including whether the composition or characteristics of any such alternative, successor or replacement rate (including any Benchmark Replacement) will be similar to, or produce the same value or economic equivalence of, or have the same volume or liquidity as, the Benchmark or any other Benchmark prior to its discontinuance or unavailability, (ii) the effect or implementation of any Benchmark Replacement Conforming Changes or Term SOFR Conforming Changes or (iii) any mismatch between the Benchmark or the Benchmark Replacement and any of Debtor's other financing instruments (including those that are intended as hedges).

(c) **CERTAIN DEFINED TERMS**. As used in this Exhibit:

**"Available Tenor"** means, as of any date of determination and with respect to the then-current Benchmark, as applicable, (a) if such Benchmark is a term rate, any tenor for such Benchmark that is or may be used for determining the length of an interest period pursuant to the Note or (b) otherwise, any payment period for interest calculated with reference to such Benchmark that is or may be used for determining any frequency of making payments of interest calculated with reference to such Benchmark, in each case, as of such date.

**"Benchmark"** means, initially, the Term SOFR Reference Rate; <u>provided</u> that if a Benchmark Transition Event has occurred with respect to the Term SOFR Reference Rate or the then-current Benchmark, then "Benchmark" shall mean the applicable Benchmark Replacement to the extent that such Benchmark Replacement has become effective pursuant to this Exhibit.

**"Benchmark Replacement"** means, with respect to any Benchmark Transition Event, the sum of: (a) the alternate benchmark rate that has been selected by Bank as the replacement for the then-current Benchmark and (b) the related Benchmark Replacement Adjustment; <u>provided</u> that, in each case, if such Benchmark Replacement as so determined would be less than zero or such other floor as set forth in the Note, such Benchmark Replacement will be deemed to be zero or such other floor as set forth in the Note for the purposes of the Note and the other loan documents related thereto.

**"Benchmark Replacement Adjustment"** means, with respect to any replacement of the then-current Benchmark with an Unadjusted Benchmark Replacement, the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by Bank.

**"Benchmark Transition Event"** means, with respect to the then-current Benchmark, a public statement or publication of information: (a) by or on behalf of the administrator of such Benchmark announcing that such administrator has ceased or will cease to provide such Benchmark, or, if such Benchmark is a term rate, all Available Tenors of such Benchmark, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide such Benchmark or such Available Tenors, (b) by the regulatory supervisor for the administrator of such Benchmark, the Board of Governors of the Federal Reserve System, the Federal Reserve Bank of New York, an insolvency official with jurisdiction over the administrator for such Benchmark, a resolution authority with jurisdiction over the administrator for such Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark, which states that the administrator of such Benchmark has ceased or will cease to provide such Benchmark, or, if such Benchmark is a term rate, all Available Tenors of such Benchmark, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide such Benchmark or such Available Tenors, or (c) by or on behalf of the regulatory supervisor for the administrator of such Benchmark announcing that such Benchmark is, or, if such Benchmark is a term rate, all Available Tenors of such Benchmark are, not, or as a specified future date will not be, representative.

**"Unadjusted Benchmark Replacement"** means the applicable Benchmark Replacement excluding the related Benchmark Replacement Adjustment.

**Exhibit 10.16**

**COMMERCIAL PROMISSORY NOTE**
**(BASE RATE)**

| Debtor Name<br>DecisionPoint Systems, Inc., a Delaware corporation | | |
|---|---|---|
| Debtor Address<br>23456 S. Pointe Dr, Suite #A<br>Laguna Hills, CA 92653 | Office<br>45064 | Loan Number<br>191-208-353-9 |
| | Maturity Date<br>March 31, 2028 | Amount<br>$ 5,000,000.00 |

Date March 27, 2023 $5,000,000.00

FOR VALUE RECEIVED, on March 31, 2028, the undersigned ("Debtor") promises to pay to the order of MUFG Union Bank, N.A. ("Bank"), as indicated below, the principal sum of Five Million and 00/100ths Dollars ($5,000,000.00), or so much thereof as is disbursed, together with interest on the balance of such principal from time to time outstanding, at the per annum rate or rates and at the times set forth below.

**1. PRINCIPAL AND INTEREST PAYMENTS.** Debtor shall pay principal in installments of $250,000.00 each on the last day of each quarter commencing June 30, 2023. Debtor shall pay interest on the last day of each month commencing April 30, 2023. Should interest not be paid when due, it shall become part of the principal and bear interest as herein provided. All computations of interest under this note shall be made on the basis of a year of 360 days, for actual days elapsed. Whenever any payment required hereunder falls due on a day other than a Business Day, such payment shall be made on the first succeeding Business Day. The availability under this note shall be reduced on the same day and in the same amount as each scheduled principal payment.

**a. BASE INTEREST RATE.** At Debtor's option, amounts outstanding hereunder in minimum amounts of $150,000 shall bear interest at a rate, based on an index selected by Debtor, which is 2.5% per annum in excess of Term SOFR for the Interest Period selected by Debtor, to the extent that the length of such Interest Period is acceptable to Bank. Notwithstanding the foregoing, if an Interest Rate Hedge is outstanding, then Debtor shall be deemed to have selected Term SOFR with an Interest Period selected by Debtor.

No Base Interest Rate may be changed, altered or otherwise modified until the expiration of the Interest Period selected by Debtor. The exercise of interest rate options by Debtor shall be as recorded in Bank's records, which records shall be prima facie evidence of the amount borrowed under either interest option and the interest rate; provided, however, that failure of Bank to make any such notation in its records shall not discharge Debtor from its obligations to repay in full with interest all amounts borrowed. In no event shall any Interest Period extend beyond the maturity date of this note.

To exercise this option, Debtor may, from time to time with respect to principal outstanding on which a Base Interest Rate is not accruing, and on the expiration of any Interest Period with respect to principal outstanding on which a Base Interest Rate has been accruing, select an index offered by Bank for a Base Interest Rate Loan and an Interest Period by telephoning an authorized lending officer of Bank located at the banking office identified below prior to 10:00 a.m., Pacific time, on any Business Day and advising that officer of the selected index, the Interest Period and the Origination Date selected (which Origination Date, for a Base Interest Rate Loan based on Term SOFR, shall follow the date of such selection by three (3) USGSBDs.

Bank will mail a written confirmation of the terms of the selection to Debtor promptly after the selection is made. Failure to send such confirmation shall not affect Bank's rights to collect interest at the rate selected. If, on the date of the selection, the index selected is unavailable for any reason, the selection shall be void. Bank reserves the right to fund the principal from any source of funds notwithstanding any Base Interest Rate selected by Debtor.

**b. VARIABLE INTEREST RATE.** All principal outstanding hereunder which is not bearing interest at a Base Interest Rate shall bear interest at the Reference Rate, which rate shall vary as and when the Reference Rate changes.

Subject to the provisions set forth in Exhibit A, if any interest rate defined in this note ceases to be available from Bank for any reason, then said interest rate shall be replaced by the rate (together with any spread adjustment, if applicable) selected by Bank in its sole discretion (the "Replacement Rate").

Subject to the provisions set forth in Exhibit A, notwithstanding anything contained in this note, if Bank determines that adequate and reasonable means do not exist for ascertaining Term SOFR or Term SOFR does not adequately and fairly reflect the cost to Bank of funding a loan, then Bank shall give Debtor notice thereof, and Bank shall be under no obligation to maintain the relevant loan as a Term SOFR based loan, and the relevant loan shall be continued bearing interest at the Replacement Rate (plus any applicable margin or spread as set forth in this note) and payable at the end of each calendar month or as otherwise may be agreed by Bank and Debtor. Bank will have the right to make any changes ("Term SOFR Conforming Changes") to the note that Bank decides may be appropriate to reflect the use and administration Term SOFR by Bank from time to time and any amendments implementing such Term SOFR Conforming Changes will become effective without any further action or consent of Debtor.

The provisions set forth in Exhibit A attached hereto are made a part hereof and shall apply to this note.

Debtor shall pay all amounts due under this note in lawful money of the United States at Bank's P.O. Box 30115, Los Angeles, CA 90030-0115 Office, or such other office as may be designated by Bank, from time to time.

**2. LATE PAYMENTS.** If any payment required by the terms of this note shall remain unpaid ten days after same is due, at the option of Bank, Debtor shall pay a fee of $100 to Bank.

**3. INTEREST RATE FOLLOWING DEFAULT.** In the event of default, at the option of Bank, and, to the extent permitted by law, interest shall be payable on the outstanding principal under this note at a per annum rate equal to five percent (5%) in excess of the interest rate specified in paragraph 1.b, above, calculated from the date of default until all amounts payable under this note are paid in full.

**4. PREPAYMENT.**

**a.** Amounts outstanding under this note bearing interest at a rate based on the Reference Rate may be prepaid in whole or in part at any time, without penalty or premium. Debtor may prepay amounts outstanding under this note bearing interest at a Base Interest Rate in whole or in part provided Debtor has given Bank not less than five (5) Business Days prior written notice of Debtor's intention to make such prepayment and pays to Bank the prepayment fee due as a result. The prepayment fee shall also be paid, if Bank, for any other reason, including acceleration or foreclosure, receives all or any portion of principal bearing interest at a Base Interest Rate prior to its scheduled payment date. The prepayment fee shall be an amount equal to the present value of the product of: (i) the difference (but not less than zero) between (a) the Base Interest Rate applicable to the principal amount which is being prepaid, and (b) the return which Bank could obtain if it used the amount of such prepayment of principal to purchase at bid price regularly quoted securities issued by the United States having a maturity date most closely coinciding with the relevant Base Rate Maturity Date and such securities were held by Bank until the relevant Base Rate Maturity Date ("Yield Rate"); (ii) a fraction, the numerator of which is the number of days in the period between the date of prepayment and the relevant Base Rate Maturity Date and the denominator of which is 360; and (iii) the amount of the principal so prepaid (except in the event that principal payments are required and have been made as scheduled under the terms of the Base Interest Rate Loan being prepaid, then an amount equal to the lesser of (A) the amount prepaid or (B) 50% of the sum of (1) the amount prepaid and (2) the amount of principal scheduled under the terms of the Base Interest Rate Loan being prepaid to be outstanding at the relevant Base Rate Maturity Date). Present value under this note is determined by discounting the above product to present value using the Yield Rate as the annual discount factor.

**b.** In no event shall Bank be obligated to make any payment or refund to Debtor, nor shall Debtor be entitled to any setoff or other claim against Bank, should the return which Bank could obtain under this prepayment formula exceed the interest that Bank would have received if no prepayment had occurred. All prepayments shall include payment of accrued interest on the principal amount so prepaid and shall be applied to payment of interest before application to principal. A determination by Bank as to the prepayment fee amount, if any, shall be conclusive. In the event of partial prepayment, such prepayments shall be applied to principal payments in the inverse order of their maturity.

**c.** Bank shall provide Debtor a statement of the amount payable on account of prepayment. Debtor acknowledges that (i) Bank establishes a Base Interest Rate upon the understanding that it will apply to the Base Interest Rate Loan for the entire Interest Period, and (ii) Bank would not lend to Debtor without Debtor's express agreement to pay Bank the prepayment fee described above.

**d.** If Debtor has entered into an Interest Rate Hedge, Debtor acknowledges and agrees that (i) Bank (or its affiliate) has the right, but not the obligation, under the Swap Documents (defined below) governing such Interest Rate Hedge, to compel an early termination, in full or in part, of such Interest Rate Hedge as a result of any unscheduled prepayment under this note, (ii) any such early termination may result in payment obligations (which may be substantial in amount) being owed by Debtor to Bank (or any affiliate of Bank) as early termination, close-out or settlement amounts, which amounts shall be determined in accordance with the Swap Documents governing such Interest Rate Hedge and shall be in addition to any prepayment fee and other charges specified herein, and (iii) if such full or partial early termination of the Interest Rate Hedge results in an amount owing by Bank or its affiliate to Debtor, then Bank may in its discretion apply such amount to prepayment of principal hereunder, together with accrued interest on such principal and any resulting prepayment fee. Debtor further acknowledges and agrees that neither Bank nor any of its affiliates is under any obligation to enter into Interest Rate Hedges with Debtor and that such Interest Rate Hedges will be governed by documentation separate from this note.

**Debtor Initials Here:** __________ __________ __________ __________ __________ __________

**5. DEFAULT AND ACCELERATION OF TIME FOR PAYMENT.** Default shall include, but not be limited to, any of the following: (a) the failure of Debtor to make any payment required under this note when due; (b) any breach, misrepresentation or other default by Debtor, any guarantor, co-maker, endorser, or any person or entity other than Debtor providing security for this note (hereinafter individually and collectively referred to as the "Obligor") under any security agreement, guaranty or other agreement between Bank and any Obligor, together with and including any document or agreement evidencing or governing any Interest Rate Hedge, or any other swap, option, forward or similar transaction entered into between Debtor and Bank or any affiliate of Bank ("Swap Document"); (c) the insolvency of any Obligor or the failure of any Obligor generally to pay such Obligor's debts as such debts become due; (d) the commencement as to any Obligor of any voluntary or involuntary proceeding under any laws relating to bankruptcy, insolvency, reorganization, arrangement, debt adjustment or debtor relief; (e) the assignment by any Obligor for the benefit of such Obligor's creditors; (f) the appointment, or commencement of any proceeding for the appointment of a receiver, trustee, custodian or similar official for all or substantially all of any Obligor's property; (g) the commencement of any proceeding for the dissolution or liquidation of any Obligor; (h) the termination of existence or death of any Obligor; (i) the revocation of any guaranty or subordination agreement given in connection with this note; (j) the failure of any Obligor to comply with any order, judgement, injunction, decree, writ or demand of any court or other public authority; (k) the filing or recording against any Obligor, or the property of any Obligor, of any notice of levy, notice to withhold, or other legal process for taxes other than property taxes; (l) the default by any Obligor personally liable for amounts owed hereunder on any obligation concerning the borrowing of money; (m) the issuance against any Obligor, or the property of any Obligor, of any writ of attachment, execution, or other judicial lien; or (n) the deterioration of the financial condition of any Obligor which results in Bank deeming itself, in good faith, insecure. Upon the occurrence of any such default, Bank, in its discretion, may cease to advance funds hereunder and may declare all obligations under this note immediately due and payable; however, upon the occurrence of an event of default under d, e, f, or g, all principal and interest hereunder shall automatically become immediately due and payable.

**6. ADDITIONAL AGREEMENTS OF DEBTOR.** If any amounts owing under this note are not paid when due, Debtor promises to pay all costs and expenses, including reasonable attorneys' fees, (including the allocated costs of Bank's in-house counsel and legal staff) incurred by Bank in the negotiation, documentation and modification of this note and all related documents and in the collection or enforcement of any amount outstanding hereunder. Debtor and any Obligor, for the maximum period of time and the full extent permitted by law, (a) waive diligence, presentment, demand, notice of nonpayment, protest, notice of protest, and notice of every kind; (b) waive the right to assert the defense of any statute of limitations to any debt or obligation hereunder; and (c) consent to renewals and extensions of time for the payment of any amounts due under this note. If this note is signed by more than one party, the term "Debtor" includes each of the undersigned and any successors in interest thereof; all of whose liability shall be joint and several. Any married person who signs this note agrees that recourse may be had against the separate property of that person for any obligations hereunder. The receipt of any check or other item of payment by Bank, at its option, shall not be considered a payment on account until such check or other item of payment is honored when presented for payment at the drawee bank. Bank may delay the credit of such payment based upon Bank's schedule of funds availability, and interest under this note shall accrue until the funds are deemed collected. In any action brought under or arising out of this note, Debtor and any Obligor, including their successors and assigns, hereby consent to the jurisdiction of any competent court within the State of California, as provided in any alternative dispute resolution agreement executed between Debtor and Bank, and consent to service of process by any means authorized by said state's law. The term "Bank" includes, without limitation, any holder of this note. This note shall be construed in accordance with and governed by the laws of the State of California. This note hereby incorporates any alternative dispute resolution agreement previously, concurrently or hereafter executed between Debtor and Bank, other than any such provision contained in a Swap Document.

**7. DEFINITIONS.** As used herein, the following terms shall have the meanings respectively set forth below (and any capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms on Exhibit A):

"**Base Interest Rate**" means a rate of interest based on Term SOFR.

"**Base Interest Rate Loan**" means amounts outstanding under this note that bear interest at a Base Interest Rate.

"**Base Rate Maturity Date**" means the last day of the Interest Period with respect to principal outstanding under a Base Interest Rate Loan.

"**Business Day**" means a day on which Bank is open for business for the funding of corporate loans.

"**Floor**" means a per annum rate of interest equal to 0%.

"**Interest Period**" means with respect to funds bearing interest at a rate based on Term SOFR, any 1, 3, or 6 months; provided, that any such tenor shall not be available to the extent that Bank has deemed such tenor to be unavailable, undeterminable or non-representative. In determining an Interest Period, a month means a period that starts on one Business Day in a month and ends on and includes the day preceding the numerically corresponding day in the next month. For any month in which there is no such numerically corresponding day, then as to that month, such day shall be deemed to be the last calendar day of such month. Any Interest Period which would otherwise end on a non-Business Day shall end on the next succeeding Business Day unless that day falls in a new calendar month, in which event such Interest Period shall end on the next preceding Business Day.

"**Interest Rate Hedge**" means any interest rate swap, forward swap or swaption, or interest rate cap or collar transaction now or hereafter entered into between Debtor and Bank or any affiliate of Bank for purposes of hedging or mitigating, fully or partially, interest rate risk under this note.

"**Origination Date**" means the first day of the Interest Period.

"**Reference Rate**" means the rate announced by Bank from time to time at its corporate headquarters as its Reference Rate. The Reference Rate is an index rate determined by Bank from time to time as a means of pricing certain extensions of credit and is neither directly tied to any external rate of interest or index nor necessarily the lowest rate of interest charged by Bank at any given time.

"**SOFR**" means a rate per annum equal to the secured overnight financing rate as administered by the SOFR Administrator.

“**SOFR Administrator**” means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

“**Term SOFR**” means the Term SOFR Reference Rate for a tenor comparable to the applicable Interest Period on the day (such day, the “**Term SOFR Determination Day**”) that is two (2) USGSBDs prior to the first day of such Interest Period, as such rate is published by the Term SOFR Administrator; provided, however, that (x) if as of 5:00 p.m. (New York City time) on any Term SOFR Determination Day the Term SOFR Reference Rate for the applicable tenor has not been published by the Term SOFR Administrator, then Term SOFR will be the Term SOFR Reference Rate for such tenor as published by the Term SOFR Administrator on the first preceding USGSBD for which such Term SOFR Reference Rate for such tenor was published by the Term SOFR Administrator so long as such first preceding USGSBD is not more than three (3) USGSBDs prior to such Term SOFR Determination Day and (y) if Term SOFR determined as provided above (including pursuant to clause (x) of this proviso) shall ever be less than the Floor, then Term SOFR shall be deemed to be the Floor.

“**Term SOFR Administrator**” means CME Group Benchmark Administration Limited (CBA) (or a successor administrator of the Term SOFR Reference Rate selected by Bank in its reasonable discretion).

“**Term SOFR Determination Day**” shall have the meaning ascribed to such term in the definition of “Term SOFR”.

“**Term SOFR Reference Rate**” means the forward-looking term rate based on SOFR.

“**USGSBD**” means any day except for (i) a Saturday, (ii) a Sunday or (iii) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

**8. COUNTERPARTS/ELECTRONIC SIGNATURES.** 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.

**DEBTOR:**

DecisionPoint Systems, Inc., a Delaware corporation

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

**Exhibit A**

**BENCHMARK REPLACEMENT SETTING**

The following provisions of this Exhibit A (this "Exhibit") shall be effective notwithstanding anything to the contrary in the note to which this Exhibit is attached (the "Note") or in any other document related to the Note (and any Swap Document shall be deemed not to be a document related to the Note for purposes of this Exhibit). Capitalized terms used in this Exhibit A and not otherwise defined herein shall have the meanings ascribed to such terms in the Note.

(a) **BENCHMARK REPLACEMENT**. Upon the occurrence of a Benchmark Transition Event, Bank may amend this Note to replace the then-current Benchmark with a Benchmark Replacement. Any such amendment with respect to a Benchmark Transition Event will become effective at 5:00 p.m. (New York City time) on the fifth ($5^{th}$) Business Day after Bank has posted such proposed amendment to Debtor. Bank will have the right to make any changes ("Benchmark Replacement Conforming Changes") to the Note that Bank decides may be appropriate to reflect the adoption and implementation of any such Benchmark Replacement and to permit the administration thereof by Bank from time to time and any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of Debtor.

(b) **STANDARDS**. Any determination, decision or election that may be made by Bank pursuant to this Exhibit, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non- occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding absent manifest error and may be made in Bank's sole discretion and without consent from Debtor. Bank does not warrant or accept responsibility for, and shall not have any liability to Debtor under the Note or otherwise for, any loss, damage or claim arising from or relating to (i) the continuation of, administration of, submission of, calculation of or any other matter related to the Benchmark, any component definition thereof or rates referenced in the definition thereof or any alternative, successor or replacement rate thereto (including any Benchmark Replacement), including whether the composition or characteristics of any such alternative, successor or replacement rate (including any Benchmark Replacement) will be similar to, or produce the same value or economic equivalence of, or have the same volume or liquidity as, the Benchmark or any other Benchmark prior to its discontinuance or unavailability, (ii) the effect or implementation of any Benchmark Replacement Conforming Changes or Term SOFR Conforming Changes or (iii) any mismatch between the Benchmark or the Benchmark Replacement and any of Debtor's other financing instruments (including those that are intended as hedges).

(c) **CERTAIN DEFINED TERMS**. As used in this Exhibit:

***"Available Tenor"*** means, as of any date of determination and with respect to the then-current Benchmark, as applicable, (a) if such Benchmark is a term rate, any tenor for such Benchmark that is or may be used for determining the length of an interest period pursuant to the Note or (b) otherwise, any payment period for interest calculated with reference to such Benchmark that is or may be used for determining any frequency of making payments of interest calculated with reference to such Benchmark, in each case, as of such date.

***"Benchmark"*** means, initially, the Term SOFR Reference Rate; provided that if a Benchmark Transition Event has occurred with respect to the Term SOFR Reference Rate or the then-current Benchmark, then "Benchmark" shall mean the applicable Benchmark Replacement to the extent that such Benchmark Replacement has become effective pursuant to this Exhibit.

***"Benchmark Replacement"*** means, with respect to any Benchmark Transition Event, the sum of: (a) the alternate benchmark rate that has been selected by Bank as the replacement for the then-current Benchmark and (b) the related Benchmark Replacement Adjustment; provided that, in each case, if such Benchmark Replacement as so determined would be less than zero or such other floor as set forth in the Note, such Benchmark Replacement will be deemed to be zero or such other floor as set forth in the Note for the purposes of the Note and the other loan documents related thereto.

***"Benchmark Replacement Adjustment"*** means, with respect to any replacement of the then- current Benchmark with an Unadjusted Benchmark Replacement, the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by Bank.

***"Benchmark Transition Event"*** means, with respect to the then-current Benchmark, a public statement or publication of information: (a) by or on behalf of the administrator of such Benchmark announcing that such administrator has ceased or will cease to provide such Benchmark, or, if such Benchmark is a term rate, all Available Tenors of such Benchmark, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide such Benchmark or such Available Tenors, (b) by the regulatory supervisor for the administrator of such Benchmark, the Board of Governors of the Federal Reserve System, the Federal Reserve Bank of New York, an insolvency official with jurisdiction over the administrator for such Benchmark, a resolution authority with jurisdiction over the administrator for such Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark, which states that the administrator of such Benchmark has ceased or will cease to provide such Benchmark, or, if such Benchmark is a term rate, all Available Tenors of such Benchmark, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide such Benchmark or such Available Tenors, or (c) by or on behalf of the regulatory supervisor for the administrator of such Benchmark announcing that such Benchmark is, or, if such Benchmark is a term rate, all Available Tenors of such Benchmark are, not, or as a specified future date will not be, representative.

***"Unadjusted Benchmark Replacement"*** means the applicable Benchmark Replacement excluding the related Benchmark Replacement Adjustment.

**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 Decision Point 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 |

**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 no. 333-257771) of DecisionPoint Systems, Inc. of our report dated March 29, 2023, relating to our audits of the Company's consolidated financial statements as of December 31, 2022 and 2021, and for each of the years ended December 31, 2022 and 2021, included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

/s/ HASKELL & WHITE LLP

Irvine, California
March 29, 2023

**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 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: March 29, 2023

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: March 29, 2023

By: /s/ Melinda Wohl
Melinda Wohl
Vice President Finance and Administration
(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, 2022, 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: March 29, 2023

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 DecisionPoint Systems, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**Exhibit 32.2**

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

In connection with the Annual Report of DecisionPoint Systems, Inc. (the "Company") on Form 10-K for the year ended December 31, 2022, 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: March 29, 2023

By: /s/ Melinda Wohl
Melinda Wohl
Vice President Finance and Administration
(Principal Financial Officer and Principal Accounting Officer)

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