

DecisionPoint Systems, Inc.
Form 8-K/A
August 24, 2012

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

FORM 8-K/A
(Amendment No. 1)

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

Date of Report (Date of earliest event reported): June 4, 2012

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

Delaware
(State of Incorporation)

000-54200
(Commission File Number)

37-1644635
(IRS Employer Identification
No.)

8697 Research
Irvine, California, 92618
(Address of principal executive offices) (Zip code)

(949) 465-0065
(Registrant's telephone number, including area code)

Copies to:
Gregory Sichenzia, Esq.
Sichenzia Ross Friedman Ference LLP
61 Broadway
New York, New York 10006
Phone: (212) 930-9700
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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Explanatory Note

On June 4, 2012, (“Closing Date”), DecisionPoint Systems, Inc. (“Company” or “DPS”), 2314505 Ontario Inc., a wholly-owned subsidiary of the Company (“Purchaser”), Karen Dalicandro (“KD”), Donald Dalicandro (“DD”), and 2293046 Ontario Inc. (“KD Co” and together with KD, the “Sellers”) entered into a Share Purchase Agreement (“SPA”). Pursuant to the SPA, Purchaser purchased all of the issued and outstanding shares of Apex Systems Integrators Inc., a corporation organized under the laws of the Province of Ontario, Canada. In consideration for the shares of Apex Systems Integrators, Inc., on the Closing Date the Purchaser paid CDN\$5,000,000 (“Closing Amount”), of which CDN\$240,000 was placed in escrow with the Purchaser’s attorney and CDN\$10,000 is held by the Purchaser as a holdback. On the Closing Date, the Purchaser and Apex merged under the corporate name of Apex Systems Integrators Inc., and is hereafter referred to herein as “Apex”.

Closing costs and associated expenses either previously paid, payable in cash or recorded as deferred financing costs were approximately \$1.8 million, including the issuance of 325,000 shares of the Company’s common stock at the market price of \$1.05 per share on the Closing Date.

The transaction was accounted for using the purchase method of accounting in accordance with Accounting Standard Codification (“ASC”) 805 - Business Combinations and the operating results for Apex have been consolidated into the Company’s results of operations beginning on June 5, 2012.

This Amendment No. 1 amends the Current Report on Form 8-K of the Company filed with the Securities and Exchange Commission on June 7, 2012, related to the above transaction, to include the financial statements required by Items 9.01(a) and 9.01(b) of Form 8-K. The information previously reported in the June 7, 2012, 8-K is hereby incorporated by reference into this Form 8-K/A.

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of the business acquired

Audited annual combined financial statements of Apex Systems Integrators, Inc.

Report of Independent Certified Public Accountants

Combined Statements of Income for the years ended July 31, 2011 and 2010
Combined Balance Sheets as of July 31, 2011 and 2010
Combined Statements of Changes in Stockholders' Equity for the years ended
July 31, 2011 and 2010
Combined Statements of Cash Flows for the years ended July 31, 2011 and 2010
Notes to the Combined Financial Statements

Reviewed financial Statements of Apex Systems Integrators, Inc.

Review Engagement Report
Statements of Income for the eight months ended March 31, 2012 and 2011
Statements of Retained Earnings for the eight months ended March 31, 2012 and
2011
Balance Sheets as of March 31, 2012 and July 31, 2011
Statements of Cash Flows for the eight months ended March 31, 2012 and 2011
Notes to the Financial Statements

(b) Unaudited Pro Forma financial information

Unaudited Pro Forma Combined Financial Information of DecisionPoint Systems, Inc. and
Apex Systems Integrators, Inc.

Unaudited Pro Forma Combined Balance Sheet as of March 31, 2012
Unaudited Pro Forma Combined Statements of Operations for three months ended
March 31, 2012 and twelve months ended December 31, 2011
Notes to Unaudited Pro Forma Combined Financial Statements

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 24, 2012

DecisionPoint Systems, Inc.

By: /s/Roy A. Ceccato
Name: Roy A. Ceccato
Title: Vice President - Finance

Combined Financial Statements

APEX Systems Integrators Inc. and APEX Systems Integrators (USA) Inc.

July 31, 2011 and 2010

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Stockholders of
APEX Systems Integrators Inc. and APEX Systems Integrators (USA) Inc.

We have audited the accompanying combined balance sheets of APEX Systems Integrators Inc. and APEX Systems Integrators (USA) Inc. as of July 31, 2011 and July 31, 2010, and the related combined statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of APEX Systems Integrators Inc. and APEX Systems Integrators (USA) Inc. as of July 31, 2011 and July 31, 2010, and the combined results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

February 27, 2012
Hamilton, Canada Chartered Accountants

/s/ Grant Thornton LLP
Licensed Public Accountants

APEX Systems Integrators Inc. and APEX Systems
Integrators (USA) Inc.
Combined Statements of Income
(Amounts in Canadian \$)

| Years Ended July 31 | 2011 | 2010 |
|--|------------------|------------------|
| Revenue | | |
| Consulting fees | \$ 1,457,615 | \$ 1,744,454 |
| License and support | 946,894 | 877,060 |
| Equipment sales | 498,308 | 802,511 |
| Wireless data network services | 76,358 | 61,140 |
| Travel income | 57,216 | 35,760 |
| | 3,036,391 | 3,520,925 |
| Direct costs | | |
| Wages and benefits | 385,129 | 388,120 |
| Equipment purchases for resale | 283,837 | 436,138 |
| Licenses and support | 152,902 | 149,268 |
| Network services expenses | 69,695 | 72,342 |
| Project travel | 56,178 | 48,180 |
| | 947,741 | 1,094,048 |
| Gross profit | 2,088,650 | 2,426,877 |
| Expenses | | |
| Management salaries | 1,014,031 | 987,537 |
| Rental of facilities | 184,569 | 185,083 |
| Insurance | 40,631 | 31,041 |
| Professional fees | 30,275 | 22,350 |
| Office expenses | 24,575 | 24,631 |
| Administrative salaries | 28,988 | 23,541 |
| Telephone and communications | 12,014 | 18,011 |
| Amortization | 10,851 | 13,934 |
| Promotion | 10,173 | 30,233 |
| Vehicle | 6,464 | 7,719 |
| Human resources | 5,101 | 8,980 |
| | 1,367,672 | 1,353,060 |
| Income before other income and income taxes | 720,978 | 1,073,817 |
| Interest income | 27,509 | 15,316 |
| Foreign exchange gain (loss) | 27,019 | (9,596) |
| | 54,528 | 5,720 |
| Income before income taxes | 775,506 | 1,079,537 |

| | | |
|-----------------------|------------|------------|
| Income taxes (Note 7) | 182,995 | 231,414 |
| Net income | \$ 592,511 | \$ 848,123 |

See accompanying notes to the combined financial statements.

APEX Systems Integrators Inc. and APEX Systems
Integrators (USA) Inc.
Combined Balance Sheets
(Amounts in Canadian \$)

| July 31 | 2011 | 2010 |
|--|-------------|-------------|
| Assets | | |
| Current | | |
| Cash and cash equivalents | \$2,362,856 | \$2,935,062 |
| Accounts receivable | 239,933 | 364,337 |
| Income taxes recoverable (Note 7) | 10,576 | 10,259 |
| Inventory | 26,874 | - |
| Prepaid expenses | 43,191 | 13,994 |
| | 2,683,430 | 3,323,652 |
| Property, plant and equipment (Note 3) | 34,755 | 42,450 |
| Licences and rights | 19,250 | 36,250 |
| | \$2,737,435 | \$3,402,352 |
| Liabilities | | |
| Current | | |
| Accounts payable | \$44,199 | \$331,722 |
| Government remittances payable | 126,382 | 72,425 |
| Dividends payable | 552,795 | - |
| Customer deposits | 10,000 | 38,000 |
| Deferred revenue | 392,384 | 388,246 |
| | 1,125,760 | 830,393 |
| Deferred income tax liability | 8,000 | 8,000 |
| Stockholders' Equity | | |
| Share capital (Note 5) | 1,000 | 1,000 |
| Retained earnings | 1,602,675 | 2,562,959 |
| | 1,603,675 | 2,563,959 |
| | \$2,737,435 | \$3,402,352 |

Commitment (Note 9)
Subsequent events (Note 10)

On behalf of the Board

Director

Director

See accompanying notes to the combined financial statements.

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APEX Systems Integrators Inc. and APEX Systems
Integrators (USA) Inc.
Combined Statements of Changes in Stockholders' Equity
(Amounts in Canadian \$)

Years Ended July 31

| | Share capital | Retained earnings | Total |
|-----------------------------|------------------|----------------------|-------------|
| Balance at July 31, 2009 | \$1,000 | \$1,714,836 | \$1,715,836 |
| Net Income | - | 848,123 | 848,123 |
| Balance at July 31, 2010 | 1,000 | 2,562,959 | 2,563,959 |
| Net Income | - | 592,511 | 592,511 |
| Dividends | - | (1,552,795) | (1,552,795) |
| Balance at July 31, 2011 | \$1,000 | \$1,602,675 | \$1,603,675 |

See accompanying notes to the combined financial statements.

APEX Systems Integrators Inc. and APEX Systems
Integrators (USA) Inc.
Combined Statements of Cash Flows
(Amounts in Canadian \$)

| Years Ended July 31, | 2011 | 2010 |
|--|--------------|--------------|
| Increase (decrease) in cash and cash equivalents | | |
| Operating | | |
| Net income | \$ 592,511 | \$ 848,123 |
| Amortization | 10,851 | 13,934 |
| | 603,362 | 862,057 |
| Change in non-cash working capital items | | |
| Accounts receivable | 124,404 | (89,137) |
| Inventory | (26,874) | 24,832 |
| Prepays | (29,197) | 3,200 |
| Income taxes | (317) | 4,188 |
| Accounts payable | (287,523) | 73,975 |
| Government remittances payable | 53,957 | 43,860 |
| Deposits | (28,000) | (217,875) |
| Deferred revenue | 4,138 | (55,854) |
| | 413,950 | 649,246 |
| Financing | | |
| Dividends | (1,000,000) | - |
| Investing | | |
| Purchase of property, plant and equipment | (3,156) | (2,514) |
| Proceeds on disposal of licenses and rights | 17,000 | - |
| | 13,844 | (2,514) |
| Net (decrease) increase in cash and cash equivalents | (572,206) | 646,732 |
| Cash and cash equivalents | | |
| Beginning of year | 2,935,062 | 2,288,330 |
| End of year | \$ 2,362,856 | \$ 2,935,062 |

See accompanying notes to the combined financial statements.

APEX Systems Integrators Inc. and APEX Systems
Integrators (USA) Inc.
Notes to the Combined Financial Statements
July 31, 2011 and July 31, 2010

1. Nature of operations

APEX Systems Integrators Inc. and APEX Systems Integrators (USA) Inc. are suppliers of wireless mobile work force solutions. They are incorporated under the laws on Ontario.

2. Summary of significant accounting policies

Basis of accounting

The Company maintains its records on the accrual basis of accounting in accordance with accounting policies generally accepted in the United States.

Basis of presentation

The combined financial statements include the assets, liabilities, equity and operating results of APEX Systems Integrators Inc. and APEX Systems Integrators (USA) Inc., two companies controlled by related shareholders, after elimination of intercompany balances and transactions.

Revenue recognition

Consulting fees, license, equipment sales, wireless data network services and travel income are recognized when services are performed and goods are delivered and the title and risks of ownership pass to the customer and the collection of the resulting receivables are reasonably assured.

Support revenue is recognized ratably over the term of the support contract.

Inventories

Inventories are stated at the lower of cost and net realizable value using the first-in, first-out method of accounting.

Cash and cash equivalents

The Company maintains cash balances at various financial institutions.

For purposes of the Statement of Cash Flows, the Company considers all money-market instruments to be cash equivalents as all money market deposits are cashable at amounts recorded in the balance sheet.

Accounts receivable

The Company's accounts receivable contain no allowance for doubtful accounts, as all accounts are determined to be collectible.

For the year ended July 31, 2011 bad debt expense net of the change in the allowance for doubtful accounts was \$ nil (2010 - \$ nil).

APEX Systems Integrators Inc. and APEX Systems
Integrators (USA) Inc.
Notes to the Combined Financial Statements
July 31, 2011 and July 31, 2010

2. Summary of Significant Accounting Policies (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost. The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Depreciation expense is calculated using the declining balance method. The annual rates range from 20% to 30%. Maintenance and repairs are charged to operations when incurred. Renewals and replacements of a routine nature are charged to expense, while those that improve or extend the life of existing properties are capitalized.

Licenses and rights

Intangible assets consist of licenses and rights. The intangibles are not amortized as they have an infinite life.

Impairment of property, plant and equipment

Property, plant and equipment are tested for impairment upon occurrence of a triggering event that indicates the carrying value of such asset is no longer recoverable. Examples of such triggering events include a significant disposal of a portion of such assets, an adverse change in the market involving the business employing the related asset, and a significant change in the operations of the business.

The Company has determined that there were no adverse changes in our markets or other triggering events that could affect the valuation of its assets during the fiscal years ended July 31, 2011 and July 31, 2010.

Impairment of licenses and rights

The Company annually reviews the carrying value of licenses and rights to determine whether impairment may exist. Accounting Standards Codification (“ASC”) 350 “Intangibles-Goodwill and Other” requires that certain intangible assets be assessed annually for impairment using fair value measurement techniques.

As of July 31, 2011 and July 31, 2010, it was determined that the fair value of the licenses and rights exceeded their carrying amounts and the second step of the impairment testing was therefore not necessary.

Fair value of financial instruments

The carrying amounts of the Company’s cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short maturities of these instruments.

Foreign currency translation

The Company uses the Canadian Dollar as its functional currency and reporting currency. Assets and liabilities denominated in foreign currencies are translated into Canadian Dollars at the rate of exchange at the balance sheet date, while revenue and expenses are translated at the weighted average rates prevailing during the respective periods. Components of stockholders’ equity are translated at historical rates. Exchange gains and losses resulting from translation are reflected in the statements of income.

APEX Systems Integrators Inc. and APEX Systems
Integrators (USA) Inc.
Notes to the Combined Financial Statements
July 31, 2011 and July 31, 2010

2. Summary of Significant Accounting Policies (Continued)

Income taxes

Deferred income taxes are recorded to reflect certain items of income and expense recognized in different periods for financial reporting than for tax purposes. The principal source of temporary differences is differences in methods of depreciation. The Company accounts for income taxes in accordance with ASC 740 "Income Taxes". ASC 740 requires the determination of deferred tax assets and liabilities based on the differences between the financial statement and income tax bases of assets and liabilities, using enacted tax rates in effect or expected for the year in which the differences are expected to reverse. A valuation allowance is recognized, if necessary, to measure tax benefits to the extent that, based on available evidence, it is more likely than not that they will be realized.

3. Property, plant and equipment

| | Cost | Accumulated Amortization | 2011 Net Book Value |
|--------------------------------|-----------|-----------------------------|---------------------------|
| Office furniture and equipment | \$68,096 | \$ 52,618 | \$15,478 |
| Tools and equipment | 31,083 | 18,487 | 12,596 |
| Computer hardware | 17,634 | 14,168 | 3,466 |
| Vehicle | 22,502 | 19,287 | 3,215 |
| | \$139,315 | \$ 104,560 | \$34,755 |
| | | | 2010 |
| | Cost | Accumulated Amortization | Net Book Value |
| Office furniture and equipment | \$68,096 | \$ 48,748 | \$19,348 |
| Tools and equipment | 31,083 | 15,338 | 15,745 |
| Computer hardware | 14,477 | 11,712 | 2,765 |
| Vehicle | 22,502 | 17,910 | 4,592 |
| | \$136,158 | \$ 93,708 | \$42,450 |

APEX Systems Integrators Inc. and APEX Systems
Integrators (USA) Inc.
Notes to the Combined Financial Statements
July 31, 2011 and July 31, 2010

4. Related party transactions

APEX Systems Integrators Inc. leases premises as described in Note 9 from an entity controlled by the spouse of a shareholder. Rent expense for the year included in the Combined Statement of Income was \$185,000 (2010 - \$185,000).

In addition, during the July 31, 2011 year end, a licence was sold to a stockholder for \$17,000. At July 31, 2011, this amount remains unpaid and is included in accounts receivable.

These transactions have been recorded at the exchange amount, being the amounts agreed upon by the parties.

At July 31, 2011, APEX Systems Integrators Inc. purchased the support contracts entered into by APEX Systems Integrators USA Inc. and assumed the liability to carry-out these contracts. These contracts were transferred at the value of the related deferred revenue.

5. Stockholders' equity

Authorized:

The Company is authorized to issue an unlimited number of common shares and unlimited special shares. The preference shares are issuable in series with rights and conditions to be determined by directors other than as follows:

(a) 8%, double-voting, non-cumulative Series A Special Shares.

| Issued: | 2011 | 2010 |
|--|---------|---------|
| 500 Common shares of APEX Systems Integrators Inc. | \$ 500 | \$ 500 |
| 500 Common shares of APEX Systems Integrators (USA) Inc. | 500 | 500 |
| | \$1,000 | \$1,000 |

6. Measurement uncertainty

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management regarding certain types of assets, liabilities, revenues, and expenses. Such estimates included in the preparation of these financial statements include the assumptions used in

determining the useful lives of long-lived assets and the assumptions used in determining whether assets are impaired. Actual results could differ from those estimates.

APEX Systems Integrators Inc. and APEX Systems
Integrators (USA) Inc.
Notes to the Combined Financial Statements
July 31, 2011 and July 31, 2010

6. Measurement uncertainty (Continued)

As well, these financial statements include deferred revenue relating to consulting work that was completed and delivered, but for which a liability remained. This amount is subject to significant uncertainty due to the level of judgment required in determining the consulting work that remains to be completed at each year end.

In addition, the Company has unrecognized tax benefits from uncertain tax positions of \$170,000 (2010 - \$115,000). This amount is subject to significant uncertainty due to the likelihood of the outcome in the event of a potential Canada Revenue Agency audit.

7. Income taxes

| | 2011 | 2010 |
|---|--------------|--------------|
| Income before income taxes | \$775,506 | \$1,079,537 |
| Differences between financial statement income and taxable income | | |
| Capital cost allowance in excess of amortization | (4,000) | (5,000) |
| Scientific research and development claims, net | 21,000 | (40,000) |
| Other | 11,494 | 15,463 |
| Taxable income | \$804,000 | \$1,050,000 |
| Expected tax at statutory rates of 15.5% (2010 – 16.5%) | \$124,000 | \$170,000 |
| Unrecognized tax benefits from uncertain tax positions | 55,000 | 74,000 |
| Other | 3,995 | (12,586) |
| Provision for income taxes | \$182,995 | \$231,414 |
| Current income tax liability | \$(155,959) | \$(174,741) |
| Scientific research and experimental development tax credit | 166,535 | 185,000 |
| Income taxes recoverable | \$10,576 | \$10,259 |
| Deferred income tax liability | \$8,000 | \$8,000 |

The deferred tax liability consists of differences between the book value and the tax value of specific assets.

The Company has unrecognized tax benefits of approximately \$170,000 as at July 31, 2011 (2010 - \$115,000) associated with tax positions taken in the current and prior year, all of which, if recognized, would impact the effective tax rate. The Company did not incur any income tax related interest expense or penalties related to uncertain tax positions during the years ended July 31, 2011 and July 31, 2010.

APEX Systems Integrators Inc. and APEX Systems
Integrators (USA) Inc.
Notes to the Combined Financial Statements
July 31, 2011 and July 31, 2010

8. Financial instruments

Fair value of financial instruments

The fair values of cash and cash equivalents, accounts receivables and accounts payables are assumed to approximate their carrying amounts because of their short term to maturity.

Financial risk

The financial risk to the Company's earnings arises from fluctuations in foreign exchange rates and the degree of volatility of those rates. The Company does not use derivative instruments to reduce its exposure to foreign exchange risk as management does not consider such risks to be material.

The Company's exposure to foreign currency is as follows:

| (in U.S. dollars) | 2011 | 2010 |
|------------------------------|------------|------------|
| Cash and cash equivalents | \$ 844,383 | \$ 312,064 |
| Accounts payable | (9,809) | (78,628) |
| Gross balance sheet exposure | \$ 834,574 | \$ 233,436 |

A one cent increase in the Canadian dollar against the U.S. dollar at July 31, 2011, would have decreased equity and net income by \$8,346 (2010 - \$2,334). This analysis assumes that all other variables remain constant (a one cent weakening of the Canadian dollar against the U.S. dollar at July 31, 2011 or July 31, 2010, would have had the equal but opposite effect).

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash equivalents and accounts receivable. The Company has deposited cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote. Credit risks associated with trade receivables are limited by the Company's credit granting policies and an insurance policy which covers possible losses for certain of the Company's customers.

APEX Systems Integrators Inc. and APEX Systems
Integrators (USA) Inc.
Notes to the Combined Financial Statements
July 31, 2011 and July 31, 2010

9. Commitment

The Company has the following annual operating lease commitment with a related party as described in Note 4 with respect to premises:

| | |
|------|------------|
| 2012 | \$ 192,000 |
| 2013 | 210,000 |
| 2014 | 219,000 |
| 2015 | 237,000 |
| 2016 | 159,000 |

10. Subsequent events

Subsequent to the 2011 year end, the stockholder group entered into discussions with a U.S. corporation for the purchase of the shares of APEX Systems Integrators Inc. The sale is expected to close in the first quarter of calendar 2012.

Financial Statements

(Unaudited)

APEX Systems Integrators Inc.

March 31, 2012

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APEX Systems Integrators Inc.

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Review Engagement Report

Grant Thornton LLP
33 Main Street East
Hamilton, ON
L8N 4K5

T +1 905 523 7732
F +1 905 572 9333

To the Board of Directors of
APEX Systems Integrators Inc.

We have reviewed the accompanying balance sheet of APEX Systems Integrators Inc. as at March 31, 2012 and the related statements of income, retained earnings, and cash flows for the period then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The comparative figures for the eight month period ended March 31, 2011 were neither audited nor reviewed.

Hamilton, Canada
August 9, 2012

/s/ Grant Thornton LLP
Chartered Accountants
Licensed Public Accountants

APEX Systems Integrators Inc.
Statement of Income
(Unaudited)
(Amounts in Canadian \$)

| | 8-month period ended March 31, 2012 (note 1) | 8-month period ended March 31, 2011 (note 1) |
|--|---|---|
| Revenues | | |
| Consulting fees | \$915,219 | \$1,026,316 |
| Licence and support income | 606,673 | 648,608 |
| Equipment sales | 976,096 | 448,290 |
| Wireless data network services income | 54,632 | 51,563 |
| Travel income | 8,643 | 47,875 |
| | 2,561,263 | 2,222,652 |
| Direct costs | | |
| Wages and benefits | 243,274 | 231,563 |
| Equipment purchases for resale | 706,840 | 247,238 |
| Licenses and support | 233,862 | 180,297 |
| Network services expenses | 27,298 | 26,278 |
| Project travel | 15,650 | 46,875 |
| | 1,226,924 | 732,251 |
| Gross profit | 1,334,339 | 1,490,401 |
| Expenses | | |
| Management salaries | 689,643 | 733,920 |
| Rental of facilities | 171,806 | 123,046 |
| Insurance | 15,854 | 32,631 |
| Professional fees | 47,654 | 22,275 |
| Office expenses | 16,036 | 22,292 |
| Telephone and communications | 5,222 | 8,709 |
| Amortization | 8,027 | 7,234 |
| Promotion | 967 | 9,813 |
| Vehicle | 3,335 | 4,078 |
| Human resources | 8,872 | 4,576 |
| Administrative salaries | 19,320 | 19,931 |
| | 986,736 | 988,505 |
| Income before other items and income taxes | 347,603 | 501,896 |
| Other items | | |
| Interest | 597 | 18,455 |

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| | | |
|---------------------------------|-----------|-----------|
| (Loss) gain on foreign exchange | (22,022) | 11,809 |
| | (21,425) | 30,264 |
| Income before income taxes | 326,178 | 532,160 |
| Income taxes | | |
| Current | 79,667 | 126,000 |
| Deferred | 6,000 | - |
| | 85,667 | 126,000 |
| Net income | \$240,511 | \$406,160 |

APEX Systems Integrators Inc.
Statement of Retained Earnings
(Unaudited)
(Amounts in Canadian \$)

| | 8-month period ended March 31, 2012 (note 1) | 8-month period ended March 31, 2011 (note 1) |
|--|---|---|
| Retained earnings, beginning of period | \$ 1,602,675 | \$ 2,562,959 |
| Retained earnings, APEX Systems Integrators (USA) Inc. (Note 1) | (1,364,539) | - |
| Retained earnings, APEX Systems Integrators Inc., beginning of period | 238,136 | 2,562,959 |
| Net income | 240,511 | 406,160 |
| Dividends declared | (473,000) | - |
| Retained earnings, end of period | \$ 5,647 | \$ 2,969,119 |

APEX Systems Integrators Inc.
 Balance Sheet
 (Unaudited)
 (Amounts in Canadian \$)

| | March 31, 2012 | July 31, 2011 |
|--|-------------------|------------------|
| Assets | | |
| Current | | |
| Cash and cash equivalents | \$ 573,973 | \$ 2,362,856 |
| Accounts receivable | 178,077 | 239,856 |
| Income taxes recoverable | - | 10,576 |
| Inventory | 7,760 | 26,874 |
| Prepaid expenses | 17,075 | 43,191 |
| Deposits | 2,755 | - |
| Government remittance receivable | 1,048 | - |
| | 780,688 | 2,683,430 |
| Property, plant and equipment (Note 3) | 28,644 | 34,755 |
| Licences and rights | - | 19,250 |
| | \$ 809,332 | \$ 2,737,435 |
| Liabilities | | |
| Current | | |
| Accounts payable | \$84,404 | \$44,199 |
| Deferred revenue | 580,593 | 392,384 |
| Income taxes payable | 124,188 | - |
| Government remittances payable | - | 126,382 |
| Dividends payable | - | 552,795 |
| Customer deposits | - | 10,000 |
| Deferred income taxes | 14,000 | 8,000 |
| | 803,185 | 1,133,760 |
| Shareholder's equity | | |
| Share capital (Note 4) | 500 | 1,000 |
| Retained earnings | 5,647 | 1,602,675 |
| | 6,147 | 1,603,675 |
| | \$809,332 | \$2,737,435 |

On behalf of the Board

Director

Director

See accompanying notes to the combined financial statements.

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APEX Systems Integrators Inc.
Statement of Cash Flows
(Unaudited)
(Amounts in Canadian \$)

| | 8-month period ended March 31, 2012 (note 1) | 8-month period ended March 31, 2011 (note 1) |
|---|---|---|
| Increase (decrease) in cash and cash equivalents | | |
| Operating | | |
| Net income | \$240,511 | \$406,160 |
| Amortization | 8,027 | 7,234 |
| Deferred income taxes | 6,000 | - |
| | 254,538 | 413,394 |
| Change in non-cash working capital items | | |
| Accounts receivable | 61,856 | (11,821) |
| Inventory | 19,114 | - |
| Prepaid expenses | 26,116 | (18,000) |
| Deposits | (2,755) | - |
| Government remittances | (127,430) | 62,069 |
| Accounts payable | 40,205 | (234,522) |
| Deferred revenue | 188,209 | 205,402 |
| Income taxes | 134,764 | 72,708 |
| Customer deposits | (10,000) | (33,000) |
| | 584,617 | 42,836 |
| Financing | | |
| Dividends paid | (1,025,795) | - |
| Issuance of share capital | 499 | - |
| | (1,025,296) | - |
| Investing | | |
| Purchase of property, plant and equipment | (5,980) | (3,491) |
| Proceeds on disposal of property, plant and equipment | 3,052 | - |
| | (2,928) | (3,491) |
| Cash flows related to APEX Systems Integrators (USA) Inc. (Note 1) | | |
| | (1,345,276) | - |
| (Decrease) increase in cash and cash equivalents | (1,788,883) | 452,739 |

Cash

| | | |
|---------------------|-----------|-------------|
| Beginning of period | 2,362,856 | 2,935,062 |
| End of period | \$573,973 | \$3,387,801 |

See accompanying notes to the combined financial statements.

APEX Systems Integrators Inc.
Notes to the Financial Statements
(Unaudited)
March 31, 2012

1. Nature of operations

APEX Systems Integrators Inc. (the Company) is a supplier of wireless mobile work force solutions and is incorporated under the laws on Ontario.

The comparative financial information for the year ended July 31, 2011 and eight month period ended March 31, 2011 is presented on a combined basis with APEX Systems Integrators (USA) Inc. Effective August 1, 2011, the operations were combined and all operations were prospectively recorded in the Company's records. Accordingly, these financial statements are for the eight month period ended March 31, 2012 and only include the results of APEX Systems Integrators Inc. The comparative information for the eight month period ended March 31, 2011 is neither audited nor reviewed.

2. Summary of significant accounting policies

Basis of accounting

The Company maintains its records on the accrual basis of accounting in accordance with accounting policies generally accepted in the United States.

Revenue recognition

Consulting fees, license, equipment sales, wireless data network services and travel income are recognized when services are performed and goods are delivered and the title and risks of ownership pass to the customer and the collection of the resulting receivables are reasonably assured.

Support revenue is recognized ratably over the term of the support contract.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

Cash

The Company maintains cash balances at various financial institutions.

For purposes of the Statement of Cash Flows, the Company considers all money-market instruments to be cash equivalents as all money market deposits are cashable at amounts recorded in the balance sheet.

Accounts receivable

The Company's accounts receivable contain no allowance for doubtful accounts, as all accounts are determined to be collectible.

For the period ended March 31, 2012 bad debt expense, net of the change in the allowance for doubtful accounts, was \$ nil (2011 - \$ nil).

APEX Systems Integrators Inc.
Notes to the Financial Statements
(Unaudited)
March 31, 2012

2. Summary of significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost. The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Depreciation expense is calculated using the declining balance method. The annual rates range from 20% to 30%. Maintenance and repairs are charged to operations when incurred. Renewals and replacements of a routine nature are charged to expense, while those that improve or extend the life of existing properties are capitalized.

Impairment of long-lived assets

Property, plant and equipment are tested for impairment upon occurrence of a triggering event that indicates the carrying value of such asset is no longer recoverable. Examples of such triggering events include a significant disposal of a portion of such assets, an adverse change in the market involving the business employing the related asset, and a significant change in the operations of the business.

The Company has determined that there were no adverse changes in its markets or other triggering events that could affect the valuation of its assets during the fiscal periods ended March 31, 2012 and March 31, 2011.

Fair value of financial instruments

The carrying amounts of the Company's cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short maturities of these instruments.

Foreign currency translation

The Company uses the Canadian Dollar as its functional currency and reporting currency. Assets and liabilities denominated in foreign currencies are translated into Canadian Dollars at the rate of exchange at the balance sheet date, while revenue and expenses are translated at the weighted average rates prevailing during the respective periods. Components of stockholders' equity are translated at historical rates. Exchange gains and losses resulting from translation are reflected in the statements of income.

Income taxes

Deferred income taxes are recorded to reflect certain items of income and expense recognized in different periods for financial reporting than for tax purposes. The principal source of temporary differences is differences in methods of depreciation. The Company accounts for income taxes in accordance with ASC 740 "Income Taxes". ASC 740 requires the determination of deferred tax assets and liabilities based on the differences between the financial statement and income tax bases of assets and liabilities, using enacted tax rates in effect or expected for the year in which the differences are expected to reverse. A valuation allowance is recognized, if necessary, to measure tax benefits to the extent that, based on available evidence, it is more likely than not that they will be realized.

APEX Systems Integrators Inc.
 Notes to the Financial Statements
 (Unaudited)
 March 31, 2012

3. Property, plant and equipment

| | Cost | Accumulated Amortization | March 31 2012 Net Book Value | July 31 2011 Net Book Value |
|--------------------------------|-----------|-----------------------------|---------------------------------------|--------------------------------------|
| Office furniture and equipment | \$66,692 | \$ 55,118 | \$11,574 | \$15,478 |
| Tools and equipment | 31,083 | 21,006 | 10,077 | 12,596 |
| Computer hardware | 23,614 | 16,621 | 6,993 | 3,466 |
| Vehicle | - | - | - | 3,215 |
| Computer software | 34,097 | 34,097 | - | - |
| | \$155,486 | \$ 126,842 | \$28,644 | \$34,755 |

4. Share capital

Authorized:

Unlimited number of Class A voting shares

Issued:

| | | March 31, 2012 | July 31, 2011 |
|-----|--|-------------------|------------------|
| 500 | Common shares of APEX Systems Integrators Inc. | \$500 | \$500 |
| 500 | Common shares of APEX Systems Integrators (USA) Inc. | - | 500 |
| | | \$500 | \$1,000 |

5. Commitments

The Company has the following annual operating lease commitment with a related party as described in Note 7 with respect to premises:

| | |
|------|-----------|
| 2013 | \$210,000 |
| 2014 | 219,000 |
| 2015 | 237,000 |
| 2016 | 159,000 |
| | \$825,000 |

APEX Systems Integrators Inc.
Notes to the Financial Statements
(Unaudited)
March 31, 2012

6. Measurement uncertainty

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management regarding certain types of assets, liabilities, revenues, and expenses. Such estimates included in the preparation of these financial statements include the assumptions used in determining the useful lives of long-lived assets and the assumptions used in determining whether assets are impaired. Actual results could differ from those estimates.

As well, these financial statements include deferred revenue relating to consulting work that was completed and delivered, but for which a liability remained. This amount is subject to significant uncertainty due to the level of judgment required in determining the consulting work that remains to be completed at each year end.

In addition, the Company has unrecognized tax benefits from uncertain tax positions of \$170,000 (2011 - \$170,000). This amount is subject to significant uncertainty due to the likelihood of the outcome in the event of a potential Canada Revenue Agency audit.

7. Related party transactions

APEX Systems Integrators Inc. leases premises as described in Note 5 from an entity controlled by the spouse of a shareholder. Rent expense for the period included in the Statement of Income was \$125,276 (2011 - \$123,046).

This transaction has been recorded at the exchange amount, being the amount agreed upon by the parties.

8. Financial instruments

Fair value of financial instruments

The fair values of cash and cash equivalents, accounts receivables and accounts payables are assumed to approximate their carrying amounts because of their short term to maturity.

APEX Systems Integrators Inc.
Notes to the Financial Statements
(Unaudited)
March 31, 2012

8. Financial instruments (continued)

Financial risk

The financial risk to the Company's earnings arises from fluctuations in foreign exchange rates and the degree of volatility of those rates. The Company does not use derivative instruments to reduce its exposure to foreign exchange risk as management does not consider such risks to be material. The Company's exposure to foreign currency is as follows:

| | March 31, 2012 | July 31, 2011 |
|------------------------------|-------------------|------------------|
| Cash and cash equivalents | \$205,731 | \$844,383 |
| | (8,368) | (9,809) |
| Accounts payable | | |
| Gross balance sheet exposure | \$197,363 | \$834,574 |

A one cent increase in the Canadian dollar against the U.S. dollar at March 31, 2012, would have decreased equity and net income by \$1,974 (2011 - \$8,346). This analysis assumes that all other variables remain constant (a one cent weakening of the Canadian dollar against the U.S. dollar at March 31, 2012 or July 31, 2011, would have had the equal but opposite effect).

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash equivalents and accounts receivable. The Company has deposited cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote. Credit risks associated with trade receivables are limited by the Company's credit granting policies and an insurance policy which covers possible losses for certain of the Company's customers.

9. Subsequent events

Subsequent to the 2012 period end, the Company was acquired by DecisionPoint Systems Inc. The sale closed on June 4, 2012.

Item 9.01(b). Unaudited Pro Forma Combined Financial Information

The following unaudited pro forma combined financial information of DecisionPoint Systems, Inc. (“Company”) is presented to reflect the acquisition (“Acquisition”) by the Company of all the issued and outstanding shares of Apex Systems Integrators, Inc. (“Apex”). The Acquisition was consummated on June 4, 2012. The unaudited pro forma combined balance sheet of the Company at March 31, 2012, reflects the effects of the Acquisition as if it occurred on such date. The unaudited pro forma combined statements of operations for the three months ended March 31, 2012 and the year ended December 31, 2011 reflect the effects of the Acquisition as if it occurred at the beginning of each period presented. The unaudited pro forma financial information is based on the historical consolidated financial statements of the Company and Apex. The historical financial information of Apex includes the financial information of Apex Systems Integrators, Inc. and Apex Systems Integrators (USA), Inc. (“Apex USA”) as Apex purchased the operations of Apex USA in July 2011; accordingly, the combined historical information of both entities are necessary to provide a fair presentation of the historical operations that have been acquired by the Company.

Such unaudited pro forma combined financial information should be read in conjunction with the historical consolidated financial statements of the Company for the year ended December 31, 2011, including the notes thereto, which were filed as part of the Company’s Form 10-K filed with the Securities and Exchange Commission on March 30, 2012, and the Company’s Quarterly Report on Form 10-Q for the three month period ended March 31, 2012, which was filed with the Securities and Exchange Commission on May 14, 2012. Such unaudited pro forma combined financial information includes unaudited historical combined financial information of Apex as of March 31, 2012 and for the three month period ended March 31, 2012 and year ended December 31, 2011, which have been prepared by management of Apex. The unaudited pro forma combined statements of operations of the Company only include the acquisition of Apex. In addition, the unaudited pro forma combined financial statements are based upon pro forma allocations of the purchase price of Apex based upon the fair value of the assets and liabilities acquired in connection with the Acquisition. Management believes that all material adjustments necessary to reflect the effect of the Acquisition have been made to the unaudited pro forma combined financial information.

The unaudited pro forma combined financial information is for informational purposes only and is not necessarily indicative of the results of operations of the Company that would have occurred if the acquisition of Apex had been completed on the dates indicated, nor does it purport to represent the Company’s results of operations as of any future date or for any future period.

DecisionPoint Systems, Inc.
 Unaudited Pro Forma
 Combined Balance Sheet March 31, 2012
 (000's except share amounts)

| ASSETS | DecisionPoint | Apex | Combined | Pro Forma Adjustments | Pro Forma Combined |
|---|------------------|---------------|------------------|--------------------------|-----------------------|
| Current assets | | | | | |
| Cash | \$ 493 | \$ 574 | \$ 1,067 | \$ (574) (a) | \$ 493 |
| Accounts receivable, net | 10,502 | 178 | 10,680 | - | 10,680 |
| Other receivable | 1,494 | - | 1,494 | - | 1,494 |
| Inventory, net | 963 | 8 | 971 | - | 971 |
| Deferred costs | 3,402 | - | 3,402 | - | 3,402 |
| Prepaid expenses and other current assets | 326 | 20 | 346 | 429 (b, c) | 775 |
| Total current assets | 17,180 | 780 | 17,960 | (145) | 17,815 |
| Property and equipment, net | 99 | 29 | 128 | - | 128 |
| Other assets, net | 240 | - | 240 | 156 (i) | 396 |
| Deferred costs, net of current portion | 1,879 | - | 1,879 | - | 1,879 |
| Goodwill | 5,538 | - | 5,538 | 2,823 (c) | 8,361 |
| Intangible assets, net | 2,065 | - | 2,065 | 4,651 (c) | 6,716 |
| Total assets | \$ 27,001 | \$ 809 | \$ 27,810 | \$ 7,485 | \$ 35,295 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | |
| Current liabilities | | | | | |
| Accounts payable | \$ 10,300 | \$ 84 | \$ 10,384 | \$ 1,024 (l) | \$ 11,408 |
| Accrued expenses and other current liabilities | 1,830 | 138 | 1,968 | - | 1,968 |
| Line of credit | 1,600 | - | 1,600 | 800 (d) | 2,400 |
| Current portion of debt | 1,000 | - | 1,000 | 840 (e) | 1,840 |
| Due to related party | 909 | - | 909 | - | 909 |
| Unearned revenue | 5,742 | 581 | 6,323 | (134) (c, f) | 6,189 |
| Total current liabilities | 21,381 | 803 | 22,184 | 2,530 | 24,714 |
| Long term liabilities | | | | | |
| Unearned revenue, net of current portion | 2,578 | - | 2,578 | - | 2,578 |
| Debt, net of current portion and discount | 727 | - | 727 | 3,360 (e) | 4,087 |
| Deferred tax liabilities | 22 | - | 22 | 1,233 (c, g) | 1,255 |
| Present value of earnout payment | - | - | - | 1,236 (c, h) | 1,236 |
| Interest payable | 60 | - | 60 | - | 60 |
| Total liabilities | 24,768 | 803 | 25,571 | 8,359 | 33,930 |

| | | | | | |
|---|-----------|--------|-----------|--------------|-----------|
| Commitments and contingencies | - | - | - | - | - |
| STOCKHOLDERS' EQUITY | | | | | |
| Cumulative convertible preferred stock, \$0.001 par value, 10,000,000 shares authorized, 1,816,289 shares issued and outstanding, including cumulative and imputed preferred dividends of \$567 and \$436, and with a liquidation preference of \$10,679 and \$10,652, respectively | 6,451 | - | 6,451 | - | 6,451 |
| Common stock, \$0.001 par value, 100,000,000 shares authorized, 8,182,791 issued and 8,028,908 outstanding at March 31, 2012 (historical) and 8,507,792 issued and 8,353,908 outstanding at March 31, 2012 (pro forma) | 8 | 1 | 9 | (1) (m) | 8 |
| Additional paid-in capital | 14,535 | - | 14,535 | 341 (m) | 14,876 |
| Treasury stock, 153,883 shares of common stock | (205) | - | (205) | - | (205) |
| Accumulated deficit | (17,690) | 5 | (17,685) | (1,214) (k) | (18,899) |
| Unearned ESOP shares | (866) | - | (866) | - | (866) |
| Total stockholders' equity | 2,233 | 6 | 2,239 | (874) | 1,365 |
| Total liabilities and stockholders' equity | \$ 27,001 | \$ 809 | \$ 27,810 | \$ 7,485 | \$ 35,295 |

DecisionPoint Systems,
Inc.

Unaudited Pro Forma Combined Statement of
Operations

For the Three Months Ended March 31, 2012

| (000's except per share data) | | | | Pro Forma | Pro Forma |
|---|---------------|----------|-----------|----------------|---------------|
| | DecisionPoint | Apex | Combined | Adjustments | Combined |
| Net sales | \$ 17,810 | \$ 1,221 | \$ 19,031 | \$ - | \$ 19,031 |
| Cost of sales | 14,057 | 763 | 14,820 | - | 14,820 |
| Gross profit | 3,753 | 458 | 4,211 | - | 4,211 |
| Selling, general and administrative expense | 3,835 | 356 | 4,191 | (7) (c, j) | 4,184 |
| Operating (loss) income | (82) | 102 | 20 | 7 | 27 |
| Total interest and other expense | 113 | 25 | 138 | 175 (e) | 313 |
| Net (loss) income before income taxes | (195) | 77 | (118) | (168) | (286) |
| Provision for income taxes | 42 | 22 | 64 | - (n) | 64 |
| Net (loss) income | (237) | 55 | (182) | (168) | (350) |
| Cumulative dividends on preferred stock | 222 | - | 222 | - | 222 |
| Income available to common shareholders | \$ (459) | \$ 55 | \$ (404) | \$ (168) | \$ (572) |
| Net loss per share - basic and diluted | \$ (0.06) | | | | \$ (0.07) |
| Weighted-average shares outstanding - basic and diluted | 7,392,441 | | | | 7,717,441 (m) |

DecisionPoint Systems, Inc.

Unaudited Pro Forma Combined Statement of Operations

For the Year Ended December 31, 2011

| (000's except per share data) | | | | Pro Forma | Pro Forma |
|---|---------------|----------|-------------|--------------|---------------|
| | DecisionPoint | Apex | Combined | Adjustments | Combined |
| Net sales | \$ 58,359 | \$ 3,102 | \$ 61,461 | \$ - | \$ 61,461 |
| Cost of sales | 46,368 | 1,102 | 47,470 | - | 47,470 |
| Gross profit | 11,991 | 2,000 | 13,991 | - | 13,991 |
| Selling, general and administrative expense | 13,597 | 1,213 | 14,810 | 1,330 (c, j) | 16,140 |
| Operating (loss) income | (1,606) | 787 | (819) | (1,330) | (2,149) |
| Total interest and other expense | 3,462 | (41) | 3,421 | 701 (e) | 4,122 |
| Net (loss) income before income taxes | (5,068) | 828 | (4,240) | (2,031) | (6,271) |
| Provision for income taxes | 100 | 170 | 270 | - (n) | 270 |
| Net (loss) income | (5,168) | 658 | (4,510) | (2,031) | (6,541) |
| Cumulative dividends on preferred stock | 486 | - | 486 | - | 486 |
| Income available to common shareholders | \$ (5,654) | \$ 658 | \$ (4,996) | \$ (2,031) | \$ (7,027) |
| Net loss per share - basic and diluted | \$ (0.94) | | | | \$ (1.11) |
| Weighted-average shares outstanding - basic and diluted | 6,019,900 | | | | 6,344,900 (m) |

Notes to Pro Forma Financial Statements

Note 1 – Basis of Presentation

On June 4, 2012, (“Closing Date”), DecisionPoint Systems, Inc. (“Company” or “DPS”), 2314505 Ontario Inc., a wholly-owned subsidiary of the Company (“Purchaser”), Karen Dalicandro (“KD”), Donald Dalicandro (“DD”), and 2293046 Ontario Inc. (“KD Co” and together with KD, the “Sellers”) entered into a Share Purchase Agreement (“SPA”). Pursuant to the SPA, Purchaser purchased all of the issued and outstanding shares of Apex Systems Integrators Inc., a corporation organized under the laws of the Province of Ontario, Canada. In consideration for the shares of Apex Systems Integrators, Inc., on the Closing Date the Purchaser paid CDN\$5,000,000 (“Closing Amount”), of which CDN\$240,000 (“Escrow Amount”) was placed in escrow with the Purchaser’s attorney and CDN\$10,000 is held by the Purchaser as a holdback. On the Closing Date, the Purchaser and Apex merged under the corporate name of Apex Systems Integrators Inc., and is hereafter referred to herein as “Apex”.

Closing costs and associated expenses either previously paid, payable in cash or recorded as deferred financing costs after the Closing Date total approximately \$1.8 million, including the issuance of 325,000 shares of the Company’s common stock at the market price of \$1.05 per share on the Closing Date. Of this amount, approximately \$190,000 was reflected as deferred financing costs and the remainder was reflected as a charge to selling, general and administrative expenses in the historical financial statements of the Company as follows: 1) Fourth quarter ended December 31, 2011: \$46,000; 2) First quarter ended March 31, 2012: \$351,000; and 3) Second quarter ended June 30, 2012: \$1,213,000. The transaction was accounted for using the purchase method of accounting in accordance with Accounting Standard Codification (“ASC”) 805 - Business Combinations and the operating results for Apex have been consolidated into the Company’s results of operations beginning on June 5, 2012.

The unaudited pro forma combined financial statements have been prepared to give effect to the acquisition by the Company of Apex using the historical consolidated financial statements of the Company and the historical combined financial statements Apex. Please note that the unaudited pro forma combined financial statements should be read in conjunction with the audited and unaudited historical financial statements of the Company and Apex, respectively. This information can be found in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and Quarterly Report on Form 10-Q for the three months ended March 31, 2012, and in Item 9.01 of this Current Report on Form 8-K/A.

The historical financial information of Apex includes the financial information of Apex Systems Integrators, Inc. and Apex Systems Integrators (USA), Inc. (“Apex USA”) as Apex purchased the operations of Apex USA in July 2011; accordingly, the combined historical information of both entities is necessary to provide a fair presentation of the historical operations that have been acquired by the Company.

The unaudited pro forma combined balance sheet as of March 31, 2012, combines the unaudited consolidated balance sheets of the Company and Apex on March 31, 2012, and gives effect to the Acquisition as if it had occurred on March 31, 2012.

The unaudited pro forma combined statement of operations for the three months ended March 31, 2012, combines the unaudited results of operations of the Company and Apex to give the effect as if the Acquisition occurred the first day of the period presented (January 1, 2012). The unaudited pro forma combined statement of operations for the twelve months ended December 31, 2011, combines the audited consolidated statements of operations of the Company for the twelve months fiscal year ended December 31, 2011, with the unaudited combined statement of operations of Apex for the twelve months ended December 31, 2011, to give the effect as if the Acquisition occurred the first day of the period presented (January 1, 2011).

The unaudited pro forma combined financial statements reflect the value of the Canadian Dollar equal to one United States Dollar (1:1) at March 31, 2012, for the three month period ended March 31, 2012 and the year ended December 31, 2011 as that value approximates the conversion rate for all dates and periods presented. Accordingly, the historical financial information of Apex is translated from its reporting currency (Canadian Dollars) to the Company's reporting currency (US Dollars) using \$1CDN = \$1US.

Note 2 - Unaudited Pro Forma Adjustments

The following are explanations that correspond by letter to the pro forma adjustments in the accompanying unaudited pro forma combined financial statements:

(a) Cash impact upon paying the Closing Amount to the Sellers: (000's except where indicated)

| | |
|---|----------|
| 1) Apex cash was distributed to shareholder prior to consummation of purchase transaction | \$(574) |
| 2) Borrowing on DPS line of credit to fund acquisition | 800 |
| 3) Borrowing from RBC to fund acquisition | 2,500 |
| 4) Borrowing from BDC to fund acquisition | 1,700 |
| 5) Payment of cash purchase consideration | (5,000) |
| Net impact on cash | \$(574) |

(b) Working capital adjustment arising from the negative working capital delivered to the Company on the Closing Date and the \$0.2 million positive working capital as required pursuant to the terms of the SPA.

(c) The following table summarizes the fair values of the Apex assets acquired and liabilities assumed and the allocation of the excess purchase price to certain identifiable intangible assets. The two periods presented represent the pro forma balance sheet date of this report on March 31, 2012 and the actual Closing Date of June 4, 2012, given effect to currency exchange rates at that date: (000's except where indicated)

| | Pro Forma March 31, 2012 | Closing June 4, 2012 |
|--|--------------------------------|-------------------------|
| Assets acquired: | | |
| Accounts receivable | \$ 178 | \$ 243 |
| Due from related party | 429 | 412 |
| Other current assets | 28 | 63 |
| Property and equipment | 29 | 30 |
| Intangible assets | 4,651 | 4,466 |
| Goodwill | 2,823 | 2,449 |
| Total assets acquired | 8,138 | 7,663 |
| Liabilities assumed: | | |
| Accounts payable and other accrued liabilities | (222) | (195) |
| Unearned revenue | (447) | (297) |
| Deferred tax liability | (1,233) | (1,184) |
| Total liabilities assumed | (1,902) | (1,676) |
| Net assets acquired | \$ 6,236 | \$ 5,987 |
| Purchase consideration: | | |
| Cash paid at closing | \$ 5,000 | \$ 4,801 |
| Earn out consideration | 1,236 | 1,186 |
| Total purchase consideration | \$ 6,236 | \$ 5,987 |

The Company has allocated the purchase price to the tangible and identified intangible assets acquired and liabilities assumed based on their fair values in accordance with generally accepted accounting principles in accordance with

ASC 805. ASC 805 considers the existence of intangible assets in the following areas: marketing, customer relationships, proprietary software, artistic creations, contracts, and technology. The Company has identified and valued software for customer sales, customer relationships, trademarks / tradenames and non-compete agreements as Apex's principal intangible assets in accordance with ASC 805 requirements.

As of the unaudited pro forma combined balance sheet date, below are the fair values of the identified intangible assets and their respective amortization periods for their useful life: (000's except where indicated)

| | Fair Value | Estimated Useful life |
|-------------------------|------------|-----------------------|
| Customer relationships | \$ 1,600 | 9 years |
| Software | 2,586 | 3.5 years |
| Trade name | 450 | 7 years |
| Covenant not to compete | 15 | 1 year |
| | \$ 4,651 | |

Amortization of customer relationships and tradenames are calculated using the discounted cash flow methodology to more properly reflect the greater useful life of the assets in the early years while the proprietary software, ApexWare, is amortized using proportional revenue approach and the covenant not to compete is amortized on a straight-line basis. For the unaudited pro forma combined periods presented, monthly amortization would have been \$114,700, based upon their respective useful lives. Total amortization for the three months ended March 31, 2012 and the year ended December 31, 2011, was \$344,000 and \$1,376,000, respectively.

The estimated total amortization expenses for the five years after the closing are as follows: (000's except where indicated)

| Years ending December 31: | |
|---------------------------|----------|
| 2012 | \$ 803 |
| 2013 | 1,123 |
| 2014 | 987 |
| 2015 | 896 |
| 2016 and thereafter | 842 |
| | \$ 4,651 |

There is no pro forma adjustment for depreciation expense since the historical depreciation is comparable.

(d) Drawdown of \$0.8 million on DPS line of credit to fund the acquisition of Apex.

(e) Term loan debt to fund the acquisition of Apex and the commensurate additional interest along with other increase in interest expense as result of transaction:

RBC Term Loan -- On June 4, 2012, Apex entered into the Royal Bank of Canada ("RBC") Credit Agreement with RBC pursuant to which RBC made available certain credit facilities in the aggregate amount of up to CDN\$2.75 million, including a term facility in the amount of CDN\$2.5 million. The loan requires monthly payments of principal totalling CDN\$70,000, plus interest with a final maturity date of June 2015.

BDC Term Loan -- On June 4, 2012, Apex entered into a Loan Agreement with BDC Capital Inc., a wholly-owned subsidiary of Business Development Bank of Canada, ("BDC"), pursuant to which BDC made available to Apex a term credit facility in the aggregate amount of CDN\$1.7 million. The maturity date of the loan is June 2016.

Based on the payment terms of these purchase related obligations, the pro forma combined current portion of the loans is \$840,000 and the pro forma long term portion, net is \$3,360,000.

Additional interest expense is as follows: (000's except where indicated)

| | | | |
|---|----|-------|-----|
| RBC Term Loan - | | | |
| Principal | \$ | 2,500 | |
| Approximate rate of interest | | 7.0 | % |
| Pro forma annual interest expense | | | 175 |
| BDC Term Loan - | | | |
| Principal | \$ | 1,700 | |
| Approximate rate of interest | | 12.0 | % |
| Pro forma annual interest expense | | | 204 |
| Additional required interest payments of \$20 per quarter | | | 80 |
| SVB Line of Credit - | | | |
| Principal | \$ | 800 | |
| Approximate rate of interest | | 7.5 | % |
| Pro forma annual interest expense | | | 60 |
| Amortization of deferred financing costs -\$190,000/3years | | | 64 |
| Related Party Additional Annual Interest - | | | |
| Expense reflects the increase in rate from 12% to 25% on \$909 related party obligation | | | |
| | | | 118 |
| Pro forma increase in interest expense for the year ended December 31, 2011. | \$ | 701 | |
| Pro forma increase in interest expense for the three months ended March 31, 2012. | \$ | 175 | |

(f) Fair value of Apex' unearned revenue related service obligations.

- (g) Deferred tax liability of \$1.233 million arising from the future amortization of the intangible assets calculated using an estimated Canadian tax rate of 26.5%.
- (h) Present value of the future potential contingent earn-out and bonus consideration the Sellers may earn based upon Apex achieving certain earnings before interest, taxes, depreciation and amortization and revenue targets as defined in the SPA.
- (i) In connection with the financing as described in (e), the Company incurred deferred financing costs of \$190,000, which are to be amortized over 3 years. Of this, \$34,000 was previously deferred by DPS as of March 31, 2012.
- (j) Pro forma add back of one-time transaction costs expensed in the historical periods ended March 31, 2012 and December 31, 2011 of \$351,000 and \$46,000, respectively.

(k) Impact upon retained earnings: (000's except where indicated)

| | |
|---|---------|
| 1) Total acquisition related costs | \$1,796 |
| 2) Costs reflected in DPS historical financial statements as of March 31, 2012 | (431) |
| 3) Total acquisition costs not recorded in historical financial statements as of March 31, 2012 | 1,365 |
| 4) Acquisition costs reflected as debt discount and deferred financing costs (see (i)) | (156) |

| | |
|---|---------|
| Acquisition costs which are expensed and thus reflected as a reduction to retained earnings | 1,209 |
| 5) Reflects the removal of the \$5 in retained earnings of Apex in the acquisition. | 5 |
| Pro Forma reduction to retained earnings | \$1,214 |

(l) Impact on accounts payable: (000's except where indicated)

| | |
|---|---------|
| 1) Total acquisition related costs | \$1,796 |
| 2) Costs reflected in DPS historical financial statements as of March 31, 2012 | (431) |
| 3) Total acquisition costs not recorded in historical financial statements as of March 31, 2012 | 1,365 |
| Acquisition costs reflected through the issuance of 325,000 shares of common stock at March 31. | |
| 4) 2012 | (341) |
| Pro Forma acquisition costs reflected through the recordation of accounts payable at March 31, 2012 | \$1,024 |

(m) Reflects the issuance of 325,000 shares of common stock as consideration for acquisition related expenses. Shares were valued at \$1.05 per share or \$341,000. Shares are assumed to be fully outstanding in the periods presented.

(n) The pro forma does not reflect an adjustment to income tax expense as the pro forma combined income expense would not be materially different from the historical stand alone income tax expense of the Company and Apex.