

DecisionPoint Systems, Inc.
Form 10-Q
August 22, 2011
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2011

Or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

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

Delaware
(State of Incorporation)

000-54200
(Commission File Number)

74-3209480
(IRS Employer Identification No.)

19655 Descartes, Foothill Ranch, CA 92610-2609
(Address of principal executive offices) (Zip code)

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

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 requirement for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer
Non-accelerated filer

Accelerated filer

(Do not check if a smaller reporting company) Smaller reporting company

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

The number of shares of common stock, par value \$0.001 per share of DecisionPoint Systems, Inc., issued and outstanding as of the close of business on August 22, 2011 was 8,039,784.

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DECISIONPOINT SYSTEMS, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DECISIONPOINT SYSTEMS, INC.
Unaudited Condensed Consolidated Balance Sheets

	June 30, 2011	December 31, 2010 (Restated)
Current assets		
Cash	\$232,399	\$315,169
Accounts receivable, net	8,149,116	12,575,597
Note receivable	100,000	-
Other receivable	1,491,789	-
Inventory, net	794,616	898,465
Deferred costs	3,195,037	3,562,654
Deferred tax assets	55,000	55,000
Prepaid expenses	625,136	457,863
Total current assets	14,643,093	17,864,748
Property and equipment, net		
Property and equipment, net	102,173	100,070
Other assets, net	244,754	173,465
Deferred costs, net of current portion	1,156,233	1,414,851
Goodwill	5,538,466	5,508,864
Intangible assets, net	2,471,500	2,729,000
Total assets	\$24,156,219	\$27,790,998
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	\$8,038,394	\$10,364,368
Accrued expenses and other current liabilities	3,126,111	5,368,060
Line of credit	843,797	4,364,221
Current portion of debt, net of discount	2,453,030	1,000,000
Unearned revenue	5,906,292	5,714,434
Total current liabilities	20,367,624	26,811,083
Long term liabilities		
Unearned revenue, net of current portion	1,564,448	1,850,440
Debt, net of current portion and discount	-	1,940,000
Interest payable	60,000	60,000
Total liabilities	21,992,072	30,661,523
Commitments and contingencies		
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, \$0.001 par value, 10,000,000 shares authorized, 500,000 designated		

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Series A Cumulative Convertible Preferred, 500,000 designated Series B Cumulative Convertible Preferred and 5,000,000 designated Series C Cumulative Convertible Preferred, 1,816,289 and 400,955 shares issued and outstanding, including cumulative preferred dividends of \$184,938 and \$130,738, and with a liquidation preference of \$10,598,052 and \$1,485,738, respectively	6,069,003	1,485,738
Common stock, \$0.001 par value, 100,000,000 shares authorized, 8,039,784 and 5,080,970 shares issued and outstanding, respectively	8,040	5,081
Additional paid-in capital	14,181,035	8,238,995
Accumulated deficit	(17,132,748)	(11,576,776)
Unearned ESOP shares	(961,183)	(1,023,563)
Total stockholders' equity (deficit)	2,164,147	(2,870,525)
Total liabilities and stockholders' equity (deficit)	\$24,156,219	\$27,790,998

See accompanying notes to unaudited condensed consolidated financial statements

DECISIONPOINT SYSTEMS, INC.
Unaudited Condensed Consolidated Statements of Operations

	Three Months ended June 30,		Six Months ended June 30,	
	2011	2010 (Restated)	2011	2010 (Restated)
Net sales	\$ 13,223,806	\$ 13,288,041	\$ 26,024,764	\$ 24,360,304
Cost of sales	10,558,355	10,760,615	21,035,704	19,796,583
Gross profit	2,665,451	2,527,426	4,989,060	4,563,721
Selling, general and administrative expense	3,499,674	2,484,501	6,992,649	4,919,866
Operating income (loss)	(834,223)	42,925	(2,003,589)	(356,145)
Other expense:				
Interest expense, net	477,049	493,588	772,616	963,398
Loss on debt extinguishment	2,641,059	-	2,641,059	-
Other expense (income), net	(73,328)	388,294	76,786	708,979
Total other expense	3,044,780	881,882	3,490,461	1,672,377
Net loss before income taxes	(3,879,003)	(838,957)	(5,494,050)	(2,028,522)
Provision for income taxes	94	11,091	7,722	52,567
Net loss	(3,879,097)	(850,048)	(5,501,772)	(2,081,089)
Cumulative preferred stock dividends	(27,100)	(19,500)	(54,200)	(39,000)
Net loss attributable to common shareholders	\$(3,906,197)	\$(869,548)	\$(5,555,972)	\$(2,120,089)
Net loss per share -				
Basic and diluted	\$(0.83)	\$(0.27)	\$(1.23)	\$(0.67)
Weighted average shares outstanding -				
Basic and diluted	4,698,460	3,213,497	4,517,238	3,184,217

See accompanying notes to unaudited condensed consolidated financial statements

DECISIONPOINT SYSTEMS, INC.
 Unaudited Consolidated Statements of Stockholders' Equity (Deficit)

	Convertible Preferred stock		Common stock		Additional paid-in capital	Accumu- lated deficit	Unearned ESOP shares	Total stockholders' deficit
	Shares	Amount	Shares	Amount				
Balance at January 1, 2011 (restated)	400,955	\$1,485,738	5,080,970	\$5,081	\$8,238,995	\$(11,576,776)	\$(1,023,563)	\$(2,870,525)
Reverse recapitalization transaction: Shares deemed issued to Comamtech stockholders in exchange for net assets contributed	-	-	2,186,868	2,187	3,945,500	-	-	3,947,687
Expenses related to reverse recapitalization	-	-	-	-	(657,766)	-	-	